Southern University System
A Component Unit of the State of Louisiana

Financial Statement Audit
For the Year Ended June 30, 2009
Issued May 19, 2010

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

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

April 5, 2010

Independent Auditor's Report

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Southern University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2009, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southern University System's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of SUSLA Facilities, Inc., a blended component unit which represents 3.9%, 8.8%, 0.5%, and 0.2%, respectively, of the assets, liabilities, net assets, and revenues of the Southern University System. We also did not audit the Southern University System Foundation, which represents the only discretely presented component unit of the System. The financial statements of the blended and discretely presented component units were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for SUSLA Facilities, Inc., and the Southern University System Foundation, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of SUSLA Facilities, Inc., and the Southern University System Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Southern University System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Southern University System as of June 30, 2009, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-O to the financial statements, in accordance with guidance from the Governmental Accounting Standards Board, the Southern University System has reported federal revenues from the federal Pell Grant as nonoperating revenues in the Statement of Revenues, Expenses, and Changes in Net Assets. The effect of implementing this guidance is a decrease of $26,284,445 in operating revenues for federal grants and contracts and a corresponding increase in federal nonoperating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets. This change affects the comparability of amounts reported for the year ended June 30, 2009, with amounts reported for the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2010, on our consideration of the Southern University System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 7 through 18 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 69 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA
Legislative Auditor

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

FINANCIAL HIGHLIGHTS

The System's net assets changed from $173,497,989 to $166,861,148, a decrease of 3.8% 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*. The annual other postemployment benefit obligation increased by $23,719,301 or 88% from June 30, 2008, to June 30, 2009.

Based on comparative data for the fall semesters 2007 and 2008, the System institutions experienced an overall increase in enrollment. Enrollment increased from 13,766 to 13,769; an increase of 0.02%. The reasons for this change are attributed to the following:

- Southern University and Agricultural and Mechanical College at Baton Rouge experienced a decline in enrollment of 5.8% 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 and again in the fall of 2006 when a second phase of the selective admissions standards was implemented. As expected, the university experienced declines in enrollment. Southern University and Agricultural and Mechanical College at Baton Rouge enrolled 7,811 students for fall 2008 as compared to 8,288 students in fall 2007.

- Southern University at New Orleans experienced an increase in enrollment during the fall 2008. Southern University at New Orleans enrolled 3,104 students during the fall of 2008, an increase of 17.2% when compared to the fall 2007 enrollment of 2,648. This increase is attributed to the continuing recovery efforts after Hurricane Katrina relative to the New Orleans campus. Three programs that were eliminated after Hurricane Katrina--history, English, and mathematics--were reinstituted by the New Orleans campus.

- Southern University at Shreveport also experienced an increase in enrollment during the fall semester of 2008, when compared to the fall semester of 2007. Enrollment at Southern University at Shreveport increased from 2,337 students in fall 2007 to 2,437 students in fall 2008, an increase of 4.3%.

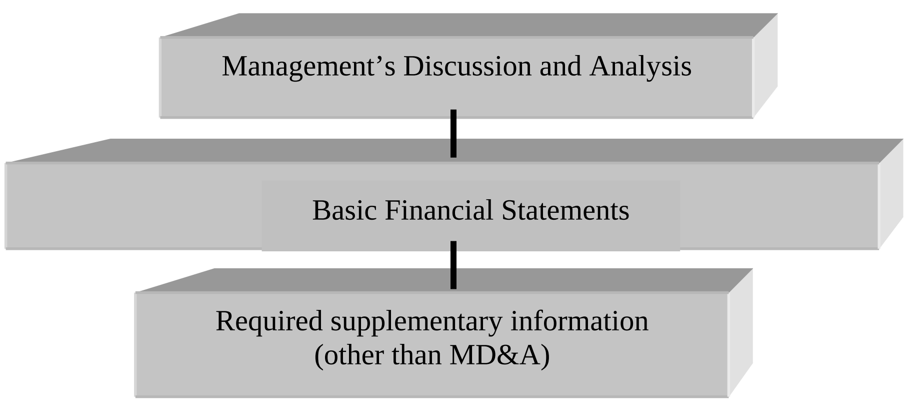
- The Southern University Law Center's enrollment decreased from 493 students in fall 2007 to 416 students in fall 2008 or by 15.6%.

The System's operating revenues changed from $105,048,853 to $106,020,560, an increase of 0.9% from June 30, 2008, to June 30, 2009. Operating expenses, however, increased by 0.4% from $259,426,369 for the fiscal year ended June 30, 2008, to $260,492,315 for the fiscal year ended June 30, 2009. There were some cost increases in the areas of public service, academic support, student services, and depreciation.

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 13.5% from $131,466,859 in 2008 to $149,198,288 in 2009.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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



This financial report consists of three sections: management's discussion and analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information. The basic financial statements present information for the System as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets (pages 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 System is improving or deteriorating.

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

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 23-24) presents information showing how the System's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

Statement of Cash Flows

The Statement of Cash Flows (pages 27-28) presents information showing how the System's cash changed as a result of current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

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

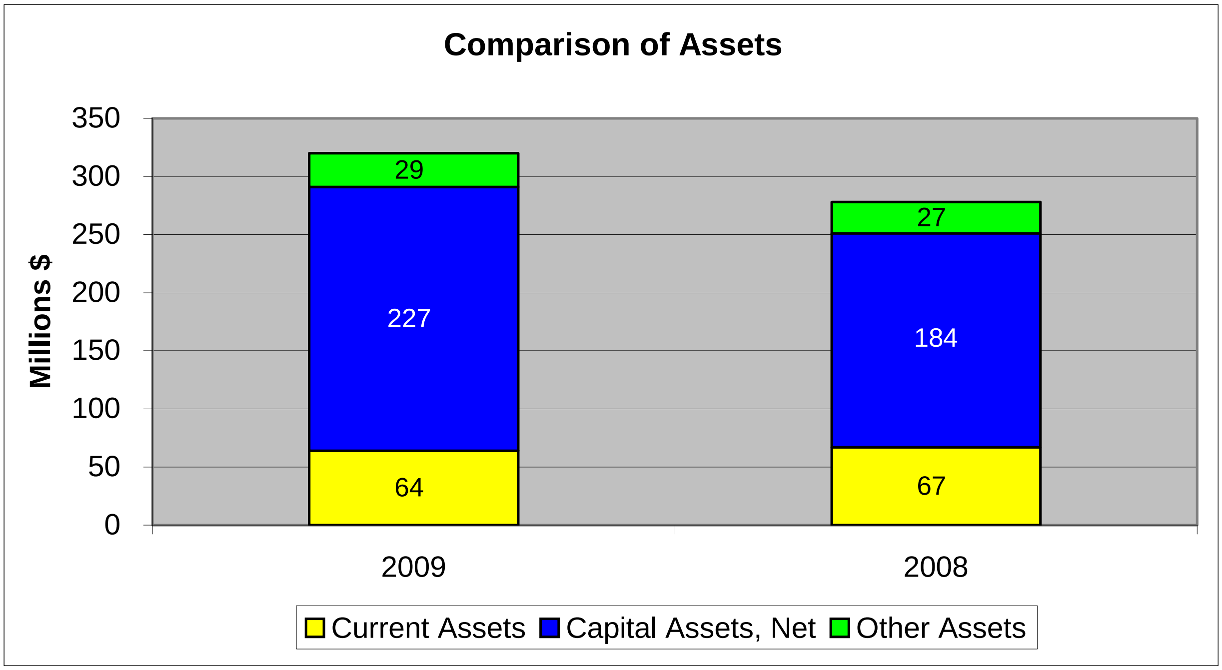
The financial statements for the institutions comprising the System are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period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

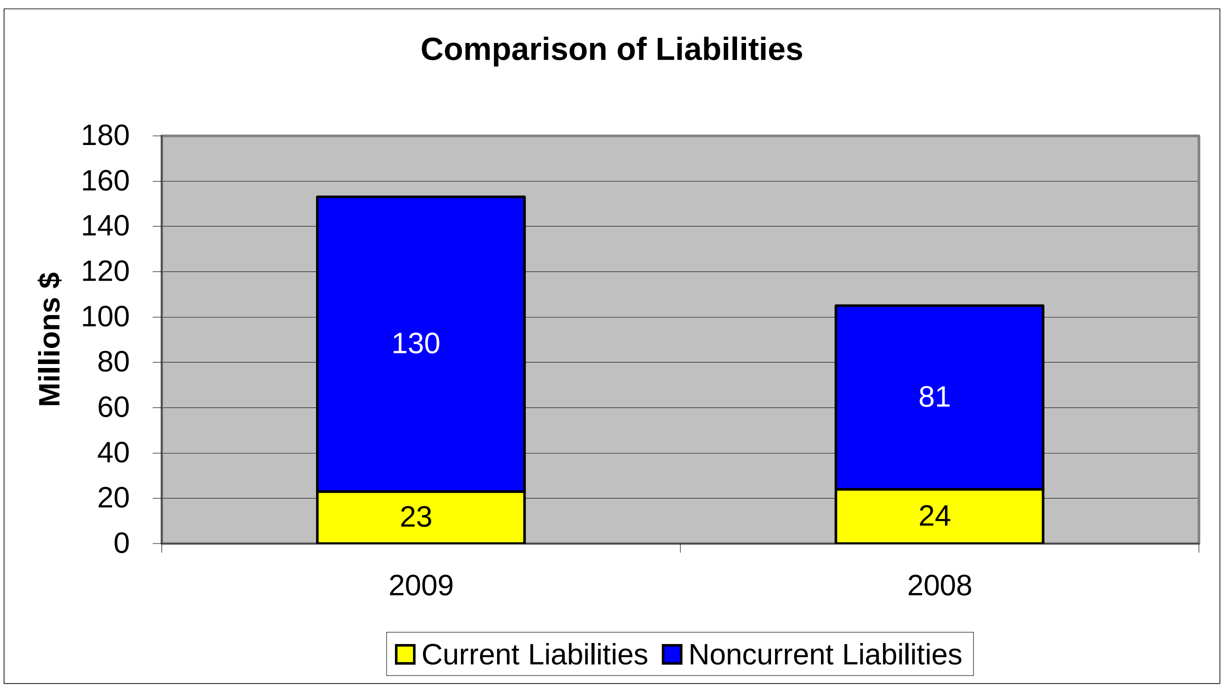
Categories of Net Assets

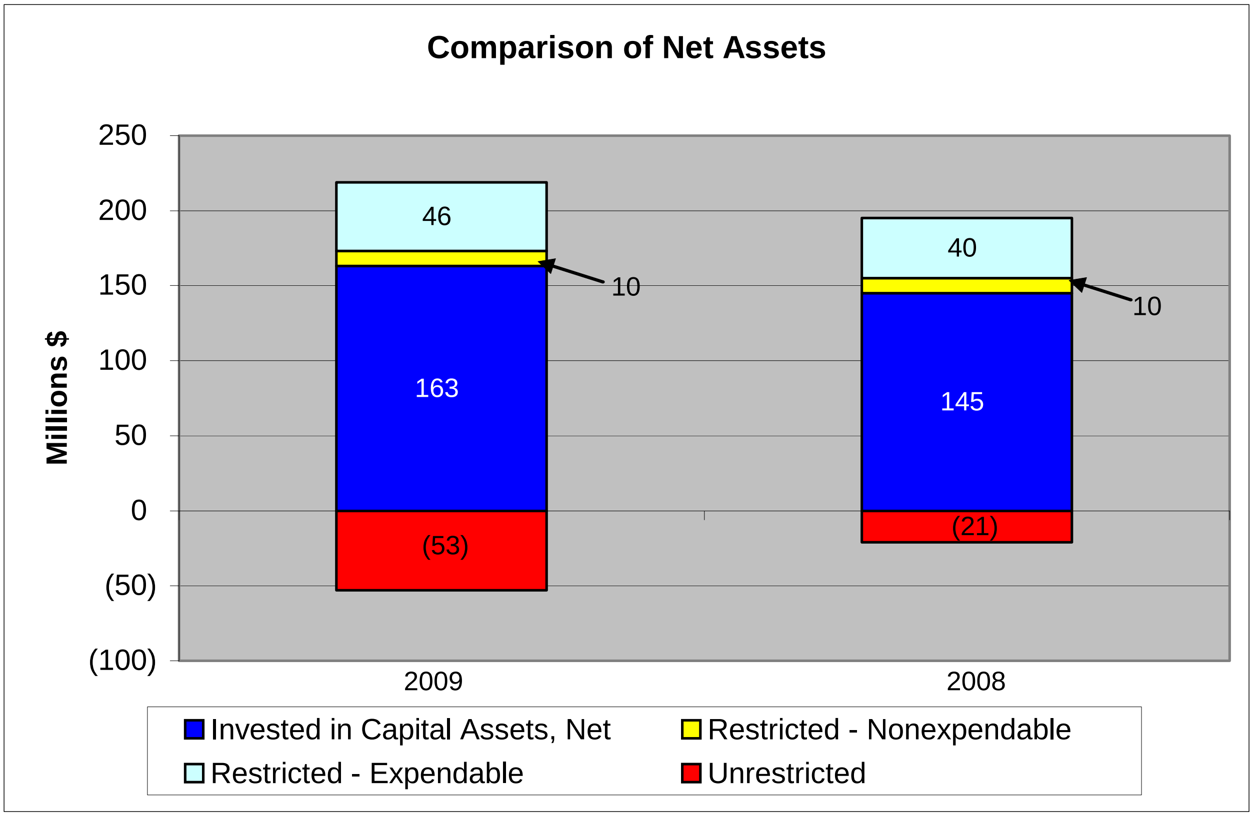
Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, indicates the total equity in property, plant, and equipment that is owned by all of the System's institutions. The next asset category is restricted net assets, which is divided into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

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

	2009	2008 (Restated)	Percentage Change
Assets			
Current assets	$63,772,555	$67,312,987	(5.3%)
Capital assets, net	227,118,729	183,992,041	23.4%
Other noncurrent assets	28,822,026	27,257,770	5.7%
Total assets	319,713,310	278,562,798	14.8%
Liabilities			
Current liabilities	22,853,215	23,686,085	(3.5%)
Noncurrent liabilities	129,998,947	81,378,724	59.7%
Total liabilities	152,852,162	105,064,809	45.5%
Net Assets			
Invested in capital assets, net of related debt	163,086,938	145,239,404	12.3%
Restricted:			
Nonexpendable	10,357,498	10,000,602	3.6%
Expendable	46,152,669	39,570,796	16.6%
Unrestricted	(52,735,957)	(21,312,813)	(147.4%)
Total net assets	$166,861,148	$173,497,989	(3.8%)


Comparison of Assets
Millions $
350
300
250
200
150
100
50
0
29
227
64
27
184
67
2009
2008
Current Assets
Capital Assets, Net
Other Assets


Comparison of Liabilities
Millions $
180
160
140
120
100
80
60
40
20
0
130
23
81
24
2009
2008
Current Liabilities
Noncurrent Liabilities



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

The total assets of the System increased by $41,150,512, an increase of approximately 14.8%. The total liabilities of the System increased by $47,787,353 or 45.5%. The consumption of assets follows the System's philosophy to use available resources to acquire and improve all institutions of the System to better serve the instruction, research, and public service missions of these institutions.

Statement of Revenues, Expenses, and Changes in Net Assets

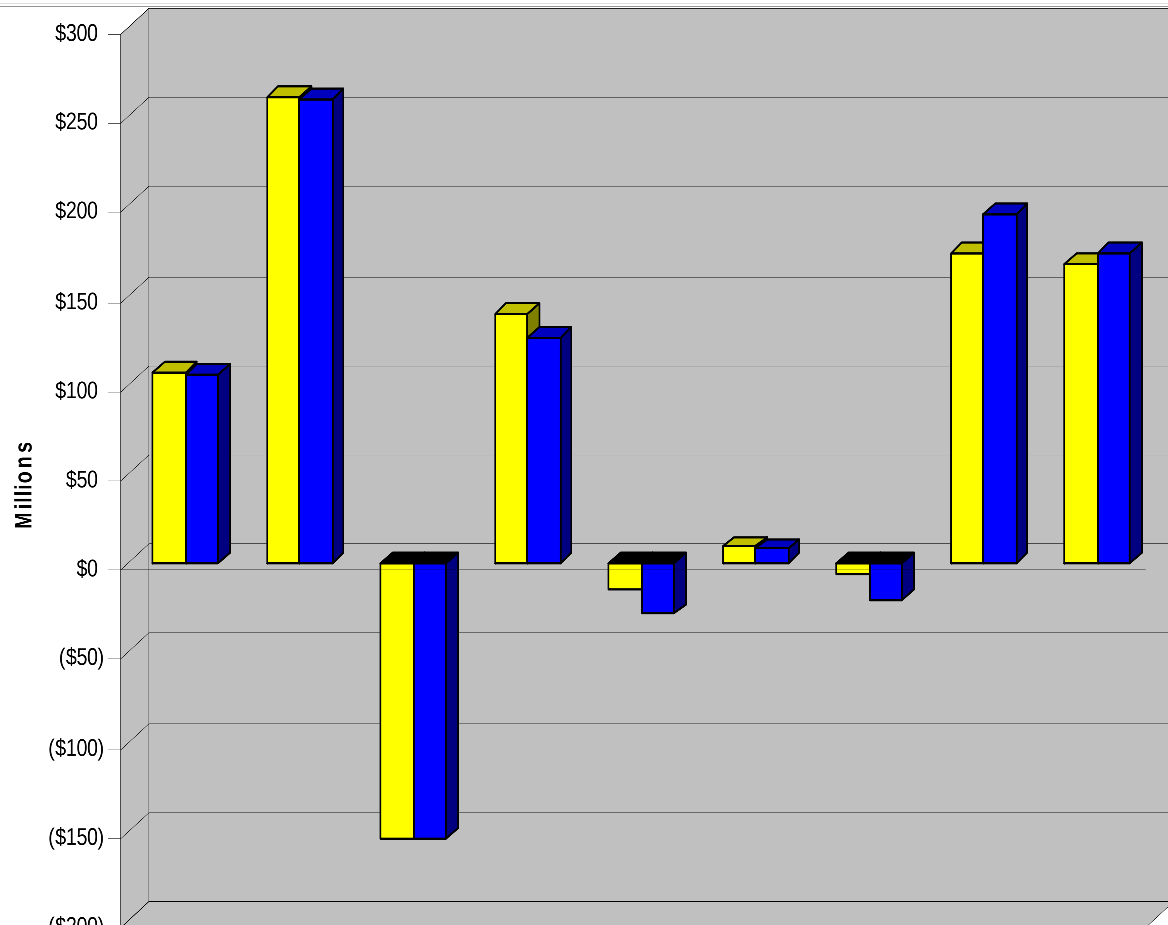
Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received and expenses paid by the System for both operating and nonoperating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

The operating revenues are received for providing goods and services to the various customers and constituencies of the System. The operating expenses are those expenses incurred to acquire or produce the goods and services that are provided in return for the operating revenues that are received to carry out the missions of the institutions. Nonoperating revenues are revenues received for which goods and services are not provided in an exchange for the revenues received. For example, state appropriations are considered nonoperating because they are provided by the legislature to the institutions even though the legislature does not receive, directly in return, goods and services for those revenues. 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	2008 (Restated)	Percentage Change
Operating revenues:			
Student tuition and fees, net of scholarship allowances	$33,494,480	$34,946,589	(4.2%)
Federal appropriations	3,036,209	3,036,036	0.0%
Federal grants and contracts	44,497,301	41,362,229	7.6%
State and local grants and contracts	5,963,653	7,367,301	(19.1%)
Nongovernmental grants and contracts	45,375	17,915	153.3%
Auxiliary revenues, net of scholarship allowances	14,860,688	14,362,386	3.5%
Other operating revenues	4,122,854	3,956,397	4.2%
Total operating revenues	106,020,560	105,048,853	0.9%
Nonoperating revenues:			
State appropriations	93,706,423	97,563,144	(4.0%)
Federal nonoperating revenues	42,039,350	24,688,142	
Gifts	900,655	930,141	(3.2%)
Investment income (loss)	(32,623)	1,308,753	(102.5%)
Other nonoperating revenues	4,701,361	2,097,188	124.2%
Total nonoperating revenues	141,315,166	126,587,368	11.6%
Total revenues	247,335,726	231,636,221	6.8%
Operating expenses:			
Educational and general:			
Instruction	64,809,933	66,429,353	(2.4%)
Research	9,270,984	9,284,657	(0.1%)
Public service	9,584,237	9,493,871	1.0%
Academic support	39,179,877	34,382,836	14.0%
Student services	21,042,018	19,813,106	6.2%
Institutional support	48,765,267	51,836,587	(5.9%)
Operation and maintenance of plant	18,588,888	19,176,269	(3.1%)
Depreciation	10,676,337	10,045,259	6.3%
Scholarships and fellowships	20,745,706	20,747,781	(0.0%)
Auxiliary enterprises	16,556,347	16,585,587	(0.2%)
Other operating expenses	1,272,721	1,631,063	(22.0%)
Total operating expenses	260,492,315	259,426,369	0.4%
Nonoperating expenses - interest expense	2,359,389	1,123,908	109.9%
Total expenses	262,851,704	260,550,277	0.9%
Loss before other revenues	(15,515,978)	(28,914,056)	(46.3%)
Capital appropriations	7,441,004	2,644,976	181.3%
Capital grants and gifts	2,801,507	3,358,423	(16.6%)
Additions to permanent endowment	416,896	1,538,510	(72.9%)
Extraordinary item - loss on impairment of capital assets	(1,780,270)		
Other revenues	8,879,137	7,541,909	17.7%
Change in net assets	(6,636,841)	(21,372,147)	(68.9%)
Net assets at beginning of year, restated	173,497,989	194,870,136	(11.0%)
Net assets at end of year	$166,861,148	$173,497,989	(3.8%)

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



	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-operating Revenue	Expenses, Gains, and Losses	Other Additions, Net	Increase (Decrease) in Net	Net Assets at Beginning of Year	Net Assets at End of Year
2009	$106	$260	$(154)	$139	$(16)	$9	$(7)	$173	$167
2008	$105	$259	$(154)	$125	$(29)	$8	$(21)	$195	$173

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a negative change for the year. The net assets decreased by $6,636,841 or 3.8% in 2009 compared to a decrease of $21,372,147 or 11.0% in fiscal year 2008. This is largely attributable to the reporting of the annual Other Postemployment Benefits (OPEB) obligation as required by GASB 45, effective with the 2008 fiscal year. The System is in the second year of implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The annual net change of $23,719,301 in the other postemployment obligation is reported in the respective operating functions on the Statement of Revenues, Expenses, and Changes in Net Assets. Other highlights of the information that have a significant impact on the amounts presented in the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- Beginning the 2001 fall semester, the System implemented selective admission standards. In fall 2006, the System implemented additional selective admission criteria. As expected, the System 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 $4.1 million in 2009 caused the System to implement cost reduction measures to proactively address the budget cuts and reduce operating costs. The 2009 mid-year budget cuts caused reductions in staff. The System's institutions have implemented restructuring plans in order to ensure sustainable operations are maintained and deficit spending is avoided. The System leadership 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 $227,118,729 as compared to $183,992,041 at the 2008 year-end. The following narrative presents a brief overview of capital asset activity for the System:

- A new service building was constructed at the Southern University Agricultural and Research experiment station.

- The Office of Facility Planning and Control completed the expansion project on the A. A. Lenoir Building for the Southern University Law Center.

- The System obtained financing for various capital projects through a cooperative endeavor financing agreement with Millennium Housing, LLC, through its owner, the Southern University System Foundation. Construction has begun and has been completed on five 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:

    - 600 bed, 3-story dormitories
    - Student Intramural Center
    - Baseball Field House
    - Mumford Stadium
    - Football Field Restoration
    - Reflections Bookstore (proposed usage - storage of athletic equipment)
    - 610 Texas Street Building
    - Renovation of 610 Texas Street Property
    - Travis Street Parking Lot

  Five of these projects have been completed, including the 600 bed, 3-story dormitories; purchase of Reflections Bookstore; football field restoration; purchase of a building at 610 Texas Street; and the Travis Street Parking Lot. A capital lease obligation in the amount of $27,707,873 has been recorded on the Statement of Net Assets for the completed projects. Except for the Travis Street parking lot on the Shreveport campus, these projects were completed in prior fiscal years. There were no fully completed projects during the 2009 fiscal year on the Baton Rouge campus; however, the athletic parking lot which is attached to the Mumford Stadium construction was substantially completed in 2009 to allow for construction to begin on Mumford Stadium. The athletic parking lot construction was necessary for the expansion of the Mumford Stadium project to begin; therefore, the construction is considered an attachment to the Mumford Stadium project and was not recognized as completed at June 30, 2009.

- The New Orleans campus incurred costs related to construction projects for student housing, five permanent buildings, and campus-wide cabling.
- The Shreveport campus has nearly completed construction on a new Student Center addition and a small business incubator.

The System's institutions retired $51,000 in bonds payable during the fiscal year. The total amount of long-term debt is $131,366,237 as detailed below. Of this amount, $1,367,290, is reported as current and is expected to be paid within one year.

- Compensated absences - $14,869,016
- Capital lease obligations - $27,707,873

- Claims payable - $682,939
- Notes payable - $24,331,118
- OPEB payable - $50,686,780
- Bonds payable - $13,088,511

The New Orleans campus incurred new debt by entering into an agreement with the United States Department of Education to borrow $44,000,000 to construct student housing. The funds are made available through a line of credit and the outstanding debt of $24,331,118 represents amounts advanced.

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

ECONOMIC OUTLOOK - SHORT-TERM

Despite mid-year budget cuts, the management of the System projects that the overall financial position to remain strong. The System's management 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 management of the System. 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 System's institutions 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 will continue to closely monitor available resources to ensure the System's ongoing ability to react to known and unknown internal and external issues in a prompt manner.

The institutions within the System will undergo a SACS reaccreditation review in 2010 and 2011. The Baton Rouge and Shreveport campus institutions have made preparations for the review in 2010 and remain optimistic about the upcoming visits and their outcomes. The New Orleans campus is preparing for a SACS review in fiscal year 2011.

The System 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 July 2010.

ENROLLMENT MANAGEMENT PROGRAMS AND ACTIVITIES

The System continues to take aggressive steps in its enrollment management and student retention programs and activities at each of the institutions that have academic programs.

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 New Orleans campus was awarded a significant capital appropriation from federal sources in the amount of $32 million that will allow the campus to construct four new classroom buildings.

CONTACTING THE SOUTHERN UNIVERSITY SYSTEM'S MANAGEMENT

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

- 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.
- Mr. Terry Hall, Associate Vice Chancellor for Financial Affairs at Southern University and A & M College Law Center, A. A. Lenoir Building, Room 252, Baton Rouge, Louisiana 70813, phone number 225-771-2506.
- Mr. Woodie White, Vice Chancellor for Administration and Finance at Southern University at New Orleans, 6400 Press Drive, New Orleans, Louisiana 70126, phone number 504-286-5117.
- Mr. Benjamin Pugh, Vice Chancellor for Finance and Administration at Southern University at Shreveport, 3050 Martin Luther King Jr. Drive, Shreveport, Louisiana 71107, phone number 318-670-6481.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Assets
June 30, 2009

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$26,892,496
Investments (note 3)	487,003
Receivables, net (note 4)	28,296,018
Due from state treasury	683,025
Inventories	421,590
Deferred charges and prepaid expenses	6,556,293
Notes receivable, net (note 5)	153,214
Other current assets	282,916
Total current assets	63,772,555
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	22,796,175
Restricted investments (note 3)	5,911,155
Capital assets, net (note 6)	227,118,729
Other	114,696
Total noncurrent assets	255,940,755
Total assets	319,713,310
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 7)	11,224,412
Due to federal government	8,159
Deferred revenues (note 8)	6,651,641
Compensated absences (notes 9 and 15)	713,332
Capital lease obligations (notes 14 and 15)	378,081
Amounts held in custody for others	562,450
Claims and litigation payable (notes 13 and 15)	220,877
Bonds payable (notes 15 and 17)	55,000
Other current payables	3,039,263
Total current liabilities	22,853,215

(Continued)

The accompanying notes are an integral part of this statement.

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

LIABILITIES (CONT.)	
Noncurrent liabilities:	
Compensated absences (notes 9 and 15)	$14,155,684
Capital lease obligations (notes 14 and 15)	27,329,792
Claims and litigation payable (notes 13 and 15)	462,062
Notes payable (notes 15 and 16)	24,331,118
Other postemployment benefits payable (notes 12 and 15)	50,686,780
Bonds payable (notes 15 and 17)	13,033,511
Total noncurrent liabilities	129,998,947
Total liabilities	152,852,162
NET ASSETS	
Invested in capital assets, net of related debt	163,086,938
Restricted for:	
Nonexpendable (note 18)	10,357,498
Expendable (note 18)	46,152,669
Unrestricted	(52,735,957)
TOTAL NET ASSETS	$166,861,148

(Concluded)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Statement of Financial Position
December 31, 2008

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$967,602
Investments (note 3)	2,006,907
Bayou Classic receivable (note 4)	262,385
Capital lease receivable (note 4)	3,749,975
Other receivable	47,418
Due from affiliate (note 4)	304,512
Unconditional promises to give (net allowance of $35,525) (note 4)	88,027
Prepaid expenses and other assets	1,050
Prepaid bond insurance (note 17)	32,945
Bond issuance costs (note 17)	28,978
Total current assets	7,489,799
Noncurrent assets:	
Cash and cash equivalents (note 2)	23,438,392
Investments (note 3)	3,771,915
Fixed assets (net of accumulated depreciation of $1,633,084) (note 6)	20,722,505
Capital lease receivable (note 4)	24,218,719
Prepaid bond insurance (net of accumulated amortization of $63,691) (note 17)	957,614
Bond issuance costs (net of accumulated amortization of $56,833) (note 17)	841,480
Total noncurrent assets	73,950,625
TOTAL ASSETS	$81,440,424

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Statement of Financial Position
December 31, 2008

LIABILITIES	
Current liabilities:	
Accounts payable and accruals	$2,319,039
Accrued interest payable	475,513
Other payables	185,000
Due to affiliate (note 22)	3,796,992
Notes payable (note 16)	183,156
Deferred revenue (note 23)	4,500,000
Bonds premium (note 17)	991,157
Total current liabilities	12,450,857
Noncurrent liabilities:	
Rental deposit fund (note 23)	1,876,011
Notes payable (note 16)	825,885
Bonds payable and premium (net of accumulated amortization of $132,314) (note 17)	60,983,566
Total noncurrent liabilities	63,685,462
Total liabilities	76,136,319
NET ASSETS	
Unrestricted	2,523,309
Temporarily restricted	1,066,037
Permanently restricted	1,714,759
Total net assets	5,304,105
TOTAL LIABILITIES AND NET ASSETS	$81,440,424

(Concluded)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

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

OPERATING REVENUES	
Student tuition and fees	$49,611,100
Less scholarship allowances	(16,116,620)
Net student tuition and fees	33,494,480
Federal appropriations	3,036,209
Federal grants and contracts	44,497,301
State and local grants and contracts	5,963,653
Nongovernmental grants and contracts	45,375
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 17)	15,558,663
Less scholarship allowances	(697,975)
Net auxiliary revenues	14,860,688
Other operating revenues	4,122,854
Total operating revenues	106,020,560
OPERATING EXPENSES	
Educational and general:	
Instruction	64,809,933
Research	9,270,984
Public service	9,584,237
Academic support	39,179,877
Student services	21,042,018
Institutional support	48,765,267
Operation and maintenance of plant	18,588,888
Depreciation (note 6)	10,676,337
Scholarships and fellowships	20,745,706
Auxiliary enterprises	16,556,347
Other operating expenses	1,272,721
Total operating expenses	260,492,315
OPERATING LOSS	(154,471,755)

(Continued)

The accompanying notes are an integral part of this statement.

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

NONOPERATING REVENUES (Expenses)	
State appropriations	$93,706,423
Federal nonoperating revenues	42,039,350
Gifts	900,655
Investment (loss)	(32,623)
Interest expense	(2,359,389)
Other nonoperating revenues	4,701,361
Net nonoperating revenues	138,955,777
LOSS BEFORE OTHER REVENUES	(15,515,978)
Capital appropriations	7,441,004
Capital grants and gifts	2,801,507
Additions to permanent endowment	416,896
Extraordinary item - loss on impairment of capital assets	(1,780,270)
DECREASE IN NET ASSETS	(6,636,841)
NET ASSETS - BEGINNING OF YEAR (Restated) (note 19)	173,497,989
NET ASSETS - END OF YEAR	$166,861,148

(Concluded)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Statement of Activities
For the Year Ended December 31, 2008

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES AND OTHER SUPPORT				
Contributions and other support	$8,080	$1,179,127	$78,650	$1,265,857
Event revenues	1,785,299			1,785,299
Scoreboard sponsorships	240,000			240,000
Athletic sponsorships and support	332,723			332,723
Interest income	3,415,854	8,032		3,423,886
Rental income	191,675			191,675
Other income	10,643	252		10,895
Realized/unrealized investment losses, net of gains	(112,181)			(112,181)
Net assets released from restrictions - satisfaction of program restrictions (note 25)	2,323,432	(2,323,432)		
Total revenues and other support	8,195,525	(1,136,021)	78,650	7,138,154
EXPENSES				
Program services	5,772,495			5,772,495
Support services	275,984			275,984
Total expenses	6,048,479	NONE	NONE	6,048,479
Changes in net assets	2,147,046	(1,136,021)	78,650	1,089,675
Net assets - beginning of year	376,263	2,202,058	1,636,109	4,214,430
Net assets - end of year	$2,523,309	$1,066,037	$1,714,759	$5,304,105

The accompanying notes are an integral part of this statement.

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SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

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

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$35,439,494
Federal appropriations	3,036,209
Grants and contracts	45,235,621
Payments to suppliers	(44,824,266)
Payments for utilities	(7,680,219)
Payments to employees	(113,905,069)
Payments for benefits	(31,214,659)
Payments for scholarships and fellowships	(27,344,794)
Loans issued to students and employees	(153,214)
Payments on loans issued to students and employees	153,656
Auxiliary enterprise charges	15,021,332
Other receipts	4,330,913
Net cash used by operating activities	(121,904,996)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	94,066,902
Gifts and grants for other than capital purposes	28,125,862
Private gifts for endowment purposes	416,896
TOPS receipts	1,664,194
TOPS disbursements	(1,685,909)
Federal Family Education Loan program receipts	84,706,814
Federal Family Education Loan program disbursements	(84,706,814)
Other payments	(2,617,454)
Net cash provided by noncapital financing activities	119,970,491
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from capital debt	22,242,655
Capital grants and gifts received	1,044,057
Purchases of capital assets	(27,437,976)
Principal paid on capital debt and leases	(51,000)
Interest paid on capital debt and leases	(768,250)
Other sources	4,068,454
Net cash used by capital and related financing activities	(902,060)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	21,136,044
Interest received on investments	45,143
Purchase of investments	(20,413,390)
Net cash provided by investing activities	767,797

(Continued)

The accompanying notes are an integral part of this statement.

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

NET DECREASE IN CASH AND CASH EQUIVALENTS	($2,068,768)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	51,757,439
CASH AND CASH EQUIVALENTS AT END OF YEAR	$49,688,671
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($154,471,755)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	10,676,337
Changes in assets and liabilities:	
Increase in accounts receivable, net	(2,512,934)
Decrease in notes receivable	442
Increase in inventories	(69,923)
Increase in prepaid expenses	(178,563)
Decrease in other assets	141,798
Decrease in accounts payable	(463,893)
Decrease in deferred revenue	(442,979)
Increase in compensated absences	988,611
Increase in other postemployment benefits payable	23,719,301
Increase in other liabilities	708,562
Net cash used by operating activities	($121,904,996)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS	
Cash and cash equivalents classified as current assets	$26,892,496
Cash and cash equivalents classified as noncurrent assets	22,796,175
Cash and cash equivalents at the end of the year	$49,688,671
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital appropriations for construction of capital assets	$7,441,004
Capital gifts and grants	17,534,583
Net decrease in the fair value of investments	621,782
Loss on disposal of capital assets	97,080
New capital leases	1,666,876

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

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

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

The universities offer numerous bachelor degrees in the areas of agriculture, arts and humanities, business, education, science, engineering, and home economics. In addition, master degrees are offered in the Graduate School and Jurist Doctorate degrees are offered through the university's Law Center. During the summer, fall, and spring semesters of the 2008-2009 fiscal year, the university conferred 2,056 degrees and student enrollment was approximately 31,721. Southern University has 652 full-time and adjunct faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared in accordance with such principles.

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

B. REPORTING ENTITY

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

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

Criteria described in GASB Codification Section 2100 were used to evaluate whether potential component units should be blended with the System, discretely presented, disclosed in the notes to the financial statements, or excluded from the reporting entity. This evaluation was made to identify those component units for which the System is financially accountable and other organizations for which the nature and significance of their relationship with the System are such that exclusion would cause the financial statements of the System to be misleading or incomplete.

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

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

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

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

C. BASIS OF ACCOUNTING

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

D. BUDGET PRACTICES

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

E. CASH AND CASH EQUIVALENTS

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

F. INVENTORIES

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

G. RESTRICTED CASH AND INVESTMENTS

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

In accordance with Louisiana Revised Statute (R.S.) 49:327, the System is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift or endowment instrument or bond indenture. Investments maintained in investment accounts in the 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.

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

H. CAPITAL ASSETS

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

I. DEFERRED REVENUES

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

J. COMPENSATED ABSENCES

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

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

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

K. NONCURRENT LIABILITIES

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

L. NET ASSETS

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

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

(b) *Restricted - nonexpendable* consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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

(d) *Unrestricted* consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the System and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

M. CLASSIFICATION OF REVENUES AND EXPENSES

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

- *Operating revenue* includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) most federal, state, and local grants and contracts and federal appropriations.

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

- *Operating expenses* generally include transactions resulting from providing goods or services, such as (1) payments to vendors for goods or services; (2) payments to employees for services; and (3) payments for employee benefits.

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

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

O. ADOPTION OF NEW ACCOUNTING PRINCIPLES

The Governmental Accounting Standards Board has issued guidance on reporting federal revenues received from certain federal programs and has determined that revenues received from these programs are non-exchange revenue transactions. The System has implemented the guidance for the federal Pell Grant and has reclassified the revenues received as nonoperating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets. The effect of implementing this guidance is a decrease of $26,284,445 in operating revenues for federal grants and contracts and a corresponding increase in federal nonoperating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets. This change affects the comparability of amounts reported for the year ended June 30, 2009, with amounts reported for the year ended June 30, 2008.

P. USE OF ESTIMATES

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

Q. ELIMINATING INTERFUND ACTIVITY

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

FOUNDATION

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION AND PURPOSE

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

The consolidated financial statements of the Foundation include:

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

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

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

B. TAX EXEMPTION STATUS

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

C. BASIS OF REPORTING

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

D. FINANCIAL STATEMENT PRESENTATION

The Foundation has adopted the provision of FASB's Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations,* which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories according to external (donor) imposed restrictions.

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

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

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

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

E. PROMISES TO GIVE

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

F. INVESTMENT AND INVESTMENT INCOME

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

G. CONTRIBUTIONS

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

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

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

H. CASH AND CASH EQUIVALENTS

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

I. FIXED ASSETS

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

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

J. FUNCTIONAL ALLOCATION OF EXPENSES

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

K. RESTRICTED ASSETS

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

L. NONCURRENT LIABILITIES

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

M. PRINCIPLES OF CONSOLIDATION

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

2. CASH AND CASH EQUIVALENTS

At June 30, 2009, the System has cash and cash equivalents (book balances) totaling $49,688,671 as follows:

Demand deposits	$24,308,900
Cash equivalents - repurchase agreement	15,681,263
Time certificates of deposit	9,696,808
Petty cash	1,700
Total	$49,688,671

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

Current assets	$26,892,496
Noncurrent assets - restricted	22,796,175
Total	$49,688,671

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System 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 System has $1,847,795 in deposits (collected bank balances) that are uninsured and uncollateralized because the collateral is held by a custodial bank in the name of the pledging bank, and not in the name of the System. The System intends to obtain an enforceable security interest in the collateral.

FOUNDATION CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Cash and cash equivalents exceeded federally insured limits by $712,797 as of December 31, 2008.

3. INVESTMENTS

At June 30, 2009, the System has investments totaling $6,398,158 as follows:

	Fair Value June 30, 2009	Investment Maturities (Years)	Credit Quality Rating
Investments held by private foundation:			
Corporate bonds	$613,869	4.9	
U.S. government agencies	1,723,241	5.3	
U.S. government obligations	632,911	1.3	
Equities	683,097	Not Applicable	
Mutual funds (equities)	79,858	Not Applicable	
Mutual funds (international equities)	91,037	Not Applicable	
Money market mutual fund	133,529	Not Applicable	
Subtotal - external investment pool	3,957,542		Not Rated
U.S. government obligations	60,962	0.3	Not Applicable
Equities	410,684	Not Applicable	Not Applicable
Mutual funds (debt securities)	419,949	5.6	Not Rated
Money market mutual fund	90,913	Not Applicable	Not Rated
Subtotal	4,940,050		
SUSLA Facilities, Inc.	1,458,108		
Total	$6,398,158		

These investments are reported at fair value as required by GASB Statement No. 31 and are reported on the Statement of Net Assets as follows:

Current assets	$487,003
Noncurrent assets - restricted	5,911,155
Total	$6,398,158

The investments in U.S. government obligations totaling $60,692 are exposed to custodial credit risk since the securities are uninsured, not registered in the name of the System, and are held by the counterparty. There is no formally adopted investment policy regarding custodial credit risk.

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

The investments held by the private foundation totaling $3,957,542 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. In addition, the Board of Regent's investment policy states that investments in foreign stocks are limited to 15% of the fund. The System's investment policy limits its investments of fixed income securities in investments of federal government and agency issues and to corporate issues having credit ratings of A to AAA. There are no formally adopted investment policies regarding interest rate risk or custodial credit risk.

At June 30, 2009, SUSLA Facilities, Inc., has bond funds totaling $1,458,108 on deposit with its bond trustee. These deposits consist of cash equivalents, money market investments, and securities that are primarily issued by the U.S. Government and various other financial instruments. The financial statements and notes to the financial statements of SUSLA Facilities, Inc., were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the notes to the financial statements of SUSLA Facilities, Inc., do not reflect the requirements of GASB Statement No. 3, as revised by GASB Statement No. 40.

FOUNDATION INVESTMENTS

Investments are stated at market value in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for Profit Organizations*. Net appreciation (depreciation) in the fair value of investments, which consist of realized gains and losses and the unrealized appreciation (depreciation) on those investments, is shown in the Statement of Activities. Investments consist of the following at December 31, 2008:

	Carrying Value	Fair Value
Stocks and other publicly traded securities	$969,534	$1,011,145
U.S. Governmental Agencies/Term Bond/ Fixed Income funds	857,083	904,877
Cash and cash equivalents/money market	3,862,787	3,862,800
Total	$5,689,404	$5,778,822

A total of $3,771,915 of investments is maintained and managed on behalf of the System. These amounts are classified as noncurrent restricted assets in the Statement of Financial Position. The remaining $2,006,907 is classified as current assets. The total fair value of investments at December 31, 2008, totals $5,778,822. Management of the Foundation was unable to summarize the investment return and its classification in the Statement of Activities by the related categories for the year ended December 31, 2008.

4. RECEIVABLES

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

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	$6,200,776	($1,660,482)	$4,540,294
Auxiliary enterprises	757,302	(3,023)	754,279
Federal grants and contracts	13,638,448	(1,431,690)	12,206,758
State and private grants and contracts	3,414,939	(17,985)	3,396,954
Accrued interest receivable	51,349		51,349
Due from Office of Facility Planning	6,647,729		6,647,729
Other	719,829	(21,174)	698,655
Total	$31,430,372	($3,134,354)	$28,296,018

There is no noncurrent portion of accounts receivable.

