

SAVANNAH STATE UNIVERSITY
Annual Financial Report
Fiscal Year Ended June 30, 2016



Hill Hall



SAVANNAH STATE UNIVERSITY
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2016

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OFFICE OF THE PRESIDENT



August 9, 2016

Message from the President:

Savannah State University enjoyed success on many fronts during the past academic year. Stakeholders joined us for the year-long celebration of the university's 125-year anniversary. The \$20 million capital campaign was announced during the 125th anniversary black-tie gala. Recently, groundbreaking ceremonies were held for two academic buildings, totaling, \$20.5 million that will support programs in the College of Sciences and Technology.

At Savannah State University, we are proud of our history and our accomplishments. We prepare smart, bold, and proud students with the knowledge to succeed in an international marketplace, they are seriously impressive. They learn in classrooms and labs, on the oceans and across the globe. 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.

We are grateful for the ongoing support of the University System of Georgia, its Board of Regents, the governor and legislators, our faithful alumni, the SSU Foundation, the dedicated faculty and staff, our vital and involved student body and the city of Savannah as a whole. As the oldest public HBCU in the state and the oldest institution of higher learning in Savannah, we are proud of our distinct heritage and we are prepared and eager to serve the community for another 125 years.

Sincerely,

A handwritten signature in blue ink that reads "Cheryl D. Dozier".

Cheryl D. Dozier
President

Letter of Transmittal



August 9, 2016



Madam President, Savannah State University:

The Annual Financial Report (AFR) includes the financial statements for the year ended June 30, 2016, as well as other useful information that helps to ensure the University's accountability and integrity to the public. The AFR also includes the Management Discussion and Analysis, which includes all note disclosure necessary for the reader to gain a broad understanding of the University's financial position and results of operations for the fiscal year ended June 30, 2016.

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

We also believe our system of internal controls is sound and sufficient to disclose material deficiencies in controls to the auditors as well as to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition.

The University's financial records are reviewed by the Department of Audits and Accounts on an annual basis. The University's internal auditors also perform fiscal compliance and performance engagements, the results of which are shared with the University's management. The audit of the University's financial assistance programs is performed by the Department of Audits and Accounts in conjunction with the statewide Single Audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Edward B. Jolley, Jr.".

Edward B. Jolley, Jr., CPA, MBA

Edward B. Jolley Jr., CPA, MBA
Vice-President Business & Financial Affairs/CBO

SAVANNAH STATE UNIVERSITY Management's Discussion and Analysis

Introduction

Savannah State University is one of the 30 institutions of higher education of the University System of Georgia. The University was chartered by the State of Georgia in 1890 and has been an important part of higher education for 125 years. Savannah State University serves an increasingly diverse student population on a picturesque campus with large oak trees, an expansive marsh, and historic architectural structures that are beautifully maintained. Underneath the beauty and tranquility, however, is a vibrant residential campus bursting with the vim and vigor of quality collegiate life and faculty-student engagement.

Savannah State University develops productive members of a global society through academic engagement and high quality instruction, scholarship, research, service and community involvement. The University offers baccalaureate and masters' degrees in a wide variety of subjects, with a broad range of education opportunities that attract a highly qualified faculty and a student body of almost 5,000 students each year.

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
Fiscal Year 2016	222	4,800	4,544
Fiscal Year 2015	228	4,915	4,674
Fiscal Year 2014	210	4,772	4,563

Overview of the Financial Statements and Financial Analysis

Savannah State University is pleased to present its financial statements for fiscal year 2016. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the Institution's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2016 and fiscal year 2015.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2016 and includes all assets and liabilities, both current and noncurrent. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Institution and how much the Institution owes vendors. The difference between assets and liabilities (net position) is one indicator of the University's financial health. Increase or decreases in net position provide an indicator of the improvement or decline of the University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment. Net Position is divided into three major categories. The first category, net investment in capital assets, provides the Institution's equity in property, plant and equipment owned by the Institution.

The next category is restricted, which is divided into two sub-categories, non-expendable and expendable. *The corpus of non-expendable, restricted resources* is available only for investment purposes. Expendable, restricted resources are available for expenditure by the Institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

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

Statement of Net Position, Condensed

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets:		
Current Assets	\$ 11,956,210	\$ 11,516,105
Capital Assets, Net	142,576,561	147,540,396
Other Assets	8,491,999	8,218,394
Total Assets	<u>163,024,770</u>	<u>167,274,895</u>
Deferred Outflows of Resources	4,363,002	2,609,034
Liabilities:		
Current Liabilities	8,177,234	7,739,971
Non-Current Liabilities	131,254,224	127,529,287
Total Liabilities	<u>139,431,458</u>	<u>135,269,258</u>
Deferred Inflows of Resources	2,717,113	7,912,477
Net Position:		
Net Investment in Capital Assets	38,663,801	41,492,503
Restricted		
Permanent Trust		
Nonexpendable	6,658,534	6,321,045
Expendable	1,143,226	1,207,923
Other Purposes	-	-
Unrestricted	<u>(21,226,360)</u>	<u>(22,319,277)</u>
Total Net Position	<u>\$ 25,239,201</u>	<u>\$ 26,702,194</u>

Total assets and deferred outflows of resources decreased by \$2,510,868 which was primarily due to a decrease of \$4,963,835 in the category of Capital Assets, Net. The decrease was due to the depreciation of Capital Assets.

