SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2008
ISSUED JUNE 3, 2009

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

April 30, 2009

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, 2008, which collectively comprise the 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 4.9%, 12.9%, 0.02%, and 0.1%, 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 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 not audited 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.

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In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Southern University System as of June 30, 2008, 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.

As discussed in note 1-B to the financial statements, SUSLA Facilities, Inc., has been blended into the Southern University System's basic financial statements as of and for the year ended June 30, 2008.

As discussed in note 1-O to the financial statements, the Southern University System implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, for the year ended June 30, 2008.

As discussed in note 6 to the financial statements, on August 29, 2005, the State of Louisiana and the City of New Orleans suffered catastrophic damage from Hurricane Katrina resulting in the President of the United States declaring Louisiana a major disaster area. The Southern University System sustained significant losses of assets and operational functionality at its New Orleans campus because of Hurricane Katrina. On September 24, 2005, Hurricane Rita struck Louisiana causing further damage to state and local governmental operations. Because of the severity of these two hurricanes and the resulting damage and losses sustained, it is unknown what economic impact recovery efforts will have on state and local governmental operations in Louisiana. The long-term effects of the hurricanes on the Southern University System cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2009, 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 7 through 18 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 67 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 71 through 81 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,

Steve J. Theriot, CPA
Legislative Auditor

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Management's Discussion and Analysis of the Southern University System's financial performance presents a narrative overview and analysis of the Southern University System's financial activities and statements for the fiscal year ended June 30, 2008. The Southern University System has three geographically distinct institutions which include the Southern University and Agricultural and Mechanical College, 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 (System's institutions). This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. The notes to the financial statements provide a summary of some of the significant accounting policies affecting all financial transactions of the System's 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. Please read this document in conjunction with the Southern University System's financial statements.

FINANCIAL HIGHLIGHTS

The Southern University System's net assets overall changed from $195,876,333 to $173,818,835, a decrease of approximately 11.3% from June 30, 2007, to June 30, 2008. The decrease is due in part because of an accounting change mandated by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 supersedes GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*. The Statement of Net Assets and note 12 of the note disclosures reflect accounting changes made during the year resulting from the implementation of GASB Statement No. 45. In accordance with paragraph 37 of GASB Statement No. 45, the measurement and recognition requirements of this statement have been applied on a prospective basis and is reflected as an increase in noncurrent liabilities and a decrease in unrestricted net assets.

Based on comparative data for the fall semesters 2006 and 2007, the Southern University A&M College System experienced an overall increase in enrollment. Enrollment increased from 13,675 to 13,766; a modest increase of 0.7%. The reasons for this change are attributed to the following:

- Southern University and Agricultural and Mechanical College at Baton Rouge experienced a decrease of 3.9% in enrollment for fall 2007 when compared to the fall 2006. The campus attributes the decline in enrollment partially to the implementation of a selective admissions policy which began in the fall of 2001. For fall 2007, Southern University at Baton Rouge enrolled 8,288 students as compared to 8,624 students in fall 2006.

- Southern University at New Orleans experienced an increase in enrollment during the fall 2007, Southern University at New Orleans enrolled 2,648 students during the fall of 2007, an increase of 21.2% when compared to the fall 2006 enrollment of 2,185. This increase is attributed to the Hurricane Katrina recovery efforts relative to the New Orleans campus.

- Southern University at Shreveport had a slight decrease in enrollment during the fall semester of 2007, when compared to the fall semester of 2006. Enrollment at Southern University at Shreveport decreased from 2,387 students in fall 2006 to 2,337 students in fall 2007 or by 2.1%.

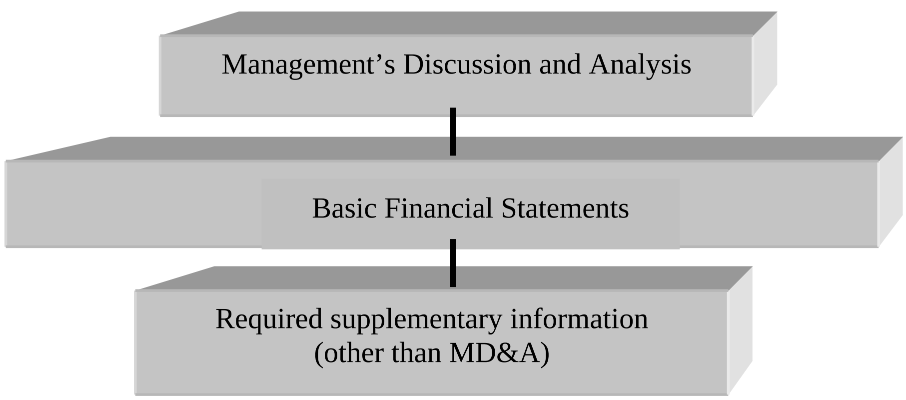
- The Southern University Law Center's enrollment increased slightly from 479 students in fall 2006 to 493 students in fall 2007 or by 2.9%.

The System's operating revenues changed from $131,550,281 to $129,144,564 or 1.8% from June 30, 2007, to June 30, 2008. Operating expenses, however, changed by 17.3% from $221,350,524 for the fiscal year ended June 30, 2007, to $259,602,897 for the fiscal year ended June 30, 2008. There were some cost increases in the areas of instruction, academic support, operations and maintenance, depreciation, scholarships and fellowships, and various mandated costs.

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 was $106,978,527 in 2007 and $103,491,554 in 2008, reflecting a decrease of 3.3%.

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 Southern University 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 19-20) 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 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. They are also able to determine how much the Southern University 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 institutions.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 23-24) presents information showing how the Southern University 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 27-28) presents information showing how the Southern University 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 Southern University 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.

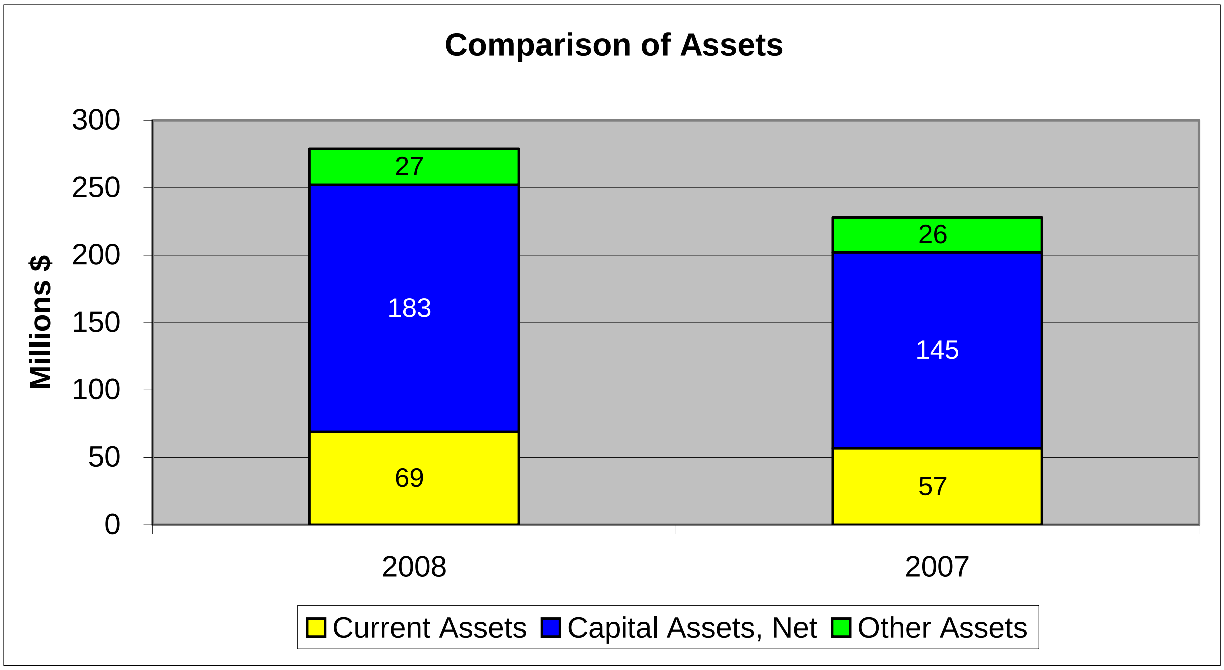
The Southern University System's financial statements are prepared on an accrual basis in conformity with generally accepted accounting principles in the United States of America as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned,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

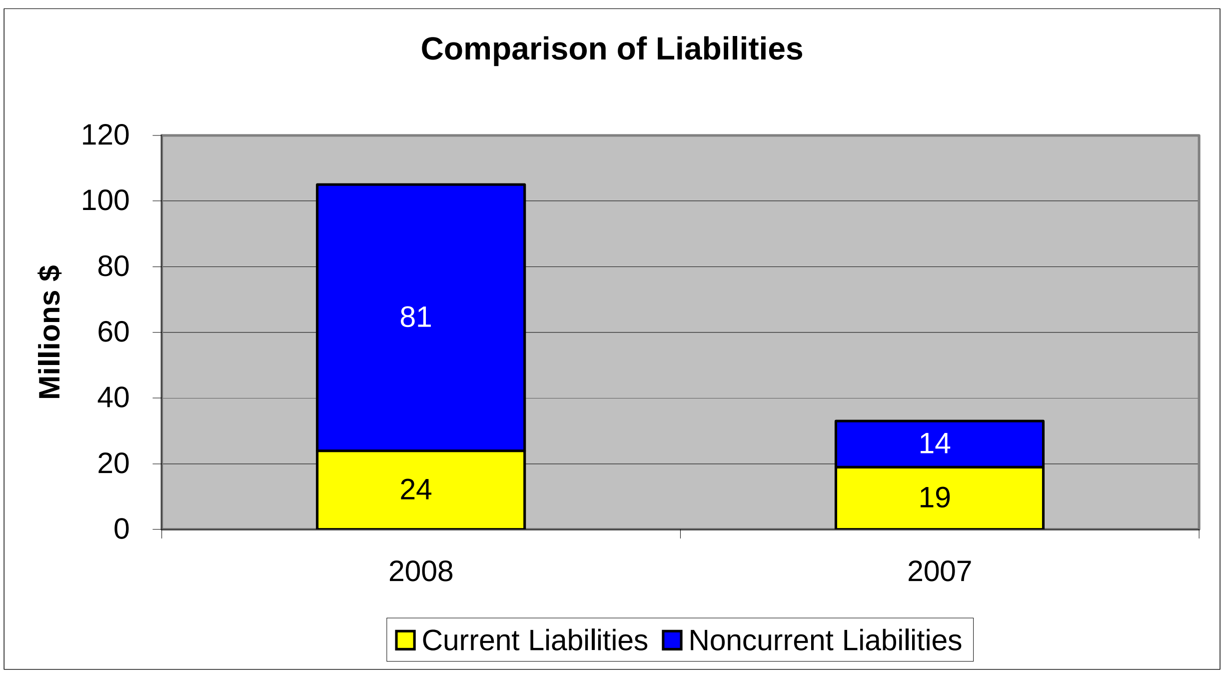
Categories of Net Assets

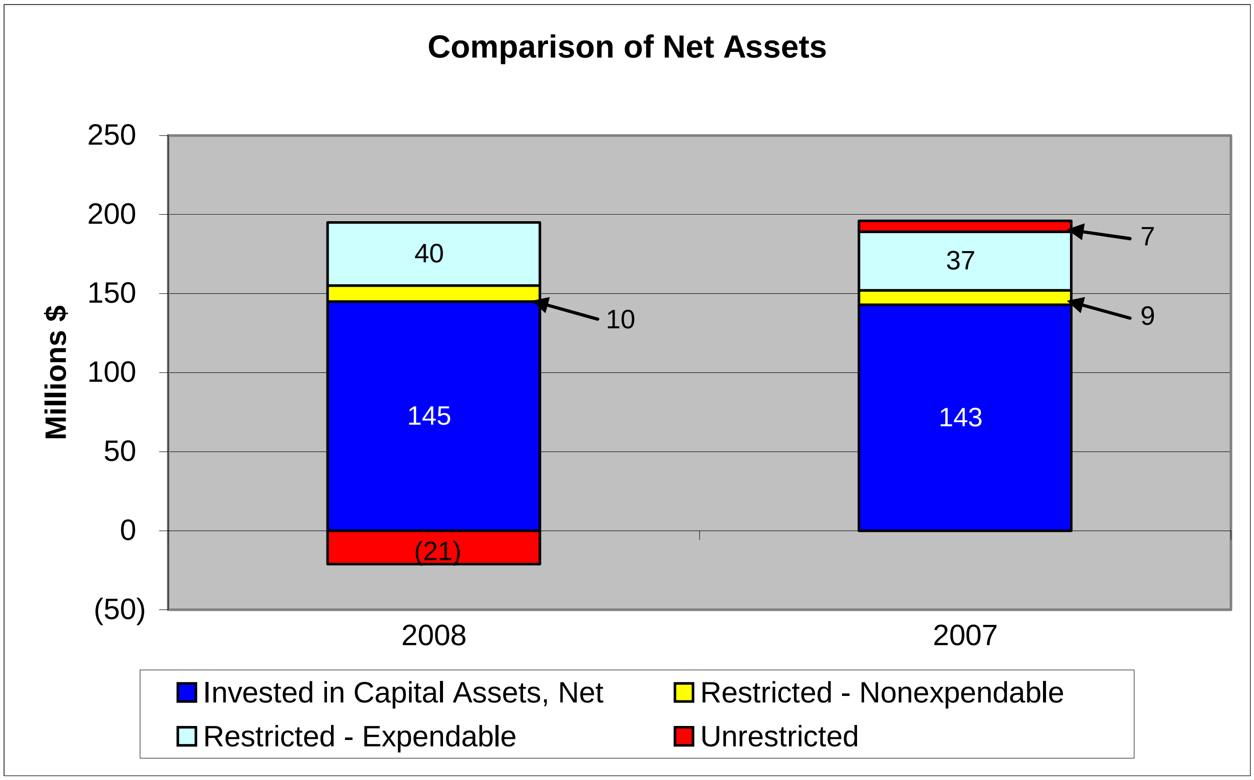
Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, indicates the total equity in property, plant, and equipment that is owned by all of the System's institutions. The next asset category is restricted net assets, which is divided into 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, 2008 and 2007

	2008	2007 (Restated)	Percentage Change
Assets			
Current assets	$68,629,838	$57,114,610	20.2%
Capital assets, net	182,993,557	144,993,572	26.2%
Other noncurrent assets	27,415,127	26,453,354	3.6%
Total assets	279,038,522	228,561,536	22.1%
Liabilities			
Current liabilities	24,205,204	18,609,707	30.1%
Noncurrent liabilities	81,014,483	14,075,496	475.6%
Total liabilities	105,219,687	32,685,203	221.9%
Net Assets			
Invested in capital assets, net of related debt	144,801,883	142,853,669	1.4%
Restricted:			
Nonexpendable	10,000,602	8,615,991	16.1%
Expendable	39,988,191	37,447,132	6.8%
Unrestricted	(20,971,841)	6,959,541	(401.3%)
Total net assets	$173,818,835	$195,876,333	(11.3%)


Comparison of Assets
300
250
200
150
100
50
0
Millions $
27
183
69
26
145
57
2008
2007
Current Assets
Capital Assets, Net
Other Assets


Comparison of Liabilities
120
100
80
60
40
20
0
Millions $
81
24
14
19
2008
2007
Current Liabilities
Noncurrent Liabilities



This schedule is prepared from the Southern University 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 $50,476,986, an increase of approximately 22.1%. The total liabilities of the System increased by $72,534,484, an increase of 221.9%. The consumption of assets follows the System's philosophy to use available resources to acquire and improve all areas of the System's institutions, to better serve the instruction, research, and public service missions of the institutions.

