

SAVANNAH STATE UNIVERSITY



Annual Financial Report Fiscal Year 2018

Savannah, Georgia

SAVANNAH STATE UNIVERSITY
TABLE OF CONTENTS
For the Fiscal Year Ended June 30, 2018

Introductory Section

| | |
|----------------------------|---|
| Message from the President | 2 |
| Letter of Transmittal | 3 |

Financial Section

| | |
|--|----------|
| Independent Accountant's Review Report | <u>5</u> |
| Management's Discussion and Analysis | 7 |
| Financial Statements (GAAP Basis) | |
| Statement of Net Position | 22 |
| Statement of Revenues, Expenses, and Changes in Net Position | 25 |
| Statement of Cash Flows | 27 |
| Notes to the Financial Statements | 30 |

Required Supplementary Information

| | |
|--|----|
| Schedule of Contributions for Defined Benefit Pension Plan | 62 |
| Schedule of Proportionate Share of Net Pension Liability | 63 |
| Notes to the Required Supplemental Information for Pension Plans | 64 |
| Schedule of Contributions for OPEB Plan | 65 |
| Schedule of Proportionate Share of the Net OPEB Liability | 66 |
| Notes to the Required Supplemental Information for OPEB Plan | 67 |

Supplementary Information

| | |
|---|----|
| Balance Sheet (Non-GAAP Basis) | 69 |
| Statement of Funds Available and Expenditures Compared to Budget (Non-GAAP Basis) | 70 |
| Statement of Changes to Fund Balance by Program and Funding Source (Non-GAAP Basis) | 72 |

Introductory Section



OFFICE OF THE PRESIDENT



December 14, 2018

Message from the President:

The 2017-2018 academic year at Savannah State University was filled with success and opportunity. Over \$100 thousand dollars provided continued renovation improvements to Morgan Hall that allowed Savannah State University to launch the Access to Success (A2S) program and satellite library services to freshman students. These added services and programming provided enhanced support to 1,491 freshman students. In addition, we completed the restoration and renovation of our Kennedy Fine Arts building. Some of the enhancements to the Kennedy Fine Arts building include the addition of a Fine Arts Gallery, which allows students to display their work with upgraded art studios and theater facilities totaling \$2.2 million.

At Savannah State University, we continue to prepare smart, bold and proud students. The university continues to foster an engaged personal growth experience in a student centered environment. The legacy upon which this university was founded continues to nurture a diverse student body.

We are grateful for the ongoing support of the University System of Georgia, its Board of Regents, the governor and legislators, our alumni, the SSU Foundation, the dedicated faculty and staff, our vital and involved student body and the city of Savannah as a whole. As the oldest public HBCU in the state and the oldest institution of higher learning in Savannah, we are proud of our distinct heritage and we are prepared and eager to serve the community.

Sincerely,

Cheryl Davenport Dozier
President



Letter of Transmittal

December 14, 2018

Madam President, Savannah State University:

The Annual Financial Report (AFR) for Savannah State University includes the financial statements for the year ended June 30, 2018, as well as other useful information that helps to ensure the University's accountability and integrity to the public. The AFR also includes the Management Discussion and Analysis, which includes all note disclosures necessary for the reader to gain a broad understanding of the University's financial position and results of operations for the fiscal year ended June 30, 2018.

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

The University's financial records are audited by the State of Georgia Department of Audits and Accounts (DOAA) as part of the University System of Georgia on an annual basis. The University's internal auditors also perform fiscal compliance and performance engagements, sharing the results with the University's management.

This fiscal year an external CPA firm was engaged by the Board of Regents to perform a review engagement of the University's financial statements. A review engagement is conducted to provide limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with the financial reporting framework. These analytical procedures provide better understanding of key relationships among certain numbers. This understanding gives more assurance about the reasonableness of the financial condition presented in the financial statements.

Based on the inquires and analytical procedures, the CPA firm is able to express only limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with the applicable financial reporting framework. Because a review engagement is substantially less intensive in scope than an audit, the CPA cannot express an opinion on the fairness of the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in blue ink that reads "Elaine S. Campbell".

Elaine S. Campbell, CPA, CGMA

Vice-President Business & Financial Affairs/CBO (Interim)



Financial Section





INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**To the Board of Regents of the
University System of Georgia and
Savannah State University
Atlanta, Georgia**

We have reviewed the accompanying financial statements of Savannah State University (the "University"), which is part of the University System of Georgia (an organizational unit of the State of Georgia), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only Savannah State University and do not purport to, and do not present fairly the financial position of the University System of Georgia (an organizational unit of the State of Georgia), as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 - 20, and the information regarding the University's pension and other postemployment benefit (OPEB) plans on pages 56 - 59, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited or reviewed the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Supplementary Information

The supplementary information includes the balance sheet (non-GAAP basis) on pages 70 the statement of funds available and expenditures compared to budget (non-GAAP basis) on pages 71 - 72, and the statement of changes to fund balance by program and funding source (non-GAAP basis) on pages 73 - 74, which are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited or reviewed the supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Atlanta, Georgia

December 14, 2018

SAVANNAH STATE UNIVERSITY

Management's Discussion and Analysis

Introduction

Savannah State University is one of the 26 institutions of higher education of the University System of Georgia. Chartered by the State of Georgia in 1890, Savannah State University has been an important part of higher education for 127 years. As the oldest public HBCU in Georgia and the oldest institution of higher learning in the historic city of Savannah, SSU has served this community with distinction while meeting the educational needs of an increasingly diverse student population.

The University's 173-acre campus is by far the most picturesque in the state of Georgia. The moss-laden sweeping oak trees, expansive marsh and historic architecture create a resplendent yet tranquil atmosphere. Beneath the beauty and splendor is a vibrant residential campus bursting at the seams with the vim and vigor of quality collegiate life: relevant academic majors, engaging lectures, cutting-edge research, quality student-faculty engagement and a nurturing environment.

Savannah State University develops productive members of a global society through high quality instruction, scholarship, research, service, and community involvement. The University fosters engaged learning and personal growth in a student-centered environment that celebrates the African American legacy while nurturing a diverse student body. Savannah State University offers graduate and under graduate studies including nationally accredited programs in the liberal arts, the sciences and the professions.

| | STUDENT HEADCOUNT | STUDENT FTE |
|---------|-------------------|-------------|
| FY 2018 | 4,429 | 4,192 |
| FY 2017 | 4,955 | 4,680 |
| FY 2016 | 4,800 | 4,544 |

Overview of the Financial Statements and Financial Analysis

The University is pleased to present its financial statements for fiscal year 2018. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2018 and fiscal year 2017. However, the comparative data for fiscal year 2017 does not reflect the effects of the restatement of July 1, 2017 net position. This restatement is predominately related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this Statement resulted in the accrual of the University's proportionate share of the net other post-employment benefit (OPEB) liability for the Board of Regents Retiree Health Benefit Plan, changes to the related OPEB note disclosures, additional OPEB required supplementary information, and the restatement of the July 1, 2017 net position balance. See Note 1 in the Notes to the Financial Statements for additional information related to the effects of the restatement of July 1, 2017 net position.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year, which ended on June 30, 2018. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snap shot of Savannah State University. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), deferred outflows of resources, Liabilities (current and noncurrent), deferred inflows of resources and Net Position. The difference between current and noncurrent assets will be discussed in the Notes to the Financial Statements.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the University and how much the University owes vendors. The difference between assets and liabilities (net position) is one indicator of the University's financial health. Increases or decreases in net position provide an indicator of the improvement or decline of the University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment. Net Position is divided into three major categories. The first category, net investment in capital assets, provides the Institution's equity in property, plant and equipment owned by the Institution. The next category is restricted, which is divided into two categories, non-expendable and expendable. The corpus of non-expendable, restricted resources is available only for investment purposes. Expendable, restricted resources are available for expenditure by the Institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

The final category is unrestricted. Unrestricted resources are available to the University for any lawful purpose.

| CONDENSED STATEMENT OF NET POSITION | June 30, 2018 | June 30, 2017 | Increase/ (Decrease) | % Change |
|--|------------------------|----------------------|-----------------------------|------------------|
| ASSETS | | | | |
| Current Assets | \$ 9,230,630 | \$ 13,105,569 | \$ (3,874,939) | (29.57)% |
| Capital Assets, Net | 153,620,222 | 139,453,020 | 14,167,202 | 10.16 % |
| Other Assets | 9,615,128 | 9,194,313 | 420,815 | 4.58 % |
| TOTAL ASSETS | 172,465,980 | 161,752,902 | 10,713,078 | 6.62 % |
| DEFERRED OUTFLOWS | 10,276,091 | \$ 11,211,681 | (935,590) | (8.34)% |
| LIABILITIES | | | | |
| Current Liabilities | 11,748,229 | 9,770,610 | 1,977,619 | 20.24 % |
| Non-Current Liabilities | 177,526,308 | 135,941,248 | 41,585,060 | 30.59 % |
| TOTAL LIABILITIES | 189,274,537 | 145,711,858 | 43,562,679 | 29.90 % |
| DEFERRED INFLOWS | 8,154,098 | 4,433,736 | 3,720,362 | 83.91 % |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 54,563,192 | 37,787,682 | 16,775,510 | 44.39 % |
| Restricted, Non-Expendable | 7,832,124 | 7,374,665 | 457,459 | 6.20 % |
| Restricted, Expendable | 1,075,503 | 1,030,718 | 44,785 | 4.35 % |
| Unrestricted | (78,157,383) | (23,374,076) | (54,783,307) | 234.38 % |
| TOTAL NET POSITION | \$ (14,686,564) | \$ 22,818,989 | \$ (37,505,553) | (164.36)% |

Total assets of the University increased by \$10,713,078 or 6.62%. This increase was the result of a significant increase in capital assets, which is offset by decreases in Cash and Cash Equivalent and Student Accounts Receivable. The overall decrease in unrestricted cash and investments was mostly driven by spending for maintenance and renovation costs. During FY 2018, the University established Allowance for Doubtful Accounts for Students Accounts Receivable to amend the amount that was not established in prior years to be in line with Generally Accepted Accounting Principles (GAAP).

Additionally, during FY 2018, the Technology and the Marine Science buildings were completed and placed into service, which were gifted to the University by Georgia State Financing and Investment Commission (GSFIC). The construction of the two buildings were also managed by GSFIC and turned over to the University after completion, which contributed to an increase in net capital assets.

The consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the institution to better serve the instruction, research and public service missions of the institution.

Total deferred outflows of resources decreased by \$(935,590) or 8.34%, which was primarily due to the University's proportionate share of the actuarially determined deferred loss on defined benefit pension plan administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia.

Total liabilities increased for the year by \$43,214,567 or 29.90% which was due to an increase in current liabilities of \$1,629,507 and an increase in non-current liabilities of \$41,585,060. Accounts payable increased for the year by \$385,809 or 37.12%. Advances increased for the year by \$666,142 or 24.34%, which was directly due to grants and contracts funds collected before regular grant activities and summer semester revenues deferred as a result of classes crossing fiscal years. Lease purchase obligations overall decreased for the year by \$2,787,641 or 12.33%. The decrease occurred primarily as a result of the refinancing of the long-term notes for University Village and University Commons by the foundation. The change in Compensated Absences was minimal for FY 2018, which shows that vacation time taken and accrued during the year was in line with FY 2017. Funds held for others increased for the year by \$794,261 or 39.46%. The increase is the result of the new agency accounts established during the fiscal year and direct loans agency accounts transactions that increased based on the timing of receiving the funds from the Department of Education and HOPE Georgia. Net pension liability decreased for the year by \$(4,562,693) or 11.54%. The decrease is attributed to the University's proportionate share of the actuarially determined liability for defined benefit plans administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia.

In fiscal year 2018, Savannah State University adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The provisions of this Statement establish accounting and financial reporting standards for OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts and non-trusts. The primary objective of the GASB standards is to improve the usefulness of information relating to OPEB included in the external financial reports for making decisions and assessing accountability. The plan scope includes OPEB plans (defined benefit and defined contribution). Implementation of this standard required a restatement to beginning Net Position. The adoption of this statement has a significant/negative impact on the University's financial statements. Therefore, the significant increase in non-current liabilities of \$41,585,060 or 30.59% is the result of the implementation of this standard, which contributed \$48,901,517 of long-term debt to the non-current liabilities section of the Statement of Net Position.

The combination of the adoption of GASB 75, the change in total assets and deferred outflows of resources, and the change in total liabilities and deferred inflows of resources yielded a decrease in net position of \$(37,505,553). This change in net position is primarily in the category of Unrestricted Net Position as the unrestricted net position was not adequate to absorb the \$48,901,517 in Other Post Employment Benefits Liability. The increased of Net Investment in Capital Assets in the amount of \$16,775,510 lessens the impact of the OPEB implementation.