Total liabilities and deferred inflows of resources increased for the year by \$1,033,464. The combination of the decrease in total assets and deferred outflows of resources and the increase in total liabilities and deferred inflows of resources yielded a decrease in net position of \$1,477,504. The decrease in net position is primarily in the category of Net Investment in Capital Assets, in the amount of \$2,828,702.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the 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, operating revenues are received for providing goods and services to the various 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 Position, Condensed

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating Revenues	\$ 55,436,318	\$ 53,626,627
Operating Expenses	<u>93,100,605</u>	<u>91,864,146</u>
Operating Loss	(37,664,287)	(38,237,519)
Nonoperating Revenues and Expenses	<u>35,469,529</u>	<u>32,536,016</u>
Income (Loss) Before other Revenues, Expenses, Gains or Losses	(2,194,758)	(5,701,503)
Other Revenues, Expenses, Gains or Losses	<u>731,765</u>	<u>350,821</u>
Increase/(Decrease) in Net Position	\$ (1,462,993)	\$ (5,350,682)
Net Position at Beginning of Year, as originally reported	26,702,194	60,946,799
Prior Year Adjustments	-	<u>(28,893,923)</u>
Net Position at Beginning of Year, Restated	<u>26,702,194</u>	<u>32,052,876</u>
Net Position at End of Year	<u>\$ 25,239,201</u>	<u>\$ 26,702,194</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a slightly negative year, which is represented by a decrease in net position at the end of the year. Some highlights of the information presented on this statement are as follows:

Revenue by Source
For the Years Ended June 30, 2016 and June 30, 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating Revenues		
Tuition and Fees	\$ 13,311,455	\$ 13,018,682
Federal Appropriations	-	-
Grants and Contracts	10,289,405	9,220,238
Sales and Services	945,266	802,863
Auxiliary	30,255,702	30,262,546
Other	634,490	322,298
Total Operating Revenues	<u>55,436,318</u>	<u>53,626,627</u>
Nonoperating Revenues		
State Appropriations	22,014,788	19,458,854
Grants and Contracts	17,173,804	17,609,545
Gifts	781,214	582,592
Investment Income	332,132	414,352
Other	51,660	29,590
Total Nonoperating Revenues	<u>40,353,598</u>	<u>38,094,933</u>
Capital Gifts and Grants		
State	-	350,821
Other Capital Gifts and Grants	-	-
Total Capital Gifts and Grants	<u>-</u>	<u>350,821</u>
Additions to Permanent Endowments	-	-
Total Permanent Endowments	<u>-</u>	<u>-</u>
Special Item		
Capital Asset Transfer	731,765	-
Total Special Item	<u>731,765</u>	<u>-</u>
Total Revenues	<u>\$ 96,521,681</u>	<u>\$ 92,072,381</u>

Expenses (By Functional Classification)
For the Years Ended June 30, 2016 and June 30, 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating Expenses		
Instruction	\$ 21,827,711	\$ 21,765,103
Research	2,040,833	1,793,104
Public Service	2,144,652	2,178,353
Academic Support	9,569,346	8,778,517
Student Services	5,554,193	5,822,438
Institutional Support	9,658,044	10,053,323
Plant Operations and Maintenance	10,669,477	10,215,785
Scholarships and Fellowships	3,469,955	3,388,886
Auxiliary Enterprises	28,166,394	27,868,637
Total Operating Expenses	<u>93,100,605</u>	<u>91,864,146</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	4,884,069	5,558,917
Total Nonoperating Expenses	<u>4,884,069</u>	<u>5,558,917</u>
Total Expenses	<u>\$ 97,984,674</u>	<u>\$ 97,423,063</u>

Operating revenues increased by \$1,809,691 in fiscal year 2016. Revenues increased for tuition and fees, Grants and Contracts, and Other categories. The Auxiliary revenue decreased slightly by (\$6,844). Non-operating revenues increased by \$2,555,934 for the year primarily due to an increase in State Appropriations.

The compensation and employee benefits category expenses increased by \$1,193,127 primarily attributable to the Instruction, Research and Academic Support categories. Utilities decreased (\$618,258) during the past year. The decrease was primarily associated with a decrease in utility rates for fiscal year 2016 and affected the Plant Operations and Maintenance category.

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. Cash flow information can be used to evaluate the financial viability of the Institution's ability to meet financial obligations as they mature. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the 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 Position.

Cash Flows for the Years Ended June 30, 2016 and 2015, Condensed

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Cash Provided (used) By:		
Operating Activities	\$ (33,259,785)	\$ (31,689,576)
Non-capital Financing Activities	39,361,920	37,085,144
Capital and Related Financing Activities	(9,034,014)	(8,865,123)
Investing Activities	<u>60,945</u>	<u>11,097</u>
Net Change in Cash	(2,870,934)	(3,458,458)
Cash, Beginning of Year	<u>6,024,152</u>	<u>9,482,610</u>
Cash, End of Year	<u>\$ 3,153,218</u>	<u>\$ 6,024,152</u>

Capital Assets

The University had two noteworthy capital asset additions for facilities in fiscal year 2016. The Kennedy Fine Arts building restoration was completed and added as building improvements. Also, the purchase of the Jasmine property, which will be used as an off-campus expansion of academic activities was finalized. For additional information concerning Capital Assets, see Notes 1, 6, 8, and 13 in the Notes to the Financial Statements.

Long Term Liabilities

The University had Long-Term Liabilities of \$134,444,684 of which \$3,190,460 was reflected as current liability at June 30, 2016. For additional information concerning Long-Term Liabilities, see Note 8 in the Notes to the Financial Statements.

