

SAVANNAH STATE UNIVERSITY

Financial Report



For the Year Ended
June 30, 2009

Savannah State University

Savannah, Georgia

President

Vice President for Fiscal Affairs

SAVANNAH STATE UNIVERSITY
ANNUAL FINANCIAL REPORT
FY 2009

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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, as a department of the State University for the education and training of Negro students, Savannah State University now serves a diverse student population as a senior university of the University System of Georgia. The University serves a primarily African-American student population, enriched by a diversity of traditional and nontraditional students from other countries, cultures, and races.

Savannah State University, located in a coastal, urban, port city setting, serves residential and commuter students from diverse educational, geographical, and racial backgrounds. In a beautiful and unique setting of a live oak forest next to a salt marsh estuary, the University is well situated for the study of commercial, technological, environmental and urban issues.

The University's mission is to graduate students prepared to perform at higher levels of economic productivity, social responsibility, and excellence in their chosen fields of endeavor in a changing global community; this mission is consistent with the core missions of the University System of Georgia and the senior universities in the System. The educational goal is realized through program offerings in the College of Business Administration, the College of Liberal Arts and Social Sciences, and the College of Sciences and Technology, which lead to baccalaureate, and master's degrees. This wide range of educational opportunities attracts a highly qualified faculty and a student body of more than 3,000 students each year. The institution has grown over the last several fiscal years as shown by the comparison numbers that follow.

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
FY2009	154	3,453	3,238
FY2008	136	3,169	2,950
FY2007	141	3,241	3,065

Overview of the Financial Statements and Financial Analysis

Savannah State University is proud to present its financial statements for fiscal year 2009. 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 years 2009 and 2008.

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 non-current), Liabilities (current and non-current), and Net Assets (Assets minus Liabilities). The difference between current and non-current assets will be discussed in the footnotes 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, 2009</u>	<u>June 30, 2008</u>
Assets:		
Current Assets	\$10,299,690	\$9,368,193
Capital Assets, net	117,804,061	84,241,090
Other Assets	4,086,979	3,769,899
Total Assets	<u>132,190,730</u>	<u>97,379,182</u>
Liabilities:		
Current Liabilities	5,290,558	3,399,136
Noncurrent Liabilities	54,067,540	29,707,437
Total Liabilities	<u>59,358,098</u>	<u>33,106,573</u>
Net Assets:		
Invested in Capital Assets, net of debt	64,235,126	55,085,635
Restricted - nonexpendable	3,396,519	2,586,254
Restricted - expendable	902,819	1,411,771
Capital Projects	0	0
Unrestricted	4,298,168	5,188,949
Total Net Assets	<u><u>\$72,832,632</u></u>	<u><u>\$64,272,609</u></u>

Total institution assets increased by \$34,811,548. A review of the Statement of Net Assets will reveal that the increase was directly due to an increase of \$33,562,971 in the category of Capital Assets, net, and an increase in Investments. The Cash and Cash Equivalents increase of \$1,439,384 was a direct result of the decrease in Accounts Receivable of \$1,212,584.

Total liabilities for the year increased \$26,251,525, directly as a result of the Lease Purchase Obligation incurred related to the increase in Capital Assets. The combination of the increase in total assets of \$34,811,548 and the increase in total liabilities of \$26,251,525 yields an increase in total net assets of \$8,560,023. The increase in total net assets is primarily in the category of Invested in Capital Assets, net of debt, in the amount of \$9,149,491, again reflecting major asset acquisition and related debt.

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Operating Revenues	\$30,340,497	\$30,793,401
Operating Expenses	<u>63,560,440</u>	<u>51,902,854</u>
Operating Loss	(33,219,943)	(21,109,453)
Nonoperating Revenues and Expenses	<u>27,271,851</u>	<u>20,169,847</u>
Income (Loss) Before other revenues, expenses, gains or losses	(5,948,092)	(939,606)
Other revenues, expenses, gains or losses	<u>14,508,115</u>	<u>3,676,595</u>
Increase in Net Assets	8,560,023	2,736,989
Net Assets at beginning of year, as originally reported	64,272,609	61,535,620
Prior Year Adjustments	<u>0</u>	<u>0</u>
Net Assets at beginning of year, restated	<u>64,272,609</u>	<u>61,535,620</u>
Net Assets at End of Year	<u><u>\$72,832,632</u></u>	<u><u>\$64,272,609</u></u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflect a loss before other revenues and expenses, but a positive increase in net assets. Although operating and non operating revenues increased \$8,561,333 or 16.6%, operating and nonoperating expenses increased \$13,569,819 or 25.9%. This resulted in a net loss before Capital Grants and Gifts of (\$5,948,092), a decrease in net margin of \$5,008,486 over prior year. This loss was offset by capital gifts and grants in the amount of \$14,508,115, creating an increase in net assets of \$8,560,023. 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, 2009 and June 30, 2008

