

SOUTHERN UNIVERSITY BATON ROUGE
SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA



ACCOUNTANT'S REVIEW REPORT
FOR THE YEAR ENDED JUNE 30, 2009
ISSUED DECEMBER 23, 2009

**LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

December 8, 2009

Accountant's Review Report

SOUTHERN UNIVERSITY BATON ROUGE
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have reviewed the accompanying basic financial statements as listed in the table of contents of Southern University Baton Rouge, a campus within the Southern University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2009, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Southern University Baton Rouge.

A review consists principally of inquiries of Southern University Baton Rouge personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the objective of which is the expression of an opinion regarding the basic financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in note 1-B to the basic financial statements, the accompanying financial statements of Southern University Baton Rouge are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Southern University System that is attributable to the transactions of Southern University Baton Rouge. They do not purport to, and do not, present fairly the financial position of the Southern University System or the State of Louisiana as of June 30, 2009, and the changes in its financial position and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Management's discussion and analysis on pages 5 through 17 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 51 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the required supplementary information.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with generally accepted accounting principles. The accompanying supplementary combining financial schedules on pages 55 through 60 are presented only for supplementary analysis purposes and have been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements. The accountant did not become aware of any material modifications that should be made to such data.

Respectfully submitted,



Daryl G. Purpera, CPA
Temporary Legislative Auditor

STD:WDD:EFS:PEP:dl

SUBR09

Management's Discussion and Analysis, which discusses the financial performance of Southern University Baton Rouge campus, presents a narrative overview and analysis of the Southern University Baton Rouge campus' financial activities and statements for the fiscal year ended June 30, 2009. Southern University Baton Rouge has three distinct institutions which include the Southern University and Agricultural and Mechanical College, Southern University Law Center, and Southern University Agricultural Research and Extension Center. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. The notes to the financial statements provide a summary of some of the significant accounting policies affecting all financial transactions of these institutions. The primary financial statements presented are the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. This document should be read in conjunction with the financial statements of Southern University Baton Rouge.

FINANCIAL HIGHLIGHTS

The Southern University Baton Rouge campus' net assets overall changed from \$134,008,098 to \$116,154,868, a decrease of approximately 13.3% from June 30, 2008 to June 30, 2009. The decrease is caused in part, by the second year implementation of an accounting change mandated by Governmental Accounting Standards Board (GASB) Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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 implementation of GASB 45. In accordance with paragraph 37 of GASB Statement No. 45, the measurement and recognition requirement 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. The annual other postemployment benefit (OPEB) obligation increased by \$17,152,665 or 88.7% from June 30, 2008 to June 30, 2009.

Based on comparative data for the fall semesters 2007 and 2008, the Southern University Baton Rouge campus experienced an overall decline in enrollment. Enrollment decreased from 8,671 to 8,227, a decrease of 5.1%. The reasons for this change are attributed to the following:

- Southern University and Agricultural and Mechanical College at Baton Rouge experienced a decrease of 5.7% in enrollment for fall 2008 when compared to the fall 2007. 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 2008, Southern University at Baton Rouge enrolled 7,811 students as compared to 8,287 students in fall 2007.
- The Southern University Law Center's enrollment experienced an increase of 8.3%, with an enrollment of 416 in fall 2008, compared to an enrollment of 384 students in fall 2007. This increase is attributed to an increase in the enrollment of the Law Center's first-year and part-time evening students.

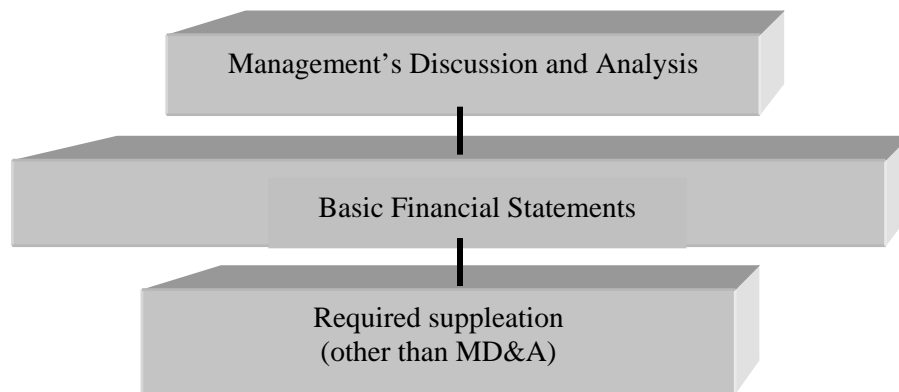
The campus' operating revenues changed from \$92,739,721 to \$76,761,072, a decrease of 17.2% from June 30, 2008 to June 30, 2009. The decline in operating revenues is attributed to a decline in enrollment and a change in the reporting of Pell grant revenues. Effective with the fiscal year ending June 30, 2009, Pell grant revenues are reported as nonoperating revenues instead of operating revenues.

Operating expenses for the same period changed by 1% from \$183,517,654 for the fiscal year ended June 30, 2008, to \$181,605,066 for the fiscal year ended June 30, 2009. The decline in operating expenses is attributed to a reduction in programs resulting from a mandated mid-year budget reduction in state appropriations of approximately \$2.7 million.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations received from the state and other sources. Effective with the fiscal year ending June 30, 2009, Pell grant revenues are reported as nonoperating revenues. The total of net nonoperating revenues (expenses) including capital appropriations, grants, and gifts reflects an increase of 17.5% from \$75,618,888 in 2008 to \$88,573,656 in 2009. The increase is attributed to the change in reporting of Pell grant revenues as nonoperating revenues in fiscal year 2009 as opposed to the prior year reporting of Pell grant revenues as operating revenues.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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



These financial statements consist of three sections: management's discussion and analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information. The basic financial statements present information for the Southern University Baton Rouge campus, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets (pages 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 Baton Rouge campus is improving or deteriorating.

From the data presented, readers of the Statement of Net Assets can determine the assets available to continue the operations of the campus. They are also able to determine how much the institutions at the Southern University Baton Rouge campus owe vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a summary of the combined net assets (assets minus liabilities) and their availability for expenditure by the institutions.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 21-22) presents information showing how the Southern University Baton Rouge campus' 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 23-24) presents information showing how the Southern University Baton Rouge campus' cash changed as a result of the current year's operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about the Southern University Baton Rouge campus' 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.

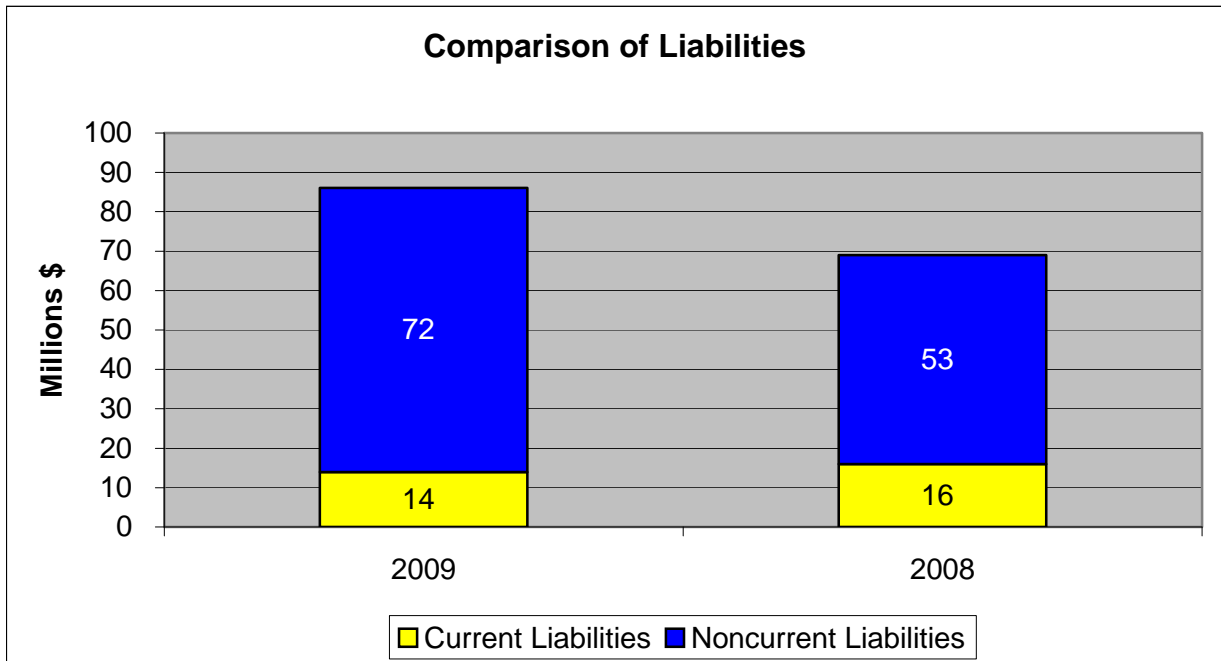
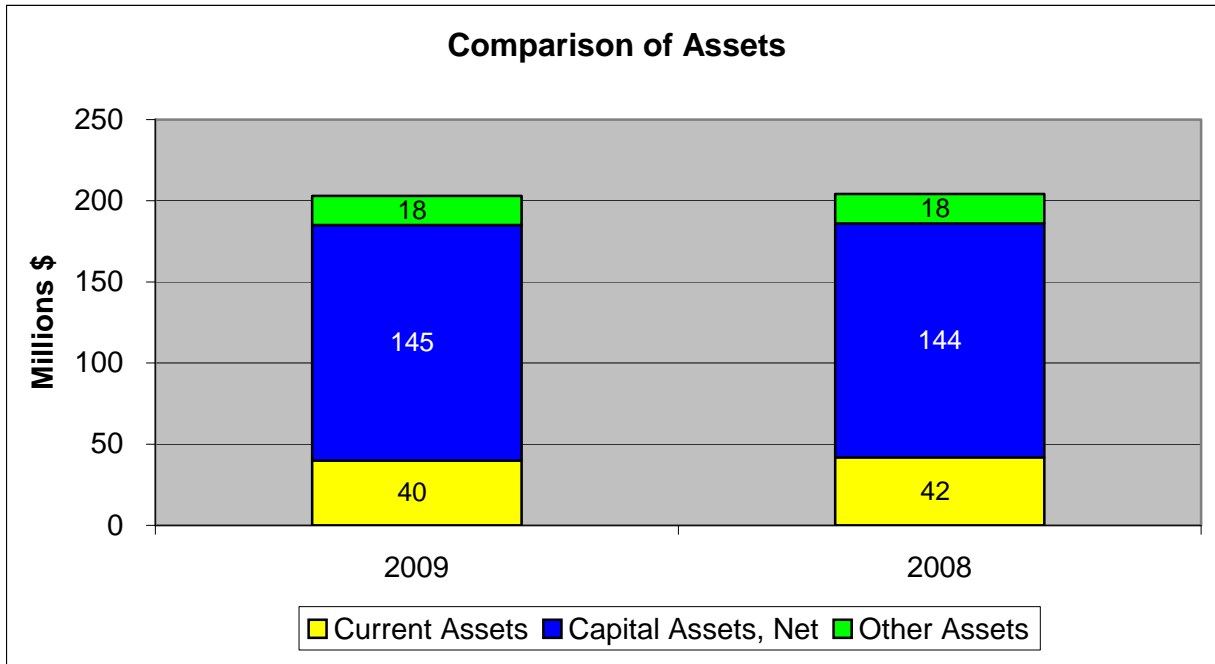
The Southern University Baton Rouge campus' financial statements are prepared on an accrual basis in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to government units. Under this basis of accounting, revenues are recognized in the period in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