Statement of Revenues, Expenses, and Changes in Net Assets

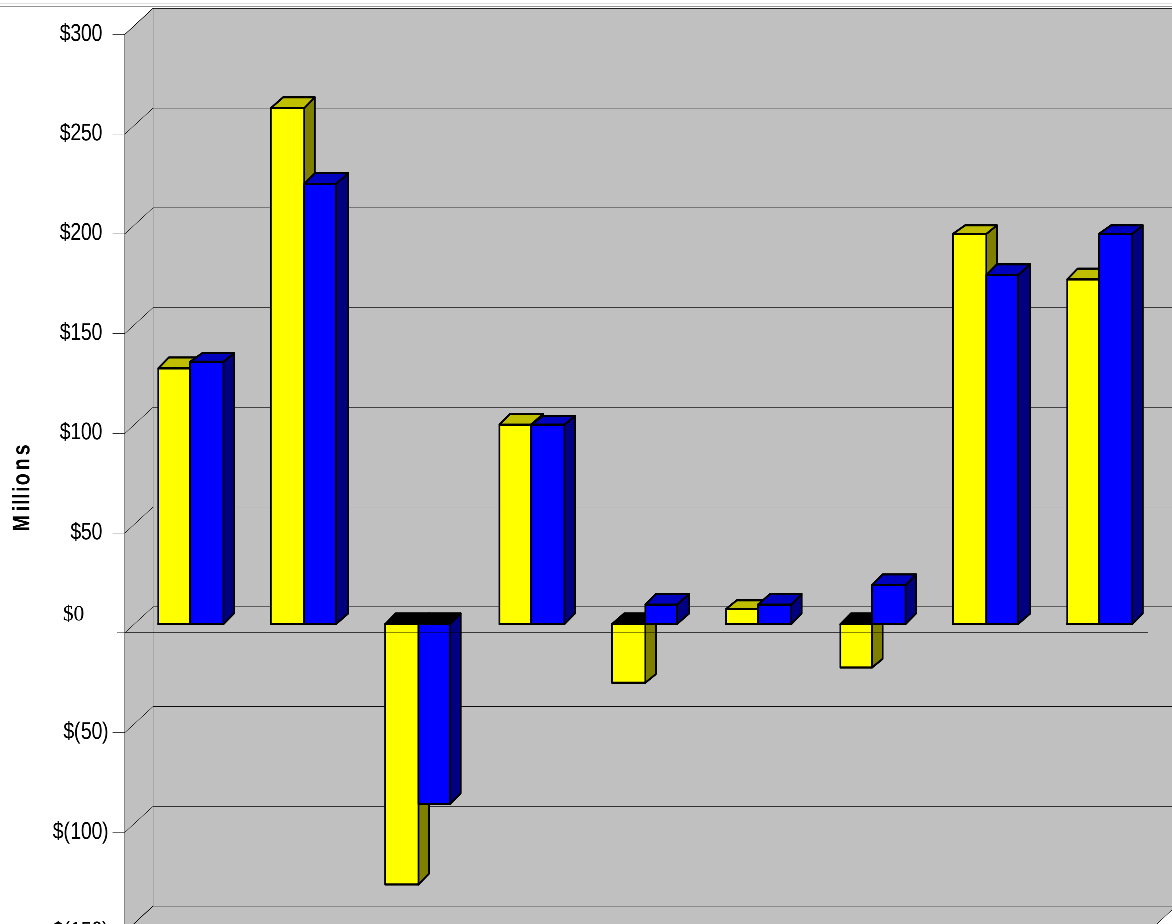
Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received and expenses paid by the System's institutions for both operating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

The operating revenues are received for providing goods and services to the various customers and constituencies of the institutions. 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.

Comparative Statement of Revenues, Expenses, and Changes in Net Assets For the Fiscal Years Ended June 30, 2008 and 2007

	2008	2007 (Restated)	Percentage Change
Operating revenues:			
Student tuition and fees, net of scholarship allowances	$34,946,589	$35,436,077	(1.4%)
Federal appropriations	3,036,036	2,603,130	16.6%
Federal grants and contracts	65,734,075	70,990,013	(7.4%)
State and local grants and contracts	7,367,301	4,739,051	55.5%
Nongovernmental grants and contracts	17,915	71,251	(74.9%)
Auxiliary revenues, net of scholarship allowances	14,086,251	13,674,525	3.0%
Other operating revenues	3,956,397	4,036,234	(2.0%)
Total operating revenues	129,144,564	131,550,281	(1.8%)
Nonoperating revenues:			
State appropriations	97,563,144	88,501,812	10.2%
Gifts	930,141	1,621,479	(42.6%)
Investment income	1,308,748	1,961,462	(33.3%)
Other nonoperating revenues	1,703,360	8,165,810	(79.1%)
Other nonoperating revenues - FEMA	440,785		100.0%
Total nonoperating revenues	101,946,178	100,250,563	1.7%
Total revenues	231,090,742	231,800,844	(0.3%)
Operating expenses:			
Educational and general:			
Instruction	66,429,353	54,107,012	22.8%
Research	9,284,657	8,794,157	5.6%
Public service	9,493,962	7,819,847	21.4%
Academic support	34,330,459	28,137,542	22.0%
Student services	19,807,498	17,980,483	10.2%
Institutional support	51,841,380	40,172,810	29.0%
Operation and maintenance of plant	19,188,533	18,410,416	4.2%
Depreciation	10,026,836	8,785,740	14.1%
Scholarships and fellowships	20,747,781	20,674,774	0.4%
Auxiliary enterprises	16,819,720	14,986,538	12.2%
Other operating expenses	1,632,718	1,481,205	10.2%
Total operating expenses	259,602,897	221,350,524	17.3%
Nonoperating expenses - interest expense	1,099,600	92,272	1,091.7%
Total expenses	260,702,497	221,442,796	17.7%
Income (loss) before other revenues	(29,611,755)	10,358,048	(385.9%)
Capital appropriations	2,644,976	6,820,236	(61.2%)
Capital grants and gifts	3,370,771	2,247,233	50.0%
Additions to permanent endowment	1,538,510	781,650	96.8%
Other revenues	7,554,257	9,849,119	(23.3%)
Change in net assets	(22,057,498)	20,207,167	(209.2%)
Net assets at beginning of year, restated	195,876,333	175,669,166	11.5%
Net assets at end of year	$173,818,835	$195,876,333	(11.3%)

**Comparative Graph of Revenues,
Expenses, and Changes in Net Assets
For the Fiscal Years Ended
June 30, 2008 and 2007**



	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-operating 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
2008	$129	$260	$(130)	$101	$(30)	$8	$(22)	$196	$174
2007	$132	$221	$(90)	$100	$10	$10	$20	$176	$196

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a negative year. The net assets decreased by $22,057,498 in 2008, compared to an increase of $20,207,167 in fiscal year 2007. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- The cumulative effects of the implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* is reported in the respective operating functions on the Statement of Revenues, Expenses, and Changes in Net Assets in the amount of $26,967,479.

- Beginning the 2001 fall semester, Southern University and Agricultural and Mechanical College at Baton Rouge implemented selective admissions. In fall 2006, the university implemented additional selective admission criteria. As expected, the university experienced a decline in enrollment. Anticipating this decline, budget adjustments were made to offset the reduction in revenues to maintain a balanced budget. The impact resulting from the budget reductions that were made still poses challenges in the management process.

- The Agricultural Research and Extension Center was appropriated $1,000,000 from the state tobacco tax funds. There funds were used to support youth programs, the Southern University Museum of Art, and the Historical District.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The combined total of capital assets, net of accumulated depreciation at year-end, is $182,993,557.

The Southern University System's institutions retired $47,000 in bonds payable during the fiscal year. Southern University at New Orleans entered into new long-term debt during the year. The total amount of new debt is $2,088,463. Southern University at Shreveport entered into a new long-term debt agreement with SUSLA Facilities, Inc., in the amount of $13,000,000 during the fiscal year ended June 30, 2008. SUSLA Facilities, Inc., is a blended component unit of Southern University at Shreveport.

The Southern University System has obtained financing for various capital projects through a cooperative endeavor financing agreement with Millennium Housing, LLC, through its owner, the Southern University System Foundation. Construction has begun on some of the projects; the total budget for the various projects was $52,234,455. The total funds borrowed to finance the various projects was $59,990,000, which includes capitalized interest. This venture included the following projects:

- 600 bed, 3-story dormitories

- Student Intramural Center

- Baseball Field House

- Mumford Stadium
- Football Field Restoration
- 610 Texas Street Building
- Renovation of 610 Texas Street Property
- Reflections Bookstore (will be used to store athletic equipment)

Four of these projects have been completed, including the 600 bed, 3-story dormitories; purchase of Reflections Bookstore; football field restoration; and purchase of a building at 610 Texas Street. A capital lease obligation in the amount of $25,521,052 has been recorded on the Statement of Net Assets for the completed projects.

The total amount of long-term debt is $81,014,483. Included in that sum are the following:

- Compensated absences - $13,193,704
- Capital lease obligations - $25,521,052
- Notes payable - $2,088,463
- OPEB payable - $26,967,479
- Bonds payable - $13,243,785

For additional information concerning capital assets and long-term debt activity, refer to notes 6 and 14-17 in the notes to the financial statements.

ECONOMIC OUTLOOK - SHORT-TERM

The Southern University System has three geographically distinct institutions which include the Southern University and Agricultural and Mechanical College, Southern University Law Center, Southern University Agricultural Research and Extension Center in Baton Rouge, Southern University at New Orleans, and Southern University at Shreveport. The Southern University at New Orleans campus suffered major damages from Hurricane Katrina.

The System's overall financial position is strong. The System's management anticipates that fiscal year 2009 will be much like fiscal year 2008. Management will maintain a close watch over available resources of the System to ensure the System's ability to react to unknown internal and external issues in a timely manner.

ENROLLMENT MANAGEMENT PROGRAMS AND ACTIVITIES

The Southern University and Agricultural and Mechanical College 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. Assistance in the form of financial support and professional consultants has been provided to the four-year institutions to aid in the achievement of designated enrollment management goals.

ECONOMIC OUTLOOK - LONG-TERM

There was concern within the University System regarding adequate and continuous funding to support programs that were implemented under the United States versus State of Louisiana Desegregation Settlement Agreement, which ended December 31, 2005. The base financial support for the programs was continued during fiscal year 2008.

A major portion of the Agricultural Research and Extension Center's base funding comes from federal appropriations which have a state matching requirement. Currently, both the amount of the federal appropriation and the percent of matching requirement established by the federal government have remained stable. The matching requirement has gone from zero dollars in fiscal year 1999 to not less than 100% of the federal funds received for agricultural research, extension, and education.

An agreement reached between the state's land-grant institutions for settling land grant issues relative to programs and funding was approved at all required levels on May 10, 2006. It is anticipated that the funding for the Agricultural Research and Extension Center will be enhanced.

The Board of Supervisors of Southern University and Agricultural and Mechanical College, with and on behalf of Southern University at New Orleans (SUNO), entered into an agreement with the United States Department of Education to borrow $44 million 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*, 120 Section 418 (the Emergency Act), the 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 United States Department of Education to SUNO for the purpose of financing residential housing.

The Southern University System is in the process of updating its comprehensive computerized accounting and financial reporting system. The system known as BANNER, developed by SunGard SCT, consists of the Financial, Human Resource (HR)/Payroll, and Student/Financial Aid components. The entire group of BANNER applications is scheduled to be implemented within a three-year time frame. The Student and Financial Aid components have been implemented on the Shreveport campus and the financial system is schedule for system-wide implementation by July 1, 2009. These components will be implemented individually on the three major campus sites; however, the Financial and HR/Payroll will be housed on the Baton Rouge campus computer and made accessible to all campuses throughout the Southern University System.

