

# SAVANNAH STATE UNIVERSITY



## Financial Report

For the Year Ended  
June 30, 2011

Savannah State University

Savannah, Georgia

*Cheryl Davenport Dozier*, DSW, Interim President

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SAVANNAH STATE UNIVERSITY  
ANNUAL FINANCIAL REPORT  
FY 2011

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# SAVANNAH STATE UNIVERSITY

## *Management's Discussion and Analysis*

### ***Introduction***

Savannah State University is one of the 35 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 121 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 undergraduate studies including nationally accredited programs in the liberal arts, the sciences and the professions.

The institution continues to grow as shown by the comparison numbers that follow.

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
Fiscal Year 2011	200	4,080	3,860
Fiscal Year 2010	180	3,820	3,587
Fiscal Year 2009	154	3,453	3,238

### ***Overview of the Financial Statements and Financial Analysis***

Savannah State University is proud to present its financial statements for fiscal year 2011. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; 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 2011 and fiscal year 2010.

## Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Savannah State University. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (assets minus liabilities). 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 Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors.

Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution. Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets 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 net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

### Statement of Net Assets, Condensed

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Assets:</b>		
Current Assets	\$ 17,623,735	\$ 13,922,771
Capital Assets, Net	112,431,530	116,042,030
Other Assets	5,478,352	4,533,483
<b>Total Assets</b>	<u>\$ 135,533,617</u>	<u>\$ 134,498,284</u>
<b>Liabilities:</b>		
Current Liabilities	\$ 5,142,478	\$ 4,288,492
Noncurrent Liabilities	53,908,018	54,461,537
<b>Total Liabilities</b>	<u>\$ 59,050,496</u>	<u>\$ 58,750,029</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Debt	\$ 58,790,162	\$ 61,939,332
Restricted - Nonexpendable	4,642,349	3,579,321
Restricted - Expendable	954,475	1,077,238
Capital Projects	-	-
Unrestricted	12,096,135	9,152,364
<b>Total Net Assets</b>	<u>\$ 76,483,121</u>	<u>\$ 75,748,255</u>

The total assets of the institution increased \$1,035,333 . A review of the Statement of Net Assets will reveal that the increase was primarily due to an increase of \$3,700,964 in the category of Current Assets. Cash and Accounts Receivable increased due to a major increase in enrollment, particularly summer enrollment, as well as significant increases in Other Receivables due to Direct Loans, Third Party, Contractual, and Student Receivable increases over the prior year. The timing of capital lease payments also affects cash significantly.

Total liabilities for the year increased \$300,467 . The increases were specifically in Accounts Payable, Salaries Payable, and Deferred Revenue, which are directly due to timing differences. The combination of the increase in total assets of \$1,035,333 and the increase in total liabilities of \$300,467 yields an increase in total net assets of \$734,866 . The increase in total net assets is primarily in the category of Unrestricted in the amount of \$2,943,771 .

### ***Statement of Revenues, Expenses and Changes in Net Assets***

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution. Generally speaking operating revenues are received for providing goods and services to the various customers and constituencies of the institution. 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 institution. 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 institution without the Legislature directly receiving commensurate goods and services for those revenues.

### **Statement of Revenues, Expenses and Changes in Net Assets, Condensed**

Operating Revenues	\$ 41,945,852	\$ 36,920,515
Operating Expenses	<u>75,454,869</u>	<u>66,475,065</u>
Operating Loss	\$ (33,509,017)	\$ (29,554,550)
Nonoperating Revenues and Expenses	<u>33,841,879</u>	<u>31,672,208</u>
Income (Loss) Before other Revenues, Expenses, Gains or Losses	\$ 332,862	\$ 2,117,658
Other Revenues, Expenses, Gains or Losses	<u>402,004</u>	<u>797,965</u>
Increase in Net Assets	\$ 734,866	\$ 2,915,623
Net Assets at Beginning of Year, as Originally Reported	75,748,255	72,832,632
Prior Year Adjustments	-	-
Net Assets at Beginning of Year, Restated	<u>\$ 75,748,255</u>	<u>\$ 72,832,632</u>
Net Assets at End of Year	<u>\$ 76,483,121</u>	<u>\$ 75,748,255</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflect a positive year with an increase in the net assets at the end of the year in the amount of \$734,866 or approximately 1%. Operating revenues increased \$5,025,337 or 13.6% and operating expenses increased \$8,979,804 or 13.5%. The expense increase was partially offset by an increase in non-operating Federal Grants and Contracts of \$2,330,108 or 16.86%. The University continues to look for efficient ways to provide quality services to a growing campus.

