SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2011
ISSUED MAY 9, 2012

LOUISIANA LEGISLATIVE AUDITOR
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EXECUTIVE SUMMARY

Our procedures at the Southern University System (System) for the period July 1, 2010, through June 30, 2011, disclosed the following:

- Based on our audit and the reports of other auditors, the System's financial statements, as adjusted, are presented fairly.

- For the fifth consecutive year, the System management had errors and omissions in its annual fiscal report (AFR) and submitted the AFR 62 days after the Office of Statewide Reporting and Accounting Policy deadline. The System also did not ensure that monthly fiscal periods were closed timely in the new financial accounting system (Banner) and did not ensure support was provided timely for all requested information.

- Employee leave records reflect inaccurate leave balances. This is the fourth consecutive year for the Agricultural & Mechanical College (A&M) campus and the third consecutive year for the New Orleans campus to have this finding.

- For the third consecutive year, the System did not have an effective internal audit function. Internal Audit did not report on any areas considered high risk in its audit plan. In addition, only three reports were issued pertaining to fiscal year 2011 and the reports only covered two campuses.

- Access to the payroll and procurement processes in the Banner system was not granted on a business-need-only basis and that there was not an adequate segregation of duties. The System also did not ensure changes to Banner system data were properly logged.

- The System lacked adequately defined Information Technology policies, procedures, roles, and responsibilities to ensure that System strategies and objectives are aligned and delivered efficiently and effectively.

- The A&M campus, Law Center, and the New Orleans campus failed to submit annual agreed-upon procedures reports on investment compliance to the Board of Regents (BOR) by October 31, 2011. The A&M campus and Law Center reports for fiscal year 2011 were issued five months after the required BOR date. The New Orleans campus report was issued two months late.

- For the second consecutive year, the System could not provide evidence that students were informed in a timely manner of the criteria and procedures for obtaining hardship waivers for the Law Center and the New Orleans and Shreveport campuses. As a result, no students were given fee waivers.

This report is a public report and has been distributed to state officials. We appreciate the System's assistance in the successful completion of our work.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 18, 2012

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, a component unit of the State of Louisiana, as of and for the year ended June 30, 2011, which collectively comprise the Southern University System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southern University 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 3.2%, 6.0%, 0.8%, and 0.6%, respectively, of the assets, liabilities, net assets, and revenues of the Southern University System. We also did not audit the Southern University System Foundation, which represents the only discretely presented component unit of the Southern University 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Southern University System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

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 Southern University System as of June 30, 2011, and the respective changes in financial position and cash flows where applicable, thereof 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 April 18, 2012, on our consideration of the Southern University 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 assessing the results of our audit.

Management's discussion and analysis on pages 6 through 23 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 71 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern University System's basic financial statements. The accompanying supplementary information schedules of per diem paid board members and combining financial schedules on pages 73 through 83 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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Management's Discussion and Analysis of the Southern University System's (System) financial performance presents a narrative overview and analysis of the System's financial activities and statements for the fiscal year ended June 30, 2011. The System has three geographically distinct institutions which include the Southern University and Agricultural and Mechanical College (A&M), Southern University Law Center, and Southern University Agricultural Research and Extension Center in Baton Rouge; Southern University at New Orleans; and Southern University at Shreveport. 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 these institutions. The primary financial statements presented 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 changed from $162,571,804 (restated) to $157,346,800, a decrease of 3.2% from June 30, 2010, to June 30, 2011. The decrease is caused, in part, by the fourth 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*. The annual other postemployment benefit (OPEB) obligation increased by $12,098,907 or 18.4% from June 30, 2010, to June 30, 2011. The unfunded obligation for OPEB is reported in the unrestricted net assets, causing the unrestricted net asset category, as restated, to reflect an increase in the deficit. Unrestricted net assets deficit increased by $8,833,926 or 12.8%. The System operates from annual legislative appropriations, derived primarily from state general fund, and self-generated revenue sources. State appropriations generally do not fund these future obligations that appear in the System's financial statements. Future benefits for OPEBs (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 No. 45 does not require funding the liability, only recognition of it for accounting and financial reporting in the financial statements.

The investment in capital assets, net of related debt net asset category, as restated, reflects an increase of $2,441,362 or 1.3%. This increase is attributable, in part, to the implementation of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires that specified outlays incurred during the implementation of internally developed computer software be capitalized. The Banner Enterprise Resource Planning (ERP) System has been classified per the standards of GASB 51 as internally developed software. The Banner ERP System was purchased from a third-party vendor, SunGard Higher Education, Inc., but required more than minimal incremental effort to achieve the expected level of service capacity needed by the System. The Banner ERP System included modules for Finance, Human Resource, and Student systems. Using the Specified Conditions Approach as required by GASB 51 for internally developed software, outlays of $7,233,244 less accumulated amortization of $956,010 resulted in net capitalized outlays of $6,277,214. These outlays met the specified conditions criteria for capitalization and inclusion in the Application Development Stage. The Application Development Stage consists of only those outlays that are necessary to make the computer software operational to the extent that it begins to provide the expected level of service utility required by the System to maintain current operational processes. The outlays in this category were capitalized and retroactively reported beginning with fiscal year 2005.

The nonexpendable net asset category increased by $520,100 or 4.8% resulting from new endowment gifts that were added to the corpus of permanently restricted endowments per donor stipulations.

The expendable net asset category, as restated, increased by $647,460 or 1.7% as a result of increases in funding from federal, state, and local grants and contracts and gifts from donors.

Based on comparative data for the fall semesters 2009 and 2010, the System experienced an overall enrollment decline. The Law Center and the New Orleans campus reported increases in enrollment for fall 2010 as compared to fall 2009 while the Baton Rouge and Shreveport-Bossier campuses reported declines in enrollment for the same period. Enrollment declined from 14,372 to 14,011; a decline of 361 students or 2.5%. The reasons for this change are attributed to the following:

- Southern University and A&M College at Baton Rouge experienced a slight decline of 325 students or 4.3%. The campus attributes the decline to the continued implementation of higher selective admission standards. As expected, the annual decline has continued to reflect a downward trend since initial implementation of the higher selective admission standards. Campus management projects that enrollment will begin to stabilize starting with the 2011-2012 academic year.

- Southern University at New Orleans experienced an increase in enrollment of 24 students or 0.8% during the fall 2010 academic term. Southern University at New Orleans enrolled 3,165 students during the fall 2010 as compared to 3,141 for fall 2009. This increase is directly attributed to ongoing and continuing recruitment and retention efforts, including a very aggressive recruitment approaching area and regional high schools, assisting and administering student testing as well as counseling and advising on core requirements and other college preparation issues, and the increased enrollment in the new Health Management Program.

- Southern University at Shreveport experienced an enrollment decline of 180 students or 6.0% for fall 2010 as compared to fall 2009. Student enrollment for Southern University at Shreveport declined from 3,014 in fall 2009 to 2,834 in fall 2010. This decline is attributed to a decrease in the enrollment of on-line instruction and dual enrollment students.

- The Law Center's enrollment increased by 120 students or 20.1%. The Law Center enrolled 718 students for fall 2010, as compared to 598 students for fall 2009. 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 changed from $107,937,970, as restated, to $113,572,452, an increase of 5.2% from June 30, 2010, to June 30, 2011. The increase in operating revenues is attributed to the assessment of tuition increases approved by the Southern University's Board of Supervisors per legislative authority and per implementation of the Louisiana Granting Resources and Autonomy for Diplomas Act (LA GRAD Act), an overall increase in federal program funding, and increases in traffic and parking and auxiliary enterprise revenues. Operating expenses increased by 0.9% from $251,977,784, as restated, for the fiscal year ended June 30, 2010, to $254,335,788 for the fiscal year ended June 30, 2011. The increase in operating expenses is attributed to an increase in costs incurred by the System's preparation for Southern Association of Colleges and Schools (SACS) reaffirmation on the various campuses, the implementation of the Banner ERP System, and annual OPEB expenses.

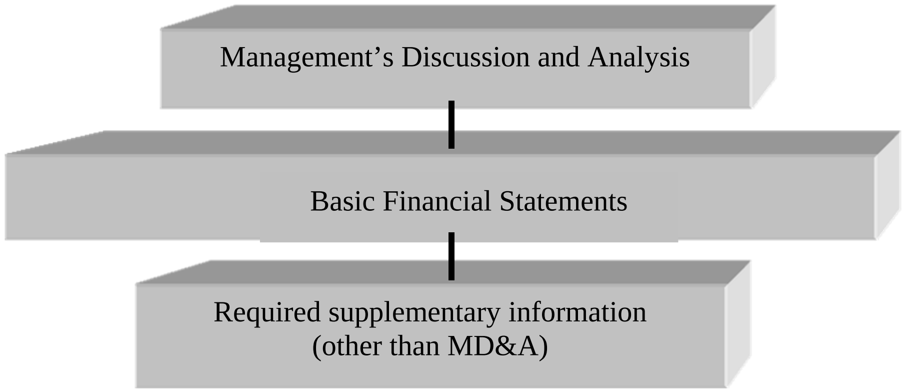
Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations received from the state and other sources. Included under the category of non-operating revenues are American Recovery and Reinvestment Act (ARRA) funds, Pell grants, state appropriations, gifts, and investment income. Net nonoperating revenues (expenses) including capital appropriations, and capital gifts and grants reflect a decrease of 5.8% from $143,407,372 (restated) in 2010 to $135,097,232 in 2011. This decrease is directly attributed to a reduction in state appropriations, mandated mid-year budget cuts of approximately $1.5 million, and the reclassification of traffic and parking revenues as other operating revenues in fiscal year 2011.

State appropriated revenues reflect a decline of $2,847,192, or 4.3% from $66,200,670 in 2010 to $63,353,478 in 2011. While state appropriated revenues declined in fiscal year 2011, federal stimulus dollars awarded under ARRA used to supplant state appropriations reflect an increase of $5,886,393 or 45.6% from $12,896,725 in 2010 to $18,783,118 in 2011.

Capital appropriation and capital grants and contracts reflect a combined decrease of $4,578,249 or 35%. This decline is partially caused by reclassifying the reporting of traffic and parking revenues as other operating revenues in 2011.

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*.



This financial report consists 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 24-25) 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's institutions owe 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) presents information showing how the System's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

Statement of Cash Flows

The Statement of Cash Flows (pages 31-32) presents information showing how the System's cash changed as a result of 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.

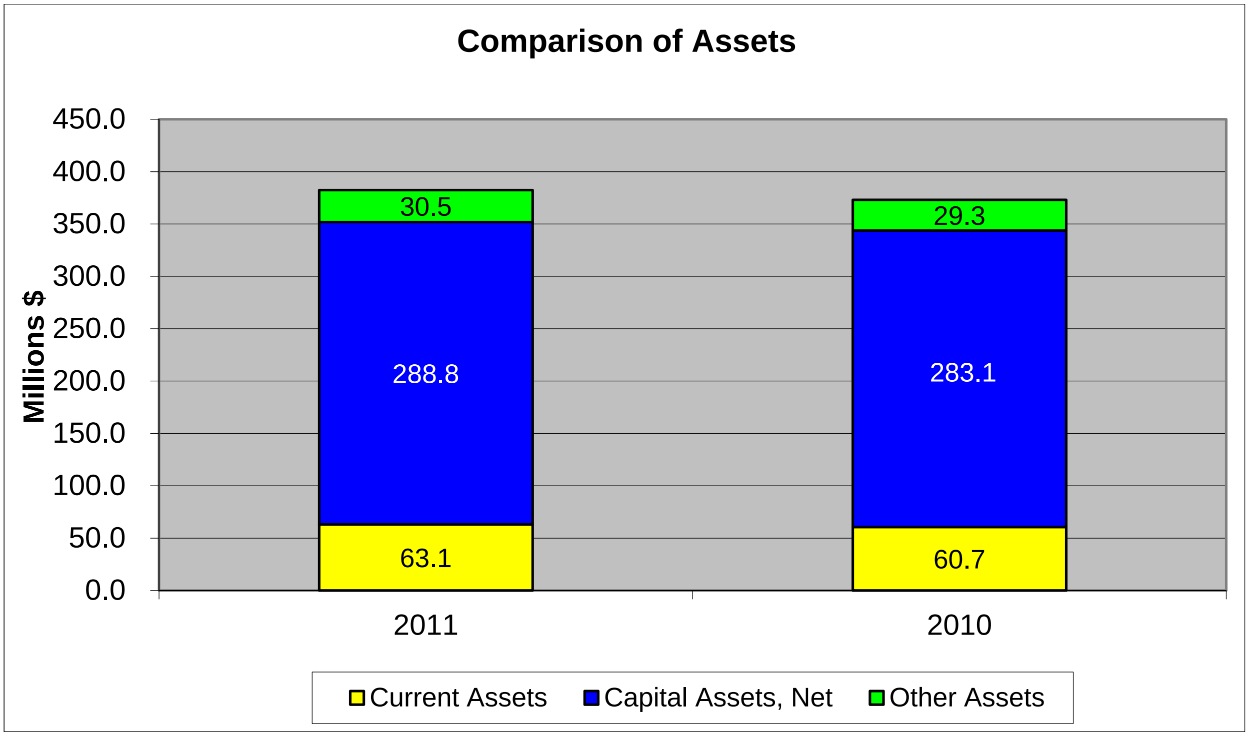
The financial statements for the System are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses 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 university are included in the Statement of Net Assets.

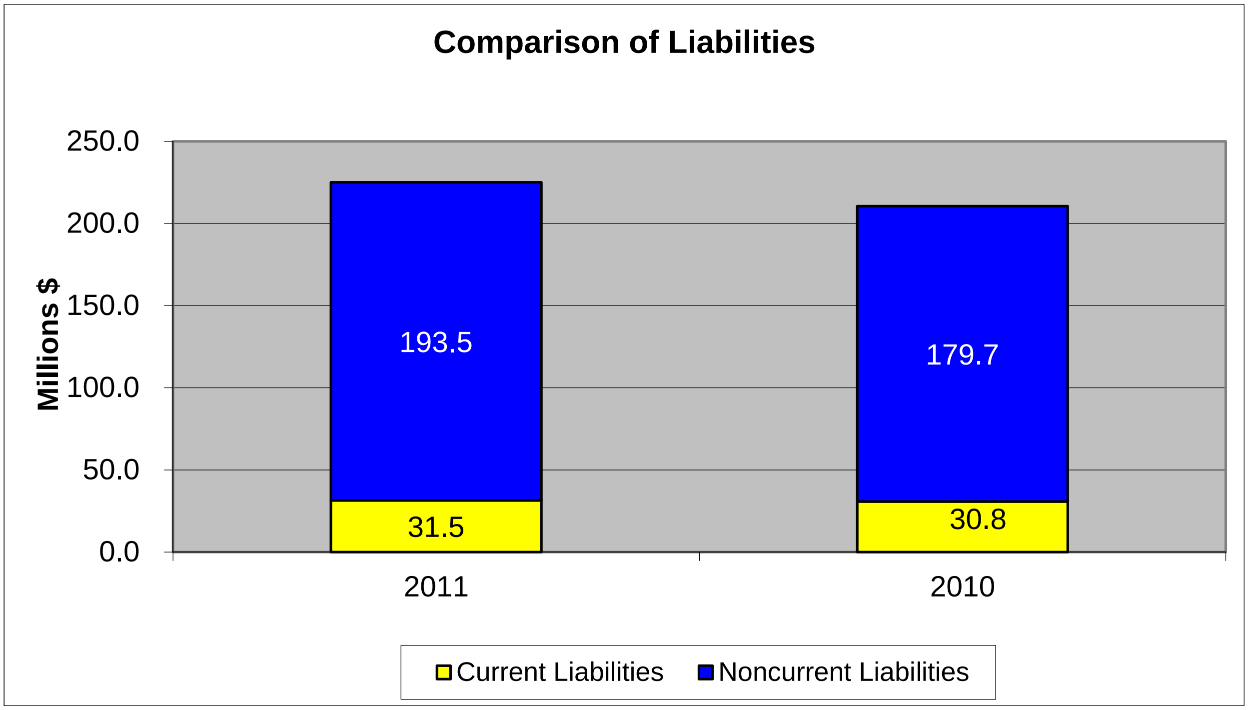
Categories of Net Assets

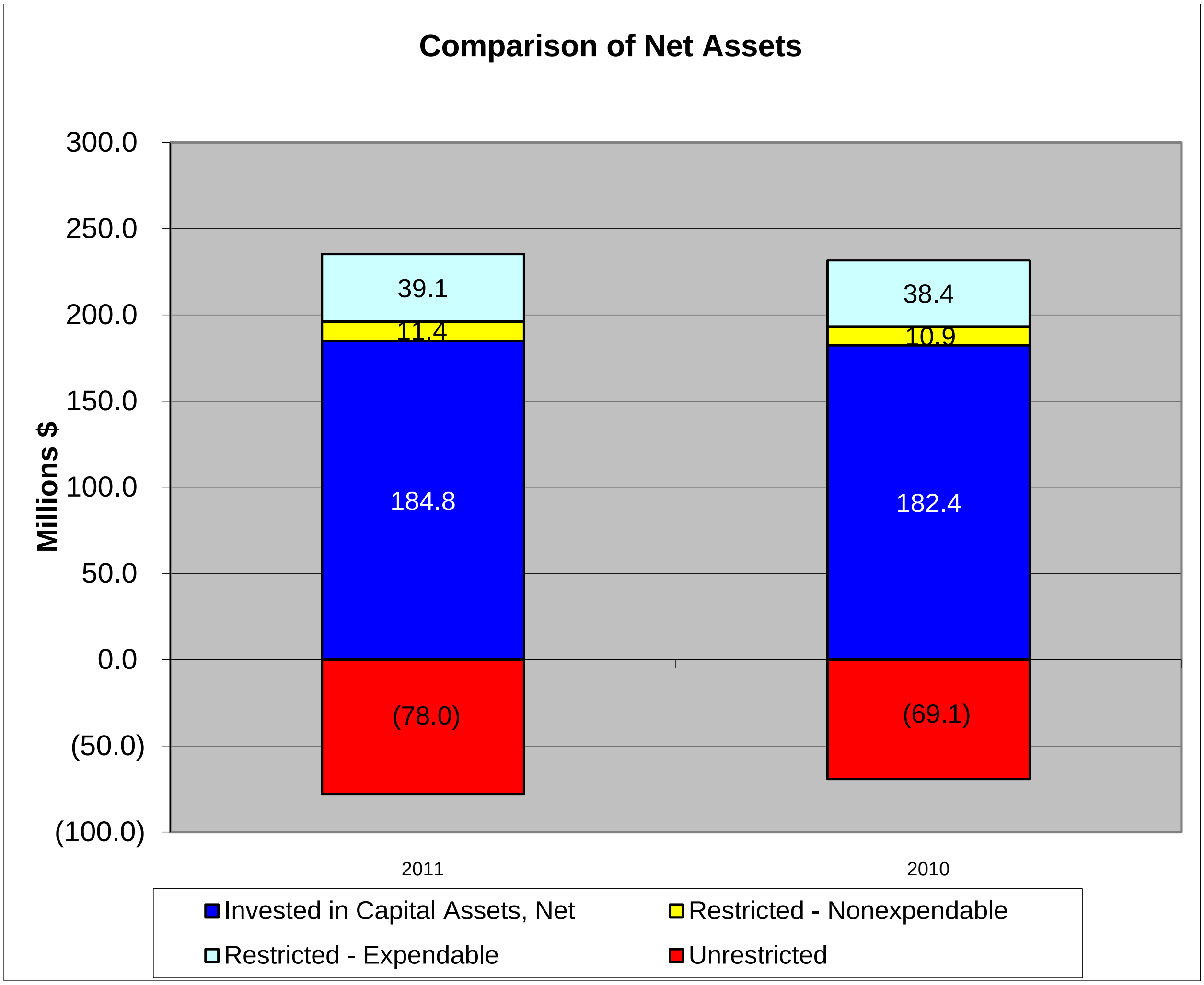
Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, indicates the total equity in property, plant, and equipment that is owned by all of the System's institutions. The next asset category is restricted net assets, which is divided into 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 institutions of the System to be used for any lawful purpose.

Comparative Statement of Net Assets
For the Fiscal Years as of
June 30, 2011 and 2010

	2011	2010 (Restated)	Percentage Change
Assets			
Current assets	$63,118,603	$60,660,193	4.1%
Capital assets, net	288,782,610	283,097,809	2.0%
Other noncurrent assets	30,499,566	29,264,070	4.2%
Total assets	382,400,779	373,022,072	2.5%
Liabilities			
Current liabilities	31,535,409	30,790,766	2.4%
Noncurrent liabilities	193,518,570	179,659,502	7.7%
Total liabilities	225,053,979	210,450,268	6.9%
Net Assets			
Invested in capital assets, net of related debt	184,820,599	182,379,237	1.3%
Restricted:			
Nonexpendable	11,392,998	10,872,898	4.8%
Expendable	39,093,698	38,446,238	1.7%
Unrestricted	(77,960,495)	(69,126,569)	12.8%
Total net assets	$157,346,800	$162,571,804	(3.2%)


Comparison of Assets
Millions $
450.0
400.0
350.0
300.0
250.0
200.0
150.0
100.0
50.0
0.0
30.5
288.8
63.1
29.3
283.1
60.7
2011
2010
Current Assets
Capital Assets, Net
Other Assets


Comparison of Liabilities
Millions $
250.0
200.0
150.0
100.0
50.0
0.0
193.5
31.5
179.7
30.8
2011
2010
Current Liabilities
Noncurrent Liabilities



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

The total assets of the System increased by $9,378,707, an increase of approximately 2.5%. The total liabilities of the System increased by $14,603,711 or 6.9%. 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 missions of these institutions.

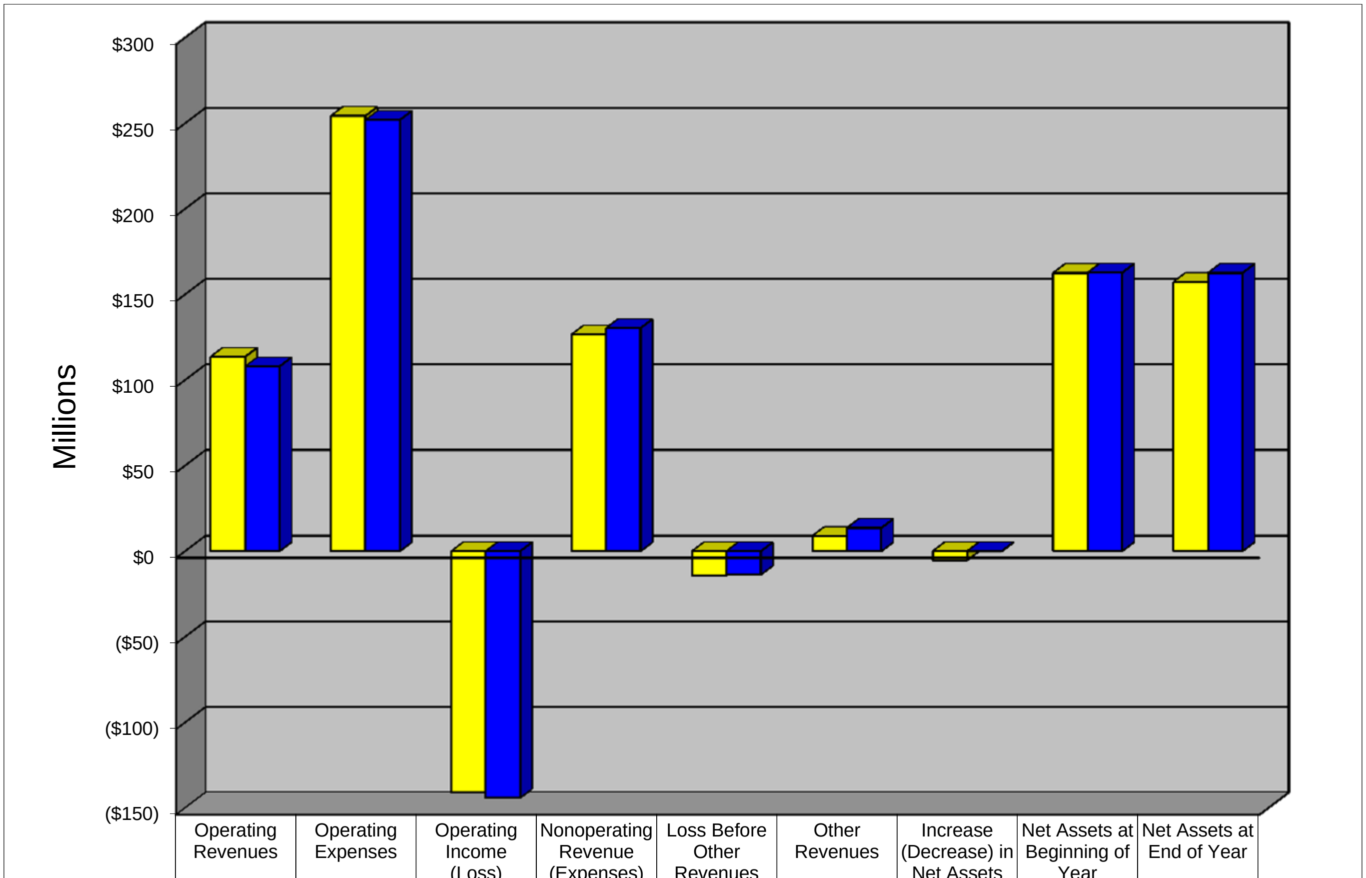
Statement of Revenues, Expenses, and Changes in Net Assets

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 nonoperating because they are provided by the legislature to the institutions even though the legislature does not receive, directly in return, goods and services for those revenues. Pell grant revenues are considered nonoperating revenues and are reported in the Statement of Revenues, Expenses, and Changes in Net Assets as nonoperating federal grants. ARRA revenues are also reported as nonoperating revenues effective with fiscal year 2010. Beginning with the 2010-2011 academic year, all federal student loans are required to be issued under the William D. Ford Federal Direct Loan Program. The System has recorded the receipts and disbursements of these loans as nonoperating revenues (expenses) in the Statement of Revenues, Expenses, and Changes in Net Assets.

Comparative Statement and Graph of Revenues, Expenses, and Changes in Net Assets For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010 (Restated)	Percentage Change
Operating revenues:			
Student tuition and fees, net of scholarship allowances	$35,713,066	$32,042,591	11.5%
Federal appropriations	3,379,752	3,347,993	0.9%
Federal grants and contracts	45,800,947	46,039,180	(0.5%)
State and local grants and contracts	5,114,485	4,717,711	8.4%
Nongovernmental grants and contracts	349,035		100.0%
Auxiliary revenues, net of scholarship allowances	18,248,545	16,538,168	10.3%
Other operating revenues	4,966,622	5,252,327	(5.4%)
Total operating revenues	113,572,452	107,937,970	5.2%
Nonoperating revenues:			
State appropriations	63,353,478	66,200,670	(4.3%)
Federal nonoperating revenues	40,923,716	39,652,030	3.2%
ARRA revenues	18,783,118	12,896,725	
Gifts	737,719	700,159	5.4%
Investment income	652,061	582,168	12.0%
Other nonoperating revenues	5,909,340	15,992,644	(63.0%)
Total nonoperating revenues	130,359,432	136,024,396	(4.2%)
Total revenues	243,931,884	243,962,366	(0.0%)
Operating expenses:			
Educational and general:			
Instruction	57,348,904	57,590,977	(0.4%)
Research	10,608,765	8,805,376	20.5%
Public service	10,357,154	8,589,247	20.6%
Academic support	29,676,112	35,724,063	(16.9%)
Student services	17,609,432	21,523,378	(18.2%)
Institutional support	45,958,521	43,354,363	6.0%
Operation and maintenance of plant	19,636,452	17,484,978	12.3%
Depreciation	14,811,424	14,540,273	1.9%
Scholarships and fellowships	29,511,705	27,541,818	7.2%
Auxiliary enterprises	17,508,446	16,342,770	7.1%
Other operating expenses	1,308,873	480,541	172.4%
Total operating expenses	254,335,788	251,977,784	0.9%
Nonoperating expenses - interest expense	3,738,595	4,489,150	(16.7%)
Other nonoperating expenses		1,182,518	(100.0%)
Total nonoperating expenses	3,738,595	5,671,668	
Total expenses	258,074,383	257,649,452	0.2%
Loss before capital contributions and additions to endowment	(14,142,499)	(13,687,086)	3.3%
Capital appropriations	7,748,702	5,873,898	31.9%
Capital grants and gifts	727,693	7,180,746	(89.9%)
Additions to permanent endowment	441,100	515,400	(14.4%)
Total capital contributions and additions to endowment	8,917,495	13,570,044	(34.3%)
Change in net assets	(5,225,004)	(117,042)	4,364.2%
Net assets at beginning of year, restated	162,571,804	162,688,846	(0.1%)
Net assets at end of year	$157,346,800	$162,571,804	(3.2%)



	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
2011	$113.6	$254.3	($140.8)	$126.6	($14.1)	$8.9	($5.2)	$162.6	$157.3
2010	$107.9	$252.0	($144.0)	$130.4	($13.7)	$13.6	($0.1)	$162.7	$162.6

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a negative change for the year. The net assets decreased by $5,225,004 in 2011, compared to a decrease of $117,042 (restated) in fiscal year 2010. This deficit is attributable to the reporting of the annual OPEB obligation as required by GASB 45. The annual net change of $12,098,907 in the other postemployment obligation is reported in the respective operating functions on the Statement of Revenues, Expenses, and Changes in Net Assets. Other highlights of the 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 a slight decline in enrollment in fiscal year 2011. 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, which provided autonomy to the 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, the System implemented selective admission standards. In fall 2006, the System implemented additional selective admission criteria. Budgetary adjustments were made to offset the reduction in revenues to maintain a balanced budget. Southern University and A&M recommended a 10% tuition increase for fiscal year 2011, which was approved by the Southern University System Board of Supervisors; 5% as authorized under House Bill 1171-LA GRAD Act; and 5% approved at the institutional level, per legislative authority.

- The Law Center received board approval to increase tuition and fees by 10% per semester and its out-of-state-tuition by $500 per semester.

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

- The New Orleans campus incurred considerable increases in expenses in fiscal year 2011 because of the campus's preparation for SACS Reaffirmation and additional debt service cost because of the campus's transition to residential housing.

- Tuition and fees increased on the Shreveport campus by $133 due to state mandates.

- State mandated mid-year budget cuts of $1.5 million in 2011 required management to implement cost reduction measures to proactively address budget cuts and reduce operating costs. The 2011 budget reductions impacted the System in the following ways: furloughs, layoffs, and reductions in staff were enforced; vacant positions were frozen; cost reduction measures were implemented; outreach activities were scaled back; library and technology needs were reduced; and research capabilities and the ability to leverage external funding to match United States Department of Agriculture formula grants were reduced. Management of the System 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 University remain strong.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The System provided adequate investments in its physical facilities during the 2011 fiscal year. The combined total of capital assets, net of accumulated depreciation at the 2011 year-end, is $288,782,610 as compared to $283,097,809 at the 2010 year-end, reflecting an increase of 2.0%. Beginning capital asset balances were restated in the amount of $5,354,457, resulting primarily from the retroactive reporting of GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* and GASB Statement No. 51, *Accounting and Financial*

Reporting for Intangible Assets, which requires that specified outlays for pollution remediation and internally developed computer software be capitalized. The following narrative presents a brief overview of capital asset activity for the System:

- The purchase of the headquarters facility in Opelousas, Louisiana for the Southern University Agricultural Center Southwest Center for Rural Initiatives. The purchased building is classified as construction-in-progress because of the ongoing renovations. Also, the Southern University Agricultural Center Multipurpose Facility is still undergoing construction.

- The completion of the student apartments on the New Orleans Campus. These facilities are financed through a special $44 million HBCE Capital Financing Program at 1% interest.

- The New Orleans campus has completed the new Information Technology Center on the Lake campus.

- Construction is ongoing for the new College of Business and Public Administration facility on the New Orleans, Lake campus.

- The System obtained financing for various capital projects 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 (Baton Rouge campus)
  - Student Intramural Center (Baton Rouge campus)
  - Baseball Field House (Baton Rouge campus)
  - Mumford Stadium (Baton Rouge campus)
  - Football Field Restoration (Baton Rouge campus)
  - Reflections Bookstore (Baton Rouge campus)
  - 610 Texas Street Building (Shreveport campus)
  - Renovation of 610 Texas Street Property (Shreveport campus)
  - Travis Street Parking Lot (Shreveport campus)

Several of these projects have been completed, including the 600 bed, 3-story dormitories; purchase of Reflections Bookstore; football field restoration; 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 $49,323,217 has been recorded on the Statement of Net Assets for the completed projects. The Mumford Stadium project on the Baton Rouge campus was completed during fiscal year 2010. All other projects were completed in prior fiscal years.

- The Baton Rouge campus 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 provides for equipment, installation, and support required to upgrade the existing Centrex-based telephone system to the Avaya Hybrid VOID/digital system. A capital lease obligation for the telephone equipment in the amount of $723,292 is reported in current fiscal year's Statement of Net Assets.

- The Shreveport campus entered into three separate lease agreements with IBM Credit, LLC and Key Government Finance. Two of these 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 the computer hardware and surveillance system in the amount of $203,693 is reported in the current fiscal year's Statement of Net Assets.

- The System reported GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* of $1,750 and GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* of $6,277,214. GASB 49 and 51 require that certain outlays for pollution remediation and internally developed computer software be capitalized after meeting specified criteria.

The System's institutions retired $82,916 in bonds payable during the fiscal year. The total amount of long-term debt is $197,026,485, as detailed below. Of this amount, $3,507,915 is reported as current and is expected to be paid within one year.

- Compensated absences - $12,657,283

- Capital lease obligations - $50,250,202

- Claims payable - $254,396

- Notes payable - $42,882,943

- OPEB payable - $78,027,232

- Bonds payable - $12,952,679

- Pollution remediation obligation - $1,750

For additional information concerning capital assets and debt amortization, refer to notes 6, 14 through 17, and 29 in the notes to the financial statements.

ECONOMIC OUTLOOK -- SHORT-TERM

Despite short-term funding reductions, the management of the System remains optimistic that the System can absorb these short-term reductions without major disruptions in services. The overall financial position of the System remains stable. Through prudent fiscal management, the System has been able to maintain fiscal stability by exercising fiscal autonomy, maintaining steady enrollment trends, and generating increases in tuition and other self-generated funds. The state of Louisiana has advised of another forthcoming budget reduction for the 2012 fiscal year because of a decrease in state revenues. The management of the System has implemented approved measures to ensure that current operations are sustained and the missions and goals of the respective institutions are preserved. 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 and positive manner.

The Southern University Board of Supervisors approved a declaration of financial exigency for the Southern University A&M College at Baton Rouge, effective November 1, 2011, to June 30, 2012. The leadership of Southern University and A&M views this declaration of financial exigency as a positive opportunity to critically examine existing programs' services with the goal of making mission-critical improvements through a continuous quality enhancement process of rebuilding, reorganizing, and restructuring academic and administrative programs and services. Management views this short-term declaration as a catalyst for strengthening and improving the core operations of the university.

The institutions within the System are accredited by the SACS. The Baton Rouge campus and Agricultural Research and Extension Center went through a SACS review in fiscal year 2010. The Southern Association of Colleges and Schools-Commission on Colleges (SACSCOC) reaffirmed the Baton Rouge campus's accreditation in December 2010. However, SACSCOC requires the university to address designated institutional effectiveness standards pertaining to intended outcomes relevant to four areas-educational programs administrative support, research, and community/public service. The SACSCOC has requested a second monitoring report due September 7, 2012. The university is currently preparing this report.

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 the 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 New Orleans campus in March 2011. The committee's on-site review report was highly favorable. The report shows that the New Orleans campus is compliant in all of the 90 SACSCOC standards with no recommendations for corrective actions. The findings of the visiting committee represent a preliminary assessment of the institution at this time and a final action on the report rests with the SACSCOC. The final confirmation of reaffirmation was confirmed at the December 2011 annual meeting of the SACSCOC.

The Shreveport campus's on-site visit with the SACS Review Committee took place in October 2010. The Shreveport campus 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 university is in the process of addressing SACSCOC concerns and expects to be reaffirmed at that time.

The System successfully migrated from the SCT Plus Legacy administrative system to SunGard Higher Education Banner Unified Digital Campus (UDC) administrative system. The Banner Finance and Human Resource modules of the comprehensive UDC solution have been implemented and went live July 2010. The Finance and Human Resource modules are hosted by the Baton Rouge campus. The Student module was placed into operation in May 2011 in order to make the system available for providing service utility to prepare for student financial aid and registration processing for the fall 2011 academic term. The Student module has been implemented on the Shreveport campus and the New Orleans campus. Implementation of the remaining Student modules is expected to go live in 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 at each of the institutions that have academic programs.

The approval of House Bill 1171 - LA GRAD Act provided autonomy to the System's governing boards to approve tuition increases per certain performance standards. This approval provides flexibility to the System leadership in improving its enrollment management programs and activities.

The Southern University Board of Supervisors approved two tuition increases for Southern University A&M effective fall 2011; 5% as allowed per legislative authority and 5% per implementation of the LA GRAD Act. The board also approved nonresident fee increases of $373 and $370 per semester for undergraduate and graduate students, respectively, effective fall 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 complete 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 Southern University and A&M College at Baton Rouge has experienced a transition in leadership. The Southern University Board of Supervisors appointed Dr. James Llorens as Chancellor to head up the Baton Rouge campus operations at the April 29, 2011, regular meeting of the board. Chancellor Llorens's appointment became effective July 1, 2011.

ECONOMIC OUTLOOK -- LONG-TERM

The long-term outlook for the System is uncertain because of dwindling state revenues, budget cuts, unfunded state mandates, and spiraling costs. Risks from both the internal and external environment will continue to challenge the sustainability of institutional programs and services.

The limited availability of funding from the state, a volatile economy, and the anticipated withdrawal of the ARRA Act funding in fiscal year 2011-2012 remains challenging but optimistic for the System leadership. However, management of the System is optimistic that the long-term viability of the System is strong and remains promising. Proactive efforts have been taken to meet budgetary and other challenges. The System is optimistic that the economy will improve in the long-term, that enrollment will stabilize, and that the autonomies of 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 residents, 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, email - 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 Baptiste, Vice Chancellor for Finance and Administration 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_baptiste@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. Woodie White, Vice Chancellor for Administration and Finance at Southern University at New Orleans, 6400 Press Drive, New Orleans, Louisiana 70126, phone number 504-286-5117, email - wwhite@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, 2011

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$19,170,790
Investments (note 3)	708,580
Receivables, net (note 4)	12,541,553
Due from federal government (note 4)	17,747,285
Due from state treasury	6,858,271
Inventories	513,733
Deferred charges and prepaid expenses	5,268,994
Notes receivable, net (note 5)	146,987
Other current assets	162,410
Total current assets	63,118,603
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	23,124,291
Restricted investments (note 3)	7,171,641
Capital assets, net (note 6)	288,782,610
Other (note 17)	203,634
Total noncurrent assets	319,282,176
Total assets	382,400,779
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 7)	14,352,600
Deferred revenues (note 8)	10,935,017
Compensated absences (notes 9 and 15)	801,949
Capital lease obligations (notes 14 and 15)	1,337,726
Amounts held in custody for others	602,868
Claims and litigation payable (note 13)	254,396
Notes payable (notes 15 and 16)	1,027,094
Pollution Remediation Obligation (note 29)	1,750
Bonds payable (notes 15 and 17)	85,000
Other current payables	2,137,009
Total current liabilities	31,535,409

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Assets
June 30, 2011

LIABILITIES (CONT.)	
Noncurrent liabilities:	
Compensated absences (notes 9 and 15)	$11,855,334
Capital lease obligations (notes 14 and 15)	48,912,476
Notes payable (notes 15 and 16)	41,855,849
Other postemployment benefits payable (notes 12 and 15)	78,027,232
Bonds payable (notes 15 and 17)	12,867,679
Total noncurrent liabilities	193,518,570
Total liabilities	225,053,979
NET ASSETS	
Invested in capital assets, net of related debt	184,820,599
Restricted for:	
Nonexpendable (note 18)	11,392,998
Expendable (note 18)	39,093,698
Unrestricted	(77,960,495)
TOTAL NET ASSETS	$157,346,800

(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, 2010

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$813,972
Investments (note 3)	1,738,203
Bayou Classic receivable (note 4)	16,949
Capital lease receivable (note 4)	1,010,000
Other receivable	18,799
Due from affiliate (note 4)	372,880
Unconditional promises to give (net allowance of $31,501) (note 4)	130,986
Prepaid expenses	1,206
Prepaid bond insurance (note 17)	32,945
Bond issuance costs (note 17)	28,978
Total current assets	4,164,918
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	12,173,412
Restricted investments (note 3)	4,547,737
Fixed assets (net of accumulated depreciation of $2,175,016) (note 6)	1,988,070
Capital lease receivable (note 4)	53,447,535
Prepaid bond insurance (net of accumulated amortization of $129,583) (note 17)	891,722
Bond issuance costs (net of accumulated amortization of $117,033) (note 17)	781,280
Total noncurrent assets	73,829,756
TOTAL ASSETS	$77,994,674

(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, 2010

LIABILITIES	
Current liabilities:	
Accounts payable and accruals	$579,808
Accrued interest payable	459,345
Due to affiliate (note 22)	4,568,781
Notes payable (note 16)	258,092
Deferred revenue (note 23)	4,500,000
Bonds payable and premium (note 17)	1,076,157
Total current liabilities	11,442,183
Noncurrent liabilities:	
Rental deposit fund (note 23)	1,876,011
Notes payable (note 16)	312,253
Bonds payable and premium (net of accumulated amortization of $264,629) (note 17)	58,871,251
Total noncurrent liabilities	61,059,515
Total liabilities	72,501,698
NET ASSETS	
Unrestricted	1,172,159
Temporarily restricted	2,417,800
Permanently restricted	1,903,017
Total net assets	5,492,976
TOTAL LIABILITIES AND NET ASSETS	$77,994,674

(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, 2011

OPERATING REVENUES	
Student tuition and fees	$59,570,308
Less scholarship allowances	(23,857,242)
Net student tuition and fees	35,713,066
Federal appropriations	3,379,752
Federal grants and contracts	45,800,947
State and local grants and contracts	5,114,485
Nongovernmental grants and contracts	349,035
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 17)	19,296,008
Less scholarship allowances	(1,047,463)
Net auxiliary revenues	18,248,545
Other operating revenues	4,966,622
Total operating revenues	113,572,452
OPERATING EXPENSES	
Educational and general:	
Instruction	57,348,904
Research	10,608,765
Public service	10,357,154
Academic support	29,676,112
Student services	17,609,432
Institutional support	45,958,521
Operation and maintenance of plant	19,636,452
Depreciation (note 6)	14,811,424
Scholarships and fellowships	29,511,705
Auxiliary enterprises	17,508,446
Other operating expenses	1,308,873
Total operating expenses	254,335,788
OPERATING LOSS	(140,763,336)

(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, 2011

NONOPERATING REVENUES (Expenses)	
State appropriations	$63,353,478
Federal nonoperating revenues	40,923,716
ARRA revenues (note 25)	18,783,118
Gifts	737,719
Investment income	652,061
Interest expense	(3,738,595)
Other nonoperating revenues	5,909,340
Net nonoperating revenues	126,620,837
LOSS BEFORE CAPITAL CONTRIBUTIONS AND ADDITIONS TO ENDOWMENT	(14,142,499)
Capital appropriations	7,748,702
Capital grants and gifts	727,693
Additions to permanent endowment	441,100
DECREASE IN NET ASSETS	(5,225,004)
NET ASSETS - BEGINNING OF YEAR (Restated) (note 19)	162,571,804
NET ASSETS - END OF YEAR	$157,346,800

(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, 2010

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES AND OTHER SUPPORT				
Contributions and other support	$21,718	$1,541,897	$62,608	$1,626,223
Rental income	2,744,491			2,744,491
Bayou Classic revenues	1,883,872			1,883,872
Scoreboard sponsorships	150,000			150,000
Athletic sponsorships and support		387,624		387,624
Interest income	14,894	53,590		68,484
Realized/unrealized investment gains, net of losses	26,564	31,363		57,927
Other income	46,276			46,276
Net assets released from restrictions - satisfaction of program restrictions (note 26)	1,606,567	(1,606,567)		
Total revenues and other support	6,494,382	407,907	62,608	6,964,897
EXPENSES				
Program services	6,644,534			6,644,534
Support services	717,819			717,819
Total expenses	7,362,353	NONE	NONE	7,362,353
Changes in net assets	(867,971)	407,907	62,608	(397,456)
Net assets - beginning of year	2,965,130	2,009,893	1,840,409	6,815,432
Net assets restatements	(925,000)	NONE	NONE	(925,000)
Beginning net assets, restated	2,040,130	2,009,893	1,840,409	5,890,432
Net assets - end of year	$1,172,159	$2,417,800	$1,903,017	$5,492,976

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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$37,496,906
Federal appropriations	3,379,752
Grants and contracts	49,718,478
Payments to suppliers	(44,966,814)
Payments for utilities	(8,116,873)
Payments to employees	(107,627,945)
Payments for benefits	(34,739,317)
Payments for scholarships and fellowships	(29,279,669)
Loans issued to students and employees	(610,137)
Collection on loans issued to students and employees	610,137
Auxiliary enterprise receipts	18,168,866
Other receipts	5,008,151
Net cash used by operating activities	(110,958,465)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	57,160,643
Gifts and grants for other than capital purposes	42,211,583
Private gifts for endowment purposes	441,100
TOPS receipts	1,571,337
TOPS disbursements	(1,795,407)
Implicit loan reduction from other campuses	(1,243,796)
Implicit loan reduction to other campuses	1,243,796
Direct lending receipts	94,179,280
Direct lending disbursements	(94,179,280)
Federal Family Education Loan program receipts	979,445
Federal Family Education Loan program disbursements	(979,445)
ARRA	18,540,916
Other payments	(1,391,270)
Net cash provided by noncapital financing activities	116,738,902
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from capital debt	5,347,946
Capital grants and gifts received	3,270,264
Purchases of capital assets	(21,384,214)
Principal paid on capital debt and leases	(2,342,480)
Interest paid on capital debt and leases	(3,650,489)
Other sources	13,657,936
Net cash used by capital and related financing activities	(5,101,037)

(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, 2011

CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	$6,761,434
Interest received on investments	455,664
Purchase of investments	(7,468,604)
Net cash used by investing activities	(251,506)
NET INCREASE IN CASH AND CASH EQUIVALENTS	427,894
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	41,867,187
CASH AND CASH EQUIVALENTS AT END OF YEAR	$42,295,081
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($140,763,336)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	14,811,424
Changes in assets and liabilities:	
Decrease in accounts receivable, net	746,992
(Increase) in inventories	(30,519)
(Increase) in prepaid expenses	(311,799)
Decrease in other assets	8,928
Increase in accounts payable	2,878,648
Increase in deferred revenue	940,555
(Decrease) in compensated absences	(972,516)
Increase in other postemployment benefits payable	12,098,907
(Decrease) in other liabilities	(365,749)
Net cash used by operating activities	($110,958,465)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS	
Cash and cash equivalents classified as current assets	$19,170,790
Cash and cash equivalents classified as noncurrent assets	23,124,291
Cash and cash equivalents at the end of the year	$42,295,081
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital appropriations for construction of capital assets	$6,939,098
Capital gifts and grants	767,640
Net increase in the fair value of investments	503,863
Loss on disposal of capital assets	11,241
New capital leases	4,000

(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 university is a component unit of the state of Louisiana, within the executive branch of government. The university is under the management and supervision of the Southern University Board of Supervisors (Board); 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 (BOR). The Board 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 university'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 (A&M) 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 System, composed of campuses located in Baton Rouge, New Orleans, and Shreveport and is managed by the Board. The New Orleans and Shreveport campuses were established in September 1959 and September 1967, respectively. The System is comprised of six entities: 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 university's Law Center. During the summer, fall, and spring semesters of the 2010-2011 fiscal year, the university conferred 2,090 degrees and student enrollment was approximately 33,089. Southern University has 555 full-time and adjunct faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. 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 in accordance with such principles.

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 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 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 discretely presented 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) the 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 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 (BOR) 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 university 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 BOR. 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.

The requirements of state law are not applicable to the investments held by the Facilities. 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 the Facilities 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 institution's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. Any infrastructure exceeding $3 million is also 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 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 (LASERS), upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave that 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 for the Teachers' Retirement System of Louisiana and LASERS, but not for the Optional Retirement System.

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

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. 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 (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) 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 (1) payments to vendors for goods or services; (2) payments to employees for services; and (3) 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. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2011, the System implemented the following accounting standards:

- GASB Statement No. 59, *Financial Instruments Omnibus*. Statement No. 59 updates and approves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of Statement No. 59 had no impact on the financial statements or notes.

P. 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.

Q. 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 the:

(1) Foundation as described previously 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. 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.

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 university.

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 5 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, 2011, the System has cash and cash equivalents (book balances) totaling $42,295,081 as follows:

Demand deposits	$33,714,131
Time certificates of deposit	8,579,250
Petty cash	1,700
Total	$42,295,081

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

Current assets	$19,170,790
Noncurrent assets - restricted	23,124,291
Total	$42,295,081

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, 2011, the university has $42,421,055 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 $445,663 as of December 31, 2010.

3. INVESTMENTS

At June 30, 2011, the System has investments totaling $7,880,221 as follows:

	Fair Value June 30, 2011	Investment Maturities (Years)	Credit Quality Rating
Investments held by private foundation:			
Corporate bonds	$1,141,200	1.8	
U.S. government agencies	1,174,772	4.1	
U.S. government obligations	201,942	0.7	
Equities	1,406,155	Not Applicable	
Money market mutual fund	853,849	Not Applicable	
Subtotal - external investment pool	4,777,918		Not Rated
U.S. government obligations	31,996	0.3	Not Applicable
Equities	615,807	Not Applicable	Not Applicable
Mutual funds (debt securities)	477,247	5.3	Not Rated
Money market mutual fund	55,324	Not Applicable	Not Rated
Subtotal	5,958,292		
SUSLA Facilities, Inc.	1,921,929		
Total	$7,880,221		

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

Current assets	$708,580
Noncurrent assets - restricted	7,171,641
Total	$7,880,221

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

The investments in U.S. government obligations totaling $31,996 are exposed to custodial credit risk since the securities are uninsured, not registered in the name of the System, and are held by the counterparty. There is no formally adopted investment policy regarding custodial credit risk.

Investments held by the Foundation are in an external investment pool, which is not SEC registered, but is managed in accordance with the terms outlined in a management agreement executed between the System and the Foundation. The System is a voluntary participant in the agreement and the fair value of the System's position in the pool is equal to the value of the pool shares.

The investments held by the private foundation totaling $4,777,918 are held pursuant to the Endowed Chairs for Eminent Scholars Program and Endowed Professorships Program. For these programs, the investment policy established by BOR states that the overall average credit quality rating of the fixed income securities must be at least AA. In addition, BOR's investment policy states that investments in foreign stocks are limited to 15% of the fund. The System's investment policy limits its investments of fixed income securities in investments of federal government and agency issues and to corporate issues having credit ratings of A to AAA. There are no formally adopted investment policies regarding interest rate risk, custodial credit risk, credit risk of debt investments, concentration of credit risk, or foreign currency risk.

At June 30, 2011, the Facilities has bond funds totaling $1,921,929 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, 2010:

	Carrying Value	Fair Value
Stocks and other publicly traded securities	$1,277,552	$1,718,534
U.S. Governmental Agencies/Term Bond/ Fixed Income funds	2,940,543	3,024,781
Certificates of deposit	580,445	580,445
Cash and cash equivalents/money market	962,180	962,180
Total	$5,760,720	$6,285,940

A total of $4,547,737 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 $1,738,203 is classified as current assets. The total fair value of investments at December 31, 2010, totaled $6,285,940. 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, 2010.

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	$3,867,706	($1,610,146)	$2,257,560
Auxiliary enterprises	1,522,362	(255,409)	1,266,953
Federal grants and contracts	18,162,487	(415,202)	17,747,285
State and private grants and contracts	3,273,547		3,273,547
Accrued interest receivable	135,350		135,350
Due from Office of Facility Planning	5,084,925	(92,633)	4,992,292
Other	618,354	(2,503)	615,851
Total	$32,664,731	($2,375,893)	$30,288,838

There is no noncurrent portion of accounts receivable.

FOUNDATION RECEIVABLES

The Foundation entered into a cooperative agreement with the Board to lease the projects included in the bond issuance. The 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 university during the next fiscal year totals $1,010,000. The total amount due for succeeding years totals $53,447,535. The total Capitalized Lease Receivable balance at December 31, 2010, totaled $54,457,535.

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 $16,949 at December 31, 2010. 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 following at December 31, 2010:

Reimbursable costs pertaining to the bond projects due from the Baton Rouge campus	$162,698
Reimbursable costs pertaining to the bond projects due from the Shreveport campus	210,182
Total due from affiliate	$372,880

Unconditional promises to give as of December 31, 2010, totals $162,487. 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 $31,501, as such unconditional promises to give, net of allowance totals $130,986 at December 31, 2010.

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, 2011. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
Federal Perkins Loan program (A&M and SUSLA)	$2,003,677	($2,003,677)	
Student Government Association loans (SUNO)	146,987		$146,987
Long-term student loans (SUSLA)	98,931	(98,931)	
Total	$2,249,595	($2,102,608)	$146,987

6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2011, is as follows:

	Balance June 30, 2010	Prior Period Adjustments	Adjusted Balance June 30, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Capital assets not being depreciated:							
Land	$6,609,696		$6,609,696				$6,609,696
Software-development in progress		$5,314,421	5,314,421	$515,202	($5,288,469)		541,154
Construction-in-progress	64,253,364	(57,915)	64,195,449	15,225,912	(65,232,484)		14,188,877
Total capital assets not being depreciated	$70,863,060	$5,256,506	$76,119,566	$15,741,114	($70,520,953)	NONE	$21,339,727
Capital assets being depreciated:							
Infrastructure	$32,844,714		$32,844,714				$32,844,714
Less accumulated depreciation	(23,630,301)		(23,630,301)	($415,398)			(24,045,699)
Total infrastructure	9,214,413	NONE	9,214,413	(415,398)	NONE	NONE	8,799,015
Land improvements	7,469,718		7,469,718		$5,286,382		12,756,100
Less accumulated depreciation	(4,646,002)		(4,646,002)	(466,458)			(5,112,460)
Total land improvements	2,823,716	NONE	2,823,716	(466,458)	5,286,382	NONE	7,643,640
Buildings	308,260,800	$108,515	308,369,315	13,342	59,946,102		368,328,759
Less accumulated depreciation	(128,008,197)	(1,591)	(128,009,788)	(8,393,108)			(136,402,896)
Total buildings	180,252,603	106,924	180,359,527	(8,379,766)	59,946,102	NONE	231,925,863
Equipment (including library books)	128,480,805	(597,269)	127,883,536	3,338,167		($1,598,869)	129,622,834
Less accumulated depreciation	(113,891,245)	588,296	(113,302,949)	(4,580,449)		1,598,869	(116,284,529)
Total equipment	14,589,560	(8,973)	14,580,587	(1,242,282)	NONE	NONE	13,338,305
Software (internally generated & purchased)				1,403,601	5,288,469		6,692,070
Other intangibles							
Accumulated amortization - other intangibles							
Accumulated amortization - software				(956,010)			(956,010)
Total intangibles	NONE	NONE	NONE	447,591	5,288,469	NONE	5,736,060
Total capital assets being depreciated	$206,880,292	$97,951	$206,978,243	($10,056,313)	$70,520,953	NONE	$267,442,883
Capital assets summary:							
Capital assets not being depreciated	$70,863,060	$5,256,506	$76,119,566	$15,741,114	($70,520,953)	NONE	$21,339,727
Capital assets being depreciated	477,056,037	(488,754)	476,567,283	4,755,110	70,520,953	($1,598,869)	550,244,477
Total cost of capital assets	547,919,097	4,767,752	552,686,849	20,496,224	NONE	(1,598,869)	571,584,204
Less accumulated depreciation	(270,175,745)	586,705	(269,589,040)	(14,811,423)	NONE	1,598,869	(282,801,594)
Capital assets, net	$277,743,352	$5,354,457	$283,097,809	$5,684,801	NONE	NONE	$288,782,610

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, 2011, total interest paid on capital debt was $2,818,322. Of this amount, $2,743,047 represents capitalized interest on completed projects under the Millennium Housing, L.L.C. Student Housing and Auxiliary Facilities Project, Series 2006 and $75,275 represent capitalized interest on other capital leases.

Buildings with a carrying value of $1,158,265 are idle at June 30, 2011.

FOUNDATION FIXED ASSETS

Land, building, and equipment as of December 31, 2010, are summarized as follows:

Land and improvements	$555,193
Building	172,125
Office equipment	22,966
Scoreboard equipment	2,555,611
Furniture and fixtures	79,993
Software	32,137
Construction-in-progress	745,061
Subtotal	4,163,086
Less - accumulated depreciation	(2,175,016)
Total	$1,988,070

Depreciation expense totaled $271,135 for the year ended December 31, 2010.

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 $745,061 at December 31, 2010.

During the year ended December 31, 2010, projects totaling $2,671,387 have been completed and are currently being leased back to the Board; as such, $2,671,387 has been transferred from construction-in-progress and included in the capital lease receivable due from the System as a result of the capitalized leasing arrangement.

7. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of the System's payables and accruals at June 30, 2011:

Vendor payables	$6,265,903
Accrued salaries and payroll deductions	6,166,310
Accrued interest	1,920,387
Total	$14,352,600

8. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2011:

Prepaid tuition and fees	$1,017,046
Prepaid athletic ticket sales	166,436
Prepaid room and board	275,051
Grants and contracts	9,476,484
Total	$10,935,017

9. COMPENSATED ABSENCES

At June 30, 2011, employees of the System have accumulated and vested annual leave, sick leave, and compensatory leave of $5,770,891; $6,680,647; and $205,745, 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/unclassified state employees are generally members of 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. Both plans 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 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 reports may be obtained by writing to the Teachers' Retirement System of

Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of employee 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 R.S. 11:102. Employees contribute 8% (TRSL) and 7.5% (8% for LASERS employees hired after July 1, 2006) of covered salaries. For fiscal year 2011, the state is required to contribute 20.2% of covered salaries to TRSL and 22% of covered salaries to LASERS. 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, 2011, 2010, and 2009 were $9,559,209; $7,364,345; and $7,843,748, respectively, and to LASERS for the years ended June 30, 2011, 2010, and 2009 were $5,096,221; $4,762,979; and $4,995,327, 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 20.2% of the covered payroll for fiscal year 2011. The participant's contribution of 8%, 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 $4,445,062 and $1,759,791, respectively, for the fiscal year ended June 30, 2011.

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 State of Louisiana's Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's Web site 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 three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) plan, the Health Maintenance Organization (HMO) plan, and the Medical Home 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 during calendar years 2010 and 2011, two private fee-for-service (PFFS) plans during calendar year 2010, and two PPO plans during calendar year 2011.

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 rate upon retirement 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%

Shown below are the total monthly premium rates in effect for the plan year 2010-2011.

	PPO	HMO	Medical Home HMO Plan	CDHP-HSA
Active				
Single	$559	$528	$532	$434
With Spouse	1,187	1,121	1,130	921
With Children	681	644	649	529
Family	1,251	1,182	1,192	971
Retired, No Medicare and Re-employed Retiree				
Single	$1,039	$985	$990	N/A
With Spouse	1,835	1,739	1,748	N/A
With Children	1,158	1,097	1,102	N/A
Family	1,826	1,731	1,739	N/A
* Retired, with 1 Medicare				
Single	$338	$326	$322	N/A
With Spouse	1,249	1,191	1,189	N/A
With Children	585	561	557	N/A
Family	1,664	1,585	1,584	N/A
* Retired, with 2 Medicare				
With Spouse	$607	$584	$578	N/A
Family	752	723	716	N/A

* All members who retire on or after July 1, 1977, must have Medicare Parts A and B to qualify for the reduced premium rates.

	Calendar Year 2011		Calendar Year 2010	
	Retired with		Retired with	
Medicare Supplemental Rates	1 Medicare	2 Medicare	1 Medicare	2 Medicare
Humana (HMO Plan)	$145	$290	$149	$298
People's Health (HMO Plan)	115	230	142	284
Vantage (HMO Plan)	258	516	198	396
Humana (PFFS Plan)	N/A	N/A	165	330
Humana (PPO Plan)	149	298	N/A	N/A
Secure Horizons (PFFS Plan)	N/A	N/A	199	397
United Health Care (PPO Plan)	199	397	N/A	N/A

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 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 2011 is $16,810,700.

Normal cost	$8,198,400
Interest	646,565
Amortization of the UAAL	7,965,735
Annual required contribution	$16,810,700

The following schedule presents the components of the System's OPEB obligation for fiscal year 2011:

ARC	$16,810,700
Interest on net OPEB obligation	2,637,100
ARC adjustment	(2,519,200)
Annual OPEB cost	16,928,600
Contributions made - current year retiree premiums	(4,829,693)
Increase in net OPEB obligation	12,098,907
Beginning net OPEB obligation, June 30, 2010	65,928,325
Ending net OPEB obligation, June 30, 2011	$78,027,232

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, 2011, 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, 2009	$28,153,017	15.7%	$50,686,780
June 30, 2010	19,819,400	23.1%	65,928,325
June 30, 2011	16,928,600	28.5%	78,027,232

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 2011, 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 $211,086,700 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2010, was as follows:

AAL	$211,086,700
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability (UAAL)	$211,086,700
Funded ratio	0%
Covered payroll (active plan members)	$80,218,582
UAAL as a percentage of covered payroll	263.1%

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, 2010, 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 8.0% and 9.1% 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

The System is involved in 382 lawsuits and claims against it at June 30, 2011, of which 15 are handled by contracted attorneys. In the opinion of the contracted attorneys, for the 15 lawsuits and claims, there is a probable loss of $15,500 to the System. The remaining lawsuits and claims are handled by the Attorney General's office or the state's self-insurance fund that is operated by the Office of Risk Management (ORM). Any losses resulting from these lawsuits and claims would be paid by ORM or through General Fund appropriations. The amount of settlements paid in the last three years did not exceed insurance coverage.

In April 2009, the Shreveport campus signed a repayment plan with the U.S. Department of Education to repay disallowed federal costs in the amount of $682,939. These costs were related to programs administered during the period July 1, 2005, through June 30, 2006. Total payments made during fiscal years 2010 and 2011 totaled $477,792. The remaining principal payments of $238,896 together with the probable loss of $15,500 discussed in the preceding paragraph are shown on the Statement of Net Assets current portion as claims and litigation payable. The future minimum interest payments as of June 30, 2011, are $4,413.

14. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2011, total operating lease expenditures was $3,951,009. 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, 2011.

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, 2011:

Fiscal Year Ended June 30,	
2012	$4,181,341
2013	3,921,105
2014	3,563,382
2015	3,563,145
2016	3,560,296
2017-2021	17,798,320
2022-2026	17,798,570
2027-2031	17,804,505
2032-2036	17,803,948
2037-2039	10,681,801
Total mimimum payments	100,676,413
Less - amount representing interest	(50,426,211)
Present value of net minimum lease payments	$50,250,202

The gross amount, including capitalized interest, of assets held under capital leases as of June 30, 2011 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, 2011:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	$7,584,860	($3,659,692)	$3,925,168

The following is a schedule, by fiscal years, of the minimum future rentals on noncancelable operating leases as of June 30, 2011:

Nature of Operating Lease	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	Total Minimum Future Rentals
Office space	$1,094,040	$943,000	$975,000	$983,000	$1,018,000	$2,143,000			$7,156,040
Equipment	15,000	15,000	15,000						45,000
Land	3,600	3,600	3,600	3,600	3,600	18,000	$18,000	$17,100	71,100
Other	73,430	20,055	20,760	14,760					129,005
Total	$1,186,070	$981,655	$1,014,360	$1,001,360	$1,021,600	$2,161,000	$18,000	$17,100	$7,401,145

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. Contingent rentals for office space amounted to $267,204 for the fiscal year ended June 30, 2011.

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, 2011:

	Balance, June 30, 2010	Prior Period Adjustments	Restated Balance, June 30, 2010	Additions	Reductions	Balance, June 30, 2011	Amounts Due Within One Year
Compensated absences payable	$13,629,799		$13,629,799	$132,139	($1,104,655)	$12,657,283	$801,949
Capital lease obligations	51,208,571	$96,885	51,305,456	199,376	(1,254,630)	50,250,202	1,337,726
Claims payable	462,062		462,062		(207,666)	254,396	254,396
Notes payable	38,559,997		38,559,997	5,347,946	(1,025,000)	42,882,943	1,027,094
OPEB payable	65,928,325		65,928,325	19,447,800	(7,348,893)	78,027,232	
Revenue bonds payable	13,035,595		13,035,595		(82,916)	12,952,679	85,000
Pollution Remediation Obligation		1,750	1,750			1,750	1,750
Total long-term liabilities	$182,824,349	$98,635	$182,922,984	$25,127,261	($11,023,760)	$197,026,485	$3,507,915

16. NOTES PAYABLE

The Board 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, 2011, the System recorded advances in the amount of $42,882,943 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, 2011:

Fiscal Year Ended June 30	Principal	Interest	Total
2012	$1,027,794	$426,265	$1,454,059
2013	1,036,774	415,947	1,452,721
2014	1,147,537	405,315	1,552,852
2015	1,265,284	393,545	1,658,829
2016	1,363,074	380,648	1,743,722
2017-2021	8,012,799	1,676,396	9,689,195
2022-2026	8,579,582	1,260,180	9,839,762
2027-2031	9,018,640	821,462	9,840,102
2032-2036	9,478,652	360,257	9,838,909
2037	1,952,807	14,658	1,967,465
Total	$42,882,943	$6,154,673	$49,037,616

FOUNDATION NOTES PAYABLE

The following is a summary of notes payable at December 31, 2010:

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.	$469,918
Unsecured note payable to a contractor, with an interest rate of 7.186%, with a maturity date of April 20, 2013.	100,427
Total notes payable	570,345
Less - current portion	(258,092)
Total long-term portion	$312,253

Scheduled principal payments due on these notes payable subsequent to December 31, 2010, are as follows:

Year Ended December 31,	
2011	$258,092
2012	290,752
2013	21,501
Total	$570,345

Interest expense for the year ended December 31, 2010, totaled $25,443.

17. BONDS PAYABLE

Bonds payable consisted of the following for the fiscal year ended June 30, 2011:

Issue	Date of Issue	Original Issue	Principal Outstanding June 30, 2010	Issued (Redeemed)	Principal Outstanding June 30, 2011	Final Fiscal Year Maturity	Interest Rates	Future Interest Payments June 30, 2011
A.W. Mumford Stadium Track Resurfacing Revenue Bonds, Series 1993	November 1, 1993	$650,000	$95,000	($35,000)	$60,000	2014	8.25-8.5%	$5,913
SUSLA Facilities, Inc., Revenue Bonds:								
Series 2007A	July 25, 2007	12,795,000	12,795,000		12,795,000	2040	5.75%	14,543,329
Series 2007B	July 25, 2007	205,000	205,000	(50,000)	155,000	2014	9.0%	17,775
Total			$13,095,000	($85,000)	$13,010,000			$14,567,017
Accumulated amortization of premium			87,635	(3,075)	84,560			
Accumulated amortization of discount			(147,040)	5,159	(141,881)			
Bonds payable, net			$13,035,595	($82,916)	$12,952,679			

The scheduled maturities of the bonds at June 30, 2011, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2012	$85,000	$750,976	$835,976
2013	100,000	742,813	842,813
2014	120,000	734,450	854,450
2015	145,000	726,368	871,368
2016	180,000	717,025	897,025
2017-2021	1,285,000	3,384,881	4,669,881
2022-2026	1,730,000	2,952,050	4,682,050
2027-2031	2,285,000	2,378,344	4,663,344
2032-2036	3,025,000	1,619,916	4,644,916
2037-2040	4,055,000	560,194	4,615,194
Total	13,010,000	$14,567,017	$27,577,017
Unamortized premium/discount, net	(57,321)		
Bonds payable reported on the Statement of Net Assets	$12,952,679		

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 SUSLA, 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 Southern University and A&M 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, 2011:

	Costs	Prior Year Accumulated Amortization	Current Year Amortization	Costs, net of Accumulated Amortization
Bond issuance costs	$230,528	($19,210)	($7,684)	$203,634

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 8.7% of net revenues. The total principal and interest remaining to be paid on the bonds is $65,913. Principal and interest paid for the current year and total fees collected were $41,416 and $387,424, respectively.

The following is a summary of the debt service reserve requirements of the bond issues outstanding at June 30, 2011:

	Cash/ Investment Reserves Available	Reserve Requirements	Excess
A.W. Mumford track project	$34,985	$33,788	$1,197
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
2011	$1,010,000
2012	1,050,000
2013	1,105,000
2014	1,160,000
2015	1,215,000
Subsequent to 2015	52,555,000
Total	$58,095,000

Interest expense for the year ended December 31, 2010, totaled $2,706,105. Total bonds payable net of bond premium totaled $59,947,408.

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	(198,472)
Current year amortization	(66,157)
Total accumulated amortization	(264,629)
Ending balance, December 31, 2010	$1,852,408

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	Costs, Net of Accumulated Amortization at December 31, 2010
Bond issuance costs	$927,291	($86,933)	($30,100)	$810,258
Prepaid bond insurance	1,054,250	(96,637)	(32,946)	924,667

18. RESTRICTED NET ASSETS

The System has the following restricted net assets at June 30, 2011:

Nonexpendable - endowments	$11,392,998
Expendable:	
Gifts, grants, and contracts	$5,151,314
Endowment income	3,009,923
Student fees	12,194,757
Student loans	1,007,561
University plant projects	14,337,742
Debt service requirements	3,392,401
Total expendable	$39,093,698

Of the total net assets reported in the Statement of Net Assets as of June 30, 2011, a total of $10,495,734 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, 2010	$157,018,529
Accrued interest adjustment	(11)
Capital asset adjustment	5,354,457
Accrued liabilities adjustment	3,450
Pollution remediation adjustment	(1,750)
Endowment adjustment	(1,382)
Receivables adjustment	53,137
Revenue/expense reclassification	145,374
Net Assets at June 30, 2010, as restated	$162,571,804

20. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Board 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, 2011, net appreciation of donor restricted endowments is equal to $1,368,500, which is available to be spent for restricted purposes. The System limits endowment spending to the income earned in a given year for purposes specified by donors. 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, 2011, the System had a relationship with the Foundation. The Foundation promotes activities of the Southern University Athletic Department and coordinates the ancillary activities of the Bayou Classic weekend.

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.

In addition, SUSLA had a lease agreement with a nonprofit organization, SUSLA Facilities, Inc. whereby a third-party developer, Ambling Development Group was to build a student housing complex. 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. The SUSLA Chancellor and the Vice Chancellor for Finance and Administration serve as ex officio (non-voting) members on the board of directors for SUSLA Facilities, Inc.

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.

The System has contracted with the Foundation to invest the System’s Endowed Chairs for Eminent Scholars Program endowment funds and Endowed Professorship Program endowment funds. The Endowed Chairs for Eminent Scholars Program endowment funds are established for $1,000,000 each, with $600,000 of private contributions and $400,000 of state matching portion allocated by the Board of Regents for Higher Education, while the Endowed Professorship Program endowment funds are established for $100,000 each, with $60,000 of private contributions and $40,000 of state matching portion allocated by the Board of Regents for Higher Education. The original endowment base including the state matching portion and private contributions totaled $3,955,750. At June 30, 2011, the Foundation holds in custody $4,777,918 of Endowed Chairs for Eminent Scholars Program and Endowed Professorship Program endowment funds invested for the System. Because the Foundation's fiscal year-end of December 31, 2010, differs from the System's fiscal year-end, the amounts reported as due to the System by the Foundation do not agree to the amounts reported as invested by the System.

Certain operating expenses of the Foundation for the year (assumed by the System and included in expenses, Statement C) are summarized as follows:

Salaries and related benefits	$41,738
Other	4,857
Total	$46,595

FOUNDATION DISCLOSURE

The System has contracted with the Foundation to invest the university's Endowed Chairs for Eminent Scholars and Endowed Professorship endowment funds. The amount due to the System as of December 31, 2010, totaled $4,547,737. There was also an additional amount of $21,044 that was due to the Shreveport campus at December 31, 2010.

23. COOPERATIVE ENDEAVOR AGREEMENT

On October 26, 2006, the Foundation entered into a Cooperative Endeavor and Lease Agreement (the Agreement) with the Board to lease to the Board certain student housing facilities and certain auxiliary student facilities. The Board made 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 to be used for a student intramural sports complex and north-end seating in Mumford Stadium at Southern University Baton Rouge campus.

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 before that date. The Board payments are designed to be sufficient to pay the principal of and interest on the LPFA Series 2006 Bonds. The base rental payments are as follows:

Fiscal Year Ended June 30,	Base Rent
2012	$3,749,925
2013	3,749,525
2014	3,752,025
2015	3,751,775
2016	3,748,775
2017-2021	18,740,550
2022-2026	18,740,812
2027-2031	18,747,065
2032-2036	18,746,475
2037-2039	11,247,288
Total	$104,974,215

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, 2010, and June 30, 2011, 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 Web site at www.lla.la.gov.

25. AMERICAN RECOVERY AND REINVESTMENT ACT

American Recovery and Reinvestment Act expenses incurred in fiscal year 2011 consisted of the following programs and amounts:

Program:	
State Fiscal Stabilization Fund	$18,662,014
IRES - NSF US/Cameroon Healthcare Collaboration	9,825
Forest Resource Survey	72,815
SCORE - Enhancing Research Excellence	37,389
Nursing Traineeship	1,075
Total	$18,783,118

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, 2010:

Scholarships and educational assistance	$224,455
University events, programs, and support	1,382,112
Total	$1,606,567

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, 2010, totaled $3,714,491. 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, 2010, totaled $46,690.

28. 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, 2011, the cost of providing those benefits for 22 voluntary terminations totaled $314,925. During fiscal year ending June 30, 2011, the System and A&M College offered a retirement incentive plan, in accordance with the Board policies, to all employees who were eligible for retirement. The plan offered employees a lump-sum payment provided that the employees retired by September 1, 2010. The lump-sum payment amounted to 40% of the employees' base salary with a cap that could not exceed $25,000. The System did not report any involuntary terminations for the 2011 fiscal year.

29. POLLUTION REMEDIATION OBLIGATION

A preliminary site assessment has been performed that revealed asbestos on the Southern University and A&M College property. 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, 2011, the potential liability totals $1,750. During fiscal year 2011, 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.

30. SUBSEQUENT EVENTS

The State of Louisiana has continued to experience decreases in state revenues that have resulted in decreased funding for the 2012 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 2011-2012 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.

The Board declared financial exigency for the Southern University A&M campus for fiscal year 2012; beginning November 1, 2011 through June 30, 2012. Financial exigency is a judicially accepted condition permitting an educational institution to terminate programs and eliminate staff positions, including those of tenured faculty. The leadership of Southern University views this declaration of financial exigency as a positive opportunity to critically examine existing programs and services with the goal of making mission-critical improvements through a continuous quality enhancement process of rebuilding, reorganizing, and restructuring academic and administrative programs and services.

The U.S. Department of Education's School Participation Team-Dallas (Department) issued a program review report dated November 23, 2009, covering Southern University Shreveport. The report contained findings that resulted in a liability owed to the Department. In March 2012, the Department proposed a settlement of $1,282,490. Southern University Shreveport must also return $315,201 to FFEL Lenders. The Department is willing to include a repayment plan that would allow the Shreveport campus to pay its liabilities over a period of time. The settlement amount is still under negotiation.

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 of 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, 2011

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, 2008	NONE	$330,666,000	$330,666,000	0%	$82,571,124	400.5%
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%

SUPPLEMENTARY INFORMATION SCHEDULES

SCHEDULE OF PER DIEM PAID BOARD MEMBERS

Schedule 2 presents the per diem paid board members for the fiscal year ended June 30, 2011. 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, 2011

Name	Amount
Randale Scott	$600
Murphy Nash Jr.	550
Richard Caiton	450
Total	$1,600

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Assets, by Campus, June 30, 2011

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
ASSETS			
Current assets:			
Cash and cash equivalents	$1,221,946	$13,485,705	
Investments			
Receivables, net	217	7,280,441	$399,264
Due from federal government		6,477,805	4,407,601
Due from other campuses		3,592,229	
Due from state treasury		3,869,643	903,711
Inventories		513,733	
Deferred charges and prepaid expenses	6,816	4,860,498	35,033
Notes receivable, net			
Other current assets		91,795	
Total current assets	1,228,979	40,171,849	5,745,609
Noncurrent assets:			
Restricted cash and cash equivalents	499,185	11,641,185	1,286,418
Restricted investments		4,319,789	269,234
Capital assets, net		164,255,057	8,797,076
Other			
Total noncurrent assets	499,185	180,216,031	10,352,728
Total assets	1,728,164	220,387,880	16,098,337
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	237,181	9,176,721	634,120
Due to other campuses			1,685,502
Deferred revenues	35,272	7,734,061	451,987
Compensated absences	143,489	407,668	29,977
Capital lease obligations		1,210,570	
Amounts held in custody for others		504,260	
Claims and litigation payable		15,500	
Notes payable			
Pollution Remediation Obligation		1,750	
Bonds payable		30,000	
Other current payables		696,097	42,487
Total current liabilities	415,942	19,776,627	2,844,073
Noncurrent liabilities:			
Compensated absences	236,415	6,483,432	879,869
Capital lease obligations		47,290,391	
Notes payable			
OPEB payable	3,371,051	44,985,397	6,441,254
Bonds payable		30,000	
Total noncurrent liabilities	3,607,466	98,789,220	7,321,123
Total liabilities	4,023,408	118,565,847	10,165,196
NET ASSETS			
Invested in capital assets, net of related debt		115,692,346	8,797,076
Restricted for:			
Nonexpendable	360,000	6,252,440	1,363,750
Expendable	831,345	23,999,675	2,035,659
Unrestricted	(3,486,589)	(44,122,428)	(6,263,344)
TOTAL NET ASSETS	($2,295,244)	$101,822,033	$5,933,141

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	ELIMINATIONS	TOTAL SYSTEM
$114,322	$4,348,817			$19,170,790
		$708,580		708,580
438,809	2,217,552	2,205,270		12,541,553
2,784,450	2,690,388	1,387,041		17,747,285
			($3,592,229)	
235,457	1,026,380	823,080		6,858,271
				513,733
	325	366,322		5,268,994
	146,987			146,987
		70,615		162,410
3,573,038	10,430,449	5,560,908	(3,592,229)	63,118,603
	9,096,425	601,078		23,124,291
	1,148,378	1,434,240		7,171,641
5,321,124	84,918,293	25,491,060		288,782,610
		203,634		203,634
5,321,124	95,163,096	27,730,012	NONE	319,282,176
8,894,162	105,593,545	33,290,920	(3,592,229)	382,400,779
514,486	2,358,832	1,431,260		14,352,600
		1,906,727	(3,592,229)	
4,269	2,171,364	538,064		10,935,017
41,289	110,188	69,338		801,949
		127,156		1,337,726
	15,082	83,526		602,868
		238,896		254,396
	1,027,094			1,027,094
				1,750
		55,000		85,000
	855,160	543,265	NONE	2,137,009
560,044	6,537,720	4,993,232	(3,592,229)	31,535,409
823,075	1,773,816	1,658,727		11,855,334
		1,622,085		48,912,476
	41,855,849			41,855,849
5,233,578	10,732,628	7,263,324		78,027,232
		12,837,679		12,867,679
6,056,653	54,362,293	23,381,815	NONE	193,518,570
6,616,697	60,900,013	28,375,047	(3,592,229)	225,053,979
5,321,124	42,035,350	12,974,703		184,820,599
	2,956,808	460,000		11,392,998
1,472,854	9,089,562	1,664,603		39,093,698
(4,516,513)	(9,388,188)	(10,183,433)		(77,960,495)
$2,277,465	$44,693,532	$4,915,873	NONE	$157,346,800

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, 2011

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
OPERATING REVENUES			
Student tuition and fees		$35,948,129	$7,048,591
Less scholarship allowances		(15,662,948)	(174,281)
Net student tuition and fees	NONE	20,285,181	6,874,310
Federal appropriations			
Federal grants and contracts		20,760,254	3,999,131
State and local grants and contracts		3,223,998	
Nongovernmental grants and contracts		349,035	
Auxiliary enterprise revenues (including revenue used to secure debt)		14,845,974	
Less scholarship allowances		(775,787)	
Net auxiliary revenues	NONE	14,070,187	NONE
Other operating revenues		2,924,885	40,170
Total operating revenues	NONE	61,613,540	10,913,611
OPERATING EXPENSES			
Educational and general:			
Instruction		35,863,181	5,268,835
Research		6,095,776	
Public service	$49,373	3,993,656	262,580
Academic support		22,459,681	3,075,457
Student services		6,507,803	1,310,848
Institutional support	6,173,047	15,069,415	3,502,508
Operation and maintenance of plant		14,332,423	197,892
Depreciation		9,036,196	1,181,014
Scholarships and fellowships	97,197	13,334,180	1,321,536
Auxiliary enterprises		14,014,670	
Other operating expenses		(7,423)	
Total operating expenses	6,319,617	140,699,558	16,120,670
OPERATING LOSS	(6,319,617)	(79,086,018)	(5,207,059)
NONOPERATING REVENUES (Expenses)			
State appropriations	2,223,162	33,642,754	5,460,920
Federal nonoperating revenues		21,853,726	
ARRA revenues		11,831,505	1,655,624
Gifts	214,435	439,493	21,300
Investment income	796	374,497	24,678
Interest expense		(2,827,604)	
Other nonoperating revenues (expenses)		4,618,675	(38,698)
Net nonoperating revenues	2,438,393	69,933,046	7,123,824

(Continued)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	$10,342,157	$6,231,431	$59,570,308
	(3,358,689)	(4,661,324)	(23,857,242)
NONE	6,983,468	1,570,107	35,713,066
$3,379,752			3,379,752
2,248,130	9,880,206	8,913,226	45,800,947
484,562	1,069,957	335,968	5,114,485
			349,035
	2,233,888	2,216,146	19,296,008
	(148,820)	(122,856)	(1,047,463)
NONE	2,085,068	2,093,290	18,248,545
111,669	947	1,888,951	4,966,622
6,224,113	20,019,646	14,801,542	113,572,452
	10,654,165	5,562,723	57,348,904
3,234,646	796,368	481,975	10,608,765
5,047,150	201,800	802,595	10,357,154
	3,561,561	579,413	29,676,112
	4,678,840	5,111,941	17,609,432
1,867,542	9,760,450	9,585,559	45,958,521
125,526	3,566,384	1,414,227	19,636,452
275,905	2,811,532	1,506,777	14,811,424
9,500	9,249,046	5,500,246	29,511,705
	1,711,688	1,782,088	17,508,446
	839,651	476,645	1,308,873
10,560,269	47,831,485	32,804,189	254,335,788
(4,336,156)	(27,811,839)	(18,002,647)	(140,763,336)
4,054,738	10,115,734	7,856,170	63,353,478
	9,959,050	9,110,940	40,923,716
	3,428,730	1,867,259	18,783,118
	62,491		737,719
	175,731	76,359	652,061
	(71,044)	(839,947)	(3,738,595)
283,488	210,066	835,809	5,909,340
4,338,226	23,880,758	18,906,590	126,620,837

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by Campus, 2011

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
INCOME (Loss) BEFORE CAPITAL CONTRIBUTIONS AND ADDITIONS TO ENDOWMENTS	($3,881,224)	($9,152,972)	$1,916,765
Capital appropriations		6,939,098	
Capital grants and gifts			
Additions to permanent endowment		401,100	
Transfers in/(out)	3,300,518	1,779,025	(1,797,004)
INCREASE (Decrease) IN NET ASSETS	(580,706)	(33,749)	119,761
NET ASSETS - BEGINNING OF YEAR (Restated)	(1,714,538)	101,855,782	5,813,380
NET ASSETS - END OF YEAR	($2,295,244)	$101,822,033	$5,933,141

(Concluded)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
$2,070	($3,931,081)	$903,943	($14,142,499)
809,604			7,748,702
	727,693		727,693
	40,000		441,100
(1,039,080)	(1,124,072)	(1,119,387)	
(227,406)	(4,287,460)	(215,444)	(5,225,004)
2,504,871	48,980,992	5,131,317	162,571,804
$2,277,465	$44,693,532	$4,915,873	$157,346,800

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by Campus
For the Fiscal Year Ended June 30, 2011

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tuition and fees		$20,995,878	$6,928,017
Federal appropriations			
Grants and contracts	($15,000)	25,470,953	3,959,914
Payments to suppliers	(1,190,525)	(24,452,116)	(2,165,545)
Payments for utilities		(6,062,897)	
Payments to employees	(3,343,978)	(61,018,817)	(8,832,751)
Payments for benefits	(975,740)	(20,749,989)	(2,109,093)
Payments for scholarships and fellowships	(100,048)	(12,877,185)	(838,021)
Loans issued to students and employees			
Payments on loans issued to students and employees			
Auxiliary enterprise receipts		14,367,100	
Other receipts (payments)	136,273	2,924,885	177,881
Net cash used by operating activities	(5,489,018)	(61,402,188)	(2,879,598)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
State appropriations	2,223,162	30,056,942	4,588,195
Gifts and grants for other than capital purposes	214,435	22,905,858	21,300
Private gifts for endowment purposes		401,100	
TOPS receipts		1,476,890	
TOPS disbursements		(1,700,960)	
Implicit loan reduction from other campuses			(370,710)
Implicit loan reduction to other campuses		1,243,796	
Direct lending receipts		66,969,484	
Direct lending disbursements		(66,969,484)	
Federal Family Education Loan program receipts		979,445	
Federal Family Education Loan program disbursements		(979,445)	
ARRA		11,831,505	1,655,624
Other receipts (payments)	3,303,968	1,788,327	(2,949,976)
Net cash provided by noncapital financing sources	5,741,565	68,003,458	2,944,433
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital debt			
Capital grants and gifts received			
Purchases of capital assets		(11,230,947)	(1,114,274)
Principal paid on capital debt and leases		(1,174,554)	
Interest paid on capital debt and leases		(2,804,224)	
Other sources (uses)		11,637,625	1,114,274
Net cash used by capital and related financing activities	NONE	(3,572,100)	NONE
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments		4,093,138	
Interest received on investments	789	351,932	19,956
Purchase of investments		(4,556,140)	(83,565)
Net cash provided (used) by investing activities	789	(111,070)	(63,609)

(Continued)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	$7,981,287	$1,591,724	$37,496,906
$3,379,752			3,379,752
698,654	10,196,650	9,407,307	49,718,478
(922,159)	(8,940,810)	(7,295,659)	(44,966,814)
(50,125)	(1,356,010)	(647,841)	(8,116,873)
(5,384,447)	(16,706,934)	(12,341,018)	(107,627,945)
(1,665,697)	(5,407,820)	(3,830,978)	(34,739,317)
(66,289)	(9,994,844)	(5,403,282)	(29,279,669)
	(610,137)		(610,137)
	610,137		610,137
	1,738,649	2,063,117	18,168,866
111,669	(47,857)	1,705,300	5,008,151
(3,898,642)	(22,537,689)	(14,751,330)	(110,958,465)
4,059,735	9,170,483	7,062,126	57,160,643
	9,959,050	9,110,940	42,211,583
	40,000		441,100
		94,447	1,571,337
		(94,447)	(1,795,407)
		(873,086)	(1,243,796)
			1,243,796
	22,825,616	4,384,180	94,179,280
	(22,825,616)	(4,384,180)	(94,179,280)
			979,445
			(979,445)
	3,186,528	1,867,259	18,540,916
(852,025)	(1,600,250)	(1,081,314)	(1,391,270)
3,207,710	20,755,811	16,085,925	116,738,902
	5,347,946		5,347,946
	3,270,264		3,270,264
(906,037)	(7,708,881)	(424,075)	(21,384,214)
	(1,025,000)	(142,926)	(2,342,480)
	(64,267)	(781,998)	(3,650,489)
906,037			13,657,936
NONE	(179,938)	(1,348,999)	(5,101,037)
		2,668,296	6,761,434
	15,205	67,782	455,664
		(2,828,899)	(7,468,604)
NONE	15,205	(92,821)	(251,506)

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by Campus, 2011

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$253,336	$2,918,100	$1,226
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,467,795	22,208,790	1,285,192
CASH AND CASH EQUIVALENTS AT END OF YEAR	$1,721,131	$25,126,890	$1,286,418
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	($6,319,617)	($79,086,018)	($5,207,059)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense		9,036,196	1,181,014
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net	138,499	1,390,923	(98,757)
(Increase) decrease in inventories		(30,519)	
(Increase) decrease in prepaid expenses	3,588	(233,956)	(10,628)
Decrease in other assets			
Increase (decrease) in accounts payable	179,458	14,628	218,804
Increase (decrease) in deferred revenue	(15,000)	1,566,053	19,324
Increase in compensated absences	(6,287)	(722,133)	(208,894)
Increase in OPEB payable	530,341	6,805,221	1,226,598
Increase (decrease) in other liabilities		(142,583)	
Net cash used by operating activities	($5,489,018)	($61,402,188)	($2,879,598)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS			
Cash and cash equivalents classified as current assets	$1,221,946	$13,485,705	
Cash and cash equivalents classified as noncurrent assets	499,185	11,641,185	$1,286,418
Cash and cash equivalents at the end of the year	$1,721,131	$25,126,890	$1,286,418
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital appropriations for construction of capital assets		$6,939,098	
Capital gifts and grants			
Net increase in the fair value of investments		333,754	$23,565
Loss on disposal of capital assets			
Capital lease		4,000	

(Concluded)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
($690,932)	($1,946,611)	($107,225)	$427,894
805,254	15,391,853	708,303	41,867,187
$114,322	$13,445,242	$601,078	$42,295,081
($4,336,156)	($27,811,839)	($18,002,647)	($140,763,336)
275,905	2,811,532	1,506,777	14,811,424
(1,226,987)	(126,034)	669,348	746,992
			(30,519)
6,369		(77,172)	(311,799)
		8,928	8,928
443,514	1,162,612	859,632	2,878,648
1,349	(24,884)	(606,287)	940,555
39,118	9,166	(83,486)	(972,516)
898,246	1,441,758	1,196,743	12,098,907
		(223,166)	(365,749)
($3,898,642)	($22,537,689)	($14,751,330)	($110,958,465)
$114,322	$4,348,817		$19,170,790
	9,096,425	$601,078	23,124,291
$114,322	$13,445,242	$601,078	$42,295,081
			$6,939,098
	$767,640		767,640
	137,158	$9,386	503,863
		11,241	11,241
			4,000

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 and regulations and other matters required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report is based 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

April 18, 2012

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, which collectively comprise the basic financial statements of the Southern University System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2011, and have issued our report thereon dated April 18, 2012. Our report was modified to include 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 and SUSLA Facilities, Inc., as described in our report on 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 above. However, as discussed in the following paragraph, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal controls over financial reporting.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Inaccurate Annual Fiscal Report Preparation

System management had significant errors and/or omissions in its annual fiscal report (AFR), which required adjustment, and submitted the AFR 62 days after the Office of Statewide Reporting and Account Policy (OSRAP) deadline. The System also did not ensure that monthly fiscal periods were closed timely in the new fiscal accounting system, Banner. This is the fifth consecutive year the System has had a finding related to fiscal report preparation.

A review of the fiscal year ending June 30, 2011, financial information included the following:

<u>Errors and Omissions</u>

- On the Statement of Net Assets, the Shreveport campus incorrectly blended a portion of SUSLA Facilities, Inc.'s net assets related to Invested in Capital Assets as Unrestricted Net Assets for $888,039.

- On the Statement of Revenues, Expenses, and Changes in Net Assets, the System understated the Ag Center's capital appropriations of $809,604.

- On the Statement of Cash Flows:

    - The System incorrectly reported A&M campus' implicit loans to other campuses as other receipts (payments) of $1,234,796.

    - The System improperly reported Shreveport campus' decrease in due to other campuses on the combining schedule of cash flows as an implicit loan to other campuses when it should have been reported as an implicit loan from other campuses of $873,086.

- The financial statements' related note disclosures included the following errors and omissions:

  - The System did not disclose the fiscal year 2012-2041 future lease payments pertaining to the Millennium Lease for the A&M and Shreveport campuses in note P. This omission also caused the capital lease obligations to be understated in note I.

  - The System did not disclose the New Orleans and Shreveport campuses' and omitted a portion of A&M campus' property on lease or held for lease under the lessor operating leases in AFR note P which resulted in understatements of the cost, carrying amount, and accumulated depreciation of property leased of $3,836,502; $3,253,803; and $582,699, respectively.

  - The System understated fiscal year end 2011 operating lease expenditures by $1,141,371 in note P.

  - The System overstated employer contributions for fiscal year-end 2011 (note X) for LASERS, TRSL C, and TRSL D by $2,123,315; $4,274,966; and $2,025,602, respectively. In addition, the System overstated TRSL Optional Retirement Plan employer and employee contributions (note X) by $2,025,602 and $801,774, respectively.

  - The System improperly disclosed the New Orleans campus' equities totaling $615,807 as an investment for credit risk of debt investments in note C.2. In addition, the System improperly disclosed the New Orleans campus' equities and money market funds totaling $671,131 as being exposed to interest rate risk and did not disclose the New Orleans campus' maturity date of mutual funds totaling $477,247.

<u>Untimely Support</u>

- Over 33% of the auditors' requests for information from management and university personnel took over 30 days to fulfill, with 12% taking longer than 90 days and 6% taking longer than 120 days.

<u>Errors noted during our test</u>

- In a test for unrecorded payables, we noted two checks out of 15 (13%) tested totaling $179,963 from the A&M and New Orleans campuses that represented payables existing at June 30, 2011, but were not recorded as payables on the Statement of Net Assets.

The System implemented the Banner Finance and HR/Payroll system in July 2010; however, campuses within the System did not close their monthly fiscal periods 1 (July 2010) through 11 (May 2011) until July 18, 2011, leaving prior fiscal periods open for up to 12 months after the fiscal period ended. Campuses within the System closed their fiscal period 12 (June 2011) between October 2, 2011, and November 30, 2011, leaving that fiscal period open up to five months after the fiscal period ended. Furthermore, changes and updates to the Banner system's fiscal period 00, which reflects beginning balances, occurred throughout the fiscal year 2011 and continued into fiscal year 2012. Good business practice would ensure that monthly fiscal periods are closed timely in the accounting system to ensure that no further changes can be made to the period and that other business functions can be performed timely and accurately.

Failure to close monthly fiscal periods causes the System delays in completing its financial statements in a timely manner, delays in the completion of other critical business practices, such as bank reconciliations, in an accurate and timely manner. It also increases the risk that transactions could be posted to incorrect periods and creates inefficiencies and delays in the audit of the System's financial statements and in the compilation and audit of the State of Louisiana's Comprehensive Annual Financial Report.

The System's management has not placed sufficient emphasis on ensuring that accounting periods were closed timely, financial information included in the AFR was properly prepared and reviewed for errors or omissions, and the AFR submitted timely to OSRAP.

Management should develop written procedures to ensure that accurate and complete financial information is included in the AFR, the AFR is reviewed for accuracy and submitted to OSRAP timely, and the fiscal periods are closed timely after the end of the accounting periods. Management should also ensure that supporting documentation for its AFR is maintained and available to be provided to the auditors timely. Management concurred in part with the finding and provided a plan of corrective action (see Appendix A, pages 1-11).

Additional Comments: Management partially concurred with the finding but indicated that it reported its financial activities in accordance with OSRAP's prescribed format. However, OSRAP's prescribed format cannot anticipate all reporting circumstances. Therefore, modifications to the format are sometimes necessary to comply with accounting principles generally accepted in the United States (GAAP).

Management also did not concur with the untimely support and indicated that turnover within the Louisiana Legislative Auditor caused the System staff to receive multiple request for information that had been already provided and documents to be misplaced.

During our audit, requests for supporting documentation and other critical information were made multiple times, not because of turnover or misplaced items, but because the items provided by System employees to the auditors were often untimely, inadequate, or inaccurate. This was discussed with the System staff each time the auditors requested information. Furthermore, at the beginning of the audit, the auditors developed a log detailing our auditors' requests, each time inadequate information was provided, and the date of further requests to try to obtain adequate information. The log was developed to prevent duplicative requests and to document untimely and inadequate responses that have occurred during past years. The log, which supports the information provided in the finding, was reviewed with management during the audit and at the end of the audit. Although management's response notes that staff routinely received multiple requests for information that was previously provided, management has not provided evidence to support that claim. In addition, weekly lists of outstanding items were sent to the System's management, and we were not informed by the System's management that the requested items had already been provided.

Insufficient Control Over Leave Records

For the fourth consecutive year, the System did not maintain accurate employee leave records. During our review of 30 employee leave records for fiscal year 2011, we noted the following:

- Two employees (7%) [(one each from Southern University - Baton Rouge (SUBR) and Southern University - Shreveport (SUSLA)] had negative sick leave balances. One employee maintained a negative sick leave balance the entire fiscal year ranging from negative 23 hours to negative 92 hours. The other employee maintained a negative balance for 40 weeks of the fiscal year ranging from negative one hour to negative 39 hours. Both employees had available annual leave that should have been applied before sick leave was granted. Also, the SUBR employee was noted in the prior year finding as having a negative leave balance, but the balance was not corrected.

- Nine employees (30%) [five from SUBR, one from Southern University - New Orleans (SUNO), and three from SUSLA] had beginning leave balances that were misstated because of incorrect balances being carried forward into Banner. As a result, annual leave was understated by 81 hours and overstated by 76 hours and sick leave was understated by 63 hours and overstated by 78 hours for these nine employees. One of the nine employees was noted in the prior year finding as having a misstated balance, but the balance was not corrected.

- Three SUBR employees (10%) had leave that was processed and posted late. For one employee, leave was taken in June 2010 and was not received by Human Resources until September 2010, 97 days after the leave was taken, and was not entered in Banner until the pay period ending in November 2010. The other two employees' leave was not received by Human Resources until 35 days after the leave was taken.

The System does not have adequate controls to properly review and monitor its employee leave records. Furthermore, the System requires its employees to submit their time sheets for processing approximately 11 to 21 days before each pay period ends. Therefore, employees must estimate their leave usage far in advance which causes adjustments to be made to the employees' leave records every pay period to correct the estimated leave to the actual leave taken. This process directly contributes to the improper maintenance of employee leave records.

Misstated leave balances could result in employees receiving the benefits of paid leave or payment of leave upon termination of employment when none is available. Furthermore, retirement benefits could be calculated erroneously because an employee's remaining leave balance at retirement is converted to retirement service credit in the calculation of those benefits. In addition, the compensated leave liability reported in the System's annual fiscal report could be misstated.

Good internal control includes adequate supervisory and review procedures to ensure that (1) leave records are timely and accurately updated; (2) leave balances are carried forward accurately; and (3) leave records are maintained in accordance with the established procedures and laws and regulations.

Management should ensure that all leave records are mathematically accurate and should implement adequate supervisory and review procedures to ensure that accurate leave records are maintained. Management should also consider adjusting its payroll process to eliminate the submission of time sheets so far in advance of the end of the pay period. Management concurred in part with the finding, but provided a plan of corrective action (see Appendix A, pages 12-13).

Ineffective Internal Audit Function

The System does not have an effective internal audit function. An effective internal audit function should identify high risk areas and evaluate and report on whether internal controls, including information technology controls, have been implemented to properly safeguard assets and prevent or detect errors and fraud in a timely manner.

The System's Internal Audit section provided a formal audit plan and risk assessment for fiscal years 2011-2012 that identified 20 high risk areas. They also provided nine reports that were issued during fiscal year 2011. Of those nine reports, only three reports related to fiscal year 2011 activities. None of the three reports addressed high risk areas identified in the formal audit plan. In addition, all nine issued reports pertained to the Baton Rouge or Shreveport campuses. No reports were issued relating to the New Orleans campus, the Law Center, the Agricultural Research and Extension Center, or the System Office.

For the information technology general controls review, which was assessed as high risk, the Internal Audit section noted that the Louisiana Legislative Auditor's (LLA) Information Technology division was auditing for the current fiscal year (2011) and the Internal Audit section will follow up on any deficiencies noted in the review of the

Banner system. It is not appropriate to rely on the work performed by the LLA as a response to a risk identified by Internal Audit.

Risk analysis is an important part of an internal audit function and not addressing/reporting on those areas identified as high risk diminishes the System's ability to identify and address potential weaknesses that could result in the loss of assets, fraud and errors going undetected, and/or funds not being properly expended or recorded.

Management should ensure the Internal Audit section addresses identified high risk areas, including those related to Information Technology, to ensure controls have been implemented to properly safeguard assets and prevent or detect errors and fraud in a timely manner. Management did not concur with the finding. Management noted that the Office of Internal Audit provides services that include audits, consulting, follow-up and special projects which may or may not result in a report during the fiscal year in which the audit was initiated. In addition, management indicated that the Internal Audit function has been centralized and several high risk areas were addressed (see Appendix A, page 14).

Additional Comments: Although work was performed on the two high risk areas as noted in management's response, both areas related to fiscal year 2010 and no reports were issued relating to areas identified as high risk for fiscal year 2011.

Weaknesses in Administering and Monitoring User Access in the Banner System

The System granted inappropriate access to the Banner system. Access was not granted on a business-need-only basis and there was an inadequate segregation of duties in the purchasing and payroll processes, which increases the risk that improper payments may occur and not be detected. In addition, changes to database tables were not properly logged and reviewed increasing the risk that invalid or incorrect data could be inserted and not detected and corrected timely.

Audit procedures identified the following:

- Three of five employees [two at SUSLA and one at SUNO] had access to create and maintain employees' master data records without a valid business need.

- SUNO's comptroller had maintenance access to every form needed to execute the entire procurement process (purchasing, accounts payable, and receiving). A control did exist regarding high dollar purchases of over $10,000, which requires the vice chancellor's approval.

- Three users [one each at SUSLA, Southern University Agricultural Center (SUAG), and SUNO] were able to issue checks, maintain the vendor table, enter invoice information, and enter purchase orders. This access increases the risk for improper purchases.

- Seventeen users [six at SUBR, five at SUSLA, four at SUNO, and one each at the Southern University Law Center (SULC) and SUAG] were able to create purchase orders and modify the vendor table allowing them to add or change vendor records and submit purchase orders for those vendors.

- During fiscal year 2011 and the first quarter of fiscal year 2012, actions performed on the database level were not automatically or manually logged and reviewed.

Management should thoroughly reevaluate access needs for its employees to determine whether the access currently granted is appropriate to current business need and supports the segregation of duties where possible. Where segregation of duties is not possible, management should work with its employees to implement compensating controls. In addition, an appropriate level of management should review reports generated from the database level log on a regular basis and take corrective action when needed. Management concurred in part with the finding and provided plans of corrective action (see Appendix A, pages 15-19).

Additional Comments: SULC management did not concur with the finding's third bullet; however, the information SULC is referring to in its response was not included in the finding.

SUBR management does not concur that access was granted inappropriately (business-need-only basis) and does not concur that there is inadequate segregation of duties in the purchasing process. In regard to granting business-need-only access, there were six users from SUBR (five from SU A&M and one from the System office) that had access granted that would allow them to create purchase orders and modify vendor tables. Management should segregate these duties where one employee would not have the capabilities to do both functions. Although management indicates they have some compensating controls, these do not mitigate the risk caused by an employee having the ability to create purchase orders and modify vendor tables.

Lack of Centralized Governance Over Information Technology

The System lacks adequately defined information technology (IT) policies, procedures, roles, and responsibilities at the System level to ensure that System strategies and objectives are aligned and delivered efficiently and effectively. Southern University's IT management has been decentralized where control remains at the individual campus level. Each campus is responsible for establishing most of its own IT policies and procedures. This lack of cohesion between and among the campuses during the implementation of its new financial accounting system, Banner, is shown by the implementation of a different chart of accounts (a unique set of codes to record all an entity's transactions consistently) for each campus within the System. This not only reduces efficient data comparability, but adds unnecessary payroll costs to analyze the data.

A decentralized IT management structure increases the risk that System-wide IT priorities may not be adequately set, which will likely result in inefficient and ineffective operations. However, a centralized IT management approach allows for consistent IT governance, ensures that IT-related decisions are made in line with System strategies and objectives, provides effective oversight of IT-related processes, and enhances compliance with legal and regulatory requirements.

Management should centrally draft and implement System-wide IT policies and procedures, based on input from the campuses' management that would ensure consistent and reliable compliance with System strategies and objectives and would move toward standardization of business processes System-wide. Management concurred in part with the finding and provided a plan of corrective action (see Appendix A, pages 20-21).

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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Noncompliance With Board of Regents Endowment Requirements

System campuses failed to submit annual agreed-upon procedures reports to the Board of Regents (BOR) by October 31, 2011. These annual reports are required to assess an institution's compliance with the investment terms and conditions of BOR's Endowment Investment Policy and to assist in determining whether the program was accurately reported.

The Southern University A&M and SULC reports were issued March 22, 2012, almost five months after the required BOR date. According to the independent auditor contracted to conduct the agreed-upon procedures engagements, he was unable to issue the A&M and SULC reports timely because of management's failure to provide the requested supporting documentation.

SUNO's report was issued December 21, 2011, approximately two months late. SUSLA's report was issued October 28, 2011, in compliance with BOR requirements.

The BOR's Statement of Investment Policy governs the management of the Endowed Chair, the Endowed Professorship, and the Endowed Scholarship Programs' investment assets, including the funds contributed by BOR and the funds contributed by educational institutions participating in the Endowment program. The BOR Investment Policy requires an institution to submit an annual agreed-upon procedures report by October 31 of each year. In addition, if program assets are held by a foundation associated with a public institution of higher education, the report shall also be forwarded to the Legislative Auditor's office. Furthermore, it requires the participant to contract annually with an independent auditor or the Legislative Auditor to make certain representations and certifications regarding the program.

The reports' untimeliness inhibits the assessment of an institution's compliance with the investment terms and conditions of BOR's Endowment Investment Policy and the determination of whether the program was reported accurately. Furthermore, failure to timely submit the required reports to the BOR results in noncompliance with BOR's endowment requirements that could affect eligibility to participate in the Endowed program.

The System's management should ensure compliance with the requirements of the BOR's Investment Policy and ensure that all Endowment program reports are submitted timely. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 22).

Noncompliance With Louisiana Laws for Fee Waivers

The System has not complied with Louisiana laws for fee waivers. Louisiana Revised Statutes (R.S.) 17:3351(A)(5)(d) and 17:1855.1 establish an operational fee and an academic excellence fee, respectively. In addition, R.S. 17:3351.8 establishes a facilities use and maintenance fee for SUNO.

During the fiscal year ended June 30, 2011, the following deficiencies existed:

- The Southern University Board of Supervisors (Board) retroactively authorized approval of a systemwide fee waiver policy on August 26, 2011. However, during fiscal year 2011, criteria had only been established and approved for the Southern University A&M campus. Evidence could not be provided to support Board approval of the criteria for waivers for SUSLA, SULC, and SUNO during fiscal year 2011.

- SUNO could not provide evidence that students were informed in a timely manner of the criteria and procedures for obtaining a financial hardship waiver for the applicable fees. As a result, there were no student applicants and no fee waivers were provided to any students at SUNO.

- SUSLA indicated that flyers were posted around SUSLA's campus and students were informed of waivers at new student orientation. However, during fiscal year 2011, there were no student applicants and no fee waivers were provided to any students at SUSLA.

- SULC did not establish procedures to ensure that students were informed in a timely manner of the criteria and procedures for obtaining hardship waivers for applicable fees. As a result, SULC did not award any waivers for the operational fee.

Failure to obtain Board approval on criteria for granting fee waivers results in noncompliance with state law. Failure to ensure that students are notified timely of the application process for hardship fee waivers also results in noncompliance with state law and may cause a financial loss for students who were eligible for the waivers.

The System should ensure that all campuses follow established criteria for granting the waivers as required by Louisiana law. In addition, the System should ensure that all campuses have established and implemented procedures to inform students in a timely manner of the criteria and procedures for obtaining financial hardship fee waivers. These procedures should be easily accessible by all students. Management concurred in part with the finding and provided a plan of corrective action. Management noted that the campuses did inform students timely through the campuses' Web sites and by other methods such as handouts and signs and on video monitors (see Appendix A, page 23).

Additional Comments: The information that was available on the SULC and SUNO Web sites were for increases in tuition and did not mention the availability of fee waivers mentioned in the finding. SUNO, SUSLA, and SULC did not grant any fee waivers during the fiscal year and could not provide evidence to show that any students applied for these waivers.

Other external auditors audited the Southern University System Foundation and SUSLA Facilities, Inc. To obtain a copy of those reports, you may write to:

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

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

The System's responses to the findings identified previously are attached in Appendix A. We did not audit the System's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the System, its board of directors, its management, others within the Southern University 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

LA:BH:EFS:THC:ch
SU11

Management's Corrective Action Plans and Responses to the Findings and Recommendations

SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM
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(225) 771-5522

April 9, 2012

Mr. Daryl G. Purpera, CPA, CFE
Louisiana legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Response to 6/30/11 Audit Finding –AFR Preparation

Dear Mr. Purpera:

We partially concur with the finding titled "Inaccurate Annual Fiscal Report Preparation".

- <u>Errors and Omissions</u> - We partially concur with this finding.
  - The Southern University System (SUS) prepares its Annual Financial Report (AFR) in accordance with guidance and formats issued by the Office of Statewide Reporting and Accounting Policy (OSRAP).
    - The amounts reported under the category titled "implicit loans to other campuses" were reported in a manner consistent with the formats prescribed by OSRAP.
    - The disclosure of future lease payments pertaining to the Millennium Foundation lease for the A&M and Shreveport campuses was reported in a manner consistent with written instructions received from OSRAP.

The following plans and corrective actions have been developed:

- Southern University System (SUS) will enhance procedures to ensure timeliness, accuracy and completeness in the development and submission of the Annual Financial Report (AFR), and related disclosures. Such enhancements will include written procedures and instructions, timetables for compiling financial information, along with campus-level and system-level supervisory reviews.

- Management will review adjustments from previous years to ensure that errors do not reoccur in subsequent years.
- SUS has formed system- wide functional and technical steering committees for collaboration, communication, and adoption of best practices in Higher Education business administration and information technology. In February 2011, the SUS convened key business operations and technology staff members to develop a model of higher education business efficiencies and shared centers of excellence within the SUS. The retreat focused on delivery and efficiency of the ERP system as well as efforts to standardize core competencies and business processes throughout the system.
- SUS has developed an inter-campus team committee to plan and implement the consolidation of the separate charts of accounts into a single chart of accounts by July 1, 2012. These changes will allow better efficiencies in the areas of budget management, financial reporting, and forecasting for the SUS and campuses.
- Development of the SUS Shared Services Alliance to ensure the success of all system campuses in a collaborative environment, and provide support for campuses limited by fiscal or physical resources.
- Development of task force committees to address issues regarding policies and procedures, standardized business processes, risk assessment, audit and controls, and educational awareness.

- Untimely Support

  - We do not concur with this finding. During the past year, the LLA has made numerous changes in personnel assigned to the audit of the Southern University System, contributing to significant disruptions in the continuity of audit efforts. There have been four (4) persons assigned as "Auditor-In-Charge" on this engagement during this period, as well as changes in staff auditors. As a result of these changes, SUS and campus staff routinely received multiple requests for information, documents and analyses that had been previously provided to LLA staff. It was not uncommon for documents to be misplaced in the ongoing staffing changes, leading to multiple requests for the same information, and an appearance of untimely support.

I have included the attached responses from the Chancellors at SUBR, SUNO, SUSLA, and SUAREC as part of our response to this finding. The Chancellors and campus finance officers will have primary responsibility for these efforts on their respective campuses, while the Vice

President for Finance and Business Affairs will have responsibility for coordination and oversight on the system level.

Thank you for your assistance and support.

Sincerely,

Ronald Mason, Jr.
President
Southern University System

INCORPORATED 1880 RELOCATED 1914

SOUTHERN UNIVERSITY And Agricultural & Mechanical College

Office of the Chancellor
P. O. Box 9374
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FAX [225] 771-2018

March 9, 2012

Mr. Daryl G. Purpera
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Inaccurate Annual Fiscal Report Preparation

Dear Mr. Purpera:

Southern University A&M concurs in part with the finding entitled "**Inaccurate Annual Fiscal Report Preparation.**" The management of Southern University A&M recognizes the importance of accurately and timely completing the annual fiscal report (AFR) and welcomes constructive feedback from our auditors. However, we do not concur with the audit finding in its entirety. **Specifically, we do not concur with the following errors and omissions cited in this audit finding:**

- ***Implicit loans to other campuses ($1,234,796)***.

The University does not concur with this finding. A technical inquiry was sent to GASB regarding the separate reporting of implicit loans on the Cash Flow Statement. The formal response from the GASB Senior Technical Advisor stated: ***"There is no specific requirement to classify the implicit financing separately. That is a decision that you would make based on the usefulness of the information provided separately or combined."*** Although, the reporting may be useful for an individual campus within the SU System, for the combined AFR for the SU System, the implicit cash balance nets to zero and does not provide additional reporting utility for the SU System taken as a whole.

Also, as a state government entity, the University accurately reported the above financial activities in accordance with the Office of Statewide Reporting and Accounting Policy (OSRAP's) prescribed format for the AFR, Cash Flow Statement. Formal documentation was provided to the auditor validating the University's requirement to comply with OSRAP's prescribed format as required by LRS 39:79. Also, pursuant to LRS 39:78, the Commissioner of the Division of Administration is charged with establishing a uniform system of accounting in all state agencies. The Commissioner has delegated this authority to the OSRAP. To ensure uniformity in reporting in all state agencies, specific accounting guidance and reporting instructions are published annually by OSRAP for preparation of the AFR. LRS 39:78(A) specifically states: "*The commissioner of administration shall, under authority of the governor and consistent with the provisions of this Chapter, prescribe and cause to be installed and maintained a uniform system of accounting in all state agencies. Should the legislative auditor find that these accounting procedures do not adequately reflect the financial activities of the state agencies; he shall so advise the legislature at its next regular session in a detailed report outlining said inadequacies.*" In accordance with the provisions of LRS 39:78(A), the Louisiana Legislative Auditor (not the University), has the responsibility of notifying the legislature of any perceived inadequacies in the State's accounting procedures so that the report format could be revised to accurately reflect generally accepted accounting procedures. Since the Louisiana Legislative Auditor (LLA) performs annual audits of both the OSRAP and the Southern University System, it is reasonable to surmise that reporting inadequacies would be detected and resolved at this level as required by LRS 39:78 (A).

- ***Implicit loans to other campuses ($873,086)***.

The University does not concur with this finding. A technical inquiry was sent to GASB regarding the separate reporting of implicit loans on the Cash Flow Statement. The formal response from the GASB Senior Technical Advisor stated: ***"There is no specific requirement to classify the implicit financing separately. That is a decision that you would make based on the usefulness of the information provided separately or combined."*** Although, the reporting may be useful for an individual campus within the SU System, for the combined AFR for the SU System, the implicit cash balance nets to zero and does not provide additional reporting utility for the SU System taken as a whole.

The auditors have inappropriately reported this finding under the heading of the Cash Flow Statement which is misleading. There is a clear and important distinction between the basic financial statements and a combining schedule of cash flow which is considered to be accompanying supplementary information. The combining schedule of cash flow is audited **in relation to** the basic financial statements and must not be confused with the basic financial statements. Also, in the FY2010 audit report, the auditor reported cash outflows as "Implicit loans to other campuses." The $873,086 for FY2011 is a cash outflow and was reported by the University in the same manner as the auditor reported cash outflows in the previous fiscal year.

- ***Future lease payments pertaining to the Millennium Lease for the A&M and Shreveport campuses.***

The University does not concur with this finding. The annual financial report is prepared in accordance with instructions from the Division of Administration – Office of Statewide Reporting and Accounting Policy (OSRAP) as authorized by Louisiana Revised Statute (R.S.)

39:79. R.S. 39:79 authorizes the commissioner of administration to establish the format for obtaining each agency's financial information. OSRAP developed the financial report format to obtain the financial information and requires a signed affidavit from the agency that the financial statements present fairly the financial information of the agency. The statements are used by OSRAP to compile the state's Comprehensive Annual Financial Report (CAFR). The University was instructed by OSRAP to exclude the Millennium Lease from both notes cited in the finding. Because the University is required to prepare the report in accordance with OSRAP's instructions, the exclusion of the lease is not an error in the preparation of the report. Any disagreement in reporting format resulting from the OSRAP's reporting instructions is an issue that should be addressed in accordance with Revised Statute 39:78. R.S. 39:78 authorizes the commissioner of administration to prescribe a uniform system of accounting in all state agencies and requires the legislative auditor to advise the legislature, in a detailed report, of any inadequacies in accounting procedures that do not adequately reflect the financial activities of the state agencies. The Millennium Lease was excluded from the University's financial report for the year ended June 30, 2010 after receiving specific instructions from OSRAP. Formal documentation was provided to the auditor to validate OSRAP's specific instructions for reporting the millennium lease for both fiscal years. Although not included in the AFR format required by OSRAP, SU A&M did prepare the millennium lease note and supporting schedules in the format required by the auditors and provided it to them upon their request for the information.

- ***Property held for lease under lessor operating lease.***

The University concurs in part with this finding. The New Orleans and Shreveport campuses were not included in the note, however, the University does not agree with the amounts cited by the auditor.

- ***Lessee operating lease.***

The University concurs in part with this finding. Operating lease expenses were understated in the note; however, the University does not agree with the amount cited by the auditor.

- ***Employer contributions.***

The University concurs with this finding. Existing procedures to include management review and approval of the AFR will be strengthened in our continuing efforts to ensure accuracy and completeness.

- ***Unrecorded payables.***

The University concurs with this finding. However, the amount of $90 thousand for one unrecorded payable for SU A&M represents less than 1% of the financial statement line item for accounts payables and accrued liabilities and less than ½% of total current liabilities for SU A&M.

The management of SU A&M concurs with the auditor regarding the late submission of the SU System's AFR to OSRAP and the untimely closing of the fiscal accounting periods during fiscal year 2011. The late submission of the AFR and the delay in closing the fiscal periods timely is partially attributable to the following extenuating circumstances which placed additional strain on an already over-loaded staff.

- The Southern University System (SUS) went live with the Banner HR and Finance Systems in July 2010. As with most system implementations as complex as Banner HR and Finance, the first year of implementation is not without unexpected implementation issues that did not manifest during the acceptance testing phase of implementation.
- The on-going implementation efforts for the Banner Student System during FY2011 in preparation for a "go-live" date beginning July 2011.
- The FY2011 system-wide Information Technology (IT) audit of the Banner HR and Finance Systems conducted by the LLA IT audit team.
- The FY2011 financial statement audit conducted by the LLA financial audit team.
- The continued reduction and furlough of SU A&M staff during fiscal years 2011and 2012.

Southern University A&M will continue to strengthen and monitor existing controls over the preparation of the annual fiscal report. The corrective actions outlined above are monitored on a regular and continuous basis to ensure both accuracy and timeliness in the preparation and completion of the annual fiscal report.

The point of contact for corrective action is the **Vice Chancellor for Finance and Administration for SU A&M, Mr. Flandus McClinton**. Please contact me (225) 771-5020 or Mr. McClinton (225) 771-5021, if you have questions or need further assistance regarding the University's response.

Sincerely,

James L. Llorens

James L. Llorens
Chancellor

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OFFICE OF THE CHANCELLOR

April 5, 2012

Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Management Response to Inaccurate Annual Fiscal Report Preparation

- **Management's response to the SUNO campus Inaccurate AFR finding regarding improperly disclosed equities is as follows:**
  - We concur that the maturity date for $477,247 was not disclosed.
  - We do not concur that the credit risk for equities totaling $615,807 and the interest rate risk for equities and money market mutual funds totaling $671,131 was improperly disclosed to show that these risks applied to these securities. The schedules used for these disclosures clearly states that credit risk and interest rate risk do not apply to these securities. Also, the presentation used is the same as that used in the Southern University System Financial Statement Audit for the year ended June 30, 2010 and the Southern University at New Orleans Accountant's Review Report for the year ended June 30, 2010.

- **Management concurs in part with the unrecorded payables error**

  Management Response:

  - The unrecorded payables error is attributable to an incorrect "due date" entry when recording the check disbursement request, which resulted in this item being recorded in the incorrect period. Management will exercise measures to ensure that future year-end payments are noted with the correct fiscal year "due date"

Management will develop written procedures to ensure that accurate and complete financial information is included in the financial reports submitted to the system office, and that fiscal periods are closed timely.

Any questions or concerns regarding these corrective actions can be directed to Woodie White, Vice Chancellor for Administration and Finance. The responsibility and implementation of these actions will be provided by him.

Sincerely,

Victor Ukpolo, Ph.D.
Chancellor

Copy:

Woodie White

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Office of the Chancellor

April 5, 2012

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Dear Mr. Purpera:

Re: Inaccurate Fiscal Report Preparation

Please find below a legislative audit finding and corrective action response referencing *"Inaccurate Fiscal Report Preparation"*.

Finding:
Inaccurate Fiscal Report Preparation

Corrective Action:
Southern University at Shreveport (SUSLA) concurs with the finding entitled, *"Inaccurate Fiscal Report Preparation"*.

The University will review/revise procedures and timelines to ensure compliance with the above-noted finding. SUSLA will ensure that accounting periods are closed timely, that the Annual Fiscal Report is submitted to OSRAP by the stipulated deadline, and that there is a process in place for review of errors and/or omissions. **It should be noted that the Shreveport campus has shown considerable improvement documented by a reduction in both number and dollar amount of audit adjustments pertaining to this finding.**

Proposed Completion Date: June 30, 2012
Person(s) Responsible: Mr. Benjamin Pugh, Vice Chancellor for Finance and Administration
Brandy Jacobsen, Comptroller

Should you require additional information, please contact Mr. Benjamin Pugh at (318) 670-9302.

Respectfully submitted,

Ray L. Belton, PhD
Chancellor

BWP/lb

3050 MARTIN LUTHER KING, JR. DRIVE – SHREVEPORT, LOUISIANA 71107
PHONE: (318) 670-6312 – FAX (318) 670-6374
TOLL FREE: 1-800-458-1472, #6312
www.SUSLA.EDU

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April 5, 2012

To: Daryl G. Purpera, CPA CFE
Legislative Auditor

Dear Mr. Purpera

This letter is in response to the Inaccurate Annual Fiscal Report for the Southern University System. The audit notes have determined that the Southern University Ag Center's non-cash capital appropriations were not reported into the capital appropriations for construction of capital asset account in the amount of $809,604.

The SU Ag center has remedied this action upon the suggestions from the legislative auditors. The funds in question have been classified based on the funding source and the work in process phase of construction. We are developing near and long term corrective measures to improve classifying capital assets accounts during each phase of implementation.

If you need additional information regarding this response, please contact Linda Batiste, Director of Finance at 225-771-5707. Thank you for the opportunity to respond to this audit report.

Sincerely,

Leodrey Williams

Leodrey Williams, PhD
Chancellor
Southern University Agriculture Center

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April 9, 2012

Mr. Daryl G. Purpera, CPA, CFE
Louisiana legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Response to 6/30/11 Audit Finding – Insufficient Control Over Leave Records

Dear Mr. Purpera:

We partially concur with the finding titled "Insufficient Control Over Leave Records".

- Negative Leave Balances
  - SUBR concurs with this finding. The individual assigned to monitoring this task is no longer in HR. Peer audits will be performed in the future and training provided as appropriate to ensure accuracy.
  - SUSLA concurs with this finding. It should be noted that the Shreveport campus has only received this finding for two (2) consecutive years and has made considerable progress toward resolving this matter. Additionally, in FY 11, the University hired an accountant who is supervised by the Comptroller to perform this function. SUSLA has implemented new procedures to strengthen control over leave records. Employee leave spreadsheets will be updated after each pay period and compared to BANNER to ensure that the data is accurate. This information will be submitted to the Comptroller for review and approval.

- Beginning Leave Balances
  - SUNO does not concur with this finding. During the previous migration from the PLUS HR module to Banner HR, the SUNO campus mistakenly omitted one employee from the list submitted to the conversion team. Management has implemented additional monitoring procedures to ensure that balances are verified
    prior to and after entering into the Banner HR module; however, it is not anticipated that this will be repeated as the conversion process has been completed and leave balances are updated electronically in Banner HR.
  - SUBR partially concurs with this finding. Based on the four names provided by LLA, we are unable to determine the amount of "overstatement" and "understatement "of annual and sick leave of these four employees. For one of the employees, the beginning

balances were not misstated, it had to be adjusted due to the receipt of late changes in payroll documents. For three employees, the balances were not carried forward correctly. This is due to human error. Peer audits will be performed in the future and training provided as appropriate to ensure accuracy.

- SUSLA concurs with this finding. The campus is currently updating the leave spreadsheets through March 31, 2012. Upon completion, a thorough review will be performed to correct all beginning leave balances in Banner. This process will be performed by the Payroll Coordinator and will be reviewed also by the Comptroller. The University expects full compliance in the future regarding this finding.

- Leave Processed and Posted Late

    - SUBR concurs with this finding. In the future all changes in payroll over one pay period must be approved by the Chancellor in order to be processed/paid. A memo will go out explaining this to all department payroll designees. Disciplinary action will be enforced for policy violations. This and other issues will be resolved when Web Time entry for Banner is implemented. Leave time can be entered within two to five days of the payday. This will change the leave processing from a speculative system to something closer to real time, and will help tremendously with the accuracy of the leave records.

While the Human Resources Directors on the campuses will have primary responsibility for coordination and implementation of these corrective actions, the System's office will monitor their efforts for timely correction of the findings.

Thank you for your assistance and support.

Sincerely,

Ronald Mason, Jr.
President
Southern University System

FILE COPY

SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM
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(225) 771-5522

November 17, 2011

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Response to 6/30/11 Audit Finding – Ineffective Internal Audit Function

Dear Mr. Purpera:

We do not concur with the finding that Southern University System does not have an effective internal audit function.

The Office of Internal Audit (IA) provides services that include audits, consulting, follow-up and special projects which may or may not result in a report during the fiscal year in which the audit was initiated. Facing historic budget pressures which have resulted in forced staff reductions and reshuffling of tasks, the Southern University System (System) has reshaped its structure and focus to ensure that IA is providing maximum overall effectiveness in helping to achieve our strategic objectives and mission. The internal audit function has been restructured from a distributed and dispersed unit strictly aligned to individual campuses, to a more centralized function with all campus-based auditors reporting directly to the System Director of Internal Audit, with an informational reporting line to the applicable campus Chancellors.

Considering the risks identified by each campus director, a system-wide audit plan has been developed. Management also provided IA with input regarding areas of concern and priorities. Such areas included Human Resources and the Office of Student Financial Aid which were identified as high risk areas. IA efforts were focused in these areas to assist in identifying errors and resolving past audit findings.

The System is currently being audited by the Louisiana Legislative Auditor's (LLA) Information Technology division. Rather than duplicating this current effort, any deficiencies noted by LLA will be considered in the Internal Audit risk assessment plan for follow-up procedures.

The Office of Internal Audit will continuously seek alternative ways to increase the coverage of high risk areas, while maximizing the utilization of available resources.

Thank you for your assistance and support.

Respectfully,

Dr. Ronald Mason, Jr.
President
Southern University System

RM/mwj

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March 6, 2012

Mr. Daryl G. Purpera, CPA, CFE
Louisiana legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Response to 6/30/11 Audit Finding – User Access in the Banner System

- Employees' Master Data Records (SUSLA, SUNO): ***SUSLA*** concurs with this IT issue. Efforts will be made to maintain appropriate segregation of duties with existing personnel. **SUNO** concurs with this IT issue and has requested that the NBAJOBS and PEAEMPL access be revoked for the one user cited.

- Maintenance Access (SUNO)**:** ***SUNO*** concurs with this IT issue and has requested that maintenance access to all procurement forms be revoked for the one user cited.

- Purchasing Forms Access (SULC, SUAREC. SUSLA, SUNO & SUBR):

    - ***SULC*** does not concur with this IT issue. The user cited does not have maintenance access to the FAAINVE form, reducing the risk that improper payments or fraud may occur. Also, a mitigating factor is that the procurement procedures require the completion and approval of a purchase requisition before issuing a purchase order (PO); only the SUBR A&M Purchasing Director and Associate Director are in the approval queue to approve purchase requisitions, assign buyers, and issue a PO.
    - ***SUAREC*** concurs with this IT issue. Maintenance access for the one user cited is being reviewed and incompatible access privileges will be revoked as required. A mitigating factor is that the procurement procedures on the SUBR land mass require the completion and approval of a purchase requisition before issuing a purchase order only the SUBR A&M Purchasing Director and Associate Director are in the approval queue to approve purchase requisitions, assign buyers, and issue a PO.
    - ***SUSLA*** concurs with this IT issue. Efforts will be made to maintain appropriate segregation of duties with existing personnel.
    - ***SUNO*** concurs with this IT issue and has requested that maintenance access for FPAPURR and FTMVEND be revoked for the one user cited.
    - ***SUBR*** does not concur with this finding (detailed response attached).

- Database Logging: We have implemented auditing processes to monitor updates/inserts to the Banner production database. The procedures include the following:

    - Server Setup: Setup of serves where audit trail = true;
    - Audit Options: Setting audit options to monitor all DDL(CREATE, ALTER & DROP of objects) and DML ((INSERT UPDATE, DELETE, SELECT, EXECUTE);
    - View Audit Trial: The audit trail is stored in the SYS.AUD$ table. Its contents can be viewed directly or via views;
    - Maintenance: The audit trail must be archived on a regular basis to prevent the SYS.AUD$ table growing to an unacceptable size.
    - Security: Only DBAs have maintenance access to the audit trail.
    - Audit Report: The audit report created by this process will be reviewed by the DBA, Director of Information Systems and the Functional Security Administrator.

Respectfully,

Dr. Ronald Mason, Jr.
President

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March 5, 2012

Mr. Daryl G. Purpera
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Weaknesses in Administering and Monitoring User Access in the Banner System

Dear Mr. Purpera:

The management of SUBR does not concur with the auditor's finding entitled "**Weaknesses in Administering and Monitoring User Access in the Banner System**" as it relates to inappropriate access to the Banner System for SUBR staff. Specifically, we do not concur with the auditor's finding *"access was not granted on a business-need-only basis and there was an inadequate segregation of duties in the purchasing . . . processes."*

The five (5) employees, (not six (6) as cited by the auditor) at SUBR who were granted access to create purchase orders and modify the vendor tables are all Purchasing Office employees and were determined by management to have business-need-only access to update the vendor tables and to create purchase orders. As published in the University's Data Standard's Manual (p. 18) and consistent with University policy in the previous financial systems, the Purchasing Office was identified as the official office responsible for updating vendors in the Banner Finance System. Currently, there are four (4) purchasing employees at SUBR who have been granted this access. Of the four (4) employees, two (2) include the purchasing director and associate purchasing director who provide oversight for internal controls within the Purchasing Office and one buyer who is responsible for state contracts. The procurement process (including vendor selection and verification) for state contracts are handled through the State Purchasing Office. Although we agree that some degree of risk may be involved with granting the purchasing staff access to create purchase orders and modify the vendor tables, based on our current control environment we do not agree that the risk should be assessed at a high level for the following reason: The University has appropriately established adequate compensating controls to mitigate the risk of fraudulent activity occurring in the normal course of business for the procurement-to-payment cycle. These compensating controls fully comply with the auditor's recommendation to this finding: "*Where segregation of duties is not possible, management should work with their employees to implement compensating controls.*" Compensating controls over the procurement-to-payment process include the following:

- Purchasing and ordering responsibilities are segregated from accounts payable, disbursement, receiving and accounting activities.
- A purchase requisition which requires two-tiered signature and approval is prepared by the user department.
- The purchase requisition is checked for funds availability at the budget level of security.
- The requisition is reviewed by the purchasing office and sponsored program accounting office for purchasing (e.g. procurement guidelines, bid laws, Davis-Bacon, Debarment, etc) and fiscal compliance (grant specifications, budget allowances) prior to approval of the purchase requisition.
- W-9s are required for all vendors.
- New vendors are verified for validity of existence through the applicable Secretary of State offices.
- Vendor selection, verification, and authorization for state contracted vendors are approved by the State Purchasing Office.
- Access control in the Banner System has been set up so that all requisitions are routed to an approval queue where only the purchasing director and associate director can approve the release of a purchase order to the vendor.
- The purchase order when created is approved by the purchasing director, a copy is sent to the vendor, accounts payable, requesting department, and receiving. The accounts payable staff also receives the purchase requisition with the requestor's signature and the approval signatures of the department head and purchasing director. (Note: At this point, purchasing staff has completed their process. Nothing goes back to the purchasing department once this step is completed).
- The purchase order notifies the vendor to send the invoice to the accounts payable department and to deliver to the central receiving department.
- Application controls in the Banner System requires a 3-way match before payment is processed to a vendor.
- Vendors are paid from bona-fide invoices only. Duplicate invoices must be researched by the accounts payable staff and a certification stamp is affixed to the invoice certifying that the invoice has been researched and has not been previously paid.
- All vendor invoices must show an "invoiced to" and "deliver to" address for the University address to be paid.
- All procurement-to-payment documents are batched by the Accounts Payable Section, approved by the supervisor and forwarded to the Check Release Section.
- Once checks are approved for printing by accounts payable, custody of checks and check stock are controlled by the Check Release Section.
- Vendor checks are printed in the Check Release Section and a post audit of the check batch is performed by the check release section. All procurement-to-pay documents included in the check batch are "cancelled" to avoid duplicate payments.
- The Comptroller must review and approve all check batches before checks are released. Checks $10,000 and above must also be approved up to the level of the Associate Vice Chancellor for Financial Operations; checks $500,000 and above must be approved and hand-signed by the Vice Chancellor for Finance and Chancellor.
- Once all approvals are granted, the checks are mailed by the check release section. All returned checks are received by the Secretary and transmitted to Check Release.
- Positive pay is activated with the University's financial institution to protect against fraudulent activity.
- Void checks are processed by general accounting operational compliance personnel.

- Bank reconciliations are completed by the operational compliance personnel. All bank mail is received by the administrative assistant and forwarded to the operational compliance section (unopened).
- 1099 vendors are reviewed and processed by Accounts Payable and reported to the vendor and IRS.
- Reconciliations are regularly performed for the accounts payable and purchasing control accounts; a system-generated Banner control report (FGRCTRL) is ran daily by the Accounting Manager for the accounts payable and encumbrance control accounts. Supervisors are notified of any out-of-balance conditions and instructed to take appropriate corrective actions.
- Analytical reviews are performed monthly in budget to actual comparisons and regularly for high volume vendors.
- Internal audits are periodically performed of the purchasing and accounts payable functions.

With reference to the finding relating to database logging, the University concurs with the finding but does not concur that this finding presents a high level of risk because of the compensating controls that were in place to monitor this process. The initial request and notification of completion was formally communicated through the appropriate functional and technical levels of management. Additionally, the technical staff has implemented additional compensating controls that have been reviewed and approved by the IT auditor to resolve this issue.

The management at SUBR will continue to review the University's current business practices relating to granting user access in the Banner System and will provide management oversight over the internal control process in an ongoing effort to strengthen existing security controls over the user access and database logging processes. The corrective actions outlined above will be monitored on a continuous basis to ensure appropriate access is granted on a business-need only basis and existing internal controls provide reasonable assurance for safeguarding assets, ensuring reliability of financial information and compliance with laws and regulations.

The point of contact for on-going monitoring and implementation of corrective actions is the **Vice Chancellor for Finance and Administration, Mr. Flandus McClinton and the Financial Operations staff**. Based on the auditor's recommendations, management of SUBR has determined that no further corrective action is required at this time.

Please contact me at (225) 771-5020 or Vice Chancellor Flandus McClinton at (225) 771-5021 if you have any questions or need further assistance regarding the University's response.

Sincerely,

James L. Llorens

James L. Llorens
Chancellor

xc: Ronald Mason Jr., System President
Kevin Appleton, Vice President for Finance

SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM
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March 29, 2012

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Response to 6/30/11 Audit Finding – Lack of Centralized Governance over Information Technology

Dear Mr. Purpera:

The Southern University System concurs in part with this finding. Well-defined IT policies and procedures currently exist throughout the SUS. However, there is a need to centralize and consolidate system-wide those areas where applicable and feasible.

SUS has formed system- wide functional and technical steering committees for collaboration, communication, and adoption of best practices in Higher Education business administration and information technology. In February 2011, the SUS convened key business operations and technology staff members to develop a model of higher education business efficiencies and shared centers of excellence within the SUS. The retreat focused on delivery and efficiency of the ERP system as well as efforts to standardize core competencies and business processes throughout the system. In February 2012, the Southern University System Board of Supervisors approved an IT Governance plan to provide oversight and coordination of Information Technology policies and procedures through the Southern University System Vice President of Information and Technology Management.

The following plans and corrective actions have been developed:

1. The Office of Finance and Business Affairs has developed a committee to consolidate the separate chart of accounts into a single chart of accounts by July 1, 2012. These changes will allow better efficiencies in the areas of budget management, financial reporting, and forecasting for the SU system and campuses.
2. The Office of Information Technology and Management has developed system IT policies to specifically address the issues of consistent IT governance and improve controls throughout the campuses and system office.
3. An IT Handbook is under development that clearly defines the IT Governance included but not limited to coordination and management of Information Technology Services across the SU System and campuses.

4. Development of the Southern University System Shared Services Alliance to ensure the success of all system campuses in a collaborative environment, and provide support for campuses limited by fiscal or physical resources.
5. Development of task force committees to address issues regarding policies and procedures, standardized business processes, risk assessment, audit and controls, and educational awareness.

The officials responsible for the implementation of corrective actions are the Vice President for Information and Technology Management and the Vice President for Finance and Business Affairs.

Sincerely,

Ronald Mason, Jr.
President
Southern University System

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April 9, 2012

Mr. Daryl G. Purpera, CPA, CFE
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P.O. Box 94397
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RE: Response to 6/30/11 Audit Finding – Noncompliance with Board of Regents requirements

Dear Mr. Purpera:

We concur with the finding that the Board of Regents (BOR) endowment program annual agreed-upon-procedures report for Southern University – Shreveport was completed prior to October 31, 2011 as required by BOR policy. The reports for other campuses in the Southern University System were completed subsequent to October 31, 2011. Notwithstanding the above, the reports for all campuses have been completed by an independent CPA firm, with no instances of non-compliance with BOR policies noted.

The system's management will coordinate the contracting of the agreed-upon-procedures to ensure that the endowment program reports are submitted timely.

Thank you for your assistance and support.

Sincerely,

Ronald Mason, Jr.
President
Southern University System

"An Equal Educational Opportunity Institution"

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October 11, 2011

Mr. Daryl G. Purpera, CPA, CFE
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RE: Response to 6/30/11 Audit Finding – Noncompliance with Louisiana Laws for Fee Waivers

Dear Mr. Purpera:

We concur with the finding that the system-wide policy was approved by the Board of Supervisors subsequent to the year end of June 30, 2011. However, the campuses did inform students in a timely manner and followed established criteria for granting waivers as required by Louisiana law. We have or will implement the following measures to address the issues:

- The Southern University Board of Supervisors retroactively authorized approval of a system-wide fee waiver policy on August 26, 2011.
- Students are given notification of fee waivers on the Southern University Law Center web site. In addition, prior to each semester, notification of hardship fee waivers are streamed on the video monitors throughout the Law Center.
- The 2010-2011 campus policy on fee waivers was posted on the Southern University-Shreveport web site, and the fee waiver policy was advertised on the website homepage. Signs were posted in campus buildings, and handouts were provided to new and transfer students attending orientation to inform them of the criteria for waivers.
- The 2010-2011 campus policy on fee waivers was posted on the Southern University-New Orleans web site. Management will ensure the timely posting of waiver criteria using available social media, including Facebook and Twitter, as well as placing signage at various campus locations

Thank you for your assistance and support.

Sincerely,

Ronald Mason, Jr.
President
Southern University System

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