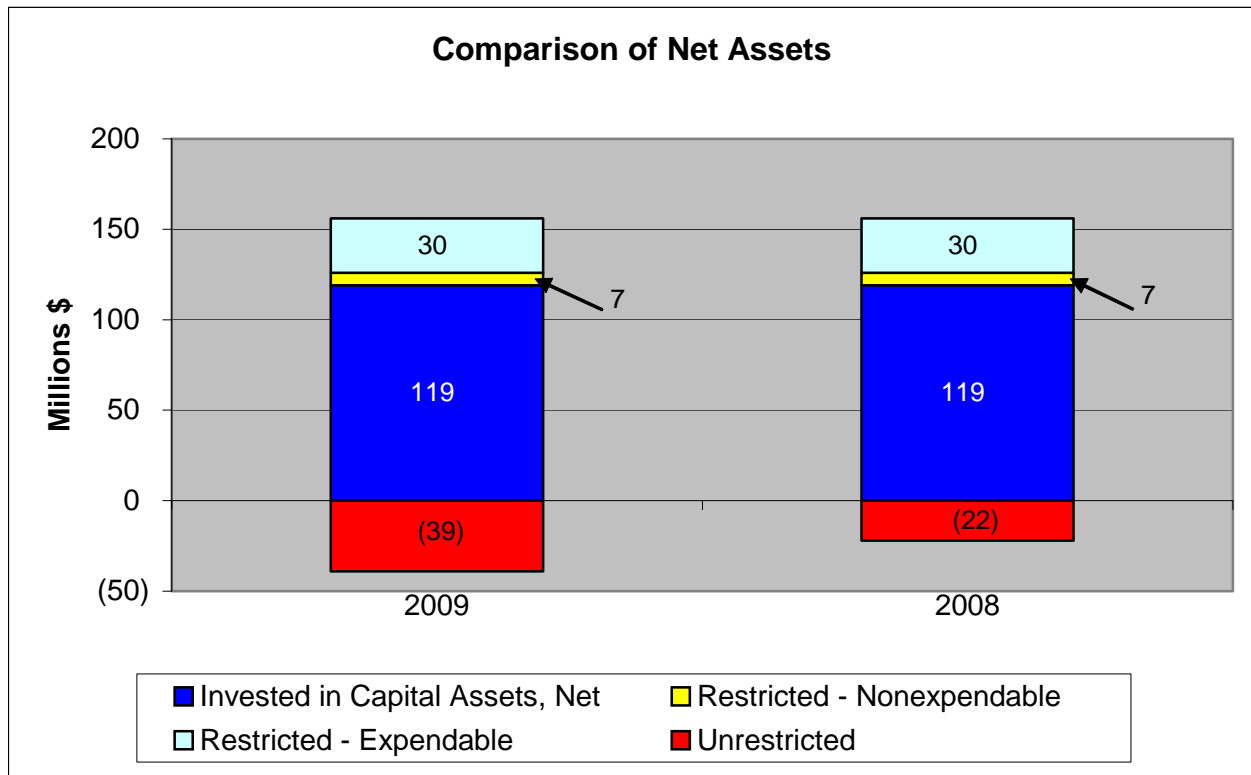
Categories of Net Assets

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

Comparative Statement of Net Assets For the Fiscal Years as of June 30, 2009 and 2008

	2009	Restated 2008	Percentage Change
Assets			
Current assets	\$39,931,080	\$41,948,699	(4.8%)
Capital assets, net	145,324,047	143,643,567	1.2%
Other noncurrent assets	17,773,738	18,183,435	(2.3%)
Total assets	<u>203,028,865</u>	<u>203,775,701</u>	(0.4%)
Liabilities			
Current liabilities	14,426,159	16,188,147	(10.9%)
Noncurrent liabilities	72,447,838	53,579,456	35.2%
Total liabilities	<u>86,873,997</u>	<u>69,767,603</u>	24.5%
Net Assets			
Invested in capital assets, net of related debt	119,055,565	118,690,174	0.3%
Restricted:			
Nonexpendable	6,859,690	6,648,794	3.2%
Expendable	29,564,083	30,333,766	(2.5%)
Unrestricted	<u>(39,324,470)</u>	<u>(21,664,636)</u>	81.5%
Total net assets	<u><u>\$116,154,868</u></u>	<u><u>\$134,008,098</u></u>	(13.3%)





The previous schedules are prepared using the Southern University Baton Rouge campus' Statement of Net Assets which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

The total assets of the campus decreased by \$746,836, a decrease of approximately 0.4%. The total liabilities of the campus increased by \$17,106,394 or 24.5%. The consumption of assets follows the campus' philosophy to use available resources to acquire and improve all areas of the campus' institutions to better serve the instruction, research, and public service missions of these institutions.

Statement of Revenues, Expenses, and Changes in Net Assets

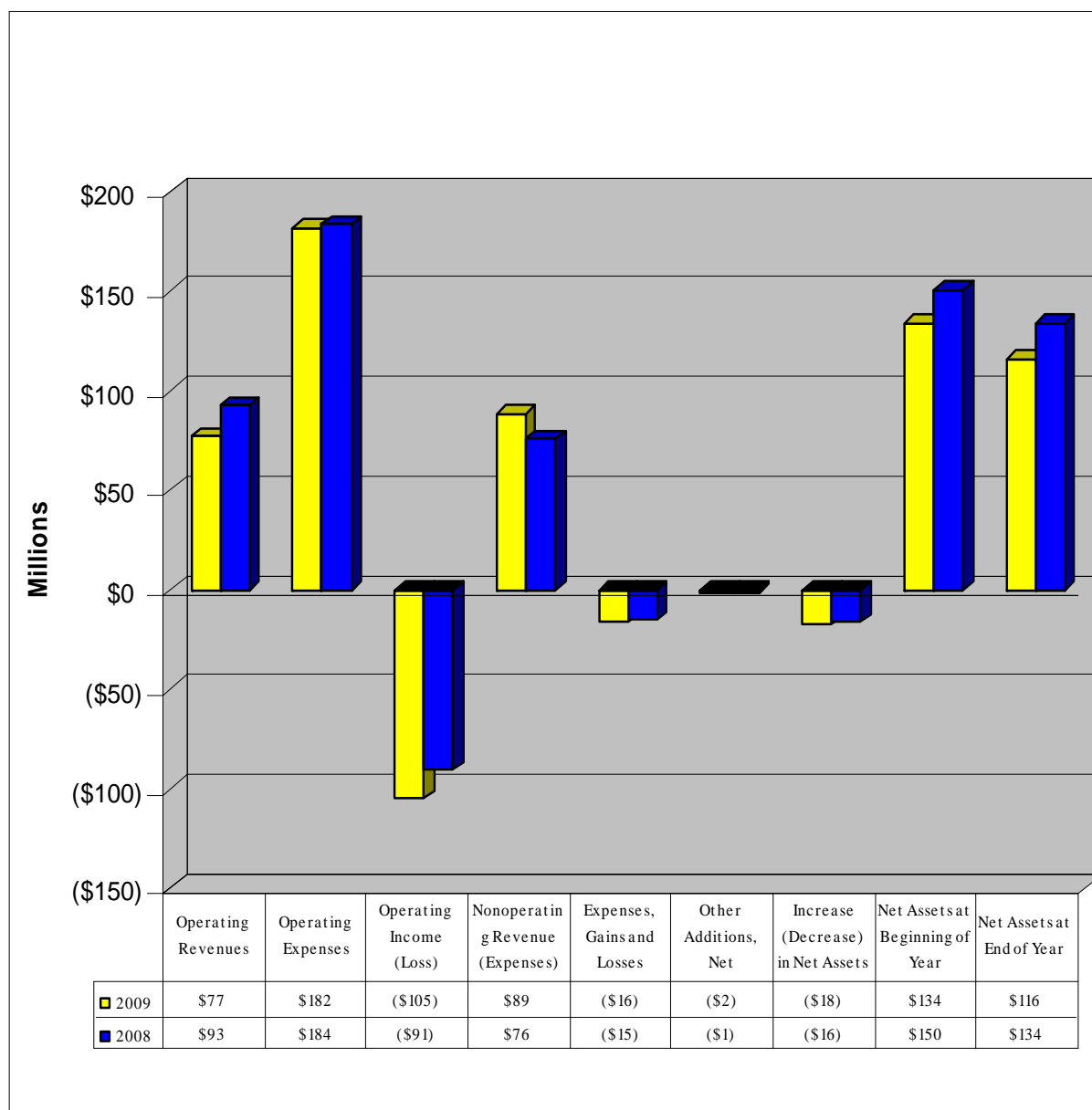
Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received and expenses paid by the campus' institutions for both operating 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. Because of recent actions by the GASB, with implementation beginning in fiscal year 2009, Pell grant revenues are considered nonoperating revenues and are reported in the Statement of Revenues, Expenses, and Changes in Net Assets as nonoperating federal grants.