The Notes to the Financial Statements

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, receivables, capital leases, compensated absences, retirement and other postemployment benefits, capital assets and a report of operating expenses by function.

Economic Outlook

The University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the next fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. There are no planned debt issuances in the immediate future and current enrollment indications are that the University will continue the trend of the last decade. Savannah State University continues to align its resources with its strategic plan to ensure success of its initiatives. The strategic planning priorities at Savannah State University are:

- *Academic Engagement and Achievement*
- *Community and Economic Development*
- *Global Education Experiences*
- *Sustainability and Resources*
- *Technological Competitiveness*

Savannah State University has a sound financial base and demonstrated financial stability, as well as adequate resources, to support the mission of the institution and the scope of its programs and services. Resource sustainability is imperative in order to obtain these strategic initiatives as set forth by the leadership of the University, the President, and the University System of Georgia Board of Regents.

Savannah State University Financial Statements



SAVANNAH STATE UNIVERSITY**Statements of Net Position****ASSETS****Current Assets**

Cash and Cash Equivalents	\$	3,043,837
Short-term Investments		408,276
Accounts Receivable, net		
Receivables - Federal Financial Assistance		1,907,467
Receivables - State General Appropriations		-
Margin Allocation Funds		-
Receivables - Other		6,274,605
Due From Affiliated Organizations		-
Notes Receivable, net		-
Due From Other Funds		-
Inventories		72,703
Prepaid Items		249,322
Other Assets		-
Total Current Assets		<u>11,956,210</u>

Non-Current Assets

Non-current Cash (Externally Restricted)		109,381
Short-term Investments (Externally Restricted)		28,292
Investments (Externally Restricted)		-
Due From Affiliated Organizations		-
Due From USO - Capital Liability Reserve Fund		844,039
Due From Institution - Capital Liability Reserve Fund		-
Investments		6,724,009
Notes Receivable, net		786,278
Capital Assets, net		142,576,561
Other Assets		-
Total Non-Current Assets		<u>151,068,560</u>
TOTAL ASSETS		<u>\$ 163,024,770</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Debt Refunding		-
Deferred Loss on Defined Benefit Pension Plan		4,363,002
Deferred Outflows - Other		-
TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>\$ 4,363,002</u>

The accompanying notes are an integral part of these financial statements.

SAVANNAH STATE UNIVERSITY
Statements of Net Position (Continued)

LIABILITIES

Current Liabilities

Accounts Payable	\$ 1,137,454
Salaries Payable	180,273
Benefits Payable	121,327
Contracts Payable	-
Retainage Payable	-
Deposits	-
Advances (Including Tuition and Fees)	1,711,151
Other Liabilities	1,238
Deposits Held for Other Organizations	1,835,331
Lease Purchase Obligations	2,304,578
Compensated Absences	885,882
Due to Affiliated Organizations	-
Due to Other Funds	-
Due to USO - Capital Liability Reserve Fund	-
Notes and Loans Payable	-
Pollution Remediation	-
Claims & Judgments	-
Total Current Liabilities	<u>8,177,234</u>

Non-Current Liabilities

Lease Purchase Obligations	101,608,182
Advances (Including Tuition and Fees)	-
Compensated Absences	1,016,383
Due to USO - Capital Liability Reserve Fund	-
Net Pension Liability	28,629,659
Other Post Employment Benefits Liability	-
Other Liabilities	-
Due to Affiliated Organizations	-
Notes and Loans Payable	-
Pollution Remediation	-
Claims & Judgments	-
Total Non-Current Liabilities	<u>131,254,224</u>

TOTAL LIABILITIES \$ 139,431,458

DEFERRED INFLOWS OF RESOURCES

Deferred Gain on Debt Refunding	-
Deferred Gain on Defined Benefit Pension Plan	2,717,113
Deferred Grants Received in Advance of Timing	-
Deferred Service Concession Arrangements	-
Deferred Inflows - Other	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,717,113</u>

NET POSITION

Net Investment in Capital Assets	\$ 38,663,801
Restricted for	-
Permanent Trusts	-
Nonexpendable	6,658,534
Expendable	1,143,226
Other Purposes	-
Unrestricted	<u>(21,226,360)</u>
TOTAL NET POSITION	<u>\$ 25,239,201</u>

The accompanying notes are an integral part of these financial statements.

SAVANNAH STATE UNIVERSITY**Statement of Revenues, Expenses, and Changes in Net Position****REVENUES**

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

EXPENSES

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

The accompanying notes are an integral part of these financial statements.

SAVANNAH STATE UNIVERSITY**Statement of Revenues, Expenses, and Changes in Net Position****(Continued)****NONOPERATING REVENUES (EXPENSES)**

State Appropriations	22,014,788
Grants and Contracts	
Federal	17,173,804
State	-
Other	-
Gifts	781,214
Investment Income (endowments, auxiliary and other)	332,132
Interest Expense (capital assets)	(4,884,069)
Other Nonoperating Revenues (Expenses)	51,660
Net Nonoperating Revenues	<u>35,469,529</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(2,194,758)</u>
Capital Grants and Gifts	
Federal	-
State	-
Other	-
Additions to permanent endowments	-
Extraordinary Item	<u>731,765</u>
Total Other Revenues, Expenses, Gains or Losses, and Special Item	<u>731,765</u>
Increase (Decrease) in Net Position	<u>\$ (1,462,993)</u>

NET POSITION

Net Position-Beginning of Year, As Originally Reported	26,702,194
Prior Year Adjustments	-
Net Position-Beginning of Year, Restated	<u>26,702,194</u>
Net Position-End of Year	<u>\$ 25,239,201</u>

The accompanying notes are an integral part of these financial statements.