CONTACTING THE SOUTHERN UNIVERSITY SYSTEM'S MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the Southern University System's finances and to show the Southern University System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Tolor E. White, System Vice President of Finance and Business Affairs and Comptroller at Southern University and Agricultural and Mechanical College, 4th Floor, J. S. Clark Administration Building, Baton Rouge, Louisiana 70813, phone number 225-771-5550.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Assets
June 30, 2008

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$31,015,554
Investments (note 3)	938,977
Receivables, net (note 4)	30,206,727
Due from state treasury	1,043,507
Inventories	351,667
Deferred charges and prepaid expenses	4,879,081
Notes receivable, net (note 5)	153,656
Other current assets	40,669
Total current assets	68,629,838
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	20,741,885
Restricted investments (note 3)	6,289,197
Capital assets, net (note 6)	182,993,557
Other	384,045
Total noncurrent assets	210,408,684
Total assets	279,038,522
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 7)	12,582,080
Deferred revenues (note 8)	7,094,620
Compensated absences (notes 9 and 15)	686,701
Amounts held in custody for others	338,101
Claims and litigation payable (note 13)	114,000
Bonds payable (notes 15 and 17)	51,000
Other current payables	3,338,702
Total current liabilities	24,205,204

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Assets
June 30, 2008

LIABILITIES (CONT.)	
Noncurrent liabilities:	
Compensated absences (notes 9 and 15)	$13,193,704
Capital lease obligations (notes 14 and 15)	25,521,052
Notes payable (notes 15 and 16)	2,088,463
Other postemployment benefits payable (notes 12 and 15)	26,967,479
Bonds payable (notes 15 and 17)	13,243,785
Total noncurrent liabilities	81,014,483
Total liabilities	105,219,687
NET ASSETS	
Invested in capital assets, net of related debt	144,801,883
Restricted for:	
Nonexpendable (note 18)	10,000,602
Expendable (note 18)	39,988,191
Unrestricted	(20,971,841)
TOTAL NET ASSETS	$173,818,835

(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, 2007

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$2,248,275
Bayou Classic receivable (net allowance of $10,825) (note 4)	756,050
Capital lease receivable (note 4)	191,675
Other receivable (note 4)	12,093
Due from affiliate (note 4)	520,170
Unconditional promises to give (net allowance of $24,700)	168,145
Prepaid expenses and other assets	3,987
Prepaid bond insurance (note 17)	32,945
Bond issuance costs (note 17)	27,855
Restricted assets - cash and cash equivalents	1,991,594
Total current assets	5,952,789
Noncurrent assets:	
Investments (note 3)	37,547,387
Fixed assets (net of accumulated depreciation of $1,362,825) (note 6)	7,577,143
Capital lease receivable (note 4)	26,725,425
Prepaid bond insurance (net of accumulated amortization of $34,500) (note 17)	986,805
Bond issuance costs (net of accumulated amortization of $27,854) (note 17)	871,582
Total noncurrent assets	73,708,342
TOTAL ASSETS	$79,661,131

(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, 2007

LIABILITIES	
Current liabilities:	
Accounts payable and accruals	$589,059
Accrued interest payable	481,036
Payroll taxes payable	2,037
Due to affiliate (note 22)	4,571,412
Notes payable (note 16)	1,230,342
Deferred revenue (note 23)	4,500,000
Bonds premium (note 17)	66,157
Total current liabilities	11,440,043
Noncurrent liabilities:	
Rental deposit fund (note 23)	1,876,013
Notes payable (note 16)	155,922
Bonds payable and premium	
(net of accumulated amortization of $66,157) (note 17)	61,974,723
Total noncurrent liabilities	64,006,658
Total liabilities	75,446,701
NET ASSETS	
Unrestricted	376,263
Temporarily restricted	2,202,058
Permanently restricted	1,636,109
Total net assets	4,214,430
TOTAL LIABILITIES AND NET ASSETS	$79,661,131

(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, 2008

OPERATING REVENUES	
Student tuition and fees	$48,448,117
Less scholarship allowances	(13,501,528)
Net student tuition and fees	34,946,589
Federal appropriations	3,036,036
Federal grants and contracts	65,734,075
State and local grants and contracts	7,367,301
Nongovernmental grants and contracts	17,915
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 17)	14,645,349
Less scholarship allowances	(559,098)
Net auxiliary revenues	14,086,251
Other operating revenues	3,956,397
Total operating revenues	129,144,564
OPERATING EXPENSES	
Educational and general:	
Instruction	66,429,353
Research	9,284,657
Public service	9,493,962
Academic support	34,330,459
Student services	19,807,498
Institutional support	51,841,380
Operation and maintenance of plant	19,188,533
Depreciation (note 6)	10,026,836
Scholarships and fellowships	20,747,781
Auxiliary enterprises	16,819,720
Other operating expenses	1,632,718
Total operating expenses	259,602,897
OPERATING LOSS	(130,458,333)

(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, 2008

NONOPERATING REVENUES (Expenses)	
State appropriations	$97,563,144
Gifts	930,141
Investment income	1,308,748
Interest expense	(1,099,600)
Other nonoperating revenues	1,703,360
Other nonoperating revenues - FEMA	440,785
Net nonoperating revenues	100,846,578
LOSS BEFORE OTHER REVENUES	(29,611,755)
Capital appropriations	2,644,976
Capital grants and gifts	3,370,771
Additions to permanent endowment	1,538,510
DECREASE IN NET ASSETS	(22,057,498)
NET ASSETS - BEGINNING OF YEAR (Restated) (note 19)	195,876,333
NET ASSETS - END OF YEAR	$173,818,835

(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, 2007

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES AND OTHER SUPPORT				
Contributions and other support	$2,394,025	$956,781	$79,965	$3,430,771
Scoreboard sponsorships	190,000			190,000
Athletic sponsorships and support	260,134			260,134
Interest income	285,251		6,035	291,286
Other income	173,654			173,654
Bayou Classic revenues	857,876			857,876
Net assets released from restrictions - satisfaction of program restrictions (note 25)	781,585	(764,720)	(16,865)	
Total revenues and other support	4,942,525	192,061	69,135	5,203,721
EXPENSES				
Program services	4,691,628			4,691,628
Support services	244,171			244,171
Fundraising	42,300			42,300
Total expenses	4,978,099	NONE	NONE	4,978,099
Changes in net assets	(35,574)	192,061	69,135	225,622
Net assets - beginning of year	1,851,337	2,009,997	1,566,974	5,428,308
Prior period adjustment (note 19)	(1,439,500)	NONE	NONE	(1,439,500)
Net assets - beginning of year, restated	411,837	2,009,997	1,566,974	3,988,808
Net assets - end of year	$376,263	$2,202,058	$1,636,109	$4,214,430

The accompanying notes are an integral part of this statement.

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SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$33,359,443
Federal appropriations	3,036,036
Grants and contracts	75,966,505
Payments to suppliers	(44,375,817)
Payments for utilities	(8,097,696)
Payments to employees	(111,524,423)
Payments for benefits	(29,848,253)
Payments for scholarships and fellowships	(25,239,353)
Loans issued to students and employees	(164,507)
Payments on loans issued to students and employees	170,966
Auxiliary enterprise charges	14,679,063
Other receipts	3,949,764
Net cash used by operating activities	(88,088,272)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	98,559,304
Gifts and grants for other than capital purposes	933,000
Private gifts for endowment purposes	1,538,510
TOPS receipts	1,581,219
TOPS disbursements	(1,579,942)
Federal Family Education Loan program receipts	78,165,274
Federal Family Education Loan program disbursements	(78,165,274)
Other receipts	3,722,203
Net cash provided by noncapital financing activities	104,754,294
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from capital debt	14,793,318
Capital grants and gifts received	1,017,354
Purchases of capital assets	(18,666,005)
Principal paid on capital debt and leases	(54,353)
Interest paid on capital debt and leases	(394,919)
Other uses	(5,855,217)
Net cash used by capital and related financing activities	(9,159,822)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	54,683,914
Interest received on investments	1,302,091
Purchase of investments	(56,578,855)
Net cash used by investing activities	(592,850)

(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, 2008

NET INCREASE IN CASH AND CASH EQUIVALENTS	$6,913,350
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	44,844,089
CASH AND CASH EQUIVALENTS AT END OF YEAR	$51,757,439
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($130,458,333)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	10,026,836
Changes in assets and liabilities:	
Decrease in accounts receivable, net	1,655,443
Decrease in notes receivable	6,017
Increase in inventories	(14,096)
Decrease in prepaid expenses	652,622
Increase in other assets	(11,795)
Increase in accounts payable	766,719
Increase in deferred revenue	376,194
Increase in compensated absences	1,290,169
Increase in other postemployment benefits payable	26,967,479
Increase in other liabilities	654,473
Net cash used by operating activities	($88,088,272)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS	
Cash and cash equivalents classified as current assets	$31,015,554
Cash and cash equivalents classified as noncurrent assets	20,741,885
Cash and cash equivalents at the end of the year	$51,757,439
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital appropriations for construction of capital assets	$2,644,976
Capital gifts and grants	2,235,204
Net increase in the fair value of investments	46,581
Loss on disposal of capital assets	369,328
New capital leases	23,636,501

(Concluded)

The accompanying notes are an integral part of this statement.

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; 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 Southern University System, composed of campuses located in Baton Rouge, New Orleans, and Shreveport and is managed by the Southern University Board of Supervisors. The New Orleans and Shreveport campuses were established in September 1959 and September 1967, respectively.

The 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 2007-2008 fiscal year, the university conferred 2,092 degrees and student enrollment was approximately 31,741. Southern University has 661 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, a discrete component unit, follow the not-for-profit model of financial reporting as set forth in the FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. 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 university 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) 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 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 Southern University System Foundation (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 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 university 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. 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 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 instrument or bond indenture. Investments maintained in investment accounts in the Foundation are authorized by policies and procedures established by the Board of Regents. Investments are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

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

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 gifts and contributions, state appropriations, and investment income.

- *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 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 fiscal year ended June 30, 2008, the System implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*; and GASB Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*. GASB Statement No. 45 affects the reporting of long-term liabilities and is addressed in the financial statements and the accompanying notes. GASB Statement No. 48 requires additional note disclosure for revenues pledged as security for revenue bonds.

The implementation of GASB Statement No. 50 had no significant 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.

FOUNDATION

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION AND PURPOSE

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

The consolidated financial statements of the Foundation include:

(1) Southern University System Foundation as described above; and

(2) Millennium Housing, LLC (Millennium), a nonprofit corporation organized under the laws of the State of Louisiana and sponsored by the Foundation. Millennium was formed to develop facilities and other auxiliary capital projects for the Southern University 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. 117, *Financial Statements of Not-for-Profit Organizations*, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories 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

The Foundation accounts for contributions in accordance with the requirements of FASB in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

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

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

H. CASH AND CASH EQUIVALENTS

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

I. FIXED ASSETS

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

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

J. FUNCTIONAL ALLOCATION OF EXPENSES

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

K. RESTRICTED ASSETS

Cash and cash equivalents, certificates of deposit, and investments that are held on behalf of the System are classified as restricted assets in the Statement of Financial Position.

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 Housing, LLC. All material intercompany transactions have been eliminated.

2. CASH AND CASH EQUIVALENTS

At June 30, 2008, the System has cash and cash equivalents (book balances) totaling $51,757,439 as follows:

Demand deposits	$42,431,778
Time certificates of deposit	9,323,961
Petty cash	1,700
Total	$51,757,439

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

Current assets	$31,015,554
Noncurrent assets - restricted	20,741,885
Total	$51,757,439

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 $3,895,723 as of December 31, 2007.

3. INVESTMENTS

At June 30, 2008, the System has investments totaling $7,228,174 as follows:

	Fair Value June 30, 2008	Investment Maturities (Years)	Credit Quality Rating
Investments held by private foundation:			
Corporate bonds	$89,958	5.6	
U.S. government agencies	40,073	4.6	
U.S. government obligations	408,835	8.1	
Equities	2,912,528	Not Applicable	
Cash equivalents	806,598	Not Applicable	
Subtotal - external investment pool	4,257,992		Not Rated
U.S. government obligations	58,332	0.1	Not Applicable
Mutual funds (equities)	537,703	Not Applicable	Not Applicable
Mutual funds (debt securities)	458,214	7.1	Not Rated
Money market fund	27,695	Not Applicable	Not Rated
Subtotal	5,339,936		
SUSLA Facilities, Inc.	1,888,238		
Total	$7,228,174		

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

Current assets	$938,977
Noncurrent assets - restricted	6,289,197
Total	$7,228,174

There is no formally adopted investment policy regarding interest rate risk.

The investments in U.S. government obligations totaling $58,332 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.

These investments are reported at fair value as required by GASB Statement No. 31. 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 $4,257,992 are held pursuant to the Endowed Chairs for Eminent Scholars Program and Endowed Professorships Program. For these programs, the investment policy established by the Louisiana Board of Regents states that the overall average credit quality rating of the fixed income securities must be at least AA. For the remaining investments, there is no formally adopted investment policy regarding the acceptable credit quality of investments.

At June 30, 2008, SUSLA Facilities, Inc., has bond funds totaling $1,888,238 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 SUSLA Facilities, Inc., were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. 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 SUSLA Facilities, Inc., do not reflect the requirements of GASB Statement No. 3, as revised by GASB Statement No. 40.

FOUNDATION INVESTMENTS

Investments as of December 31, 2007, are summarized as follows:

	Carrying Value	Fair Value
Stocks and other publicly traded securities	$3,163,032	$3,163,032
Contracts/Annuities/Insurance	27,844,914	27,844,914
U.S. Governmental Agencies/Term Bond/ Fixed Income funds	551,113	551,113
Cash and cash equivalents/money market	5,988,328	5,988,328
Total	$37,547,387	$37,547,387

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended December 31, 2007:

	Carrying Value	Fair Value
Stocks and other publicly traded securities	$282,924	$282,924
Contracts/Annuities/Insurance	3,159	3,159
U.S. Governmental Agencies/Term Bond/ Fixed Income funds	(34,124)	(34,124)
Cash and cash equivalents/money market	(30,965)	(30,965)
Total	$220,994	$220,994

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	$6,144,061	($1,440,556)	$4,703,505
Auxiliary enterprises	849,817	(16,302)	833,515
Federal, state, and private grants and contracts	17,748,070	(16,389)	17,731,681
Accrued interest receivable	56,902		56,902
Other	6,903,575	(22,451)	6,881,124
Total	$31,702,425	($1,495,698)	$30,206,727

There is no noncurrent portion of accounts receivable.

FOUNDATION RECEIVABLES

Receivables consist, in part, of amounts due from Bayou Classic related events. The amounts due from Bayou Classic were collected in April 2008.

Receivables consist of the following:

Capital lease receivable from the System	$26,917,100
Bayou Classic related events	766,875
Other receivables	12,093
Subtotal	27,696,068
Less - allowance for doubtful collections	(10,825)
Receivables net of allowance for doubtful accounts	$27,685,243

The Foundation has certain receivables due from the System. The receivables due from the System consist of the following:

Loan due from the Shreveport campus	$300,000
Reimbursable costs pertaining to the bond projects due from the Baton Rouge campus	205,363
Other funds being held by the Baton Rouge campus	14,807
Total due from affiliate	$520,170

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 collections are still made 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, 2008. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
Federal Perkins Loan program	$2,046,828	($2,046,828)	
Student Government Association loans	153,656		$153,656
Long-term student loans (Shreveport)	99,101	(99,101)	
Total	$2,299,585	($2,145,929)	$153,656

6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2008, is as follows:

	Balance June 30, 2007	Prior Period Adjustments	Adjusted Balance June 30, 2007	Additions	Transfers	Retirements	Balance June 30, 2008
Capital assets not being depreciated:							
Land	$6,157,747	$321,908	$6,479,655	$130,041			$6,609,696
Construction-in-progress	19,831,993	215,123	20,047,116	7,240,682	($19,260,056)		8,027,742
Total capital assets not being depreciated	$25,989,740	$537,031	$26,526,771	$7,370,723	($19,260,056)	NONE	$14,637,438
Capital assets being depreciated:							
Infrastructure	$24,849,703		$24,849,703		$4,073,931		$28,923,634
Less accumulated depreciation	(22,571,765)		(22,571,765)	($317,372)			(22,889,137)
Total infrastructure	2,277,938	NONE	2,277,938	(317,372)	4,073,931	NONE	6,034,497
Land improvements	5,155,309	$518,697	5,674,006				5,674,006
Less accumulated depreciation	(4,123,254)	(25,934)	(4,149,188)	(138,252)			(4,287,440)
Total land improvements	1,032,055	492,763	1,524,818	(138,252)	NONE	NONE	1,386,566
Buildings	217,589,111	523,732	218,112,843	36,252,056	15,186,125	($1,003,000)	268,548,024
Less accumulated depreciation	(114,642,566)	451,981	(114,190,585)	(5,610,665)		838,602	(118,962,648)
Total buildings	102,946,545	975,713	103,922,258	30,641,391	15,186,125	(164,398)	149,585,376
Equipment	29,556,218	219,460	29,775,678	3,228,327		(3,460,552)	29,543,453
Less accumulated depreciation	(21,757,439)	(21,946)	(21,779,385)	(2,642,439)		3,336,591	(21,085,233)
Total equipment	7,798,779	197,514	7,996,293	585,888	NONE	(123,961)	8,458,220
Library books	88,811,073		88,811,073	1,545,043		(483,569)	89,872,547
Less accumulated depreciation	(86,065,579)		(86,065,579)	(1,318,108)		402,600	(86,981,087)
Total library books	2,745,494	NONE	2,745,494	226,935	NONE	(80,969)	2,891,460
Total capital assets being depreciated	$116,800,811	$1,665,990	$118,466,801	$30,998,590	$19,260,056	($369,328)	$168,356,119
Capital assets summary:							
Capital assets not being depreciated	$25,989,740	$537,031	$26,526,771	$7,370,723	($19,260,056)	NONE	$14,637,438
Capital assets being depreciated	365,961,414	1,261,889	367,223,303	41,025,426	19,260,056	($4,947,121)	422,561,664
Total cost of capital assets	391,951,154	1,798,920	393,750,074	48,396,149	NONE	(4,947,121)	437,199,102
Less accumulated depreciation	(249,160,603)	404,101	(248,756,502)	(10,026,836)	NONE	4,577,793	(254,205,545)
Capital assets, net	$142,790,551	$2,203,021	$144,993,572	$38,369,313	NONE	($369,328)	$182,993,557

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, 2008, total interest paid on capital debt was $1,337,144. Of this amount, $1,319,306 represents capitalized interest on completed projects under the Millennium Housing, L.L.C. Student Housing and Auxiliary Facilities Project, Series 2006.

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, resulting in water and mold damage to the buildings' interiors. The buildings remain closed for repair, and these closed buildings constitute the campus' entire academic and administrative space. These facilities are being repaired based upon a state Office of Facility Planning and Control priority schedule. The time of completion of the buildings' repairs is not certain. The New Orleans campus is using temporary buildings to meet student classroom and administrative needs.

Buildings with a carrying value of $6,858,147 are idle at June 30, 2008.

FOUNDATION FIXED ASSETS

Land, building, and equipment as of December 31, 2007, are summarized as follows:

Land and improvements	$665,193
Building	172,125
Office equipment	22,966
Scoreboard equipment	2,555,611
Furniture and fixtures	79,993
Software	21,125
Construction-in-progress	5,422,955
Subtotal	8,939,968
Less - accumulated depreciation	(1,362,825)
Total	$7,577,143

Depreciation expense totaled $265,847 for the year ended December 31, 2007.

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 of Supervisors of Southern University and Agricultural and Mechanical College (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. Once constructed, the facilities will be leased back by the Board. 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 $5,422,955 at December 31, 2007.

During the year ended December 31, 2007, projects totaling $26,917,100 have been completed and are currently being leased back to the Board; as such, $26,917,100 has been transferred from construction-in-progress and recorded as a 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, 2008:

Vendor payables	$3,580,846
Accrued salaries and payroll deductions	5,888,263
Accrued interest	1,337,948
Other	1,775,023
Total	$12,582,080

8. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2008:

Prepaid tuition and fees	$1,956,642
Prepaid athletic ticket sales	328,378
Prepaid room and board	91,216
Grants and contracts	4,718,384
Total	$7,094,620

9. COMPENSATED ABSENCES

At June 30, 2008, employees of the System have accumulated and vested annual leave, sick leave, and compensatory leave of $6,313,339; $7,438,418; and $128,648, 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 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 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% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. For fiscal year 2008, the state is required to contribute 16.6% of covered salaries to TRSL and 20.4% 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, 2008, 2007, and 2006 were $8,363,883; $7,476,291; and $7,098,633, respectively, and to LASERS for the years ended June 30, 2008, 2007, and 2006 were $5,323,654; $4,709,204; and $4,559,946, 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 16.6% of the covered payroll. The participant's contribution (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 $3,792,575 and $1,827,747, respectively, for the fiscal year ended June 30, 2008.

12. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Plan Description - Employees of Southern University 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 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 Exclusive Provider Organization (EPO) plan, and the Health Maintenance Organization (HMO) plan. Retired employees who have Medicare Part A and Part B coverage also have access to six Medicare Advantage plans--three HMO plans and three private fee-for-service (PFFS) plans, offered by five companies.

Depending upon the plan selected, during fiscal year 2008, employee premiums for a retiree with single, spouse, children, or family coverage range from $34 to $452 per month for those with Medicare and from $126 to $496 per month for those without Medicare. The plan is financed on a pay-as-you-go basis with the System's contributions for a retiree with single, spouse, children, or family coverage ranging from $103 to $1,168 per month for those with Medicare and from $809 to $1,293 per month for those without Medicare.

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 System's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45, which is being implemented prospectively for the fiscal 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 2008 is $30,908,800 as set forth below:

Normal cost	$17,004,400
Interest	1,188,800
Amortization of the UAAL	12,715,600
Annual required contribution	$30,908,800

The following schedule presents the components of the System's annual OPEB cost for fiscal year 2008, the amount actually contributed to the plan, and changes in the System's net OPEB obligation to the OPEB plan:

Annual required contribution	$30,908,800
Interest on net OPEB obligation	NONE
ARC adjustment	NONE
Annual OPEB cost	30,908,800
Contributions made by employer	(3,941,321)
Increase in net OPEB obligation	26,967,479
Beginning net OPEB obligation, June 30, 2007	NONE
Ending net OPEB obligation, June 30, 2008	$26,967,479

Using the pay-as-you-go method, the System contributed 12.75% of the annual postemployment benefits cost during 2008.

Funded Status and Funding Progress - During fiscal year 2008, neither the System nor the State of Louisiana established or contributed to a postemployment benefits plan trust. Since there is no trust, the System's entire actuarial accrued liability of $332,758,900 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2007, was as follows:

Actuarial accrued liability (AAL)	$332,758,900
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability (UAAL)	$332,758,900
Funded ratio	0%
Covered payroll (active plan members)	$81,508,249
UAAL as a percentage of covered payroll	408.3%

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

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

In the July 1, 2007, 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 9.5% and 10.6% 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. Projected salary increases were 5% per year. The state's unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, is 29 years.

13. CONTINGENT LIABILITIES AND RISK MANAGEMENT

The System is involved in 288 lawsuits and claims against it at June 30, 2008, of which 14 are handled by contracted attorneys. In the opinion of the contracted attorneys, for two of the 14 lawsuits and claims, there is a probable loss totaling $114,000, which has been accrued in the System's financial statements. 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. However, during the fiscal year ended June 30, 2006, the amount of impairment losses to buildings, equipment, and library materials exceeded the insurance coverage provided by ORM. The university is continuing to work with ORM to determine the insurance recovery that is due the university.

14. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2008, total operating lease expenditures was $2,416,724. The following is a schedule by fiscal years of future minimum annual rental payments required under operating leases that have initial or noncancelable lease terms in excess of one year as of June 30, 2008:

Nature of Operating Lease	2009	2010	Total Minimum Payments Required
Office space	$200,254	$33,806	$234,060
Equipment	3,120	1,560	4,680
Other	59,085		59,085
Total	$262,459	$35,366	$297,825

The lease agreements have nonappropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period.

Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. The capital lease agreement is described in more detail in note 23. 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, 2008:

Fiscal Year Ended June 30,	
2010	$1,893,827
2011	1,893,196
2012	1,893,802
2013	1,893,600
2014-2018	9,469,136
2019-2023	9,464,818
2024-2028	9,464,559
2029-2033	9,467,918
2034-2038	9,467,937
2039	1,892,723
Total mimimum payments	56,801,516
Less - amount representing interest	(31,280,464)
Present value of net minimum lease payments	$25,521,052

The gross amount of assets held under capital leases as of June 30, 2008, include buildings, land improvements, equipment, and land of $26,535,626; $518,697; $219,460; and $425,172, 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, 2008:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	$3,834,451	($2,829,110)	$1,005,341

The following is a schedule, by fiscal years, of the minimum future rentals on noncancelable operating leases as of June 30, 2008:

Nature of Operating Lease	2009	2010	2011	2012	Total Minimum Future Rentals
Office space	$205,676	$62,636	$41,909		$310,221
Land	3,600	3,600	2,400		9,600
Other	63,100	58,100	50,000	$50,000	221,200
Total	$272,376	$124,336	$94,309	$50,000	$541,021

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 $96,141 for the fiscal year ended June 30, 2008.

FOUNDATION LEASE OBLIGATIONS

Lease Agreement

On May 15, 2003, the Foundation (lessor) entered into an equipment lease agreement with the Board of Supervisors for Southern University and Agricultural and Mechanical College (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 bonds and other long-term transactions for the fiscal year ended June 30, 2008:

	Balance, June 30, 2007	Prior Period Adjustment	Balance, June 30, 2007	Additions	Reductions	Balance, #NAME?	Amounts Due Within One Year
Compensated absences payable	$12,590,236		$12,590,236	$1,739,570	($449,401)	$13,880,405	$686,701
Capital lease obligations		$1,884,551	1,884,551	23,636,501		25,521,052	
Notes payable				2,088,463		2,088,463	
OPEB payable				30,908,800	(3,941,321)	26,967,479	
Revenue bonds payable	248,000		248,000	13,095,322	(48,537)	13,294,785	51,000
Reimbursement contract payable	7,353		7,353		(7,353)		
Total long-term liabilities	$12,845,589	$1,884,551	$14,730,140	$71,468,656	($4,446,612)	$81,752,184	$737,701

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, 2008, the Southern University System recorded advances in the amount of $2,088,463 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, 2008:

Fiscal Year Ended June 30,	Principal	Interest	Total
2009		$20,885	$20,885
2010		20,885	20,885
2011	$67,738	20,716	88,454
2012	68,418	20,037	88,455
2013	69,103	19,351	88,454
2014-2018	356,049	86,222	442,271
2019-2023	374,257	68,014	442,271
2024-2028	393,397	48,874	442,271
2029-2033	413,515	28,756	442,271
2034-2037	345,986	7,830	353,816
Total	$2,088,463	$341,570	$2,430,033

FOUNDATION NOTES PAYABLE

The following is a summary of notes payable at December 31, 2007:

Note payable to a bank, secured by the income generated from scoreboard advertisements, with an interest rate of 8.25%, with a maturity date of March 13, 2008.	$1,186,207
Unsecured note payable to a contractor, with an interest rate of 7.186%, with a maturity date of April 20, 2013.	200,057
Total notes payable	1,386,264
Less - current portion	(1,230,342)
Total long-term portion	$155,922

Scheduled principal payments due on these notes payable subsequent to December 31, 2007, are as follows:

Year Ended December 31,	
2008	$1,230,342
2009	19,953
2010	35,539
2011	38,093
2012	40,834
Subsequent to 2012	21,503
Total	$1,386,264

Interest expense for the year ended December 31, 2007, totaled $34,723.

17. BONDS AND REIMBURSEMENT CONTRACTS PAYABLE

Bonds and reimbursement contracts payable consisted of the following for the fiscal year ended June 30, 2008:

Issue	Date of Issue	Original Issue	Outstanding June 30, 2007	Issued (Redeemed)	Outstanding June 30, 2008	Final Fiscal Year Maturity	Interest Rates	Future Interest Payments June 30, 2008
A.W. Mumford Stadium Track Resurfacing Revenue Bonds, Series 1993	November 1, 1993	$650,000	$248,000	($47,000)	$201,000	2014	7.7-8.5%	$36,384
Reimbursement Contract - Reroofing Dunn Hall	February 1, 1991	125,002	7,353	(7,353)		2008		NONE
SUSLA Facilities, Inc., Revenue Bonds:								
Series 2007A	July 25, 2007	12,795,000		12,795,000	12,795,000	2040	5.75%	16,750,469
Series 2007B	July 25, 2007	205,000		205,000	205,000	2014	9%	70,875
Total			255,353	12,945,647	13,201,000			$16,857,728
Original premiums				95,322	95,322			
Accumulated amortization of premiums				(1,537)	(1,537)			
Bonds payable, net			$255,353	$13,039,432	$13,294,785			

The scheduled maturities of the bonds at June 30, 2008, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	$51,000	$768,252	$819,252
2010	55,000	764,129	819,129
2011	85,000	758,329	843,329
2012	85,000	750,975	835,975
2013	100,000	742,812	842,812
2014-2018	905,000	3,575,956	4,480,956
2019-2023	1,460,000	3,226,613	4,686,613
2024-2028	1,935,000	2,741,456	4,676,456
2029-2033	2,555,000	2,100,331	4,655,331
2034-2038	3,385,000	1,251,631	4,636,631
2039-2040	2,585,000	177,244	2,762,244
Total	13,201,000	$16,857,728	$30,058,728
Unamortized premium	93,785		
Bonds payable reported on the Statement of Net Assets	$13,294,785		

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

Costs incurred in connection with the issuance of SUSLA Facilities, Inc., 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 $390,467. Bond issuance costs net of accumulated amortization are as follows for the fiscal year ended June 30, 2008:

	Costs	Current Year Amortization	Costs, net of Accumulated Amortization
Bond issuance costs	$390,467	($6,422)	$384,045

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 16% of net revenues. The total principal and interest remaining to be paid on the bonds is $237,384. Principal and interest paid for the current year and total fees collected were $64,838 and $414,757, respectively.

The following is a summary of the debt service reserve requirements of the bond issues outstanding at June 30, 2008:

	Cash/ Investment Reserves Available	Reserve Requirements	Excess
A.W. Mumford track project	$59,070	$59,026	$44
SUSLA Facilities, Inc., Series 2007A	949,261	948,488	773

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 Agricultural and Mechanical 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 Southern University at Shreveport, Louisiana (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
2009	$925,000
2010	970,000
2011	1,010,000
2012	1,050,000
Subsequent to 2012	56,035,000
Total	$59,990,000

Interest expense for the year ended December 31, 2007, totaled $2,900,066, of which $2,408,869 was capitalized and $491,197 expensed at December 31, 2007.

