SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2012
ISSUED MARCH 27, 2013

LOUISIANA LEGISLATIVE AUDITOR
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DARYL G. PURPERA, CPA, CFE

March 18, 2013

Independent Auditor's Report

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Southern University System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of SUSLA Facilities, Inc., a blended component unit which represents 3.1%, 5.9%, 1.3%, and 0.6%, respectively, of the assets, liabilities, net assets, and revenues of the System. We also did not audit the financial statements of the Southern University System Foundation, which represents the only discretely presented component unit of the System. The financial statements of the blended and discretely presented component units were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for SUSLA Facilities, Inc. and the Southern University System Foundation, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of SUSLA Facilities, Inc. and the Southern University System Foundation, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America but not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the System as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2013, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 25 and the Schedule of Funding Progress for Other Postemployment Benefits Plan of page 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying supplementary information schedules of per diem paid board members and combining financial schedules on pages 75 through 85 are presented for the purposes of additional analysis and are not required parts of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the reports of other auditors, the schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) for the Southern University Agricultural & Mechanical (A&M) College System, hereafter referred to as the System, discusses the System's financial performance and presents a narrative overview and analysis of the System's financial activities and statements for the year ended June 30, 2012. The System is geographically located in Baton Rouge, Louisiana and has three campuses located in Baton Rouge, Louisiana on the Baton Rouge Campus land mass, one campus located in New Orleans, Louisiana and one campus located in Shreveport-Bossier, Louisiana. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. The notes to the financial statements provide a summary of some of the significant accounting policies affecting all financial transactions of the System. The primary financial statements presented in this MD&A are the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. This document should be read in conjunction with the annual financial report of the System.

FINANCIAL HIGHLIGHTS

The System's net assets reflect a decline of $15,823,854 or 9.9% from $160,513,697 at June 30, 2011, to $144,689,843 at June 30, 2012. As expected, this decline in total net assets is partially attributable to the fifth year implementation of an accounting change mandated by Governmental Accounting Standards Board (GASB) Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which superseded GASB Statement No. 12, *Disclosure of Information on Post-employment Benefits Other Than Pensions by State and Local Governmental Employers*. The annual unfunded other postemployment benefits (OPEB) expense increased by $7,283,111 or 9.3% from June 30, 2011, to June 30, 2012. The unfunded obligations for OPEB is reported in the unrestricted net asset category, causing the unrestricted net asset category to reflect a cumulative deficit at June 30, 2012, of $86,712,173 as compared to $74,714,517 at June 30, 2011, an increase of $11,997,656 or 16.1%. The System operates from annual legislative appropriations derived from the state general fund, self-generated, federal appropriations and interagency transfer revenue sources. State general funds generally do not fund these future obligations that appear in the System's financial statements. Future benefits for OPEB (health care) that are reported in the System's financial statements are also reported at the state level as liabilities and such amounts are also not funded at the state level. The State of Louisiana actuarially funds its employee pension benefits but has not decided to fund liabilities for OPEB. Currently, the State of Louisiana has elected to fund these liabilities on a pay-as-you-go basis. While funding the liability is preferred, GASB Statement 45(7) does not require funding the liability, only recognition of it in the financial statements for accounting and financial reporting purposes.

The Investment in Capital Assets, net of related debt net asset category remained relatively constant and reflects a minimal decrease of $247,840 or 0.1%. This minimal decrease is attributable to an overall reduction in the Investment in Capital Assets net asset category of $1,302,981 on the Southern University Shreveport campus for their blended component unit, SUSLA Facilities, Inc. Minimal reductions were also reported by the Southern University Law Center, Agricultural Research and Extension Center and the System Office. Although no new buildings were added in fiscal year 2012, depreciation of buildings and equipment reduced the amount reported when compared to the 2011 fiscal year. Southern University A&M at Baton Rouge and the New Orleans campuses reported overall increases in this net asset category which is attributable in part to completed capital projects on the Southern University A&M campus for the solar street and J.S. Clark Administration lighting projects. The increase on the New Orleans campus is attributed in part to the completion of the new college of business building at a cost of $4.5 million.

The nonexpendable net asset category increased by $456,025 or 4.0%. This increase is attributed to new donor gifts in the permanently restricted endowment funds.

The expendable net asset category decreased by $4,034,383 or 10.4% declining from $38,942,328 in 2011 to $34,907,945 in 2012. The decrease is primarily attributed to a reduction in the American Recovery and Reinvestment Act (ARRA) stimulus funds of $17,405,243 or 92.7%.

Based on comparative data for Fall semesters 2010 and 2011, the System experienced an overall enrollment decline. The New Orleans campus reported increases in enrollment for Fall 2011 as compared to Fall 2010 while the Baton Rouge, Law Center, and Shreveport campuses reported declines in enrollment for the same period. Student enrollment declined from 14,011 students in Fall 2010 to 13,675 in Fall 2011, a decline of 336 students or 2.4% as of the official 14th class day reporting period.

The System attributes the net decline in enrollment to the following:

- Southern University A&M at Baton Rouge experienced an enrollment decline of 390 students or 5.4%. Southern University A&M projected a decline in student enrollment for the fiscal year of approximately 300 students. Southern University A&M enrolled 6,904 students in Fall 2011 as compared to 7,294 students in Fall 2010. As expected, the decline of 390 students has continued to reflect a downward trend since initial implementation of the higher selective admission standards. After another projected decline in enrollment in Fall 2012, campus management expects a modest increase based on multiple recruitment and retention strategies that will be deployed at an intensive level. This modest enrollment increase is projected over a four-year period.

- Southern University at New Orleans (SUNO) experienced an increase in enrollment of 80 students or 2.5% during the Fall 2011 academic term. SUNO enrolled 3,245 students in Fall 2011 as compared to 3,165 in Fall 2010. The New Orleans campus enrollment increase is the result of very aggressive recruitment initiatives that involved many high school visits, telephone calls, and door to door.

- Southern University at Shreveport (SUSLA) enrollment has remained relatively stable over the past two years, with a decline of 14 students or 0.5% for Fall 2011 as compared to Fall 2010. Student enrollment for SUSLA declined from 2,834 in Fall 2010 to 2,820 in Fall 2011. This decline is attributed to a decrease in the enrollment of on-line instruction and dual enrollment students.

- Southern University Law Center's 14th day enrollment decreased by 12 students or 1.7%. The Law Center enrolled 706 students for Fall 2011, as compared to 718 students for Fall 2010. Actual enrollment increased by 11 students or 1.5% due to an increase in enrollment of first-year and evening students. This increase is attributed to an increase in the enrollment of the Law Center's first-year and evening students.

The System's operating revenues increased by $3,620,906 or 3.2%, increasing from $113,558,774 at June 30, 2011, to $117,179,680 at June 30, 2012. The increase in operating revenues is attributed to the assessment of tuition increases approved by the Southern University Board of Supervisors per legislative authority and per the LA GRAD Act, an increase in federal, state, and nongovernmental revenues, and increases in auxiliary enterprise and other operating revenues.

Operating expenses for the same period decreased by $12,678,162 or 5.0% from $254,777,765 at June 30, 2011, to $242,099,603 at June 30, 2012. The decrease in operating expenses is attributed to enforcement of intensive budgetary control measures aimed at reducing expenditures and increasing revenues to maintain a balanced operating budget.

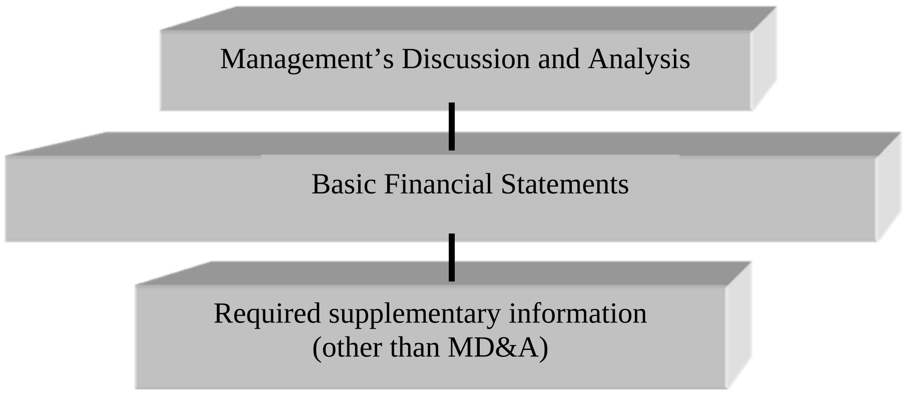
Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations received from the state and other sources. Included under the category of non-operating revenues are Pell grants, ARRA stimulus funds, state appropriations, and gifts. Net nonoperating revenues, (expenses) including capital appropriations, and capital gifts and grants reflect a decrease of $30,059,565 or 21.7%, decreasing from $138,719,784 in 2011 to $108,660,219 in 2012. This decrease is directly attributed to a reduction in state appropriations, mandated mid- and end-of-year budget cuts, and the discontinuance of ARRA stimulus funding in the state general fund budget.

State appropriated revenues reflect a decline of $5,360,509 or 8.5% from $63,353,478 in 2011 to $57,992,969 in 2012. Included in this reduction are mid- and end-of-year mandated budget cuts of $2,937,742 and $1,203,880, respectively, yielding an overall annual mandated budget cut of $4,141,622. In addition, statutory dedicated funds were reduced by $128,559 for unrealized revenues that were not received by the State Treasurer as of the 45-day year-end liquidation period.

Capital appropriations and capital grants and contracts reflect a combined decrease of $5,151,432 or 43.1%. This decrease is attributed to a $2,562,368 or 61.1% reduction in the capital grants and gifts category and a current year reduction in the capital appropriations category of $2,589,064 or 33.4%.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special-Purpose Governments Engaged in Business-Type Activities established by GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.



These financial statements consist of three sections: Management’s Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information. The basic financial statements present information for the System as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets (pages 26-27) presents the current and noncurrent assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

From the data presented, readers of the Statement of Net Assets can determine the assets available to continue the operations of the System. The financial statement readers are also able to determine how much the System owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a summary of the combined net assets (assets minus liabilities) and their availability for expenditure by the System’s institutions.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 28-29) present information to show how the System’s assets changed as a result of the current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

Statement of Cash Flows

The Statement of Cash Flows (pages 33-34) presents information showing how the System's cash changed as a result of the current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about the System's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

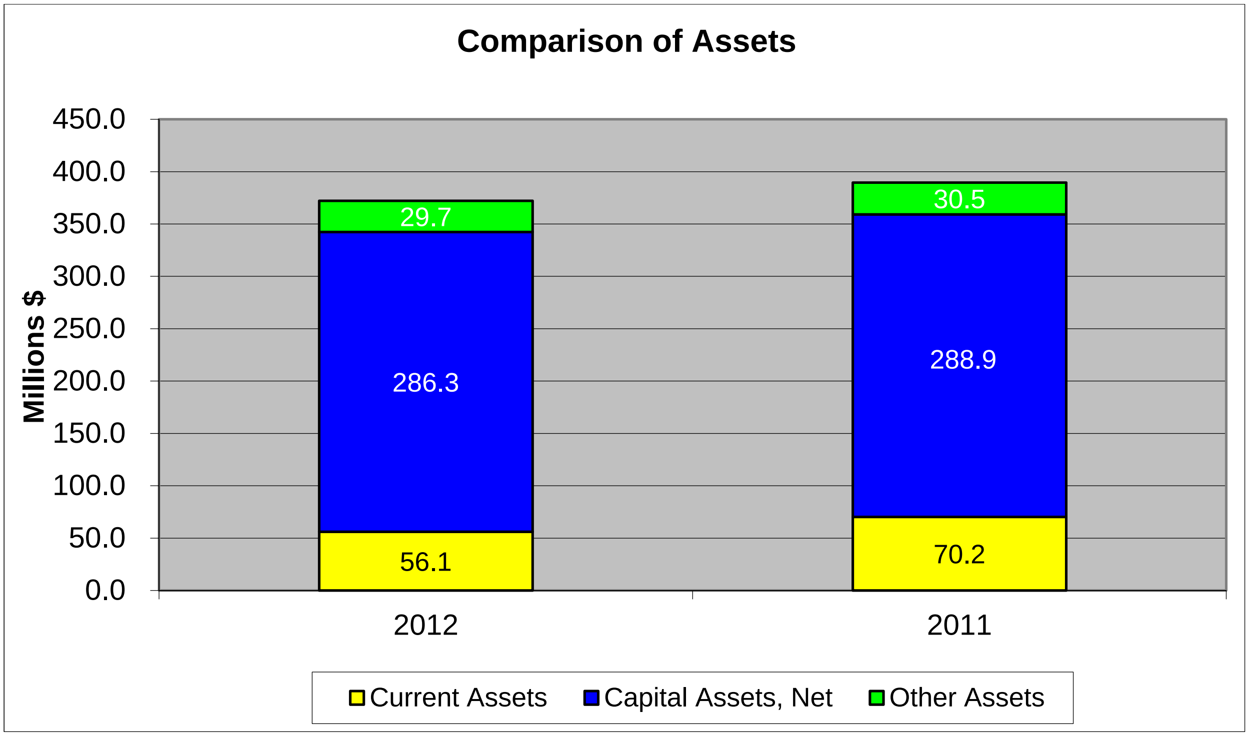
The financial statements for the System are prepared on an accrual basis in conformity with generally accepted accounting principles in the United States of America as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the System are included in the Statement of Net Assets.