Total deferred inflows of resources increased by \$3,720,362 or 83.91%, which was primarily a combination of the University's proportionate share of the actuarially determined deferred gain on defined benefit pension plan administered by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia, gain on debt refunding attributed to the refinancing of the long-term notes for University Village and University Commons, and the gain on OPEB Plan which can be attributed to the implementation of GASB 75.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the University, both operating and non-operating, and the expenses paid by the University, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the University. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided. For example state appropriations are non-operating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

| CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION | June 30, 2018 | June 30, 2017 | Increase/ (Decrease) | % Change |
|--|----------------------|----------------------|---------------------------------|---------------------|
| Operating Revenue | \$ 53,662,553 | \$ 58,630,618 | \$ (4,968,065) | -8.47 % |
| Operating Expense | 98,139,607 | 98,013,480 | 126,127 | 0.13 % |
| Operating Income/Loss | (44,477,054) | (39,382,862) | (5,094,192) | 12.94 % |
| Non-Operating Revenue and Expense | 39,039,124 | 36,887,650 | 2,151,474 | 5.83 % |
| Income (Loss) before Other Revenues, Expenses, Gains, or Losses | (5,437,930) | (2,495,212) | (2,942,718) | 117.93 % |
| Other Revenues, Expenses, Gains, Losses and Special Items | 17,866,605 | 75,000 | 17,791,605 | 23,722. 14 % |
| Change in Net Position | 12,428,675 | (2,420,212) | 14,848,887 | (613.54)% |
| Net Position at beginning of year, restated | (27,115,239) | 25,239,201 | (52,354,440) | -207.43 % |
| Net Position at End of Year | \$ (14,686,564) | \$ 22,818,989 | \$ (37,505,553) | (164.36)% |

*The June 30, 2017 net position balance does not reflect the prior year Other Post-Employment Benefits (OPEB) restatement in the chart above.

The Statement of Revenues, Expenses and Changes in Net Position reflect the decrease in Net Position in the amount of \$(27,115,239) or 207.43%, which is substantially attributable to the adoption of GASB 75.

Revenues

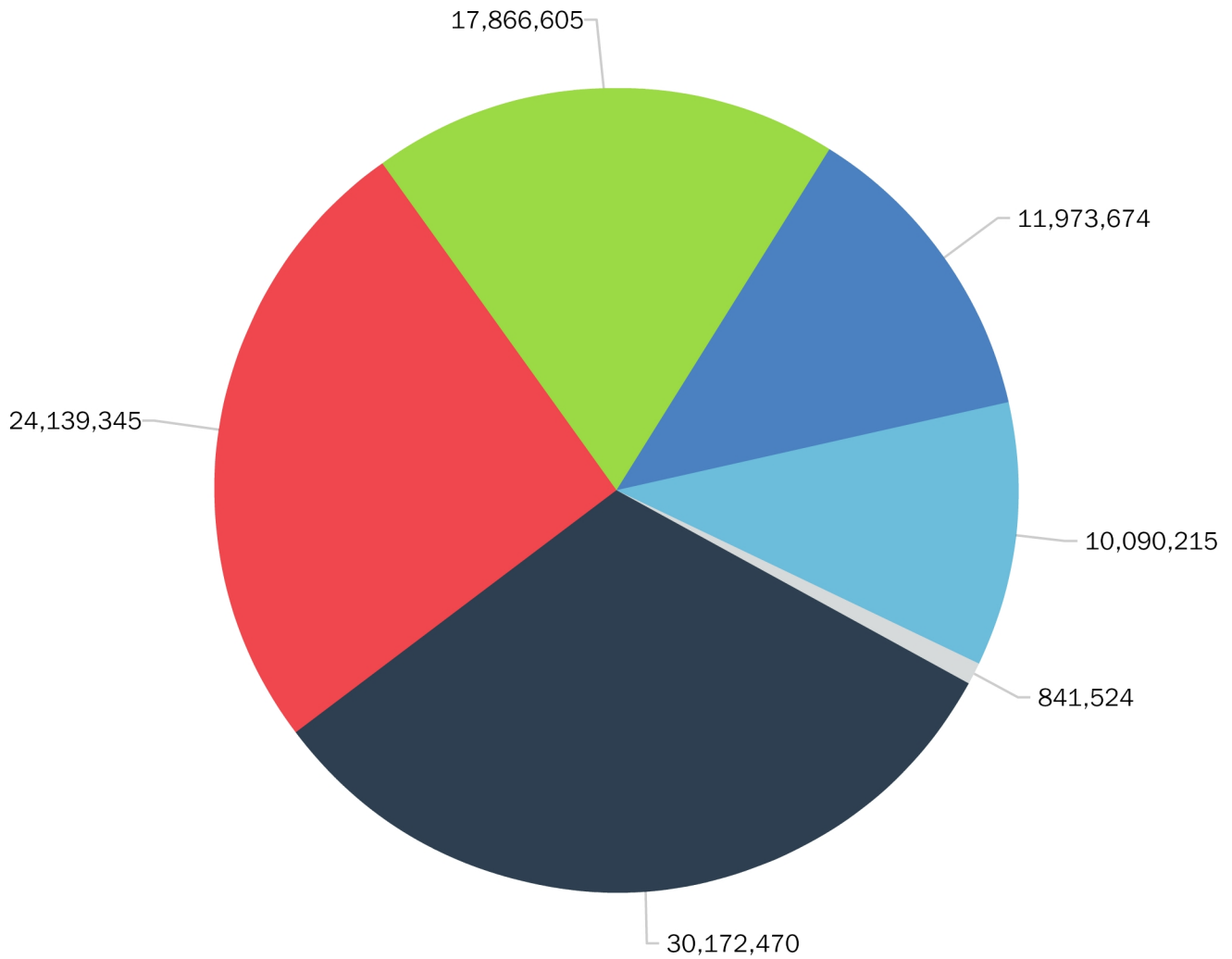
In fiscal year 2018, state appropriations increased \$1,435,677 or 6.32% , grants and contracts revenue increased by \$887,187 or 3%, and net tuition and fee revenues decreased by \$(1,877,453) or 13.55%. This decrease is attributed to the drop in enrollment. The drop in student enrollment is being experienced by other institutions across the USG. However, the Board of Regents' Fiscal Office has been instrumental in guiding the institution as it attempts to right size its operations to mitigate the impact of the drop in student enrollment.

For the years ended June 30, 2018 and June 30, 2017, revenues by source were as follows:

| REVENUES BY SOURCE | June 30, 2018 | June 30, 2017 | Increase/ (Decrease) | % Change |
|--|-----------------------|-----------------------|---------------------------------|-------------------|
| Tuition and Fees | \$ 11,973,674 | 13,851,127 | \$ (1,877,453) | -13.55 % |
| Federal Appropriations | 0 | 0 | — | 0.00 % |
| Grants and Contracts | 10,090,215 | 9,785,658 | 304,557 | 3.11 % |
| Sales and Services | 841,524 | 983,692 | (142,168) | -14.45 % |
| Auxiliary Enterprises | 30,172,470 | 32,381,086 | (2,208,616) | -6.82 % |
| Other Operating Revenues | 584,670 | 1,629,055 | (1,044,385) | -64.11 % |
| Total Operating Revenues | 53,662,553 | 58,630,618 | (4,968,065) | (8.47)% |
| State Appropriations | 24,139,345 | 22,703,668 | 1,435,677 | 6.32 % |
| Grants and Contracts | 17,429,633 | 16,847,003 | 582,630 | 3.46 % |
| Gifts | 2,201,771 | 1,111,705 | 1,090,066 | 98.05 % |
| Investment Income | 473,395 | 705,048 | (231,653) | -32.86 % |
| Other Nonoperating Revenues (Expenses) | (426,697) | 134,228 | (560,925) | -417.89 % |
| Total Nonoperating Revenues | 43,817,447 | 41,501,652 | 2,315,795 | 5.58 % |
| State Capital Gifts and Grants | 17,727,632 | 0 | 17,727,632 | 100.00 % |
| Other Capital Gifts and Grants | 138,973 | 75,000 | 63,973 | 85.30 % |
| Total Capital Gifts and Grants | 17,866,605 | 75,000 | 17,791,605 | 23,722.1 % |
| Additions to Permanent and Term Endowments | 0 | 0 | — | 0.00 % |
| Special Items | 0 | 0 | — | 0.00 % |
| Extraordinary Items | 0 | 0 | — | 0.00 % |
| Total Revenues | \$ 115,346,605 | \$ 100,207,270 | \$ 15,139,335 | 15.11 % |

Revenue by source (state appropriations, grants and contracts, tuition and fees, auxiliaries, gifts and other sources) is depicted by the following chart:

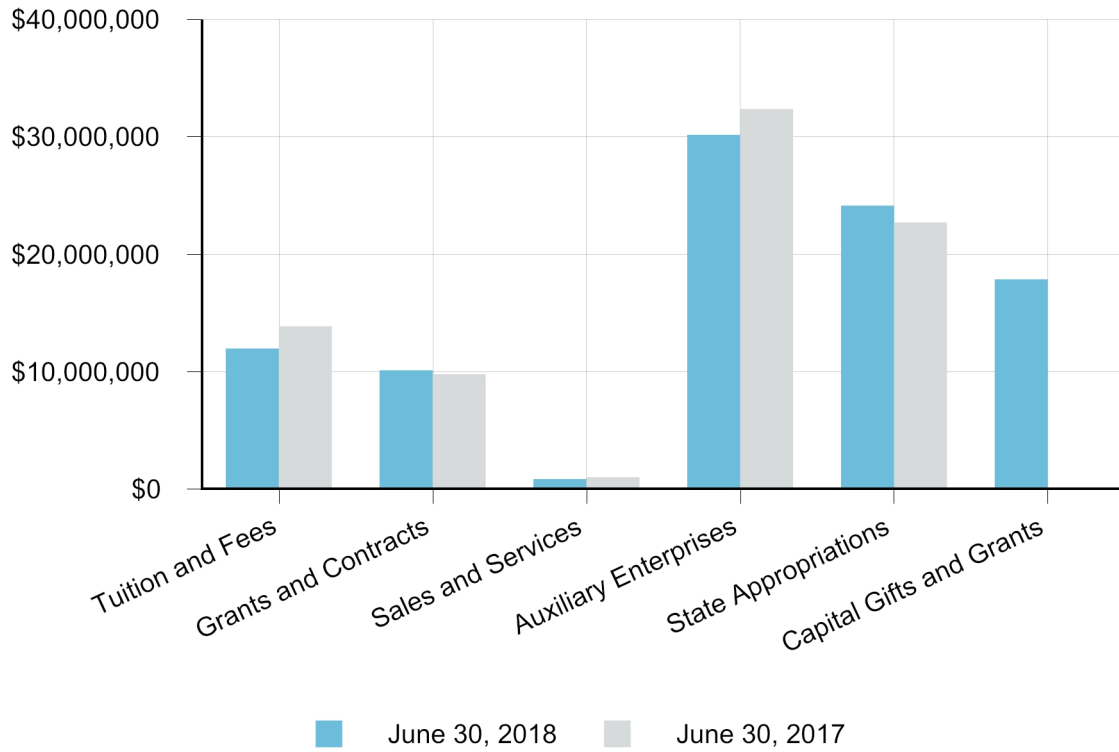
Revenue by Major Source



- Tuition and Fees
- Grants and Contracts
- Sales and Services
- Auxiliary Enterprises
- State Appropriations
- Capital Gifts and Grants

Revenue by major source for the years ended June 30, 2018 and June 30, 2017 is depicted by the following chart:

Revenue Source by Major Source



Expenses

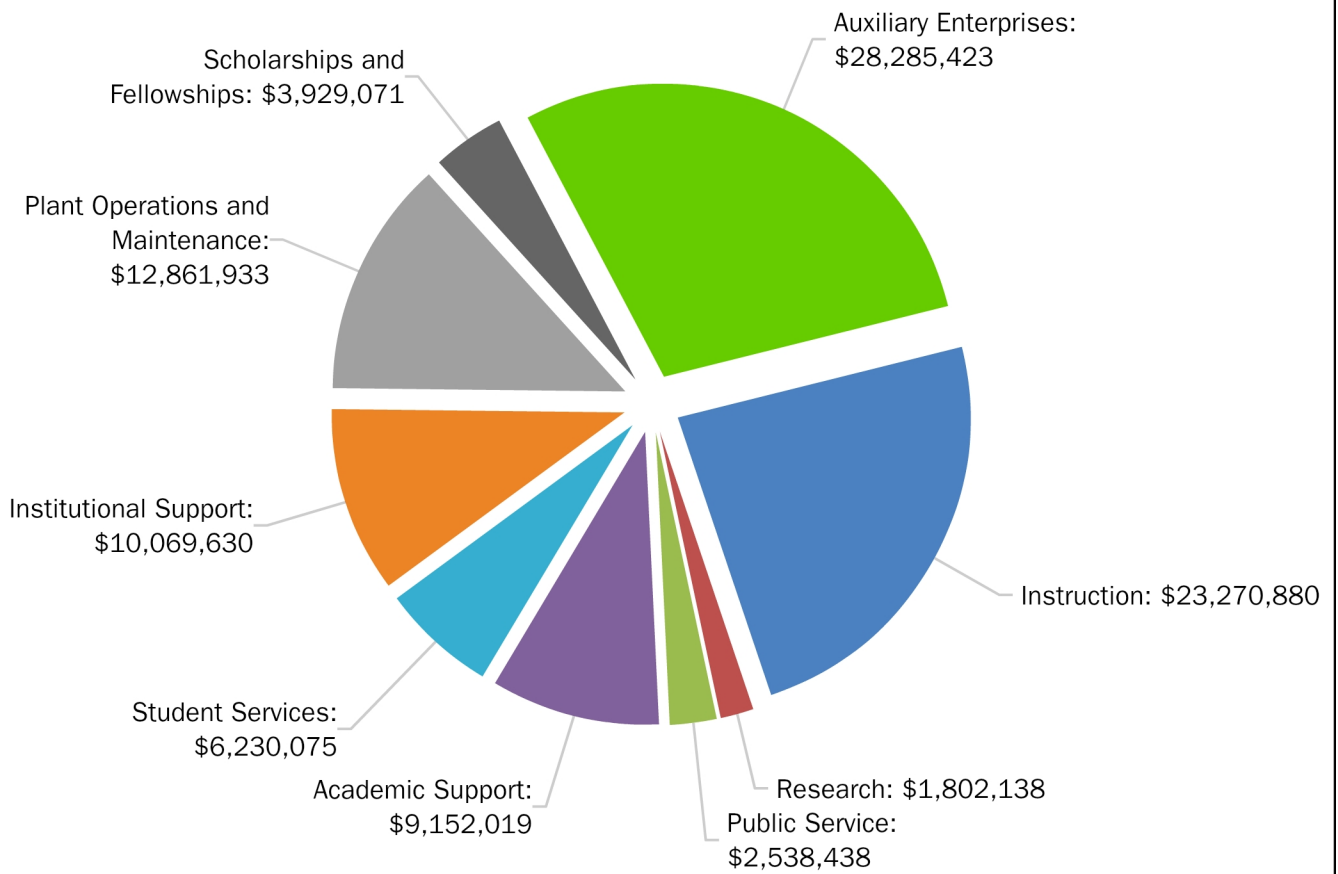
For the years ended June 30, 2018 and June 30, 2017, expenses by functional classification were as follows:

| EXPENSES BY FUNCTIONAL CLASSIFICATION | June 30, 2018 | June 30, 2017 | Increase/ (Decrease) | % Change |
|--|----------------------|----------------------|-----------------------------|-----------------|
| Instruction | 23,270,880 | 24,197,318 | (926,438) | -3.83% |
| Research | 1,802,138 | 1,730,548 | 71,590 | 4.14% |
| Public Service | 2,538,438 | 2,393,786 | 144,652 | 6.04% |
| Academic Support | 9,152,019 | 8,837,886 | 314,133 | 3.55% |
| Student Services | 6,230,075 | 5,905,649 | 324,426 | 5.49% |
| Institutional Support | 10,069,630 | 10,801,141 | (731,511) | -6.77% |
| Plant Operations and Maintenance | 12,861,933 | 11,725,400 | 1,136,533 | 9.69% |
| Scholarships and Fellowships | 3,929,071 | 3,610,543 | 318,528 | 8.82% |
| Auxiliary Enterprises | 28,285,423 | 28,811,209 | (525,786) | -1.82% |
| Patient Care | 0 | 0 | — | 0.00% |
| Unallocated Expenses | 0 | 0 | — | 0.00% |
| Total Operating Expenses | 98,139,607 | 98,013,480 | 126,127 | 0.13% |
| Interest Expense | 4,778,323 | 4,614,002 | 164,321 | 3.56% |
| Total Nonoperating Expenses | 4,778,323 | 4,614,002 | 164,321 | 3.56% |
| | | | | |
| Total Expenses | 102,917,930 | 102,627,482 | 290,448 | 0.28% |

Total operating expenses were \$98,139,607 in fiscal 2018, an increase of \$126,127 or less than 1% when compared with fiscal 2017. The slight increase is primarily attributable to the following functional classifications: Research \$71,590, Public Service \$144,652, Academic Support \$314,133, Student Services \$324,426, Plant Operations \$1,136,533, and Scholarships and Fellowships \$318,528.

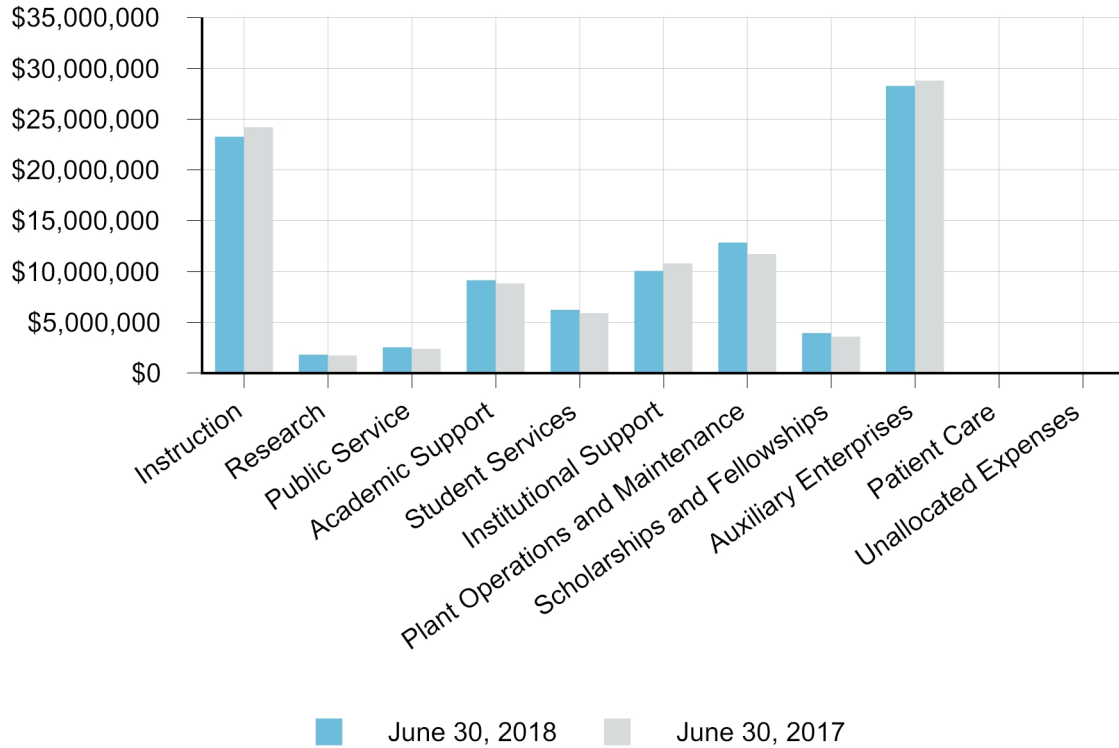
The following chart depicts the fiscal 2018 operating expenses by functional classification.

Operating Expenses by Functional Classification



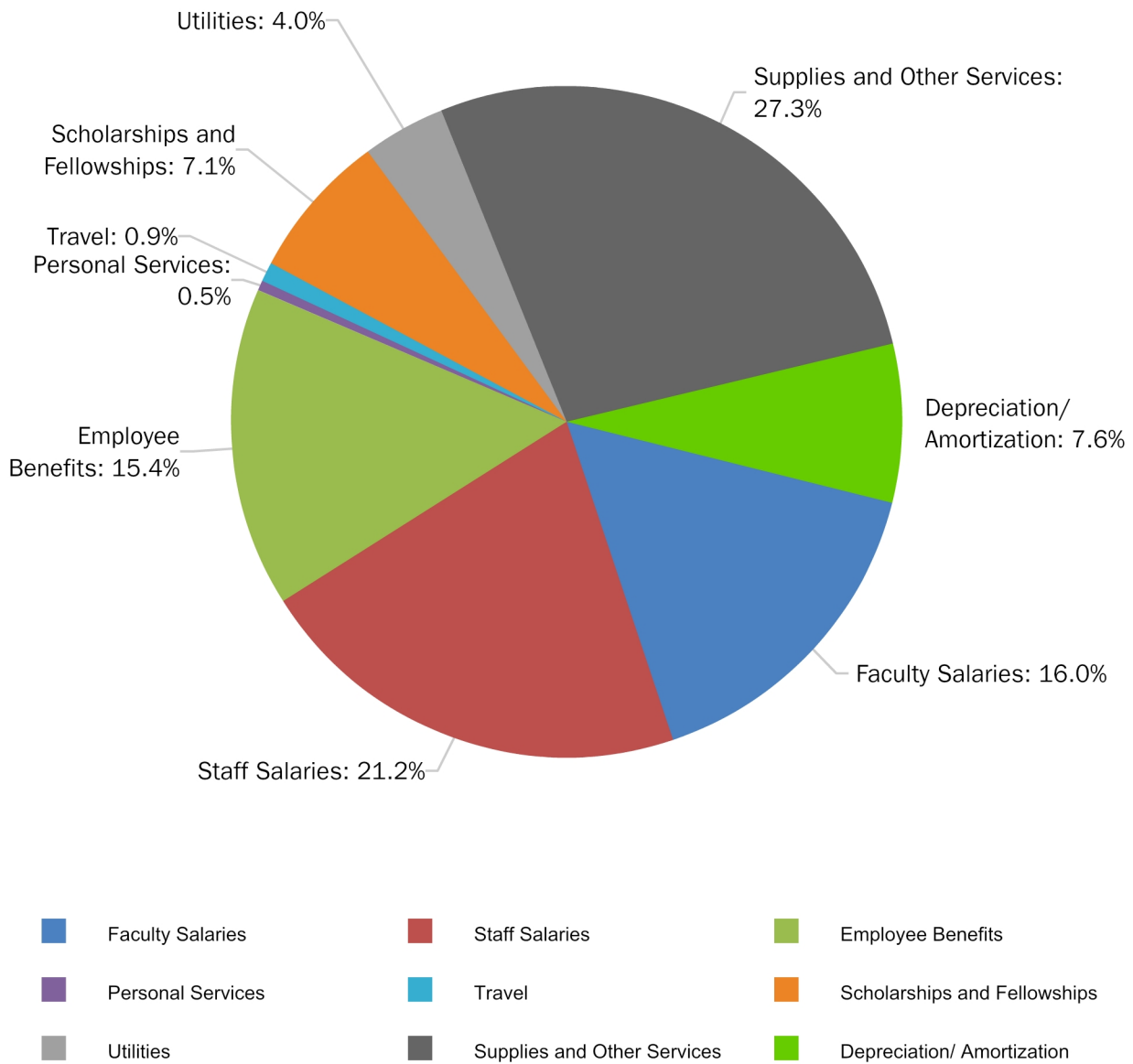
Operating expenses by by functional classification for the years ended June 30, 2018 and June 30, 2017 is depicted by the following chart:

Operating Expenses by Functional Classification



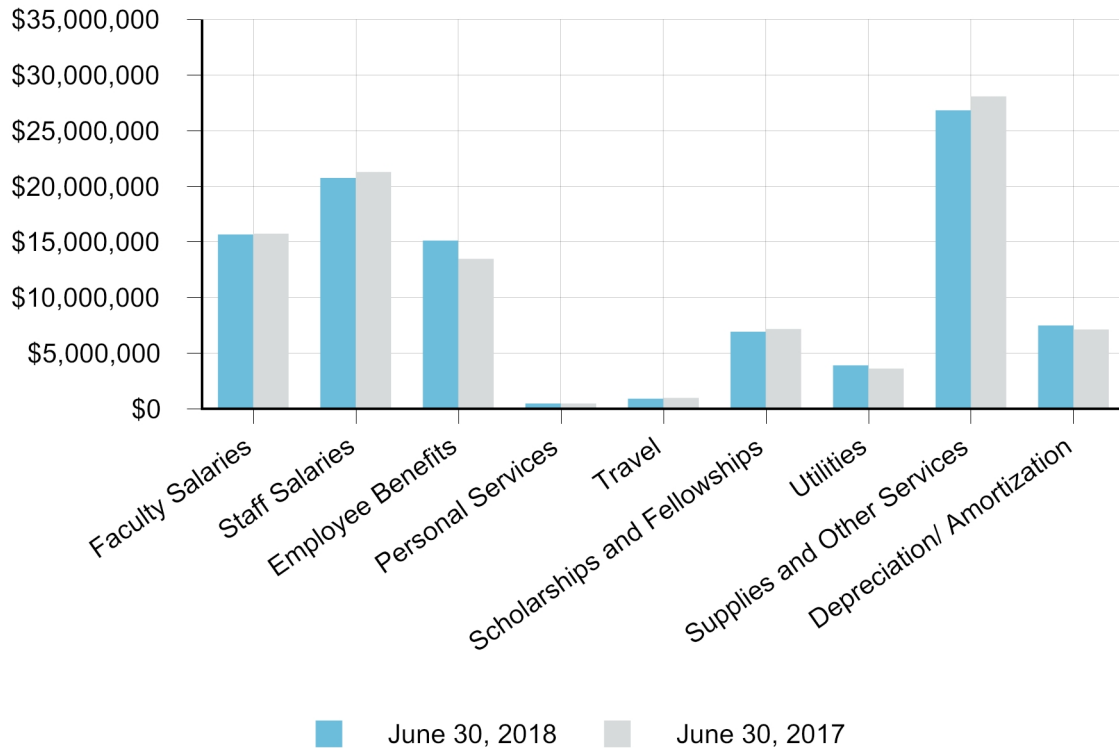
The following chart depicts the fiscal 2018 operating expenses by natural classification.