Some highlights of the information presented on the Statement of Revenues, Expenses and Changes in Net Assets are as follows:

Revenue by Source  
For the Years Ended June 30, 2011 and June 30, 2010

Operating Revenue		
Tuition and Fees	\$ 9,065,853	\$ 7,431,966
Federal Appropriations	-	-
Grants and Contracts	10,432,288	9,431,043
Sales and Services	835,791	210,562
Auxiliary	21,414,156	19,689,971
Other	197,764	156,973
	<u>\$ 41,945,852</u>	<u>\$ 36,920,515</u>
Total Operating Revenue		
Nonoperating Revenue		
State Appropriations	\$ 17,547,199	\$ 15,502,685
Federal Stimulus - Stabilization Funds	-	3,105,050
Grants and Contracts	16,160,007	13,843,720
Gifts	1,555,810	1,125,052
Investment Income	933,246	366,553
Other	107,701	81,441
	<u>\$ 36,303,963</u>	<u>\$ 34,024,501</u>
Total Nonoperating Revenue		
Capital Gifts and Grants		
State	402,004	797,965
Other Capital Gifts and Grants	-	-
	<u>\$ 402,004</u>	<u>\$ 797,965</u>
Total Capital Gifts and Grants		
Total Revenues	<u>\$ 78,651,819</u>	<u>\$ 71,742,981</u>

Expenses (By Functional Classification)  
For the Years Ended June 30, 2011 and June 30, 2010

Operating Expenses		
Instruction	\$ 17,347,910	\$ 15,331,616
Research	2,271,693	1,235,076
Public Service	2,019,660	2,376,890
Academic Support	6,641,986	5,863,845
Student Services	3,692,459	3,847,226
Institutional Support	9,619,175	7,453,390
Plant Operations and Maintenance	10,207,353	8,650,437
Scholarships and Fellowships	4,331,475	4,403,551
Auxiliary Enterprises	19,323,159	17,313,034
	<hr/>	<hr/>
Total Operating Expenses	\$ 75,454,869	\$ 66,475,065
Nonoperating Expenses		
Interest Expense (Capital Assets)	2,462,084	2,352,293
	<hr/>	<hr/>
Total Expenses	<u>\$ 77,916,953</u>	<u>\$ 68,827,358</u>

Operating revenues increased by \$5,025,337 in fiscal 2011. Tuition and Fees increased \$1,633,887 due primarily to enrollment. Operating Grants and Contracts increased \$1,001,245.

The Auxiliary revenue increase of \$1,724,185 is a result of the changing environment of residential life on the University's campus. Savannah State University is experiencing increased enrollment of students who choose to live on campus. University Village and University Commons, residential complexes which are under Capital Lease, provided rentals for fiscal year 2011 of \$3,252,217 and \$3,883,865, respectively. Although the majority of Auxiliary revenues increased, the major increases were Residence Halls (\$412,579 or 4%), Food Services (\$738,960 or 13%), and Intercollegiate Athletics (\$507,155 or 18.6%).

Non-operating revenues increased \$2,169,670 for the year. While State Appropriations increased \$2,044,514 and Federal Grants and Contracts increased \$2,330,108, this was partially offset by the decrease of \$3 million dollars in Federal Stabilization Funds received for the prior year.

The compensation and employee benefits category increased by \$3,896,427 and primarily affected the Instruction, Academic Support, Institutional Support, Auxiliary Services, and Research functional areas. The increase reflects the addition of 20 faculty members and an increased cost of health insurance for the employees of the institution.

Utilities decreased \$(433,363) during the current fiscal year. The decrease was primarily associated with contractual changes negotiated during the prior year that allowed the University to take advantage of governmental rates for electricity costs.

## **Statement of Cash Flows**

The final statement presented by the Savannah State University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. 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 institution. 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 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 Assets.

### Cash Flows for the Years Ended June 30, 2011 and 2010, Condensed

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Cash Provided (used) By:		
Operating Activities	\$ (29,163,464)	\$ (27,111,815)
Non-capital Financing Activities	35,191,773	33,663,142
Capital and Related Financing Activities	(3,807,516)	(4,902,033)
Investing Activities	<u>41,145</u>	<u>78,229</u>
Net Change in Cash	\$ 2,261,938	\$ 1,727,523
Cash, Beginning of Year	<u>8,370,806</u>	<u>6,643,283</u>
Cash, End of Year	<u><u>\$ 10,632,744</u></u>	<u><u>\$ 8,370,806</u></u>

## **Capital Assets**

Savannah State University added capital assets in the amount of \$1,562, 192 for fiscal year 2011. Building and Building Improvements included a lift station (\$323,909) and improvements to the Social Sciences Building (\$67,770). Equipment additions included a 36-foot boat for Marine Sciences (\$346,555), lab equipment (\$240,100), information technology equipment (\$202,627), cafeteria equipment (\$54,254), a Silverado ½-ton pickup (\$25,000), and other various equipment (\$99,731).

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 10 in the Notes to the Financial Statements.

## **Long Term Liabilities**

Savannah State University had Long-Term Liabilities of \$55,223,897 , of which \$1,315,879 was reflected as current liability at June 30, 2011.

For additional information concerning Long-Term Liabilities, see Notes 1 and 8 in the Notes to the Financial Statements.

### ***Economic Outlook***

The University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant 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 strong. Even with a relatively flat funded year, the University was able to generate a modest increase in Net Assets primarily through increased enrollment and Federal Grants and Contracts. The University anticipates the current fiscal year will be much like last and will maintain a close watch over resources to maintain the University's ability to react to unknown internal and external issues.

***Cheryl Davenport Dozier***, DSW, Interim President  
Savannah State University

Statement of Net Assets

**SAVANNAH STATE UNIVERSITY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

	<b>June 30, 2011</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 10,591,476.00
Short-term Investments	408,276.00
Accounts Receivable, net (note 3)	-
Receivables - Federal Financial Assistance	1,920,639.00
Receivables - Other	4,205,125.00
Inventories (note 4)	49,768.00
Prepaid Items	448,451.00
Other Assets	-
<b>Total Current Assets</b>	<b>\$ 17,623,735.00</b>
<b>Noncurrent Assets</b>	
Noncurrent Cash	\$ 41,268.00
Short-term Investments	22,418.00
Investments	4,578,663.00
Notes Receivable, net	836,003.00
Capital Assets, net (note 6)	112,431,530.00
Other Assets	-
<b>Total Noncurrent Assets</b>	<b>\$ 117,909,882.00</b>
<b>TOTAL ASSETS</b>	<b>\$ 135,533,617.00</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 1,443,485.00
Salaries Payable	339,632.00
Deposits	14,724.00
Deferred Revenue (note 7)	846,714.00
Other Liabilities	550.00
Deposits Held for Other Organizations	1,181,494.00
Lease Purchase Obligations (current portion)	571,351.00
Compensated Absences (current portion)	744,528.00
Notes and Loans Payable (current portion)	-
<b>Total Current Liabilities</b>	<b>\$ 5,142,478.00</b>
<b>Noncurrent Liabilities</b>	
Lease Purchase Obligations (noncurrent)	\$ 53,070,017.00
Compensated Absences (noncurrent)	838,001.00
Notes and Loans Payable (noncurrent)	-
Other Noncurrent Liabilities	-
<b>Total Noncurrent Liabilities</b>	<b>\$ 53,908,018.00</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 59,050,496.00</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, net of related debt	\$ 58,790,162.00
Restricted for	-
Nonexpendable	4,642,349.00
Expendable	954,475.00
Unrestricted	12,096,135.00
<b>TOTAL NET ASSETS</b>	<b>\$ 76,483,121.00</b>

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

**Statement of Revenues, Expenses and Changes in Net Assets**

**SAVANNAH STATE UNIVERSITY**  
**STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS**  
**for the Year Ended June 30, 2011**

**REVENUES**

Operating Revenues		
Student Tuition and Fees (net of allowance for doubtful accounts)	\$	22,200,417
Less: Scholarship Allowances		(13,134,564)
Federal Appropriations		-
Grants and Contracts		
Federal		9,725,649
Federal Stimulus		224,708
State		250,959
Other		230,972
Sales and Services		835,791
Rents and Royalties		42,130
Auxiliary Enterprises		
Residence Halls		10,387,930
Bookstore		264,685
Food Services		6,253,988
Parking/Transportation		641,503
Health Services		591,377
Intercollegiate Athletics		3,238,246
Other Organizations		36,427
Other Operating Revenues		155,634
Total Operating Revenues	<b>\$</b>	<b>41,945,852</b>

**EXPENSES**

Operating Expenses		
Salaries:		
Faculty	\$	11,272,746
Staff		16,498,006
Employee Benefits		8,308,835
Other Personal Services		415,061
Travel		682,974
Scholarships and Fellowships		6,824,220
Utilities		3,403,007
Supplies and Other Services		23,069,460
Depreciation		4,980,560
Total Operating Expenses	<b>\$</b>	<b>75,454,869</b>
Operating Income (loss)	<b>\$</b>	<b>(33,509,017)</b>

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

**Statement of Revenues, Expenses and Changes in Net Assets, Continued**

**SAVANNAH STATE UNIVERSITY  
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS  
for the Year Ended June 30, 2011**

<b>NONOPERATING REVENUES (EXPENSES)</b>	
State Appropriations	\$ 17,547,199
Federal Stimulus - Stabilization Funds	
Grants and Contracts	
Federal	16,148,607
State	11,400
Gifts	1,555,810
Investment Income (endowments, auxiliary and other)	933,246
Interest Expense (capital assets)	(2,462,084)
Other Nonoperating Revenues	107,701
Net Nonoperating Revenues	<u>\$ 33,841,879</u>
Income before other revenues, expenses, gains, or loss	<u>\$ 332,862</u>
Capital Grants and Gifts	
State	402,004
Total Other Revenues	<u>\$ 402,004</u>
Increase in Net Assets	<u>\$ 734,866</u>
<b>NET ASSETS</b>	
Net Assets-beginning of year, as originally reported	\$ 75,748,255
Net Assets-End of Year	<u><u>\$ 76,483,121</u></u>