SAVANNAH STATE UNIVERSTY**Statement of Cash Flows**

	<u>June 30, 2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 44,577,589
Federal Appropriations	-
Grants and Contracts (Exchange)	9,191,735
Payments to Suppliers	(43,364,045)
Payments to Employees	(37,066,662)
Payments for Scholarships and Fellowships	(6,656,917)
Loans Issued to Students	-
Collection of Loans to Students	58,515
Other Payments	-
Net Cash Provided (Used) by Operating Activities	<u>(33,259,785)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	22,014,788
Agency Funds Transactions	(607,886)
Gifts and Grants Received for Other Than Capital Purposes	17,955,018
Other Noncapital Financing Receipts	-
Other Noncapital Financing Payments	-
Net Cash Flows Provided by Non-capital Financing Activities	<u>39,361,920</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	-
Proceeds from Sale of Capital Assets	-
Purchases of Capital Assets	(2,338,642)
Principal Paid on Capital Debt and Leases	(2,052,109)
Interest Paid on Capital Debt and Leases	(4,643,263)
Net Cash used by Capital and Related Financing Activities	<u>(9,034,014)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	-
Investment Income	232,156
Purchase of Investments	(171,211)
Net Cash Provided (used) by Investing Activities	<u>60,945</u>
Net Increase/Decrease in Cash	\$ (2,870,934)
Cash and Cash Equivalents - Beginning of year	<u>6,024,152</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,153,218</u>

The accompanying notes are an integral part of these financial statements.

SAVANNAH STATE UNIVERSITY**Statement of Cash Flows (Continued)**

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

Operating Income (loss)	\$ (37,664,287)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	7,356,724
Operating Expenses Related to Noncash Gifts	-
Change in Assets and Liabilities:	-
Receivables, net	(2,061,404)
Inventories	(5,460)
Prepaid Items	123,936
Other Assets	-
Notes Receivable, Net	126,706
Accounts Payable	(332,481)
Salaries Payable	31,828
Benefits Payable	23,480
Contracts Payable	-
Retainage Payable	-
Deposits	-
Advances (Including Tuition & Fees)	(29,966)
Other Liabilities	1,238
Funds Held for Others	-
Compensated Absences	(14,160)
Due to Affiliated Organizations	-
Pollution Remediation	(1,521)
Claims and Judgments	-
Net Pension Liability	6,120,103
Other Post-Employment Benefit Liability	-
	-
Change in Deferred inflows/outflows of resources:	-
Deferred Inflows of Resources	(5,195,364)
Deferred Outflows of Resources	(1,739,157)
Net Cash Provided (used) by Operating Activities	<u><u>\$ (33,259,785)</u></u>

The accompanying notes are an integral part of these financial statements

SAVANNAH STATE UNIVERSITY

Statement of Cash Flows (Continued)

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

Non-capital Financing Activities Accounts Receivable, Net of Allowances	\$ -
Recognition of Non-capital Financing Activities Advances and Deferred Inflows	\$ -
New Noncapital Financing Debt	\$ -
Increase in Noncapital Debt Related to Capitalized Interest	\$ -
Adjustments to Noncapital Debt Beginning Balance Ran Through Current Year Activity	\$ -
Edit Description Other Non-capital Financing Activities Noncash Items	\$ -
Edit Description Other Non-capital Financing Activities Noncash Items	\$ -
Edit Description Other Non-capital Financing Activities Noncash Items	\$ -
Capital Financing Activities Accounts Receivable Accrual, Net of Allowances	\$ 646,155
Gift of Capital Assets	\$ -
Loss on Disposal of Capital Assets	\$ -
Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity	\$ (83,024)
Accrual of Capital Asset Related Payables	\$ -
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ -
Gain/Loss on Capital Debt Refunded	\$ -
Increase in Capital Debt due to Capitalized Interest	\$ -
Adjustments to Capital Debt Beginning Balance Ran Through Current Year Activity	\$ -
Recognition of Capital Financing Activities Advances and Deferred Inflows	\$ -
Amortization of Deferred Gain/Loss of Capital Debt Refunded	\$ -
Accrual of Capital Financing Interest Payable	\$ (240,806)
Edit Description Other Capital Financing Activities Noncash Items	\$ -
Edit Description Other Capital Financing Activities Noncash Items	\$ -
Edit Description Other Capital Financing Activities Noncash Items	\$ -
Unrealized Gain/Loss on Investments	\$ 99,977
Gift of Investments	\$ -
Edit Description Other Investing Activities Noncash Items	\$ -
Edit Description Other Investing Activities Noncash Items	\$ -
Edit Description Other Investing Activities Noncash Items	\$ -

The accompanying notes are an integral part of these financial statements

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Note 1. Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

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

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

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

Legally separate, tax exempt affiliated organizations whose activities primarily support units of the USG are considered potential component units of the State.

Basis of Accounting and Financial Statement Presentation

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

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

New Accounting Pronouncements

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

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

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

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

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.

Short-Term Investments

Short-Term Investments consist of investments of 90 days – 13 months, which includes 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 Position. The Board of Regents Legal Fund and the Board of Regents Total Return Fund are included as 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 whom reside in the State. 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 cost using the first-in, first-out (“FIFO”) basis. Resale Inventories are valued at cost using the “first in, first out” (FIFO) basis.