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Operating Revenue		
Tuition and Fees	\$6,244,937	\$6,365,449
Federal Appropriations	0	0
Grants and Contracts	7,923,152	13,801,927
Sales and Services	161,135	348,107
Auxiliary	15,936,003	10,199,247
Other	75,270	78,671
Total Operating Revenue	<u>30,340,497</u>	<u>30,793,401</u>
Nonoperating Revenue		
State Appropriations	18,894,240	18,892,885
Federal Stimulus - Stabilization Funds	190,831	0
Grants and Contracts	8,879,787	0
Gifts	1,901,386	1,235,059
Investment Income	471,186	517,761
Other	(713,243)	(35,755)
Total Nonoperating Revenue	<u>29,624,187</u>	<u>20,609,950</u>
Capital Gifts and Grants		
State	14,508,115	3,676,595
Other Capital Gifts and Grants	0	0
Total Capital Gifts and Grants	<u>14,508,115</u>	<u>3,676,595</u>
Total Revenues	<u><u>\$74,472,799</u></u>	<u><u>\$55,079,946</u></u>

Expenses (By Functional Classification)
For the Years Ended June 30, 2009 and June 30, 2008

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Operating Expenses		
Instruction	\$14,753,388	\$14,703,589
Research	1,242,096	1,470,687
Public Service	1,971,089	2,219,032
Academic Support	6,042,208	4,927,690
Student Services	3,475,483	3,163,252
Institutional Support	8,805,641	7,465,528
Plant Operations and Maintenance	9,526,057	6,836,889
Scholarships and Fellowships	2,413,488	2,325,150
Auxiliary Enterprises	15,330,990	8,791,037
Unallocated Expenses	0	0
Patient Care (MCG only)	0	0
Total Operating Expenses	<u>63,560,440</u>	<u>51,902,854</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	2,352,336	440,103
Total Expenses	<u><u>\$65,912,776</u></u>	<u><u>\$52,342,957</u></u>

Operating revenues, excluding Federal Grants and Contracts, increased \$5,415,150, or 17.6% in fiscal 2009. This increase was primarily related to an increase in Residence Hall and Food Services, which resulted from additional housing availability and increased enrollment.

The Auxiliary revenue increase of \$5,736,756, or 56%, is a result of the changing environment of residential life on the University's campus. During fiscal year 2008 the University acquired University Village, a 660-bed housing facility, through capital lease. University Commons, a 742-bed housing facility, was acquired through capital lease August, 2008. Student housing fees were collected through the campus and a fee paid to American Campus to manage the facility through November 30, 2008. As of December 1, 2008, the University began managing the facility in-house. University Village and University Commons rents for fiscal year 2009, without consideration of fines and fee waivers, were \$2,882,816 and \$3,292,178, respectively. The increase in housing availability and higher enrollment also resulted in an increase of \$1,463,001 for Food Services.

Nonoperating revenues increased \$9,314,237 primarily due to a reclassification of Grants and Contracts from Nonoperating to operating in the amount of \$9,070,618. These Federal Grants and Contracts appear to have increased approximately \$3 million over the prior year due to the addition of new awards, increased grant activity, as well as an increase in student financial aid due directly to enrollment. Although significantly reduced through budget cuts, State Appropriation is comparable to prior year.

The compensation and employee benefits category increased by \$2,586,982 or 9%, including an increase in employee benefits of \$523,983 or 7.9%. The overall increase primarily reflects merit increases; personnel increases in academic support, institutional support, and auxiliary; and the increased cost of health insurance for the employees of the institution.

Depreciation expense increased \$2,526,399 over the prior year due directly to the acquisition of University Commons, the completion of the Social Sciences Building, and various other major assets (University Village was acquired prior year). The increase in interest expense of \$1,912,233 was a direct result of the capital lease acquisitions.

Utilities increased by \$808,534 during the past year, primarily as a result of the University Commons addition.