Operating Expenses by Natural Classification



Operating expenses by by natural classification for the years ended June 30, 2018 and June 30, 2017 is depicted by the following chart:

Operating Expenses by Natural Classification



Statement of Cash Flows

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

Cash Flows for the Years Ended June 30, 2018 and 2017, Condensed

| CONDENSED STATEMENT OF NET CASH FLOWS | | |
|--|-----------------------|---------------------|
| | June 30, 2018 | June 30, 2017 |
| Cash Provided (Used) by: | | |
| Operating Activities | \$ (33,671,788) | (29,078,474) |
| Non-Capital Financing Activities | 43,140,360 | 40,834,882 |
| Capital and Related Financing Activities | (11,468,545) | (9,995,075) |
| Investing Activities | 12,473 | 7,543 |
| NET CHANGE IN CASH | \$ (1,987,500) | \$ 1,768,876 |
| Cash, beginning of year (restated) | 4,922,094 | 3,153,218 |
| CASH, end of year | \$ 2,934,594 | \$ 4,922,094 |

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2018 and June 30, 2017 were as follows:

| CAPITAL ASSETS, net of accumulated depreciation | June 30, 2018 | June 30, 2017 | Increase (Decrease) | % Change |
|--|-----------------------|-----------------------|----------------------|---------------|
| Land | \$ 1,240,219 | 1,240,219 | \$ — | 0.00% |
| Capitalized Collections | 0 | 0 | | 0.00% |
| Construction Work-in-Progress | 0 | 1,597,078 | (1,597,078) | -100.00% |
| Software Development-in-Progress | 0 | — | — | 0.00% |
| Infrastructure | 911,357 | — | 911,357 | 100.00% |
| Building and Building Improvements | 143,770,505 | 129,826,661 | 13,943,844 | 10.74% |
| Facilities and Other Improvements | 1,756,083 | 1,881,995 | (125,912) | -6.69% |
| Equipment | 4,880,032 | 3,808,230 | 1,071,802 | 28.14% |
| Library Collections | 1,030,502 | 1,065,931 | (35,429) | -3.32% |
| Capitalized Collections | 31,524 | 32,906 | (1,382) | -4.20% |
| Water, Timber, Mineral Rights, and Easements | — | — | — | 0.00% |
| Patents, Trademarks, and Copyrights | — | — | — | 0.00% |
| Software | — | — | — | 0.00% |
| Capital Assets, net of accumulated depreciation | \$ 153,620,222 | \$ 139,453,020 | \$ 14,167,202 | 10.16% |

The University had seven major capital asset renovations for buildings completed in fiscal year 2018. The King Frazier Dining Hall Expansion was completed to accommodate staff dining as well as to provide an area that takes advantage of the picturesque view of the marshes that Savannah State enjoys. It also provides an area that is conducive to external customers to conduct events to take advantage of the view of the marshes and surrounding scenery. The total costs of renovation was \$1,241,362. Another major renovation completed was the Jasmine Property, which houses several of the University's Advancement activities and Access programs. The Jasmine Property was done at a cost of \$517,773. The other major renovations completed were Thompkins Road Infrastructure- \$925,236, Hubert D Roof Replacement- \$209,500, Colston Administration Interior Renovation- \$353,319, Kennedy Interior Renovation- \$446,802, and King Frazier Roof Replacement- \$504,076. These major renovations were completed to accommodate the University's planned space utilization as laid out in the Strategic Plan.

Additionally, during FY 2018, the New Technology and the New Marine Science buildings were completed and placed into service, which were gifted to the University by Georgia State Financing and Investment Commission (GSFIC). The construction of the two buildings were also managed by GSFIC and turned over to the University after completion. The two buildings were constructed at a cost of \$19,001,788.

Savannah State University also expended \$381,300 to replace Chillers in Whiting Hall and the Library, \$1,464,109 for instructional equipment, \$194,297 for information technology, \$153,731 for library additions, \$110,000 on general equipment, \$56,573 on motor vehicles and golf carts or ATV, and \$32,325 for furniture.

For additional information concerning Capital Assets, see Notes 1, 6, and 13 in the Notes to the Financial Statements.

Long Term Liabilities

Savannah State University had Long-Term Liabilities of \$95,315,840 of which \$3,707,599 was reflected as current liability at June 30, 2018. For additional information concerning Long-Term Liabilities, see Note 8 in the Notes to the Financial Statements. The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, receivables, capital leases, compensated absences, retirement and other post employment benefits, capital assets and a report of operating expenses by function.

Economic Outlook

The University is not aware of any currently known facts, decisions, or conditions that are expected to have an adverse effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The University's overall financial position is good. Even with a decrease in enrollment, the University was able to maintain sufficient liquidity to meet its debt and obligations.

The significant decrease in Net Position is a direct result of a combination of factors to include the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other than Pensions (OPEB)*, which is a non-cash item. Therefore, this reflects the University's ability to utilize its resources to support its overall mission. The University is aware that it must align its resources with its strategic plan to ensure success of its initiatives. This past year is indicative that operating expenses must be continually monitored to ensure they are in line with not only the budget, but also the strategic objectives of the University. In addition, the University has an ambitious plan to right size its operations to mitigate against the drop in enrollment. Once the right size plan is implemented, the indications are that the University will be able to react comfortably to issues that must be addressed immediately and should function more effectively and efficiently. Finally, Savannah State University's financial team will continue to maintain a close watch over resources to sustain the University's ability to react to unknown internal and external issues.

Respectfully submitted
David Atkins, MAcc
Comptroller



Financial Statements (GAAP Basis)



**SAVANNAH STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2018**

Savannah State University

ASSETS

Current Assets

| | | |
|---|----|------------------|
| Cash and Cash Equivalents | \$ | 1,666,314 |
| Cash and Cash Equivalents (Externally Restricted) | | 1,140,885 |
| Short-term Investments | | 408,276 |
| Short-term Investments (Externally Restricted) | | — |
| Accounts Receivable, net | | |
| Federal Financial Assistance | | 2,555,237 |
| State General Appropriations | | — |
| Margin Allocation Funds | | — |
| Affiliated Organizations | | 681,264 |
| Component Units | | — |
| Primary Government | | — |
| Pledges and Contributions | | — |
| Other | | 2,622,973 |
| Notes Receivable, net | | — |
| Due From Other Funds | | — |
| Investment in Capital Leases - Primary Government | | — |
| Investment in Capital Leases - Other | | — |
| Inventories | | 66,572 |
| Prepaid Items | | 89,109 |
| Other Assets | | — |
| Total Current Assets | | 9,230,630 |

Non-Current Assets

| | | |
|---|--|--------------------|
| Accounts Receivable, net | | |
| Affiliated Organizations | | — |
| Component Units | | — |
| Primary Government | | — |
| Due From USO - Capital Liability Reserve Fund | | 844,039 |
| Due From Institution - Capital Liability Reserve Fund | | — |
| Pledges and Contributions | | — |
| Other | | — |
| Investments | | — |
| Notes Receivable, net | | 732,966 |
| Due From Other Funds | | — |
| Investment in Capital Leases - Primary Government | | — |
| Investment in Capital Leases - Other | | — |
| Other Assets | | — |
| Non-current Cash (Externally Restricted) | | 127,395 |
| Short-term Investments (Externally Restricted) | | 38,726 |
| Investments (Externally Restricted) | | 7,872,002 |
| Capital Assets, net | | 153,620,222 |
| Total Non-Current Assets | | 163,235,350 |
| TOTAL ASSETS | | 172,465,980 |

DEFERRED OUTFLOWS OF RESOURCES

\$ 10,276,091

The notes to the financial statements are an integral part of this statement.

SAVANNAH STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2018

| | <u>Savannah State University</u> |
|--|----------------------------------|
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | \$ 1,425,266 |
| Salaries Payable | 318,087 |
| Benefits Payable | 85,386 |
| Contracts Payable | — |
| Retainage Payable | — |
| Due to Affiliated Organizations | — |
| Due to Component Units | — |
| Due to Primary Government | — |
| Due to Other Funds | — |
| Due to USO - Capital Liability Reserve Fund | — |
| Advances (Including Tuition and Fees) | 3,402,933 |
| Deposits | — |
| Deposits Held for Other Organizations | 2,806,892 |
| Other Liabilities | 2,066 |
| Notes and Loans Payable | — |
| Lease Purchase Obligations - External | — |
| Lease Purchase Obligations - Component Units | 2,562,402 |
| Revenue Bonds and Notes Payable | — |
| Liabilities Under Split Interest Agreements | — |
| Interest Rate Swap | — |
| Pollution Remediation | — |
| Claims and Judgments | 190,381 |
| Compensated Absences | 954,816 |
| Total Current Liabilities | <u>11,748,229</u> |
| Non-Current Liabilities | |
| Due to Affiliated Organizations | — |
| Due to Component Units | — |
| Due to Primary Government | — |
| Due to Other Funds | — |
| Due to USO - Capital Liability Reserve Fund | — |
| Advances (Including Tuition and Fees) | — |
| Other Liabilities | — |
| Notes and Loans Payable | — |
| Lease Purchase Obligations - External | — |
| Lease Purchase Obligations - Component Units | 92,563,057 |
| Revenue Bonds and Notes Payable | — |
| Liabilities Under Split Interest Agreements | — |
| Interest Rate Swap | — |
| Pollution Remediation | — |
| Claims and Judgments | — |
| Compensated Absences | 1,094,592 |
| Net Other Post Employment Benefits Liability | 48,901,517 |
| Net Pension Liability | 34,967,142 |
| Total Non-Current Liabilities | <u>177,526,308</u> |
| TOTAL LIABILITIES | <u>189,274,537</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>8,154,098</u> |

NET POSITION

| | |
|----------------------------------|---------------------|
| Net Investment in Capital Assets | 54,563,192 |
| Restricted for: | |
| Nonexpendable | 7,832,124 |
| Expendable | 1,075,503 |
| Unrestricted (Deficit) | <u>(78,157,383)</u> |

TOTAL NET POSITION

\$ (14,686,564)

The notes to the financial statements are an integral part of this statement.

SAVANNAH STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2018

| | Savannah State University |
|--------------------------------|---------------------------|
| OPERATING REVENUES | |
| Student Tuition and Fees (net) | \$ 11,973,674 |
| Federal Appropriations | — |
| Grants and Contracts | |
| Federal | 9,469,336 |
| State | 104,591 |
| Other | 516,288 |
| Sales and Services | 841,524 |
| Rents and Royalties | 48,320 |
| Auxiliary Enterprises | |
| Residence Halls | 15,207,654 |
| Bookstore | 205,605 |
| Food Services | 8,847,869 |
| Parking/Transportation | 1,140,336 |
| Health Services | 578,304 |
| Intercollegiate Athletics | 4,095,075 |
| Other Organizations | 97,627 |
| Gifts and Contributions | — |
| Endowment Income | — |
| Other Operating Revenues | 536,350 |
| | <hr/> |
| Total Operating Revenues | 53,662,553 |
| | <hr/> |
| OPERATING EXPENSES | |
| Faculty Salaries | 15,672,083 |
| Staff Salaries | 20,767,559 |
| Employee Benefits | 15,113,201 |
| Other Personal Services | 478,017 |
| Travel | 909,428 |
| Scholarships and Fellowships | 6,941,560 |
| Utilities | 3,922,108 |
| Supplies and Other Services | 26,839,954 |
| Depreciation | 7,495,697 |
| | <hr/> |
| Total Operating Expenses | 98,139,607 |
| | <hr/> |
| Operating Income (Loss) | \$ (44,477,054) |
| | <hr/> |

The notes to the financial statements are an integral part of this statement.

**SAVANNAH STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2018**

| | <u>Savannah State University</u> |
|---|----------------------------------|
| NONOPERATING REVENUES (EXPENSES) | |
| State Appropriations | \$ 24,139,345 |
| Grants and Contracts | |
| Federal | 17,429,633 |
| State | — |
| Other | — |
| Gifts | 2,201,771 |
| Investment Income | 473,395 |
| Interest Expense | (4,778,323) |
| Other Nonoperating Revenues (Expenses) | (426,697) |
| | <hr/> |
| Net Nonoperating Revenues | 39,039,124 |
| | <hr/> |
| Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | (5,437,930) |
| | <hr/> |
| Capital Grants and Gifts | |
| Federal | — |
| State | 17,727,632 |
| Other | 138,973 |
| Additions to Permanent and Term Endowments | — |
| Special Item | — |
| Extraordinary Item | — |
| | <hr/> |
| Total Other Revenues, Expenses, Gains or Losses | 17,866,605 |
| | <hr/> |
| Change in Net Position | 12,428,675 |
| | <hr/> |
| Net Position, Beginning of Year, As Originally Reported | 22,818,989 |
| Prior Year Adjustments | (49,934,228) |
| Net Position, Beginning of Year, Restated | (27,115,239) |
| | <hr/> |
| Net Position, End of Year | \$ (14,686,564) |
| | <hr/> <hr/> |

The notes to the financial statements are an integral part of this statement.

**SAVANNAH STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

| | <u>Savannah State University</u> |
|---|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Payments from Customers | \$ 46,649,932 |
| Federal Appropriations | — |
| Grants and Contracts (Exchange) | 9,424,775 |
| Payments to Suppliers | (45,572,136) |
| Payments to Employees | (37,285,378) |
| Payments for Scholarships and Fellowships | (6,941,560) |
| Loans Issued to Students | (39,792) |
| Collection of Loans from Students | 92,371 |
| Other Receipts | — |
| Other Payments | — |
| Net Cash Used by Operating Activities | <u>(33,671,788)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| State Appropriations | 24,139,345 |
| Agency Funds Transactions - Receipts | 35,419,134 |
| Agency Funds Transactions - Disbursements | (34,094,504) |
| Gifts and Grants Received for Other Than Capital Purposes | 18,357,648 |
| Transfer of Endowments to Affiliated Organization | — |
| Other Non-Capital Financing Receipts | — |
| Other Non-Capital Financing Payments | (681,263) |
| Net Cash Flows Provided by Non-Capital Financing Activities | <u>43,140,360</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital Gifts and Grants Received | 14,931 |
| Proceeds from Sale of Capital Assets | — |
| Purchases of Capital Assets | (4,328,032) |
| Principal Paid on Capital Debt and Leases | (2,337,164) |
| Interest Paid on Capital Debt and Leases | (4,818,280) |
| Net Cash Used by Capital and Related Financing Activities | <u>(11,468,545)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from Sales and Maturities of Investments | — |
| Investment Income | 268,818 |
| Purchase of Investments | (256,345) |
| Net Cash Provided by Investing Activities | <u>12,473</u> |
| Net Decrease in Cash and Cash Equivalents | (1,987,500) |
| Cash and Cash Equivalents, Beginning of Year | <u>4,922,094</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 2,934,594</u> |

The notes to the financial statements are an integral part of this statement.

**SAVANNAH STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

| | Savannah State University |
|---|------------------------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: | |
| Operating Loss | \$ (44,477,054) |
| Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities | |
| Depreciation | 7,495,697 |
| Operating Expenses Related to Noncash Gifts | 1,273,756 |
| Change in Assets and Liabilities: | |
| Receivables, net | (1,248,370) |
| Inventories | 16,624 |
| Prepaid Items | 46,046 |
| Other Assets | |
| Notes Receivable, Net | 52,580 |
| Accounts Payable | 431,474 |
| Salaries Payable | 5,151 |
| Benefits Payable | — |
| Contracts Payable | — |
| Retainage Payable | — |
| Deposits | — |
| Advances (Including Tuition and Fees) | 666,142 |
| Other Liabilities | 491 |
| Funds Held for Others | — |
| Compensated Absences | (1,068) |
| Due to Affiliated Organizations | — |
| Pollution Remediation | — |
| Claims and Judgments | (190,381) |
| Net Pension Liability | (4,562,693) |
| Other Post-Employment Benefit Liability | 738,665 |
| Change in Deferred Inflows/Outflows of Resources: | |
| Deferred Inflows of Resources | 3,991,505 |
| Deferred Outflows of Resources | 2,089,647 |
| Net Cash Used by Operating Activities | <u>\$ (33,671,788)</u> |

**NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND
RELATED FINANCING TRANSACTIONS**

| | |
|---|---------------|
| Non-Capital Financing Activities Accounts Receivable, Net of Allowances | \$ — |
| Recognition of Non-Capital Financing Activities Advances and Deferred Inflows | \$ — |
| New Non-Capital Financing Debt | \$ — |
| Increase in Non-Capital Debt Related to Capitalized Interest | \$ — |
| Adjustments to Non-Capital Debt Beginning Balance Ran Through Current Year Activity | \$ — |
| Edit Description Other Non-Capital Financing Activities Noncash Items | \$ — |
| Edit Description Other Non-Capital Financing Activities Noncash Items | \$ — |
| Recognition of GSFIC Gift of Equipment not Meeting Capital Threshold or SVP | \$ 1,273,756 |
| Capital Financing Activities Accounts Receivable Accrual, Net of Allowances | \$ 2,543 |
| Gift of Capital Assets | \$ 17,727,632 |
| Loss on Disposal of Capital Assets | \$ 304,812 |
| Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity | \$ — |
| Accrual of Capital Asset Related Payables | \$ — |

| | |
|---|--------------|
| Capital Assets Acquired by Incurring Capital Lease Obligations | \$ — |
| Gain/Loss on Capital Debt Refunded | \$ — |
| Increase in Capital Debt due to Capitalized Interest | \$ — |
| Extinguishment of Capital Debt | \$ — |
| Adjustments to Capital Debt Beginning Balance Ran Through Current Year Activity | \$ — |
| Recognition of Capital Financing Activities Advances and Deferred Inflows | \$ — |
| Amortization of Deferred Gain/Loss of Capital Debt Refunded | \$ 271,143 |
| Accrual of Capital Financing Interest Payable | \$ (231,186) |
| Capitalized Interest on Guaranteed Energy Savings Performance Contract | \$ — |
| Edit Description Other Capital Financing Activities Noncash Items | \$ — |
| Edit Description Other Capital Financing Activities Noncash Items | \$ — |
| Unrealized Gain/Loss on Investments | \$ 204,577 |
| Gift of Investments | \$ — |
| GSFIC Gift of Equipment not Meeting Capital Threshold or SVP | \$ — |
| Edit Description Other Investing Activities Noncash Items | \$ — |
| Edit Description Other Investing Activities Noncash Items | \$ — |

The notes to the financial statements are an integral part of this statement.



Notes to the Financial Statements



SAVANNAH STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies

Nature of Operations

The Savannah State University (University) serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge and by disseminating knowledge to the people of Georgia, the nation, and throughout the world.

Reporting Entity

As defined by Official Code of Georgia Annotated (O.C.G.A) § 20-3-50, the University 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 University does not have the right to sue/be sued without recourse to the State. The University'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 University is not legally separate from the State. Accordingly, the University 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 University. *In addition, certain discretely presented component units of the State, as discussed below, have been included since they have been determined to be essential to the fair presentation to these departmental financial statements.* These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2018, 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 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 online at sao.georgia.gov/comprehensive-annual-financial-reports.

Basis of Accounting and Financial Statement Presentation

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

The University'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-fund transactions have been eliminated.

New Accounting Pronouncements

For fiscal year 2018, the University adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement addresses accounting and financial reporting issues regarding in-substance defeasance of debt. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2018, the University adopted GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues identified during implementation and application of certain other GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2018, the University adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of this Statement does not have a significant impact on the University's financial statements.

For fiscal year 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to improve the usefulness of information about post employment benefits other than pensions. The adoption of this Statement resulted in the accrual of the University's proportionate share of the net other post-employee benefit (OPEB) liability for the Board of Regents Retiree Health Benefit Plan, changes to the related OPEB note disclosures, additional OPEB required supplemental information, and the restatement of the July 1, 2017 net position balance.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the State Investment Pool (Georgia Fund 1) and the Board of Regents Short-Term Investment Pool. Cash and Cash Equivalents that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Cash and Cash Equivalents restricted as to use by a third party are reported as externally restricted.

Short-Term Investments

Short-Term Investments consist of investments of 90 days - 13 months. These include certificates of deposits or other time-restricted investments with original maturities of six months or more when purchased. Funds are not readily available and there is a penalty for early withdrawal. Short-Term Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Short-Term Investments restricted as to use by a third party are reported as externally restricted.

Investments

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The University accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses,

and Changes in Net Position. The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund, the Board of Regents Total Return Fund, the Board of Regents Diversified Fund, the Board of Regents Diversified Fund for Foundations and the Georgia Extended Asset Pool are included as investments. Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Assets restricted as to use by a third party are reported as externally restricted.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State of Georgia. Accounts receivable also includes amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Consumable supplies are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis. Resale inventories are valued at cost using the average-cost basis.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value (entry price) at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To fully understand plant additions in the University, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) - an organization that is external to the System. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit and taxing power of the State are pledged.

For projects managed by GSFIC, GSFIC retains construction in progress in its accounting records throughout the construction period and transfers the entire project to the institutional unit of the University System when complete. For projects managed by institutions of the USG, the institutions retain construction in progress on their books and are reimbursed by GSFIC.

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. All USG institutions participating in the PPV program finance the Fund. 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 affiliated 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 each institution. The balance included on the University's Statement of Net Position as Due from USO - Capital Liability Reserve Fund represents the University's contribution to the Fund.

Deferred Outflows of Resources

Deferred outflows of resources consist of the consumption of net position that is applicable to a future reporting period.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments, meal plans or other auxiliary services.

Advances

Advances include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Advances also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits Held for Other Organizations

Deposits held for other organizations result primarily from the University acting as an agent or fiduciary, for another entity. Deposits held for others include scholarships, fellowships, study abroad deposits and other funds held for various governments, companies, clubs or individuals.

Claims and Judgments

An estimated loss from claims and judgments is recognized when information available prior to issuance of the financial statements indicates it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Pollution Remediation Obligations

Pollution remediation obligations are recorded when the University knows that a site is polluted and one or more obligating events have occurred. The amount recorded is an estimate of the current value of potential outlays for cleanup, calculated using the "expected cash flows" measurement technique.

Compensated Absences

Employee vacation pay is accrued at the end of the fiscal year for financial statement purposes. The liability and expense incurred are recorded at the end of the fiscal year as compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Position.

Non-current Liabilities

Non-current liabilities include: (1) liabilities that will not be paid within the next fiscal year; (2) capital lease obligations with contractual maturities greater than one year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

Deferred Inflows of Resources

Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period.

Other Post-Employment Benefit (OPEB) Liability

The net OPEB liability represents the University's proportionate share of the difference between the total OPEB liability and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Board of Regents Retiree Health Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net

position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Pensions and Net Pension Liability

The net pension liability represents the University's proportionate share of the difference between the total pension liability as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

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 pension plans' fiduciary net position, additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia. 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.

Net Position

The University's net position is classified as follows:

Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 - Capital Assets section.

Restricted - non-expendable net position includes endowments 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. For institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University System 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 University 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 net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Income Taxes

The University, as a political subdivision of the State of Georgia, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Classification of Revenues and Expenses

The Statement of Revenues, Expenses and Changes in Net Position classifies fiscal year activity as operating and nonoperating according to the following criteria:

- Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.
- Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB Statements No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, such as state appropriations and investment income.
- Operating expense includes activities that have the characteristics of exchange transactions.
- Nonoperating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances

Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees and other student charges, the University has recorded contra revenue for scholarship allowances. Tuition, fees and other student charges reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$11,970,468.

Restatement of Prior Year Net Position

The University made the following restatements:

| | Business-type Activities |
|---|-----------------------------|
| Net position, beginning of year, as originally reported | \$ 22,818,989 |
| Changes in financial reporting entity | — |
| Changes in accounting principles | (47,008,795) |
| Correction of prior year errors | (2,925,433) |
| | <hr/> |
| Net position, beginning of year, restated | \$ (27,115,239) |

For fiscal year 2018, the Savannah State University made prior period adjustments due to the adoption of GASB Statement No. 75, which required the restatement of the June 30, 2017, net position. The result is a decrease in Net Position at July 1, 2017 of (\$47,008,795) of which \$48,162,852 is represented in Net OPEB Liability and \$1,154,057 is represented in deferred outflow. This change is in accordance with generally accepted accounting principles.

Correction of prior year errors

Amounts reported at June 30, 2017 for accounts receivables were overstated by \$2,925,433 due to the understatement of allowance for doubtful accounts. Beginning net position has been adjusted to reflect correction of prior year amounts.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2018 are classified in the accompanying statement of net position as follows:

| | | |
|---|-----------|-------------------|
| Cash and Cash Equivalents | \$ | 1,666,314 |
| Cash and Cash Equivalents (Externally Restricted) | | 1,140,885 |
| Short-Term Investments | | 408,276 |
| Short-term Investments (Externally Restricted) | | — |
| Investments | | — |
| Non Current - Investments | | — |
| Noncurrent Cash (Externally Restricted) | | 127,395 |
| Noncurrent Short Term Investments (Externally Restricted) | | 38,726 |
| Noncurrent Investments (Externally Restricted) | | 7,872,002 |
| | <u>\$</u> | <u>11,253,598</u> |

Cash on hand, deposits and investments as of June 30, 2018 consist of the following:

| | | |
|--------------------------------------|-----------|-------------------|
| Cash on Hand | \$ | 2,080 |
| Deposits with Financial Institutions | | 3,379,516 |
| Investments | | 7,872,002 |
| | <u>\$</u> | <u>11,253,598</u> |

A. Deposits with Financial Institutions

Deposits include certificates of deposits and demand deposit accounts, including certain interest bearing demand deposit accounts. 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 (O.C.G.A.) § 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. Letters of credit issued by a Federal Home Loan Bank.
7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The University participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to amount of up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

At June 30, 2018, the bank balances of the University's deposits totaled \$4,853,188. Of these deposits, \$158,276 were exposed to custodial credit risk as follows:

| | | |
|--|----|----------------|
| Uninsured and uncollateralized | \$ | — |
| Uninsured and collateralized with securities held by the pledging financial institution | | — |
| Uninsured and collateralized with securities held by the pledging financial institution's trust departments or agents, but not in the Institution's name | \$ | 158,276 |
| | | <u>158,276</u> |
| Total deposits exposed to custodial credit risk | \$ | <u>158,276</u> |

B. Investments

The University maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility it has to the citizens of Georgia and which conforms to Board of Regents investment policy. All investments are consistent with donor intent, Board of Regents policy and applicable federal and state laws.

Board of Regents Pooled Investment Program The USG serves as fiscal agent for various units of the University System of Georgia and affiliated organizations. The USG pools the monies of these organizations with the USG's monies for investment purposes. The investment pool is not registered with

the U.S. Securities and Exchange Commission as an investment company. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each pooled investment fund balance at fair value along with a pro rata share of the pooled fund's investment returns.

The USG maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster sound and prudent responsibility each institution has to the citizens of Georgia and which conforms to the Board of Regents investment policy. All investments must be consistent with donor intent, Board of Regents policy, and applicable Federal and state laws. Units of the University System of Georgia and their affiliated organizations may participate in the Pooled Investment Fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk.

The University's position in the pooled investment fund options are described below.

1. **Legal Fund**

The Legal Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides an opportunity for greater return and modest principal growth to the extent possible with the securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between five and ten years, with a maximum of thirty years for any individual investment. The overall character of the portfolio is Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Legal Fund at June 30, 2018 was \$820,981, of which 100% is invested in debt securities. The Effective Duration of the Fund is 4.05 years.

2. **Total Return Fund**

The Total Return Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is another pool designed to be a vehicle to invest funds that are not subject to state regulations concerning investing in equities. This pool offers greater overall equity exposure and is appropriate for investing longer term funds such as endowments. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 60% and 70%, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 30% and 40%, with a target of 35% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the University's position in the Total Return Fund at June 30, 2018 was \$7,051,021, of which 29% is invested in debt securities. The Effective Duration of the Fund is 5.63 years.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University does not have a formal policy for managing interest rate risk for investments.

| | <u>Fair Value</u> |
|--|---------------------|
| Investment type: | |
| Debt Securities | |
| U.S. Treasuries | \$ — |
| U.S. Agencies | |
| Explicitly Guaranteed | — |
| Implicitly Guaranteed | — |
| Bond Securities | — |
| Corporate Debt | — |
| Guaranteed Investment Contracts | — |
| General Obligation Bonds | — |
| Money Market Mutual Funds | — |
| Municipal Obligations | — |
| Mutual Bond Funds | — |
| Repurchase Agreements | — |
| | <hr/> |
| | — |
| Other Investments | |
| Cash Surrender Value | — |
| Equity Mutual Funds - Domestic | — |
| Equity Mutual Funds - International | — |
| Equity Securities - Domestic | — |
| Equity Securities - International | — |
| Real Estate Held for Investment Purposes | — |
| Real Estate Investment Trusts | — |
| Other | — |
| Investment Pools | |
| Board of Regents | |
| Short-Term Fund | — |
| Legal Fund | 820,981 |
| Balanced Income Fund | — |
| Total Return Fund | 7,051,021 |
| Diversified Fund | — |
| Diversified Fund For Foundations | — |
| Office of the State Treasurer | |
| Georgia Fund 1 | — |
| Georgia Extended Asset Pool | — |
| | <hr/> |
| Total Investments | <u>\$ 7,872,002</u> |

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University does not have a formal policy for managing credit quality risk for investments.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2018:

| | Business Type Activities | Fiduciary Fund |
|--|-----------------------------|----------------|
| Student Tuition and Fees | \$ 2,209,789 | |
| Auxiliary Enterprises and Other Operating Activities | 2,212,393 | |
| Federal Financial Assistance | 2,555,237 | |
| State General Appropriations Allotment | — | |
| Georgia Student Finance Commission | — | |
| Georgia State Financing and Investment Commission | 62,472 | |
| Margin Allocation Funds | — | |
| Due from Affiliated Organizations | 681,264 | |
| Due from Component Units | — | |
| Due From Other USG Institutions | 1,565,604 | |
| Other | 1,458,893 | |
| | <u>10,745,652</u> | <u>—</u> |
| Less: Allowance for Doubtful Accounts | 4,042,139 | |
| Net Accounts Receivable | <u>\$ 6,703,513</u> | <u>\$ —</u> |

Note 4 Inventories

Inventories consisted of the following at June 30, 2018:

| | |
|------------------------|------------------|
| Consumable Supplies | \$ 61,546 |
| Merchandise for Resale | <u>5,026</u> |
| Total | <u>\$ 66,572</u> |

Note 5 Notes and Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2018. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts canceled under these provisions. As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education.

Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2018 are shown below:

| | Balance July 1, 2017 | Special Item and Other Transfers | Additions | Reductions | Balance June 30, 2018 |
|---|-------------------------|--|----------------------|---------------------|--------------------------|
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | \$ 1,240,219 | \$ — | \$ — | \$ — | \$ 1,240,219 |
| Capitalized Collections | — | — | — | — | — |
| Construction Work-in-Progress | 1,597,078 | — | 3,070,191 | 4,667,269 | — |
| Software Development-in-Progress | — | — | — | — | — |
| Total Capital Assets Not Being Depreciated | 2,837,297 | — | 3,070,191 | 4,667,269 | 1,240,219 |
| Capital Assets, Being Depreciated/Amortized: | | | | | |
| Infrastructure | — | — | 925,236 | — | 925,236 |
| Building and Building Improvements | 203,065,102 | — | 20,241,567 | — | 223,306,669 |
| Facilities and Other Improvements | 4,436,200 | — | — | — | 4,436,200 |
| Equipment | 10,106,601 | — | 2,244,255 | 2,002,645 | 10,348,211 |
| Library Collections | 8,736,586 | — | 153,731 | 843 | 8,889,474 |
| Capitalized Collections | 55,285 | — | — | — | 55,285 |
| Water, Timber, Mineral Rights, and Easements | — | — | — | — | — |
| Patents, Trademarks, and Copyrights | — | — | — | — | — |
| Software | — | — | — | — | — |
| Total Capital Assets Being Depreciated/Amortized | 226,399,774 | — | 23,564,789 | 2,003,488 | 247,961,075 |
| Less: Accumulated Depreciation/Amortization | | | | | |
| Infrastructure | — | — | 13,879 | — | 13,879 |
| Building and Building Improvements | 73,238,441 | — | 6,297,723 | — | 79,536,164 |
| Facilities and Other Improvements | 2,554,205 | — | 125,912 | — | 2,680,117 |
| Equipment | 6,298,371 | — | 867,543 | 1,697,735 | 5,468,179 |
| Library Collections | 7,670,655 | — | 189,258 | 941 | 7,858,972 |
| Capitalized Collections | 22,379 | — | 1,382 | — | 23,761 |
| Water, Timber, Mineral Rights, and Easements | — | — | — | — | — |
| Patents, Trademarks, and Copyrights | — | — | — | — | — |
| Software | — | — | — | — | — |
| Total Accumulated Depreciation/Amortization | 89,784,051 | — | 7,495,697 | 1,698,676 | 95,581,072 |
| Total Capital Assets, Being Depreciated/Amortized, Net | 136,615,723 | — | 16,069,092 | 304,812 | 152,380,003 |
| Capital Assets, net | \$ 139,453,020 | \$ — | \$ 19,139,283 | \$ 4,972,081 | \$ 153,620,222 |

For the Technology and Marine Science Buildings managed by GSFIC, GSFIC retained construction-in-progress on its books throughout the construction period and transferred the entire project to the University when completed. For buildings managed by the University, the University retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2018, GSFIC transferred the Technology and Marine Science buildings from GSFIC managed projects valued at \$19,001,788 to the University.

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

| Fiscal Year | Depreciation Expense |
|-------------|-------------------------|
| 2018 | \$ 7,495,697 |
| 2017 | \$ 7,128,355 |
| 2016 | \$ 7,356,724 |

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2018:

| | Current Liabilities | Non-Current Liabilities |
|--------------------------|---------------------|-------------------------|
| Prepaid Tuition and Fees | \$ 302,578 | \$ — |
| Research | — | — |
| Other - Advances | 3,100,355 | — |
| | <hr/> | <hr/> |
| Totals | <u>\$ 3,402,933</u> | <u>\$ —</u> |

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2018 was as follows:

| | (Restated) | | | Balance June 30, 2018 | Current Portion |
|--|-------------------------|---------------------|---------------------|--------------------------|---------------------|
| | Balance July 1, 2017 | Additions | Reductions | | |
| Leases | | | | | |
| Lease Purchase Obligations | \$ 97,462,624 | \$ — | \$ 2,337,165 | \$ 95,125,459 | \$ 2,562,402 |
| Other Liabilities | | | | | |
| Compensated Absences | 2,050,476 | 1,530,605 | 1,531,673 | 2,049,408 | 954,816 |
| Net Pension Liability | 39,529,835 | — | 4,562,693 | 34,967,142 | |
| Notes and Loans Payable | — | — | — | — | |
| Claims and Judgments | 380,762 | — | 190,381 | 190,381 | 190,381 |
| Net Other Post Employment Benefits Liability | 48,162,852 | 738,665 | — | 48,901,517 | |
| Pollution Remediation | — | — | — | — | |
| Total | <hr/> 90,123,925 | <hr/> 2,269,270 | <hr/> 6,284,747 | <hr/> 86,108,448 | <hr/> 1,145,197 |
| Total Long-Term Obligations | <u>\$ 187,586,549</u> | <u>\$ 2,269,270</u> | <u>\$ 8,621,912</u> | <u>\$ 181,233,907</u> | <u>\$ 3,707,599</u> |

Note 9 Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2018, consisted of the following:

Deferred Outflow of Resources

| | | |
|--|-----------|-------------------|
| Deferred Loss on Debt Refunding | \$ | — |
| Deferred Loss on Defined Benefit Pension Plans (See Note 14) | | 6,846,177 |
| Deferred Loss on OPEB Plan (See Note 17) | | 3,429,914 |
| Accumulated Decrease in Fair Value of Hedging Instruments | | — |
| Other Deferred Outflows of Resources | | — |
| Total Deferred Outflows of Resources | \$ | 10,276,091 |

Deferred Inflow of Resources

| | | |
|--|-----------|------------------|
| Deferred Gain on Debt Refunding | \$ | 3,931,571 |
| Unavailable Revenues | | — |
| Deferred Service Concession Arrangements | | — |
| Deferred Gain on Defined Benefit Pension Plans (See Note 14) | | 873,877 |
| Deferred Gain on OPEB Plan (See Note 17) | | 3,348,650 |
| Deferred Inflows of Resources - Split Interest Agreements | | — |
| Accumulated Increase in Fair Value of Hedging Instruments | | — |
| Other Deferred Inflows of Resources | | — |
| Total Deferred Inflows of Resources | \$ | 8,154,098 |

Deferred Loss/Gain on Debt Refunding

In December 2016, the SSU Real Estate Foundation, refunded the bonds associated with this lease and passed the perceived economic advantages of the refund to the University. The net savings to the institution resulting from this refund is \$4,338,285 for the difference in the cash flow requirements between the original lease and the revised lease. During the year, \$271,143 was amortized leaving an unamortized balance of \$3,931,571 at year end.

Note 10 Net Position

The breakdown of business-type activity net position for the University fund at June 30, 2018 is as follows:

| | |
|--|-----------------|
| Net Investment in Capital Assets | \$ 54,563,192 |
| | |
| Restricted for | |
| Nonexpendable | |
| Permanent Endowment | 7,832,124 |
| | |
| Expendable | |
| Sponsored and Other Organized Activities | — |
| Federal Loans | 845,628 |
| Institutional Loans | 23,876 |
| Term Endowments | 205,999 |
| Quasi-Endowments | — |
| Capital Projects | — |
| Sub-Total | 1,075,503 |
| | |
| Unrestricted | |
| Auxiliary Enterprises Operations | (1,823,380) |
| Auxiliary Enterprises Renewals and Replacement Reserve | 11,277,325 |
| Reserve for Encumbrances | 575,092 |
| Reserve for Inventory | 58,541 |
| Capital Liability Reserve Fund | 844,039 |
| Health Insurance Reserve | — |
| Other Unrestricted | (89,089,000) |
| Sub-Total | (78,157,383) |
| | |
| Total Net Position | \$ (14,686,564) |

In fiscal year 2018, the University implemented GASB Statement No. 75 which reduced other unrestricted net position by \$48,820,253 related to the recording of net OPEB liability, deferred gain on OPEB plan, and deferred loss on OPEB plan. Other unrestricted net position is also reduced by \$28,994,842 related to the recording of net pension liability, deferred gain on defined benefit pension plans, and deferred loss on defined benefit pension plans. These OPEB and pension balances are mostly funded through state appropriation, student tuition and fees that are subject to State surplus rules which prevents the accumulation of budgetary fund balance. Therefore, the University is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

Changes in Net Position for the year ended June 30, 2018 are as follows:

| | (Restated) | | | |
|-----------------------------------|------------------------|-----------------------|-----------------------|------------------------|
| | Balance | | | Balance |
| | July 1, 2017 | Additions | Reductions | June 30, 2018 |
| Net Investments in Capital Assets | \$ 37,787,682 | \$ 24,304,876 | \$ 7,529,366 | \$ 54,563,192 |
| Restricted Net Position | 8,405,383 | 45,386,453 | 44,884,209 | 8,907,627 |
| Unrestricted Net Position | (73,308,304) | 70,386,463 | 75,235,542 | (78,157,383) |
| Total Net Position | <u>\$ (27,115,239)</u> | <u>\$ 140,077,792</u> | <u>\$ 127,649,117</u> | <u>\$ (14,686,564)</u> |

Note 11 Endowments

Donor Restricted 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 Institutions 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 \$457,459 and is reflected as non-expendable 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 3.0% and 6.0% of endowment principal 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.

For endowment funds where the donor has not provided specific instructions, investment return of the University's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure.

Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2018.

Note 13 Leases

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

Capital Leases

The University acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each

succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest expenditures related to capital leases for fiscal year 2018 were \$2,337,165 and \$4,818,280 respectively. Interest rates range from 4.486% to 6.262%.

The University has 95,125,459 in outstanding lease obligations due to component units. Component units have \$95,125,459 in investment in capital lease receivables due from the University. .

The following is a summary of the carrying values of assets held under capital lease at June 30, 2018:

| Description | Gross Amount | Less: Accumulated Depreciation | Net, Capital Assets Held Under Capital Lease at June 30, 2018 | Outstanding Balance per Lease Schedules at June 30, 2018 |
|--|-----------------------|--------------------------------|---|--|
| | (+) | (-) | (=) | |
| Leased Land and Land Improvements | \$ — | \$ — | \$ — | \$ — |
| Leased Work In-progress | — | — | — | — |
| Leased Infrastructure | — | — | — | — |
| Leased Equipment | — | — | — | — |
| Leased Buildings and Building Improvements | 110,333,789 | 33,972,297 | 76,361,492 | 95,125,459 |
| Leased Facilities and Other Improvements | — | — | — | — |
| Total Assets Held Under Capital Lease | \$ 110,333,789 | \$ 33,972,297 | \$ 76,361,492 | \$ 95,125,459 |

The following schedule lists the pertinent information for each of the University's capital leases:

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2018, are as follows:

| | Real Property and Equipment | |
|------------------------------|-----------------------------|------------------|
| | Capital Leases | Operating Leases |
| Year Ending June 30: | | |
| 2019 | \$ 7,894,956 | \$ — |
| 2020 | 8,032,860 | — |
| 2021 | 8,166,950 | — |
| 2022 | 8,310,470 | — |
| 2023 | 8,461,833 | — |
| 2024 through 2028 | 44,738,650 | — |
| 2029 through 2033 | 46,314,234 | — |
| 2034 through 2038 | 21,797,538 | — |
| 2039 through 2043 | 12,624,908 | — |
| 2044 through 2048 | — | — |
| 2049 through 2053 | — | — |
| 2054 through 2058 | — | — |
| | <hr/> | <hr/> |
| Total Minimum Lease Payments | 166,342,399 | \$ — |
| Less: Interest | 56,721,290 | |
| Less: Executory Costs | 14,495,650 | |
| Principal Outstanding | <u>\$ 95,125,459</u> | |

Note 14. Retirement Plans

The University participates in various retirement plans administered by the State of Georgia under two major retirement systems: Teachers Retirement System of Georgia (TRS) and Employees' Retirement System of Georgia (ERS). These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.