Non-current 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 Position.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items.

Capital Assets

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

To fully understand 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 University. GSFIC issues bonds for and on behalf of the State, pursuant to powers granted to it in the Constitution of the State and the Act creating the GSFIC. These bonds constitute direct and general obligations of the State, to the payment of which the full faith, credit and taxing power of the State are pledged.

Due from USO - Capital Liability Reserve Fund

In fiscal year 2014, the Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the University System of Georgia (USG) to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. The Fund is financed by all USG institutions participating in the PPV program. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated cooperative organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to the University. The University’s contribution to the fund as of June 30, 2016 was \$844,039.

Deferred Outflows of Resources

Deferred outflows of resources consist of the consumption of net assets by the University that are applicable to a future reporting period.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments in the University’s residence halls.

Advances

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

Deposits Held for Other Organizations

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

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 Position, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses and Changes in Net Position.

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.

Deferred Inflows of Resources

Deferred inflows of resources consist of the acquisition of net assets by the University that are applicable to a future reporting period.

Pensions and Net Pension Liability

The net pension liability represents the unfunded pension obligation which is the difference between the total pension obligation as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

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

Net Position

The University's net position is classified as follows:

Net Investment in Capital Assets: This represents the University's total investment in capital assets, net of accumulated amortization/depreciation and reduced by outstanding debt obligations related to those capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 – Capital Assets section. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of capital assets or related debt are included in Net Investment in Capital Assets. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included in Net Investment in Capital Assets.

Restricted – non-expendable includes endowment and similar type funds, in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be either expended or added to principal. For University-controlled, donor-restricted endowments, the

by-laws of the Board of Regents of the University of Georgia permits each individual University to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted-expendable accounts for expenditure as specified by the purpose of the endowment. The University maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

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

Unrestricted: Unrestricted represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the University to meet current expenses for those purposes, except for unexpended state appropriations (surplus) in the amount of \$20,569. Unexpended state appropriations must be refunded to the Office of the State Treasurer. Unrestricted Net Position also includes resources specifically designated by management, such as:

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

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.

See Note 10, Net Position, for additional information.

Income Taxes

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

Classification of Revenues and Expenses

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

- Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.
- *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 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 Position. 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 non-governmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded contra revenue for scholarship allowances.

Extraordinary Item and Re-categorization

Per GASB 42 for business-type activities financial statements, restoration or replacement of an impaired capital asset should be reported as an extraordinary item associated with insurance recovery. As such, the University is reporting a revenue item of \$731,765 on the Statement of Revenues and Expenditures and Changes in Net Position. This was the result of insurance proceeds in excess of asset write-down related to a fire in the Kennedy building.

The University System has mandated that capitalized leased assets should be re-categorized from Capital Leases to Building and Building Improvements to be in compliance with reporting on the state's CAFR. As a result, \$110,333,788 was re-categorized. Also, \$24,553,642 of associated accumulated depreciation was similarly re-categorized.

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, 2016, the carrying value of deposits was \$3,588,246 and the bank balance was \$4,645,801. Of the University's deposits, \$3,617,509 were uninsured. Of these uninsured deposits, \$3,435,565 were collateralized with securities held by the financial institution's trust department or agent in the University's name, \$181,944 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.

The following schedule reconciles cash and cash equivalents to the carrying value of deposits:

Reconciliation of Cash and Cash Equivalents Balances to Carrying Value of Deposits:

Business-type Activities		
Statement of Net Position		
Cash and Cash Equivalents	\$	3,043,837
Non-Current Cash and Cash Equivalents		109,381
Fiduciary Fund		
Pension and Other Post Employment Benefit Trust Funds		
Statement of Fiduciary Net Pension		
Cash and Cash Equivalents		
		<hr/>
Total Cash and Cash Equivalents		3,153,218
Add:		
Deposits with original maturity over 90 days reported as Investments		436,568
Less:		
Cash on Hand		(1,540)
Investments with original maturity less than 90 days reported as Cash and Cash Equivalents		
Investment pool reported as Cash and Cash Equivalents		
Board of Regents Short-Term Fund		
Georgia Fund 1		
		<hr/>
Total Carrying Value of Deposits - June 30, 2016	\$	3,588,246

Investments

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

At June 30, 2016, the carrying value of the University's investments were \$6,724,009, which is materially the same as fair value. These investments were comprised entirely of funds invested in the Board of Regents and/or Office of the State Treasurer investment pools as follows:

Investment Pools	
Board of Regents	
Short-Term Fund	
Legal Fund	\$ 853,980
Balanced Income Fund	
Total Return Fund	5,870,029
Diversified Fund	
Sub Total	<u>6,724,009</u>
Office of the State Treasurer	
Georgia Fund 1	
Georgia Extended Asset Pool	
Sub Total	<u>-</u>
Total Investment Pools	<u>\$ 6,724,009</u>

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

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 USG's policy for managing interest rate risk is contained in the investment policy guidelines for the various pooled funds:

1. In the Short Term fund, the average maturity of the fixed income portfolio shall not exceed three years.
2. In all the other pooled funds, the average maturity of the fixed income portfolio shall not exceed ten years.
3. Fixed income investments, except in the Diversified Fund, shall be limited to the U.S. government agency and corporate debt instruments that meet investment eligibility under Georgia Code 50-17-63.
4. The fixed income target allocation is defined in the investment policy guidelines for each pooled investment fund. These targets may be modified upon recommendation of the fund investment manager and approval by the Board of Regents.