**Comparative Statement of Revenues,
Expenses, and Changes in Net Assets
For the Fiscal Years Ended
June 30, 2009 and 2008**

	2009	(Restated) 2008	Percentage Change
Operating revenues:			
Student tuition and fees, net of scholarship allowances	\$24,718,649	\$26,762,892	(7.6%)
Federal appropriations	3,036,209	3,036,036	0.0%
Federal grants and contracts	29,027,913	43,385,326	(33.1%)
State and local grants and contracts	3,409,323	3,122,414	9.2%
Nongovernmental grants and contracts	45,375	17,915	153.3%
Auxiliary revenues, net of scholarship allowances	13,908,628	13,589,333	2.3%
Other operating revenues	2,614,975	2,825,805	(7.5%)
Total operating revenues	<u>76,761,072</u>	<u>92,739,721</u>	(17.2%)
Nonoperating revenues:			
State appropriations	66,192,166	68,348,728	(3.2%)
Federal grants and contracts	15,349,088		100.0%
Gifts	514,931	473,802	8.7%
Investment income (loss)	(235,313)	642,817	(136.6%)
Other nonoperating revenues	4,403,709	4,464,474	(1.4%)
Total nonoperating revenues	<u>86,224,581</u>	<u>73,929,821</u>	16.6%
Total revenues	<u>162,985,653</u>	<u>166,669,542</u>	(2.2%)
Operating expenses:			
Educational and general:			
Instruction	50,601,551	52,274,540	(3.2%)
Research	8,544,101	8,856,995	(3.5%)
Public service	6,970,470	6,228,954	11.9%
Academic support	29,572,343	27,019,120	9.4%
Student services	9,943,428	9,925,915	0.2%
Institutional support	26,182,249	26,230,528	(0.2%)
Operation and maintenance of plant	14,431,442	15,913,873	(9.3%)
Depreciation	8,490,256	8,390,580	1.2%
Scholarships and fellowships	11,119,296	12,190,664	(8.8%)
Auxiliary enterprises	15,036,081	15,475,074	(2.8%)
Other operating expenses	713,849	1,011,411	(29.4%)
Total operating expenses	<u>181,605,066</u>	<u>183,517,654</u>	(1.0%)
Nonoperating expenses - interest expense	1,497,013	988,811	51.4%
Total expenses	<u>183,102,079</u>	<u>184,506,465</u>	(0.8%)
Loss before other revenues	<u>(20,116,426)</u>	<u>(17,836,923)</u>	12.8%
Capital appropriations	2,814,334	1,554,740	81.0%
Capital grants and gifts	1,031,754	1,123,138	(8.1%)
Additions to permanent endowment	270,896	438,510	(38.2%)
Transfers to other campuses, net	(1,853,788)	(1,735,109)	6.8%
Other revenues	<u>2,263,196</u>	<u>1,381,279</u>	63.8%
Change in net assets	(17,853,230)	(16,455,644)	8.5%
Net assets at beginning of year, restated	134,008,098	150,463,742	(10.9%)
Net assets at end of year	<u>\$116,154,868</u>	<u>\$134,008,098</u>	(13.3%)

**Graphic Comparison of Revenues,
Expenses, and Changes in Net Assets
For the Fiscal Years Ended
June 30, 2009 and 2008**



The Statement of Revenues, Expenses, and Changes in Net Assets reflects a negative change for the year. The net assets decreased by \$17,853,230 in 2009, compared to a decrease of \$16,455,644 in fiscal year 2008. This is largely attributable to the reporting of the annual OPEB obligation as required by GASB 45, effective with the 2008 fiscal year. The Southern University Baton Rouge campus is in the second year implementation of GASB Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The annual net change of \$17,152,665 is the OPEB obligation reported in the respective operating functions on the Statement of Revenues, Expenses, and Changes in Net Assets. Other highlights of the information that had a significant impact on the amounts presented in the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- 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 still poses challenges in the management process.
- The Southern University Law Center implemented a three-year tuition and fee increase plan approved by the state legislature in 2008, with an effective implementation date beginning in fiscal year 2009. The approved \$1,500 tuition increase will be implemented over a three-year period.
- The Agricultural Research and Extension Center was appropriated \$1,000,000 from the state tobacco tax funds. These funds were used to support Youth Development and Nutritional Awareness Programs, international programs, and the Southern University Museum of Art.
- State mandated mid-year budget cuts of \$2.7 million in 2009 caused the Southern University and A&M College at Baton Rouge campus institutions to implement cost reduction measures to proactively address the budget cuts and reduce operating costs. Although the 2009 mid-year budget cuts caused a reduction in program and staff, management will continue to ensure that the mission, goals, and core values of the institutions remain strong.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The combined total of capital assets, net of accumulated depreciation at the 2009 year-end, is \$145,324,047 as compared to \$143,643,567 at the 2008 year-end. There were no major expansions in the Baton Rouge campus capital projects, except that a new service building was constructed at the Southern University and A&M College Agricultural and Research experiment station. In addition, the Division of Administration, Office of Facility Planning and Control completed the expansion project on the A. A. Lenoir Building for the Southern University Law Center.

The Southern University Baton Rouge campus 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 and has been completed on three of the projects; the total budget for the various projects is \$52,234,455. The total funds borrowed to finance the various projects were \$59,990,000, which includes capitalized interest. This venture included the following projects for the Baton Rouge campus:

- 600-bed, 3-story dormitories
- Student Intramural Center
- Baseball Field House
- Mumford Stadium
- Football Field Restoration
- Reflections Bookstore (proposed usage is for storage of athletic equipment)

Three of the above projects have been completed, including the 600-bed, 3-story dormitories; purchase of Reflections Bookstore; and the football field restoration. A capital lease obligation in the amount of \$26,118,483 has been recorded on the Statement of Net Assets for the completed projects. These projects were completed in the prior fiscal years. Although there were no fully completed projects relating to the Baton Rouge campus during the 2009 fiscal year, the athletic parking lot was substantially completed during 2009 to allow for construction to begin on Mumford Stadium. Since the athletic parking lot construction was necessary for the expansion of the Mumford Stadium project to begin, the construction is considered to be an integral attachment to the Mumford Stadium project; therefore, the entire project is not recognized as completed at June 30, 2009.

The Southern University Baton Rouge campus retired \$51,000 in bonds payable during the fiscal year. The total amount of long-term debt at June 30, 2009, is \$73,277,268. Included in this total is the following long-term debt:

- Compensated absences - \$10,522,846
- Capital lease obligations - \$26,118,483
- OPEB payable - \$36,485,939
- Bonds payable - \$150,000

For additional information concerning capital assets and long-term debt activity, refer to notes 6 and 14-16 in the notes to the financial statements.

ECONOMIC OUTLOOK - SHORT-TERM

The Southern University Baton Rouge campus has three distinct institutions located in north Baton Rouge, Louisiana, which includes the Southern University and Agricultural and Mechanical College, Southern University Law Center, Southern University Agricultural Research and Extension Center. These institutions experienced minor to moderate damages to various buildings from Hurricane Gustav in 2008. Restorative efforts have been on going through various federal and state financing sources.

Despite mid-year budget cuts, the management of the Baton Rouge campus institutions projects the overall financial position to remain strong. The management of the Baton Rouge campus institutions anticipates that fiscal year 2010 will be much like fiscal year 2009. The current economic downturn is a global concern and is not unique to the Southern University Baton Rouge campus institutions' management. The state of Louisiana has once again mandated a reduction in projected revenues for the 2010 fiscal year because of a decrease in state revenues. The Baton Rouge campus institutions have implemented approved restructuring plans to ensure that current operations are sustained and the missions and goals of the respective institutions are not negatively impacted. Management does not anticipate that the 2009-2010 mandated budget cuts will significantly impact the campus' overall mission and goals. Management will continue to closely monitor available resources to ensure the campus' ongoing ability to react to known and unknown internal and external issues in a prompt manner.