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 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, 2009 and 2008, Condensed

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash Provided (used) By:		
Operating Activities	(\$25,347,213)	(\$17,595,173)
Non-capital Financing Activities	30,021,408	20,309,941
Capital and Related Financing Activities	(3,459,273)	(2,251,593)
Investing Activities	24,608	205,769
Net Change in Cash	<u>1,239,530</u>	<u>668,944</u>
Cash, Beginning of Year	<u>5,403,753</u>	<u>4,734,809</u>
Cash, End of Year	<u><u>\$6,643,283</u></u>	<u><u>\$5,403,753</u></u>

Capital Assets

As reported in the statement of cash flows capital purchases, net of assets acquired by lease or capital gift, for fiscal year 2009 were \$1,917,727, as compared to \$5,489,938 prior year. Additionally, the University spent \$2,352,336 in interest expense related to a capital leases and debt.

The University had two significant capital asset additions for facilities in fiscal year 2009. The Social Sciences Building, which opened spring of 2009, was capitalized at \$13,471,608, which was funded by GSFIC. Additionally, the University entered into a capital lease for University Commons Housing in the amount of \$24,586,826. The University also added a Press Box to the Stadium in the amount of \$485,542, and other renovations funded by the GSFIC included \$267,877 for Hill Hall.

Included in the equipment purchases of \$969,492, for the University were one 25-passenger minibus, a 21-passenger minibus with ADA accessibility, and a 15-passenger van (\$145,718); projectors and other equipment for the Social Sciences Building (\$186,240); two large outdoor teleprompters and another full color display for communication purposes (\$103,626); the replacement of a large hot water system (\$65,293); and various other equipment items essential for on-going operations (engineering department, technology, and infrastructure improvements).

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 9 in the notes to the financial statements.

Long Term Debt and Liabilities

Savannah State University had Long-Term Debt and Liabilities of \$54,067,540. The current portion of this debt for capital leases and compensated absences of \$226,358 and \$636,515, respectively, were reflected as current liabilities at June 30, 2009.

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

Component Units

In 2008 Savannah State University Foundation, Inc., a Georgia non-profit corporation (the “Foundation”) adopted resolutions authorizing the organization of SSU Foundation Real Estate Ventures, LLC (the “LLC”), a Georgia limited liability company of which the Foundation is the sole member, for the purpose of acquiring, renovating, equipping and leasing to the Board of Regents for the benefit of the University. At June 30, 2009, the Foundation, which includes the LLC, had long-term debt of approximately \$53.3 million in the form of two bond issues.

The State Accounting Office has determined Component Units of the State of Georgia, as required by GASB Statement No. 39, should be assessed in relation to their significance to the State of Georgia. Accordingly, Savannah State University has not included financial activity for Savannah State University Foundation and Savannah State University Athletic Fund Association in these 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 and a weak economy, the University was able to generate a modest increase in Net Assets due directly to Capital Grants and Gifts. The University anticipates the current fiscal year will be even more challenging with significant budget cuts on the horizon at the state level, but will continue to maintain a close watch over resources providing the University with the flexibility to react to internal and external situations that may develop.

Earl G. Yarbrough, Sr., Ph.D., President
Savannah State University

Statement of Net Assets

SAVANNAH STATE UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2009

	<u>June 30, 2009</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$6,617,001.00
Short-term Investments	408,276.00
Accounts Receivable, net (note 3)	
Receivables - Federal Financial Assistance	1,833,799.00
Receivables - State General Appropriations Allotment	0.00
Margin Allocation Funds	
Receivables - Other	1,295,309.00
Due From Component Units	
Inventories (note 4)	52,041.00
Prepaid Items	93,264.00
Other Assets	
Total Current Assets	<u>10,299,690.00</u>
Noncurrent Assets	
Noncurrent Cash	26,282.00
Short-term Investments	847,812.00
Investments (Externally Restricted)	
Due from Component Units	
Investments	2,375,041.00
Notes Receivable, net	837,844.00
Capital Assets, net (note 6)	117,804,061.00
Total Noncurrent Assets	<u>121,891,040.00</u>
TOTAL ASSETS	<u>\$ 132,190,730.00</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	2,504,278.00
Salaries Payable	207,861.00
Benefits Payable	0.00
Contracts Payable	0.00
Deposits	0.00
Deferred Revenue (note 7)	523,747.00
Other Liabilities	282.00
Deposits Held for Other Organizations	1,191,917.00
Lease Purchase Obligations (current portion)	226,358.00
Compensated Absences (current portion)	636,115.00
US DOE Settlement (current portion)	
Due to Component Units	
Notes and Loans Payable (current portion)	
Total Current Liabilities	<u>5,290,558.00</u>
Noncurrent Liabilities	
Lease Purchase Obligations (noncurrent)	53,342,577.00
Deferred Revenue (noncurrent)	
Compensated Absences (noncurrent)	724,963.00
US DOE Settlement (noncurrent)	
Due to Component Units	
Notes and Loans Payable (noncurrent)	
Total Noncurrent Liabilities	<u>54,067,540.00</u>
TOTAL LIABILITIES	<u>\$ 59,358,098.00</u>
NET ASSETS	
Invested in Capital Assets, net of related debt	64,235,126.00
Restricted for	
Nonexpendable	3,396,519.00
Expendable	902,819.00
Capital Projects	
Unrestricted	4,298,168.00
TOTAL NET ASSETS	<u>\$72,832,632.00</u>