The Effective Duration of the Legal Fund is 3.93 years. Of the University's total investment of \$ 853,980 in the Legal Fund, \$853,980 is invested in debt securities.

The Effective Duration of the Total Return Fund is 4.77 years. Of the University's total investment of \$5,870,029 in the Total Return Fund, \$2,054,510 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, 2016:

	June 30, 2016
	<u>Business Type Activities</u>
Student Tuition and Fees	\$ 2,268,417
Auxiliary Enterprises and Other Operating Activities	1,661,905
Federal Financial Assistance	1,907,467
State General Appropriations Allotment	
Georgia Student Finance Commission	
Georgia State Financing and Investment Commission	846,163
Margin Allocation Funds	
Due from Affiliated Organizations	0
Due From USO - Capital Liability Reserve Fund	844,039
Other	2,564,275
	<hr/> 10,092,266
Less: Allowance for Doubtful Accounts	<hr/> 1,066,155
Net Accounts Receivable	<hr/> \$ 9,026,111 <hr/>

Note 4. Inventories

Inventories consisted of the following at June 30, 2016:

Consumable Supplies	\$ 72,703
Merchandise for Resale	<hr/> -
Total	<hr/> \$ 72,703 <hr/>

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2016. 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.

Note 6. Capital Assets

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

	Balances July 1, 2015	Capital Leases Recategorization	Special Item Transfer	Additions	Reductions	Balance June 30, 2016
Capital Assets, Not Being Depreciated:						
Land	\$ 975,219	\$ -	\$ -	\$ 265,000	\$ -	\$ 1,240,219
Capitalized Collections	-	-	-	-	-	-
Construction Work-in-Progress	1,259,199	-	-	2,643,157	2,562,625	1,339,731
Software Development-in-Progress	-	-	-	-	-	-
Total Capital Assets Not Being Depreciated	\$ 2,234,418	\$ -	\$ -	\$ 2,908,157	\$ 2,562,625	\$ 2,579,950
Capital Assets, Being Depreciated/Amortized:						
Infrastructure	-	-	-	-	-	-
Building and Building Improvements	89,548,964	110,333,789	-	1,005,724	341,075	200,547,402
Facilities and Other Improvements	4,436,200	-	-	-	-	4,436,200
Equipment	9,228,498	-	-	306,734	-	9,535,232
Capital Leases	110,333,789	(110,333,789)	-	-	-	-
Library Collections	8,400,483	-	-	174,607	6,205	8,568,885
Capitalized Collections	55,285	-	-	-	-	55,285
Water, Timber, Mineral Rights, and Easements	-	-	-	-	-	-
Patents, Trademarks, and Copyrights	-	-	-	-	-	-
Software	-	-	-	-	-	-
Total Capital Assets Being Depreciated/Amortized	\$ 222,003,219	\$ -	\$ -	\$ 1,487,065	\$ 347,280	\$ 223,143,004
Less: Accumulated Depreciation/Amortization						
Infrastructure	-	-	-	-	-	-
Building and Building Improvements	39,091,418	24,553,642	-	3,564,392	197,838	67,011,614
Facilities and Other Improvements	2,302,379	-	-	125,913	-	2,428,291
Equipment	6,172,685	-	-	762,121	703,529	6,231,277
Capital Leases	21,862,598	(24,553,642)	-	2,691,044	-	-
Library Collections	7,248,546	-	-	211,872	6,204	7,454,214
Capitalized Collections	19,615	-	-	1,382	-	20,997
Water, Timber, Mineral Rights, and Easements	-	-	-	-	-	-
Patents, Trademarks, and Copyrights	-	-	-	-	-	-
Software	-	-	-	-	-	-
Total Accumulated Depreciation/Amortization	\$ 76,697,241	\$ -	\$ -	\$ 7,356,724	\$ 907,571	\$ 83,146,393
Total Capital Assets, Being Depreciated/Amortized,	145,305,978	-	-	(5,869,659)	(560,291)	139,996,611
Capital Assets, net	\$ 147,540,396	\$ -	\$ -	\$ (2,961,502)	\$ 2,002,334	\$ 142,576,561

For projects managed by GSFIC, 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, 2016, GSFIC is managing the construction of the Marine Science building, which has total capital expenditures of 1,696,948. This number is expected to increase on a yearly basis as the project goes through the construction phase.

Note 7. Advances (Including Tuition and Fees)

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

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

Note 8. Long Term Liabilities

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

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

Note 9. Service Concession Arrangements

For the year ended June 30, 2016, the University did not have any service commission arrangements.

Note 10. Net Position

Net position is reported in the following three categories: Net Investment in Capital Assets, Restricted Non-Expendable, Restricted-Expendable, and Unrestricted.

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

	<u>June 30, 2016</u>
NET POSITION	
Net Investment in Capital Assets	\$ 38,663,801
Restricted for	
Permanent Trust	
Nonexpendable	6,658,534
Permanent Endowment	
Expendable	
Restricted E&G and Other	
Organized Activities	
Federal Loans	916,201
Institutional Loans	23,876
Term Endowments	203,149
Quasi-Endowments	
Capital Projects	
Health Insurance Reserve	
Sub-Total	<u>1,143,226</u>
Other Purposes	
Unrestricted	
Auxiliary Operations	
R & R Reserve	8,842,504
Reserve for Encumbrances	338,010
Reserve for Inventory	58,877
Other Unrestricted	(30,465,751)
USO Reserve Fund	
Sub-Total	<u>(21,226,360)</u>
TOTAL NET POSITION	<u>\$ 25,239,201</u>

Note 11. Endowments

Donor Restricted Endowments:

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. For University controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits the University to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation for the endowment accounts was \$212,143 and is reflected as expendable restricted net position.