The Southern University Baton Rouge campus will undergo a SACS reaccreditation review in April 2010. The Baton Rouge campus institutions have made preparations for the review and remain optimistic about the upcoming visit and its outcome.

The Baton Rouge campus is in the process of updating its comprehensive computerized accounting and financial reporting system. The system known as BANNER, developed by SunGard HE, consists of the Financial, Human Resource (HR)/Payroll, and Student/Financial Aid components. The HR/Payroll and Finance components of the system are scheduled to go live in January 2010.

ENROLLMENT MANAGEMENT PROGRAMS AND ACTIVITIES

The Southern University Baton Rouge campus 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

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.

The Southern University Baton Rouge campus 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 over a three-year time frame. The HR/Payroll and Finance components will be implemented individually on the Baton Rouge campus, housed on the Baton Rouge campus computer, and made accessible to all campuses throughout the Southern University System.

CONTACTING THE SOUTHERN UNIVERSITY BATON ROUGE CAMPUS' MANAGEMENT

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

- Mr. Tolor E. White, System Vice President for Finance and Business Affairs and Comptroller, Southern University and A&M College System, 4th Floor, J.S. Clark Administration Building, Baton Rouge, Louisiana 70813, phone number 225-771-5550.
- Mr. Flandus McClinton, Jr., Vice Chancellor for Finance and Administration at Southern University and A&M College (Baton Rouge campus), 3rd Floor, J.S. Clark Administration Building, Baton Rouge, Louisiana 70813, phone number 225-771-5021.
- Dr. Adell Brown, Vice Chancellor for Finance and Administration at Southern University and A&M College Agricultural Research and Extension Center, Ashford O. Williams Building, Baton Rouge, Louisiana, 70813, phone number 225-771-2242.
- Judge Freddie Pitcher, retired, Chancellor for Southern University and A&M College Law Center, A. A. Lenoir Building, Room 252, Baton Rouge, Louisiana, 70813, phone number 225-771-2506.

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**SOUTHERN UNIVERSITY BATON ROUGE CAMPUS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Statement of Net Assets
June 30, 2009**

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$18,540,760
Receivables, net (note 4)	14,238,362
Due from state treasury	570,435
Inventories	421,590
Deferred charges and prepaid expenses	6,159,933
Total current assets	<u>39,931,080</u>

Noncurrent assets:

Restricted cash and cash equivalents (note 2)	13,830,598
Restricted investments (note 3)	3,828,444
Capital assets, net (note 6)	145,324,047
Other	114,696
Total noncurrent assets	<u>163,097,785</u>
Total assets	<u>203,028,865</u>

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 7)	8,406,281
Deferred revenues (note 8)	3,565,510
Compensated absences (notes 9 and 15)	423,930
Capital lease obligations (notes 14 and 15)	350,500
Amounts held in custody for others	348,476
Bonds payable (notes 15 and 16)	55,000
Other current payables	1,276,462
Total current liabilities	<u>14,426,159</u>

(Continued)

See the accompanying notes and accountant's review report.

SOUTHERN UNIVERSITY BATON ROUGE CAMPUS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Assets
June 30, 2009

LIABILITIES (CONT.)

Noncurrent liabilities:

Compensated absences (notes 9 and 15)	\$10,098,916
Capital lease obligations (notes 14 and 15)	25,767,983
Other postemployment benefits payable (notes 12 and 15)	36,485,939
Bonds payable (notes 15 and 16)	95,000
Total noncurrent liabilities	<u>72,447,838</u>
Total liabilities	<u>86,873,997</u>

NET ASSETS

Invested in capital assets, net of related debt	119,055,565
Restricted for:	
Nonexpendable (note 17)	6,859,690
Expendable (note 17)	29,564,083
Unrestricted	<u>(39,324,470)</u>
TOTAL NET ASSETS	<u><u>\$116,154,868</u></u>

(Concluded)

See the accompanying notes and accountant's review report.

**SOUTHERN UNIVERSITY BATON ROUGE CAMPUS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2009**

OPERATING REVENUES

Student tuition and fees	\$35,870,851
Less scholarship allowances	(11,152,202)
Net student tuition and fees	<u>24,718,649</u>
Federal appropriations	3,036,209
Federal grants and contracts	29,027,913
State and local grants and contracts	3,409,323
Nongovernmental grants and contracts	45,375
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 16)	14,567,375
Less scholarship allowances	(658,747)
Net auxiliary revenues	<u>13,908,628</u>
Other operating revenues	<u>2,614,975</u>
Total operating revenues	<u><u>76,761,072</u></u>

OPERATING EXPENSES

Educational and general:	
Instruction	50,601,551
Research	8,544,101
Public service	6,970,470
Academic support	29,572,343
Student services	9,943,428
Institutional support	26,182,249
Operation and maintenance of plant	14,431,442
Depreciation (note 6)	8,490,256
Scholarships and fellowships	11,119,296
Auxiliary enterprises	15,036,081
Other operating expenses	713,849
Total operating expenses	<u><u>181,605,066</u></u>

OPERATING LOSS (104,843,994)

(Continued)

See the accompanying notes and accountant's review report.

**SOUTHERN UNIVERSITY BATON ROUGE CAMPUS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2009**

NONOPERATING REVENUES (Expenses)	
State appropriations	\$66,192,166
Federal grants and contracts	15,349,088
Gifts	514,931
Investment (loss)	(235,313)
Interest expense	(1,497,013)
Other nonoperating revenues	4,403,709
Net nonoperating revenues	<u>84,727,568</u>
LOSS BEFORE OTHER REVENUES	(20,116,426)
Capital appropriations	2,814,334
Capital grants and gifts	1,031,754
Additions to permanent endowment	270,896
Transfers to other campuses, net	<u>(1,853,788)</u>
DECREASE IN NET ASSETS	(17,853,230)
NET ASSETS - BEGINNING OF YEAR (Restated) (note 18)	<u>134,008,098</u>
NET ASSETS - END OF YEAR	<u><u>\$116,154,868</u></u>

(Concluded)

See the accompanying notes and accountant's review report.

**SOUTHERN UNIVERSITY BATON ROUGE CAMPUS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009**

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$25,720,059
Federal appropriations	3,036,209
Grants and contracts	27,704,753
Payments to suppliers	(30,670,189)
Payments for utilities	(6,540,712)
Payments to employees	(81,765,531)
Payments for benefits	(22,378,831)
Payments for scholarships and fellowships	(15,739,693)
Auxiliary enterprise charges	13,977,173
Other receipts	2,610,975
Net cash used by operating activities	<u>(84,045,787)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	66,362,316
Gifts and grants for other than capital purposes	16,121,762
Private gifts for endowment purposes	270,896
TOPS receipts	1,554,492
TOPS disbursements	(1,576,207)
Federal Family Education Loan program receipts	64,196,927
Federal Family Education Loan program disbursements	(64,196,927)
Other payments	(2,288,900)
Net cash provided by noncapital financing activities	<u>80,444,359</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants and gifts received	1,031,754
Purchases of capital assets	(3,903,178)
Principal paid on capital debt and leases	(51,000)
Interest paid on capital debt and leases	(14,088)
Other sources	3,336,871
Net cash provided by capital and related financing activities	<u>400,359</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales and maturities of investments	19,109,922
Interest received on investments	(257,681)
Purchase of investments	(18,697,398)
Net cash provided by investing activities	<u>154,843</u>

(Continued)

See the accompanying notes and accountant's review report.

**SOUTHERN UNIVERSITY BATON ROUGE CAMPUS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009**

NET DECREASE IN CASH AND CASH EQUIVALENTS	(\$3,046,226)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>35,417,584</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$32,371,358</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	(\$104,843,994)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	8,490,256
Changes in assets and liabilities:	
Increase in accounts receivable, net	(3,544,970)
Increase in inventories	(90,278)
Increase in prepaid expenses	(16,319)
Decrease in accounts payable	(1,102,479)
Decrease in deferred revenue	(369,102)
Increase in compensated absences	758,972
Increase in other postemployment benefits payable	17,152,665
Decrease in other liabilities	<u>(480,538)</u>
Net cash used by operating activities	<u><u>(\$84,045,787)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:	
Cash and cash equivalents classified as current assets	\$18,540,760
Cash and cash equivalents classified as noncurrent assets	<u>13,830,598</u>
Cash and cash equivalents at the end of the year	<u><u>\$32,371,358</u></u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital appropriations for construction of capital assets	\$2,814,334
Capital lease	329,644
Net decrease in the fair value of investments	(412,526)
Loss on disposal of capital assets	14,461

(Concluded)

See the accompanying notes and accountant's review report.

INTRODUCTION

Southern University Baton Rouge is a campus within the Southern University System (System) which is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana, within the executive branch of government. The university is under the management and supervision of the Southern University Board of Supervisors; however, the annual budget of the university and changes to the degree programs and departments of instruction require the approval of the Louisiana Board of Regents. The board of supervisors is comprised of 15 members appointed by the governor with consent of the Louisiana Senate for a six-year term and one student member appointed for a one-year term by a council composed of the student body presidents of the university. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. Southern University Baton Rouge has three 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 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 Baton Rouge campus offers 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 2008-2009 fiscal year, the campus conferred 1,356 degrees and student enrollment was approximately 18,970. The Baton Rouge campus has 463 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.

See accountant's review report.

The campus applies all GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The campus has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The campus has elected not to apply FASB pronouncements issued after the applicable date.

B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. Southern University Baton Rouge is a part of the Southern University System, which is considered a discretely presented component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the System primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the Southern University Baton Rouge campus.

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

Criteria described in GASB Codification Section 2100 were used to evaluate whether potential component units should be blended with the campus, discretely presented, disclosed in the notes to the financial statements, or excluded from the reporting entity. This evaluation was made to identify those component units for which the campus is financially accountable and other organizations for which the nature and significance of their relationship with the campus are such that exclusion would cause the financial statements of the campus to be misleading or incomplete. No such components were identified.

C. BASIS OF ACCOUNTING

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

been incurred, regardless of the timing of the related cash flows. All significant intra-campus transactions have been eliminated.

D. BUDGET PRACTICES

The State of Louisiana's appropriation is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; (4) inventories are recorded as expenditures at the time of purchase; and (5) carry forward of prior year funds is recognized as revenue in the current year. The other funds of Southern University Baton Rouge, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

E. CASH AND CASH EQUIVALENTS

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

F. INVENTORIES

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

G. RESTRICTED CASH AND INVESTMENTS

Cash and cash equivalents and investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are reported as noncurrent restricted assets. Noncurrent

See accountant's review report.

restricted investments also include endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity. Some cash and all university investments are classified as noncurrent assets in the Statement of Net Assets.

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

H. CAPITAL ASSETS

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

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

See accountant's review report.

- (c) *Restricted - expendable* consist of resources that the campus 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 campus and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

M. CLASSIFICATION OF REVENUES AND EXPENSES

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

- *Operating revenue* includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) most federal, state, and local grants and contracts and federal appropriations.
- *Nonoperating revenue* includes activities that have the characteristics of nonexchange transactions, such as state appropriations, certain federal revenues (Pell), gifts and contributions, 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 goods and services (tuition and fees) provided by each institution and the amount that is paid by students and/or third parties making payments on the students' behalf.

See accountant's review report.

O. ADOPTION OF NEW ACCOUNTING PRINCIPLES

Because of recent actions by the GASB, beginning in fiscal year 2009, Pell grant revenues are considered nonoperating revenues and are reported in the Statement of Revenues, Expenses, and Changes in Net Assets as nonoperating federal grants.

P. USE OF ESTIMATES

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

Q. ELIMINATING INTERFUND ACTIVITY

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

2. CASH AND CASH EQUIVALENTS

At June 30, 2009, the campus has cash and cash equivalents (book balances) totaling \$32,371,358 as follows:

Demand deposits	\$26,564,935
Time certificates of deposit	5,805,423
Petty cash	<u>1,000</u>
Total	<u><u>\$32,371,358</u></u>

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

Current assets	\$18,540,760
Noncurrent assets - restricted	<u>13,830,598</u>
Total	<u><u>\$32,371,358</u></u>

Custodial credit risk is the risk that in the event of a bank failure, the campus' deposits may not be returned to it. The campus does not have a formally adopted policy that addresses custodial credit risk of deposits. 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. At June 30, 2009, the campus has \$1,721,680 in deposits (collected bank balances) that are uninsured and uncollateralized because the collateral was held by a

See accountant's review report.

custodial bank in the name of the pledging bank, and not in the name of the campus. The campus intends to obtain an enforceable security interest in the collateral.

3. INVESTMENTS

At June 30, 2009, the campus has investments totaling \$3,828,444 as follows:

	Fair Value June 30, 2009	Investment Maturities (Years)	Credit Quality Rating
Investments held by private foundation:			
Corporate bonds	\$584,388	4.9	
U.S. government agencies	1,640,483	5.3	
U.S. government obligations	79,210	8.0	
Equities	650,292	Not Applicable	
Money market fund	127,116	Not Applicable	
Mutual funds (equities)	162,687	Not Applicable	
Cash equivalents	523,306	Not Applicable	
Subtotal - external investment pool	<u>3,767,482</u>		Not Rated
U.S. government obligations	<u>60,962</u>	0.3	Not Applicable
Total	<u><u>\$3,828,444</u></u>		

These investments totaling \$3,828,444 are reported on the Statement of Net Assets as restricted noncurrent assets and are reported at fair value as required by GASB Statement No. 31.

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

The investments in U.S. government obligations totaling \$60,962 are exposed to custodial credit risk since the securities are uninsured, not registered in the name of the campus, and are held by the counterparty. There is no formally adopted investment policy regarding custodial credit risk.

Investments held by the Southern University System 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 Southern University System and the Southern University System Foundation. The campus is a voluntary participant in the agreement and the fair value of the campus' position in the pool is equal to the value of the pool shares.

The investments held by the private foundation totaling \$3,767,482 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.

See accountant's review report.

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
	<u>Receivables</u>	<u>Accounts</u>	<u>Net</u>
Student tuition and fees	\$3,697,574	(\$1,261,257)	\$2,436,317
Auxiliary enterprises	740,569	(716)	739,853
Federal grants and contracts	9,014,631		9,014,631
State and private grants and contracts	1,543,472		1,543,472
Accrued interest receivable	40,307		40,307
Other	471,849	(8,067)	463,782
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$15,508,402</u>	<u>(\$1,270,040)</u>	<u>\$14,238,362</u>

There is no noncurrent portion of accounts receivable.

5. NOTES RECEIVABLE

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

At June 30, 2009, notes receivable, net of an allowance for doubtful accounts, totaled to zero. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
	<u>Receivable</u>	<u>Accounts</u>	<u>Net</u>
Federal Perkins Loan program	\$1,578,924	(\$1,578,924)	NONE

See accountant's review report.

6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2009, is as follows:

	Balance June 30, 2008	Prior Period Adjustments	Adjusted Balance June 30, 2008	Additions	Transfers	Retirements	Balance June 30, 2009
Capital assets not being depreciated:							
Land	\$250,475		\$250,475				\$250,475
Construction-in-progress	2,317,698		2,317,698	\$7,467,950	(\$7,185,057)		2,600,591
Total capital assets not being depreciated	<u>\$2,568,173</u>	<u>NONE</u>	<u>\$2,568,173</u>	<u>\$7,467,950</u>	<u>(\$7,185,057)</u>	<u>NONE</u>	<u>\$2,851,066</u>
Capital assets being depreciated:							
Infrastructure	\$28,923,634		\$28,923,634		\$167,895		\$29,091,529
Less accumulated depreciation	(22,889,137)		(22,889,137)	(\$325,766)			(23,214,903)
Total infrastructure	<u>6,034,497</u>	<u>NONE</u>	<u>6,034,497</u>	<u>(325,766)</u>	<u>167,895</u>	<u>NONE</u>	<u>5,876,626</u>
Land improvements	4,838,313	\$35,984	4,874,297				4,874,297
Less accumulated depreciation	(3,488,725)	(3,598)	(3,492,323)	(116,975)			(3,609,298)
Total land improvements	<u>1,349,588</u>	<u>32,386</u>	<u>1,381,974</u>	<u>(116,975)</u>	<u>NONE</u>	<u>NONE</u>	<u>1,264,999</u>
Buildings	220,595,719	967,539	221,563,258		7,017,162	(\$583,000)	227,997,420
Less accumulated depreciation	(96,344,531)	(61,954)	(96,406,485)	(5,086,424)		583,000	(100,909,909)
Total buildings	<u>124,251,188</u>	<u>905,585</u>	<u>125,156,773</u>	<u>(5,086,424)</u>	<u>7,017,162</u>	<u>NONE</u>	<u>127,087,511</u>
Equipment	23,636,307		23,636,307	1,159,094		(848,012)	23,947,389
Less accumulated depreciation	(17,565,006)		(17,565,006)	(1,712,640)		833,551	(18,444,095)
Total equipment	<u>6,071,301</u>	<u>NONE</u>	<u>6,071,301</u>	<u>(553,546)</u>	<u>NONE</u>	<u>(14,461)</u>	<u>5,503,294</u>
Library books	85,783,228		85,783,228	1,558,153		(906,742)	86,434,639
Less accumulated depreciation	(83,352,379)		(83,352,379)	(1,248,451)		906,742	(83,694,088)
Total library books	<u>2,430,849</u>	<u>NONE</u>	<u>2,430,849</u>	<u>309,702</u>	<u>NONE</u>	<u>NONE</u>	<u>2,740,551</u>
Total capital assets being depreciated	<u>\$140,137,423</u>	<u>\$937,971</u>	<u>\$141,075,394</u>	<u>(\$5,773,009)</u>	<u>\$7,185,057</u>	<u>(\$14,461)</u>	<u>\$142,472,981</u>
Capital assets summary:							
Capital assets not being depreciated	\$2,568,173	NONE	\$2,568,173	\$7,467,950	(\$7,185,057)	NONE	\$2,851,066
Capital assets being depreciated	363,777,201	\$1,003,523	364,780,724	2,717,247	7,185,057	(\$2,337,754)	372,345,274
Total cost of capital assets	<u>366,345,374</u>	<u>1,003,523</u>	<u>367,348,897</u>	<u>10,185,197</u>	<u>NONE</u>	<u>(2,337,754)</u>	<u>375,196,340</u>
Less accumulated depreciation	<u>(223,639,778)</u>	<u>(65,552)</u>	<u>(223,705,330)</u>	<u>(8,490,256)</u>	<u>NONE</u>	<u>2,323,293</u>	<u>(229,872,293)</u>
Capital assets, net	<u>\$142,705,596</u>	<u>\$937,971</u>	<u>\$143,643,567</u>	<u>\$1,694,941</u>	<u>NONE</u>	<u>(\$14,461)</u>	<u>\$145,324,047</u>

The campus 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, 2009, total interest on the capital debt was \$1,456,021. Of this amount, \$23,868 represents capitalized interest on completed projects under the Millennium Housing, L.L.C. Student Housing and Auxiliary Facilities Project, Series 2006.

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7. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of the campus' payables and accruals at June 30, 2009:

Vendor payables	\$1,959,914
Accrued salaries and payroll deductions	5,396,860
Accrued interest	979,295
Other	<u>70,212</u>
Total	<u><u>\$8,406,281</u></u>

8. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2009:

Prepaid tuition and fees	\$1,680,311
Prepaid athletic ticket sales	304,723
Prepaid room and board	186,396
Grants and contracts	<u>1,394,080</u>
Total	<u><u>\$3,565,510</u></u>

9. COMPENSATED ABSENCES

At June 30, 2009, employees of the campus have accumulated and vested annual leave, sick leave, and compensatory leave of \$4,644,905; \$5,736,397; and \$141,544, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

10. PENSION PLANS

Plan Description. Substantially all employees of the campus are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified/unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSL is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer, defined benefit pension plan because the material portion of its activity is with one employer--the State of Louisiana. Both plans provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after five years of service for TRSL and after 10 years of service for LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial

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statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of employee plan members and the campus are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRSL) and 7.5% (8% for LASERS employees hired after July 1, 2006) of covered salaries. For fiscal year 2009, the state is required to contribute 15.5% of covered salaries to TRSL and 18.5% 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, 2009, 2008, and 2007 were \$5,524,797; \$5,825,345; and \$5,448,445, respectively, and to LASERS for the years ended June 30, 2009, 2008, and 2007 were \$3,595,076; \$3,864,881; and \$3,447,869, 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 campus equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the campus are 15.5% of the covered payroll for fiscal year 2009. The participant's contribution of 8%, less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

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Employer and employee contributions to the optional retirement plan totaled \$2,495,794 and \$1,288,152, respectively, for the fiscal year ended June 30, 2009.

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Funding Policy - The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the campus are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) plan, the Exclusive Provider Organization (EPO) plan, and the Health Maintenance Organization (HMO) plan. In addition, all plan members are offered the Medical Home HMO plan. Retired employees who have Medicare Part A and Part B coverage also have access to Medicare Advantage plans which are offered on a calendar year basis. During calendar year 2008, there were three HMO plans and three private fee-for-service (PFFS) plans offered by five companies. During calendar year 2009, there were three HMO plans and two private fee-for-service (PFFS) plans offered by four companies.

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

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

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Shown below are the total monthly premium rates in effect for the plan year 2008-09.

	PPO	EPO	HMO
<u>Active</u>			
Single	\$542	\$564	\$521
With Spouse	1,152	1,198	1,106
With Children	661	688	635
Family	1,215	1,264	1,166
<u>Retired, No Medicare and</u>			
<u>Re-employed Retiree</u>			
Single	\$1,009	\$1,049	\$969
With Spouse	1,782	1,853	1,710
With Children	1,124	1,169	1,079
Family	1,773	1,844	1,702
<u>Retired, with 1 Medicare</u>			
Single	\$328	\$341	\$315
With Spouse	1,212	1,261	1,164
With Children	568	591	545
Family	1,615	1,680	1,551
<u>Retired, with 2 Medicare</u>			
With Spouse	\$590	\$613	\$566
Family	730	759	701

	Medicare Advantage Plans - Calendar Year 2008					
	HMO			Private Fee-for-Service Plans		
	Humana	People's Health	Vantage	Humana	Universal American	United Healthcare
<u>Retired, with 1 Medicare</u>						
Single	\$137	\$142	\$140	\$174	\$134	\$254
 <u>Retired, with 2 Medicare</u>						
With Spouse	\$274	\$284	\$280	\$348	\$267	\$509

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

See accountant's review report.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total monthly premium is approximately \$1 per thousand dollars of coverage of which the employer pays one-half of the premiums. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability - The campus' annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL). The total ARC for fiscal year 2009 is \$20,325,661 as set forth below:

Normal cost	\$10,375,870
Interest	781,756
Amortization of the UAAL	9,168,035
Annual required contribution	\$20,325,661

The following schedule presents the components of the campus' annual OPEB cost for fiscal year 2009, the amount actually contributed to the plan, and changes in the campus' net OPEB obligation to the OPEB plan:

Annual required contribution	\$20,325,661
Interest on net OPEB obligation	771,206
ARC adjustment	(736,726)
Annual OPEB cost	20,360,141
Contributions made	(3,207,476)
Increase in net OPEB obligation	17,152,665
Beginning net OPEB obligation, June 30, 2008	19,333,274
Ending net OPEB obligation, June 30, 2009	\$36,485,939

The campus' annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2009, and the preceding fiscal year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$22,142,718	12.69%	\$19,333,274
June 30, 2009	20,360,141	15.75%	36,485,939

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Funded Status and Funding Progress - Act 910 of the 2008 Regular Session established the Post Employment Benefits Trust Fund effective July 1, 2008; however, during fiscal year 2009, neither the campus nor the State of Louisiana contributed to it. Since no contributions were made, the campus' entire actuarial accrued liability of \$239,921,357 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2008, was as follows:

Actuarial accrued liability (AAL)	\$239,921,357
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability (UAAL)	<u><u>\$239,921,357</u></u>
Funded ratio	0%
Covered payroll (active plan members)	\$60,436,277
UAAL as a percentage of covered payroll	397.0%

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

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

In the July 1, 2008, 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 9.0% and 10.1% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on an open basis. Annual per capita medical claims costs were updated to reflect an additional year of actual experience. There were no other changes in assumptions.

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**13. CONTINGENT LIABILITIES
AND RISK MANAGEMENT**

The campus is involved in 301 lawsuits and claims against it at June 30, 2009, of which three are handled by contracted attorneys. In the opinion of the contracted attorneys, for the three lawsuits and claims, there is no probable loss to the campus. The remaining lawsuits and claims are handled by the Attorney General's office or the state's self-insurance fund that is operated by the Office of Risk Management (ORM). Any losses resulting from these lawsuits and claims would be paid by ORM or through General Fund appropriations.

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

14. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2009, total operating lease expenses were \$1,560,866. The campus has \$1,560 of future minimum annual rental payments in fiscal year 2010 that are required under operating leases for equipment that have initial or noncancelable lease terms in excess of one year as of June 30, 2009.

Capital Leases

The campus 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 22. 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, 2009:

<u>Fiscal Year Ended June 30,</u>	
2010	\$1,833,744
2011	1,833,133
2012	1,833,720
2013	1,833,524
2014	1,834,746
2015-2019	9,167,204
2020-2024	9,163,799
2025-2029	9,165,511
2030-2034	9,166,868
2035-2039	<u>9,167,192</u>
Total minimum payments	54,999,441
Less - amount representing interest	<u>(28,880,958)</u>
Present value of net minimum lease payments	<u><u>\$26,118,483</u></u>

See accountant's review report.

The gross amount of assets held under capital leases as of June 30, 2009, include buildings, land improvements, equipment, and land of \$25,989,900; \$554,683; \$219,460; and \$103,246, respectively.

Lessor Leases

The campus' 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 campus' investment in property on operating leases and property held for lease as of June 30, 2009:

<u>Nature of Lease</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	<u>\$3,834,451</u>	<u>(\$2,899,740)</u>	<u>\$934,711</u>

The following is a schedule, by fiscal years, of the minimum future rentals on noncancelable operating leases as of June 30, 2009:

<u>Nature of Operating Lease</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total Minimum Future Rentals</u>
Office space	\$235,676	\$78,909	\$25,000	\$25,000	\$25,000	\$389,585
Equipment	15,000	15,000	15,000	15,000	15,000	75,000
Land	3,600	2,400				6,000
Other	<u>56,000</u>	<u>56,000</u>	<u>56,000</u>	<u>6,000</u>	<u>6,000</u>	<u>180,000</u>
Total	<u>\$310,276</u>	<u>\$152,309</u>	<u>\$96,000</u>	<u>\$46,000</u>	<u>\$46,000</u>	<u>\$650,585</u>

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 \$103,385 for the fiscal year ended June 30, 2009.

15. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in the campus' long-term liabilities for the fiscal year ended June 30, 2009:

See accountant's review report.