The significant retirement plans that the University participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

A. Teachers Retirement System of Georgia and Employees' 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 Employees' Retirement System (ERS), additions to/deductions for TRS's and ERS's fiduciary net position have been determined on the same basis as they are reported by TRS and ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Teachers Retirement System

Plan description

All teachers of the University as defined in O.C.G.A. § 47-3-60 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 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 2018. The University's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual the University payroll. The University's contributions to TRS totaled \$3,695,861 for the year ended June 30, 2018.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2018 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members, plus a 0.12% adjustment for the HB 751 one time benefit adjustment of 3% to retired state employees. The University's contributions to ERS totaled \$0 for the year ended June 30, 2018. 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, 2018, the University reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The

University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2017. At June 30, 2017, the University's TRS proportion was 0.188144%, which was an decrease of (0.003459)% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognize \$4,141,526 pension expense of for TRS. At June 30, 2018, the University 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 | \$ 1,307,986 | \$ 131,962 | \$ — | \$ — |
| Changes of assumptions | 766,522 | — | — | — |
| Net difference between projected and actual earnings on pension plan investments | — | 240,632 | — | — |
| Changes in proportion and differences between contributions and proportionate share of contributions | 1,075,808 | 501,283 | — | — |
| Contributions subsequent to the measurement date | 3,695,861 | — | — | — |
| Total | \$ 6,846,177 | \$ 873,877 | \$ — | \$ — |

The University's contributions subsequent to the measurement date 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, 2018. 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 | |
|---------------------|--------------|------|
| 2019 | \$ 82,937 | \$ — |
| 2020 | \$ 2,163,463 | \$ — |
| 2021 | \$ 1,008,558 | \$ — |
| 2022 | \$ (987,952) | \$ — |
| 2023 | \$ 9,434 | \$ — |
| Thereafter | \$ — | \$ — |

Actuarial assumptions

The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System

| | |
|---------------------------|--|
| Inflation | 2.75% |
| Salary increases | 3.25% - 9.00%, average, including inflation |
| Investment rate of return | 7.50%, net of pension plan investment expense, including inflation |

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9–12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on TRS and ERS 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 | TRS target allocation | Long-term expected real rate of return* |
|---|-----------------------|---|
| Fixed income | 30.00% | (0.50)% |
| Domestic large equities | 39.80% | 9.00 % |
| Domestic mid equities | 3.70% | 12.00 % |
| Domestic small equities | 1.50% | 13.50 % |
| International developed market equities | 19.40% | 8.00 % |
| International emerging market equities | 5.60% | 12.00 % |
| 0 | —% | — % |
| 0 | —% | — % |
| 0 | —% | — % |
| 0 | —% | — % |
| Alternatives | | 10.50 % |
| Total | 100.00% | |

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate

The discount rate used to measure the total TRS and ERS 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 and ERS 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 Institute'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% |
|--|-------------------------|-----------------------------------|-------------------------|
| Proportionate share of the net pension liability | \$ 57,385,182 | \$ 34,967,142 | \$ 16,499,715 |

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS and ERS financial reports which are publically available at trsga.com/publications and ers.ga.gov/financials, respectively.

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 (Board). 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. 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

The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2018, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6.00% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University and the covered employees made the required contributions of \$873,481 (9.24%) and \$567,178 (6.00%), respectively.

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

Note 15 Risk Management

The USG offers its employees and retirees under the age of 65 access to three self insured healthcare plan options and one fully insured plan option. For the USG’s Plan Year 2018, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The University's participating employees and eligible retirees pay premiums into the plan fund to access benefits coverage. All units of the USG share the risk of loss for claims associated with these plans. The plan fund is considered to be a self-sustaining risk fund. The USG has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees and eligible retirees of the USG, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. The self-insured dental plan is administered through Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care 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 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 University 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 O.C.G.A § 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 16 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 University, 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, 2018.

Note 17 Post-Employment Benefits Other Than Pension Benefits

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy

The Board of Regents Retiree Health Benefit Plan (Plan) is a single-employer, defined-benefit, healthcare plan administered by the University System Office, an organizational unit of the USG. The Plan was authorized pursuant to OCGA § 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits.

Pursuant to the general powers conferred by the OCGA § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2018, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

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

The University's membership in the Plan consisted of the following at June 30, 2018:

| | |
|---|-------------|
| Active Employees | 638 |
| Retirees or Beneficiaries Receiving Benefits | 154 |
| Retirees or Beneficiaries Eligible But Not Receiving Benefits | — |
| Retirees Receiving Life Insurance Only | 61 |
| | <hr/> |
| Total | 853 |
| | <hr/> <hr/> |

The contribution requirements of plan members and the employer are established and may be amended by the Board. The Plan is substantially funded on a "pay-as-you-go" basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by Board designation.

The University pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2018 plan year, the employer rate was approximately 85% of the total health insurance cost for eligible retirees and the retiree rate was approximately 15%. With regard to life insurance, the employer covers the total premium 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 retiree.

For fiscal year 2018, the University contributed \$1,793,650 to the plan for current premiums or claims.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the University reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The University's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the University's proportion was 1.158879%, which was an increase of 0.012814% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized OPEB expense of \$3,605,108. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 1,186,725 | \$ — |
| Changes of assumptions | — | 3,348,650 |
| Net difference between projected and actual earnings on OPEB plan investments | 1,541 | — |
| Changes in proportion and differences between contributions and proportionate share of contributions | 447,998 | — |
| Contributions subsequent to the measurement date | 1,793,650 | — |
| Total | <u>\$ 3,429,914</u> | <u>\$ 3,348,650</u> |

The University's contributions subsequent to the measurement date of \$1,793,650 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30: | | |
|---------------------|----|-----------|
| 2019 | \$ | (345,862) |
| 2020 | \$ | (345,862) |
| 2021 | \$ | (345,862) |
| 2022 | \$ | (345,862) |
| 2023 | \$ | (328,938) |
| Thereafter | \$ | — |

Actuarial assumptions

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|--|
| Cost Method | Entry Age Normal |
| Amortization Method | Closed amortization period for initial unfunded and subsequent actuarial gains/losses. |
| Asset Method | Fair Value |
| Interest Discounting and Salary Growth | Interest Rate as of 6/30/2016 2.85% from Bond Buyer Interest Rate as of 6/30/2017 3.58% from Bond Buyer General Inflation 2.50% Salary Growth 3.00% Salary Scale 4.00% |
| Mortality Rates | Healthy: RP-2014 Mortality Table with Generational Improvements by Scale MP-2014 Disabled: RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) |
| Initial Healthcare Cost Trend | |
| Pre-Medicare Eligible | 7.3% |
| Medicare Eligible | 7.3% |
| Ultimate Trend Rate | |
| Pre-Medicare Eligible | 4.5% |
| Medicare Eligible | 4.7% |
| Year Ultimate Trend is Reached | 2031 for Pre-Medicare Eligible, 2072 for Medicare Eligible |
| Experience Study | Based on the experience of the Teachers Retirement System of Georgia |

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect the current Teachers Retirement System of Georgia.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

| <u>Asset Class</u> | <u>Expected Return</u> | <u>Target Allocation</u> |
|--|------------------------|--------------------------|
| Cash Equivalents | 2.6% | Less than 5% |
| Fixed Income | | 60% to 70% |
| Domestic Fixed Income (Corporate Long Term) | 4.2% | |
| Domestic Fixed Income (Corporate Short Term) | 3.5% | |
| International Fixed Income | 4.9% | |
| Equity Allocation | | 30% to 40% |
| Domestic Equity (Large Cap) | 6.5% | |
| International Equity | 7.3% | |

Discount rate

The Plan's projected fiduciary net position at the end of 2018 is \$0, based on the valuation completed for the fiscal year ending June 30, 2017. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2018. Therefore, the long-term expected rate of return on Plan investments of 4.50% per annum was not applied to all periods of projected benefit

payments to determine the total OPEB liability as of June 30, 2017. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 3.58% from the Bond Buyer.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the the University’s proportionate share of the net OPEB liability, as well as what the University’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate (3.58%):

| | 1% Decrease 2.58% | Current Rate 3.58% | 1% Increase 4.58% |
|---|----------------------|-----------------------|----------------------|
| Proportionate Share of the Net OPEB Liability | \$ 58,418,376 | \$ 48,901,517 | \$ 41,482,475 |

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the University’s proportionate share of the net OPEB liability, as well as what the University’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

| | 1% Decrease | Current Rate | 1% Increase |
|---|-------------------------|-------------------------|-------------------------|
| Proportionate Share of the Net OPEB Liability | \$ 41,250,358 | \$ 48,901,517 | \$ 59,010,085 |
| Pre-Medicare Eligible | 6.3% decreasing to 3.5% | 7.3% decreasing to 4.5% | 8.3% decreasing to 5.5% |
| Medicare Eligible | 6.3% decreasing to 3.7% | 7.3% decreasing to 4.7% | 8.3% decreasing to 5.7% |

OPEB plan fiduciary net position:

Detailed information about the Plan’s fiduciary net position is available in the USG Consolidated Annual Financial Report which is publicly available at usg.edu/fiscal_affairs/financial_reporting/.

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal 2018 are shown below:

| Functional Classification | Natural Classification | | | | |
|----------------------------------|------------------------|----------------------|----------------------|-------------------|-------------------|
| | Faculty Salaries | Staff Salaries | Employee Benefits | Personal Services | Travel |
| Instruction | \$ 14,134,262 | \$ 2,028,344 | \$ 5,694,554 | \$ — | \$ 104,868 |
| Research | 254,987 | 212,904 | 378,238 | — | 69,366 |
| Public Service | 75,897 | 898,375 | 559,455 | — | 50,387 |
| Academic Support | 1,188,298 | 3,223,491 | 1,594,197 | — | 185,653 |
| Student Services | — | 2,713,818 | 1,250,093 | 170 | 125,244 |
| Institutional Support | 18,639 | 3,937,382 | 2,446,876 | 477,847 | 129,578 |
| Plant Operations and Maintenance | — | 3,299,830 | 1,492,961 | — | 7,603 |
| Scholarships and Fellowships | — | — | — | — | — |
| Auxiliary Enterprises | — | 4,453,415 | 1,696,827 | — | 236,729 |
| Patient Care | — | — | — | — | — |
| Unallocated Expenses | — | — | — | — | — |
| Total Operating Expenses | \$ 15,672,083 | \$ 20,767,559 | \$ 15,113,201 | \$ 478,017 | \$ 909,428 |

| Functional Classification | Natural Classification | | | | Total Operating Expenses |
|----------------------------------|------------------------------|---------------------|-----------------------------|---------------------------|--------------------------|
| | Scholarships and Fellowships | Utilities | Supplies and Other Services | Depreciation/Amortization | |
| Instruction | \$ 288,779 | \$ 50,918 | \$ 764,996 | \$ 204,159 | \$ 23,270,880 |
| Research | 238,380 | 5,541 | 452,418 | 190,304 | 1,802,138 |
| Public Service | 118,445 | 24,540 | 789,482 | 21,857 | 2,538,438 |
| Academic Support | 137,335 | — | 2,517,524 | 305,521 | 9,152,019 |
| Student Services | 13,388 | 202,281 | 1,285,677 | 639,404 | 6,230,075 |
| Institutional Support | 18,399 | 51,855 | 2,899,261 | 89,793 | 10,069,630 |
| Plant Operations and Maintenance | — | 1,578,087 | 4,570,517 | 1,912,935 | 12,861,933 |
| Scholarships and Fellowships | 3,925,176 | — | 3,895 | — | 3,929,071 |
| Auxiliary Enterprises | 2,201,658 | 2,008,886 | 13,556,184 | 4,131,724 | 28,285,423 |
| Patient Care | — | — | — | — | — |
| Unallocated Expenses | — | — | — | — | — |
| Total Operating Expenses | \$ 6,941,560 | \$ 3,922,108 | \$ 26,839,954 | \$ 7,495,697 | \$ 98,139,607 |

Note 19 Subsequent Event

As of June 30th, 218, the University did not have any subsequent events.