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

Note 12. Significant Commitments

See Note 10 for amounts reserved for outstanding encumbrances at June 30, 2016. Additionally, the University had no other significant unearned, outstanding, construction or renovation contracts as of June 30, 2016.

Note 13. Lease Obligations

The 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 2016 and 2041. Expenditures for fiscal year 2016 were \$7,272,359 of which \$5,220,249 represented interest. Total principal paid on capital leases was \$2,052,110 for the fiscal year ended June 30, 2016. Interest rates range from 4.486 percent to 6.262 percent.

CAPITAL LEASE SCHEDULE

<u>Description</u>	<u>Lessor</u>	<u>Original Principal</u>	<u>Lease Term</u>	<u>Begin Month/Year</u>	<u>End Month/Year</u>	<u>Outstanding Principal Balance at June 30, 2016</u>
Tiger Point	SSU Real Estate Foundation	6,160,184.00	30	2012	2041	\$ 5,901,210
Tiger Place	SSU Real Estate Foundation	8,182,797.00	30	2012	2041	7,831,352
Camillia Hubert	SSU Real Estate Foundation	4,821,572.00	30	2012	2041	4,622,224
University Commons	SSU Real Estate Venture	24,586,826.00	25	2010	2033	23,455,532
University Village	SSU Real Estate Venture	29,229,205.00	25	2008	2033	26,062,753
Sports Complex	SSU Real Estate Foundation	3,977,087.00	30	2013	2041	4,147,172
Student Building C	SSU Real Estate Foundation	14,498,212.00	30	2013	2041	15,129,817
Student Center/ Stadium	USG Foundation	17,750,772.00	30	2011	2040	16,762,700
		0				0
Total Leases		\$ 109,206,655				\$ 103,912,760

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

Operating Leases

Savannah State University's has no non-cancellable operating leases having remaining terms of more than one year at year end. Any agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Facilities and equipment rented through operating leases are not recorded as assets on the balance sheet. Savannah State University's fiscal year 2016 expense for rental of all real property and equipment under operating leases was \$551,597.

Future Commitments

Future commitments for capital leases having remaining terms in excess of one year as of June 30, 2016, were as follows:

	<u>Real Property and Equipment</u>	
	<u>Capital Leases</u>	<u>Operating Leases</u>
Year Ending June 30:		
2017	\$ 8,002,663	
2018	8,138,695	
2019	8,269,665	
2020	8,403,554	
2021	8,537,542	
2022 through 2026	44,882,237	
2027 through 2031	48,975,351	
2032 through 2036	30,670,961	
2037 through 2041	21,415,385	
2042 through 2046	-	
2047 through 2051	-	
Total minimum lease payments	\$ 187,296,053	\$ -
Less: Interest	67,652,314	
Less: Executory costs (if paid)	15,730,979	
Principal Outstanding	\$ 103,912,760	

The following is a summary of the carrying values of assets held under capital lease at June 30, 2016:

Description	Gross Amount (+)	Less: Accumulated Depreciation (-)	Net, Assets Held Under Capital Lease at June 30, 2016 (=)	Outstanding Balances per lease schedules at June 30, 2016
Leased Land & Land Improvements	\$ -	\$ -	\$ -	\$ -
Leased Infrastructure	-	-	-	-
Leased Equipment	-	-	-	-
Leased Buildings & Building Improvements	110,333,788	25,899,165	84,434,623	103,912,760
Leased Facilities and Other Improvements	-	-	-	-
Total Assets Held Under Capital Lease at June 30, 2016	<u>\$ 110,333,788</u>	<u>\$ 25,899,165</u>	<u>\$ 84,434,623</u>	<u>\$ 103,912,760</u>

Note 14. Retirement Plans

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

In addition to the retirement plans administered by TRS and ERS, USG administered the Regents Retirement Plan as an optional retirement plan.

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

A. Defined Benefit Plans: Teachers Retirement System of Georgia

Summary of Significant Accounting Policies

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

General Information about the Teachers Retirement System

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

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

time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees were required to contribute 6.00% of their annual pay during fiscal year 2016. The University's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual University payroll. University contributions to TRS were \$3,002,678 for the year ended June 30, 2016.

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

At June 30, 2016, the University reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2015. At June 30 2015, the University's proportion was .188056%, which was an increase of .009885% from its proportion measured as of June 30, 2014.

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

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

University contributions subsequent to the measurement date of \$3,002,678 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended

June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2017	\$ (872,282)
2018	(872,282)
2019	(872,284)
2020	1,207,273
2021	52,786
Thereafter	0

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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

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

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

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

projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University’s proportionate share of the net pension liability to changes in the discount rate:

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

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
University's proportionate share of the net pension liability	\$ 49,197,904	\$ 28,629,659	\$ 11,676,531

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report which is publically available at www.trsga.com/publications.

B. Defined Contribution Plan: Regents Retirement Plan

Plan Description

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

Funding Policy

The 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 2016, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

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

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

Note 15. Risk Management

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

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

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

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

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

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. The 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 16. Contingencies

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

Litigation, claims and assessments filed against the University (an organizational unit of the University System of Georgia), if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

Note 17. Post-Employment Benefits Other Than Pension Benefits

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

The Board of Regents Retiree Health Benefit Plan is a single-employer, defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The University pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year.