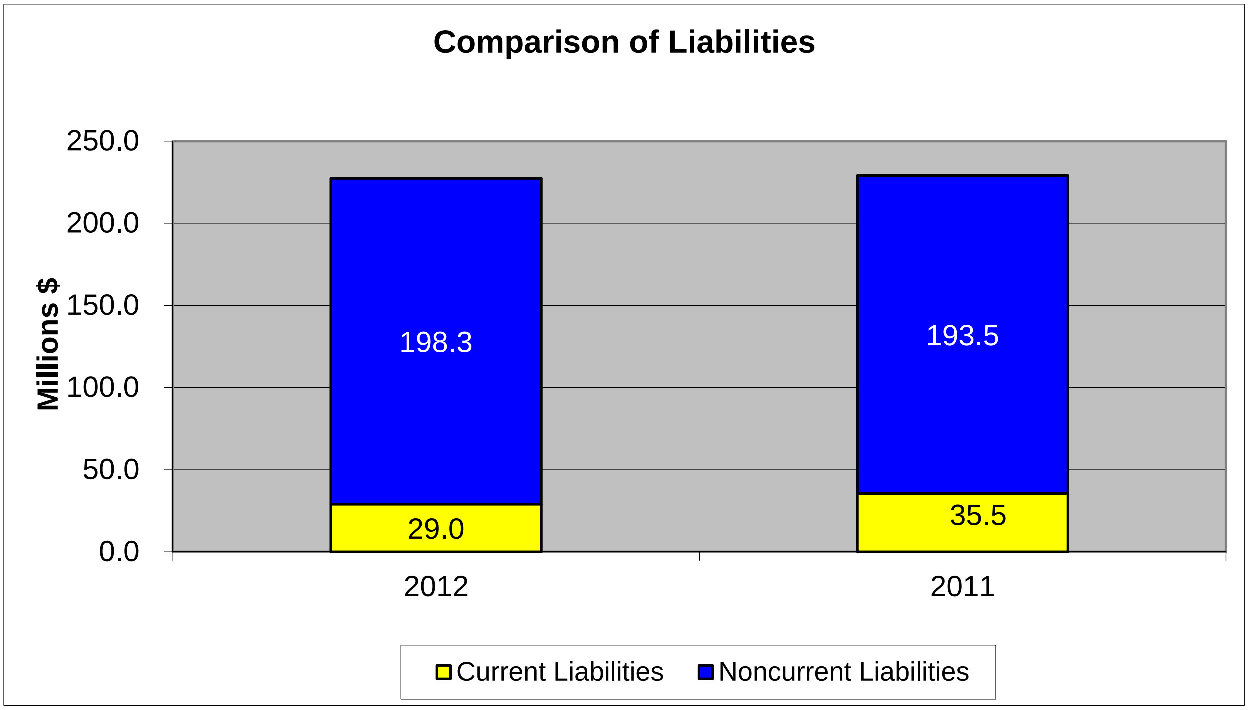
Categories of Net Assets

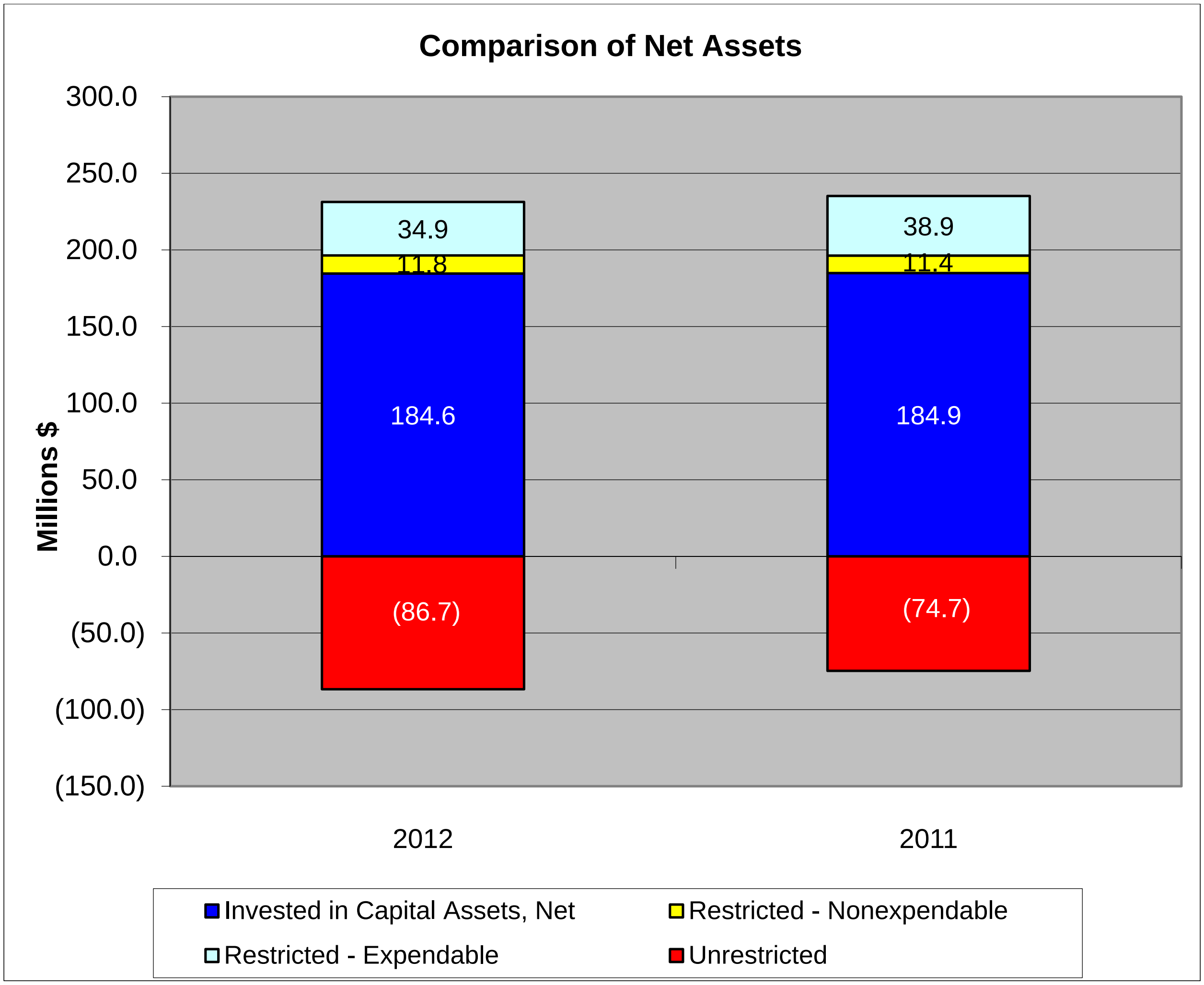
Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, indicates the total equity in property, plant, and equipment that is owned by the System. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. The expendable restricted net assets are available for expenditure by the various institutions but must be spent for the purposes that are designated by donors or external entities that placed the time or purpose restrictions on the use of the assets. The final category is unrestricted net assets, which are available to the System to be used for any lawful purpose.

Comparative Statement of Net Assets
For the Fiscal Years as of
June 30, 2012 and 2011

	2012	2011 (Restated)	Percentage Change
Assets			
Current assets	$56,053,170	$70,192,845	(20.1%)
Capital assets, net	286,316,103	288,854,899	(0.9%)
Other noncurrent assets	29,685,735	30,499,566	(2.7%)
Total assets	372,055,008	389,547,310	(4.5%)
Liabilities			
Current liabilities	29,048,915	35,515,043	(18.2%)
Noncurrent liabilities	198,316,250	193,518,570	2.5%
Total liabilities	227,365,165	229,033,613	(0.7%)
Net Assets			
Invested in capital assets, net of related debt	184,645,048	184,892,888	(0.1%)
Restricted:			
Nonexpendable	11,849,023	11,392,998	4.0%
Expendable	34,907,945	38,942,328	(10.4%)
Unrestricted	(86,712,173)	(74,714,517)	16.1%
Total net assets	$144,689,843	$160,513,697	(9.9%)


Comparison of Assets
Millions $
450.0
400.0
350.0
300.0
250.0
200.0
150.0
100.0
50.0
0.0
29.7
286.3
56.1
30.5
288.9
70.2
2012
2011
Current Assets
Capital Assets, Net
Other Assets


Comparison of Liabilities
Millions $
250.0
200.0
150.0
100.0
50.0
0.0
198.3
29.0
193.5
35.5
2012
2011
Current Liabilities
Noncurrent Liabilities



The above schedules are prepared using the System's Statement of Net Assets which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Total assets of the System decreased by $17,492,302, a decrease of approximately 4.5%. This decrease is attributed to a reduction in the amount due from the state treasury and a reduction in outstanding receivables at the end of the 2012 fiscal year. The total liabilities of the System decreased by $1,668,449 or 0.7%. The consumption of assets follows the System's philosophy to use available resources to acquire and improve all operations of the System to better serve the instruction, research, and public service mission of the System and institutions.

Statement of Revenues, Expenses, and Changes in Net Assets

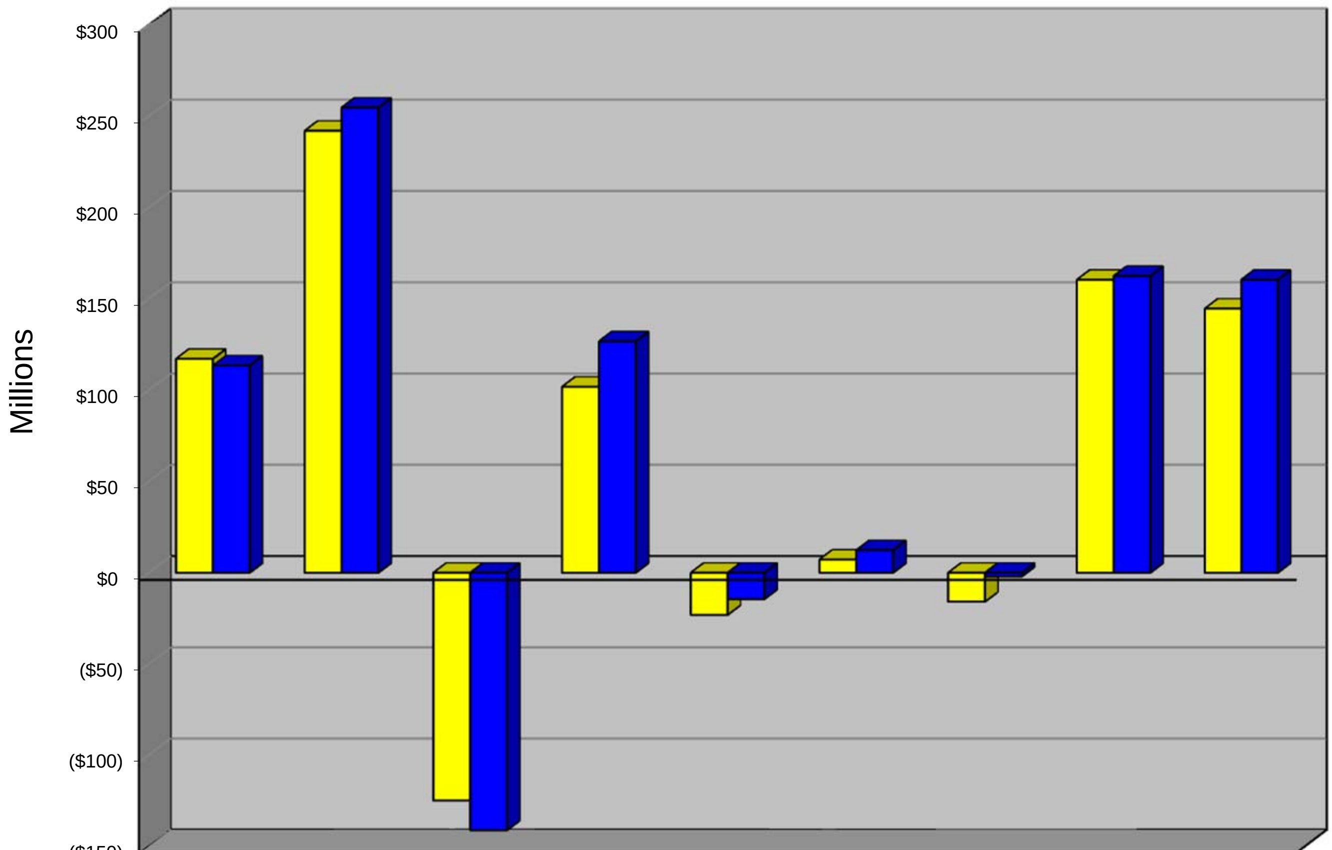
Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received and expenses paid by the System for both operating and nonoperating purposes. The statement includes any other revenues, gains, expenses, or losses that were realized or incurred by the System during the fiscal year.

The operating revenues are received for providing goods and services to the various customers and constituencies of the System. The operating expenses are those expenses incurred to acquire or produce the goods and services that are provided in return for the operating revenues that are received to carry out the missions of the institutions.

Nonoperating revenues are revenues received for which goods and services are not provided in an exchange for the revenues received. For example, state appropriations are considered non-operating because they are provided by the Legislature to the System even though the Legislature does not receive, directly in return, goods and services for those revenues. ARRA revenues are also reported as nonoperating revenues effective with fiscal year 2010.

Comparative Statement of Revenues, Expenses, and Changes in Net Assets For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011 (Restated)	Percentage Change
Operating revenues:			
Student tuition and fees, net of scholarship allowances	$42,032,168	$35,713,066	17.7%
Federal appropriations	3,362,047	3,379,752	(0.5%)
Federal grants and contracts	44,273,848	45,787,269	(3.3%)
State and local grants and contracts	3,766,817	5,114,485	(26.4%)
Nongovernmental grants and contracts	351,546	349,035	100.0%
Auxiliary revenues, net of scholarship allowances	18,288,056	18,248,545	0.2%
Other operating revenues	5,105,198	4,966,622	2.8%
Total operating revenues	117,179,680	113,558,774	3.2%
Nonoperating revenues:			
State appropriations	57,992,969	63,353,478	(8.5%)
Federal nonoperating revenues	40,561,924	40,923,716	(0.9%)
ARRA revenues	1,377,875	18,783,118	(92.7%)
Gifts	1,318,307	737,719	78.7%
Investment income	263,009	652,061	(59.7%)
Other nonoperating revenues	4,131,741	6,067,926	(31.9%)
Total nonoperating revenues	105,645,825	130,518,018	(19.1%)
Total revenues	222,825,505	244,076,792	(8.7%)
Operating expenses:			
Educational and general:			
Instruction	53,519,155	57,348,904	(6.7%)
Research	9,326,292	10,591,493	(11.9%)
Public service	9,983,965	10,356,057	(3.6%)
Academic support	29,748,897	29,790,331	(0.1%)
Student services	16,179,169	17,609,432	(8.1%)
Institutional support	45,964,263	46,034,985	(0.2%)
Operation and maintenance of plant	15,465,222	19,636,452	(21.2%)
Depreciation	14,655,172	14,961,008	(2.0%)
Scholarships and fellowships	30,324,443	29,511,705	2.8%
Auxiliary enterprises	16,039,960	17,628,525	(9.0%)
Other operating expenses	893,065	1,308,873	(31.8%)
Total operating expenses	242,099,603	254,777,765	(5.0%)
Nonoperating expenses - interest expense	3,637,735	3,738,595	(2.7%)
Other nonoperating expenses	136,800		100.0%
Total nonoperating expenses	3,774,535	3,738,595	
Total expenses	245,874,138	258,516,360	(4.9%)
Loss before other revenues	(23,048,633)	(14,439,568)	59.6%
Capital appropriations	5,159,638	7,748,702	(33.4%)
Capital grants and gifts	1,629,291	4,191,659	(61.1%)
Additions to permanent endowment	435,850	441,100	(1.2%)
Other revenues	7,224,779	12,381,461	(41.6%)
Change in net assets	(15,823,854)	(2,058,107)	668.9%
Net assets at beginning of year, restated	160,513,697	162,571,804	(1.3%)
Net assets at end of year	$144,689,843	$160,513,697	(9.9%)



	Operating Revenues	Operating Expenses	Operating Income (Loss)	Nonoperating Revenue (Expenses)	Loss Before Other Revenues	Other Revenues	Increase (Decrease) in Net Assets	Net Assets at Beginning of Year	Net Assets at End of Year
2012	$117.2	$242.1	($124.9)	$101.9	($23.0)	$7.2	($15.8)	$160.5	$144.7
2011	$113.6	$254.8	($141.2)	$126.8	($14.4)	$12.4	($2.1)	$162.6	$160.5

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a negative change for the year. Total net assets decreased by $15,823,854 or 9.9% in 2012, compared to a decrease of $2,058,107 or 1.3% in fiscal year 2011.

This negative change is attributable in part to the fifth year implementation of an accounting change mandated by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. The OPEB expense increased by $7,283,111 or 9.3% from June 30, 2011, to June 30, 2012.

The Investment in Capital Assets, net of related debt net asset category remained relatively stable and reflects a negative change of $247,840 or 0.1%. This negative change is partially attributable to an overall reduction in the Southern University Shreveport campus' Investment in Capital Assets, net of related debt net asset category which reflects a $1,302,981 reduction in net assets for their blended component unit, SUSLA Facilities, Inc. Minimal reductions in this net asset category were also reported by the Southern University Law Center, Agricultural Research and Extension Center, and the System Office.

The nonexpendable net asset category increased by $456,025 or 4.0%, as a result of new donor gifts in the permanently restricted endowment fund.

The expendable net asset category decreased by $4,034,383 or 10.4% resulting primarily from the reduction in ARRA stimulus funds of $17,405,243 or 92.7%.

Other highlights of information that have a significant impact on the amounts presented in the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

The System experienced an overall decline in enrollment in fiscal year 2012. The Southern University Board of Supervisors approved various tuition and fee increases to mitigate the overall effect of the decline in enrollment. The tuition increases were authorized under House Bill 1171-LA GRAD Act (Louisiana Granting Resources and Autonomy for Diplomas Act) which provided autonomy to Southern University System's governing board to approve tuition increases per certain performance standards and per legislative authority granted at the institutional level.

Beginning the 2001 Fall Semester, Southern University and A&M implemented selective admission standards. In Fall 2006, additional selective admission criteria were implemented. Budgetary adjustments were made to offset the reduction in revenues to maintain a balanced budget.

State mandated mid- and end-of-year budget reductions in 2012 resulted in a reduction in state appropriations of $4,141,622. The 2012 budget reductions impacted the System in the following ways: furloughs, layoffs and reductions in staff were enforced, vacant positions were frozen, retirement incentives and cost reduction measures were implemented, outreach activities were scaled back, library and technology needs were reduced, rebuilding efforts were delayed, and research capabilities and the ability to leverage external funding to match United States Department of Agriculture (USDA) formula grants were reduced.

ARRA funds used to supplant state appropriated funds were discontinued in the 2012 fiscal year, causing a decline in system-wide ARRA revenues of $17,405,243 or 92.7%

The System established the Honore' Center. Housed on the New Orleans campus, the Honore' Center for undergraduate student achievement is part of a national initiative called the "Five Fifths Agenda for America" (FFAA) whose mission is to address the black male cradle-to-prison pipeline and its consequences. The goal of the FFAA initiative is to enable young black men with life challenges to become educators and servant leaders who will seed positive change in their schools and communities.

The System upgraded the Banner Finance System in fiscal year 2012 by converting from a six-chart to a one-chart unified structure. The motivation behind the upgrade was aimed at achieving greater uniformity in system-wide financial reporting.

Southern University A&M declared financial exigency and received approval of the declaration by the Southern University Board of Supervisors on October 28, 2011. The management of Southern University A&M implemented restructuring plans and other cost savings strategies to sustain operations and avoid deficit spending. Southern University A&M's leadership will continue to ensure that the mission, goals, and core values of the University remain stable.

Southern University A&M implemented a 10% furlough for classified and unclassified employees, non-tenured faculty, and tenured faculty. Based on the declaration of financial exigency for Southern University A&M on October 28, 2011, all faculty members were furloughed at 10% for the 2011-12 academic year. Employees earning $30,000 or below annually were exempt from the furlough.

Southern University A&M recommended a 10% tuition increase -- 5% as authorized under House Bill 1171 - LA GRAD Act and 5% at the institutional level, per legislative authority; a recommendation to increase the out-of-state fee by $373 for fiscal year 2012 was also approved by the Southern University System Board of Supervisors.

The Southern University Law Center received Board approval to increase tuition and fees and the out-of-state fee by 10% and $1,000 per semester, respectively.

The Agricultural Research and Extension Center is appropriated up to $1,000,000 from the State Tobacco Tax Funds. These funds were used during the year to support Youth Development and Nutritional Awareness Programs. The tobacco tax funds were also used to support other institutional initiatives such as the Banner System implementation costs.

Southern University at New Orleans received Board approval to increase tuition and fees by 10% -- 5% as authorized under House Bill 1171- LA GRAD Act and 5% approved at the institutional level, per legislative authority. Board approval was also granted to increase out-of-state fees by 18.9%.

Southern University at Shreveport increased tuition and fees by $168 as authorized under House Bill 1171 - LA GRAD Act.

Southern University at Shreveport implemented a furlough of administrative personnel and non-tenured faculty and reduced expenditures in all budgeted categories in fiscal year 2012.

The System and campuses implemented cost savings measures to ensure sustainable operations were maintained and deficit spending was avoided. The System leadership will continue to ensure that the mission, goals, and core values of the System and campuses remain strong.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The System provided adequate investments in its physical facilities during the 2012 fiscal year. Capital assets, net of accumulated depreciation for fiscal year ending June 30, 2012, total $286,316,103 as compared to $288,854,899 for fiscal year ending June 30, 2011, reflecting a decrease of 0.9%.

The following narrative presents a brief overview of capital asset activity for the System:

- The Baton Rouge campus completed two major lighting projects for the solar street and J. S. Clark Administration lighting projects.

- The Baton Rouge campus has ongoing construction in progress for the T. H. Harris Hall Annex Renovation and the Repair and Replacement of Hot Water Pipes projects.

- The New Orleans campus completed the new College of Business Administration building on the New Orleans, Lake Campus.

- The New Orleans campus is undergoing construction of the $3 million Small Business Incubator project.

- The System obtained financing for various capital projects on the Baton Rouge and Shreveport campuses through a cooperative endeavor financing agreement with Millennium Housing, LLC, through its owner, the Southern University System Foundation. The total budget for the various projects is $52,234,455. The total funds borrowed to finance the various projects were $59,990,000, which includes capitalized interest. This venture included the following projects:

  - 600 bed, 3-story dormitories (SU A&M campus)
  - Student Intramural Center (SU A&M campus)
  - Baseball Field House (SU A&M campus)
  - Mumford Stadium (SU A&M campus)
  - Football Field Restoration (SU A&M campus)
  - Reflections Bookstore (SU A&M campus)
  - 610 Texas Street Building (Shreveport campus)
  - Renovation of 610 Texas Street Property (Shreveport campus)
  - Travis Street Parking Lot (Shreveport campus)

  Six of these projects have been completed, including the 600 bed, 3-story dormitories, purchase of Reflections Bookstore, Football Field Restoration, the purchase of a building at 610 Texas Street, the Travis Street Parking Lot, and the Mumford Stadium project. A capital lease obligation in the amount of $48,912,476 has been recorded on the Statement of Net Assets for the completed projects. Of this amount, $1,144,950 represents the current portion amount that is due and payable within one year.

- Southern University A&M entered into a $2,117,705, 3½-year lease purchase agreement with Carousel Industries during the 2010 fiscal year for the purchase and installation of campus-wide telephone equipment. The lease purchase agreement provided for equipment, installation and support required to upgrade the existing Centrex based telephone system to the Avaya Hybrid VOIP/digital University. A capital lease obligation for $249,128 is reported in the 2012 fiscal year financial statements for the telephone equipment lease. The entire $249,128 represents the current portion amount that is due and payable within one year.

- The System has reported a Pollution Remediation Obligation in the amount of $120,485 in the 2012 financial statements -- $1,750 for the Southern University A&M campus and $118,735 for the Southern University New Orleans campus.

- The Shreveport campus entered into three separate lease agreements with IBM Credit, LLC and Key Government Finance. Two of the leases are for computer hardware acquisitions and one is for surveillance cameras and computer servers for the surveillance system. The final payment on these leases will be due on May 1, 2013. A capital lease obligation for $100,359 is reported in the 2012 fiscal year financial statements for the Shreveport campus lease obligation. The entire $100,359 represents the current portion amount that is due and payable within one year.

LONG-TERM LIABILITIES

The System retired $82,916 in bonds payable during the fiscal year. The total amount of long-term debt at June 30, 2012 is $201,727,180 as shown in the table below. Of this amount, $3,410,930 is reported as current and is expected to be paid within one year.

Description	Amount
Compensated absences	$12,511,919
Capital lease obligation	48,912,476
Bonds payable	12,869,763
Pollution Remediation Obligation	120,485
OPEB payable	85,310,344
Claims and litigation payable	149,250
Notes payable	41,852,943
Total	$201,727,180

For additional information concerning Capital Assets and Debt Amortization, the financial statement reader can refer to notes 6, 14 through 17, and 30 in the notes to the financial statements.

ECONOMIC OUTLOOK - SHORT-TERM

Despite continued funding reductions, the short-term economic outlook for the System remains challenging but the outlook is optimistic. The overall financial position of the System remains stable. For the past several years, the System has struggled to address budgetary challenges arising from state mandated budget reductions, unfunded state mandates, and declining enrollment. Numerous fiscal strategies and cost-saving measures have been implemented in an effort to address these ongoing budgetary challenges. Reductions in funding have required the System and Campus leadership to make critical decisions in an effort to minimize internal and external threats to academic and student programs. Despite the budgetary and economic challenges, the System and Campus leadership has continued to maintain balanced operating budgets and sustain stable financial positions. The System and Campus leadership projects that fiscal year 2012-13 will be another lean year for the System. The State of Louisiana has advised the System leadership of another forthcoming budget reduction in the 2013 fiscal year. The System has strategically positioned itself to implement approved budgetary measures to ensure that current operations are sustained and the mission and goals of the System are preserved. The System and Campus leadership will continue to closely monitor available resources to ensure the System's ongoing ability to react to known and unknown internal and external factors in a prompt and positive manner.

The Southern University Board of Supervisors approved a declaration of financial exigency for Southern University A&M at Baton Rouge, effective November 1, 2012 to June 30, 2012. During this period, the leadership of Southern University A&M implemented a retrenchment and restructuring plan to ensure that current operations were sustained and the mission and goals of Southern University A&M were preserved. The declaration of financial exigency by Southern University A&M did not include the other campuses of the System.

The System and campuses have no plans for a declaration of financial exigency in fiscal year 2013.

The Southern University System institutions are accredited by the Southern Association of Colleges and Schools (SACS) and undergo SACS reaccreditation reviews. Southern University A&M at Baton Rouge and the Southern University Agricultural and Research Center went through a SACS reaccreditation review in fiscal year 2010. The Southern Association of Colleges and Schools-Commission on Colleges (SACSCOC) reaffirmed Southern University A&M's and the Agricultural Research Center's accreditation in December 2010. The Commission on Colleges reviewed the First Monitoring Report following reaffirmation of accreditation. Because of deficiencies regarding institutional effectiveness, Southern University A&M was advised to take immediate steps to come into compliance with intended outcomes relevant to three areas -- educational programs, research within its educational mission, and college-level competencies. The System submitted its Second Monitoring Report to the Commission in September 2012.

The Law Center is an American Bar Association Accredited Law School. In January 2011, the Law Center was unanimously admitted to the Membership of the American Association of Law

Schools. The Law Center is currently in application stage of the SACS accreditation process after decoupling from the Baton Rouge campus in 2010, for purposes of SACS accreditation.

The SACS On-Site Review Committee visited the Southern University New Orleans campus in March 2011. The Committee's on-site review report was highly favorable. The report shows that Southern University New Orleans campus is compliant in all but one of the SACSCOC standards. This one recommendation is for the Quality Enhancement Plan. The Commission on Colleges reaffirmed the New Orleans campus accreditation with a request for a Monitoring Report in April 2012 to address the visiting committee's one recommendation. The recommendation has been addressed, and the New Orleans campus' next reaffirmation will take place in 2020 unless otherwise noted.

The Shreveport campus' on-site visit with the SACS Review Committee took place in October 2010. SUSLA was informed in June 2011 that its accreditation was continued with a warning and a requirement to submit another monitoring report in June 2012. The Shreveport campus was extended by SACS for another year on "warning" status and is required to submit a new monitoring report in April 2013 with a final review in June 2013.

The System successfully migrated from the SCT Plus Legacy administrative system to SunGard Higher Education (SGHE) Banner Unified Digital Campus (UDC) administrative system. The Banner Finance and Human Resource (HR) modules of the comprehensive unified digital campus solution were implemented in July 2010. The Finance module underwent a major upgrade during fiscal year 2012 to convert to a unified chart structure, migrating from a six- to a one-chart unified structure for the System. The Banner Finance and HR modules are hosted by the Baton Rouge campus. The Student module, consisting of admissions, registrar's, financial aid, housing and student accounts receivable, was placed into operations in May 2011 and processing in the Banner Student System began with the Fall 2011 registration period for the Baton Rouge campus land mass. The New Orleans campus implemented the Student components of the Banner System during fiscal year 2012.

ENROLLMENT MANAGEMENT PROGRAMS AND ACTIVITIES

The System continues to take aggressive steps in its enrollment management and student retention programs and activities.

The approval of House Bill 1171 - LA GRAD Act (Louisiana Granting Resources and Autonomy for Diplomas Act) provided autonomy to the System’s governing board to approve tuition increases per certain performance standards. This approval provides flexibility to the System’s leadership in improving enrollment management, retention, and educational outcomes to ensure student success.

SU A&M project that enrollment will modestly increase over the next five years although a 300 student decline is projected for the Fall 2012 semester. This decline in enrollment is projected principally because of the anticipated implementation of elevated selective admission requirements for Fall 2012. However, for the subsequent four-year period, SU A&M management strongly believes that the University’s enrollment will begin to stabilize and reflect a modest increase. This belief is founded on the following strategies that were developed and implemented to ensure progress in this area.

- Intensified recruitment efforts for first-time freshman students
- Intensified efforts to increase the student transfer rates
- Intensified efforts to increase the dual enrollment numbers and on-line offerings
- Concentrated efforts and implementation of recently revised withdrawal policies to decrease course and university withdrawals and intensified retention efforts

Southern University A&M implemented a 10% tuition increase and a $392 increase in out-of-state fees, consistent with the LA GRAD Act and per Board approval in fiscal year 2013.

Southern University at New Orleans has made major efforts in area high schools by assisting with test preparation, encouraging student participation in the campus early start program, and increasing the recruitment visits outside the New Orleans area.

The Southern University Board of Supervisors approved tuition increases for the New Orleans campus by 10% per implementation of the LA GRAD Act. The New Orleans campus has been required to increase its nonresident fees by 18.9% in fiscal year 2013.

Southern University at Shreveport has started programs with students being located at both the Baton Rouge and New Orleans campuses. The advertising budget has been increased and a new recruitment plan has been developed. Also, the Shreveport campus is reviewing innovative retention strategies aimed at increasing enrollment.

The Shreveport campus increased fees by $150 for Fall 2012 per Board approval.

The Southern University Law Center continues to take aggressive steps in its enrollment management and student retention programs and activities.

The Southern University Board of Supervisors approved tuition increases for the Law Center of 10% per implementation of the LA GRAD Act. The Law Center has been required to increase its nonresident fees to the average of its peer institutions over a six-year period beginning with fiscal year 2011.

The Southern University Board of Supervisors approved a new educational partnership with Education Online Services Corporation (EOServe Corp.) to implement multiple online degree programs for all campuses within the System. EOServe Corp. enables colleges and universities to maximize online higher education opportunities by providing them with state of the art technology to compete in the 21st century distance learning environment. The EOServe Corp., online program includes curriculum delivery for online degree programs, recruitment, enrollment, retention, and graduation coaching services.

CHANGES IN SOUTHERN UNIVERSITY SYSTEM MANAGEMENT

The Vice Chancellor for Finance position was restructured to the Director of Finance position at the Southern University Agricultural Research and Extension Center in fiscal year 2012. There were no other changes in key management positions within the System during fiscal year 2012.

ECONOMIC OUTLOOK - LONG-TERM

The long-term outlook for the System remains strong and hopeful despite budgetary challenges. Risks from both the internal and external environment will continue to challenge the sustainability of institutional programs and services. The System and Campus leadership will continue to make the necessary budgetary adjustments to ensure the long-term viability of the System. Confidence remains positive that the System can accomplish its mission and goals. The System and Campus' strategic plan outlines realistic and measurable goals and objectives for the long-term growth of the System. The System and Campus leadership remains confident that the economy will improve in the long-term, that enrollment will stabilize and begin to rise, and that the autonomies provided by the LA GRAD Act will allow the System to continue to achieve its goals and mission as a Historically Black College and University System of higher education in the State of Louisiana.

CONTACTING THE SOUTHERN UNIVERSITY SYSTEM'S MANAGEMENT

The accompanying System financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the System's finances and to show the System's accountability and oversight for the money it receives. Questions about this report or the need for additional financial information can be addressed by contacting the following management personnel of the System:

System Contact:

- Mr. Kevin Appleton, System Vice President for Finance and Business Affairs and Comptroller, Southern University and A & M College System, 4th Floor, J. S. Clark Administration Building, Baton Rouge, Louisiana, 70813, phone number 225-771-5550; e-mail – kevin_appleton@sus.edu

Campus Contacts:

- Mr. Flandus McClinton, Jr. Vice Chancellor for Finance and Administration at Southern University and A & M College (Baton Rouge Campus), 3rd Floor, J. S. Clark Administration Building, Baton Rouge, Louisiana 70813, phone number 225-771-5021; email – flandus_mcclinton@subr.edu

- Mrs. Linda Batiste, Director of Finance at Southern University and A&M College Agricultural Research and Extension Center, Ashford O. Williams Building, Baton Rouge, Louisiana 70813, phone number 225-771-5707; email – linda_batiste@suagcenter.com

- Mr. Terry Hall, Associate Vice Chancellor for Financial Affairs at Southern University and A & M College Law Center, A. A. Lenoir Building, Room 252, Baton Rouge, Louisiana 70813, phone number 225-771-2506; email – thall@sulc.edu

- Mr. Jullin Renthrope, Vice Chancellor for Administration and Finance at Southern University at New Orleans, 6400 Press Drive, New Orleans, Louisiana 70126, phone number 504-286-5474; email – jrenthrope@suno.edu

- Mr. Benjamin Pugh, Vice Chancellor for Finance and Administration at Southern University at Shreveport, 3050 Martin Luther King Jr. Drive, Shreveport, Louisiana 71107, phone number 318-670-6481; email – bpugh@susla.edu

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Assets
June 30, 2012

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$22,910,960
Investments (note 3)	559,817
Receivables, net (note 4)	12,466,635
Due from federal government	13,798,787
Due from state treasury	737,235
Inventories	596,653
Deferred charges and prepaid expenses	4,463,521
Notes receivable, net (note 5)	488,127
Other current assets	31,435
Total current assets	56,053,170
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	20,635,041
Restricted investments (note 3)	8,854,745
Capital assets, net (note 6)	286,316,103
Other (note 17)	195,949
Total noncurrent assets	316,001,838
Total assets	372,055,008
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 7)	12,643,321
Deferred revenues (note 8)	9,964,679
Compensated absences (notes 9 and 15)	859,471
Capital lease obligations (notes 14 and 15)	1,144,950
Amounts held in custody for others	620,629
Claims and litigation payable (notes 13 and 15)	149,250
Notes payable (notes 15 and 16)	1,036,774
Pollution Remediation Obligation (notes 15 and 30)	120,485
Bonds payable (notes 15 and 17)	100,000
Other current payables	2,409,356
Total current liabilities	29,048,915

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Assets
June 30, 2012

LIABILITIES (CONT.)	
Noncurrent liabilities:	
Compensated absences (notes 9 and 15)	$11,652,448
Capital lease obligations (notes 14 and 15)	47,767,526
Notes payable (notes 15 and 16)	40,816,169
Other postemployment benefits payable (notes 12 and 15)	85,310,344
Bonds payable (notes 15 and 17)	12,769,763
Total noncurrent liabilities	198,316,250
Total liabilities	227,365,165
NET ASSETS	
Invested in capital assets, net of related debt	184,645,048
Restricted for:	
Nonexpendable (note 18)	11,849,023
Expendable (note 18)	34,907,945
Unrestricted	(86,712,173)
TOTAL NET ASSETS	$144,689,843

(Concluded)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Statement of Financial Position
December 31, 2011

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$516,740
Investments (note 3)	1,583,792
Bayou Classic receivable (note 4)	126,179
Capital lease receivable (note 4)	1,050,000
Other receivable	44,030
Due from affiliate (note 4)	479,947
Unconditional promises to give (net allowance of $66,877) (note 4)	167,783
Prepaid expenses	26,048
Prepaid bond insurance (note 17)	32,945
Bond issuance costs (note 17)	27,855
Total current assets	4,055,319
Noncurrent assets:	
Cash and cash equivalents (note 2)	11,911,862
Investments (note 3)	4,358,881
Fixed assets (net of accumulated depreciation of $2,447,992) (note 6)	2,014,081
Capital lease receivable (note 4)	52,397,535
Prepaid bond insurance (net of accumulated amortization of $162,529) (note 17)	858,777
Bond issuance costs (net of accumulated amortization of $144,888) (note 17)	754,548
Total noncurrent assets	72,295,684
TOTAL ASSETS	$76,351,003

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Statement of Financial Position
December 31, 2011

LIABILITIES	
Current liabilities:	
Accounts payable and accruals	$336,792
Accrued interest payable	451,348
Due to affiliate (note 22)	4,578,337
Notes payable (note 16)	290,749
Deferred revenue (note 23)	4,500,000
Bonds payable and premium (note 17)	1,116,157
Total current liabilities	11,273,383
Noncurrent liabilities:	
Rental deposit fund (note 23)	1,876,011
Notes payable (note 16)	21,502
Bonds payable and premium	
(net of accumulated amortization of $330,786) (note 17)	57,755,094
Total noncurrent liabilities	59,652,607
Total liabilities	70,925,990
NET ASSETS	
Unrestricted	1,112,769
Temporarily restricted	2,225,427
Permanently restricted	2,086,817
Total net assets	5,425,013
TOTAL LIABILITIES AND NET ASSETS	$76,351,003

(Concluded)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

OPERATING REVENUES	
Student tuition and fees	$64,371,425
Less scholarship allowances	(22,339,257)
Net student tuition and fees	42,032,168
Federal appropriations	3,362,047
Federal grants and contracts	44,273,848
State and local grants and contracts	3,766,817
Nongovernmental grants and contracts	351,546
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 17)	19,350,430
Less scholarship allowances	(1,062,374)
Net auxiliary revenues	18,288,056
Other operating revenues	5,105,198
Total operating revenues	117,179,680
OPERATING EXPENSES	
Educational and general:	
Instruction	53,519,155
Research	9,326,292
Public service	9,983,965
Academic support	29,748,897
Student services	16,179,169
Institutional support	45,964,263
Operation and maintenance of plant	15,465,222
Depreciation (note 6)	14,655,172
Scholarships and fellowships	30,324,443
Auxiliary enterprises	16,039,960
Other operating expenses	893,065
Total operating expenses	242,099,603
OPERATING LOSS	(124,919,923)

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

NONOPERATING REVENUES (Expenses)	
State appropriations	$57,992,969
Federal nonoperating revenues	40,561,924
ARRA revenues (note 25)	1,377,875
Gifts	1,318,307
Investment income	263,009
Interest expense	(3,637,735)
Payments to or on behalf of the university	(136,800)
Other nonoperating revenues	4,131,741
Net nonoperating revenues	101,871,290
LOSS BEFORE OTHER REVENUES	(23,048,633)
Capital appropriations	5,159,638
Capital grants and gifts	1,629,291
Additions to permanent endowment	435,850
DECREASE IN NET ASSETS	(15,823,854)
NET ASSETS - BEGINNING OF YEAR (restated) (note 19)	160,513,697
NET ASSETS - END OF YEAR	$144,689,843

(Concluded)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Statement of Activities
For the Year Ended December 31, 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES AND OTHER SUPPORT				
Contributions and other support	$49,182	$1,567,510	$24,150	$1,640,842
Rental income	2,739,692			2,739,692
Bayou Classic revenues	1,834,446			1,834,446
Scoreboard sponsorships	371,000			371,000
Athletic sponsorships and support		41,145		41,145
Interest income	7,215	25,235		32,450
Realized/unrealized investment gains, net of losses	17,423	9,884		27,307
Other income	56,668			56,668
Net assets released from restrictions - satisfaction of program restrictions (note 26)	1,718,582	(1,718,582)		
Total revenues and other support	6,794,208	(74,808)	24,150	6,743,550
EXPENSES				
Program services	6,363,380			6,363,380
Support services	490,218			490,218
Total expenses	6,853,598	NONE	NONE	6,853,598
Changes in net assets	(59,390)	(74,808)	24,150	(110,048)
Net assets - beginning of year	1,172,159	2,417,800	1,903,017	5,492,976
Net assets restatements		(120,000)	162,085	42,085
Beginning net assets, restated	1,172,159	2,297,800	2,065,102	5,535,061
Net assets - end of year	$1,112,769	$2,222,992	$2,089,252	$5,425,013

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$41,449,068
Federal appropriations	3,362,047
Grants and contracts	52,915,104
Payments to suppliers	(44,921,940)
Payments for utilities	(6,633,588)
Payments to employees	(100,214,761)
Payments for benefits	(37,995,394)
Payments for scholarships and fellowships	(29,901,242)
Loans issued to students	(488,127)
Collection on loans issued to students	146,987
Auxiliary enterprise charges	17,472,467
Other receipts	5,419,566
Net cash used by operating activities	(99,389,813)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	64,114,004
Gifts and grants for other than capital purposes	41,349,817
Private gifts for endowment purposes	435,850
TOPS receipts	2,106,693
TOPS disbursements	(2,021,836)
Implicit loan reduction from other campuses	645,457
Implicit loan reduction to other campuses	(645,457)
Direct lending receipts	108,053,927
Direct lending disbursements	(108,053,927)
Federal Family Education Loan program receipts	818,673
Federal Family Education Loan program disbursements	(818,673)
ARRA	1,377,875
Other payments	3,299,720
Net cash provided by noncapital financing activities	110,662,123
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants and gifts received	942,849
Purchases of capital assets	(15,088,300)
Principal paid on capital debt and leases	(2,450,642)
Interest paid on capital debt and leases	(3,606,066)
Other sources	11,480,070
Net cash used by capital and related financing activities	(8,722,089)

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	$4,836,846
Interest received on investments	113,761
Purchase of investments	(6,249,908)
Net cash used by investing activities	(1,299,301)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,250,920
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	42,295,081
CASH AND CASH EQUIVALENTS AT END OF YEAR	$43,546,001
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($124,919,923)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	14,655,172
Changes in assets and liabilities:	
Decrease in accounts receivable, net	4,867,523
Increase in inventories	(82,920)
Decrease in deferred charges and prepaid expenses	965,397
Increase in notes receivable	(341,140)
Decrease in other assets	45,174
Decrease in accounts payable	(1,752,699)
Increase in deferred revenue	123,006
Decrease in compensated absences	(145,364)
Increase in other postemployment benefits payable	7,283,112
Decrease in other liabilities	(87,151)
Net cash used by operating activities	($99,389,813)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS	
Cash and cash equivalents classified as current assets	$22,910,960
Cash and cash equivalents classified as noncurrent assets	20,635,041
Cash and cash equivalents at the end of the year	$43,546,001
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital appropriations for construction of capital assets	$5,159,638
Capital gifts and grants	$686,442
Net increase in the fair value of investments	$99,757
Loss on disposal of capital assets	$7,558

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Southern University System (System) is a publicly supported institution of higher education. The System is a component unit of the State of Louisiana, within the executive branch of government. The System is under the management and supervision of the Southern University Board of Supervisors; however, the annual budget of the university and changes to the degree programs and departments of instruction require the approval of the Louisiana Board of Regents. The board of supervisors is comprised of 15 members appointed by the governor with consent of the Louisiana Senate for a six-year term and one student member appointed for a one-year term by a council composed of the student body presidents of the university. As a state university, operations of the System's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

In April 1880, Southern University was chartered by the General Assembly of the State of Louisiana. The first site of the university was in New Orleans on Calliope Street and the university opened on March 7, 1881, with 12 students. In 1890, an Agriculture and Mechanical Department was established, and in 1891, Southern University was recognized by the federal government as a Land Grant College under the Federal Act of 1890, known as the Second Morrill Act. In 1914, Southern University in New Orleans was closed by legislative authorization, and Southern University was opened in Scotlandville, Louisiana. It is now the Southern University System, composed of campuses located in Baton Rouge, New Orleans, and Shreveport and is managed by the Southern University Board of Supervisors. The New Orleans and Shreveport campuses were established in September 1959 and September 1967, respectively. The System is comprised of six agencies: Board and System Administration; Southern University and A&M College at Baton Rouge; Southern University Law Center; Southern University at New Orleans; Southern University at Shreveport; and Southern University Agricultural Research and Extension Center.

The universities offer numerous bachelor degrees in the areas of agriculture, arts and humanities, business, education, science, engineering, and home economics. In addition, master degrees are offered in the Graduate School and Jurist Doctorate degrees are offered through the System's Law Center. During the summer, fall, and spring semesters of the 2011-2012 fiscal year, the System conferred 2,195 degrees and student enrollment was approximately 30,938. The System has 579 full-time and adjunct faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

The System applies all GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The System has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The System has elected not to apply FASB pronouncements issued after the applicable date. However, the SUSLA Facilities, Inc., a nongovernmental blended component unit, and the Southern University System Foundation (Foundation), a discrete component unit, follow the not-for-profit model of financial reporting as set forth in the FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, which are codified in FASB ASC Topic 958. With the exception of necessary presentation adjustments, no modifications have been made to their financial information in the System's financial statements for these differences.

B. REPORTING ENTITY

Using the criteria established in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. The System is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state issues bonds to finance certain construction; and (4) the System primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the System.

Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

Criteria described in GASB Codification Section 2100 were used to evaluate whether potential component units should be blended with the System, discretely presented, disclosed in the notes to the financial statements, or excluded from the reporting entity.

This evaluation was made to identify those component units for which the System is financially accountable and other organizations for which the nature and significance of their relationship with the System are such that exclusion would cause the financial statements of the System to be misleading or incomplete.

- The Foundation, originally chartered in 1968, is a nonprofit corporation organized to promote the educational and cultural welfare of the System and to develop, expand, and improve the System's facilities. The Foundation, which has a December 31 year-end, is being included as a discretely presented component unit of the System in the accompanying financial statements. To obtain a copy of the Foundation's audit report, write to:

  Southern University System Foundation
  Post Office Box 2468
  Baton Rouge, Louisiana 70821

- SUSLA Facilities, Inc., (Facilities) originally chartered in 2006, is a nonprofit corporation organized to promote, assist, and benefit the mission of Southern University at Shreveport through acquiring, constructing, developing, renovating, rehabilitating, repairing, managing, and leasing residential, classroom, administrative, and other facilities on the campus of Southern University at Shreveport. The Facilities, which has a June 30 year-end, has been blended into the accompanying financial statements of the System. To obtain a copy of the Facilities' audit report, write to:

  SUSLA Facilities, Inc.
  3050 Martin Luther King Drive
  Shreveport, Louisiana 71107

C. BASIS OF ACCOUNTING

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting where the aim is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated.

D. BUDGET PRACTICES

The State of Louisiana's appropriation to the System is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. The Joint

Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; (4) inventories are recorded as expenditures at the time of purchase; and (5) carry forward of prior year funds is recognized as revenue in the current year. The other funds of the System, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

E. CASH AND CASH EQUIVALENTS

The System defines cash as cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include time deposits and repurchase agreements. Under state law, the System may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the System may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash equivalents reported on the Statement of Net Assets include all certificates of deposit, regardless of maturity. These terms are also used in preparing the Statement of Cash Flows. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

F. INVENTORIES

Inventories are valued at the lower of cost or market on the weighted-average basis. The System uses periodic and perpetual inventory systems and accounts for its inventories using the consumption method.

G. RESTRICTED CASH AND INVESTMENTS

Cash and cash equivalents and investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are reported as noncurrent restricted assets. Noncurrent restricted investments also include endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity. Some cash and all System investments are classified as noncurrent assets in the Statement of Net Assets.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the System is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift or endowment instrument or bond indenture. Investments maintained in investment accounts in the Foundation are authorized by policies and procedures established by the Board of Regents. Investments are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. There are no formally adopted policies to further limit interest rate risk, credit risk, custodial credit risk, concentration of credit risk, or foreign currency risk.

The requirements of state law are not applicable to the investments held by SUSLA Facilities, Inc. However, the official statement for its bonds limits investments to insured or collateralized cash deposits; direct obligations of the United States of America; obligations of various federal agencies whose obligations are backed by the full faith and credit of the United States of America; direct obligations of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank System; insured and collateralized deposit accounts, federal funds, and bankers' acceptances with domestic commercial banks; commercial paper; money market funds; public sector investment pools; noncallable bonds and other obligations of any state of the United States of America or of any agency, instrumentality, or local government unit of any such state; general obligations of states; and investment agreements. Short-term investments of SUSLA Facilities, Inc. are classified as current assets in the Statement of Net Assets, except for those being used to fund the debt service reserve accounts which are being classified as noncurrent assets as a result of long-term restricted use.

H. CAPITAL ASSETS

The System follows the capitalization policies established by the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy. Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the System's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Buildings and improvements costing $100,000 or more are capitalized. Renovations to buildings, and land improvements that significantly increase the value or extend the useful life of the structure are also capitalized. Any infrastructure exceeding $3 million is also capitalized. Computer software purchased for internal use with depreciable costs of $1 million or more is capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and three to 10 years for most movable property. Library collections regardless of age with a total acquisition value of $5 million or more will be capitalized and depreciated.

I. DEFERRED REVENUES

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

J. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having nonexempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation or termination of employment, both classified and nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and nonclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer.

K. NONCURRENT LIABILITIES

Noncurrent liabilities include principal amounts of revenue bonds payable and notes payable with maturities greater than one year, estimated amounts for accrued compensated absences, capital lease obligations with contractual maturities greater than one year, and other postemployment benefits that will not be paid within the next fiscal year.

L. NET ASSETS

The System's net assets are classified in the following components:

(a) *Invested in capital assets, net of related debt* consists of the System's total investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(b) *Restricted - nonexpendable* consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, 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.

(c) *Restricted - expendable* consist of resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(d) *Unrestricted* consist of 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 System and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

M. CLASSIFICATION OF REVENUES AND EXPENSES

The System has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

- *Operating revenue* includes activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and most federal, state, and local grants and contracts and federal appropriations.

- *Nonoperating revenue* includes activities that have the characteristics of nonexchange transactions, such as state appropriations, gifts and contributions, investment income, and grants that do not have the characteristics of exchange transactions.

- *Operating expenses* generally include transactions resulting from providing goods or services, such as payments to vendors for goods or services; payments to employees for services; and payments for employee benefits.

- *Nonoperating expenses* include transactions resulting from financing activities, capital acquisitions, and investing activities.

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services (tuition and fees) provided by each university and the amount that is paid by students and/or third parties making payments on the students' behalf.

O. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. ELIMINATING INTERFUND ACTIVITY

Activities among the departments, campuses, and auxiliary units of the System are eliminated for the purpose of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

FOUNDATION

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION AND PURPOSE

The Foundation is a nonprofit corporation organized to promote the educational and cultural welfare of the Southern University and A&M College System and to develop, expand, and improve the university's facilities.

The consolidated financial statements of the Foundation include:

(1) Foundation as described above and

(2) Millennium Housing, LLC (Millennium), a nonprofit corporation organized under the laws of the State of Louisiana and owned by the Foundation. Millennium was formed to develop facilities and other auxiliary capital projects for the System.

Throughout the notes to the consolidated financial statements, the Foundation and Millennium will be collectively referred to as the Foundation. The financial statements of the Foundation and Millennium have been consolidated as they are under common management.

B. TAX EXEMPTION STATUS

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

C. BASIS OF REPORTING

The Foundation is a nonprofit organization whose financial statements are prepared on the accrual basis. Management uses estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the estimates that were used.

D. FINANCIAL STATEMENT PRESENTATION

The Foundation has adopted the provision of FASB's Statement of Financial Accounting Standards (SFAS) No. 116, *Account for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, which are codified in FASB ASC Topic 958 and reports its financial position and activities according three classes of net assets according to external (donor) imposed restrictions.

A description of the three net asset categories is as follows:

- *Unrestricted net assets* include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the missions of the Foundation are included in this category.

- *Temporarily restricted net assets* include realized gains and losses, investment income, and gifts and contributions for which donor-imposed restrictions (capital improvements, et cetera) have not been met.

- *Permanently restricted net assets* are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until used for donor-imposed restrictions.

E. PROMISES TO GIVE

Unconditional promises to give are recognized as contribution revenue and receivables in the period in which the promise is received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at the present value of their estimated future cash flows if they are expected to be collected in more than one year. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

F. INVESTMENT AND INVESTMENT INCOME

Investments in equity securities and mutual funds are measured at fair value in the Statement of Financial Position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is recorded as an increase in the due to affiliate liability account as the investments are held on behalf of the System.

G. CONTRIBUTIONS

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift is received.

H. CASH AND CASH EQUIVALENTS

Cash consists solely of demand deposits and a money market account that is secured by federal deposit insurance. All highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents.

I. FIXED ASSETS

Fixed assets of the Foundation are recorded as assets and are stated at historical cost if purchased, or at fair value at the date of the gift, if donated. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. The Foundation follows the practice of capitalizing all fixed asset purchases that exceed $1,000.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are five to 39 years.

J. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

K. RESTRICTED ASSETS

Cash and cash equivalents, certificates of deposit, and investments that are held on behalf of the System are classified as restricted assets in the Statement of Financial Position along with assets held by the bond trustee on behalf of the Millennium for the construction projects.

L. NONCURRENT LIABILITIES

Noncurrent liabilities include principal amounts of revenue bonds payable and notes payable with contractual maturities greater than one year.

M. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Foundation and Millennium. All material intercompany transactions have been eliminated.

2. CASH AND CASH EQUIVALENTS

At June 30, 2012, the System has cash and cash equivalents (book balances) totaling $43,546,001 as follows:

Demand deposits	$37,017,340
Time certificates of deposit	6,526,961
Petty cash	1,700
Total	$43,546,001

These cash and cash equivalents are reported on the Statement of Net Assets as follows:

Current assets	$22,910,960
Noncurrent assets - restricted	20,635,041
Total	$43,546,001

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The pledged securities are held in the name of the university or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2012, the university has $43,466,350 in deposits (collected bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

FOUNDATION CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Cash and cash equivalents exceeded federally insured limits by $164,370 as of December 31, 2011.

3. INVESTMENTS

At June 30, 2012, the System has investments totaling $9,414,562 as follows:

	Fair Value June 30, 2012	Investment Maturities (Years)	Credit Quality Rating
Investments held by private foundation:			
Corporate bonds	$1,221,508	1.8	
U.S. agency obligations	2,035,415	4.7	
Government obligations	109,003	0.3	
Common and preferred stock	1,342,714	Not Applicable	
Mutual funds	436,933	Not Applicable	
Subtotal - held by private foundation	5,145,573		Not Rated
Louisiana Asset Management Pool	1,273,053	Not Applicable	AAAm
U.S. government obligations	20,993	0.3	Not Applicable
Equities	695,872	Not Applicable	Not Applicable
Mutual funds (debt securities)	488,308	6.1	Not Rated
Money market mutual fund	20,835	Not Applicable	Not Rated
Subtotal	7,644,634		
SUSLA Facilities, Inc.	1,769,928		
Total	$9,414,562		

These investments are reported on the Statement of Net Assets as follows:

Current assets	$559,817
Noncurrent assets - restricted	8,854,745
Total	$9,414,562

The investments are reported at fair value as required by GASB Statement No. 31.

The investments in U.S. government obligations totaling $20,993 are generally not exposed to custodial credit risk because they are backed by the full faith and credit of the U.S. Government. There is no formal adopted investment policy regarding custodial credit risk.

Investments totaling $5,145,573 are held by private foundations in external investment pools and managed in accordance with the terms outlined in management agreements executed between the System and the Foundation. The System is a voluntary participant. The foundations hold and manage funds received by the System as state matching funds for the Endowed Chairs and Endowed Professorship programs. All of these investments are held by the System's discretely presented component unit.

At June 30, 2012, the Facilities has bond funds totaling $1,769,928 on deposit with its bond trustee. These deposits consist of cash equivalents, money market investments, and securities that are primarily issued by the U.S. Government and various other financial instruments. The financial statements and notes to the financial statements of the Facilities were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, codified by FASB ASC Topic 958. Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the notes to the financial statements of the Facilities do not reflect the requirements of GASB Statement No. 3, as revised by GASB Statement No. 40.

FOUNDATION INVESTMENTS

Investments are stated at market value in accordance with FASB ASC Topic 958-320, *Accounting for Certain Investments Held by Not-for Profit Organizations*. Net appreciation (depreciation) in the fair value of investments, which consists of realized gains and losses and the unrealized appreciation (depreciation) on those investments, is shown in the statement of activities. Investments consist of the following at December 31, 2011:

	Carrying Value	Fair Value
Stocks and other publicly traded securities	$1,175,709	$1,432,626
U.S. Governmental Agencies/Term Bond/ Fixed Income funds	3,360,888	3,494,765
Certificates of deposit	615,426	615,426
Cash and cash equivalents/money market	399,856	399,856
Total	$5,551,879	$5,942,673

A total of $4,358,881 of investments is maintained and managed on behalf of the System. These amounts are classified as noncurrent restricted assets in the Statement of Financial Position. The remaining $1,583,792 is classified as current assets. The total fair value of investments at December 31, 2011, total $5,942,673. Management of the Foundation was unable to summarize the investment return and its classification in the Statement of Activities by the related categories for the year ended December 31, 2011.

4. RECEIVABLES

Receivables as shown on Statement A, net of an allowance for doubtful accounts, are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	$4,222,863	($1,569,400)	$2,653,463
Auxiliary enterprises	3,083,184	(228,215)	2,854,969
State and private grants and contracts	2,942,631	(5,076)	2,937,555
Accrued interest receivable	24,683		24,683
Due from Office of Facility Planning	3,249,140	(70,931)	3,178,209
Other	825,231	(7,475)	817,756
Total	$14,347,732	($1,881,097)	$12,466,635

There is no noncurrent portion of accounts receivable.

FOUNDATION RECEIVABLES

The Foundation entered into a cooperative agreement with the Southern Board to lease the projects included in the bond issuance. The Southern Board will lease certain facilities from the Foundation under the facility lease and pay rent, subject to the appropriation, in an amount which will be sufficient to pay the principal and interest on the Series 2006 Bonds. The lease was determined to meet the requirements of a capital lease and as such, as projects are completed, they are transferred from construction-in-progress to Capitalized Lease Receivable. The total lease payments due from the System during the next fiscal year totals $1,050,000. The total amount due for succeeding years totals $52,397,535. The total Capitalized Lease Receivable balance at December 31, 2011, totaled $53,447,535.

The Foundation has entered into an agreement with the Southern University at Baton Rouge campus to jointly promote the ancillary activities of the Bayou Classic with a representative organization from Grambling State University. The promoters share joint revenues and expenses equally. The promoters engaged the services of a third party event manager to handle game management as well as sponsor solicitation. The event manager collects event proceeds and incurs expenses on behalf of the promoters and remits the net proceeds to the Foundation after the final event settlement is completed. Bayou Classic Receivables totaled $126,179 at December 31, 2011. The amounts due from Bayou Classic related events were collected from the third-party manager in the subsequent fiscal year.

The Foundation has certain receivables due from the System. The receivables due from the System were as follows at December 31, 2011:

Reimbursable costs pertaining to the bond projects due from the Baton Rouge campus	$236,691
Reimbursable costs pertaining to the bond projects due from the Shreveport campus	243,256
Total due from affiliate	$479,947

Unconditional promises to give as of December 31, 2011, totaled $234,660. All unconditional promises to give are expected to be collected within the next fiscal year. Based on the history of prior year collections, the Foundation has recorded an allowance for doubtful collections of $66,877, as such unconditional promises to give, net of allowance totaled $167,783 at December 31, 2011.

5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan program and Student Government Association loans. Loans are no longer issued under the Federal Perkins Loan program, but efforts to are still made to collect on outstanding loans. Student Government Association loans are funded from self-assessed student fees and are available to qualified students for books and emergency financial needs.

Notes receivable are shown on Statement A, net of an allowance for doubtful accounts, at June 30, 2012. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
Federal Perkins Loan program (A&M and SUSLA)	$1,999,787	($1,999,787)	
Student Government Association loans (SUNO)	488,127		$488,127
Long-term student loans (SUSLA)	98,931	(98,931)	
Total	$2,586,845	($2,098,718)	$488,127

6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2012, is as follows:

	Balance June 30, 2011	Prior Period Adjustments	Adjusted Balance June 30, 2011	Additions	Transfers	Retirements	Balance June 30, 2012
Capital assets not being depreciated:							
Land	$6,609,696		$6,609,696				$6,609,696
Non-depreciable land improvements					$139,640		139,640
Software-development in progress	541,154		541,154		(541,154)		NONE
Construction-in-progress	14,188,877		14,188,877	$8,191,865	(5,724,336)		16,656,406
Total capital assets not being depreciated	$21,339,727	NONE	$21,339,727	$8,191,865	($6,125,850)	NONE	$23,405,742
Capital assets being depreciated:							
Infrastructure	$32,844,713		$32,844,713				$32,844,713
Less accumulated depreciation	(24,045,698)		(24,045,698)	($241,518)			(24,287,216)
Total infrastructure	8,799,015	NONE	8,799,015	(241,518)	NONE	NONE	8,557,497
Land improvements	12,756,103		12,756,103		$648,091		13,404,194
Less accumulated depreciation	(5,112,463)		(5,112,463)	(496,841)			(5,609,304)
Total land improvements	7,643,640	NONE	7,643,640	(496,841)	648,091	NONE	7,794,890
Buildings	368,328,760		368,328,760	84,120	4,936,604		373,349,484
Less accumulated depreciation	(136,402,898)		(136,402,898)	(8,431,682)			(144,834,580)
Total buildings	231,925,862	NONE	231,925,862	(8,347,562)	4,936,604	NONE	228,514,904
Equipment (including library books)	129,622,833		129,622,833	3,847,951		($907,421)	132,563,363
Less accumulated depreciation	(116,284,527)		(116,284,527)	(4,439,765)		899,862	(119,824,430)
Total equipment	13,338,306	NONE	13,338,306	(591,814)	NONE	(7,559)	12,738,933
Software (internally generated & purchased)	6,692,070	$84,337	6,776,407		541,154		7,317,561
Other intangibles							
Accumulated amortization - other intangibles							
Accumulated amortization - software	(956,010)	(12,048)	(968,058)	(1,045,366)			(2,013,424)
Total intangibles	5,736,060	72,289	5,808,349	(1,045,366)	541,154	NONE	5,304,137
Total capital assets being depreciated	$267,442,883	$72,289	$267,515,172	($10,723,101)	$6,125,849	($7,559)	$262,910,361
Capital assets summary:							
Capital assets not being depreciated	$21,339,727		$21,339,727	$8,191,865	($6,125,850)		$23,405,742
Capital assets being depreciated	550,244,479	$84,337	550,328,816	3,932,071	6,125,849	($907,421)	559,479,315
Total cost of capital assets	571,584,206	84,337	571,668,543	12,123,936	(1)	(907,421)	582,885,057
Less accumulated depreciation	(282,801,596)	(12,048)	(282,813,644)	(14,655,172)		899,862	(296,568,954)
Capital assets, net	$288,782,610	$72,289	$288,854,899	($2,531,236)	($1)	($7,559)	$286,316,103

The System capitalizes interest expense incurred as a component of the cost of its capital assets constructed for its own use. Interest is capitalized from the time activities begin, such as planning and permitting, until such time as the project is complete. For the fiscal year ended June 30, 2012, total interest paid on capital debt was $2,823,364. Of this amount, $2,776,933 represents capitalized interest on completed projects under the Millennium Housing, L.L.C. Student Housing and Auxiliary Facilities Project, Series 2006 and $46,431 represents capitalized interest on other capital leases.

Buildings with a carrying value of $1,593,110 are idle at June 30, 2012.

FOUNDATION FIXED ASSETS

Land, building, and equipment as of December 31, 2011, are summarized as follows:

Land and improvements	$555,193
Building	172,125
Office equipment	24,725
Scoreboard equipment	2,555,612
Furniture and fixtures	79,994
Software	47,615
Construction-in-progress	1,026,809
Subtotal	4,462,073
Less - accumulated depreciation	(2,447,992)
Total	$2,014,081

Depreciation expense totaled $272,976 for the year ended December 31, 2011.

Construction-in-progress consists of development costs, direct and indirect construction costs, and capitalized interest. The costs are accounted for as construction-in-progress until such time as the project is complete and the assets are placed into service. The assets are then classified as property and equipment and depreciated accordingly. During the year ended December 31, 2006, the Foundation entered into an agreement with the Board to construct new student housing facilities and certain auxiliary student facilities.

The Foundation borrowed money and is in the process of constructing the facilities as specified by the Board. Certain facilities have been completed and are being leased back to the Board. Other facilities are still in the process of being constructed. The revenues generated by these facilities will be used to pay for the financing of the project. Construction-in-progress related to the project totals $1,026,809 at December 31, 2011.

7. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of the System's payables and accruals at June 30, 2012:

Vendor payables	$4,647,627
Accrued salaries and payroll deductions	6,015,140
Accrued interest	1,828,395
Other payables	152,159
Total	$12,643,321

8. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2012:

Prepaid tuition and fees	$2,055,155
Prepaid athletic ticket sales	292,681
Prepaid room and board	112,728
Grants and contracts	7,504,115
Total	$9,964,679

9. COMPENSATED ABSENCES

At June 30, 2012, employees of the System have accumulated and vested annual leave, sick leave, and compensatory leave of $5,884,288; $6,403,435; and $224,196, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

10. PENSION PLANS

Plan Description. Substantially all employees of the System are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified and unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSL is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer defined benefit pension plan because the material portion of its activity is with one employer--the State of Louisiana. TRSL and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the retirement systems, with employee benefits vesting after five years of service for TRSL and after 10 years of service for LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information. The TRSL reports may be obtained online at www.trsl.org or by writing to the Teachers' Retirement System of Louisiana at Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446. The LASERS reports may be obtained online at www.lasersonline.org or by writing the Louisiana State Employees' Retirement System at Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the System are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in Louisiana Revised Statute (R.S.) 11:102. For fiscal year 2012, employees contributed 8% (TRSL) and

7.5% (LASERS) of covered salaries (8% and 9.5 % for LASERS employees hired after July 1, 2006 and Hazardous Duty employees, respectively). For fiscal year 2012, the state is required to contribute 23.7% of covered salaries to TRSL. The state is also required to contribute 25.6% and 23.10% of covered salaries to LASERS and Hazardous Duty. The State of Louisiana, through the annual appropriation to the university, funds the employer contribution. The employer contributions to TRSL for the years ended June 30, 2012, 2011, and 2010 were $11,103,793; $9,559,209; and $7,364,345, respectively, and to LASERS for the years ended June 30, 2012, 2011, and 2010 were $5,624,820; $5,096,221; and $4,762,979, respectively, equal to the required contributions for each year.

11. OPTIONAL RETIREMENT PLAN

TRSL administers an optional retirement plan, which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. This plan was designed to aid universities in recruiting employees who may not be expected to remain in the TRSL for five or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRSL and purchase retirement and death benefits through contracts provided by designated companies.

R.S. 11:927 sets the contribution requirements of the plan members and the System equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the System are 23.7% of the covered payroll for fiscal year 2012. The participant's contribution of 8% for fiscal year 2012, less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $4,972,733 and $1,678,485, respectively, for the fiscal year ended June 30, 2012.

12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description - Employees of the System voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately prior to retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan, but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report; however, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy - The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the System are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers four standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) Plan, the Medical Home HMO Plan, and the Regional HMO Plan. OGB also offers a Consumer Driven Health Plan with a Health Saving Account option (CDHP-HSA) to active employees. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans (three HMO plans and two PPO plans) during calendar years 2011 and 2012. The three HMO plans are Humana HMO Plan, Peoples Health HMO-POS Plan, and Vantage HMO-POS Plan. The two PPO plans are Humana PPO Plan and United Healthcare PPO Plan.

Employees hired before January 1, 2002, pay approximately 25% of cost of medical coverage (except single retirees under age 65 pay approximately 25% of active employee cost). Employees hired on or after January 1, 2002, pay a percentage of the total contribution based on the following schedule:

Service	Retiree Share	State Share
Under 10 years	81%	19%
10 - 14 years	62%	38%
15 - 19 years	44%	56%
20+ years	25%	75%

Effective January 1, 2012, the Plan changed from a fiscal year plan to a calendar year plan. On this date, the rates increased 5% for the PPO, HMO, and CDHP plans; 7% for the MHHP Plan; and 0% for the fully insured HMO. For Medicare Advantage Plans, the rates increased by 0.67% for Humana PPO; 7.59% for Humana HMO; 45.22% for Peoples HMO; 8.14% for Vantage HMO; and 7.69% for United PPO. Shown below are the total monthly premium rates in effect from January 1, 2012, through June 20, 2012.

	PPO	HMO	CDHP with HSA	Medical Home HMO	Regional HMO
Active					
Single	$619	$585	$481	$609	$553
With Spouse	1,315	1,243	1,021	1,294	1,158
With Children	755	714	586	743	672
Family	1,387	1,310	1,077	1,364	1,221
Retired, No Medicare and Re-employed Retiree					
Single	$1,152	$1,092	N/A	$1,133	$1,016
With Spouse	2,034	1,928	N/A	2,001	1,783
With Children	1,283	1,216	N/A	1,262	1,130
Family	2,025	1,919	N/A	1,991	1,775
*Retired, with 1 Medicare					
Single	$375	$361	N/A	$368	$341
With Spouse	1,384	1,320	N/A	1,361	1,218
With Children	648	621	N/A	638	579
Family	1,844	1,757	N/A	1,814	1,618
*Retired, with 2 Medicare					
With Spouse	$673	$648	N/A	$662	$600
Family	834	802	N/A	820	740

	Calendar Year 2012		Calendar Year 2011	
	Retired with		Retired with	
Medicare Supplemental Rates	1 Medicare	2 Medicare	1 Medicare	2 Medicare
Humana HMO	$156	$312	$145	$290
People's Health	167	334	115	230
Vantage HMO	279	558	258	516
Humana PPO	150	300	149	298
United Health Care	214	428	199	397

*All members who retire on or after July 1, 1997, must have Medicare Parts A and B to qualify for the reduced premium rates.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life, and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total monthly premium is approximately $1 per thousand dollars of coverage of which the employer pays fifty cents for retirees and twelve cents for spouses. The monthly premium is reduced to less than $1 per thousand for retired employees age 70 and over. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability - The System's annual Other Postemployment Benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL) over a period of 30 years. A 30-year open amortization period has been used. The total ARC for fiscal year 2012 is $12,630,300.

The following schedule presents the components of the System's OPEB obligation for fiscal year 2012, the amount actually contributed to the plan, and changes to the System's net OPEB obligation to the OPEB plan:

ARC	$12,630,300
Interest on net OPEB obligation	3,121,102
ARC adjustment	(2,981,500)
Annual OPEB cost	12,769,902
Contributions made - current year retiree premiums	(5,486,790)
Increase in net OPEB obligation	7,283,112
Beginning net OPEB obligation, June 30, 2010	78,027,232
Ending net OPEB obligation, June 30, 2011	$85,310,344

The System's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2012, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$19,819,400	23.1%	$65,928,325
June 30, 2011	$16,928,600	28.5%	$78,027,232
June 30, 2012	$12,769,901	43.0%	$85,310,344

Funded Status and Funding Progress - Act 910 of the 2008 Regular Session established the Postemployment Benefits Trust Fund effective July 1, 2008; however, during fiscal year 2012, neither the System nor the State of Louisiana contributed to it. Since no contributions were made, the System's entire actuarial accrued liability (AAL) of $156,334,101 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2011, was as follows:

AAL	$156,334,101
Actuarial value of plan assets	NONE
UAAL	$156,334,101
Funded ratio	0%
Covered payroll (active plan members)	$75,405,451
UAAL as a percentage of covered payroll	207.3%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2011, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and initial annual healthcare cost trend rate of 7.5% and 8.6% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's UAAL is being amortized over 30 years as a level percentage of projected payroll on an open basis. Annual per capita medical claims were updated to reflect an additional year of actual experience.

13. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund that is operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. The System is involved in 11 lawsuits at June 30, 2012, that are being handled by contract attorneys. In the opinion of legal counsel, the possibility that the System will incur a liability in three of the cases is probable and the amount of $115,500 is reflected on the financial statements. The amount of settlements paid in the last three years did not exceed insurance coverage. For the claims and litigation not being handled by the Office of Risk Management, the System's campuses pay for settlements out of available funds.

14. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2012, total operating lease expenditures were $3,285,020. There were no future minimum annual rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2012.

Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. Assets under capital lease are included as capital assets in note 6. The majority of the capital lease obligation is associated with the capital lease agreement described at note 23. The capital lease obligation reported by the System does not equal the capital lease receivable reported by the Foundation due to the its fiscal year ending on December 31. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments, at June 30, 2012:

Fiscal Year Ended June 30,	
2013	$3,921,980
2014	3,564,298
2015	3,562,858
2016	3,560,009
2017	3,559,297
2018-2022	17,798,677
2023-2027	17,795,948
2028-2032	17,801,883
2033-2037	17,805,052
2038-2039	7,119,684
Total mimimum payments	96,489,686
Less - amount representing interest	(47,577,210)
Present value of net minimum lease payments	$48,912,476

The gross amount, including capitalized interest, of assets held under capital leases as of June 30, 2012, totals include buildings, land improvements, equipment, and land of $51,064,216; $2,314,412; $3,400,359; and $422,835, respectively.

Lessor Leases

The System's leasing operations consist primarily of leasing property for providing food services to students and bookstore operations. The following schedule provides an analysis of the cost and carrying amount of the System's investment in property on operating leases and property held for lease as of June 30, 2012:

Nature of Lease	Cost	Depreciation	Amount
Office space	$984,270	($150,144)	$834,126
Buildings	6,305,567	(3,683,304)	2,622,263
Total	$7,289,837	($3,833,448)	$3,456,389

The following is a schedule, by fiscal years, of the minimum future rentals on noncancelable operating leases as of June 30, 2012:

Nature of Operating Lease	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	Total Minimum Future Rentals
Office space	$1,232,290	$975,000	$983,000	$1,018,000	$1,053,000	$1,090,000			$6,351,290
Buildings	15,000								15,000
Equipment	15,000	15,000							30,000
Land	3,600	3,600	3,600	3,600	3,600	18,000	$18,000	$13,500	67,500
Other	73,955	74,660	68,660	50,000	50,000	250,000			567,275
Total	$1,339,845	$1,068,260	$1,055,260	$1,071,600	$1,106,600	$1,358,000	$18,000	$13,500	$7,031,065

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume. For fiscal year ended June 30, 2012, contingent rentals for office space and other amounted to $253,935 and $1,821, respectively.

FOUNDATION LEASE OBLIGATIONS

Lease Agreement

On May 15, 2003, the Foundation (lessor) entered into an equipment lease agreement with the Board (the lessee) to lease the football and basketball scoreboards, twin signs located on either side of the baseball scoreboard and a front entrance marquee with all ancillary equipment. This lease shall be and continued in full force and effect for a term beginning on the effective date of the agreement and ending upon termination of the premises lease, at which time the lessee shall be granted all rights, title, and interest as owner in and to the equipment in accordance with the premises lease. The lease calls for rent of $1 per year.

15. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in the System's long-term liabilities for the fiscal year ended June 30, 2012:

	Balance, June 30, 2011	Additions	Reductions	Balance, June 30, 2012	Amounts Due Within One Year
Compensated absences payable	$12,657,283	$412,729	($558,093)	$12,511,919	$859,471
Capital lease obligations	50,250,202		(1,337,726)	48,912,476	1,144,950
Claims payable	254,396	133,750	(238,896)	149,250	149,250
Notes payable	42,882,943		(1,030,000)	41,852,943	1,036,774
OPEB payable	78,027,232	15,751,402	(8,468,290)	85,310,344	
Revenue bonds payable	12,952,679		(82,916)	12,869,763	100,000
Pollution Remediation Obligation	1,750	118,735		120,485	120,485
Total long-term liabilities	$197,026,485	$16,416,616	($11,715,921)	$201,727,180	$3,410,930

16. NOTES PAYABLE

The Board of Supervisors of Southern University and Agricultural and Mechanical College with and on behalf of Southern University at New Orleans entered into an agreement with the U.S. Department of Education to borrow $44,000,000 in June 2007 to construct student housing. Pursuant to Section 2601 of Title II of the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006,* the U.S. Department of Education has implemented a loan program for Historically Black Colleges and Universities affected by hurricanes Katrina and Rita. The loan program provides for a loan at one percent interest and one percent origination fees to be made by the U.S. Department of Education to Southern University at New Orleans for the purpose of financing residential housing. Funds are available through a line of credit whereby a liability is not incurred until funds are advanced. During the fiscal year ended June 30, 2012, the System recorded advances in the amount of $41,852,943 and is reported on the Statement of Net Assets as Notes Payable.

The following is a summary of future minimum payments as of June 30, 2012:

Fiscal Year Ended June 30,	Principal	Interest	Total
2013	$1,036,720	$415,925	$1,452,645
2014	1,147,476	405,294	1,552,770
2015	1,265,217	393,524	1,658,741
2016	1,363,002	380,628	1,743,630
2017	1,459,789	366,753	1,826,542
2018-2022	8,234,887	1,595,640	9,830,527
2023-2027	8,664,941	1,174,108	9,839,049
2028-2032	9,107,967	731,012	9,838,979
2033-2037	9,572,944	265,222	9,838,166
Total	$41,852,943	$5,728,106	$47,581,049

FOUNDATION NOTES PAYABLE

The following is a summary of notes payable at December 31, 2011:

Note payable to a bank, secured by the income generated from scoreboard advertisements, with an interest rate of 5.00%, with a maturity date of March 15, 2012.	$249,918
Unsecured note payable to a contractor, with an interest rate of 7.186%, with a maturity date of April 20, 2013.	62,333
Total notes payable	312,251
Less - current portion	(290,749)
Total long-term portion	$21,502

Scheduled principal payments due on these notes payable subsequent to December 31, 2011, are as follows:

Year Ended December 31,	
2012	$290,749
2013	21,502
Total	$312,251

Interest expense for the year ended December 31, 2011, totaled $15,359.

17. BONDS PAYABLE

Bonds payable consisted of the following for the fiscal year ended June 30, 2012:

Issue	Date of Issue	Original Issue	Principal Outstanding June 30, 2011	Issued (Redeemed)	Principal Outstanding June 30, 2012	Final Fiscal Year Maturity	Interest Rates	Future Interest Payments June 30, 2012
A.W. Mumford Stadium Track Resurfacing								
Revenue Bonds, Series 1993	November 1, 1993	$650,000	$60,000	($30,000)	$30,000	2014	8.25-8.50%	$2,126
SUSLA Facilities, Inc., Revenue Bonds:								
Series 2007A	July 25, 2007	12,795,000	12,795,000		12,795,000	2040	5.75%	13,807,617
Series 2007B	July 25, 2007	205,000	155,000	(55,000)	100,000	2014	9.0%	6,300
Total			13,010,000	(85,000)	12,925,000			$13,816,043
Accumulated amortization of premium			84,560	(3,075)	81,485			
Accumulated amortization of discount			(141,881)	5,159	(136,722)			
Bonds payable, net			$12,952,679	($82,916)	$12,869,763			

The scheduled maturities of the bonds at June 30, 2012, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2013	$100,000	$742,812	$842,812
2014	120,000	734,450	854,450
2015	145,000	726,369	871,369
2016	180,000	717,025	897,025
2017	215,000	705,668	920,668
2018-2022	1,380,000	3,308,263	4,688,263
2023-2027	1,830,000	2,849,700	4,679,700
2028-2032	2,415,000	2,243,219	4,658,219
2033-2037	3,200,000	1,440,950	4,640,950
2038-2040	3,340,000	347,587	3,687,587
Total	$12,925,000	$13,816,043	$26,741,043
Unamortized premium/discount, net	($55,237)		
Bonds payable reported on the Statement of Net Assets	$12,869,763		

On July 25, 2007, the Louisiana Public Facilities Authority issued $13,000,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2007A and 2007B) to the Facilities. The proceeds of the bonds are being used for the financing, planning, design, construction, furnishing and equipping of residence facilities for use by Southern University at Shreveport, including all equipment, furnishings, fixtures and facilities, incidental or necessary in connection therewith. The proceeds will also be used to purchase an apartment complex and to pay the costs associated with the issuance of the bonds. The underlying property on which the housing project is located is leased to the Facilities by a Ground and Facilities Lease Agreement dated March 1, 2007, between the Facilities and the Board of Supervisors of Southern University and Agricultural and Mechanical College. The agreement calls for annual rent of $1 as well as the constructing of the residence hall as outlined in the agreement by the Facilities. The Facilities is responsible for all costs of the construction, as well as the annual repair and maintenance for the term of the lease. The lease terminates when the bonds and all associated debts are paid or the exercise by the Board of the option to purchase the project.

Costs incurred in connection with the issuance of the Facilities bonds, Series 2007A and 2007B, are amortized using the straight-line method over the lives of the bonds. Bond issuance costs incurred through the bond issuance totaled $230,528. Bond issuance costs net of accumulated amortization are as follows for the fiscal year ended June 30, 2012:

	Costs	Prior Year Accumulated Amortization	Current Year Amortization	Costs, net of Accumulated Amortization
Bond issuance costs	$230,528	($26,894)	($7,685)	$195,949

The System has pledged the Intercollegiate Athletic Facilities fee to repay the A.W. Mumford Stadium Track Resurfacing Revenue Bonds, Series 1993. Proceeds from the bonds provided financing for the planning and constructing additions to and resurfacing the running tract at A.W. Mumford Stadium located on the Baton Rouge campus. The bonds are payable solely from the fee and are payable through fiscal year 2014. Annual principal and interest payments on the bonds are expected to require less than 5.7% of net revenues. The total principal and interest remaining to be paid on the bonds is $32,125. Principal and interest paid for the current year and total fees collected were $33,788 and $378,125, respectively.

The following is a summary of the debt service reserve requirements of the bond issues outstanding at June 30, 2012:

	Cash/ Investment Reserves Available	Reserve Requirements	Excess
A.W. Mumford track project	$22,532	$21,700	$832
SUSLA Facilities, Inc., Series 2007A	$948,488	$948,488	

FOUNDATION REVENUE BONDS PAYABLE

On December 13, 2006, the Louisiana Public Facilities Authority issued $59,990,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2006) to the Foundation. The proceeds of the bonds are being used to (i) finance the design, development, acquisition, construction, installation, renovation, and equipping of (a) Student Housing Facilities to be located on the campus of Southern University and A&M College in Baton Rouge, Louisiana (SUBR), (b) certain auxiliary student projects, including a student intramural sports complex, a portion of a football and track complex, a baseball field house and north-end seating in Mumford Stadium and refinancing a loan for the football field restoration at SUBR, (c) all equipment, furnishings, fixtures, and facilities incidental or necessary in connection therewith at SUBR, and (d) acquiring a building to be used by SUSLA (collectively, the "Project"); (ii) refinance portions of a bridge loan incurred to pay certain of such costs prior to delivery of the Series 2006 Bonds; (iii) pay costs of issuance including premium on the Bond Insurance Policy; (iv) fund a reserve fund; and (v) pay capitalized interest during construction of the Project.

The requirements to amortize the bonds are as follows:

Year Ended December 31,	Principal
2012	$1,050,000
2013	1,105,000
2014	1,160,000
2015	1,215,000
Subsequent to 2015	52,555,000
Total	$57,085,000

Interest expense for the year ended December 31, 2011, totaled $2,667,036. Total bonds payable net of bond premium totaled $58,871,251.

The bond premium received upon the issuance of the bonds is being amortized over the life of the bonds using the straight-line method. Total bond premium at issuance totaled $2,117,037. Annual amortization will be charged against "Interest Expense." The bond premium is shown net of accumulated amortization.

Beginning balance	$2,117,037
Prior year accumulated amortization	(264,629)
Current year amortization	(66,157)
Total accumulated amortization	(330,786)
Ending balance, December 31, 2011	$1,786,251

Cost incurred in connection with the issuance of the bonds and the prepaid bond insurance are amortized using the straight-line method over the life of the bonds. Bond issuance costs incurred through the bond issuance totaled $927,291 and prepaid bond insurance totaled $1,054,250. These costs will be shown net of accumulated amortization.

	Costs	Prior Years Accumulated Amortization	Current Year Amortization	Accumulated Amortization at December 31, 2011
Bond issuance costs	$927,291	($117,033)	($27,855)	$782,403
Prepaid bond insurance	1,054,250	(129,583)	(32,946)	891,721

18. RESTRICTED NET ASSETS

The System has the following restricted net assets at June 30, 2012:

Nonexpendable - endowments	$11,849,023
Expendable:	
Gifts, grants, and contracts	$3,370,778
Endowment income	3,618,685
Student fees	8,595,476
Student loans	1,043,050
University plant projects	16,720,169
Debt service requirements	1,559,787
Total expendable	$34,907,945

Of the total net assets reported in the Statement of Net Assets as of June 30, 2012, a total of $9,699,897 is restricted by enabling legislation.

19. RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets as reflected on Statement C have been restated to reflect the following adjustments:

Net Assets at June 30, 2011	$157,346,800
Accrued interest adjustment	(649)
Capital asset adjustment	72,289
Accrued liabilities adjustment	1,098
Payroll expense correction	(300)
Endowment adjustment	298,805
Receivables adjustment	3,366,357
Revenue/expense reclassification	(570,703)
Net Assets at June 30, 2011, as restated	$160,513,697

FOUNDATION NET ASSET RESTATEMENT

The Foundation recorded as a liability to the System certain endowments that were not fully funded. These endowments should have been recorded as revenues to the Foundation until fully funded. The amount of the unfunded endowments totaled $162,085. As such, permanently restricted net assets has been increased and due to affiliate has been decreased for the total balance of the unfunded endowments. In the prior year, the Foundation received $120,000 to establish two Board of Regents endowments that were never transferred to the System after being fully funded. As such, the Foundation is reducing temporarily restricted net assets and increasing the due to affiliate account by $120,000 to properly transfer the endowments to the System.

20. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Southern University System Board of Supervisors to authorize expenditure of the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

At June 30, 2012, net appreciation of $3,315,236 is available to be spent, of which $1,524,738 is restricted to specific purposes. The donated portion of the endowments is reported in restricted net assets - nonexpendable in the Statement of Net Assets; the endowment income is reported in restricted net assets - expendable.

21. RELATED PARTY TRANSACTIONS

During fiscal year ended June 30, 2012, the System had a relationship with the Foundation. The Foundation has a cooperative endeavor with the System to promote activities of the Southern University Athletic Department and coordinates the auxillary activities of the Bayou Classic weekend. Southern University and A&M College also obtained financing for various capital projects through a third party financing arrangement with its affiliate, the Southern University System Foundation, Millennium Housing, L.L.C. Southern University Shreveport has also obtained financing for various projects in previous fiscal years through a third party financing arrangement with the Foundation. The System also has a cooperative endeavor agreement with the Foundation to manage certain endowments on the System's behalf.

Certain board members of the System are also board members of the Foundation. The System provides certain payroll management functions, as well as office space, meeting space, utilities and use of office furniture and equipment to the Foundation for a monthly fee.

The Chancellor and Vice Chancellor for Finance at Southern University Shreveport also serve as ex-officio members of SUSLA Facilities, Inc., a nonprofit that operates campus housing on the Shreveport campus. SUSLA Facilities, Inc., was created for the purpose of issuing bonds for the construction of facilities and dormitories. For the purpose of financial reporting, SUSLA Facilities, Inc., is considered a blended unit of the System.

22. FOUNDATIONS

The accompanying financial statements include the accounts of the Foundation but do not include the accounts of the Southern University Shreveport Foundation or the Southern University New Orleans Foundation. These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

FOUNDATION DISCLOSURE

The System has contracted with the Foundation to invest the System's Endowed Chairs for Eminent Scholars and Endowed Professorship endowment funds. The Endowed Chairs for Eminent Scholars endowment funds are established for $1,000,000 with $600,000 of private contributions and $400,000 of state matching portion allocated by the Board of Regents for Higher Education. The Endowed Professorship Program endowment funds are established for $100,000 with $60,000 of private contributions and $40,000 of state matching portion allocated by the Board of Regents for Higher Education. The amount due to the System as of December 31, 2011, for the Endowed Chair and Professorship program totaled $4,578,337.

23. COOPERATIVE ENDEAVOR AGREEMENT

On October 26, 2006, the Foundation entered into a Cooperative Endeavor and Lease Agreement (the Agreement) with the Board of Supervisors of Southern University and Agricultural and Mechanical College (the Board) to lease to the Board certain student housing facilities and certain auxiliary student facilities. The agreement required the Board to make an initial payment to the Foundation in the amount of $4,500,000 on December 13, 2006. The initial payment was deposited in the Foundation's bank account to be utilized to supplement the cost for a student intramural sports complex and north-end seating in Mumford Stadium.

After the initial payment, the Board shall make annual payments to the Foundation starting November 1, 2008, and terminating on November 1, 2038, unless the Louisiana Public Facilities Authority (LPFA) Series 2006 Bonds are paid in full or legally defeased prior to that date. The Board payment shall be the same as the payments due on the LPFA Series 2006 Bonds. The base rental payments are as follows:

Fiscal Year Ended June 30,	Base Rent
2013	$3,749,525
2014	3,752,025
2015	3,751,775
2016	3,748,775
2017	3,748,025
2018-2022	18,742,437
2023-2027	18,739,562
2028-2032	18,745,813
2033-2037	18,749,150
2038-2039	7,497,200
Total	$101,224,287

The portion of the above payments representing completed projects are reported by the System as capital lease obligations (note 14). Until a project is complete, the System reports the payments relating to them as prepayments.

In addition to the base rental payments, the Board is also required to pay to the Foundation as additional rent, all amounts expended by the Foundation for the procurement of insurance coverage; fees and expenses of the Foundation or its trustee in performing the requirements of the Trust Indenture and Loan Agreement; and administrative expenses in connection with reports and other tasks required in connection with the Foundation's obligations under the Agreement. The Baton Rouge and Shreveport campuses provide the revenue streams used to make the base rental and other required payments.

The Agreement also required that a Rental Deposit Fund be established on the date of issuance of the LPFA Series 2006 Bonds. The Rental Deposit Fund was funded by the Board in an amount equal to 50% of the maximum principal and interest requirements coming due on the LPFA Series 2006 Bonds in any future fiscal year. If there is any insufficiency in the Revenue Account of the Bond Fund to pay principal and interest on the LPFA Series 2006 Bonds in future fiscal years, then the monies on deposit in the Rental Deposit Fund shall be used in an amount sufficient to pay the principal and interest on the LPFA Series 2006 Bonds. On the final maturity date of the LPFA Series 2006 Bonds, any monies on hand in the Rental Deposit Fund shall be used to pay any principal and interest remaining on the LPFA Series 2006 Bond on such final maturity date. At December 31, 2011, and June 30, 2012, the balance in the Rental Deposit Fund is $1,876,011.

Pursuant to the Agreement, the Foundation (the Lessee) will lease the land on which the student housing facilities and certain auxiliary student facilities are being constructed and/or renovated for the Board (the Lessor). The payment by the Lessee is $100 per year and the term is equal to the term of the LPFA Series 2006 Bonds, terminating on the date of payment in full or defeasance of the LPFA Series 2006 Bonds.

24. DEFERRED COMPENSATION PLAN

Certain employees of the System participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report of the Plan, available from the Louisiana Legislative Auditor's website at www.lla.la.gov.

25. AMERICAN RECOVERY AND REINVESTMENT ACT

American Recovery and Reinvestment Act expenses incurred in fiscal year 2012 consisted of the following programs and amounts:

Program:	
IRES - NSF US/Cameroon Healthcare Collaboration	$12,700
MRI-R2: Acquisition of a Transmission Electron Microscope	900,049
Installation of Solar Street Lights	436,743
Identification and Characterization	7,289
Forest Resource Survey	21,094
Total	$1,377,875

26. FOUNDATION - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by the donors for the year ended December 31, 2011:

Scholarships and educational assistance	$403,305
University events, programs, and support	1,315,277
Total	$1,718,582

27. FOUNDATION - RELATED PARTY TRANSACTIONS

Certain board members of the Foundation are also board members of the System Board. The System provides certain payroll management functions as well as office space, meeting space, utilities, and use of all office furniture and equipment to the foundation for a nominal monthly fee. The value of these services have not been determined by the System. The System has also entered into a cooperative endeavor agreement with the foundation to manage certain endowments on its behalf. The Foundation is allowed to charge the System an administration fee for these services. In addition to the aforementioned agreement, the Foundation entered into a cooperative endeavor agreement with the System to construct certain housing facilities as well as other projects through a bond issuance. The System has agreed to pay certain rents to the Foundation for these services. The total amount of rent paid during the year ended December 31, 2011, totaled $3,749,925. The schedule of rent payment coincides with the debt service payments.

Two board members of the Foundation are officers of an affiliate 501(C)(3) nonprofit organization that provides game radio broadcasting services of athletic events at the Southern University Baton Rouge campus. The affiliate organization also makes financial contributions to the Southern University Athletic Department throughout the year. The total amount paid by the foundation to the affiliate organization during the year ended December 31, 2011, totaled $31,467.

28. SUBSEQUENT EVENTS

The State of Louisiana continues to experience decreases in state revenues that has resulted in decreased funding for the 2013 fiscal year. The System institutions have implemented approved restructuring plans to ensure that current operations are sustained and the missions and goals of the respective institutions are not negatively impacted. Management does not anticipate that the 2012-2013 mandated budget cuts will significantly impact the System's overall mission and goals. Management will continue to closely monitor available resources to ensure the System's ongoing ability to react to known and unknown internal and external issues in a prompt manner.

Southern University at Shreveport signed a repayment agreement in the amount of $1,282,490 in July 2012 for an outstanding liability with the U.S. Department of Education. The time frame for the repayment is five years.

29. EMPLOYEE TERMINATION BENEFITS

Substantially all employees are eligible for termination benefits upon separation from the state. The System recognizes the cost of providing these benefits as expenditures when paid during the year. For the fiscal year ending June 30, 2012, the cost of providing those benefits for 24 voluntary terminations totaled $537,359. During fiscal year ending June 30, 2012, the System and A&M College offered a retirement incentive plan, in accordance with Southern University System Board of Supervisors policies, to all employees who were eligible for retirement. The plan offered employees a lump-sum payment provided that the employees retired by July 19, 2011. The lump-sum payment amounted to 40% of the employees' base salary for fiscal year 2010-2011 with a cap that could not exceed $25,000. The System did not report any involuntary terminations for the 2012 fiscal year.

30. POLLUTION REMEDIATION OBLIGATION

A preliminary site assessment has been performed that revealed asbestos on the Southern University & A&M and Southern University New Orleans College properties. The State Office of Facility Planning and Control (FP&C) is responsible for coordinating the completion of the project and paying remediation costs for the System. As of June 30, 2012, the potential liability totaled $120,485. During fiscal year 2012, no remediation costs were paid by FP&C on behalf of the System. At this time, the complete cost for remediation is unable to be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the
Other Postemployment Benefits Plan

The schedule of funding progress is required supplementary information that presents certain specific data regarding the funding progress for the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the
Other Postemployment Benefits Plan
For the Fiscal Year Ended June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2009	NONE	$247,017,500	$247,017,500	0%	$78,841,452	313.3%
July 1, 2010	NONE	$211,086,700	$211,086,700	0%	$80,218,582	263.1%
July 1, 2011	NONE	$156,334,101	$156,334,101	0%	$75,405,451	207.3%

SUPPLEMENTARY INFORMATION

SCHEDULE OF PER DIEM PAID BOARD MEMBERS

Schedule 2 presents the per diem paid board members for the fiscal year ended June 30, 2012. Members of the Southern University Board of Supervisors receive $50 per diem for each day of attendance of board meetings, committee meetings, or while on business for the board, as authorized by R.S. 17:3206. This schedule is prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

COMBINING SCHEDULE OF NET ASSETS, BY CAMPUS

Schedule 3 presents the Combining Schedule of Net Assets, by Campus.

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, BY CAMPUS

Schedule 4 presents the Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by Campus.

COMBINING SCHEDULE OF CASH FLOWS, BY CAMPUS

Schedule 5 presents the Combining Schedule of Cash Flows, by Campus.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Per Diem Paid Board Members
For the Fiscal Year Ended June 30, 2012

Name	Amount
Demetrius Sumner	$850
Marc Guichard	50
Total	$900

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Assets, by Campus, June 30, 2012

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
ASSETS			
Current assets:			
Cash and cash equivalents	$18,728	$11,193,367	
Investments			
Receivables, net	33	5,194,740	$539,080
Due from federal government		6,677,746	3,047,473
Due from other campuses	1,514,962	7,636,945	
Due from state treasury		271,732	29,665
Inventories		596,653	
Deferred charges and prepaid expenses	15,340	4,078,924	56,683
Notes receivable, net			
Other current assets	5,669		
Total current assets	1,554,732	35,650,107	3,672,901
Noncurrent assets:			
Restricted cash and cash equivalents	224,707	11,658,055	1,328,278
Restricted investments	276,043	5,586,981	291,062
Due from other campuses		1,228,905	
Capital assets, net	15,395	164,192,966	8,499,813
Other			
Total noncurrent assets	516,145	182,666,907	10,119,153
Total assets	2,070,877	218,317,014	13,792,054
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	295,692	10,089,829	288,743
Due to other campuses			1,001,586
Deferred revenues		5,804,736	393,865
Compensated absences	144,763	448,123	34,528
Capital lease obligations		1,019,665	
Amounts held in custody for others		511,226	
Claims and litigation payable		115,500	
Notes payable			
Pollution Remediation Obligation		1,750	
Bonds payable		20,000	
Other current payables		1,275,986	92,960
Total current liabilities	440,455	19,286,815	1,811,682
Noncurrent liabilities:			
Compensated absences	318,956	6,142,710	974,086
Capital lease obligations		46,270,726	
Due to other campuses			
Notes payable			
OPEB payable	3,666,641	48,368,732	7,552,256
Bonds payable		10,000	
Total noncurrent liabilities	3,985,597	100,792,168	8,526,342
Total liabilities	4,426,052	120,078,983	10,338,024
NET ASSETS			
Invested in capital assets, net of related debt	15,395	116,870,825	8,499,813
Restricted for:			
Nonexpendable	360,000	6,529,540	1,422,500
Expendable	488,901	24,579,483	2,230,276
Unrestricted	(3,219,471)	(49,741,817)	(8,698,559)
TOTAL NET ASSETS	($2,355,175)	$98,238,031	$3,454,030

Schedule 3

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	ELIMINATIONS	TOTAL SYSTEM
	$5,943,594	$5,755,271		$22,910,960
		559,817		559,817
$417,510	4,178,428	2,136,844		12,466,635
887,059	1,775,078	1,411,431		13,798,787
1,686,007			($10,837,914)	
330,368	77,671	27,799		737,235
				596,653
		312,574		4,463,521
	488,127			488,127
		25,766		31,435
3,320,944	12,462,898	10,229,502	(10,837,914)	56,053,170
	6,773,864	650,137		20,635,041
	1,205,015	1,495,644		8,854,745
			(1,228,905)	
5,075,449	84,065,805	24,466,675		286,316,103
		195,949		195,949
5,075,449	92,044,684	26,808,405	(1,228,905)	316,001,838
8,396,393	104,507,582	37,037,907	(12,066,819)	372,055,008
125,128	704,775	1,139,154		12,643,321
	3,581,058	6,255,271	(10,837,915)	
1,200	3,012,636	752,242		9,964,679
40,679	92,719	98,659		859,471
		125,285		1,144,950
	8,800	100,603		620,629
		33,750		149,250
	1,036,774			1,036,774
	118,735			120,485
		80,000		100,000
	510,822	529,587		2,409,356
167,007	9,066,319	9,114,551	(10,837,915)	29,048,915
849,072	1,936,075	1,431,549		11,652,448
		1,496,800		47,767,526
		1,228,905	(1,228,905)	
	40,816,169			40,816,169
5,879,461	11,688,454	8,154,800		85,310,344
		12,759,763		12,769,763
6,728,533	54,440,698	25,071,817	(1,228,905)	198,316,250
6,895,540	63,507,017	34,186,368	(12,066,820)	227,365,165
5,075,449	42,212,862	11,970,704		184,645,048
	2,976,983	560,000		11,849,023
496,738	6,888,322	224,225		34,907,945
(4,071,334)	(11,077,602)	(9,903,390)		(86,712,173)
$1,500,853	$41,000,565	$2,851,539	NONE	$144,689,843

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by Campus
For the Fiscal Year Ended June 30, 2012

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
OPERATING REVENUES			
Student tuition and fees		$37,582,235	$7,865,910
Less scholarship allowances		(13,693,186)	(302,959)
Net student tuition and fees	NONE	23,889,049	7,562,951
Federal appropriations			
Federal grants and contracts		21,881,153	3,274,031
State and local grants and contracts		2,302,595	
Nongovernmental grants and contracts		317,993	
Auxiliary enterprise revenues (including revenue used to secure debt)		14,799,839	
Less scholarship allowances		(778,606)	
Net auxiliary revenues	NONE	14,021,233	NONE
Other operating revenues		2,655,190	199,508
Total operating revenues	NONE	65,067,213	11,036,490
OPERATING EXPENSES			
Educational and general:			
Instruction		31,399,558	6,009,432
Research		4,878,715	
Public service	$3,419	3,509,499	211,488
Academic support	183,646	22,510,827	3,136,335
Student services		5,945,298	1,266,954
Institutional support	6,233,003	13,587,141	3,255,186
Operation and maintenance of plant		11,490,858	271,267
Depreciation	11,054	8,803,358	1,204,302
Scholarships and fellowships	94,684	13,435,844	700,258
Auxiliary enterprises	212	13,001,844	
Other operating expenses		(66,523)	
Total operating expenses	6,526,018	128,496,419	16,055,222
OPERATING LOSS	(6,526,018)	(63,429,206)	(5,018,732)
NONOPERATING REVENUES (Expenses)			
State appropriations	2,200,434	30,598,541	4,599,993
Federal nonoperating revenues		20,439,251	
ARRA revenues		1,377,875	
Gifts	781,215	391,566	2,200
Investment income	1,456	128,930	3,670
Interest expense		(2,766,810)	
Payments to or on behalf of the university			
Other nonoperating revenues (expenses)	(299,179)	3,244,146	88,449
Net nonoperating revenues	2,683,926	53,413,499	4,694,312

(Continued)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	$12,308,132	$6,615,148	$64,371,425
	(3,705,030)	(4,638,082)	(22,339,257)
NONE	8,603,102	1,977,066	42,032,168
$3,362,047			3,362,047
2,722,946	7,273,904	9,121,814	44,273,848
396,365	710,840	357,017	3,766,817
30,462	3,091		351,546
	2,101,907	2,448,684	19,350,430
	(177,023)	(106,745)	(1,062,374)
NONE	1,924,884	2,341,939	18,288,056
265,436	167,645	1,817,419	5,105,198
6,777,256	18,683,466	15,615,255	117,179,680
	11,013,408	5,096,757	53,519,155
3,452,573	493,283	501,721	9,326,292
5,095,917	325,250	838,392	9,983,965
	2,947,573	970,516	29,748,897
	4,025,291	4,941,626	16,179,169
1,896,096	11,358,813	9,634,024	45,964,263
182,582	2,404,412	1,116,103	15,465,222
285,648	2,892,683	1,458,127	14,655,172
120,463	9,941,014	6,032,180	30,324,443
	966,003	2,071,901	16,039,960
	407,819	551,769	893,065
11,033,279	46,775,549	33,213,116	242,099,603
(4,256,023)	(28,092,083)	(17,597,861)	(124,919,923)
4,361,439	9,791,385	6,441,177	57,992,969
	10,552,901	9,569,772	40,561,924
			1,377,875
	143,326		1,318,307
	64,062	64,891	263,009
	(37,019)	(833,906)	(3,637,735)
		(136,800)	(136,800)
176,842	318,550	602,933	4,131,741
4,538,281	20,833,205	15,708,067	101,871,290

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by Campus, 2012

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
INCOME (Loss) BEFORE OTHER REVENUES	($3,842,092)	($10,015,707)	($324,420)
Capital appropriations		5,159,638	
Capital grants and gifts		193,584	
Additions to permanent endowment		277,100	58,750
Other additions, net	3,756,012	1,028,090	(2,213,441)
INCREASE (Decrease) IN NET ASSETS	(86,080)	(3,357,295)	(2,479,111)
NET ASSETS - BEGINNING OF YEAR (Restated)	(2,269,095)	101,595,326	5,933,141
NET ASSETS - END OF YEAR	($2,355,175)	$98,238,031	$3,454,030

(Concluded)

Schedule 4

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
$282,258	($7,258,878)	($1,889,794)	($23,048,633)
			5,159,638
	1,435,707		1,629,291
		100,000	435,850
(1,059,967)	(1,236,154)	(274,540)	
(777,709)	(7,059,325)	(2,064,334)	(15,823,854)
2,278,562	48,059,890	4,915,873	160,513,697
$1,500,853	$41,000,565	$2,851,539	$144,689,843

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by Campus
For the Fiscal Year Ended June 30, 2012

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tuition and fees		$23,221,689	$7,575,893
Federal appropriations			
Grants and contracts	($35,272)	25,291,699	4,591,804
Payments to suppliers	(2,176,086)	(20,508,847)	(1,988,049)
Payments for utilities		(4,614,598)	
Payments to employees	(2,862,771)	(54,481,294)	(8,925,240)
Payments for benefits	(960,852)	(20,641,254)	(2,563,345)
Payments for scholarships and fellowships	(86,163)	(12,706,122)	(650,309)
Loans issued to students and employees			
Collections on loans issued to students and employees			
Auxiliary enterprise charges		13,822,318	
Other receipts (payments)		2,755,190	199,508
Net cash used by operating activities	(6,121,144)	(47,861,219)	(1,759,738)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
State appropriations	2,200,434	34,196,451	5,474,039
Gifts and grants for other than capital purposes	781,215	20,300,403	2,200
Private gifts for endowment purposes		277,100	58,750
TOPS receipts		1,916,535	
TOPS disbursements		(1,831,678)	
Implicit loan reduction from other campuses			(683,917)
Implicit loan reduction to other campuses	(311,667)	1,237,895	
Direct lending receipts		56,551,712	16,984,510
Direct lending disbursements		(56,551,712)	(16,984,510)
Federal Family Education Loan program receipts		818,673	
Federal Family Education Loan program disbursements		(818,673)	
ARRA		1,377,875	
Other receipts (payments)	3,451,164	1,336,339	(3,032,031)
Net cash provided by noncapital financing sources	6,121,146	58,810,920	1,819,041
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants and gifts received		193,584	
Purchases of capital assets		(12,295,108)	(907,039)
Principal paid on capital debt and leases		(1,240,570)	
Interest paid on capital debt and leases		(2,737,479)	
Other sources (uses)		10,533,057	907,039
Net cash provided (used) by capital and related financing activities	NONE	(5,546,516)	NONE
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments		1,984,334	
Interest received on investments	1,640	100,055	4,385
Purchase of investments	(276,043)	(3,251,526)	(21,828)
Net cash provided by investing activities	(274,403)	(1,167,137)	(17,443)

(Continued)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	$8,675,399	$1,976,087	$41,449,068
$3,362,047			3,362,047
5,065,319	8,287,642	9,713,912	52,915,104
(3,138,868)	(9,710,141)	(7,399,949)	(44,921,940)
(37,026)	(1,237,479)	(744,485)	(6,633,588)
(5,314,856)	(15,480,488)	(13,150,112)	(100,214,761)
(1,854,370)	(7,624,148)	(4,351,425)	(37,995,394)
(120,463)	(10,426,190)	(5,911,995)	(29,901,242)
	(488,127)		(488,127)
	146,987		146,987
	1,328,379	2,321,770	17,472,467
265,374	239,204	1,960,290	5,419,566
(1,772,843)	(26,288,962)	(15,585,907)	(99,389,813)
4,266,528	10,740,094	7,236,458	64,114,004
	10,696,227	9,569,772	41,349,817
		100,000	435,850
		190,158	2,106,693
		(190,158)	(2,021,836)
	1,000,563	328,811	645,457
(1,571,685)			(645,457)
	24,847,551	9,670,154	108,053,927
	(24,847,551)	(9,670,154)	(108,053,927)
			818,673
			(818,673)
			1,377,875
(922,001)	2,256,014	210,235	3,299,720
1,772,842	24,692,898	17,445,276	110,662,123
	749,265		942,849
(39,973)	(1,404,880)	(441,300)	(15,088,300)
	(1,030,000)	(180,072)	(2,450,642)
	(34,025)	(834,562)	(3,606,066)
39,974			11,480,070
1	(1,719,640)	(1,455,934)	(8,722,089)
		2,852,512	4,836,846
	7,425	256	113,761
		(2,700,511)	(6,249,908)
NONE	7,425	152,257	(1,299,301)

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by Campus, 2012

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	($274,401)	$4,236,048	$41,860
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	517,836	18,615,374	1,286,418
CASH AND CASH EQUIVALENTS AT END OF YEAR	$243,435	$22,851,422	$1,328,278
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	($6,526,018)	($63,429,206)	($5,018,732)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense	11,054	8,803,358	1,204,302
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net		2,457,824	1,210,071
(Increase) decrease in inventories		(82,920)	
(Increase) decrease in prepaid expenses	(8,524)	943,604	(23,431)
(Increase) decrease in notes receivable			
Decrease in other assets			
Increase (decrease) in accounts payable	58,211	773,527	(283,596)
Increase (decrease) in deferred revenue	(35,272)	(528,469)	(58,122)
Increase (decrease) in compensated absences	83,815	(300,267)	98,768
Increase in OPEB payable	295,590	3,383,335	1,111,002
Increase (decrease) in other liabilities		117,995	
Net cash used by operating activities	($6,121,144)	($47,861,219)	($1,759,738)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS			
Cash and cash equivalents classified as current assets	$18,728	$11,193,367	
Cash and cash equivalents classified as noncurrent assets	224,707	11,658,055	$1,328,278
Cash and cash equivalents at the end of the year	$243,435	$22,851,422	$1,328,278
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital appropriations for construction of capital assets		$5,159,638	
Capital gifts and grants			
Net increase in the fair value of investments		$85,086	$3,078
Loss on disposal of capital assets			
Capital lease			

(Concluded)

Schedule 5

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	($3,308,279)	$555,692	$1,250,920
	16,025,737	5,849,716	42,295,081
NONE	$12,717,458	$6,405,408	$43,546,001
($4,256,023)	($28,092,083)	($17,597,861)	($124,919,923)
285,648	2,892,683	1,458,127	14,655,172
1,918,690	(763,091)	44,029	4,867,523
			(82,920)
		53,748	965,397
	(341,140)		(341,140)
	325	44,849	45,174
(389,359)	(1,620,032)	(291,450)	(1,752,699)
(3,069)	533,760	214,178	123,006
25,387	144,790	(197,857)	(145,364)
645,883	955,826	891,476	7,283,112
		(205,146)	(87,151)
($1,772,843)	($26,288,962)	($15,585,907)	($99,389,813)
	$5,943,594	$5,755,271	$22,910,960
	6,773,864	650,137	20,635,041
NONE	$12,717,458	$6,405,408	$43,546,001
			$5,159,638
	$686,442		$686,442
	$11,593		$99,757
		$7,558	$7,558

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 18, 2013

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Southern University System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements and have issued our report thereon dated March 18, 2013. Our report also includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Southern University System Foundation, the only discretely presented component unit of the System, and SUSLA Facilities, Inc., a blended component unit of the System, as described in our report on the System's financial statements. The financial statements of the Southern University System Foundation and SUSLA Facilities, Inc., were audited in accordance with auditing standards generally accepted in the United States of America but not in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the System is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Other Reports

Other external auditors audited the Southern University System Foundation and SUSLA Facilities, Inc. To obtain a copy of those reports, refer to note 1-B to the basic financial statements for mailing addresses.

We performed a separate audit of the Southern University Law Center (Law Center), a campus within the Southern University System, and issued our report dated March 18, 2013. This audit was performed to assist the Law Center in meeting its requirements for accreditation by the Southern Association of Colleges and Schools and included internal control findings relating to the Law Center. A copy of this report is available for public inspection at the Baton Rouge office of the Legislative Auditor and can also be found on the Internet at www.lla.la.gov.

This report is intended solely for the information and use of the System, its board of directors, its management, others within the System, the Louisiana Board of Regents for Higher Education, and the Louisiana Legislature and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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