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
Current year amortization	(66,157)
Ending balance	$2,050,880

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	Current Year Amortization	Costs, Net of Accumulated Amortization
Bond issuance costs	$927,291	($27,854)	$899,437
Prepaid bond insurance	1,054,250	(34,500)	1,019,750

18. RESTRICTED NET ASSETS

The System has the following restricted net assets at June 30, 2008:

Nonexpendable - endowments	$10,000,602
Expendable:	
Gifts, grants, and contracts	$12,590,677
Endowment income	4,312,214
Student fees	3,865,149
Student loans	1,224,483
University plant projects	14,208,162
Debt service requirements	3,787,506
Total expendable	$39,988,191

Of the total net assets reported in the Statement of Net Assets as of June 30, 2008, a total of $12,244,674 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, 2007	$192,011,899
Error in deferral of federal grant	2,711,804
Net errors in capital assets	2,203,021
Net correction to capital lease obligation	(1,884,551)
Net correction to prepaid expenses	1,376,367
Unrecorded payable	(300,000)
Other miscellaneous corrections	(242,207)
Net Assets at June 30, 2007, as restated	$195,876,333

FOUNDATION PRIOR PERIOD ADJUSTMENT

In the prior year, the Foundation received a $4,500,000 payment from the System in compliance with the December 2006 bond indenture and cooperative endeavor agreement between the System and the Foundation. The amount was prorated for the period covered by the lease agreement, and $1,439,500 was recorded as rent revenue with the difference ($3,060,500) being recorded as deferred revenues. However, in the current year, it was determined that the $4,500,000 payment was to be used for specific projects and not for general rent payments. At

December 31, 2007, the $4,500,000 is being recorded as deferred revenues. The System was not actually required to begin making lease payments until November of 2008; as such, the $1,439,500 was recorded as deferred revenues.

20. DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2008, net appreciation of donor restricted endowments is equal to $4,192,118, 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, 2008, the System had a relationship with the Foundation. The Foundation has a cooperative endeavor with the System to promote activities of the Southern University Athletic Department and coordinates the ancillary activities of the Bayou Classic weekend.

22. FOUNDATIONS

The accompanying financial statements include the accounts of the Southern University System Foundation (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 $3,496,197. At June 30, 2008, the Foundation holds in custody $4,257,992 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, 2007, 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 Southern University System and included in expenses, Statement C) are summarized as follows:

Salaries and related benefits	$221,887
Other	7,327
Total	$229,214

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, 2007, totaled $4,571,412.

23. COOPERATIVE ENDEAVOR AGREEMENT

On October 26, 2006, the Foundation entered into a Cooperative Endeavor and Lease Agreement (the Agreement) with the Board of Supervisors of Southern University and Agricultural and Mechanical College (the Board), to lease to the Board certain student housing facilities and certain auxiliary student facilities. The 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 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 Series 2006 Bonds. The terms are such that at the bond issuance, certain funds were placed in a capitalized interest account to be held by the trustee, which were applied against the November 1, 2007, and November 1, 2008, debt service payments. Thus, the System is not required to make a payment until all funds in the capitalized interest account are fully used to cover the debt service payments. The base rental payments are as follows:

Fiscal Year Ended June 30,	Base Rent
2010	$3,749,975
2011	3,748,725
2012	3,749,925
2013	3,749,525
2014-2018	18,749,875
2019-2023	18,741,325
2024-2028	18,740,813
2029-2033	18,747,462
2034-2038	18,747,500
2039	3,747,788
Total	$112,472,913

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 Foundations 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 Agreement also required that a Rental Deposit Fund be established on the date of issuance of the Louisiana Public Facilities Authority 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 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 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 Series 2006 Bonds. On the final maturity date of the Series 2006 Bonds, any monies on hand in the Rental Deposit Fund shall be used to pay any principal and interest remaining on the Series 2006 Bond on such final maturity date. At December 31, 2007, and June 30, 2008, the balance in the Rental Deposit Fund is $1,876,013.

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 of Supervisors of Southern University and Agricultural and Mechanical College (the Lessor). The payment by the Lessee is $100 per year beginning fiscal year 2007 and terminating on November 1, 2038, unless the Louisiana Public Facilities Authority Series 2006 Bonds are paid in full or legally defeased before that date or if all facilities are transferred from the Foundation to the Board.

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. 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, 2007:

Scholarships and educational assistance	$250,572
University events, programs, and support	514,148
Other	16,865
Total	$781,585

26. SUBSEQUENT EVENTS

In September 2008, the State of Louisiana, including the Southern University System was impacted by Hurricane Gustav. The Southern University System recognizes that damages were incurred; however, the full extent of the damages is not yet determined.

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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 SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan For the Fiscal Year Ended June 30, 2008

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	$332,758,900	$332,758,900	0%	$81,508,249	408.3%

Note to the Schedule:

GASB Statement 45 was implemented prospectively during the fiscal year ended June 30, 2008; therefore, only one year of information is available.

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SUPPLEMENTARY INFORMATION

SCHEDULE OF PER DIEM PAID BOARD MEMBERS

Schedule 2 presents the per diem paid board members for the fiscal year ended June 30, 2008. 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.

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SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Per Diem Paid Board Members
For the Fiscal Year Ended June 30, 2008

Name	Amount
Anderson, Johnny G.	$700
Atkins, Dale N.	500
Bilberry, Jesse B., Jr.	500
Caiton, Richard J., Jr.	650
Clayton, Antonio M.	600
Doucet, Mary R.	350
Guidry, Walter Jr.	400
Hartman, Herman Sr.	450
Lawson, Myron K.	800
Miller, Louis	550
Montgomery, Lea P.	550
Nash, Murphy Jr.	700
Patterson, Afi	650
Taylor, Jamal A.	50
Tolbert, Samuel	400
Ware, E. Jean	400
Williams, Achilles	600
Total	$8,850

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Assets, by Campus, June 30, 2008

	BOARD AND SYSTEM	BATON ROUGE CAMPUS	LAW CENTER
ASSETS			
Current assets:			
Cash and cash equivalents	$1,789,151	$17,285,428	$1,825,817
Investments			
Receivables, net	133,203	10,034,981	4,066,349
Due from state treasury	103,520	513,733	56,085
Inventories		331,313	
Deferred charges and prepaid expenses	9,166	4,617,350	24,520
Notes receivable, net			
Other current assets			
Total current assets	2,035,040	32,782,805	5,972,771
Noncurrent assets:			
Restricted cash and cash equivalents	580,448	12,481,968	1,460,499
Restricted investments		4,038,483	202,485
Capital assets, net		141,253,555	1,452,042
Other			
Total noncurrent assets	580,448	157,774,006	3,115,026
Total assets	2,615,488	190,556,811	9,087,797
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	154,565	9,131,499	110,286
Deferred revenues	133,320	3,281,545	652,469
Compensated absences	30,273	313,026	42,426
Amounts held in custody for others		284,014	
Claims and litigation payable		4,000	
Bonds payable		51,000	
Other current payables	250	2,602,036	
Total current liabilities	318,408	15,667,120	805,181
Noncurrent liabilities:			
Compensated absences	571,291	7,651,842	899,665
Capital lease obligations		24,250,750	
Notes payable			
OPEB payable	1,042,844	15,854,601	1,908,162
Bonds payable		150,000	
Total noncurrent liabilities	1,614,135	47,907,193	2,807,827
Total liabilities	1,932,543	63,574,313	3,613,008
NET ASSETS			
Invested in capital assets, net of related debt		116,801,805	1,452,042
Restricted for:			
Nonexpendable	420,000	5,485,044	1,103,750
Expendable	1,504,089	23,208,692	5,529,563
Unrestricted	(1,241,144)	(18,513,043)	(2,610,566)
TOTAL NET ASSETS	$682,945	$126,982,498	$5,474,789

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
$2,363,872	$10,765,031	($3,013,745)	$31,015,554
		938,977	938,977
730,471	8,165,692	7,076,031	30,206,727
170,769	146,844	52,556	1,043,507
	20,354		351,667
3,095	18,143	206,807	4,879,081
	153,656		153,656
		40,669	40,669
3,268,207	19,269,720	5,301,295	68,629,838
	5,920,918	298,052	20,741,885
	1,023,612	1,024,617	6,289,197
	18,679,207	21,608,753	182,993,557
		384,045	384,045
NONE	25,623,737	23,315,467	210,408,684
3,268,207	44,893,457	28,616,762	279,038,522
200,722	1,987,724	997,284	12,582,080
598	2,301,944	724,744	7,094,620
23,614	211,325	66,037	686,701
		54,087	338,101
	110,000		114,000
			51,000
	236,716	499,700	3,338,702
224,934	4,847,709	2,341,852	24,205,204
833,301	1,628,947	1,608,658	13,193,704
		1,270,302	25,521,052
	2,088,463		2,088,463
1,570,511	4,089,833	2,501,528	26,967,479
		13,093,785	13,243,785
2,403,812	7,807,243	18,474,273	81,014,483
2,628,746	12,654,952	20,816,125	105,219,687
	17,031,087	9,516,949	144,801,883
	2,811,808	180,000	10,000,602
839,344	7,052,719	1,853,784	39,988,191
(199,883)	5,342,891	(3,750,096)	(20,971,841)
$639,461	$32,238,505	$7,800,637	$173,818,835

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, 2008

	BOARD AND SYSTEM	BATON ROUGE CAMPUS	LAW CENTER
OPERATING REVENUES			
Student tuition and fees		$32,360,030	$3,422,527
Less scholarship allowances		(8,677,141)	(342,524)
Net student tuition and fees	NONE	23,682,889	3,080,003
Federal appropriations			
Federal grants and contracts		35,660,111	5,748,145
State and local grants and contracts		3,038,431	
Nongovernmental grants and contracts		17,915	
Auxiliary enterprise revenues (including revenue used to secure debt)		13,825,448	
Less scholarship allowances		(512,250)	
Net auxiliary revenues	NONE	13,313,198	NONE
Other operating revenues		2,669,958	68,446
Total operating revenues	NONE	78,382,502	8,896,594
OPERATING EXPENSES			
Educational and general:			
Instruction		46,700,163	5,574,377
Research		6,930,696	
Public service	$2,995	2,674,333	381,947
Academic support	27,175	24,294,794	1,690,251
Student services		8,188,033	1,732,274
Institutional support	8,574,028	17,868,172	3,161,411
Operation and maintenance of plant		15,600,086	175,470
Depreciation		7,730,574	644,808
Scholarships and fellowships	32,080	12,129,094	61,570
Auxiliary enterprises		15,709,207	
Other operating expenses	53,827	854,343	55,901
Total operating expenses	8,690,105	158,679,495	13,478,009
OPERATING LOSS	(8,690,105)	(80,296,993)	(4,581,415)
NONOPERATING REVENUES (Expenses)			
State appropriations	3,780,905	55,161,490	7,415,649
Gifts	79,192	427,002	46,800
Investment income	63,410	526,467	72,792
Interest expense		(968,543)	(1,272)
Other nonoperating revenues (expenses)	(2,130,747)	3,380,180	204,031
Other nonoperating revenues - FEMA			
Net nonoperating revenues	1,792,760	58,526,596	7,738,000

(Continued)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	$8,674,956	$3,990,604	$48,448,117
	(3,140,387)	(1,341,476)	(13,501,528)
NONE	5,534,569	2,649,128	34,946,589
$3,036,036			3,036,036
1,959,192	10,091,857	12,274,770	65,734,075
83,983	3,428,474	816,413	7,367,301
			17,915
	437,596	382,305	14,645,349
	(37,584)	(9,264)	(559,098)
NONE	400,012	373,041	14,086,251
87,401	397,902	732,690	3,956,397
5,166,612	19,852,814	16,846,042	129,144,564
	8,348,245	5,806,568	66,429,353
1,926,299	122,758	304,904	9,284,657
3,172,765	1,046,924	2,214,998	9,493,962
981,698	6,138,813	1,197,728	34,330,459
	2,832,966	7,054,225	19,807,498
5,205,738	11,412,873	5,619,158	51,841,380
138,317	1,729,278	1,545,382	19,188,533
	1,010,840	640,614	10,026,836
	4,814,718	3,710,319	20,747,781
	720,582	389,931	16,819,720
101,167	203,222	364,258	1,632,718
11,525,984	38,381,219	28,848,085	259,602,897
(6,359,372)	(18,528,405)	(12,002,043)	(130,458,333)
5,771,589	16,576,070	8,857,441	97,563,144
	377,147		930,141
43,558	134,162	468,359	1,308,748
		(129,785)	(1,099,600)
397,336	(142,193)	(5,247)	1,703,360
	440,785		440,785
6,212,483	17,385,971	9,190,768	100,846,578

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by Campus, 2008

	BOARD AND SYSTEM	BATON ROUGE CAMPUS	LAW CENTER
INCOME (Loss) BEFORE OTHER REVENUES	($6,897,345)	($21,770,397)	$3,156,585
Capital appropriations		1,554,740	
Capital grants and gifts		1,135,567	
Additions to permanent endowment		238,510	200,000
Transfers	2,828,762	192,520	(674,426)
INCREASE (Decrease) IN NET ASSETS	(4,068,583)	(18,649,060)	2,682,159
NET ASSETS - BEGINNING OF YEAR (Restated)	4,751,528	145,631,558	2,792,630
NET ASSETS - END OF YEAR	$682,945	$126,982,498	$5,474,789

(Concluded)

Schedule 4

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
($146,889)	($1,142,434)	($2,811,275)	($29,611,755)
		1,090,236	2,644,976
	2,235,204		3,370,771
	1,100,000		1,538,510
(1,253,203)	(775,212)	(318,441)	
(1,400,092)	1,417,558	(2,039,480)	(22,057,498)
2,039,553	30,820,947	9,840,117	195,876,333
$639,461	$32,238,505	$7,800,637	$173,818,835

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by Campus
For the Fiscal Year Ended June 30, 2008