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

Note 18. Natural Classifications with Functional Classifications

Operating expenses by functional classification for fiscal year 2016 are shown below:

Natural Classification	Functional Classification					
	Fiscal Year 2016					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$13,480,084	\$ 259,348	\$ 77,383	\$ 1,135,671	\$ 400	\$ 74,941
Staff	1,685,353	368,141	908,368	3,357,393	2,671,870	3,901,786
Benefits	4,631,733	115,888	227,788	1,338,910	517,227	2,145,394
Personal Services	-	-	-	-	-	380,998
Travel	165,946	49,944	62,056	241,128	136,807	201,998
Scholarships and Fellowships	391,879	583,981	151,335	43,013	13,125	4,824
Utilities	62,026	2,243	4,358	20,000	156,774	42,323
Supplies and Other Services	1,240,562	534,250	705,828	3,110,982	1,413,866	2,788,713
Depreciation	170,128	127,038	7,536	322,249	644,124	117,067
Total Expenses	\$21,827,711	\$ 2,040,833	\$ 2,144,652	\$ 9,569,346	\$ 5,554,193	\$ 9,658,044

Natural Classification	Functional Classification					Total Expenses
	Fiscal Year 2016					
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Unallocated Expenses	AU Only Patient Care	
Faculty	\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ 15,028,827
Staff	3,214,173	-	4,371,200	-	-	20,478,284
Benefits	728,146	-	1,202,069	-	-	10,907,155
Personal Services	-	-	-	-	-	380,998
Travel	30,592	-	281,016	-	-	1,169,487
Scholarships and Fellowships	-	3,469,955	1,998,804	-	-	6,656,916
Utilities	1,323,429	-	1,658,995	-	-	3,270,148
Supplies and Other Services	3,878,577	-	14,179,288	-	-	27,852,066
Depreciation	1,494,560	-	4,474,022	-	-	7,356,724
Total Expenses	\$10,669,477	\$ 3,469,955	\$28,166,394	\$ -	\$ -	\$ 93,100,605

Note 19. Subsequent Events

The University has no subsequent events to report after June 30, 2016.

Note 20. Affiliated Organizations

Savannah State University Foundation is legally separate, tax-exempt organization whose activities primarily support Savannah State University, a unit of the University System of Georgia. Because the University System of Georgia is an organizational unit of the State of Georgia these affiliated organizations are considered potential component units of the State of Georgia in accordance with GASB Statements 61, 39 and 14. Therefore, the financial statements of these affiliated organizations are not included in these financial statements. Copies of the financial statements may be obtained from Savannah State University Foundation.

Required Supplementary Information



**Schedule of Proportionate Share of the Net Pension Liability
Teachers Retirement System of Georgia
For the Last Two Fiscal Years**

	<u>Year Ended</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
Teachers Retirement System of Georgia	6/30/2016	0.188056%	\$ 28,629,659	\$ 20,835,394	137.41%	81.44%
Teachers Retirement System of Georgia	6/30/2015	0.178171%	\$ 22,509,556	\$ 19,719,109	114.15%	84.30%

**Schedule of Contributions
Teachers Retirement System of Georgia
For the Last Ten Fiscal Years**

	<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
Teachers Retirement System of Georgia	6/30/2016	\$ 3,002,678	\$ 3,002,678	\$ -	\$ 20,835,394	14.41%
Teachers Retirement System of Georgia	6/30/2015	2,593,064	2,593,064	-	19,719,109	13.15%
Teachers Retirement System of Georgia	6/30/2014	2,212,636	2,212,636	-	18,017,854	12.28%
Teachers Retirement System of Georgia	6/30/2013	2,052,066	2,052,066	-	17,998,351	11.40%
Teachers Retirement System of Georgia	6/30/2012	1,759,365	1,759,365	-	17,114,446	10.28%
Teachers Retirement System of Georgia	6/30/2011	1,720,598	1,720,598	-	16,737,335	10.28%
Teachers Retirement System of Georgia	6/30/2010	1,523,853	1,523,853	-	15,645,308	9.74%
Teachers Retirement System of Georgia	6/30/2009	1,397,171	1,397,171	-	15,055,722	9.28%
Teachers Retirement System of Georgia	6/30/2008	1,286,574	1,286,574	-	13,863,944	9.28%
Teachers Retirement System of Georgia	6/30/2007	1,244,360	1,244,360	-	13,409,052	9.28%

**Schedule of Contributions
Employees' Retirement System of Georgia
For the Last Ten Fiscal Years**

	<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
Employees' Retirement System of Georgia	6/30/2016	\$ -	\$ -	\$ -	\$ -	-
Employees' Retirement System of Georgia	6/30/2015	-	-	-	-	-
Employees' Retirement System of Georgia	6/30/2014	-	-	-	-	-
Employees' Retirement System of Georgia	6/30/2013	-	-	-	-	-
Employees' Retirement System of Georgia	6/30/2012	-	-	-	-	-
Employees' Retirement System of Georgia	6/30/2011	-	-	-	-	-
Employees' Retirement System of Georgia	6/30/2010	-	-	-	-	-
Employees' Retirement System of Georgia	6/30/2009	5,361	5,361	-	51,500	10.41%
Employees' Retirement System of Georgia	6/30/2008	10,566	10,566	-	101,500	10.41%
Employees' Retirement System of Georgia	6/30/2007	3,383	3,383	-	32,500	10.41%

Savannah State University
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

Teachers Retirement System

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation