SOUTHERN UNIVERSITY AT NEW ORLEANS
SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

ACCOUNTANT'S REVIEW REPORT
FOR THE YEAR ENDED JUNE 30, 2010
ISSUED DECEMBER 8, 2010

LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 10, 2010

Accountant's Review Report

SOUTHERN UNIVERSITY AT NEW ORLEANS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
New Orleans, Louisiana

We have reviewed the accompanying basic financial statements as listed in the table of contents of Southern University at New Orleans, a campus within the Southern University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2010, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Southern University at New Orleans.

A review consists principally of inquiries of Southern University at New Orleans personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted 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, the objective of which is the expression of an opinion regarding the basic financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in note 1-B to the basic financial statements, the accompanying financial statements of Southern University at New Orleans are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Southern University System that is attributable to the transactions of Southern University at New Orleans. They do not purport to, and do not, present fairly the financial position of the Southern University System or the State of Louisiana as of June 30, 2010, and the changes in its financial position and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 5 through 14 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 43 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the required supplementary information.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

STD:BH:EFS:THC:dl

SUNO10

Management's Discussion and Analysis, which discusses the financial performance of Southern University at New Orleans campus, presents a narrative overview and analysis of the Southern University at New Orleans campus's financial activities and statements for the fiscal year ended June 30, 2010. 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 this institution. 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 Southern University at New Orleans.

FINANCIAL HIGHLIGHTS

The Southern University at New Orleans campus's net assets changed from $44,329,501 to $47,436,722, an increase of 7.0% from June 30, 2009, to June 30, 2010. The overall reasons for this change include:

- The completion of the new Student/Faculty residential housing facility in the summer. These facilities are financed through a special $44 million HBCU Capital Financing Program that charges 1% interest. The construction was approximately 91% complete at June 30, 2010.

- The university has substantially completed the new Information Technology Center on the Lake Campus at a cost of $2,373,000.

- Construction began in the spring of 2010 on the new College of Business and Public Administration facility on the Lake Campus at an estimated cost of $3,365,400.

- During the year, the university received an endowment of $60,000 to fund the AT&T Endowed Professorship with the forthcoming Board of Regents match in the amount of $40,000.

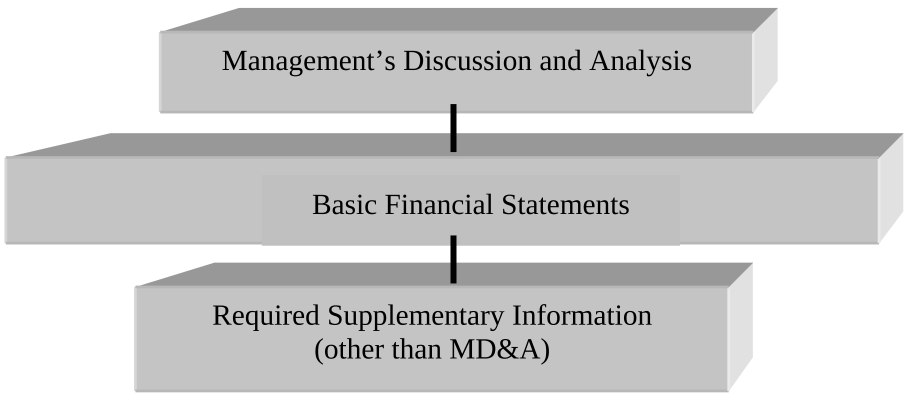
Based on comparative data for the 2009 and 2010 semesters, the Southern University at New Orleans campus experienced an overall increase in enrollment. Enrollment increased from 6,834 to 7,808, an increase of 14.3%.

The campus's operating revenues changed from $15,823,430 to $14,884,603, a decrease of 5.9% from June 30, 2009, to June 30, 2010. This is directly attributable to a decline in federal, as well as state and local, grants and contracts; however, we experienced a 10.5% increase in self-generated revenue for the same period. Operating expenses also increased by 2.6% from $40,004,512 for the fiscal year ended June 30, 2009, to $41,042,053 for the fiscal year ended June 30, 2010.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations received from the state and other sources. The total of net nonoperating revenues (expenses), including capital appropriations, grants, and gifts, reflects a decrease of 19.3% from $36,271,586 in 2009 to $29,264,671 in 2010. The change in 2010 is attributed to a reduction in state appropriations and federal grants and contracts.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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



These financial statements consist of three sections: management's discussion and analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information. The basic financial statements present information for the Southern University at New Orleans campus 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 15-16) 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 Southern University at New Orleans campus 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 campus. They are also able to determine how much the institutions at the Southern University at New Orleans campus 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 campus.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 17-18) presents information showing how the Southern University at New Orleans campus'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 19-20) presents information showing how the Southern University at New Orleans campus's cash changed as a result of the current year's 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 Southern University at New Orleans campus'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.

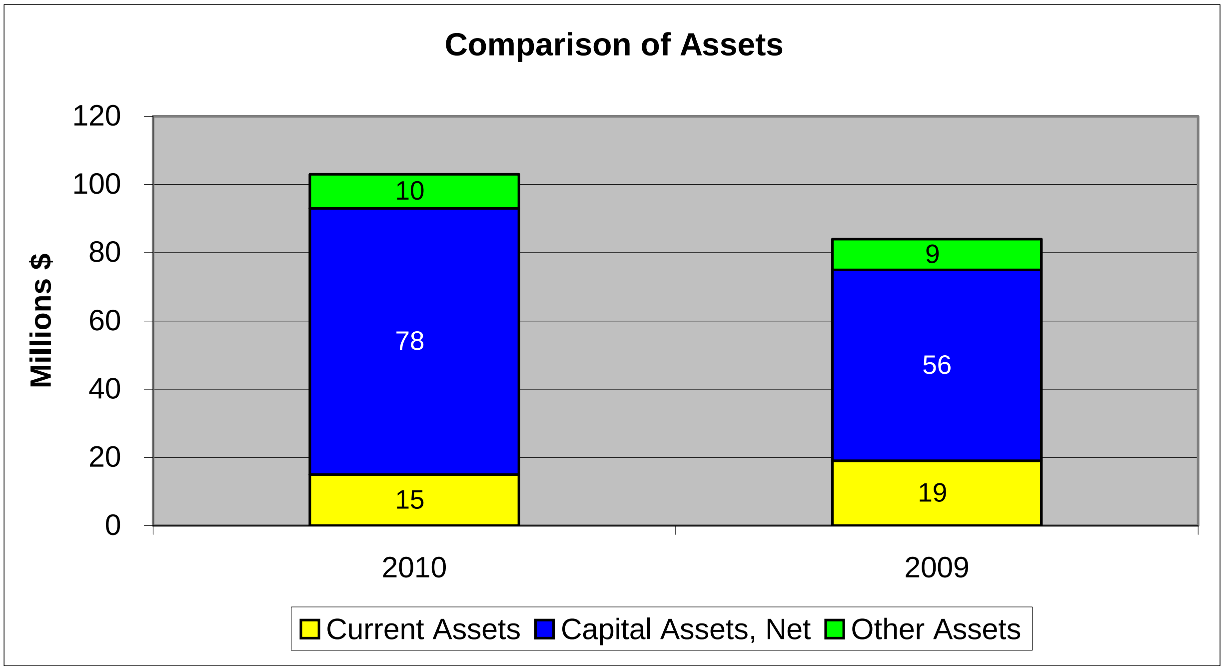
The Southern University at New Orleans campus's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America as applied to government units. Under this basis of accounting, revenues are recognized in the period in which 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 campus are included in the Statement of Net Assets.

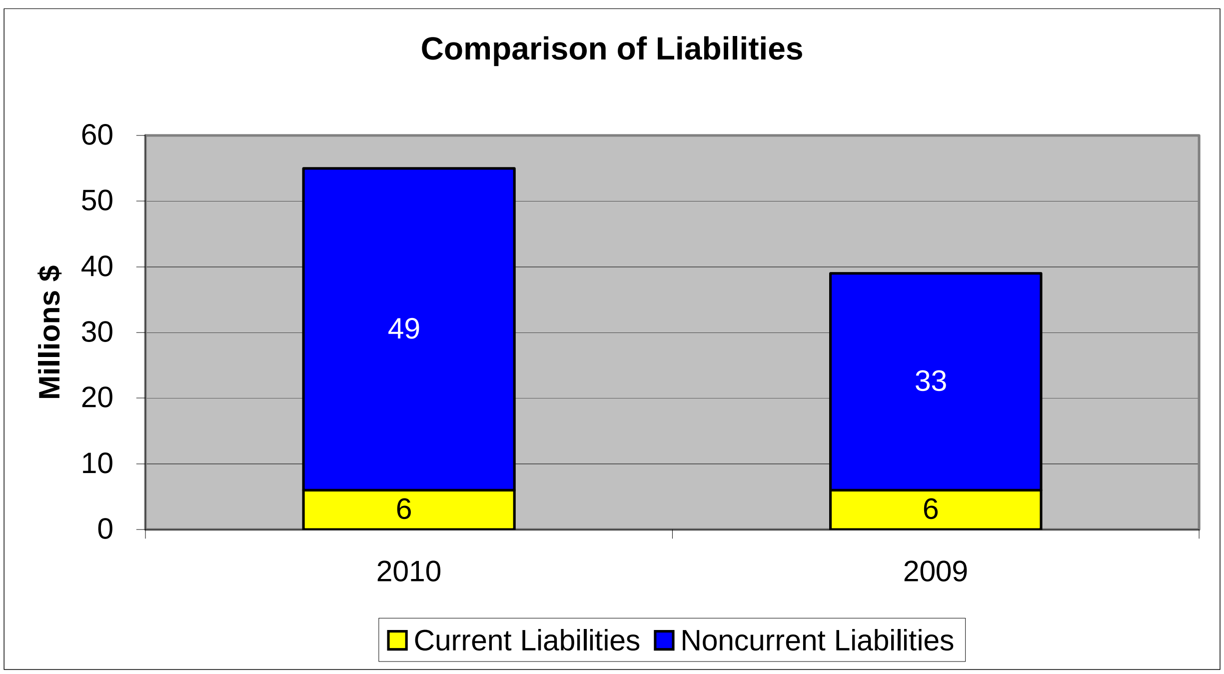
Categories of Net Assets

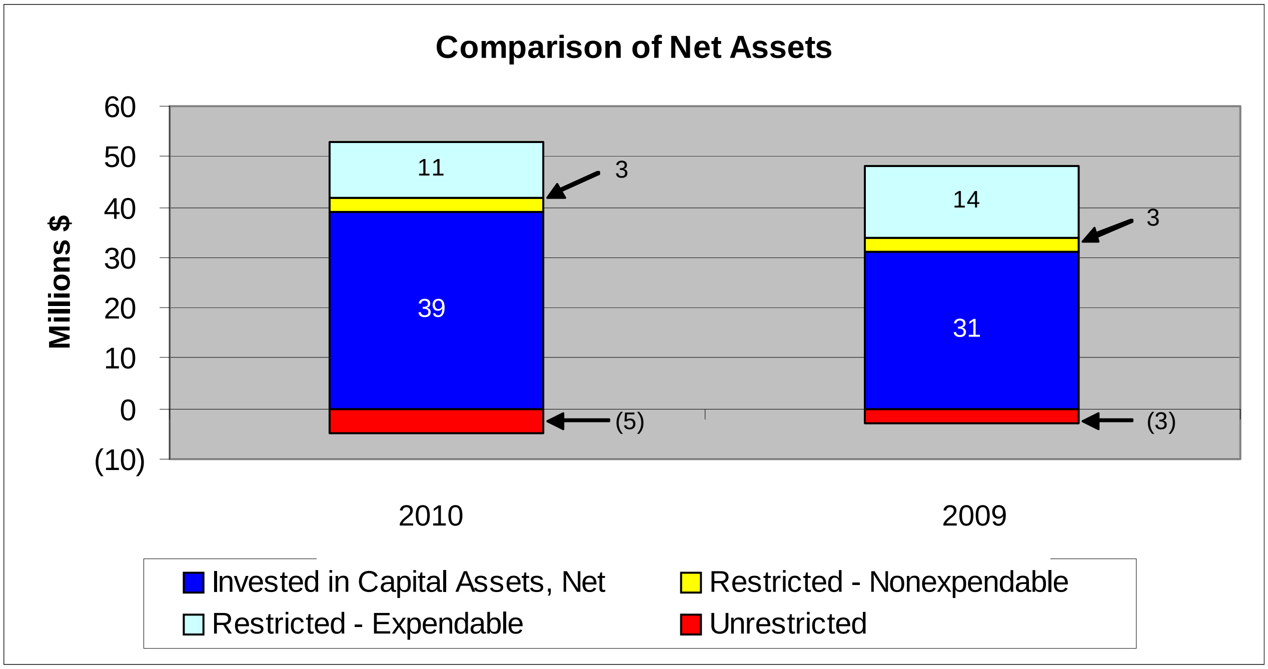
Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, indicates the total equity in property, plant, and equipment that is owned by the campus. The next asset category is restricted net assets, which is divided into two categories, nonexpendable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

Comparative Statement of Net Assets
For the Fiscal Years as of
June 30, 2010 and 2009

	2010	2009 (Restated)	Percentage Change
Assets			
Current assets	$14,501,838	$18,580,181	(21.9%)
Capital assets, net	77,836,347	55,556,441	40.1%
Other noncurrent assets	9,828,317	8,917,772	10.2%
Total assets	102,166,502	83,054,394	23.0%
Liabilities			
Current liabilities	6,030,130	5,538,580	8.9%
Noncurrent liabilities	48,699,650	33,186,313	46.7%
Total liabilities	54,729,780	38,724,893	41.3%
Net Assets			
Invested in capital assets, net of related debt	39,276,350	30,643,923	28.2%
Restricted:			
Nonexpendable	2,897,808	2,837,808	2.1%
Expendable	10,608,872	13,773,039	(23.0%)
Unrestricted	(5,346,308)	(2,925,269)	(82.8%)
Total net assets	$47,436,722	$44,329,501	7.0%


Comparison of Assets
Millions $
120
100
80
60
40
20
0
10
78
15
9
56
19
2010
2009
Current Assets
Capital Assets, Net
Other Assets


Comparison of Liabilities
Millions $
60
50
40
30
20
10
0
49
6
33
6
2010
2009
Current Liabilities
Noncurrent Liabilities



The previous schedules are prepared using the Southern University at New Orleans campus'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 campus increased by $19,112,108, an increase of approximately 23.0%. The total liabilities of the campus increased by $16,004,887, or 41.3%. The consumption of assets follows the campus's philosophy to use available resources to acquire and improve all areas of the campus's institutions to better serve the instruction, research, and public service missions of these institutions.

Statement of Revenues, Expenses, and Changes in Net Assets

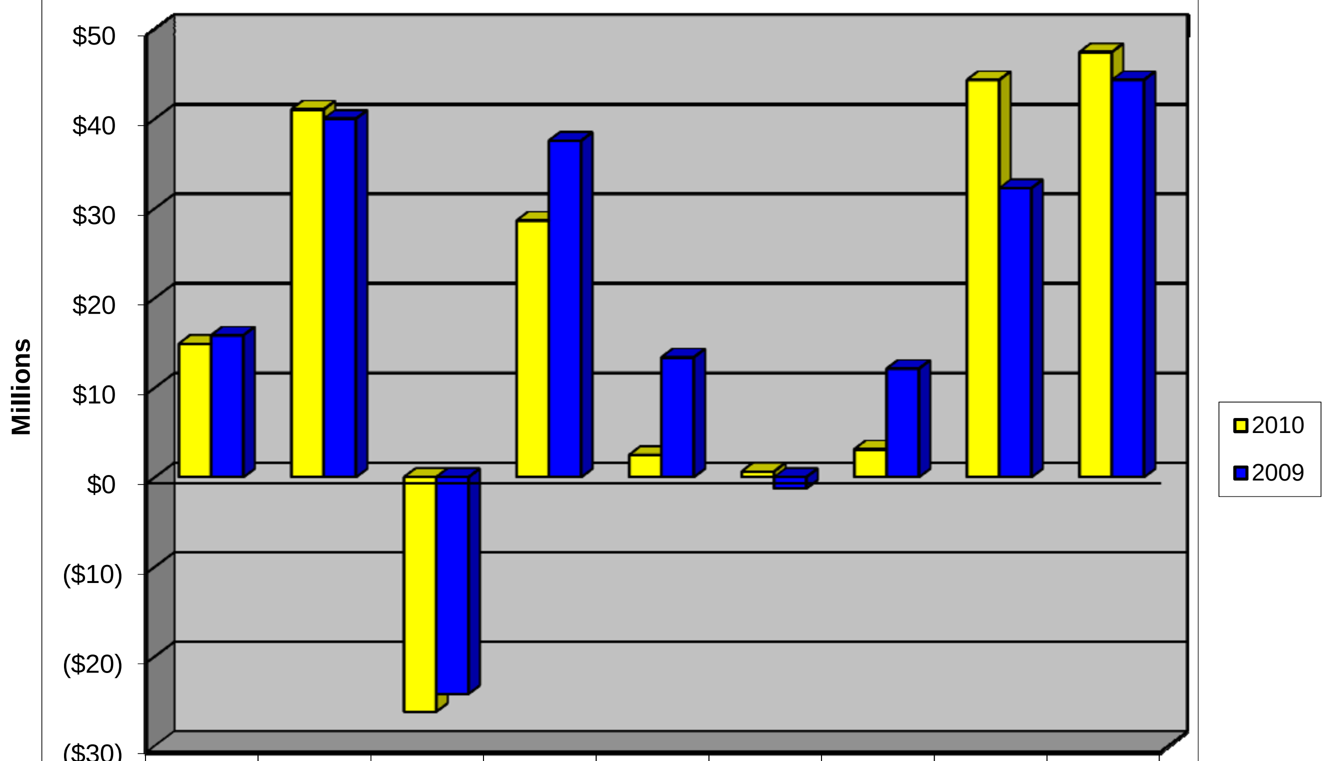
Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received and expenses paid by the campus for both operating and nonoperating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

The operating revenues are received for providing goods and services to the various customers and constituencies of the campus. 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 campus. 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 campus, even though the legislature does not receive, directly in return, goods and services for those revenues.

Comparative Statement of Revenues, Expenses, and Changes in Net Assets For the Fiscal Years Ended June 30, 2010 and 2009

	2010	(Restated) 2009	Percentage Change
Operating revenues:			
Student tuition and fees, net of scholarship allowances	$6,544,565	$5,924,994	10.5%
Federal grants and contracts	5,623,354	7,074,556	(20.5%)
State and local grants and contracts	1,051,182	2,086,060	(49.6%)
Auxiliary revenues, net of scholarship allowances	1,359,467	442,031	207.6%
Other operating revenues	306,035	295,789	3.5%
Total operating revenues	14,884,603	15,823,430	(5.9%)
Nonoperating revenues:			
State appropriations	10,328,399	15,572,008	(33.7%)
Gifts	95,015	81,165	17.1%
Federal grants and contracts	15,028,858	21,725,374	(30.8%)
American Recovery and Reinvestment Act award	2,256,318		
Investment income	124,593	74,982	66.2%
Other nonoperating revenues	864,730	108,082	700.1%
Total nonoperating revenues	28,697,913	37,561,611	(23.6%)
Total revenues	43,582,516	53,385,041	(18.4%)
Operating expenses:			
Educational and general:			
Instruction	8,394,545	8,374,268	0.2%
Research	512,112	365,342	40.2%
Public service	767,315	629,192	22.0%
Academic support	6,876,153	8,321,793	(17.4%)
Student services	4,154,379	3,028,497	37.2%
Institutional support	6,576,686	9,242,360	(28.8%)
Operation and maintenance of plant	1,977,237	2,706,040	(26.9%)
Depreciation	1,501,279	962,426	56.0%
Scholarships and fellowships	9,385,863	5,434,656	72.7%
Auxiliary enterprises	896,484	939,938	(4.6%)
Total operating expenses	41,042,053	40,004,512	2.6%
Nonoperating expenses - interest expense	68,732	20,885	229.1%
Total expenses	41,110,785	40,025,397	2.7%
Income before other revenues	2,471,731	13,359,644	(81.5%)
Capital appropriations	1,587,271	291,196	445.1%
Capital grants and gifts	2,730	569,753	(99.5%)
Additions to permanent endowment	60,000	26,000	130.8%
Transfers to other campuses, net	(1,014,511)	(375,819)	(169.9%)
Extraordinary item - loss on impairment of capital assets		(1,780,270)	
Other revenues	635,490	(1,269,140)	(150.1%)
Change in net assets	3,107,221	12,090,504	(74.3%)
Net assets at beginning of year, restated	44,329,501	32,238,997	37.5%
Net assets at end of year	$47,436,722	$44,329,501	7.0%

Comparison of Revenues,
Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2010 and 2009



	Operating Revenues	Operating Expenses	Operating Income (Loss)	Nonoperating Revenue (Expenses)	Expenses, Gains and Losses	Other Additions, Net	Increase (Decrease) in Net Assets	Net Assets at Beginning of Year	Net Assets at End of Year
2010	$15	$41	($26)	$29	$2	$1	$3	$44	$47
2009	$16	$40	($24)	$38	$13	($1)	$12	$32	$44

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive change for the year. The net assets increased by $3,107,221 in 2010, compared to an increase of $12,090,504 in fiscal year 2009. This is largely attributable to the decrease of state appropriated revenues and capital grants that was partially offset by the receipt of an American Recovery and Reinvestment Act award.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The combined total of capital assets, net of accumulated depreciation at the 2010 year-end, is $77,836,347, as compared to $55,556,441 at the 2009 year-end. The campus incurred costs related to construction projects for student housing, five permanent buildings, and various other construction projects.

The total amount of long-term debt is $49,597,923, as detailed below. Of this amount, $1,025,465 is reported as current and is expected to be paid within one year.

- Compensated absences - $1,874,838
- OPEB payable - $9,290,280
- Notes payable - $38,559,997

The New Orleans campus incurred debt by entering into an agreement with the United States Department of Education to borrow $44,000,000 to construct student housing. The funds are made available through a line of credit and the outstanding debt of $38,559,997 represents amounts advanced.

For additional information concerning capital assets and debt amortization, refer to notes 6, 15, and 16 in the notes to the financial statements.

ECONOMIC OUTLOOK

The Southern University at New Orleans campus will undergo a SACS reaccreditation review in the spring of 2011. The campus has made preparations for the review and remains optimistic about the upcoming visit and its outcome.

The following currently known facts, decisions, or conditions are expected to have a significant effect on financial position or results of operations:

- Economic factors affecting the future of the university will revolve around its success with the recently instituted selective admission standards. In addition, for the past two years, the Southern University at New Orleans campus has experienced significant reductions in state funding ($1,137,735 for FY 2009-10). The institution was able to minimize the effect of these cuts because of an increase in enrollment and self-generated revenues.

- The university has implemented new recruitment strategies to broaden its pool of incoming freshmen and transfer students to support the needs of its newly constructed, state of the art student faculty residential housing complex.

- It is expected that all higher education institutions in the state will experience significant budget reductions for the upcoming fiscal year 2011-12. The university has shown a continuous growth pattern for each fall term during 2006 through 2010.

CONTACTING THE SOUTHERN UNIVERSITY AT NEW ORLEANS CAMPUS'S MANAGEMENT

The accompanying Southern University at New Orleans campus's financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the campus's finances, and to show the campus'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 Mr. Woodie White, Vice Chancellor for Finance and Administration, at Southern University at New Orleans, 6400 Press Drive, New Orleans, Louisiana 70126, phone number 504-286-5117.

SOUTHERN UNIVERSITY AT NEW ORLEANS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Assets
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$6,551,388
Receivables, net (note 4)	7,722,009
Due from state treasury	81,129
Notes receivable, net (note 5)	146,987
Other current assets	325
Total current assets	14,501,838
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	8,840,465
Restricted investments (note 3)	987,852
Capital assets, net (note 6)	77,836,347
Total noncurrent assets	87,664,664
Total assets	102,166,502
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 7)	1,189,443
Deferred revenues (note 8)	2,196,248
Amounts held in custody for others	38,650
Compensated absences (notes 9 and 15)	127,192
Notes payable (notes 15 and 16)	898,273
Other current payables	1,580,324
Total current liabilities	6,030,130

(Continued)

See the accompanying notes and accountant's review report.

SOUTHERN UNIVERSITY AT NEW ORLEANS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Assets
June 30, 2010

LIABILITIES (CONT.)	
Noncurrent liabilities:	
Compensated absences (notes 9 and 15)	$1,747,646
Other postemployment benefits payable (notes 12 and 15)	9,290,280
Notes payable (notes 15 and 16)	37,661,724
Total noncurrent liabilities	48,699,650
Total liabilities	54,729,780
NET ASSETS	
Invested in capital assets, net of related debt	39,276,350
Restricted for:	
Nonexpendable (note 17)	2,897,808
Expendable (note 17)	10,608,872
Unrestricted	(5,346,308)
TOTAL NET ASSETS	$47,436,722

(Concluded)

See the accompanying notes and accountant's review report.

SOUTHERN UNIVERSITY AT NEW ORLEANS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010

OPERATING REVENUES	
Student tuition and fees	$10,012,015
Less scholarship allowances	(3,467,450)
Net student tuition and fees	6,544,565
Federal grants and contracts	5,623,354
State and local grants and contracts	1,051,182
Auxiliary enterprise revenues	1,429,479
Less scholarship allowances	(70,012)
Net auxiliary revenues	1,359,467
Other operating revenues	306,035
Total operating revenues	14,884,603
OPERATING EXPENSES	
Educational and general:	
Instruction	8,394,545
Research	512,112
Public service	767,315
Academic support	6,876,153
Student services	4,154,379
Institutional support	6,576,686
Operation and maintenance of plant	1,977,237
Depreciation (note 6)	1,501,279
Scholarships and fellowships	9,385,863
Auxiliary enterprises	896,484
Total operating expenses	41,042,053
OPERATING LOSS	(26,157,450)

(Continued)

See the accompanying notes and accountant's review report.

SOUTHERN UNIVERSITY AT NEW ORLEANS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010

NONOPERATING REVENUES (Expenses)	
State appropriations	$10,328,399
Federal grants and contracts	15,028,858
American Recovery and Reinvestment Act award	2,256,318
Gifts	95,015
Investment income	124,593
Interest expense	(68,732)
Other nonoperating revenues	864,730
Net nonoperating revenues	28,629,181
INCREASE BEFORE OTHER REVENUES	2,471,731
Capital appropriations	1,587,271
Capital grants and gifts	2,730
Additions to permanent endowment	60,000
Transfers to other campuses, net	(1,014,511)
INCREASE IN NET ASSETS	3,107,221
NET ASSETS - BEGINNING OF YEAR (Restated) (note 18)	44,329,501
NET ASSETS - END OF YEAR	$47,436,722

(Concluded)

See the accompanying notes and accountant's review report.

Statement C

SOUTHERN UNIVERSITY AT NEW ORLEANS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$6,708,702
Grants and contracts	6,615,689
Payments to suppliers	(6,243,775)
Payments for utilities	(999,507)
Payments to employees	(15,393,260)
Payments for benefits	(4,753,689)
Payments for scholarships and fellowships	(9,386,621)
Loans issued to students and employees	(146,987)
Payments on loans issued to students and employees	153,214
Auxiliary enterprise charges	1,213,442
Other receipts	306,035
Net cash used by operating activities	(21,926,757)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	10,329,547
American Recovery and Reinvestment Act award	2,256,318
Private gifts for endowment purposes	60,000
TOPS receipts	87,476
TOPS disbursements	(87,476)
PELL receipts	10,614,722
Federal Family Education Loan program receipts	20,646,104
Federal Family Education Loan program disbursements	(20,646,104)
Other receipts (payments)	(111,131)
Net cash provided by noncapital financing activities	23,149,456
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from capital debt	14,228,879
Capital grants and gifts received	1,626,609
Purchases of capital assets	(19,308,642)
Interest paid on capital debt and leases	(68,732)
Net cash used by capital and related financing activities	(3,521,886)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	58,288
Net cash provided by investing activities	58,288

(Continued)

See the accompanying notes and accountant's review report.

SOUTHERN UNIVERSITY AT NEW ORLEANS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

NET DECREASE IN CASH AND CASH EQUIVALENTS	($2,240,899)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,632,752
CASH AND CASH EQUIVALENTS AT END OF YEAR	$15,391,853
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($26,157,450)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,501,279
Changes in assets and liabilities:	
Decrease in accounts receivable, net	1,015,656
Decrease in notes receivable, net	6,227
(Increase) in other assets	(325)
(Decrease) in accounts payable	(677,488)
Increase in deferred revenue	124,079
Increase in compensated absences	177,002
Increase in other postemployment benefits payable	1,921,596
Increase in other liabilities	162,667
Net cash used by operating activities	($21,926,757)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS	
Cash and cash equivalents classified as current assets	$6,551,388
Cash and cash equivalents classified as noncurrent assets	8,840,465
Cash and cash equivalents at the end of the year	$15,391,853
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital appropriations for construction of capital assets	$69,337
Capital grants and gifts	4,414,136
Net increase in the fair value of investments	66,306
Loss on disposal of capital assets	10,959

(Concluded)

See the accompanying notes and accountant's review report.

INTRODUCTION

Southern University at New Orleans is a campus within the Southern University System (System), which 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; however, the annual budget of the university and changes to the degree programs and departments of instruction require the approval of the Louisiana Board of Regents. The board of supervisors is comprised of 15 members appointed by the governor with consent of the Louisiana Senate for a six-year term and one student member appointed for a one-year term by a council composed of the student body presidents of the university. As a state university, operations of the 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 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 Southern University Board of Supervisors. The New Orleans and Shreveport campuses were established in September 1959 and September 1967, respectively.

Southern University at New Orleans is a four-year, open admission institution offering a range of basic degree programs in the liberal arts and sciences, business, education, and the technologies. Graduate degrees are offered in social work, criminal justice, management information systems, and museum studies. During the summer, fall, and spring semesters of the 2009-2010 fiscal year, the campus conferred 374 degrees, and student enrollment was approximately 7,808. The New Orleans campus has 96 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 campus 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 campus has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The campus has elected not to apply FASB pronouncements issued after the applicable date.

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. Southern University at New Orleans is a part of the System, which 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) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the System primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the Southern University at New Orleans campus.

Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying financial statements within the System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the System and the state.

Criteria described in GASB Codification Section 2100 were used to evaluate whether potential component units should be blended with the campus, 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 campus is financially accountable, and other organizations for which the nature and significance of their relationship with the campus are such that exclusion would cause the financial statements of the campus to be misleading or incomplete. No such components were identified.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the campus is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the campus'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-campus 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 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 Southern University at New Orleans, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

E. CASH AND CASH EQUIVALENTS

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include time deposits. Under state law, the campus 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 campus 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. 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 campus 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 Southern University System Foundation are authorized by policies and procedures established by the Board of Regents. Investments are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

G. CAPITAL ASSETS

The campus 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 campus' 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.

H. 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 the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

I. 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 unclassified personnel or their heirs are compensated for accumulated annual leave, not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave, not to exceed 25 days, upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave 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 the Louisiana State Employees' Retirement System 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.

J. NONCURRENT LIABILITIES

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

K. 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 campus'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* consists 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* consists of resources that the campus is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(d) *Unrestricted* consists 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 campus 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 campus's policy is to first apply the expense toward unrestricted resources, then toward restricted resources.

L. CLASSIFICATION OF REVENUES AND EXPENSES

The campus 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.

M. 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 the campus and the amount that is paid by students and/or third parties making payments on the students' behalf.

N. 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.

O. ELIMINATING INTERFUND ACTIVITY

Activities between the campus and the campus's services units are eliminated for the purpose of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

2. CASH AND CASH EQUIVALENTS

At June 30, 2010, the campus has cash and cash equivalents (book balances) totaling $15,391,853 as follows:

Demand deposits	$12,023,954
Time certificates of deposit	3,367,899
Total	$15,391,853

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

Current assets	$6,551,388
Noncurrent assets - restricted	8,840,465
Total	$15,391,853

See accountant's review report.

3. INVESTMENTS

At June 30, 2010, the campus has investments totaling $987,852 as follows:

	Fair Value June 30, 2010	Investment Maturities (Years)	Credit Quality Rating
Equities	$467,213	Not Applicable	Not Applicable
Mutual funds (debt securities)	467,100	6.9	Not Rated
Money market mutual fund	53,539	Not Applicable	Not Rated
Total	$987,852		

These investments are reported at fair value as required by GASB Statement No. 31 and are reported on the Statement of Net Assets as noncurrent, restricted assets.

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	$1,475,632	($307,157)	$1,168,475
Louisiana Division of Administration - Office of Facility Planning and Control	4,387,308		4,387,308
Federal grants and contracts	1,812,666		1,812,666
State and private grants and contracts	292,461		292,461
Other	61,099		61,099
Total	$8,029,166	($307,157)	$7,722,009

There is no noncurrent portion of accounts receivable.

5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan program. Loans are no longer issued under the Federal Perkins Loan program, but collections are still made on outstanding loans.

See accountant's review report.

Notes receivable are shown on Statement A, net of an allowance for doubtful accounts, at June 30, 2010. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
Student Government Association loans	$146,987	NONE	$146,987

6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2010, is as follows:

	Balance June 30, 2009	Prior Period Adjustments	Adjusted Balance June 30, 2009	Additions	Transfers	Retirements	Balance June 30, 2010
Capital assets not being depreciated:							
Land	$5,806,218		$5,806,218				$5,806,218
Construction-in-progress	40,349,641	$266	40,349,907	$23,088,109	($6,052,356)		57,385,660
Total capital assets not being depreciated	$46,155,859	$266	$46,156,125	$23,088,109	($6,052,356)	NONE	$63,191,878
Capital assets being depreciated:							
Infrastructure					$3,753,184		$3,753,184
Less accumulated depreciation				($93,830)			(93,830)
Total infrastructure	NONE	NONE	NONE	(93,830)	3,753,184	NONE	3,659,354
Land improvements	$835,695		$835,695				835,695
Less accumulated depreciation	(816,195)		(816,195)	(17,478)			(833,673)
Total land improvements	19,500	NONE	19,500	(17,478)	NONE	NONE	2,022
Buildings	22,697,907		22,697,907		2,299,172		24,997,079
Less accumulated depreciation	(14,303,910)		(14,303,910)	(476,019)			(14,779,929)
Total buildings	8,393,997	NONE	8,393,997	(476,019)	2,299,172	NONE	10,217,150
Equipment & Library	2,216,998	$73,748	2,290,746	704,034		($43,210)	2,951,570
Less accumulated depreciation	(1,265,702)	(38,224)	(1,303,926)	(913,952)		32,251	(2,185,627)
Total equipment	951,296	35,524	986,820	(209,918)	NONE	(10,959)	765,943
Total capital assets being depreciated	$9,364,793	$35,524	$9,400,317	($797,245)	$6,052,356	($10,959)	$14,644,469
Capital assets summary:							
Capital assets not being depreciated	$46,155,859	$266	$46,156,125	$23,088,109	($6,052,356)		$63,191,878
Capital assets being depreciated	25,750,600	73,748	25,824,348	704,034	6,052,356	($43,210)	32,537,528
Total cost of capital assets	71,906,459	74,014	71,980,473	23,792,143	NONE	(43,210)	95,729,406
Less accumulated depreciation	(16,385,807)	(38,224)	(16,424,031)	(1,501,279)	NONE	32,251	(17,893,059)
Capital assets, net	$55,520,652	$35,790	$55,556,442	$22,290,864	NONE	($10,959)	$77,836,347

On August 29, 2005, the New Orleans campus was struck by Hurricane Katrina. The campus suffered extensive flooding and various degrees of wind damage to its 11 buildings. The facilities are being repaired under the oversight of the Office of Facility Planning and Control. Two buildings with a carrying value of $416,213 are idle at June 30, 2010.

7. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of the campus's payables and accruals at June 30, 2010:

Vendor payables	$564,791
Accrued salaries and payroll deductions	560,385
Other	64,267
Total	$1,189,443

8. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2010:

Prepaid tuition and fees	$338,082
Grants and contracts	1,858,166
Total	$2,196,248

9. COMPENSATED ABSENCES

At June 30, 2010, employees of the campus have accumulated and vested annual leave, sick leave, and compensatory leave of $783,689; $1,077,949; and $13,200, 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 campus 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 the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSL is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer, defined benefit pension plan because the material portion of its activity is with one employer--the State of Louisiana. 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 systems issue annual, publicly available financial reports that include financial statements and required supplementary information for the systems. 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 campus 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 2010, the state is required to contribute 15.5% of covered salaries to TRSL and 18.6% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to each university, funds the employer contribution. The employer contributions to TRSL for the years ended June 30, 2010, 2009, and 2008 were $1,101,418; $1,103,821; and $1,355,164, respectively, and to LASERS for the years ended June 30, 2010, 2009, and 2008 were $609,989; $636,995; and $713,321, 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 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 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 campus equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the campus are 15.5% of the covered payroll for fiscal year 2010. 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, 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. 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 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 $601,232 and $310,313, respectively, for the fiscal year ended June 30, 2010.

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - Employees of Southern University at New Orleans 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 campus 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 Exclusive Provider Organization (EPO) plan, and the Health Maintenance Organization (HMO) plan. In addition, all plan members are offered the Medical Home HMO plan. Retired employees who have Medicare Part A and Part B coverage also have access to Medicare Advantage plans, which are offered on a calendar year basis. During calendar year 2009 and calendar year 2010, there were three HMO plans and two private fee-for-service (PFFS) plans offered by four companies.

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

Service	Contribution Percentage
Under 10 years	81%
10 - 14 years	62%
15 - 19 years	44%
20+ years	25%

See accountant's review report.

Shown below are the total monthly premium rates in effect for the plan year 2009-10.

	PPO	EPO	HMO	Medical Home HMO Plan
Active				
Single	$559	$581	$536	$532
With Spouse	1,187	1,234	1,139	1,130
With Children	681	709	654	649
Family	1,251	1,301	1,201	1,192
Retired, No Medicare and Re-employed Retiree				
Single	$1,039	$1,081	$998	$990
With Spouse	1,835	1,909	1,762	1,748
With Children	1,158	1,204	1,111	1,102
Family	1,826	1,899	1,753	1,739
Retired, with 1 Medicare				
Single	$338	$351	$324	$322
With Spouse	1,249	1,299	1,199	1,189
With Children	585	608	562	557
Family	1,664	1,730	1,597	1,584
Retired, with 2 Medicare				
With Spouse	$607	$632	$583	$578
Family	752	782	722	716

	Medicare Advantage Plans - Calendar Year 2009				
	HMO			Private Fee-for-Service Plans	
	Humana	People's Health	Vantage	Humana	Secure Horizons
Retired, with 1 Medicare					
Single	$137	$142	$178	$174	$270
Retired, with 2 Medicare					
With Spouse	$274	$284	$356	$348	$539

	Medicare Advantage Plans - Calendar Year 2010				
	HMO			Private Fee-for-Service Plans	
	Humana	People's Health	Vantage	Humana	Secure Horizons
Retired, with 1 Medicare					
Single	$149	$142	$198	$165	$199
Retired, with 2 Medicare					
With Spouse	$298	$284	$396	$330	$397

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 one-half of the premiums. 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 campus'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). The total ARC for fiscal year 2010 is $2,751,800.

The following schedule presents the components of the campus's annual OPEB cost for fiscal year 2010, the amount actually contributed to the plan, and changes in the campus's net OPEB obligation to the OPEB plan:

ARC	$2,751,800
Interest on net OPEB obligation	294,800
ARC adjustment	(281,600)
Annual OPEB cost	2,765,000
Contributions made	(843,404)
Increase in net OPEB obligation	1,921,596
Beginning net OPEB obligation, June 30, 2009, restated	7,368,684
Ending net OPEB obligation, June 30, 2010	$9,290,280

The campus'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, 2010, 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, 2008	$4,850,700	15.7%	$4,089,833
June 30, 2009	4,106,014	20.1%	7,368,684
June 30, 2010	2,765,000	30.5%	9,290,280

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 2010, neither the campus nor the State of Louisiana contributed to it. Since no contributions were made, the campus's entire actuarial accrued liability of $36,596,100 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2009, was as follows:

Actuarial accrued liability (AAL)	$36,596,100
Actuarial value of plan assets	NONE
UAAL	$36,596,100
Funded ratio	0%
Covered payroll (active plan members)	$10,718,954
UAAL as a percentage of covered payroll	341.4%

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, 2009, 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 8.5% and 9.6% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on an open basis. There were no other changes in assumptions.

13. CONTINGENT LIABILITIES AND RISK MANAGEMENT

The campus is involved in five lawsuits and 50 claims against it at June 30, 2010. In the opinion of the contracted attorney, for the five lawsuits, there is no probable loss to the campus. 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.

See accountant's review report.

The amount of settlements paid in the last three years did not exceed insurance coverage.

14. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2010, total operating lease expenses were $478,628. As of June 30, 2010, the campus does not have any required minimum annual rental payments in fiscal year 2011.

Lessor Leases

The campus's leasing operations consist primarily of leasing property for providing food services to students. The following schedule provides an analysis of the cost and carrying amount of the campus' investment in property on operating leases and property held for lease as of June 30, 2010:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	$2,557,213	($428,680)	$2,128,533

The following is a schedule, by fiscal years, of the minimum future rentals on noncancelable operating leases as of June 30, 2010:

Operating Lease	2011	2012	2013	Rentals
Office space	$30,000	$30,000	$17,500	$77,500
Other	7,200	7,200	7,200	21,600
Total operating leases	$37,200	$37,200	$24,700	$99,100

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. The campus did not have any contingent rentals for the fiscal year ended June 30, 2010.

15. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in the campus's long-term liabilities for the fiscal year ended June 30, 2010:

	Balance, June 30, 2009	Prior Period Adjustment	Restated Balance, June 30, 2009	Additions	Reductions	Balance, June 30, 2010	Amounts Due Within One Year
Compensated absences payable	$1,840,272	($142,436)	$1,697,836	$311,334	($134,332)	$1,874,838	$127,192
OPEB payable	7,369,274	(590)	7,368,684	2,765,000	(843,404)	9,290,280	
Notes payable	24,331,118		24,331,118	14,228,879		38,559,997	898,273
Total long-term liabilities	$33,540,664	($143,026)	$33,397,638	$17,305,213	($977,736)	$49,725,115	$1,025,465

16. NOTES PAYABLE

The Board of Supervisors of Southern University and Agricultural and Mechanical College with and on behalf of Southern University at New Orleans entered into an agreement with the U.S. Department of Education to borrow $44,000,000 in June 2007 to construct student housing. Pursuant to Section 2601 of Title II of the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006*, the U.S. Department of Education has implemented a loan program for Historically Black Colleges and Universities affected by hurricanes Katrina and Rita. The loan program provides for a loan at one percent interest and one percent origination fees to be made by the U.S. Department of Education to Southern University at New Orleans for the purpose of financing residential housing. Funds are available through a line of credit, whereby a liability is not incurred until funds are advanced. During the fiscal year ended June 30, 2010, the System recorded advances in the amount of $38,559,997 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, 2010:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	$898,273	$383,356	$1,281,629
2012	902,654	374,365	1,277,019
2013	910,542	365,303	1,275,845
2014	1,007,818	355,966	1,363,784
2015	1,111,229	345,629	1,456,858
2016-2020	6,771,661	1,540,656	8,312,317
2021-2025	7,460,483	1,181,540	8,642,023
2026-2030	7,840,825	800,050	8,640,875
2031-2035	8,243,076	399,030	8,642,106
2036-2037	3,413,436	42,771	3,456,207
Total	$38,559,997	$5,788,666	$44,348,663

17. RESTRICTED NET ASSETS

The campus has the following restricted net assets at June 30, 2010:

Nonexpendable - endowments	$2,897,808
Expendable:	
Gifts, grants, and contracts	$610,191
Student fees	1,031,556
Student loans	391,467
Endowment earnings	1,163,174
University plant projects	5,962,356
Debt service requirements	1,450,128
Total expendable	$10,608,872

Of the total net assets reported in the Statement of Net Assets as of June 30, 2010, a total of $6,699,739 is restricted by enabling legislation.

18. RESTATEMENT OF BEGINNING NET ASSETS

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

Net Assets at June 30, 2009	$44,180,187
Compensated absences payable adjustment	142,436
Capital asset adjustment	35,789
Other postemployment benefits payable adjustment	590
Restricted expenses adjustments	(29,501)
Net Assets at June 30, 2009, as restated	$44,329,501

19. DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2010, net appreciation of donor restricted endowments is equal to $1,163,174, which is available to be spent for restricted purposes. The campus 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.

See accountant's review report.

20. DEFERRED COMPENSATION PLAN

Certain employees of the campus 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.

21. AMERICAN RECOVERY AND REINVESTMENT ACT

American Recovery and Reinvestment Act expenses incurred in fiscal year 2010 consisted of General Fund Salaries and Benefits program expenses of $2,256,318.

22. SUBSEQUENT EVENTS

The state of Louisiana continues to experience decreases in state revenues that has resulted in decreased funding for the 2011 fiscal year. The campus has implemented an approved restructuring plan to ensure that current operations are sustained and the missions and goals of the campus are not negatively impacted. Management does not anticipate that the 2010-2011 mandated budget cuts will significantly impact the campus's overall mission and goals. Management will continue to closely monitor available resources to ensure the campus's ongoing ability to react to known and unknown internal and external issues in a prompt manner.

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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.

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SOUTHERN UNIVERSITY AT NEW ORLEANS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan
For the Fiscal Year Ended June 30, 2010

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, 2007	NONE	$50,304,000	$50,304,000	0%	$11,753,186	428.0%
July 1, 2008	NONE	51,649,100	51,649,100	0%	11,021,397	468.6%
July 1, 2009	NONE	36,596,100	36,596,100	0%	10,718,954	341.4%

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Management Letter

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 10, 2010

SOUTHERN UNIVERSITY AT NEW ORLEANS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
New Orleans, Louisiana

We have reviewed the financial statements of Southern University at New Orleans, as of and for the year ended June 30, 2010, and have issued our accountant's review report thereon dated November 10, 2010. Southern University at New Orleans is a campus within the Southern University System, a component unit of the State of Louisiana. The campus's accounts are an integral part of the Southern University System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. A review is substantially less in scope than an audit conducted 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, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

Our review of the financial statements did not disclose any transactions entered into by the campus during the year that were both significant and unusual or transactions for which there is a lack of authoritative guidance.

For purposes of this letter, a disagreement with management is defined as a matter, whether or not resolved to our satisfaction, concerning a financial accounting or reporting matter that could be significant to the campus's financial statements or the accountant's report. No such disagreements arose during our review procedures.

In our prior audit report on the Southern University System for the year ended June 30, 2009, we reported four findings involving the New Orleans campus relating to inaccurate annual fiscal report preparation; insufficient control over leave records; insufficient control over student receivables; and an ineffective internal audit function. The finding relating to an ineffective internal audit function has been resolved by management. The finding relating to insufficient control over leave records is addressed again in this letter. As of the date of this report, we are unable to determine the status of the findings relating to inaccurate annual fiscal report preparation and insufficient control over student receivables. However, if applicable, these two findings will be addressed in the Southern University System's audit report for the fiscal year ending June 30, 2010.

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Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting the Southern University at New Orleans campus's internal control, compliance with applicable laws and regulations, and operational efficiencies was not an objective of our procedures. Accordingly, our review procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, during our review procedures, we noted one significant matter requiring communication to management concerning internal control deficiencies.

Insufficient Control Over Leave Records

For the second consecutive year, the Southern University at New Orleans campus does not have adequate control procedures in place to ensure that employee leave records are being properly maintained. 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 campus's established procedures.

While requesting leave records from the New Orleans campus, it was noted that management did not ensure that employees' leave records were adequately posted and leave balances were adequately maintained for the period July 1, 2009, through June 30, 2010. Therefore, the correct employee leave balances for approximately 306 employees could not be determined as of and for the period ending June 30, 2010.

No evidence existed of supervisory review of the changes made to the leave records to ensure that the leave records were being properly updated on a regular basis. In addition, because employees and their supervisors were not provided with detailed periodic reports of leave balances and changes thereto, they were not provided with sufficient information to make decisions about whether leave was available or to determine whether their leave balances are being properly updated each pay period. Furthermore, time sheets are due for processing approximately 11 to 21 days before each pay period ends. Therefore, employees must estimate their leave usage far in advance. As a result, numerous adjustments are made to employee leave records every pay period in order to record the leave used by employees after time sheets were processed. The delay in recording leave usage causes employee leave records to reflect inaccurate balances, which contributes to the improper maintenance of the employee leave records.

The lack of adequate supervisory review over leave records resulted in misstated leave balances. 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 and also results in misstating the compensated leave liability in the Southern University System's annual fiscal report. In addition, 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.

Management of the Southern University at New Orleans campus 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 by the personnel assigned this responsibility. Management of the campuses should also begin providing detailed periodic reports of leave balances to employees and their supervisors for review and should consider adjusting their payroll process to eliminate the submission of time sheets so far in advance of the end of the pay period. Southern University System's management concurred with the finding and provided a corrective action plan (see Appendix A).

The recommendation in this letter represents, in our judgment, that which is most likely to bring about beneficial improvements to the operations of the university. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the university should be considered in reaching decisions on courses of action.

This management letter is intended for the information and use of the Southern University at New Orleans campus, its management, others within the university, the Southern University System and its board of supervisors, 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 letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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Management's Corrective Action Plan and Response to the Finding and Recommendation

Southern University and A&M College System

J.S. Clark Administration Building
Baton Rouge, Louisiana 70813

Office of the President
(225) 771-4680

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(225) 771-5522

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November 9, 2010

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

RE: Response to 6/30/10 Audit Finding – Insufficient Control Over Leave Records

Dear Mr. Purpera:

We concur with this finding and have or will institute the following measures to resolve the issues:

- Staff at all campuses are currently focused on reviewing and correcting, where necessary, all leave records in preparation for implementation of the Banner Web-Time and Leave Entry System. This will replace many of the manual processes we currently utilize, automate the calculation and accrual of leave within the ERP system, and provide detailed periodic reports of leave balances to employees and supervisors.
- Managers who approve leave will be provided training regarding the particulars of payroll coordination and leave processing.
- The system will review, coordinate and revise, as necessary, policies and procedures to prevent negative leave balances.

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

Thank you for your assistance and support.

Respectfully,

Dr. Ronald Mason, Jr.
President