	BOARD AND SYSTEM	BATON ROUGE CAMPUS	LAW CENTER
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tuition and fees		$22,546,195	$2,814,329
Federal appropriations			
Grants and contracts	$5,320	38,465,511	8,447,777
Payments to suppliers	(2,289,160)	(23,226,522)	(1,690,618)
Payments for utilities		(7,048,383)	
Payments to employees	(3,972,627)	(67,466,545)	(7,308,940)
Payments for benefits	(961,937)	(17,747,826)	(1,712,701)
Payments for scholarships and fellowships	(328,790)	(16,101,378)	(115,767)
Loans issued to students and employees			
Payments on loans issued to students and employees			
Auxiliary enterprise charges		13,874,115	
Other receipts		2,673,958	68,446
Net cash provided (used) by operating activities	(7,547,194)	(54,030,875)	502,526
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
State appropriations	3,792,655	55,102,998	7,359,564
Gifts and grants for other than capital purposes	79,192	429,861	46,800
Private gifts for endowment purposes		238,510	200,000
TOPS receipts		1,525,160	
TOPS disbursements		(1,523,883)	
Federal Family Education Loan program receipts		60,873,345	
Federal Family Education Loan program disbursements		(60,873,345)	
Other receipts (payments)	698,802	5,666,499	(519,035)
Net cash provided by noncapital financing sources	4,570,649	61,439,145	7,087,329
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital debt			
Capital grants and gifts received		1,135,567	(118,213)
Purchases of capital assets		(6,137,944)	(780,813)
Principal paid on capital debt and leases		(54,353)	
Interest paid on capital debt and leases		(17,838)	
Other sources (uses)		1,579,267	(3,858,433)
Net cash provided (used) by capital and related financing activities	NONE	(3,495,301)	(4,757,459)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments		17,295,892	992,710
Interest received on investments	63,187	485,857	66,242
Purchase of investments	(787)	(17,313,670)	(980,848)
Net cash provided (used) by investing activities	62,400	468,079	78,104

(Continued)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	$5,419,642	$2,579,277	$33,359,443
$3,036,036			3,036,036
2,535,283	13,740,365	12,772,249	75,966,505
(2,305,315)	(9,018,029)	(5,846,173)	(44,375,817)
	(636,250)	(413,063)	(8,097,696)
(5,907,438)	(14,931,260)	(11,937,613)	(111,524,423)
(1,550,200)	(4,477,455)	(3,398,134)	(29,848,253)
(50,750)	(4,814,718)	(3,827,950)	(25,239,353)
	(153,656)	(10,851)	(164,507)
	159,673	11,293	170,966
	430,301	374,647	14,679,063
87,401	397,902	722,057	3,949,764
(4,154,983)	(13,883,485)	(8,974,261)	(88,088,272)
5,829,749	17,669,453	8,804,885	98,559,304
	377,147		933,000
	1,100,000		1,538,510
	15,139	40,920	1,581,219
	(15,139)	(40,920)	(1,579,942)
	12,141,949	5,149,980	78,165,274
	(12,141,949)	(5,149,980)	(78,165,274)
(877,797)	(926,075)	(320,191)	3,722,203
4,951,952	18,220,525	8,484,694	104,754,294
	2,088,463	12,704,855	14,793,318
			1,017,354
	(754,491)	(10,992,757)	(18,666,005)
			(54,353)
		(377,081)	(394,919)
	(3,576,051)		(5,855,217)
NONE	(2,242,079)	1,335,017	(9,159,822)
		36,395,312	54,683,914
43,558	179,267	463,980	1,302,091
		(38,283,550)	(56,578,855)
43,558	179,267	(1,424,258)	(592,850)

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by Campus, 2008

	BOARD AND SYSTEM	BATON ROUGE CAMPUS	LAW CENTER
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	($2,914,145)	$4,381,048	$2,910,500
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,283,744	25,386,348	375,816
CASH AND CASH EQUIVALENTS AT END OF YEAR	$2,369,599	$29,767,396	$3,286,316
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating loss	($8,690,105)	($80,296,993)	($4,581,415)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense		7,730,574	644,808
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net	(131,943)	(633,243)	2,195,198
Decrease in notes receivable			
Increase in inventories		(12,922)	
(Increase) decrease in prepaid expenses	10,867	694,059	2,198
(Increase) decrease in other assets			
Increase (decrease) in accounts payable	33,996	1,485,111	59,273
Increase (decrease) in deferred revenue	133,320	(30,404)	218,401
Increase in compensated absences	53,827	715,520	55,901
Increase in OPEB payable	1,042,844	15,854,601	1,908,162
Increase in other liabilities		462,822	
Net cash provided (used) by operating activities	($7,547,194)	($54,030,875)	$502,526
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS			
Cash and cash equivalents classified as current assets	$1,789,151	$17,285,428	$1,825,817
Cash and cash equivalents classified as noncurrent assets	580,448	12,481,968	1,460,499
Cash and cash equivalents at the end of the year	$2,369,599	$29,767,396	$3,286,316
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital appropriations for construction of capital assets		$1,554,740	
Capital gifts and grants			
Net increase (decrease) in the fair value of investments		17,778	($11,862)
Loss on disposal of capital assets		226,072	
New capital leases		23,575,720	

(Concluded)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
$840,527	$2,274,228	($578,808)	$6,913,350
1,523,345	14,411,721	(2,136,885)	44,844,089
$2,363,872	$16,685,949	($2,715,693)	$51,757,439
($6,359,372)	($18,528,405)	($12,002,043)	($130,458,333)
	1,010,840	640,614	10,026,836
534,915	301,375	(610,859)	1,655,443
	6,017		6,017
	(1,174)		(14,096)
835	62,797	(118,134)	652,622
	3,185	(14,980)	(11,795)
(3,636)	(975,197)	167,172	766,719
598	(165,979)	220,258	376,194
101,166	203,223	160,532	1,290,169
1,570,511	4,089,833	2,501,528	26,967,479
	110,000	81,651	654,473
($4,154,983)	($13,883,485)	($8,974,261)	($88,088,272)
$2,363,872	$10,765,031	($3,013,745)	$31,015,554
	5,920,918	298,052	20,741,885
$2,363,872	$16,685,949	($2,715,693)	$51,757,439
		$1,090,236	$2,644,976
	$2,235,204		2,235,204
	40,665		46,581
	143,256		369,328
		60,781	23,636,501

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OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

The following pages contain our report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based 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.

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

April 30, 2009

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Basic 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, a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, and have issued our report thereon dated April 30, 2009. Our report was modified to include a reference to other auditors; an emphasis of a matter concerning the inclusion of a new blended component unit; an explanatory paragraph for the implementation of new reporting standards; and an emphasis of a matter regarding the impact of hurricanes Katrina and Rita. 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 Southern University System's financial statements. The financial statements of the Southern University System Foundation and SUSLA Facilities, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Southern University 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 Southern University System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Southern University System's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the following paragraph, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Inaccurate Annual Fiscal Report Preparation

For the second consecutive year, the Southern University System (System) did not have adequate controls to ensure that its annual fiscal report (AFR) and the related note disclosures were prepared timely and accurately. Louisiana Revised Statute (R.S.) 39:79 authorizes the commissioner of administration to establish the format for obtaining each agency's financial information. The Office of Statewide Reporting and Accounting Policy (OSRAP) designed an AFR to obtain this information, which requires a signed affidavit from each agency or university system that the financial statements present fairly the financial information of the system. OSRAP uses the university systems' AFRs during its compilation of the state's Comprehensive Annual Financial Report (CAFR). After receiving a 20-day extension, the System's AFR was due to OSRAP by October 6, 2008, for the fiscal year ended June 30, 2008. Good internal control includes establishing formal written procedures for compiling financial information included in the AFR and developing an adequate review process to ensure that financial statements are prepared accurately and submitted timely.

The System's AFR, which was submitted 24 days late on October 30, 2008, included the following:

The Statement of Net Assets included the following errors:

- The interagency elimination entries between the university and its foundation did not include capital lease obligations and the related receivables of $25,520,641. In addition, the university overstated the interagency elimination entries for deferred revenues and non-operating revenues by $2,159,453 and $2,080,282, respectively.

- The Baton Rouge and Shreveport campuses did not accrue $913,040 and $47,827, respectively, of interest payable for capital leases.

- The New Orleans campus overstated accounts payable and expenses by $640,445 because it included the unspent balances on purchase orders even though the goods and services had not been received.

The Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) and the Combining Schedule of Revenues, Expenses, and Changes in Net Assets included the following errors:

- Other operating revenues were overstated by $3,775,854, including:

  - The New Orleans campus overstated other operating revenues by $2,608,353. Included in this error is the misclassification of gifts and investment income by $377,147 and $20,765, respectively. In addition, operating expenses should have been reduced by $2,210,441 for the reimbursement of salaries and related benefits for the Sophie B. Wright School.

  - The Baton Rouge campus misclassified $1,167,501 of state grant funds as other operating revenues.

  - Other nonoperating revenues were overstated by $3,031,049, including:

    - The New Orleans campus overstated other nonoperating revenues by $727,713 rather than reducing operating expenses when it recorded the capitalization of equipment and library holdings.

    - The New Orleans campus misclassified federal revenues from the Federal Emergency Management Agency (FEMA) totaling $440,785 as other nonoperating revenues and overstated FEMA receivables and revenues by $344,617.

    - The New Orleans campus reported the receipt of $1,517,934 in federal funds as other nonoperating revenue instead of deferring its recognition since the funds had not been earned as of the fiscal year-end.

The Statement of Cash Flows and the Combining Schedule of Cash Flows included the following errors:

- The Baton Rouge and Shreveport campuses overstated cash disbursements for the purchase of capital assets by $24,250,339 and $1,270,302, respectively. The campuses offset this error by reporting cash received for the amount of principal paid on capital debt and leases. Instead, the Baton Rouge campus' transaction should have been reported as noncash capital and related financing transactions since the capital assets were acquired by entering into a capital lease agreement. The Shreveport campus should not have reported anything since the cash flow occurred in the prior fiscal year.

- The New Orleans campus misclassified capital debt proceeds of $2,088,463 as cash received for the amount of principal paid on capital debt and leases.

The financial statement's related note disclosures included the following errors:

- The New Orleans campus overstated the net appreciation for donor restricted endowments by $1,795,454 due mainly to reporting the endowment corpus as the expendable balance.

- The Baton Rouge, New Orleans, and Shreveport campuses erroneously reported termination benefits totaling $557,780 for 148 employees even though none of the terminations met the reporting requirements of GASB 47, *Accounting for Termination Benefits*.

- In the schedule of changes to capital assets, the Baton Rouge campus and Law Center overstated the beginning balances for library books and the related accumulated depreciation by $774,780 and $1,287,230, respectively. The Baton Rouge campus and Law Center did not include audit adjustments that were made to their fiscal year 2007 note disclosures; thus, the amounts reported in the current year do not agree to the previously reported amounts.

- The schedule of future net minimum lease payments for the Baton Rouge and Shreveport campuses' mutual capital lease does not agree to the detailed amortization schedule for the capital lease. The schedule of future net minimum lease payments erroneously reports $2,272,571 as the fiscal year 2009 payment while the detailed amortization schedule reports the same payment, but correctly dated as December 31, 2006. This had the effect of overstating the total future net minimum payments and interest. In addition, the capital lease balance in the detailed amortization schedule is reported as $24,586,348 while it is reported as $25,520,641 in the Statement of Net Assets and the schedule of future net minimum lease payments.

System management has not placed sufficient emphasis on ensuring that journal entries are prepared and entered correctly or that the AFR is properly prepared and reviewed for errors or omissions. Currently, each campus is responsible for its financial statement and note disclosure preparation and each uses different Financial Record System reports and/or different methods for compiling the information in those reports. Failure to submit an accurate and timely AFR to OSRAP could result in a misstatement of the state's CAFR.

System management should develop procedures to include written instructions and a timetable for compiling the AFR and a system-level supervisory review of financial information and note disclosures to detect and correct material errors in the AFR before submitting it to OSRAP. In addition, the System should develop standard journal entries for common transactions and should place more emphasis on correctly preparing and reviewing all journal entries. Management concurred in general with the finding and outlined plans of corrective action. Management did not concur with the portion of the finding relating to termination benefits noting that the System followed OSRAP's guidance (see Appendix A, pages 1-9).

Insufficient Control Over Leave Records

The Southern University - Baton Rouge campus (campus) does not have adequate control procedures in place to ensure that employee leave records reflect accurate leave balances. 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' established procedures. R.S. 17:2149 and 17:3312 permit the campus to advance sick leave with pay in an amount not exceeding 176 hours. The Louisiana Constitution, Article VII, Section 14(A) prohibits the campus from loaning, pledging, or donating funds or things of value to any person. The advancing of annual leave or sick leave without approval or in excess of that permitted by R.S. 17:2149 and 17:3312 may constitute a loan and violation of the provisions of Article VII, Section 14(A).

During our review of the campus' employee leave records for the period January 2007 through June 2008, the following errors were noted in the leave records of 85 employees:

- Sixty-eight employees had negative leave balances up to 572 hours even though no approval for a leave advance was indicated in the leave records. Even if approvals had been obtained, four of these employees had negative balances that exceeded the maximum leave advance allowed by law. In addition, 50 of those employees had negative annual leave balances up to 200 hours each although state law only permits the advance of sick leave.

- The leave records for three employees included leave earned, but the employees had taken leave for the entire pay period and had negative leave balances at the beginning of the pay period.

- Thirty-eight employees had leave balances that were misstated when carried forward into calendar year 2008. The net overstatement of leave was 539 hours for annual leave, 835 hours for sick leave, and 69 hours for compensatory leave.

- Two employees were properly advanced 176 hours of sick leave; however, these hours were not posted to their leave records in accordance with the campus' established procedures. The advances were posted as leave earned instead of as leave taken. By correctly posting it as leave taken, a negative leave balance would be reported, which would help ensure that the dollar value of the leave would be recovered by the university if the employee resigned.

There was no evidence of supervisory review of the changes made to the leave records. In addition, because employees and their supervisors were not provided with periodic reports of leave balances, they were not provided with sufficient information to make decisions about whether leave was available.

A Baton Rouge campus internal audit report issued March 11, 2008, disclosed that a former Human Resources employee who was responsible for posting leave to employee leave records did not perform her responsibilities. Human Resources personnel determined that leave was not posted for the period from January 1, 2007, through December 31, 2007.

The campus' lack of adequate supervisory review over leave records resulted in misstated leave balances and the advancing of leave inappropriately. 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 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. The advance of annual leave or the unapproved advance of sick leave could be considered a violation of state law and the constitution.

The 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. In addition to ensuring that annual leave is not advanced to any employee, the campus should ensure that sick leave is not advanced unless it is approved in advance and only up to the limit prescribed by state law. The campus should also begin providing periodic reports of leave balances to employees and their supervisors for review. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 10-12).

Insufficient Control Over Federal Receivables

The Southern University System, Shreveport Campus (campus) did not adequately monitor its federal receivables. During a review of the campus' accounts receivable at June 30, 2008, auditors noted that federal receivables totaling $2,442,819 did not have any collection activity for over one year. Good internal control requires regular monitoring of accounts receivable balances to ensure that they are collected timely and that errors and/or fraud are detected timely.

According to the general ledger system, of the $2,442,819 uncollected, $129,091 was established from one to two years ago; $988,696 was established from two to three years ago; $144,069 was established from three to four years ago; and $1,180,963 was established more than four years ago. Because the federal programs are operated on a reimbursement basis, the campus has been using its existing resources to operate the programs without drawing the proper source of funds. This contributed to the campus accumulating a negative cash balance of $2.8 million at June 30, 2008.

The campus did not have adequate internal control procedures in place to ensure that timely requests for reimbursement from federal programs were made. As a result, the campus may have lost its ability to claim those federal funds that were not requested within the federal program's period of availability. Also, the university could not use the replacement funds for necessary functions. When accounts receivable are not regularly monitored, analyzed, and collected there is a greater risk that errors and/or fraud could occur.

Management of the campus should implement adequate procedures to ensure that all federal receivables are adequately monitored and that requests for reimbursement are made timely. In addition, the campus should analyze its federal receivables and pursue collection of all outstanding federal receivables. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 13-15).

General Ledger Accounts Not Properly Reconciled

For the third consecutive year, the System did not properly reconcile its general ledger accounts to its subsidiary ledgers. Good internal control requires the periodic reconciliation of account balances to ensure that errors and/or fraud are detected timely and to ensure the fair presentation of financial information.

Our audit revealed the following:

- At June 30, 2008, the Shreveport campus' subsidiary ledger for student receivables, which totaled $1,389,588, was not reconciled to the general ledger balance of $1,123,928. Since the campus converted to the Banner Student Information System (SIS) in August 2003, a reconciliation of the entire account balance has not been performed.

- At June 30, 2008, the New Orleans campus' subsidiary ledger (trial balance report) for student receivables, which totaled $896,112, was not properly reconciled to the general ledger balance of $882,249 or to the aged accounts receivable report balance of $855,947.

Management did not ensure that the System's policies and procedures requiring the reconciliation of the general ledger accounts to the subsidiary ledgers were performed accurately and timely. When accounts are not reconciled periodically, assets are placed at a greater risk of fraud and/or misappropriation and financial records and/or financial statements may not represent the true financial condition of the entity.

Management of the System should ensure that periodic reconciliations of the subsidiary ledgers for student receivables to the general ledger balances are performed timely. Management of each campus should review those reconciliations to ensure that all reconciling items are properly supported and that adjustments to correct the ledgers, if any, are made timely. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 16-19).

Control Weaknesses Over Information Technology

For the second consecutive year, the System has not developed sufficient internal controls over information technology (IT) activities that could affect the integrity of programs, processing, and data. To ensure that the processing of transactions and financial data is performed according to management's design, good internal control requires that security management and monitoring systems are adequate to safeguard data in the financial related systems; management of the physical environment is adequate to ensure that computer equipment, software, and personnel are adequately protected; periodic reviews of the computer systems and facilities are performed; and a disaster recovery plan is adequately tested for all IT centers and critical systems.

During the fiscal year ended June 30, 2008, the following control weaknesses existed:

- One of the three IT centers that house the financial related systems had password policies that were not in compliance with the Division of Administration, Office of Information Technology policies. In addition, two of the three IT centers had no intrusion detection/prevention system and the existing password protection on certain systems was not adequate to safeguard the systems. Furthermore, one of the three IT centers was not reviewing the security reports from its security scanning software.

- One of the three IT centers that house the financial related systems has not tested its hot site. A hot site is a disaster recovery facility that mirrors the organization's production database in real time.

- One of the three IT centers that house the financial related systems did not adequately control physical access to its facilities through the use of an electronically monitored access system. In addition, two of the three centers did not have water detectors or backup power generators and one IT center did not have a smoke detector.

- Except for a limited review of user access controls, the internal auditors have not conducted a formal full scope audit of IT general controls or application controls at six of the seven IT centers. The last IT audit for the New Orleans campus was conducted in calendar year 2005.

The System has not placed sufficient emphasis at all campuses on securing IT facilities and their financial related systems and ensuring IT systems are functioning efficiently and effectively. The lack or inadequacy of these internal controls could result in the loss of assets, fraud, destruction and/or sabotage, system downtime or failure, inaccurate data, and noncompliance with certain "best industry standards" and OIT standards and policies.

The System should establish adequate internal controls over IT activities to ensure the integrity of programs, processing, and data and the adequacy of all disaster recovery plans. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 20-26).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the weakness identified in the finding on Inaccurate Annual Fiscal Report Preparation to be a material weakness.

Compliance and Other Matters

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

Other 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

On November 17, 2008, the Office of State Inspector General issued a report addressing concerns about the captain of the Southern University at New Orleans Police Department. That report includes various allegations and may be obtained at www.doa.louisiana.gov/oig/2008.htm.

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 university, 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,

Steve J. Theriot, CPA
Legislative Auditor

STD:WDD:EFS:PEP:dl

SU08

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

SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM
J.S. CLARK ADMINISTRATION BUILDING
BATON ROUGE, LOUISIANA 70813

Office of the President
(225) 771-4680

Fax Number:
(225) 771-5522

February 5, 2009

Mr. Steve J. Theriot
Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Attached are the responses of the following campuses in the Southern University System, to the finding concerning ***"Inaccurate Annual Fiscal Report Preparation"***:

- **Southern University Baton Rouge**
- **Southern University at New Orleans**
- **Southern University at Shreveport**

Please let me know if additional information is needed.

Sincerely,

Ralph Slaughter, Ph.D.
President
Southern University System

RS/hac

Enclosures

xc: Mr. Tolor E. White

SOUTHERN UNIVERSITY

And

Agricultural & Mechanical College

INCORPORATED 1880 RELOCATED 1914

Office of the Chancellor
P. O. Box 9374
[225] 771-5020
FAX [225] 771-2018

February 2, 2009

Mr. Steve J. Theriot
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: INACCURATE ANNUAL FISCAL REPORT PREPARATION

Dear Mr. Theriot:

The following response applicable to the Baton Rouge Campus is submitted in reply to the reportable finding entitled, ***"Inaccurate Annual Fiscal Report Preparation."***

Specific findings for the Baton Rouge Campus along with the University's response are discussed below:

- **The Baton Rouge Campus misclassified $1,167,501 of state grant funds as other operating revenues.**

Southern University - Baton Rouge Campus concurs with this finding. The funds in question represent monies received under the Louisiana GO Grant Program. The 2007-08 fiscal year represented the first year funds were awarded under this program. Despite our best efforts to receive professional and proper guidance well in advance of the Annual Fiscal Report (AFR) due date, the University was provided guidance contrary to the auditor's recommended classification. The funds were classified based on the professional guidance received. Furthermore, because the University did not sign a grant agreement and was not given a formal award document, the nature and method of receiving the funds did not portray the true characteristics of a state grant. For future reporting, the University will yield to the auditor's recommended classification.

- **In the financial statement's related note disclosures, the Baton Rouge, New Orleans, and Shreveport campuses erroneously reported termination benefits totaling $557,780 for 148 employees.**

Southern University - Baton Rouge Campus does not concur with this finding. The University followed the Office of Statewide Reporting and Accounting Policy for completing the note disclosure for inclusion in the AFR.

- **In the schedule of changes to capital assets, the Baton Rouge campus and the Law Center overstated the beginning balances for library books and the related accumulated depreciation by $774,780 and $1,287,230, respectively.**

Although Southern University - Baton Rouge Campus concurs with this finding, we acknowledge that the ending library capitalization and related accumulated depreciation were correctly reported in the financial statements. Additional controls will be put in place in the preparation and review process to ensure that the prior year audited balances agree with the amount reported on the schedule of capital assets beginning balance.

- **The Baton Rouge and Shreveport campuses made errors amounting to $25,520,641 when reporting the capital lease agreement with its Foundation.**

Although Southern University - Baton Rouge Campus concurs with this finding, we acknowledge that the capital lease obligation on the Statement of Net Assets (SNA) and the cumulative cash balance on the cash flow statement were correctly reported for the University's stand-alone SNA and the corresponding account balances on the Foundation's stand-alone SNA. The SNA error occurred when the reports were combined and the interagency eliminations were not made. The cause of this error is attributed to a new capital lease agreement that the University was required to report for the first time in fiscal year 2008. The capital lease agreement that the University entered into was intricate. In fact, the agreement was so convoluted, the University had to seek professional guidance from the legislative auditors, AICPA, the Foundation auditor, bank trustee and bond attorney. There was no guidance pertaining specifically to a lease arrangement of this nature. This, coupled with the late submission of the Foundation's audit, made the reporting process more cumbersome. The University received the final adjustments from the Foundation auditor on October 29, 2008. In an effort to process these adjustments, finalize the combined statements, and get the report to the Office of Statewide Reporting and Accounting Policy by October 30, 2008, the interagency eliminations and other omissions were not detected in a timely manner. The error in the statement of cash flow resulted in a misapplication in two cash categories, but the net cash balance on the statement of cash flow was correctly reported.

The University will document procedures for the accounting and reporting on a bond agreement of this nature. Internal controls will be strengthened to ensure appropriate levels of supervisory review. The University will work closely with its foundation to ensure that the required audit report is completed and submitted in a timely manner to allow for a detailed review.

Plan for Corrective Action

Southern University at Baton Rouge will continue to strengthen and monitor existing controls over the preparation of the annual fiscal report. The corrective actions outlined above will be monitored on a regular and continuing basis to ensure both accuracy and timeliness in the preparation of the annual fiscal report.

The point of contact for corrective action is the Associate Vice Chancellor for Financial Operations, Ms. Gwendolyn Bennett. The Office of the Vice Chancellor for Finance and Administration will provide administrative oversight in the implementation of the corrective actions.

Please contact Vice Chancellor Flandus McClinton, Jr. at (225) 771-5021, if you have questions or need further assistance regarding the University's response to this finding.

Sincerely,

Kofi Lomotey
Chancellor

SOUTHERN UNIVERSITY AT NEW ORLEANS
6801 Press Drive
New Orleans, LA 70126-0002
(504) 286-5311
FAX (504) 284-5500
www. suno.edu

OFFICE OF THE CHANCELLOR

February 5, 2009

Mr. Steve J. Theriot
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Inaccurate Annual Fiscal Report Preparation

Dear Mr. Theriot:

Regarding the above referenced finding, my response to the items applicable to the Southern University at New Orleans Campus is as follows.

- The New Orleans campus overstated accounts payable and expenses by $640,445 because it included the unspent balances on purchase orders even though the goods and services had not been received.

  Management concurs with this statement. We will ensure that accruals for expenses will only include purchase orders for which goods and services have been received.

- The New Orleans campus overstated other operating revenues by $2,608,353. Included in this error is the misclassification of gifts and investment income by $377,147 and $20,765, respectively. In addition, operating expenses should have been reduced by $2,210,441 for the reimbursement of salaries and related benefits for the Sophie B. Wright School.

  Management concurs with this statement. Management will make revisions to our current processes that will increase accountability measures by adding two (2) additional levels of approval.

- The New Orleans campus overstated other non-operating revenues by $727,713 rather than reducing operating expenses when it recorded the capitalization of equipment and library holdings.

Management concurs with this statement. Management will institute a process to perform the timely supervisory review and approval of all journal entries to ensure accuracy in the preparation and compiling of financial information.

- The New Orleans campus misclassified federal revenues from FEMA totaling $440,785 as other non-operating revenues and overstated FEMA receivables and revenues by $344,617.

  Management concurs with this statement. We will review our current processes and as previously stated increase our accountability measures by instituting two (2) levels of approval, (1st level Chief Accountant, 2nd level Comptroller) for journal vouchers and cash receipt journals.

- The New Orleans campus reported the receipt of $1,517,934 in federal funds as other non-operating revenue instead of deferring its recognition since the funds had not been earned as of the fiscal year end.

  Management concurs with this statement. We will modify our Cash Receipt Procedures to ensure that all funds received are properly recorded. This will be done through increased measures of accountability by, 1) The Chief Accountant being the First level of Approval, and) The Comptroller being the Second level of approval.

- The New Orleans campus misclassified capital debt proceeds of $2,088,463 as cash received for the amount of principal paid on capital debt and leases

  Management concurs with this statement. We will institute quarterly monitoring through the office of the Comptroller and the Vice Chancellor for Administration and Finance.

- The New Orleans campus overstated the net appreciation for donor restricted endowments by $1,795,454 due mainly to reporting the endowment corpus as the expendable balance.

  Management concurs with this statement. Management will institute procedures to ensure the accuracy in the preparation of notes disclosures and compiling of financial information.

- Each campus erroneously reported termination benefits totaling $557,780 for 148 employees even though none of the terminations met the reporting requirements of GASB 47, *Accounting for Termination Benefits.*

Management does not concur with this finding. The University followed the Office of Statewide Reporting and Accounting Policy for completing the note disclosure for inclusion in the AFR.

Management will immediately begin to review its current processes and revise as necessary to include the development and implementation of written policies, procedures and standard journal entries. Management will also provide for the timely preparation and supervisory review of transactions, journal entries, and financial statements to ensure both consistency and accuracy in the preparation of financial information and note disclosures and the timely submission of the AFR.

The aforementioned corrective actions will be closely monitored to ensure compliance as well as our ability to produce timely and accurate reports.

Any questions or concerns regarding these corrective actions can be directed to Woodie White, Interim Vice Chancellor for Administration and Finance (504 286-5117). The responsibility and implementation of these actions will be provided by him.

Sincerely,

Victor Ukpolo, Ph.D.
Chancellor

SOUTHERN UNIVERSITY
AT SHREVEPORT

OFFICE OF THE CHANCELLOR

Memorandum

TO: Dr. Ralph Slaughter, President
Southern University System

FROM: Dr. Ray Belton, Chancellor
Southern University at Shreveport

DATE: February 5, 2009

RE: **Audit Response – Annual Fiscal Report Preparation**

I am transmitting for your perusal the attached audit response for the fiscal year ending June 30, 2008 for the Southern University-Shreveport campus.

Should you have questions or comments concerning this response, please contact me at (318) 670-6312.

Att.

3050 MARTIN LUTHER KING, JR. DRIVE • SHREVEPORT, LOUISIANA 71107
PHONE: (318) 674-3312 • FAX: (318) 674-3374
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Southern University – Shreveport

Response to Legislative Audit Findings
FY 2007-2008

Finding:

Inaccurate *Annual Fiscal Report* (AFR) preparation.

Corrective Action:

Southern University–Shreveport (SUSLA) concurs with the reportable finding listed above relative to preparation of the Annual Fiscal Report (AFR).

The University will work with System management and other Southern University campus fiscal officers to develop written procedures and a timetable for preparation and compilation of the AFR. It is important to note that two of the three errors cited by the auditors for SUSLA were associated with the first time recording of bond-related transactions. Additionally, the University will modify and strengthen internal procedures regarding preparation and review of all journal entries. The University also plans to hire a Comptroller to assume supervisory responsibility for all accounting personnel and to ensure day-to-day monitoring of all financial activity.

SOUTHERN UNIVERSITY AND A & M COLLEGE SYSTEM
BATON ROUGE, LOUISIANA 70813

OFFICE OF THE
VICE PRESIDENT FOR
FINANCE AND BUSINESS AFFAIRS
AND
COMPTROLLER

TELEPHONE: (225) 771-5550
FAX: (225) 771-2807

February 18, 2009

Mr. Steve J. Theriot
Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Attached is the response of the Southern University at Baton Rouge Campus relating to the finding concerning ***"Insufficient Control Over Leave Records"***.

Please let me know if additional information is needed.

Sincerely,

Ralph Slaughter, Ph.D.
President
Southern University System

RS/gam

Enclosures

xc: Mr. Tolor E. White

SOUTHERN UNIVERSITY
Agricultural & Mechanical College

Office of the Chancellor
P. O. Box 9374
[225] 771-5020
FAX [225] 771-2018

February 17, 2009

Mr. Steve Theriot, CPA
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Insufficient Control Over Leave Records

Dear Mr. Theriot:

We concur with the finding reported by the Office of Legislative Auditor related to "**Insufficient Control Over Leave Records**". Southern University at Baton Rouge recognizes the importance of maintaining accurate leave records and has always strived to maintain good controls over its time keeping procedures. The University also recognizes the impact that inaccuracies within the leave records may have on the University and its employees, and is committed to minimizing the impact by fully correcting the errors as promptly as possible.

We acknowledge that the University's internal control process had previously identified the existence of inaccuracies in the leave records and personnel had already begun the process of correcting the efficiencies and strengthening the time keeping system. The University's internal review process involved examining 100 per cent of the leave records and reviewing all time keeping documents.

The University's on-going corrective action plan involves hiring additional personnel who will be assigned to work exclusively with leave records. The additional personnel will be responsible for correcting all inaccuracies in the leave records, accurately updating and maintaining the leave records and monitoring the use of employee leave to ensure that the University complies with all applicable laws and regulations. Existing internal controls related to the overall payroll cycle and in particular, the leave process will be reviewed in detail to determine if existing controls should be modified or if new controls should be added to further strengthen operational procedures over the leave record process. Upon final review of corrective actions by management, periodic reports will be provided to employees and supervisors to be used as a tool in determining and validating the employee's available leave balance.

Southern University at Baton Rouge will continue to strengthen and monitor existing controls over its leave records. The corrective actions outlined above will be monitored on a regular and continual basis to ensure both the accuracy of the records and the availability of leave for appropriate employees.

The point of contact for corrective action is the **Director of Human Resources. Mr. Lester Pourciau**. The Office of the Vice Chancellor for Finance and Administration will provide administrative oversight in the implementation of the corrective actions. The anticipated date for completion of the corrective action plan is June 30. 2009.

Please contact **Vice Chancellor for Finance and Administration, Mr. Flandus McClinton, at (225) 771-5021** if you have any questions or need further assistance regarding the University's response to this finding.

Sincerely,

Kofi Lomotey
Chancellor

SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM
J.S. CLARK ADMINISTRATION BUILDING
BATON ROUGE, LOUISIANA 70813

Office of the President
(225) 771-4680

Fax Number:
(225) 771-5522

March 11, 2009

Mr. Steve J. Theriot
Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Attached is the response from the **Southern University at Shreveport Campus**, to the audit finding concerning ***"Insufficient Control Over Federal Receivables"***:

Please let me know if additional information is needed.

Sincerely,

Ralph Slaughter, Ph.D.
President
Southern University System

RS/hac

Enclosure

xc: Mr. Tolor E. White

"An Equal Educational Opportunity Institution"

Southern University at Shreveport

Office of the Vice Chancellor
Fiscal Affairs

March 10, 2009

Mr. Steve J. Theriot, CPA
Office of Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Response to Audit Finding--
Insufficient Control Over Federal Receivables

I am transmitting for your perusal the attached audit response for the fiscal year ending June 30, 2008 for the Southern University-Shreveport (SUSLA) campus.

Should you have questions or comments, please contact Mr. Benjamin Pugh, Vice Chancellor for Finance and Administration at (318) 670-6302.

Respectfully submitted,

Ray L. Belton, Ph.D.
Chancellor

BWP/lhb

Att.

cc: Dr. Ralph Slaughter, President - Southern University System
Mr. Benjamin Pugh, V.C. Finance & Administration - SUSLA

3050 Martin Luther King, Jr. Drive • Shreveport, Louisiana 71107
Phone: (318) 674-3302 • Fax: (318) 674-3489 • Toll Free: 1-800-458-1472

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Southern University-Shreveport

Response to Legislative Audit Findings
FY 2007-2008

Finding:
Insufficient Control Over Federal Receivables

Corrective Action:
Southern University-Shreveport concurs with the reportable finding listed above relative to *Insufficient Control Over Federal Receivables.*

The University is in the process of recruiting a Comptroller to bring day-to-day supervision to this task.

Additionally, current staff will receive training to ensure compliance with state and federal regulations relative to receivables.

Reimbursement requests will be monitored and submitted to appropriate funding agencies on a timely basis. All Federal receivables will be analyzed by University staff who will be required to diligently pursue collection.

Proposed Completion Date:
June 30, 2009

Person(s) Responsible:
Wanda Lewis, Accounting Director
Benjamin Pugh, Vice Chancellor for Fiscal Affairs

SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM
J.S. CLARK ADMINISTRATION BUILDING
BATON ROUGE, LOUISIANA 70813

Office of the President
(225) 771-4680

Fax Number:
(225) 771-5522

March 16, 2009

Mr. Steve J. Theriot
Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Attached are the responses from the following campuses within the **Southern University System**, to the audit finding concerning ***"General Ledger Accounts Not Properly Reconciled"***:

- ***Southern University at New Orleans***
- ***Southern University at Shreveport***

Please let me know if additional information is needed.

Sincerely,

Ralph Slaughter, Ph.D.
President
Southern University System

RS/hac

Enclosure

xc: Mr. Tolor E. White

SOUTHERN UNIVERSITY AT NEW ORLEANS
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(504) 286-5311
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OFFICE OF THE CHANCELLOR

March 13, 2009

Mr. Steve J. Theriot
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Official Response to Legislative Auditor Reportable Findings - General Ledger Accounts Not Properly Reconciled

Dear Mr. Theriot:

Regarding the above referenced finding, my response to the items applicable to the Southern University at New Orleans Campus is as follows.

> **Regarding the finding:** General Ledger Accounts Not Properly Reconciled
>
> **Management Response:** Management concurs with this statement. Management will institute the necessary accounting procedures to ensure compliance with the required reconciliation of the Trial Balance for Student Accounts Receivable, to the General Ledger, and the Aged Accounts Receivable Report.

The aforementioned corrective actions will be closely monitored to ensure that the stated objectives are met.

Any questions or concerns regarding these corrective actions can be directed to Woodie White, Interim Vice Chancellor for Administration and Finance (504 286-5117). The responsibility and implementation of these actions will be provided by him.

Sincerely,

Victor Ukpolo, Ph.D.
Chancellor

SOUTHERN UNIVERSITY
AT SHREVEPORT

OFFICE OF THE CHANCELLOR

March 10, 2009

Mr. Steve J. Theriot, CPA
Office of Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Response to Audit Finding--
General Ledger Account Not Properly Reconciled

I am transmitting for your perusal the attached audit response for the fiscal year ending June 30, 2008 for the Southern University-Shreveport (SUSLA) campus.

Should you have questions or comments, please contact Mr. Benjamin Pugh, Vice Chancellor for Finance and Administration at (318) 670-6302.

Respectfully submitted,

Ray L. Belton, Ph.D.
Chancellor

BWP/lhb

Att.

cc: Dr. Ralph Slaughter, President - Southern University System
Mr. Benjamin Pugh, V.C. Finance & Administration - SUSLA

3050 MARTIN LUTHER KING, JR. DRIVE • SHREVEPORT, LOUISIANA 71107
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Southern University-Shreveport

Response to Legislative Audit Findings
FY 2007-2008

Finding:
General Ledger Account not properly reconciled

Corrective Action:
Southern University-Shreveport concurs with the reportable finding listed above relative to reconciliation of general ledger accounts.

Internal procedures relative to reconciliation of the subsidiary ledger to the general ledger for student receivables will be reviewed and monitored on a timely basis. The University has advertised for a Comptroller to bring day-to-day supervision to this task. Files related to the transfer of balances from the Student Records System to the Banner System are being compiled for review by Business Office personnel.

The University is committed to resolving these findings and ensuring compliance with all applicable state and federal regulations.

Proposed Completion Date:
June 30, 2009

Person(s) Responsible:
Wanda Lewis, Accounting Director
Benjamin Pugh, Vice Chancellor for Fiscal Affairs

SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM
J.S. CLARK ADMINISTRATION BUILDING
BATON ROUGE, LOUISIANA 70813

Office of the President
(225) 771-4680

Fax Number:
(225) 771-5522

March 5, 2009

Mr. Steve J. Theriot
Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Attached are the responses of the following campuses in the Southern University System, to the finding concerning ***"Control Weaknesses over Information Technology"***:

- **Southern University at New Orleans**
- **Southern University at Shreveport**
- **Office of the Internal Auditor**

Please let me know if additional information is needed.

Sincerely,

Ralph Slaughter, Ph.D.
President
Southern University System

RS/hac

Enclosures

xc: Mr. Tolor E. White

"An Equal Educational Opportunity Institution"

SOUTHERN UNIVERSITY AT NEW ORLEANS
6801 Press Drive
New Orleans, Louisiana 70126
(504) 286-5311
FAX (504) 284-5500

Office of the Chancellor

March 2, 2009

Mr. Steve J. Theriot
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Official Response to Legislative Auditor Reportable Findings -
Control Weaknesses Over Information Technology

Dear Mr. Theriot:

Regarding the above referenced finding, my response to the items applicable to the Southern University at New Orleans Campus is as follows.

- The Southern University – New Orleans campus (SUNO) password policy was not in compliance with the Division of Administration, Office of Information Technology policy. In addition, SUNO and the Southern University – Shreveport campus (SUSLA) had no intrusion detection/prevention and the existing password protection on certain systems was not adequate to safeguard the systems. Furthermore, SUNO had security scanning software but was not reviewing the security reports.

  Management Response: OIT Policy (IT STD-009) dictates that passwords with a minimum length of 8 characters have to be changed every 35 days. SUNO was only changing them every 90 days. We have now modified the system to change them every 30 days.

- SUNO did not have water detectors or backup power generators, and SUNO did not have a smoke detector.

  Management Response: SUNO still does not have water detectors, smoke detectors or backup power generators. These items will be addressed when the new IT building comes on line. However the current location of the mainframe (Loyola University) does have water detectors, smoke detectors and a backup power generator.

- Except for a limited review of user access controls, the System internal auditors have not conducted a formal full scope audit of information technology general controls or application controls at six of the seven IT centers. The last IT audit for the New Orleans campus was conducted in calendar year 2005.

Management Response: The internal auditor has agreed to perform a partial audit prior to the end of FY2009. Because of staffing shortages in that area, there is no full audit scheduled anytime in FY2009.

- SUNO has not tested its hot site in the past two fiscal years. A hot site is a disaster recovery facility that mirrors the organization's production database in real time.

  Management Response: SUNO Disaster Recovery Plan includes a hot site. A test is scheduled for April 2009 prior to the start of hurricane season

Management will immediately begin to review its current technology business practices, and move as soon as practical toward implementation of the required security measures.

The aforementioned corrective actions will be closely monitored to ensure compliance in maintaining the security and integrity of the university data center.

Any questions or concerns regarding these corrective actions can be directed to Woodie White, Interim Vice Chancellor for Administration and Finance (504 286-5117). The responsibility and implementation of these actions will be provided by him.

Sincerely,

Victor Ukpolo, Ph.D.
Chancellor

Office of the Vice Chancellor
Fiscal Affairs

Southern University at Shreveport

Memorandum

TO: Dr. Ralph Slaughter, President
Southern University System

FROM: Dr. Ray Belton, Chancellor
Southern University at Shreveport

DATE: March 2, 2009

RE: **Audit Response – Control Weakness over Information Technology**

I am transmitting for your perusal the attached audit response for the fiscal year ending June 30, 2008 for the Southern University-Shreveport campus.

Should you have questions or comments concerning this response, please contact me at (318) 670-6312.

Att.

BWP/lhb

3050 Martin Luther King, Jr. Drive • Shreveport, Louisiana 71107
Phone: (318) 674-3302 • Fax: (318) 674-3489 • Toll Free: 1-800-458-1472

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Southern University – Shreveport

Response to Legislative Audit Findings
FY 2007-2008

Finding:

Control Weakness over Information Technology.

Corrective Action:

Southern University–Shreveport (SUSLA) concurs with the reportable finding listed above relative to *Control Weaknesses* over Information Technology (IT).

Southern University-Shreveport has purchased hardware to address issues relative to intrusion detection/prevention and password protection. The University is in the process of installing and testing the hardware application to ensure future compliance with this requirement.

Resources will also be allocated to control physical access to the Data Center through an electronically monitored access system. Quotes have already been received to facilitate the purchase of back-up power generators.

The University will continue to strengthen and establish internal controls for IT activities and commit the required resources to ensure the integrity of programs, processing and data.

SOUTHERN UNIVERSITY And Agricultural & Mechanical College

INCORPORATED 1880 RELOCATED 1914

OFFICE OF THE INTERNAL AUDITOR
J. S. Clark Adm. Bldg. - 4th Floor
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FAX [504] 771-2807

MEMORANDUM

To: Dr. Ralph Slaughter, President
Southern University System

From: Linda H. Catalon

Date: March 5, 2009

Re: Response to the June 30, 2008 Reportable IT Audit Findings

Attached is our response to the June 30, 2008 Reportable IT Audit findings, affecting the Southern University Board and System Internal Auditor Office.

Please contact me if there are questions regarding this response.

SOUTHERN UNIVERSITY
And
Agricultural & Mechanical College
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March 5, 2009

Mr. Steve J. Theriot
Legislative Auditor
Office of the Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Control Weaknesses Over Information Technology

Mr. Theriot:

The following response is submitted for the reportable IT Finding entitled, "Control Weaknesses Over Information Technology" for the June 30, 2008 fiscal year.

Response:

I concur with the fact that a full scope IT general controls or application controls audit has not been done on all campuses within the Southern University System in several years. However, the Southern University Board and Systems' Internal Audit department has obtained the necessary approval to hire a qualified individual to perform this function. Several candidates have been interviewed, but were lacking the necessary skill sets to adequately perform full scope IT audits. Until the University is successful in hiring a qualified candidate, the internal audit staff of each campus will ensure that at least a general controls review is performed.

Sincerely,

Linda H. Catalon

Linda H. Catalon
Internal Audit Director
Southern University Board of Supervisors