FOUNDATION RECEIVABLES

The Foundation entered into a cooperative agreement with the Southern Board to lease the projects included in the bond issuance. The Southern Board will lease certain facilities from the Foundation under the facility lease and pay rent, subject to the appropriation, in an amount which will be sufficient to pay the principal and interest on the Series 2006 Bonds. The lease was determined to meet the requirements of a capital lease and as such, as projects are completed, they are transferred from construction-in-progress to Capitalized Lease Receivable. The total lease payments due from the University during the next fiscal year totals $3,749,975. The total amount due for succeeding years totals $24,218,179. The total Capitalized Lease Receivable balance at December 31, 2008, totals $27,968,694.

The Foundation has entered into an agreement with the Southern University at Baton Rouge campus to jointly promote the ancillary activities of the Bayou Classic with a representative organization from Grambling State University. The promoters share joint revenues and expenses equally. The promoters engaged the services of a third party event manager to handle game management as well as sponsor solicitation. The event manager collects event proceeds and incurs expenses on behalf of the promoters and remits the net proceeds to the Foundation after the final event settlement is completed. Bayou Classic receivables total $262,385 at December 31, 2008. The amounts due from Bayou Classic related events were collected from the third party manager in the subsequent fiscal year.

The Foundation has certain receivables due from the System. The receivables due from the System are as follows at December 31, 2008:

Reimbursable costs pertaining to the bond projects due from the Baton Rouge campus	$238,623
Reimbursable costs pertaining to the bond projects due from the Shreveport campus	65,889
Total due from affiliate	$304,512

Unconditional promises to give as of December 31, 2008, total $123,552. All unconditional promises to give are expected to be collected within the next fiscal year. Based on the history of prior year collects, the Foundation has recorded an allowance for doubtful collections of $35,525, as such unconditional promises to give, net of allowance total $88,027 at December 31, 2008.

5. NOTES RECEIVABLE

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

Notes receivable are shown on Statement A, net of an allowance for doubtful accounts, at June 30, 2009. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
Federal Perkins Loan program	$2,023,883	($2,023,883)	
Student Government Association loans	153,214		$153,214
Long-term student loans (Shreveport)	98,968	(98,968)	
Total	$2,276,065	($2,122,851)	$153,214

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	Impairment Loss	Balance June 30, 2009
Capital assets not being depreciated:								
Land	$6,609,696		$6,609,696					$6,609,696
Construction-in-progress	8,027,742	$79	8,027,821	$51,257,428	($10,909,307)			48,375,942
Total capital assets not being depreciated	$14,637,438	$79	$14,637,517	$51,257,428	($10,909,307)	NONE	NONE	$54,985,638
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	6,034,497	NONE	6,034,497	(325,766)	167,895	NONE	NONE	5,876,626
Land improvements	5,674,006	$35,984	5,709,990	199,564				5,909,554
Less accumulated depreciation	(4,287,440)	(3,598)	(4,291,038)	(170,237)				(4,461,275)
Total land improvements	1,386,566	32,386	1,418,952	29,327	NONE	NONE	NONE	1,448,279
Buildings	268,548,024	1,029,544	269,577,568		10,741,412	($615,019)	($5,499,261)	274,204,700
Less accumulated depreciation	(118,962,648)	(63,524)	(119,026,172)	(6,236,332)		583,000	3,718,991	(120,960,513)
Total buildings	149,585,376	966,020	150,551,396	(6,236,332)	10,741,412	(32,019)	(1,780,270)	153,244,187
Equipment	29,543,452		29,543,452	2,552,426		(1,172,459)		30,923,419
Less accumulated depreciation	(21,085,233)		(21,085,233)	(2,499,927)		1,145,539		(22,439,621)
Total equipment	8,458,219	NONE	8,458,219	52,499	NONE	(26,920)	NONE	8,483,798
Library books	89,872,547		89,872,547	1,670,957		(949,780)		90,593,724
Less accumulated depreciation	(86,981,087)		(86,981,087)	(1,444,075)		911,639		(87,513,523)
Total library books	2,891,460	NONE	2,891,460	226,882	NONE	(38,141)	NONE	3,080,201
Total capital assets being depreciated	$168,356,118	$998,406	$169,354,524	($6,253,390)	$10,909,307	($97,080)	($1,780,270)	$172,133,091
Capital assets summary:								
Capital assets not being depreciated	$14,637,438	$79	$14,637,517	$51,257,428	($10,909,307)	NONE	NONE	$54,985,638
Capital assets being depreciated	422,561,663	1,065,528	423,627,191	4,422,947	10,909,307	($2,737,258)	($5,499,261)	430,722,926
Total cost of capital assets	437,199,101	1,065,607	438,264,708	55,680,375	NONE	(2,737,258)	(5,499,261)	485,708,564
Less accumulated depreciation	(254,205,545)	(67,122)	(254,272,667)	(10,676,337)	NONE	2,640,178	3,718,991	(258,589,835)
Capital assets, net	$182,993,556	$998,485	$183,992,041	$45,004,038	NONE	($97,080)	($1,780,270)	$227,118,729

The System capitalizes interest expense incurred as a component of the cost of its capital assets constructed for its own use. Interest is capitalized from the time activities begin, such as planning and permitting, until such time as the project is complete. For the fiscal year ended June 30, 2009, total interest paid on capital debt was $1,541,265. Of this amount, $43,879 represents capitalized interest on completed projects under the Millennium Housing, L.L.C. Student Housing and Auxiliary Facilities Project, Series 2006.

On August 29, 2005, the New Orleans campus was struck by Hurricane Katrina. The campus suffered extensive flooding and various degrees of wind damage to its 11 buildings. The facilities are being repaired under the oversight of the Office of Facility Planning and Control (OFPC). During the fiscal year ended June 30, 2009, the OFPC declared two buildings to be permanently impaired. Since the buildings are more than 50% damaged, they are eligible for total replacement under the Federal Emergency Management Agency’s guidelines.

Buildings with a carrying value of $451,155 are idle at June 30, 2009.

FOUNDATION FIXED ASSETS

Land, building, and equipment as of December 31, 2008, are summarized as follows:

Land and improvements	$555,193
Building	172,125
Office equipment	22,966
Scoreboard equipment	2,555,611
Furniture and fixtures	79,993
Software	24,389
Construction-in-progress	18,945,312
Subtotal	22,355,589
Less - accumulated depreciation	(1,633,084)
Total	$20,722,505

Depreciation expense totaled $270,259 for the year ended December 31, 2008.

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

The Foundation borrowed money and is in the process of constructing the facilities as specified by the Board. Once constructed, the facilities will be leased back by the Board. The revenues generated by these facilities will be used to pay for financing the project. Construction-in-progress related to the project totals $18,945,312 at December 31, 2008.

During the year ended December 31, 2008, projects totaling $842,132 have been completed and land totaling $180,000 has been purchased are currently being leased back to the Board; as such, $842,132 has been transferred from construction-in-progress and $180,000 has been transferred from land and recorded as a capital lease receivable being due from the System as a result of the capitalized leasing arrangement.

7. ACCOUNTS PAYABLE AND ACCRUALS

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

Vendor payables	$3,226,079
Accrued salaries and payroll deductions	5,878,148
Accrued interest	1,436,855
Other	683,330
Total	$11,224,412

8. DEFERRED REVENUES

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

Prepaid tuition and fees	$2,358,761
Prepaid athletic ticket sales	304,723
Prepaid room and board	186,396
Grants and contracts	3,801,761
Total	$6,651,641

9. COMPENSATED ABSENCES

At June 30, 2009, employees of the System have accumulated and vested annual leave, sick leave, and compensatory leave of $6,730,061; $7,980,544; and $158,411, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

10. PENSION PLANS

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

Funding Policy. The contribution requirements of employee plan members and the System are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRSL) and 7.5% (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 $7,843,748; $8,363,883; and $7,476,291, respectively, and to LASERS for the years ended June 30, 2009, 2008, and 2007 were $4,995,327; $5,323,654; and $4,709,204, respectively, equal to the required contributions for each year.

11. OPTIONAL RETIREMENT PLAN

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

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

R.S. 11:927 sets the contribution requirements of the plan members and the System equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the System are 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.

Employer and employee contributions to the optional retirement plan totaled $3,626,306 and $1,871,642, respectively, for the fiscal year ended June 30, 2009.