	Balance, June 30, 2008	Additions	Reductions	Balance, June 30, 2009	Amounts Due Within One Year
Compensated absences payable	\$9,763,874	\$1,281,061	(\$522,089)	\$10,522,846	\$423,930
Capital lease obligations	24,250,750	1,867,733		26,118,483	350,500
OPEB payable	19,333,274	20,360,140	(3,207,475)	36,485,939	
Bonds payable	201,000		(51,000)	150,000	55,000
Total long-term liabilities	\$53,548,898	\$23,508,934	(\$3,780,564)	\$73,277,268	\$829,430

16. BONDS PAYABLE

Bonds payable consisted of the following for the fiscal year ended June 30, 2009:

Issue	Date of Issue	Original Issue	Outstanding June 30, 2008	Issued (Redeemed)	Outstanding June 30, 2009	Final Fiscal Year Maturity	Interest Rates	Future Interest Payments June 30, 2009
A.W. Mumford Stadium Track Resurfacing Revenue Bonds, Series 1993	November 1, 1993	\$650,000	\$201,000	(\$51,000)	\$150,000	2014	7.85-8.5%	\$22,295

The scheduled maturities of the bonds at June 30, 2009, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$55,000	\$9,966	\$64,966
2011	35,000	6,416	41,416
2012	30,000	3,788	33,788
2013	20,000	1,700	21,700
2014	10,000	425	10,425
Total	\$150,000	\$22,295	\$172,295

The campus 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 17% of net revenues. The total principal and interest remaining to be paid on the bonds is \$172,295. Principal and interest paid for the current year and total fees collected were \$65,089 and \$394,174, respectively.

The following is a summary of the debt service reserve requirements of the bond issues outstanding at June 30, 2009:

See accountant's review report.

	Cash/ Investment Reserves Available	Reserve Requirements	Excess
A.W. Mumford track project	<u>\$66,144</u>	<u>\$64,966</u>	<u>\$1,178</u>

17. RESTRICTED NET ASSETS

The campus has the following restricted net assets at June 30, 2009:

Nonexpendable - endowments	<u>\$6,859,690</u>
Expendable:	
Gifts, grants, and contracts	\$8,710,548
Endowment income	1,383,463
Student fees	2,825,918
Student loans	102,938
University plant projects	14,287,342
Debt service requirements	<u>2,253,874</u>
Total expendable	<u>\$29,564,083</u>

Of the total net assets reported in the Statement of Net Assets as of June 30, 2009, a total of \$3,558,995 is restricted by enabling legislation.

18. RESTATEMENT OF BEGINNING NET ASSETS

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

See accountant's review report.

Net Assets at June 30, 2008	\$133,096,748
Accounts payable adjustment	239,018
Capital asset adjustment	937,971
Capital lease adjustment	(499,990)
Capital grant correction	(12,429)
Deferred revenue adjustment	17,877
Endowment corrections	(1,178,120)
Interest expense correction	(18,995)
Receivable correction	(45,777)
Reclassify prior year expense	(5,608)
Revenue adjustments	209,535
Grant adjustments	<u>1,267,868</u>
 Net Assets at June 30, 2008, as restated	 <u><u>\$134,008,098</u></u>

19. DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2009, net appreciation of donor restricted endowments is equal to \$606,384, which is available to be spent for restricted purposes. The campus limits endowment spending to the income earned in a given year for purposes specified by donors. The donated portion of the endowments is reported in restricted net assets - nonexpendable in the Statement of Net Assets; the endowment income is reported in restricted net assets - expendable.

20. RELATED PARTY TRANSACTIONS

During fiscal year ended June 30, 2009, the Southern University System had a relationship with the Southern University System Foundation. The foundation has a cooperative endeavor with the System to promote activities of the Southern University Baton Rouge Athletic Department and coordinates the ancillary activities of the Bayou Classic weekend. The Southern University Agricultural and Mechanical College had also obtained financing for various projects through a third party financing arrangement with the foundation.

21. FOUNDATIONS

The Southern University System has contracted with the Southern University System 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

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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 \$3,545,115. At June 30, 2009, the Southern University System Foundation holds in custody \$3,767,482 of Endowed Chairs for Eminent Scholars Program and Endowed Professorship Program endowment funds invested for the Southern University Baton Rouge campus. Because the Southern University System Foundation’s fiscal year-end of December 31, 2008, differs from the campus’ fiscal year-end, the amounts reported as due to the campus by the Southern University System Foundation do not agree to the amounts reported as invested by the campus.

Certain operating expenses of the Southern University System Foundation for the year (assumed by Southern University Baton Rouge campus and included in expenses, Statement B) are summarized as follows:

Salaries and related benefits	\$220,266
Other	<u>6,388</u>
Total	<u><u>\$226,654</u></u>

22. COOPERATIVE ENDEAVOR AGREEMENT

On October 26, 2006, the Southern University System 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 for the Southern University Baton Rouge campus and certain auxiliary student facilities for the Southern University Baton Rouge and Shreveport campuses. The Board made an initial payment to the Southern University System Foundation in the amount of \$4,500,000 on December 13, 2006. The initial payment was deposited in the Southern University System Foundation to be used for a student intramural sports complex and north-end seating in Mumford Stadium at the 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 Board 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 funds in the capitalized interest account were used to pay all amounts due during the fiscal year ended June 30, 2009, except for \$191,675, which was paid by the campus on November 1, 2008. The base rental payments are as follows:

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<u>Fiscal Year Ended June 30,</u>	<u>Base Rent</u>
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
	<hr/>
Total	<u><u>\$112,472,913</u></u>

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

In addition to the base rental payments, the Board is also required to pay to the Southern University System 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 Baton Rouge and Shreveport campuses provide the revenue streams used to make the base rental and other required payments.

The Agreement also required that a Rental Deposit Fund be established on the date of issuance of the 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 June 30, 2009, the balance in the Rental Deposit Fund is \$1,876,011, of which \$1,805,031 was contributed by the Baton Rouge campus.

Pursuant to the Agreement, the Southern University System 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

See accountant's review report.

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.

23. DEFERRED COMPENSATION PLAN

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

24. SUBSEQUENT EVENTS

The State of Louisiana has mandated a reduction in projected revenues for the fiscal year 2010 because of a decrease in state revenues. The Baton Rouge campus institutions have implemented approved restructuring plans to ensure that current operations are sustained and the missions and goals of the respective institutions are not negatively impacted. Management does not anticipate that the 2009-2010 mandated budget cuts will significantly impact the University's overall mission and goals. Management will continue to closely monitor available resources to ensure the campus' ongoing ability to react to known and unknown internal and external issues in a prompt manner.

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 BATON ROUGE CAMPUS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Schedule of Funding Progress for the
Other Postemployment Benefits Plan
For the Fiscal Year Ended June 30, 2009**

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	\$247,272,236	\$247,272,236	0%	\$58,953,819	419.4%
July 1, 2008	NONE	239,921,357	239,921,357	0%	60,436,277	397.0%

Note to the Schedule:

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

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SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF NET ASSETS, BY INSTITUTION

Schedule 2 presents the Combining Schedule of Net Assets, by Institution.

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

Schedule 3 presents the Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by Institution.

COMBINING SCHEDULE OF CASH FLOWS, BY INSTITUTION

Schedule 4 presents the Combining Schedule of Cash Flows, by Institution.

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**SOUTHERN UNIVERSITY BATON ROUGE CAMPUS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**

Combining Schedule of Net Assets, by Institution, June 30, 2009

	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER	AGRICULTURAL RESEARCH & EXTENSION CENTER	TOTAL
ASSETS				
Current assets:				
Cash and cash equivalents	\$16,762,963	(\$113,938)	\$1,891,735	\$18,540,760
Receivables, net	10,926,139	2,153,699	1,158,524	14,238,362
Due from state treasury	281,473	30,312	258,650	570,435
Inventories	421,590			421,590
Deferred charges and prepaid expenses	6,119,985	33,749	6,199	6,159,933
Total current assets	<u>34,512,150</u>	<u>2,103,822</u>	<u>3,315,108</u>	<u>39,931,080</u>
Noncurrent assets:				
Restricted cash and cash equivalents	12,651,797	1,178,801		13,830,598
Restricted investments	3,644,097	184,347		3,828,444
Capital assets, net	143,572,816	1,751,231		145,324,047
Other	114,696			114,696
Total noncurrent assets	<u>159,983,406</u>	<u>3,114,379</u>	NONE	<u>163,097,785</u>
Total assets	<u>194,495,556</u>	<u>5,218,201</u>	<u>3,315,108</u>	<u>203,028,865</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accruals	8,252,678	70,025	83,578	8,406,281
Deferred revenues	3,362,621	163,675	39,214	3,565,510
Compensated absences	359,468	39,421	25,041	423,930
Capital lease obligations	350,500			350,500
Amounts held in custody for others	348,476			348,476
Bonds payable	55,000			55,000
Other current payables	1,276,462			1,276,462
Total current liabilities	<u>14,005,205</u>	<u>273,121</u>	<u>147,833</u>	<u>14,426,159</u>
Noncurrent liabilities:				
Compensated absences	8,093,902	1,103,184	901,830	10,098,916
Capital lease obligations	25,767,983			25,767,983
OPEB payable	29,435,189	3,812,212	3,238,538	36,485,939
Bonds payable	95,000			95,000
Total noncurrent liabilities	<u>63,392,074</u>	<u>4,915,396</u>	<u>4,140,368</u>	<u>72,447,838</u>
Total liabilities	<u>77,397,279</u>	<u>5,188,517</u>	<u>4,288,201</u>	<u>86,873,997</u>
NET ASSETS				
Invested in capital assets, net of related debt	117,304,334	1,751,231		119,055,565
Restricted for:				
Nonexpendable	5,655,940	1,203,750		6,859,690
Expendable	27,067,485	1,767,924	728,674	29,564,083
Unrestricted	<u>(32,929,482)</u>	<u>(4,693,221)</u>	<u>(1,701,767)</u>	<u>(39,324,470)</u>
TOTAL NET ASSETS	<u>\$117,098,277</u>	<u>\$29,684</u>	<u>(\$973,093)</u>	<u>\$116,154,868</u>