Required Supplementary Information



**SAVANNAH STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT PENSION PLANS
FOR THE LAST TEN YEARS**

| | Year Ended | Actuarially Determined Contribution (a) | Contributions in Relation to the Actuarially Determined Contribution (b) | Contribution Deficiency (Excess) (b-a) | Covered Payroll (c) | Contributions as a Percentage of Covered Payroll (b/c) |
|-----------------------------|------------|--|---|---|---------------------------|---|
| Teachers' Retirement System | 6/30/2018 | \$ 3,695,861 | \$ 3,695,861 | \$ — | \$ 21,986,081 | 16.81% |
| | 6/30/2017 | \$ 3,084,334 | \$ 3,084,334 | \$ — | \$ 21,326,077 | 14.46% |
| | 6/30/2016 | \$ 3,002,678 | \$ 3,002,678 | \$ — | \$ 20,835,394 | 14.41% |
| | 6/30/2015 | \$ 2,593,064 | \$ 2,593,064 | \$ — | \$ 19,719,109 | 13.15% |
| | 6/30/2014 | \$ 2,212,636 | \$ 2,212,636 | \$ — | \$ 18,017,854 | 12.28% |
| | 6/30/2013 | \$ 2,052,066 | \$ 2,052,066 | \$ — | \$ 17,998,351 | 11.40% |
| | 6/30/2012 | \$ 1,759,365 | \$ 1,759,365 | \$ — | \$ 17,114,446 | 10.28% |
| | 6/30/2011 | \$ 1,720,598 | \$ 1,720,598 | \$ — | \$ 16,737,335 | 10.28% |
| | 6/30/2010 | \$ 1,523,853 | \$ 1,523,853 | \$ — | \$ 15,645,308 | 9.74% |
| | 6/30/2009 | \$ 1,397,171 | \$ 1,397,171 | \$ — | \$ 15,055,722 | 9.28% |

**SAVANNAH STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
FOR THE LAST FOUR FISCAL YEARS***

| | Year Ended | Proportion of the Net Pension Liability | Proportionate Share of the Net Pension Liability | Covered Payroll | Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|----------------------------|------------|---|--|-----------------|---|--|
| Teachers Retirement System | 6/30/2018 | 0.181440% | \$ 34,967,142 | \$ 21,326,077 | —% | 79.33% |
| | 6/30/2017 | 0.210600% | \$ 39,529,835 | \$ 20,835,394 | 189.72% | 76.06% |
| | 6/30/2016 | 0.210000% | \$ 28,629,659 | \$ 19,719,109 | 145.19% | 81.44% |
| | 6/30/2015 | 0.210000% | \$ 22,509,556 | \$ 18,017,854 | 124.93% | 84.03% |

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**SAVANNAH STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
DEFINED BENEFIT PENSION PLANS
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

Changes of assumptions

Employees' Retirement System:

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

Teachers Retirement System:

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

**SAVANNAH STATE UNIVERSITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
 FOR THE LAST TWO YEARS***

| Year Ended | Contractually Required Contribution (a) | Contributions in Relation to the Contractually Required Contribution (b) | Contribution Deficiency (Excess) (b-a) | Covered Employee Payroll (c) | Contributions as a Percentage of Covered Employee Payroll (b/c) |
|------------|--|---|---|------------------------------------|---|
| 6/30/2018 | \$ 1,793,650 | \$ 1,793,650 | \$ — | \$ 32,632,413 | 5.50% |
| 6/30/2017 | \$ 1,154,057 | \$ 1,154,057 | \$ — | \$ 32,155,169 | 3.59% |

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**SAVANNAH STATE UNIVERSITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018***

| Year Ended | Proportion of the Net OPEB Liability | Proportionate Share of the Net OPEB Liability | Covered Employee Payroll | Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|------------|--------------------------------------|---|--------------------------|--|---|
| 6/30/2018 | 1.16% | \$ 48,901,517 | \$ 32,155,169 | 152.08% | 0.19% |

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**SAVANNAH STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

Changes in Assumptions Since Prior Valuation

Expected claim costs were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, termination, retirement, and disabled mortality tables were updated to reflect the current Teachers Retirement System of Georgia methodology.

Supplementary Information



**SAVANNAH STATE UNIVERSITY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30, 2018
(UNAUDITED)**

ASSETS

| | | |
|------------------------------|----|---------------------|
| Cash and Cash Equivalents | \$ | — |
| Investments | | 8,275.65 |
| Accounts Receivable | | |
| State Appropriation | | — |
| Federal Financial Assistance | | 2,555,236.97 |
| Other | | 3,751,373.01 |
| Margin Allocation | | — |
| Prepaid Expenditures | | 77,705.72 |
| Inventories | | 61,545.65 |
| Other Assets | | 40,300.00 |
| | | <hr/> |
| Total Assets | \$ | <u>6,494,437.00</u> |

LIABILITIES AND FUND EQUITY

Liabilities

| | | |
|-----------------------|----|---------------------|
| Cash Overdraft | \$ | 971,348.72 |
| Contracts Payable | | — |
| Accrued Payroll | \$ | 248,124.30 |
| Payroll Withholdings | | — |
| Encumbrance Payable | | 323,594.92 |
| Accounts Payable | | 420,219.92 |
| Unearned Revenue | | 3,402,932.97 |
| Funds Held for Others | | — |
| Other Liabilities | | 84,507.18 |
| | | <hr/> |
| Total Liabilities | | <u>5,450,728.01</u> |

Fund Balances

| | | |
|---|----|---------------------|
| Reserved | | |
| Capital Outlay | | — |
| Department Sales and Services | | 145,074.37 |
| Indirect Cost Recoveries | | — |
| Technology Fees | | 24,500.91 |
| Restricted/Sponsored Funds | | — |
| Uncollectible Accounts Receivable | | 719,998.57 |
| Inventories | | 58,540.79 |
| Tuition Carry - Forward | | 95,594.35 |
| Carry-Over "Per Governor's Office of Planning and Budget" | | — |
| Early Retirement Program | | — |
| Unreserved | | |
| Surplus | | — |
| | | <hr/> |
| Total Fund Balances | | <u>1,043,708.99</u> |
| | | <hr/> |
| Total Liabilities and Fund Balances | \$ | <u>6,494,437.00</u> |

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**SAVANNAH STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| | Original Appropriation | Amended Appropriation | Final Budget | Funds Available Compared to Budget | |
|---|---------------------------|--------------------------|-------------------------|------------------------------------|----------------------------------|
| | | | | Current Year Revenues | Prior Year Reserve Carry-Over |
| Public Service / Special Funding Initiatives | | | | | |
| State Appropriation | | | | | |
| State General Funds | — | — | — | — | — |
| Tobacco Funds | — | — | — | — | — |
| State Funds - Prior Year Carry-Over | | | | | |
| Other Funds | — | — | — | — | — |
| Total Public Service / Special Funding Initiatives | — | — | — | — | — |
| Research Consortium | | | | | |
| State Appropriation | | | | | |
| State General Funds | — | — | — | — | — |
| Tobacco Funds | — | — | — | — | — |
| Other Funds | — | — | — | — | — |
| Total Research Consortium | — | — | — | — | — |
| Teaching | | | | | |
| State Appropriation | | | | | |
| State General Funds | \$ 23,579,239.00 | \$ 23,579,239.00 | \$ 24,149,135.00 | \$ 24,149,135.00 | \$ — |
| Other Funds | 61,076,552.00 | 61,076,552.00 | 58,070,755.00 | 52,727,862.24 | 384,897.36 |
| Total Teaching | 84,655,791.00 | 84,655,791.00 | 82,219,890.00 | 76,876,997.24 | 384,897.36 |
| Total Operating Activity | \$ 84,655,791.00 | \$ 84,655,791.00 | \$ 82,219,890.00 | \$ 76,876,997.24 | \$ 384,897.36 |

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

SAVANNAH STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | Funds Available Compared to Budget | | | Expenditures Compared to Budget | | Excess (Deficiency) of Funds Available Over/(Under) Expenditures |
|---|-------------------------------------|--------------------------|---------------------------------|---------------------------------|---------------------------------|---|
| | Program Transfers of Adjustments | Total Funds Available | Variance Positive (Negative) | Actual | Variance Positive (Negative) | |
| Public Service / Special Funding Initiatives | | | | | | |
| State Appropriation | | | | | | |
| State General Funds | — | — | — | — | — | — |
| Tobacco Funds | — | — | — | — | — | — |
| State Funds - Prior Year Carry- Over | | | | | | |
| Other Funds | — | — | — | — | — | — |
| Total Public Service / Special Funding Initiatives | — | — | — | — | — | — |
| Research Consortium | | | | | | |
| State Appropriation | | | | | | |
| State General Funds | — | — | — | — | — | — |
| Tobacco Funds | — | — | — | — | — | — |
| Other Funds | — | — | — | — | — | — |
| Total Research Consortium | — | — | — | — | — | — |
| Teaching | | | | | | |
| State Appropriation | | | | | | |
| State General Funds | — | 24,149,135.00 | — | 24,132,458.00 | 16,677.00 | 16,677.00 |
| Other Funds | 837,540.87 | 53,950,300.47 | (4,120,454.53) | 53,343,926.66 | 4,726,828.34 | 606,373.81 |
| Total Teaching | 837,540.87 | 78,099,435.47 | (4,120,454.53) | 77,476,384.66 | 4,743,505.34 | 623,050.81 |
| Total Operating Activity | 837,540.87 | 78,099,435.47 | (4,120,454.53) | 77,476,384.66 | 4,743,505.34 | 623,050.81 |

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**SAVANNAH STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| | Beginning Fund Balance/(Deficit) | Fund Balance Carried Over from Prior Year as Funds Available | Return of Fiscal Year 2017 Surplus | Prior Year Adjustments | Other Adjustments |
|---|-------------------------------------|--|--|---------------------------|----------------------|
| Public Service / Special Funding Initiatives | | | | | |
| State Appropriation | | | | | |
| State General Funds | — | — | — | — | — |
| Tobacco Funds | — | — | — | — | — |
| Federal Stimulus Stabilization Funds | — | — | — | — | — |
| Other Funds | — | — | — | — | — |
| Total Public Service / Special Funding Initiatives | — | — | — | — | — |
| Research Consortium | | | | | |
| State Appropriation | | | | | |
| State General Funds | — | — | — | — | — |
| Tobacco Funds | — | — | — | — | — |
| Federal Stimulus Stabilization Funds | — | — | — | — | — |
| Other Funds | — | — | — | — | — |
| Total Research Consortium | — | — | — | — | — |
| Teaching | | | | | |
| State Appropriation | | | | | |
| State General Funds | \$ 336.24 | \$ — | \$ (336.24) | \$ (16,677.00) | \$ — |
| American Recovery and Reinvestment Act | | | | | |
| Federal Funds Not Specifically Identified | — | — | — | — | — |
| State Fiscal Stabilization Fund | | | | | |
| Stabilization Fund - Education State Grants | — | — | — | — | — |
| Other Funds | 394,350.78 | (384,897.36) | (9,453.42) | (341,204.18) | — |
| Total Teaching | 394,687.02 | (384,897.36) | (9,789.66) | (357,881.18) | — |
| Total Operating Activity | 394,687.02 | (384,897.36) | (9,789.66) | (357,881.18) | — |
| Prior Year Reserves | | | | | |
| Not Available for Expenditure | | | | | |
| Inventories | 58,540.79 | — | — | — | — |
| Uncollectible Accounts Receivable | 719,998.57 | — | — | — | — |
| Early Retirement Program (Georgia Health Sciences University) | — | — | — | — | — |
| Budget Unit Totals | \$ 1,173,226.38 | \$ (384,897.36) | \$ (9,789.66) | \$ (357,881.18) | \$ — |

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**SAVANNAH STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| | Early Return of Fiscal Year 2018 Surplus | Excess (Deficiency) of Funds Available Over/(Under) Expenditures | Ending Fund Balance/(Deficit) June 30 | Analysis of Ending Fund Balance | | |
|---|--|--|---|-----------------------------------|---------------------|---------------------|
| | | | | Reserved | Surplus/(Deficit) | Total |
| Public Service / Special Funding Initiatives | | | | | | |
| State Appropriation | | | | | | |
| State General Funds | — | — | — | — | — | — |
| Tobacco Funds | — | — | — | — | — | — |
| Other Funds | — | — | — | — | — | — |
| Total Public Service / Special Funding Initiatives | — | — | — | — | — | — |
| Research Consortium | | | | | | |
| State Appropriation | | | | | | |
| State General Funds | — | — | — | — | — | — |
| Tobacco Funds | — | — | — | — | — | — |
| Other Funds | — | — | — | — | — | — |
| Total Research Consortium | — | — | — | — | — | — |
| Teaching | | | | | | |
| State Appropriation | | | | | | |
| State General Funds | — | 16,677.00 | — | — | — | — |
| Other Funds | — | 606,373.81 | 265,169.63 | 265,169.63 | — | 265,169.63 |
| Total Teaching | — | 623,050.81 | 265,169.63 | 265,169.63 | — | 265,169.63 |
| Total Operating Activity | — | 623,050.81 | 265,169.63 | 265,169.63 | — | 265,169.63 |
| Prior Year Reserves | | | | | | |
| Not Available for Expenditure | | | | | | |
| Inventories | | | 58,540.79 | 58,540.79 | | 58,540.79 |
| Uncollectible Accounts Receivable | | | 719,998.57 | 719,998.57 | | 719,998.57 |
| Early Retirement Program (Georgia Health Sciences University) | | | — | — | | — |
| Budget Unit Totals | — | 623,050.81 | 1,043,708.99 | 1,043,708.99 | — | 1,043,708.99 |
| | | | | | | |
| | | | | Capital Outlay | — | — |
| | | | | Departmental Sales and Services | 145,074.37 | 145,074.37 |
| | | | | Indirect Cost Recovery | — | — |
| | | | | Technology Fees | 24,500.91 | 24,500.91 |
| | | | | Restricted/Sponsored Funds | — | — |
| | | | | Property Reserves | — | — |
| | | | | Tuition Carry-Forward | 95,594.35 | 95,594.35 |
| | | | | Uncollectible Accounts Receivable | 719,998.57 | 719,998.57 |
| | | | | Inventories | 58,540.79 | 58,540.79 |
| | | | | Early Retirement Program | — | — |
| | | | | Surplus | — | — |
| | | | | Deficit | — | — |
| | | | | | 1,043,708.99 | 1,043,708.99 |

Actual amounts were 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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