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

**Statement of Cash Flows**

**SAVANNAH STATE UNIVERSITY**

**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2011

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 8,805,662
Grants and Contracts (Exchange)	10,666,837
Sales and Services	835,791
Payments to Suppliers	(35,591,776)
Payments to Employees	(27,543,093)
Payments for Scholarships and Fellowships	(6,824,220)
Loans Issued to Students and Employees	(31,464)
Auxiliary Enterprise Charges:	-
Residence Halls	10,292,357
Bookstore	264,685
Food Services	6,216,811
Parking/Transportation	610,820
Health Services	591,571
Intercollegiate Athletics	3,224,590
Other Organizations	36,607
Other Receipts (payments)	(718,642)
<b>Net Cash Provided (used) by Operating Activities</b>	<b>\$ (29,163,464)</b>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

State Appropriations	\$ 17,547,199
Federal Stimulus - Stabilization Funds	(71,244)
Agency Funds Transactions	-
Gifts and Grants Received for Other Than Capital Purposes	17,715,818
Other Nonoperating Receipts	-
<b>Net Cash Flows Provided by Non-capital Financing Activities</b>	<b>\$ 35,191,773</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Gifts and Grants Received	\$ 334,235
Proceeds from Sale of Capital Assets	-
Purchases of Capital Assets	(1,218,337)
Principal Paid on Capital Debt and Leases	(461,330)
Interest Paid on Capital Debt and Leases	(2,462,084)
<b>Net Cash used by Capital and Related Financing Activities</b>	<b>\$ (3,807,516)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	\$ 457,811
Interest on Investments	475,435
Purchase of Investments	(892,101)
<b>Net Cash Provided (used) by Investing Activities</b>	<b>\$ 41,145</b>
Net Increase/Decrease in Cash	<b>2,261,938</b>
Cash and Cash Equivalents - Beginning of year	<b>8,370,806</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 10,632,744</b>

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

## Statement of Cash Flows, Continued

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

Operating Income (loss)	\$ (33,509,017)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	4,980,560
Change in Assets and Liabilities:	
Receivables, net	(1,223,938)
Inventories	12,550
Prepaid Items	(243,079)
Notes Receivable, Net	(31,464)
Accounts Payable	585,401
Deferred Revenue	278,064
Other Liabilities	(78,197)
Compensated Absences	65,656
<b>Net Cash Provided (used) by Operating Activities</b>	<b>\$ (29,163,464)</b>

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

Change in fair value of investments recognized as a component of interest income	\$ 457,811
Change in accrued interest payable affecting interest paid	
Gift of capital assets reducing proceeds of capital gifts and grants	\$ (67,769)

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

**SAVANNAH STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

***Note 1. Summary of Significant Accounting Policies***

**Nature of Operations**

Savannah State 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 and throughout the country.

**Reporting Entity**

Savannah State University is one of thirty-five (35) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of Savannah State University as a separate reporting entity.

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

Affiliated organizations are included in the reporting entity because of the significance of their operational or financial relationships with Savannah State University. For fiscal year 2011, the Savannah State University Foundation, Inc., SSU Community Development I, LLC, and the Savannah State University Student Athletic Association are presented as affiliated organizations.

See Note 16, Affiliated Organizations, for supplemental information.

**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, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Generally Accepted Accounting Principles (GAAP) requires that the reporting of summer school revenues and expenses be between fiscal years rather than in one fiscal year. Due to the lack of materiality, Institutions of the University System of Georgia will continue to report summer revenues and expenses in the year in which the predominant activity takes place.

### **Basis of Accounting**

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

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

### **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 and the Board of Regents Short-Term Investment Pool.

### **Short-Term Investments**

Short-Term Investments consist of investments of 90 days – 13 months. This would 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.

### **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 Assets. 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, and the Georgia Extended Asset Pool are included under Investments.

### **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 each residing in the State of Georgia. Accounts receivable also includes amounts due from the Federal government, 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 “first in, first out” (FIFO) basis.

**Noncurrent Cash and Investments**

Cash and investments that are externally restricted and cannot be used to pay current liabilities are classified as noncurrent assets in the Statement of Net Assets.

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair market value 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 obtain the total picture of plant additions in the University System, 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, the GSFIC retains construction in progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction in progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2011, GSFIC did not transfer any capital additions to Savannah State University.