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**SOUTHERN UNIVERSITY BATON ROUGE CAMPUS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Revenues, Expenses,
and Changes in Net Assets, by Institution
For the Fiscal Year Ended June 30, 2009**

	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER	AGRICULTURAL RESEARCH & EXTENSION CENTER	TOTAL
OPERATING REVENUES				
Student tuition and fees	\$31,690,804	\$4,180,047		\$35,870,851
Less scholarship allowances	(10,966,513)	(185,689)		(11,152,202)
Net student tuition and fees	20,724,291	3,994,358	NONE	24,718,649
Federal appropriations			\$3,036,209	3,036,209
Federal grants and contracts	23,286,874	3,636,462	2,104,577	29,027,913
State and local grants and contracts	2,822,290		587,033	3,409,323
Nongovernmental grants and contracts			45,375	45,375
Auxiliary enterprise revenues (including revenue used to secure debt)	14,567,375			14,567,375
Less scholarship allowances	(658,747)			(658,747)
Net auxiliary revenues	13,908,628	NONE	NONE	13,908,628
Other operating revenues	2,433,408	83,162	98,405	2,614,975
Total operating revenues	63,175,491	7,713,982	5,871,599	76,761,072
OPERATING EXPENSES				
Educational and general:				
Instruction	45,053,337	5,548,214		50,601,551
Research	6,438,192		2,105,909	8,544,101
Public service	3,136,424	425,248	3,408,798	6,970,470
Academic support	25,837,377	2,679,566	1,055,400	29,572,343
Student services	7,711,661	2,231,767		9,943,428
Institutional support	17,858,441	3,141,135	5,182,673	26,182,249
Operation and maintenance of plant	14,241,601	180,427	9,414	14,431,442
Depreciation	7,727,641	762,615		8,490,256
Scholarships and fellowships	10,635,021	484,275		11,119,296
Auxiliary enterprises	15,036,081			15,036,081
Other operating expenses	443,379	200,514	69,956	713,849
Total operating expenses	154,119,155	15,653,761	11,832,150	181,605,066
OPERATING LOSS	(90,943,664)	(7,939,779)	(5,960,551)	(104,843,994)
NONOPERATING REVENUES (Expenses)				
State appropriations	53,250,574	7,294,956	5,646,636	66,192,166
Federal grants and contracts	15,349,088			15,349,088
Gifts	389,910	125,021		514,931
Investment income (loss)	(270,190)	29,044	5,833	(235,313)
Interest expense	(1,495,612)	(1,401)		(1,497,013)
Other nonoperating revenues	3,946,731	213,076	243,902	4,403,709
Net nonoperating revenues	71,170,501	7,660,696	5,896,371	84,727,568

(Continued)

SOUTHERN UNIVERSITY BATON ROUGE CAMPUS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses,
and Changes in Net Assets, by Institution, 2009

	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER	AGRICULTURAL RESEARCH & EXTENSION CENTER	TOTAL
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LOSS BEFORE OTHER REVENUES	(\$19,773,163)	(\$279,083)	(\$64,180)	(\$20,116,426)
Capital appropriations	2,814,334			2,814,334
Capital grants and gifts	1,031,754			1,031,754
Additions to permanent endowment	170,896	100,000		270,896
Transfers from (to) other campuses	4,860,352	(5,165,766)	(1,548,374)	(1,853,788)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
DECREASE IN NET ASSETS	(10,895,827)	(5,344,849)	(1,612,554)	(17,853,230)
NET ASSETS - BEGINNING OF YEAR (Restated)	127,994,104	5,374,533	639,461	134,008,098
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET ASSETS - END OF YEAR	<u>\$117,098,277</u>	<u>\$29,684</u>	<u>(\$973,093)</u>	<u>\$116,154,868</u>

(Concluded)

**SOUTHERN UNIVERSITY BATON ROUGE CAMPUS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Cash Flows, by Institution
For the Fiscal Year Ended June 30, 2009**

	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER	AGRICULTURAL RESEARCH & EXTENSION CENTER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Tuition and fees	\$21,730,420	\$3,989,639		\$25,720,059
Federal appropriations			\$3,036,209	3,036,209
Grants and contracts	24,142,634	1,214,638	2,347,481	27,704,753
Payments to suppliers	(26,098,385)	(2,209,873)	(2,361,931)	(30,670,189)
Payments for utilities	(6,540,712)			(6,540,712)
Payments to employees	(67,419,359)	(8,174,830)	(6,171,342)	(81,765,531)
Payments for benefits	(18,938,987)	(1,855,093)	(1,584,751)	(22,378,831)
Payments for scholarships and fellowships	(14,996,360)	(647,010)	(96,323)	(15,739,693)
Auxiliary enterprise charges	13,977,173			13,977,173
Other receipts	2,429,408	83,162	98,405	2,610,975
Net cash used by operating activities	(71,714,168)	(7,599,367)	(4,732,252)	(84,045,787)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	53,482,834	7,320,728	5,558,754	66,362,316
Gifts and grants for other than capital purposes	15,996,741	125,021		16,121,762
Private gifts for endowment purposes	170,896	100,000		270,896
TOPS receipts	1,554,492			1,554,492
TOPS disbursements	(1,576,207)			(1,576,207)
Federal Family Education Loan program receipts	64,196,927			64,196,927
Federal Family Education Loan program disbursements	(64,196,927)			(64,196,927)
Other receipts (payments)	4,068,518	(5,052,946)	(1,304,472)	(2,288,900)
Net cash provided by noncapital financing sources	73,697,274	2,492,803	4,254,282	80,444,359
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital grants and gifts received	1,031,754			1,031,754
Purchases of capital assets	(2,841,374)	(1,061,804)		(3,903,178)
Principal paid on capital debt and leases	(51,000)			(51,000)
Interest paid on capital debt and leases	(14,088)			(14,088)
Other sources (uses)	(560,976)	3,897,847		3,336,871
Net cash provided (used) by capital and related financing activities	(2,435,684)	2,836,043	NONE	400,359
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	18,475,969	633,953		19,109,922
Interest received on investments	(294,444)	30,930	5,833	(257,681)
Purchase of investments	(18,081,583)	(615,815)		(18,697,398)
Net cash provided by investing activities	99,942	49,068	5,833	154,843

(Continued)

SOUTHERN UNIVERSITY BATON ROUGE CAMPUS
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by Institution, 2009

	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER	AGRICULTURAL RESEARCH & EXTENSION CENTER	TOTAL
NET DECREASE IN CASH AND CASH EQUIVALENTS	(\$352,636)	(\$2,221,453)	(\$472,137)	(\$3,046,226)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,767,396	3,286,316	2,363,872	35,417,584
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$29,414,760	\$1,064,863	\$1,891,735	\$32,371,358
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating loss	(\$90,943,664)	(\$7,939,779)	(\$5,960,551)	(\$104,843,994)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation expense	7,727,641	762,615		8,490,256
Changes in assets and liabilities:				
Increase in accounts receivable, net	(1,128,435)	(1,988,483)	(428,052)	(3,544,970)
Increase in inventories	(90,278)			(90,278)
Increase in prepaid expenses	(3,986)	(9,229)	(3,104)	(16,319)
Decrease in accounts payable	(945,074)	(40,261)	(117,144)	(1,102,479)
Increase (decrease) in deferred revenue	81,076	(488,794)	38,616	(369,102)
Increase in compensated absences	488,502	200,514	69,956	758,972
Increase in OPEB payable	13,580,588	1,904,050	1,668,027	17,152,665
Decrease in other liabilities	(480,538)			(480,538)
Net cash used by operating activities	(\$71,714,168)	(\$7,599,367)	(\$4,732,252)	(\$84,045,787)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS				
Cash and cash equivalents classified as current assets	\$16,762,963	(\$113,938)	\$1,891,735	\$18,540,760
Cash and cash equivalents classified as noncurrent assets	12,651,797	1,178,801		13,830,598
Cash and cash equivalents at the end of the year	\$29,414,760	\$1,064,863	\$1,891,735	\$32,371,358
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Capital appropriations for construction of capital assets	\$2,814,334			\$2,814,334
Capital lease	329,644			329,644
Net decrease in the fair value of investments	(394,388)	(\$18,138)		(412,526)
Loss on disposal of capital assets	14,461			14,461

(Concluded)

Management Letter



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

December 8, 2009

SOUTHERN UNIVERSITY BATON ROUGE
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have reviewed the financial statements of Southern University Baton Rouge, as of and for the year ended June 30, 2009, and have issued our accountant's review report thereon dated December 8, 2009. Southern University Baton Rouge is a campus within the Southern University System, a component unit of the State of Louisiana. The campus' accounts are an integral part of the Southern University System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

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

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

In our prior audit report on the Southern University System for the year ended June 30, 2008, we reported two findings involving the Baton Rouge campus relating to inaccurate annual fiscal report preparation and insufficient control over leave records. As of the date of this report, we are unable to determine the status of the findings.

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting the Southern University Baton Rouge campus' internal control, compliance with applicable laws and regulations, and operational efficiencies was not an objective of our procedures. Accordingly, our review

procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. During our review procedures, we noted no significant matters requiring recommendations to management concerning internal control, compliance, or operational efficiencies.

This management letter is intended for the information and use of the Southern University Baton Rouge campus, its management, others within the university, the Southern University System, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA
Temporary Legislative Auditor

STD:WDD:EFS:PEP:dl

SUBR09