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, 2009**

	<u>June 30, 2009</u>
REVENUES	
Operating Revenues	
Student Tuition and Fees (net of allowance for doubtful accounts)	\$ 13,912,811.00
Less: Scholarship Allowances	(7,667,874.00)
Federal Appropriations	
Grants and Contracts	
Federal	7,447,503.00
Federal Stimulus	
State	98,925.00
Other	376,724.00
Sales and Services	161,135.00
Rents and Royalties	8,682.00
Auxiliary Enterprises	
Residence Halls	8,240,776.00
Bookstore	76,207.00
Food Services	4,795,031.00
Parking/Transportation	268,361.00
Health Services	481,944.00
Intercollegiate Athletics	2,051,092.00
Other Organizations	22,592.00
Other Operating Revenues	66,588.00
Total Operating Revenues	<u>30,340,497.00</u>
EXPENSES	
Operating Expenses	
Salaries:	
Faculty	9,469,824.00
Staff	14,422,543.00
Employee Benefits	7,151,324.00
Other Personal Services	420,591.00
Travel	467,375.00
Scholarships and Fellowships	4,023,342.00
Utilities	3,804,309.00
Supplies and Other Services	18,149,495.00
Depreciation	5,651,637.00
Total Operating Expenses	<u>63,560,440.00</u>
Operating Income (loss)	<u>\$ (33,219,943.00)</u>

Statement of Revenues, Expenses and Changes in Net Assets,
NONOPERATING REVENUES (EXPENSES)

State Appropriations	18,894,240.00
Federal Stimulus - Stabilization Funds	190,831.00
Grants and Contracts	
Federal	8,879,787.00
Federal Stimulus	
State	0.00
Other	0.00
Gifts	1,901,386.00
Investment Income (endowments, auxiliary and other)	471,186.00
Interest Expense (capital assets)	(2,352,336.00)
Other Nonoperating Revenues	(713,243.00)
Net Nonoperating Revenues	<u>27,271,851.00</u>
Income before other revenues, expenses, gains, or loss	<u>\$ (5,948,092.00)</u>
Capital Grants and Gifts	
Federal	
State	14,508,115.00
Other	
Total Other Revenues	<u>14,508,115.00</u>
Increase in Net Assets	<u>\$ 8,560,023.00</u>
NET ASSETS	
Net Assets-beginning of year, as originally reported	64,272,609.00
Prior Year Adjustments	
Net Assets-beginning of year, restated	<u>64,272,609.00</u>
Net Assets-End of Year	<u><u>\$ 72,832,632.00</u></u>

Statement of Cash Flows

SAVANNAH STATE UNIVERSITY STATEMENT OF CASH FLOWS For the Year Ended June 30, 2009

	<u>June 30, 2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$6,406,708
Federal Appropriations	
Grants and Contracts (Exchange)	7,241,186
Sales and Services	161,135
Payments to Suppliers	(28,395,125)
Payments to Employees	(23,926,150)
Payments for Scholarships and Fellowships	(4,023,342)
Loans Issued to Students and Employees	30,326
Collection of Loans to Students and Employees	
Auxiliary Enterprise Charges:	
Residence Halls	8,392,005
Bookstore	76,207
Food Services	4,823,281
Parking/Transportation	278,815
Health Services	495,916
Intercollegiate Athletics	2,027,495
Other Organizations	22,873
Other Receipts (payments)	1,041,457
Net Cash Provided (used) by Operating Activities	<u>(25,347,213)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	18,894,240
Federal Stimulus - Stabilization Funds	190,831
Agency Funds Transactions	155,164
Gifts and Grants Received for Other Than Capital Purposes	10,781,173
Principal Paid on Installment Debt	
Interest Paid on Installment Debt	
Other Nonoperating Receipts	
Net Cash Flows Provided by Non-capital Financing Activities	<u>30,021,408</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	984,136
Proceeds from Sale of Capital Assets	
Purchases of Capital Assets	(1,917,727)
Principal Paid on Capital Debt and Leases	(173,346)
Interest Paid on Capital Debt and Leases	(2,352,336)
Net Cash used by Capital and Related Financing Activities	<u>(3,459,273)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	516,916
Interest on Investments	283,878
Purchase of Investments	(776,186)
Net Cash Provided (used) by Investing Activities	<u>24,608</u>
Net Increase/Decrease in Cash	1,239,530
Cash and Cash Equivalents - Beginning of year	5,403,753
Cash and Cash Equivalents - End of Year	<u><u>\$6,643,283</u></u>

Statement of Cash Flows, Continued

**SAVANNAH STATE UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009**

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

Operating Income (loss)	(\$33,219,943)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	5,651,637
Change in Assets and Liabilities:	
Receivables, net	560,353
Inventories	3,507
Other Assets	
Prepaid Items	(55,974)
Notes Receivable, Net	30,326
Accounts Payable	1,183,582
Deferred Revenue	133,868
Other Liabilities	315,123
Compensated Absences	50,308
	<u>(\$25,347,213)</u>

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

Fixed assets acquired by incurring capital lease obligations	<u>\$24,586,826</u>
Non-capital items acquired by incurring capital lease obligations	
Change in accounts receivable related to private gifts	
Change in receivable from State Agency affecting proceeds of capital debt	
Change in fair value of investments recognized as a component of interest income	<u>\$187,308</u>
Change in interest receivable affecting interest received	
Bond issuance costs reducing proceeds of long-term debt	
Special Item (provide explanation)	
Change in accrued interest payable affecting interest paid	
Amortization of bond issuance costs reducing interest paid	
Interest on capital debt paid by State Agency on behalf of University	
Principal on capital debt paid by State Agency on behalf of University	
Gift reducing proceeds of Gifts and Grants received for other than capital purposes	<u>(\$1,017,698)</u>
Gift of capital assets reducing proceeds of capital gifts and grants	<u>(\$13,523,979)</u>

SAVANNAH STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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.

The Board of Regents of the University System of Georgia (and thus Savannah State University) implemented GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units - an amendment of Statement No. 14*, in fiscal year 2004. This statement requires the inclusion of the financial statements for foundations and affiliated organizations that qualify as component units in the Annual Financial Report for the institution. The State Accounting Office has determined Component Units of the State of Georgia, as required by GASB Statement No. 39, should be assessed in relation to their significance to the State of Georgia. Accordingly, for fiscal year 2009 Savannah State University has not included financial activity for Savannah State University Foundation and Savannah State University Athletic Fund Association in these financial statements.

See Note 16, Component Units, for Foundation notes.

Financial Statement Presentation

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The State of Georgia implemented GASB Statement No. 34 as of and for the year ended June 30, 2002. As an organizational unit of the State of Georgia, the University was also required to adopt GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. 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, cash flows, and replaces the fund-group perspective previously required.

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

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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.

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 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, 2009, GSFIC

transferred capital additions valued at \$13,471,608 and \$1,070,069 in non-capital expenses to Savannah State University for the Social Sciences Building.

Reservation Fees

Beginning fiscal year 2009 the University discontinued the practice of retaining deposits for student housing throughout the year. Reservation fees now represent a down payment from students to reserve housing assignments in a University residence hall. These fees are applied to the students' accounts within the first week of the semester.

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 Statements of Revenues, Expenses, and Changes in Net Assets. Savannah State University had accrued liability for compensated absences in the amount of \$1,310,770 as of July 1, 2008. For fiscal year 2009, \$987,066 was earned in compensated absences and employees were paid \$936,758, for a net increase of \$50,308. The ending balance as of June 30, 2009 in accrued liability for compensated absences was \$1,361,078.

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:

	<u>June 30, 2009</u>
Restricted - E&G and Other Organized Activities	(\$2,823)
Federal Loans	882,157
Institutional Loans	23,485
Term Endowments	
Total Restricted Expendable	<u><u>\$902,819</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 Treasury and Fiscal Services. 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, 2009</u>
R & R Reserve	\$2,576,326
Reserve for Encumbrances	2,037,925
Reserve for Inventory	73,740
Other Unrestricted	(389,823)
Total Unrestricted Net Assets	<u><u>\$4,298,168</u></u>

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

The University has classified its revenues as either operating or non-operating revenues in the Statement of Revenues, Expenses, and Changes in Net Assets according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of sponsored and unsponsored scholarships, (2) sales and services of auxiliary enterprises, net of sponsored and unsponsored scholarships, (3) most Federal, state and local grants and contracts and Federal appropriations, and (4) interest on institutional student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

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 \$666,764 is reported net of discounts and allowances of \$460,226.

Note 2. Deposits and Investments

A. 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, 2009, the carrying value of deposits was \$7,897,994 and the bank balance was \$9,060,787. Of the University's deposits, \$8,699,219 was uninsured. Of these uninsured deposits, \$8,699,219 8,699,219 was collateralized with securities held by the financial institution's trust department or agent in the University's name.

B. Investments

At June 30, 2009, the carrying value of the University's investments was \$2,375,041, 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	501,981
Balanced Income Fund	
Total Return Fund	1,873,060
Total Investment Pools	\$2,375,041

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 – Administrative Central 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.state.ga.us/internet/searchRpts.html>.

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 Weighted Average Maturity of the Legal Fund is 3.31 years. Of the University’s total investment of \$501,981 in the Legal Fund, \$501,981 is invested in debt securities.

The Weighted Average Maturity of the Total Return Fund is 7.84 years. Of the University’s total investment of \$1,873,060 in the Total Return Fund, \$651,825 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, 2009:

	<u>June 30, 2009</u>
Student Tuition and Fees	\$447,756
Auxiliary Enterprises and Other Operating Activities	600,434
Federal Financial Assistance	1,833,800
State General Appropriations Allotment	
Georgia State Financing and Investment Commission	
Margin Allocation Funds	
Due from Component Units	
Other	1,126,124
	<u>4,008,114</u>
Less Allowance for Doubtful Accounts	<u>879,006</u>
Net Accounts Receivable	<u><u>\$3,129,108</u></u>

Note 4. Inventories

Inventories consisted of the following at June 30, 2009:

	<u>June 30, 2009</u>
Physical Plant	43,718
Other	<u>8,323</u>
Total	<u><u>\$52,041</u></u>

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2009. 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, 2009 the allowance for uncollectible loans was \$0.

Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2009:

	Beginning Balances 7/1/2008	Additions	Reductions	Ending Balance 6/30/2009
Capital Assets, Not Being Depreciated:				
Land	\$575,975			\$575,975
Capitalized Collections	0			0
Construction Work-in-Progress	0	434,002	434,002	0
Total Capital Assets Not Being Depreciated	575,975	434,002	434,002	575,975
Capital Assets, Being Depreciated:				
Infrastructure	0			0
Building and Building Improvements	73,844,988	14,225,028		88,070,016
Facilities and Other Improvements	2,520,259	0		2,520,259
Equipment	8,476,994	969,492	4,854,306	4,592,179
Capital Leases	29,229,205	24,586,826		53,816,031
Library Collections	7,065,409	247,186	8,305	7,304,290
Capitalized Collections	55,285	0		55,285
Total Assets Being Depreciated	121,192,139	40,028,532	4,862,611	156,358,060
Less: Accumulated Depreciation				
Infrastructure	0			0
Buildings	24,078,478	2,877,641		26,956,119
Facilities and Other improvements	1,466,477	97,634		1,564,111
Equipment	5,961,094	298,086	4,040,382	2,218,798
Capital Leases	401,776	2,106,845		2,508,621
Library Collections	5,609,259	270,049	8,305	5,871,003
Capitalized Collections	9,941	1,382		11,323
Total Accumulated Depreciation	37,527,024	5,651,637	4,048,687	39,129,974
Total Capital Assets, Being Depreciated, Net	83,665,115	34,376,895	813,924	117,228,086
Capital Assets, net	\$84,241,090	\$34,810,897	\$1,247,926	\$117,804,061

Note 7. Deferred Revenue

Deferred revenue consisted of the following at June 30, 2009:

Prepaid Tuition and Fees	
Other Deferred Revenue	523,747
	<hr/>
Totals	\$523,747
	<hr/> <hr/>

Note 8. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009	Current Portion
Leases					
Lease Obligations	\$29,155,455	\$24,586,826	\$173,346	\$53,568,935	\$226,358
Other Liabilities					
Compensated Absences	1,310,770	987,065	936,757	1,361,078	636,115
US DOE Settlement	0			0	
Notes and Loans	0			0	
Total	1,310,770	987,065	936,757	1,361,078	636,115
Total Long Term Obligations	\$30,466,225	\$25,573,891	\$1,110,103	\$54,930,013	\$862,473

Note 9. Significant Commitments

The University had no significant unearned, outstanding, construction or renovation contracts executed as of June 30, 2009, not reflected in the accompanying basic financial statements.

Note 10. Lease Obligations

Savannah State University is obligated under various operating leases for the use of equipment, but has no operating leases for real property (land, buildings, and office facilities). The University is obligated under a capital lease, but has no other installment purchase agreements for the acquisition of real property.

CAPITAL LEASES

Savannah State University has capital leases that are payable in installments and expire between 2032 and 2033. Expenditures for fiscal year 2009 were **\$2.525** million of which \$2.352 million represented interest and \$173,346 represented principal. The University also paid rent expense on capital leases in the amount of \$118,965. Interest rates range from 4.489 percent to 4.655 percent. The following is a summary of the *net book value* of assets held under capital lease at June 30, 2009:

Buildings	51,307,410
Equipment	
Total Assets Held Under Capital Lease	<u><u>\$51,307,410</u></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 capital leases of \$29,229,205 and \$24,586,826, for University Village and University Commons, respectively, with the LLC, which is included in the discrete presentation of Savannah State University Foundation.

The University leases a 660-bed housing facility, University Village, at an interest rate of 4.486 percent for a twenty-five-year period that began February 2008 and expires June 2032, with payments due the 15th of 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 a ground lease. The outstanding liability at June 30, 2009 on this capital lease is \$28,982,109.

The University leases a 742-bed housing facility, University Commons, at an interest rate of 4.655 percent for a twenty-five-year period that began August 2009 and expires June 2033, with payments due the 15th of month each February, May, August, and November. The 0.275 acre of land on which these buildings are located (also known as 4750 LaRoche Avenue) is part of the capital lease agreement. The outstanding liability at June 30, 2009 on this capital lease is \$24,586,826.

OPERATING LEASES

Savannah State University's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2009 through 2010. 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 small business equipment.

Savannah State University has two operating leases. The IKON copier lease carries a monthly minimum lease payment of \$7,064, and is renewable each fiscal year for up to three fiscal year periods. The University has a 36-month lease agreement with LADCO Leasing for the use of credit card machines, which carries a minimum monthly lease payment of \$188 and expires at the end of fiscal year 2010.

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2009, were as follows:

		Real Property and Equipment	
		Capital Leases	Operating Leases
Year Ending June 30:	Year		
2010	1	\$2,838,266	2,256.00
2011	2	2,923,413	
2012	3	3,010,574	
2013	4	3,100,809	
2014	5	3,193,833	
2015 through 2019	6-10	17,458,927	
2020 through 2024	11-15	20,237,997	
2025 through 2029	16-20	23,461,385	
2030 through 2034	21-25	18,430,711	
2035 through 2039	26-30		
2040 through 2044	31-35		
2045 through 2049	36-40		
Total minimum lease payments		94,655,915	2,256
Less: Interest		41,086,980	
Less: Executory costs (if paid)			
Principal Outstanding		\$53,568,935	

Savannah State University's FY2009 expense for rental of real property and equipment under operating leases was \$262,777, including leases for less than a year.

Note 11. Retirement Plans

Teachers Retirement System of Georgia

Plan Description

Savannah State University participates in the Teachers Retirement System of Georgia (TRS), a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly. TRS provides retirement allowances and other benefits for plan participants. TRS provides service retirement, disability retirement, and survivor's benefits for its members in accordance with State statute. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the TRS offices or from the Georgia Department of Audits and Accounts.

Funding Policy

Employees of Savannah State University who are covered by TRS are required by State statute to contribute 5% of their gross earnings to TRS. Savannah State University makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2009, the employer contribution rate was 9.28% for covered employees. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2009	100%	\$1,397,171
2008	100%	\$1,286,574
2007	100%	\$1,244,360

Employees' Retirement System of Georgia

Plan Description

Savannah State University participates in the Employees' Retirement System of Georgia (ERS), a cost-sharing multiple-employer defined benefit pension plan established by the General Assembly of Georgia for the purpose of providing retirement allowances for employees of the State of Georgia.

The benefit structure of ERS is defined by State statute and was significantly modified on July 1, 1982. Unless elected 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. All other members are "new plan" members subject to the modified plan provisions.

Under both the old plan and new plan, members become vested after 10 years of creditable service. A member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60. Additionally, there are certain provisions allowing for retirement after 25 years of service regardless of age.

Retirement benefits paid to members are based upon a formula which considers the monthly average of the member's highest twenty-four consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Postretirement cost-of-living adjustments are also made to member's benefits. 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.

In addition, the ERS Board of Trustees created the Supplemental Retirement Benefit Plan (SRBP) effective January 1, 1998. The SRBP 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 SRBP is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC 415.

The ERS issues a financial report each fiscal year, which may be obtained through ERS.

Funding Policy

As established by State statute, all full-time employees of the State of Georgia and its political subdivisions, who are not members of other state retirement systems, are eligible to participate in the ERS. Both employer and employee contributions are established by State statute. The University's payroll for the year ended June 30, 2009, for employees covered by ERS was \$51,500. The University's total payroll for all employees was \$23,892,367.

For the year ended June 30, 2009 under the old plan, member contributions consist of 6.5% of annual compensation minus \$7.00. Of these member contributions, the employee pays the first 1.5% and the University pays the remainder on behalf of the employee.

Under the new plan, member contributions consist solely of 1.5% of annual compensation paid by employee. The University also is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation for both old and new plans. For the year ended June 30, 2009, the ERS employer contribution rate for the University amounted to 10.41% of covered payroll and included the amounts contributed on behalf of the employees under the old plan referred to above. Employer contributions are also made on amounts paid for accumulated leave to retiring employees.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2009	100%	\$5,361
2008	100%	\$10,566
2007	100%	\$3,383

Actuarial and Trend Information

Actuarial and historical trend information is presented in the ERS June 30, 2009 financial report, which may be obtained through ERS.

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 is 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 2009, the employer contribution was 8.15% for the first six months and 9.24% for the last six months of 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 \$556,811 (8.15% or 9.24%) and \$318,982 (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 2009 amounted to \$29,000 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.

Savannah State University is responsible for mold remediation at Camilla Hubert Hall. The University has recorded a liability and expense related to this pollution remediation in the amount of \$86,450. The liability is reflected on the Statement of Net Assets in Accounts Payable and on the Statement of Revenues, Expenses and Changes in Net Assets in Supplies and Other Services. The liability was determined using the Expected Cash Flow Measurement Technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The University does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal 2009 was as follows:

	<u>Beginning Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2009</u>	<u>Current Portion</u>
Pollution Remediation Obligations	\$0	\$86,450	\$0	\$86,450	\$86,450

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 that are 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, 2009.

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 2008 and 2009 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, 2009, there were 226 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2009, Savannah State University recognized as incurred \$858,296 of expenditures, which was net of \$384,331 of participant contributions.

Note 15. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for FY2009 are shown below:

Natural Classification	Functional Classification FY2009					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$9,104,747	150,945.00	38,006.00	159,776.00	16,350.00	-
Staff	1,655,341	275,006.00	1,023,196.00	2,688,503.00	2,005,601.00	3,815,462.00
Benefits	2,706,004	73,208.00	211,382.00	709,160.00	551,260.00	2,048,298.00
Personal Services			-	-	-	420,591.00
Travel	70,338	27,294.00	35,641.00	78,941.00	46,872.00	122,686.00
Scholarships and Fellowships	316,825	336,578.00	133,582.00	119,379.00	16,826.00	-
Utilities	82,734	4,471.00	13,159.00	31,322.00	36,304.00	43,884.00
Supplies and Other Services	741,671	337,913.00	513,335.00	1,873,139.00	784,783.00	2,200,648.00
Depreciation	75,728	36,681.00	2,788.00	381,988.00	17,487.00	154,072.00
Total Expenses	\$14,753,388	\$1,242,096	\$1,971,089	\$6,042,208	\$3,475,483	\$8,805,641

Natural Classification	Functional Classification FY2009					
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Unallocated Expenses	MCG only Patient Care	Total Expenses
Faculty						\$9,469,824
Staff	1,071,595.00		1,887,839.00			14,422,543
Benefits	359,386.00		492,626.00			7,151,324
Personal Services	(201,873.00)		201,873.00			420,591
Travel	2,197.00		83,406.00			467,375
Scholarships and Fellowships		2,413,488.00	686,664.00			4,023,342
Utilities	2,319,213.00		1,273,222.00			3,804,309
Supplies and Other Services	3,807,059.00		7,890,947.00			18,149,495
Depreciation	2,168,480.00		2,814,413.00			5,651,637
Total Expenses	\$9,526,057	\$2,413,488	\$15,330,990	\$0	\$0	\$63,560,440

Note 16. Component Units

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