**Deposits**

Deposits represent good faith deposits from students to reserve housing assignments in a University residence hall.

**Deferred Revenues**

Deferred revenues 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.

Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

### **Compensated Absences**

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses and Changes in Net Assets. Savannah State University had accrued liability for compensated absences in the amount of \$1,516,873 as of July 1, 2010. For fiscal year 2011, \$1,028,635 was earned in compensated absences and employees were paid \$962,979, for a net increase of \$65,656. The ending balance as of June 30, 2011 in accrued liability for compensated absences was \$1,582,529.

### **Noncurrent Liabilities**

Noncurrent 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.

### **Net Assets**

The University's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. 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 net assets - nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The University may accumulate as much of the annual net income of an institutional fund as is prudent under the standard established by Code Section 44-15-7 of Annotated Code of Georgia.

*Restricted net assets - expendable:* Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Expendable Restricted Net Assets include the following:

Restricted - E&G and Other Organized Activities	\$ -
Federal Loans	930,809
Institutional Loans	<u>23,666</u>
 Total Restricted Expendable	 <u><u>\$ 954,475</u></u>

*Restricted net assets – expendable – Capital Projects:* This represents resources for which the University is legally or contractually obligated to spend resources for capital projects in accordance with restrictions imposed by external third parties.

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

Unrestricted Net Assets includes the following items which are quasi-restricted by management.

	<u>June 30, 2011</u>
R & R Reserve	\$ 4,146,120
Reserve for Encumbrances	7,495,558
Reserve for Inventory	49,594
Other Unrestricted	<u>404,863</u>
 <b>Total Unrestricted Net Assets</b>	 <b><u><u>\$ 12,096,135</u></u></b>

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**

Savannah State 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 Assets classify fiscal year activity as operating and non-operating according to the following criteria:

**Operating Revenues:** 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.

**Non-operating revenues:** Non-operating 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 No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, such as state appropriations and investment income.

**Operating Expenses:** Operating expense includes activities that have the characteristics of exchange transactions.

**Non-operating Expenses:** Non-operating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

## **Scholarship Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported at gross with a contra revenue account of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Assets. 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 nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded contra revenue for scholarship allowances.

Auxiliary Intercollegiate Athletics revenue of \$1,235,550 is reported net of discounts and allowances of \$382,910.

## ***Note 2. Deposits and Investments***

### **Deposits**

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

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

The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2011, the carrying value of deposits was \$11,062,150 and the bank balance was \$12,410,659 . Of the University's deposits, \$12,115,553 was uninsured. Of these uninsured deposits, \$158,276 were collateralized with securities held by the financial institution's trust department or agent in the University's name, \$11,957,277 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the University's name and \$0 were uncollateralized.

### **Investments**

At June 30, 2011, the carrying value of the University's investments were, which is materially the same as fair value. These investments were comprised entirely of funds invested in the Board of Regents investment pool as follows:

Investment Pools	
Board of Regents	
Short-Term Fund	\$ -
Legal Fund	734,799
Total Return Fund	3,843,864
Diversified Fund	
Sub Total	<u>\$ 4,578,663.00</u>
Office of the State Treasurer	
Georgia Fund 1	\$ -
Georgia Extended Asset Pool	
Sub Total	<u>\$ -</u>
Total Investment Pools	<u><u>\$ 4,578,663.00</u></u>

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

#### 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.

The Effective Duration of the Legal Fund is 3.80 years. Of the University/College's total investment of \$734,799 in the Legal Fund, \$734,799 is invested in debt securities.

The Effective Duration of the Total Return Fund is 2.60 years. Of the University/College's total investment of \$3,843,864 in the Total Return Fund, \$1,244,699 is invested in debt securities.

#### Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy for managing credit quality risk.

### **Note 3. Accounts Receivable**

Accounts receivable consisted of the following at June 30, 2011:

Student Tuition and Fees	\$	1,088,722
Auxiliary Enterprises and Other Operating Activities		660,258
Federal Financial Assistance		1,920,639
Georgia State Financing and Investment Commission		-
Other		3,117,716
	\$	<u>6,787,335</u>
Less: Allowance for Doubtful Accounts		<u>661,571</u>
Net Accounts Receivable	\$	<u><u>6,125,764</u></u>

### **Note 4. Inventories**

Inventories consisted of the following at June 30, 2011:

Physical Plant		3,388
Other		46,380
Total	\$	<u><u>49,768</u></u>

### **Note 5. Notes/Loans Receivable**

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2011. 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 cancelled 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. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2011, the allowance for uncollectible loans was \$0.

## Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2011:

	Beginning Balances July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011
Capital Assets, Not Being Depreciated:				
Land	\$ 575,975	\$ -	\$ -	\$ 575,975
Construction Work-in-Progress	1,943,168	1,325,366	1,601,453	1,667,082
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 2,519,143</b>	<b>\$ 1,325,366</b>	<b>\$ 1,601,453</b>	<b>\$ 2,243,057</b>
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	\$ -			\$ -
Building and Building Improvements	88,710,126	391,679		89,101,806
Facilities and Other Improvements	2,836,653			2,836,653
Equipment	5,165,468	968,267	39,611	6,094,124
Capital Leases	53,816,031			53,816,031
Library Collections	7,507,950	202,246	12,017	7,698,179
Capitalized Collections	55,285			55,285
Software	-			-
<b>Total Assets Being Depreciated/Amortized</b>	<b>\$ 158,091,512</b>	<b>\$ 1,562,192</b>	<b>\$ 51,628</b>	<b>\$ 159,602,077</b>
Less: Accumulated Depreciation/Amortization				
Infrastructure	\$ -	\$ -	\$ -	\$ -
Buildings	29,337,221	1,841,348		31,178,569
Facilities and Other Improvements	1,661,745	106,521		1,768,266
Equipment	2,723,175	586,635	123,565	3,186,245
Capital Leases	4,704,155	2,195,534		6,899,689
Library Collections	6,129,625	249,140	12,017	6,366,748
Capitalized Collections	12,705	1,382		14,087
Software	-			-
<b>Total Accumulated Depreciation/Amortization</b>	<b>\$ 44,568,625</b>	<b>\$ 4,980,560</b>	<b>\$ 135,582</b>	<b>\$ 49,413,603</b>
<b>Total Capital Assets, Being Depreciated/Amortized, Net</b>	<b>\$ 113,522,887</b>	<b>\$ (3,418,368)</b>	<b>\$ (83,954)</b>	<b>\$ 110,188,473</b>
<b>Capital Assets, Net</b>	<b>\$ 116,042,030</b>	<b>\$ (2,093,001)</b>	<b>\$ 1,517,499</b>	<b>\$ 112,431,530</b>

## Note 7. Deferred Revenue

Deferred revenue consisted of the following at June 30, 2011:

Prepaid Tuition and Fees	\$ 25,880
Other Deferred Revenue	820,834
<b>Totals</b>	<b>\$ 846,714</b>

## Note 8. Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2011 was as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Portion</u>
<b>Leases</b>					
Lease Obligations	<u>\$ 54,102,698</u>	<u>\$ -</u>	<u>\$ 461,330</u>	<u>\$ 53,641,368</u>	<u>\$ 571,351</u>
<b>Other Liabilities</b>					
Compensated Absences	\$ 1,516,873	\$ 1,028,635	\$ 962,979	\$ 1,582,529	\$ 744,528
Other Liabilities	-	-	-	-	-
<b>Total</b>	<u>1,516,873</u>	<u>1,028,635</u>	<u>962,979</u>	<u>1,582,529</u>	<u>744,528</u>
<b>Total Long-Term Obligations</b>	<u>\$ 55,619,571</u>	<u>\$ 1,028,635</u>	<u>\$ 1,424,309</u>	<u>\$ 55,223,897</u>	<u>\$ 1,315,879</u>

## Note 9. Significant Commitments

The University had no significant unearned, outstanding, construction or renovation contracts as of June 30, 2011.

## Note 10. Lease Obligations

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

### CAPITAL LEASES

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2011 and 2033. Expenditures for fiscal year 2011 were \$2.923 million of which \$2.462 million represented interest and \$461,330 represented principal. Interest rates range from 4.486 percent to 4.655 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2011:

Land	
Buildings	49,111,876
Equipment	
Total Assets Held Under Capital Lease	<u>\$ 49,111,876</u>

Certain capital leases provide for renewal and/or purchase options. Generally purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

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

Village with the LLC. In August, 2008, Savannah State University entered into a capital lease of \$24,586,826, for University Commons with the LLC.

The University leases a 660-bed housing facility, University Village, at an interest rate of 4.486 percent for a twenty-five-year period that began February 2008 and expires June 2032, with payments due the 15<sup>th</sup> of the month each February, May, August, and November. The 13.768 acres of land on which these buildings are located is owned by the Board of Regents, and was leased to the LLC for \$10 per year, payable in advance upon commencement of the ground lease. The outstanding liability at June 30, 2011 on this capital lease is \$28,472,611.

The University leases a 742-bed housing facility, University Commons, at an interest rate of 4.655 percent for a twenty-five-year period that began August 2009 and expires June 2033, with payments due the 15<sup>th</sup> of the month each February, May, August, and November. The 0.275 acre of land on which these buildings are located (previously known as 4750 LaRoche Avenue) is part of the capital lease agreement. The outstanding liability at June 30, 2011 on this capital lease is \$25,168,757.

#### OPERATING LEASES

Savannah State University's non-cancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2011 through 2012. Certain operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Examples of property under operating leases are copiers and other equipment, as well as a warehouse utilized for surplus equipment storage off campus.

#### FUTURE COMMITMENTS

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2011, were as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2012	\$ 3,010,574	\$ -
2013	3,100,809	-
2014	3,193,833	-
2015	3,289,649	-
2016	3,386,841	-
2017 through 2021	18,520,633	-
2022 through 2026	21,470,491	-
2027 through 2031	24,890,183	-
2032 through 2036	8,031,223	-
2037 through 2042	-	-
Total minimum lease payments	\$ 88,894,236	\$ -
Less: Interest	35,252,868	
Less: Executory costs (if paid)	-	
<b>Principal Outstanding</b>	<b>\$ 53,641,368</b>	

Savannah State University's fiscal year 2011 expense for rental of real property and equipment under operating leases was \$273,382, with \$88,212 paid to IKON Office Solutions for copiers and \$71,515 paid to Rinchem Company Incorporated for rental of warehouse facilities.

### **Note 11. Retirement Plans**

Savannah State University participates in various retirement plans administered by the State of Georgia under two major retirement systems: Employees' Retirement System of Georgia (ERS System) and Teachers Retirement System of Georgia. 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 system offices. The significant retirement plans that Savannah State University participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

#### **Employees' Retirement System of Georgia**

The ERS System is comprised of individual retirement systems and plans covering substantially all employees of the State of Georgia except for teachers and other employees covered by the Teachers Retirement System of Georgia. One of the ERS System plans, the Employees' Retirement System of Georgia (ERS), is a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and

beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan (SRBP-ERS) of ERS. SRBP-ERS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of the SRBP-ERS is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC Section 415. Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP-ERS whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009 also have the option to change their membership to the GSEPS plan.

Under the old plan, new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Post-retirement cost-of-living adjustments may 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.

Member contribution rates are set by law. 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, Savannah State University pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these Savannah State University 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. Savannah State University is required to contribute at a specified percentage of active member payroll established by the Board of Trustees determined

annually in accordance with actuarial valuation and minimum funding standards as provided by law. These Savannah State University contributions are not at any time refundable to the member or his/her beneficiary.

Employer contributions required for fiscal year 2011 were based on the June 30, 2007 actuarial valuation for the old and new plans and were set by the Board of Trustees on September 18, 2008 for GSEPS as follows:

Old Plan*	10.41%
New Plan	10.41%
GSEPS	6.54%

\* 5.66% exclusive of contributions paid by the employer on behalf of old plan members

Members become vested after 10 years of service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contributions; the member forfeits all rights to retirement benefits.

### **Teachers Retirement System of Georgia**

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

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed

that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member’s contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member’s earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2010 were 5.25% of annual salary. The member contribution rate will increase to 5.53% effective July 1, 2010. Employer contributions required for fiscal year 2010 were 9.74% of annual salary as required by the June 30, 2007 actuarial valuation. The employer contribution rate increased to 10.28% effective July 1, 2010.

The following table summarizes the Savannah State University contributions by defined benefit plan for the years ending June 30, 2011, June 2010, and June 2009 (dollars in thousands):

	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2011	-	100%	1,720,598	100%
2010	-	100%	1,523,853	100%
2009	5,361	100%	1,397,171	100%

## **Regents Retirement Plan**

### **Plan Description**

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

### **Funding Policy**

Savannah State University makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For

fiscal year 2011, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 5% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

Savannah State University and the covered employees made the required contributions of \$675,391 (9.24%) and \$365,387 (5%), respectively.

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

## **Georgia Defined Contribution Plan**

### **Plan Description**

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

### **Benefits**

A member may retire and elect to receive periodic payments after attainment of age 65. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board of Trustees. If a member has less than \$3,500 credited to his/her account, the Board of Trustees has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary. Benefit provisions are established by State statute.

### **Contributions**

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

Total contributions made by employees during fiscal year 2011 amounted to \$36,755 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

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

## **Note 12. Risk Management**

The University System of Georgia offers its employees and retirees access to two different self-insured healthcare plan options – a PPO/PPO Consumer healthcare plan, and an indemnity healthcare plan. Savannah State University and participating employees and

retirees pay premiums to either of the self-insured healthcare plan options to access benefits coverage. The respective self-insured healthcare plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these two plans are considered to be a self-sustaining risk fund. Both self-insured healthcare plan options provide a maximum lifetime benefit of \$2,000,000 per person. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the two self-insured healthcare plan products. In addition to the two different self-insured healthcare plan options offered to the employees of the University System of Georgia, a fully insured HSA/High Deductible PPO healthcare plan and two fully insured HMO healthcare plan options are also offered to System employees.

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

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the Official Code of Georgia Annotated Section 45-9-1. The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

### ***Note 13. Contingencies***

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

Litigation, claims and assessments filed against Savannah State University (an organizational unit of the Board of Regents of the University System of Georgia), if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the

State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

**Note 14. Post-Employment Benefits Other Than Pension Benefits**

Pursuant to the general powers conferred by the Official Code of Georgia Annotated Section 20-3-31, the Board of Regents of the University System of Georgia has established group health and life insurance programs for regular employees of the University System of Georgia. It is the policy of the Board of Regents to permit employees of the University System of Georgia eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the Board of Regents of the University System of Georgia define and delineate who is eligible for these post-employment health and life insurance benefits. Organizational units of the Board of Regents of the University System of Georgia pay the employer portion for group insurance for affected individuals. With regard to life insurance, the employer covers the total cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the employee.

The Board of Regents Retiree Health Benefit Plan is a single employer defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The College pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year. For the 2010 and 2011 plan years, the employer rate was between 70-75% of the total health insurance cost for eligible retirees and the retiree rate was between 25-30%.

As of June 30, 2011, there were 215 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2011, Savannah State University recognized as incurred \$840,156 of expenditures, which was net of \$402,686 of participant contributions.

## Note 15. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for fiscal year 2011 are shown below:

Natural Classification	Functional Classification Fiscal Year 2011					
			Public	Academic	Student	Institutional
	Instruction	Research	Service	Support	Services	Support
Faculty	\$ 10,266,032	\$ 381,892	\$ 33,435	\$ 362,115	\$ 89,042	\$ 135,860
Staff	1,642,290	386,337	992,848	3,398,214	1,934,722	3,281,931
Benefits	3,052,809	131,646	228,649	925,232	617,853	1,932,694
Personal Services	-	-	-	-	-	415,061
Travel	93,492	27,531	23,685	169,666	58,169	114,332
Scholarships and Fellowships	386,234	493,406	165,257	197,327	21,998	-
Utilities	60,494	1,153	5,497	23,148	78,282	55,351
Supplies and Other Services	1,761,084	820,318	565,044	1,202,862	875,180	3,554,103
Depreciation	85,475	29,411	5,245	363,423	17,213	129,843
<b>Total Expenses</b>	<b>\$ 17,347,910</b>	<b>\$ 2,271,693</b>	<b>\$ 2,019,660</b>	<b>\$ 6,641,986</b>	<b>\$ 3,692,459</b>	<b>\$ 9,619,175</b>

Natural Classification	Functional Classification Fiscal Year 2011				
	Plant	Scholarships	Auxiliary	Unallocated	Total
	Operations & Maintenance	& Fellowships	Enterprises	Expenses	Expenses
Faculty	\$ (36,579)	\$ -	\$ 40,949	\$ -	\$ 11,272,746
Staff	2,048,446	-	2,813,218	-	16,498,006
Benefits	685,965	-	733,988	-	8,308,835
Personal Services	(225,069)	-	225,069	-	415,061
Travel	5,344	2,196	188,560	-	682,974
Scholarships and Fellowships	-	4,324,448	1,235,550	-	6,824,220
Utilities	1,797,641	-	1,381,442	-	3,403,007
Supplies and Other Services	4,480,694	4,830	9,805,345	-	23,069,460
Depreciation	1,450,912	-	2,899,039	-	4,980,560
<b>Total Expenses</b>	<b>\$ 10,207,353</b>	<b>\$ 4,331,475</b>	<b>\$ 19,323,159</b>	<b>\$ -</b>	<b>\$ 75,454,869</b>

## **Note 16. Affiliated Organizations**

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14, *The Reporting Entity* which became effective for the year ended June 30, 2004, Savannah State University Foundation, Inc., and the Savannah State University Student Athletic Foundation are legally separate tax exempt organizations whose activities primarily support Savannah State University, a unit of the University System of Georgia (an organizational unit of the State of Georgia). The State Accounting Office determined Component Units of the State of Georgia, as required by GASB Statement No. 39 should not be assessed in relation to their significance to Savannah State University, but instead based on their significance to the State of Georgia.

SSU Community Development I, LLC, was organized on July 16, 2010 as a Georgia limited liability company. It is a special purpose entity that is created for the sole purpose of acting as the Borrower of the \$36,475,000 Savannah Economic Development Authority Revenue Bonds, Series 2010. The Borrower is to lease three new buildings and the renovated Camilla Hubert Hall to Savannah State University (the Regents) under four rental agreements commencing the first day of the first month following the issuance of a certificate of occupancy. This is expected to occur the first quarter of fiscal year 2012.

Savannah State University Foundation, Inc., including SSU Community Development I, LLC, has been determined as being significant to the State of Georgia for the year ended June 30, 2011, and as such, is reported as a discretely presented component unit in the Comprehensive Annual Financial Report of the State of Georgia (CAFR). Significant discretely presented component units issue separate audited financial statements that can be obtained from Savannah State University.