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Funding Policy - The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the System are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers 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 that 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:

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

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

	PPO	EPO	HMO
Active			
Single	$542	$564	$521
With Spouse	1,152	1,198	1,106
With Children	661	688	635
Family	1,215	1,264	1,166
Retired, No Medicare and Re-employed Retiree			
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
Retired, with 1 Medicare			
Single	$328	$341	$315
With Spouse	1,212	1,261	1,164
With Children	568	591	545
Family	1,615	1,680	1,551
Retired, with 2 Medicare			
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
Retired, with 1 Medicare						
Single	$137	$142	$140	$174	$134	$254
Retired, with 2 Medicare						
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
Retired, with 1 Medicare					
Single	$137	$142	$178	$174	$270
Retired, with 2 Medicare					
With Spouse	$274	$284	$356	$348	$539

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

Annual Other Postemployment Benefit Cost and Liability - The System's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), 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 $28,104,200 as set forth below:

Normal cost	$14,387,600
Interest	1,080,931
Amortization of the UAAL	12,635,669
Annual required contribution	$28,104,200

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

Annual required contribution	$28,104,200
Interest on net OPEB obligation	1,078,699
ARC adjustment	(1,029,882)
Annual OPEB cost	28,153,017
Contributions made	(4,433,716)
Increase in net OPEB obligation	23,719,301
Beginning net OPEB obligation, June 30, 2008	26,967,479
Ending net OPEB obligation, June 30, 2009	$50,686,780

The System's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 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	$30,908,800	12.8%	$26,967,479
June 30, 2009	28,153,017	15.7%	50,686,780

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 System nor the State of Louisiana contributed to it. Since no contributions were made, the System's entire actuarial accrued liability of $330,666,000 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)	$330,666,000
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability (UAAL)	$330,666,000
Funded ratio	0%
Covered payroll (active plan members)	$82,571,124
UAAL as a percentage of covered payroll	400.5%

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 capital medical claims costs were updated to reflect an additional year of actual experience. There were no other changes in assumptions.

13. CONTINGENT LIABILITIES AND RISK MANAGEMENT

The System is involved in 383 lawsuits and claims against it at June 30, 2009, of which 11 are handled by contracted attorneys. In the opinion of the contracted attorneys, for the 11 lawsuits and claims, there is no probable loss to the System. The remaining lawsuits and claims are handled by the Attorney General's office or the state's self-insurance fund that is operated by the Office of Risk Management (ORM). Any losses resulting from these lawsuits and claims would be paid by ORM or through General Fund appropriations.

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

In April 2009, the Shreveport campus signed a repayment plan with the U. S. Department of Education to repay disallowed federal costs in the amount of $682,939. These costs were related to programs administered during the period July 1, 2005 through June 30, 2006. This debt is included in the System's schedule of long-term liabilities at note 15. The following is a summary of future minimum payments as of June 30, 2009:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	$220,877	$18,019	$238,896
2011	227,579	11,317	238,896
2012	234,483	4,413	238,896
Total	$682,939	$33,749	$716,688

14. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2009, total operating lease expenditures were $2,403,648. The campus has $33,806 and $1,560 of future minimum annual rental payments in fiscal year 2010 for office space and equipment, respectively, that are required under operating leases having initial or noncancelable lease terms in excess of one year as of June 30, 2009. The lease agreements have nonappropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period.

Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. Assets under capital lease are included as capital assets in note 6. The capital lease agreement is described in more detail in note 23. The capital lease obligation reported by the System does not equal the capital lease receivable reported by the Foundation because its fiscal year ends on December 31. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments, at June 30, 2009:

Fiscal Year Ended June 30,	
2010	$1,945,333
2011	1,944,684
2012	1,945,307
2013	1,945,100
2014	1,946,396
2015-2019	9,725,057
2020-2024	9,721,445
2025-2029	9,723,260
2030-2034	9,724,700
2035-2039	9,725,044
Total mimimum payments	58,346,326
Less - amount representing interest	(30,638,453)
Present value of net minimum lease payments	$27,707,873

The gross amount of assets held under capital leases as of June 30, 2009 totals include buildings, land improvements, equipment, and land of $27,031,130; $754,248; $219,460; and $455,438, respectively.

Lessor Leases

The System's leasing operations consist primarily of leasing property for providing food services to students and bookstore operations. The following schedule provides an analysis of the cost and carrying amount of the System's investment in property on operating leases and property held for lease as of June 30, 2009:

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

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

Nature of Operating Lease	2010	2011	2012	2013	2014	Total Minimum Future Rentals
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	77,200	77,200	70,000	20,000	6,000	250,400
Total	$331,476	$173,509	$110,000	$60,000	$46,000	$720,985

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 $143,326 for the fiscal year ended June 30, 2009.

FOUNDATION LEASE OBLIGATIONS

Lease Agreement

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

15. CHANGES IN LONG-TERM LIABILITIES

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

	Balance, June 30, 2008	Prior Period Adjustments	Restated Balance, June 30, 2008	Additions	Reductions	Balance, June 30, 2009	Amounts Due Within One Year
Compensated absences payable	$13,880,405		$13,880,405	$1,515,749	($527,138)	$14,869,016	$713,332
Capital lease obligations	25,521,052	$519,945	26,040,997	1,666,876		27,707,873	378,081
Claims payable				682,939		682,939	220,877
Notes payable	2,088,463		2,088,463	22,242,655		24,331,118	
OPEB payable	26,967,479		26,967,479	28,153,017	(4,433,716)	50,686,780	
Revenue bonds payable	13,294,785	(157,358)	13,137,427		(48,916)	13,088,511	55,000
Total long-term liabilities	$81,752,184	$362,587	$82,114,771	$54,261,236	($5,009,770)	$131,366,237	$1,367,290

16. NOTES PAYABLE

The Board of Supervisors of Southern University and Agricultural and Mechanical College with and on behalf of Southern University at New Orleans entered into an agreement with the U.S. Department of Education to borrow $44,000,000 in June 2007 to construct student housing. Pursuant to Section 2601 of Title II of the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006,* the U.S. Department of Education has implemented a loan program for Historically Black Colleges and Universities affected by hurricanes Katrina and Rita. The loan program provides for a loan at one percent interest and one percent origination fees to be made by the U.S. Department of Education to Southern University at New Orleans for the purpose of financing residential housing. Funds are available through a line of credit whereby a liability is not incurred until funds are advanced. During the fiscal year ended June 30, 2009, the System recorded advances in the amount of $24,331,118 and is reported on the Statement of Net Assets as notes payable.

The following is a summary of future minimum payments as of June 30, 2009:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010		$264,196	$264,196
2011	$566,804	241,896	808,700
2012	569,569	236,222	805,791
2013	574,546	230,504	805,050
2014	635,927	224,612	860,539
2015-2019	4,060,532	1,013,275	5,073,807
2020-2024	4,661,068	792,271	5,453,339
2025-2029	4,898,296	553,931	5,452,227
2030-2034	5,149,349	303,409	5,452,758
2035-2037	3,215,027	56,492	3,271,519
Total	$24,331,118	$3,916,808	$28,247,926

FOUNDATION NOTES PAYABLE

The following is a summary of notes payable at December 31, 2008:

Note payable to a bank, secured by the income generated from scoreboard advertisements, with an interest rate of 5.00%, with a maturity date of March 15, 2012.	$839,918
Unsecured note payable to a contractor, with an interest rate of 7.186%, with a maturity date of April 20, 2013.	169,123
Total notes payable	1,009,041
Less - current portion	(183,156)
Total long-term portion	$825,885

Scheduled principal payments due on these notes payable subsequent to December 31, 2008, are as follows:

Year Ended December 31,	
2009	$183,156
2010	255,539
2011	258,093
2012	290,752
2013	21,501
Total	$1,009,041

Interest expense for the year ended December 31, 2008, totaled $61,454.

17. 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
SUSLA Facilities, Inc., Revenue Bonds:								
Series 2007A	July 25, 2007	12,795,000	12,795,000		12,795,000	2040	5.75%	16,014,756
Series 2007B	July 25, 2007	205,000	205,000		205,000	2014	9%	52,425
Total			13,201,000	(51,000)	13,150,000			$16,089,476
Original premiums/discounts, net as restated			(64,615)		(64,615)			
Accumulated amortization of premiums/discounts, as restated			1,042	2,084	3,126			
Bonds payable, net			$13,137,427	($48,916)	$13,088,511			

In the prior year, a bond discount of $157,358, which is net of $2,579 amortization, for the SUSLA Facilities, Inc., revenue bonds was incorrectly included in bond issuance costs. The amounts outstanding as of June 30, 2008, in the above schedule have been restated for this change.

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	$55,000	$764,129	$819,129
2011	85,000	758,329	843,329
2012	85,000	750,975	835,975
2013	100,000	742,812	842,812
2014	120,000	734,450	854,450
2015-2019	1,045,000	3,519,431	4,564,431
2020-2024	1,545,000	3,140,219	4,685,219
2025-2029	2,045,000	2,627,031	4,672,031
2030-2034	2,705,000	1,949,106	4,654,106
2035-2039	3,575,000	1,051,531	4,626,531
2040	1,790,000	51,463	1,841,463
Total	13,150,000	$16,089,476	$29,239,476
Unamortized premium/discount, net as restated	(61,489)		
Bonds payable reported on the Statement of Net Assets	$13,088,511		

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

Costs incurred in connection with the issuance of SUSLA Facilities, Inc., bonds, Series 2007A and 2007B, are amortized using the straight-line method over the lives of the bonds. Bond issuance costs incurred through the bond issuance totaled $230,528. Bond issuance costs, net of accumulated amortization, are as follows for the fiscal year ended June 30, 2009:

	Costs	Prior Year Accumulated Amortization	Current Year Amortization	Costs, Net of Accumulated Amortization
Bond issuance costs	$230,528	($3,842)	($7,684)	$219,002

The System has pledged the Intercollegiate Athletic Facilities fee to repay the A.W. Mumford Stadium Track Resurfacing Revenue Bonds, Series 1993. Proceeds from the bonds provided financing for the planning and constructing additions to and resurfacing the running tract at A.W. Mumford Stadium located on the Baton Rouge campus. The bonds are payable solely from the fee and are payable through fiscal year 2014. Annual principal and interest payments on the bonds are expected to require less than 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:

	Cash/ Investment Reserves Available	Reserve Requirements	Excess
A.W. Mumford track project	$66,144	$64,966	$1,178
SUSLA Facilities, Inc., Series 2007A	971,105	948,488	22,617

FOUNDATION REVENUE BONDS PAYABLE

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

The requirements to amortize the bonds are as follows:

Year Ended December 31,	Principal
2009	$925,000
2010	970,000
2011	1,010,000
2012	1,050,000
2013	1,105,000
Subsequent to 2013	54,930,000
Total	$59,990,000

Interest expense for the year ended December 31, 2008, totaled $2,758,819, of which $1,418,071 was capitalized and $1,340,748 expensed at December 31, 2008. Total bonds payable net of bond premium totaled $61,974,723.

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

Beginning balance	$2,117,037
Prior year accumulated amortization	(66,157)
Current year amortization	(66,157)
Total accumulated amortization	(132,314)
Ending balance, December 31, 2008	$1,984,723

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

	Costs	Prior Years Accumulated Amortization	Current Year Amortization	Costs, Net of Accumulated Amortization at December 31, 2008
Bond issuance costs	$927,291	($27,855)	($28,978)	$870,458
Prepaid bond insurance	1,054,250	(34,500)	(29,191)	990,559

18. RESTRICTED NET ASSETS

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

Nonexpendable - endowments	$10,357,498
Expendable:	
Gifts, grants, and contracts	$12,854,711
Endowment income	2,552,900
Student fees	4,120,419
Student loans	944,511
University plant projects	16,256,805
Debt service requirements	9,423,323
Total expendable	$46,152,669

Of the total net assets reported in the Statement of Net Assets as of June 30, 2009, a total of $12,305,726 is restricted by enabling legislation.

19. RESTATEMENT OF BEGINNING NET ASSETS

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

Net Assets at June 30, 2008	$173,818,835
Accounts payable adjustment	251,281
Capital asset adjustment	998,485
Capital lease adjustments	(519,945)
Capital grant correction	(12,428)
Deferred revenue adjustment	17,878
Receivable correction	(1,194,341)
Corrections to revenues and expenses	203,927
Other miscellaneous corrections	(65,703)
Net Assets at June 30, 2008, as restated	$173,497,989

20. DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2009, net appreciation of donor restricted endowments is equal to $1,390,224, which is available to be spent for restricted purposes. The System limits endowment spending to the income earned in a given year for purposes specified by donors. The donated portion of the endowments is reported in restricted net assets - nonexpendable in the Statement of Net Assets; the endowment income is reported in restricted net assets - expendable.

21. RELATED PARTY TRANSACTIONS

During fiscal year ended June 30, 2009, the System had a relationship with the Foundation. The Foundation has a cooperative endeavor with the System to promote activities of the Southern University Athletic Department and coordinates the ancillary activities of the Bayou Classic weekend.

22. FOUNDATIONS

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

The System has contracted with the Foundation to invest the System's Endowed Chairs for Eminent Scholars Program endowment funds and Endowed Professorship Program endowment funds. The Endowed Chairs for Eminent Scholars Program endowment funds are established for $1,000,000 each, with $600,000 of private contributions and $400,000 of state matching portion allocated by the Board of Regents for Higher Education, while the Endowed Professorship Program endowment funds are established for $100,000 each, with $60,000 of private contributions and $40,000 of state matching portion allocated by the Board of Regents for Higher Education. The original endowment base including the state matching portion and private contributions totaled $3,745,115. At June 30, 2009, the Foundation holds in custody $3,957,542 of Endowed Chairs for Eminent Scholars Program and Endowed Professorship Program endowment funds invested for the System. Because the Foundation's fiscal year-end of December 31, 2008, differs from the System's fiscal year-end, the amounts reported as due to the System by the Foundation do not agree to the amounts reported as invested by the System.

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

Salaries and related benefits	$220,266
Other	6,388
Total	$226,654

FOUNDATION DISCLOSURE

The System has contracted with the Foundation to invest the university's Endowed Chairs for Eminent Scholars and Endowed Professorship endowment funds. The amount due to the System as of December 31, 2008, totaled $3,771,915. There was also an additional amount of $25,077 that was due to the Baton Rouge campus at December 31, 2008.

23. COOPERATIVE ENDEAVOR AGREEMENT

On October 26, 2006, the Foundation entered into a Cooperative Endeavor and Lease Agreement (the Agreement) with the Board of Supervisors of Southern University and Agricultural and Mechanical College (the Board), to lease to the Board certain student housing facilities and certain auxiliary student facilities. The Board made an initial payment to the Foundation in the amount of $4,500,000 on December 13, 2006. The initial payment was deposited in the Foundation to be used for a student intramural sports complex and north-end seating in Mumford Stadium at Southern University Baton Rouge campus.

After the initial payment, the Board shall make annual payments to the Foundation starting November 1, 2008, and terminating on November 1, 2038, unless the Louisiana Public Facilities Authority (LPFA) Series 2006 Bonds are paid in full or legally defeased before that date. The Board payments are designed to be sufficient to pay the principal of and interest on the LPFA Series 2006 Bonds. The terms are such that at the bond issuance, certain funds were placed in a capitalized interest account to be held by the trustee, which were applied against the November 1, 2007, and November 1, 2008, debt service payments. Thus, the System is not required to make a payment until all funds in the capitalized interest account are fully used to cover the debt service payments. The 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 System on November 1, 2008. The base rental payments are as follows:

Fiscal Year Ended June 30,	Base Rent
2010	$3,749,975
2011	3,748,725
2012	3,749,925
2013	3,749,525
2014	3,752,025
2015-2019	18,746,775
2020-2024	18,739,813
2025-2029	18,743,312
2030-2034	18,746,088
2035-2039	18,746,750
Total	$112,472,913

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

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

The Agreement also required that a Rental Deposit Fund be established on the date of issuance of the LPFA Series 2006 Bonds. The Rental Deposit Fund was funded by the Board in an amount equal to 50% of the maximum principal and interest requirements coming due on the LPFA Series 2006 Bonds in any future fiscal year. If there is any insufficiency in the Revenue Account of the Bond fund to pay principal and interest on the LPFA Series 2006 Bonds in future fiscal years, then the monies on deposit in the Rental Deposit Fund shall be used in an amount sufficient to pay the principal and interest on the LPFA Series 2006 Bonds. On the final maturity date of the LPFA Series 2006 Bonds, any monies on hand in the Rental Deposit Fund shall be used to pay any principal and interest remaining on the LPFA Series 2006 Bond on such final maturity date. At December 31, 2008, and June 30, 2009, the balance in the Rental Deposit Fund is $1,876,011.

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

24. DEFERRED COMPENSATION PLAN

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

25. FOUNDATION - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by the donors for the year ended December 31, 2008:

Scholarships and educational assistance	$208,424
University events, programs, and support	1,797,567
Other	317,441
Total	$2,323,432

26. FOUNDATION - RELATED PARTY TRANSACTIONS

Certain board members of the Foundation are also board members of the Southern University System Board. The System provides certain payroll management functions as well as office space, meeting space, utilities, and use of all office furniture and equipment to the Foundation for a nominal monthly fee. The value of these services has not been determined by the System. The System has also entered into a cooperative endeavor agreement with the Foundation to manage certain endowments on their behalf. The Foundation is allowed to charge the System an administrative fee for these services. In addition to the aforementioned agreement, the Foundation entered into a cooperative agreement with the System to construct certain housing facilities as well as other projects through a bond issuance. The System has agreed to pay certain rents to the Foundation for these services. The total amount of rent paid during the year ended December 31, 2008, totaled $191,675. The schedule of rent payment coincides with the debt service payments.

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

Foundation to the affiliate organization during the year ended December 31, 2008, totaled $46,673.

During the year ended December 31, 2008, the Foundation recorded a receivable from a Foundation board member in the amount of $138,000. The receivable consisted of amounts due from a contract for the rental of a stadium suite in Mumford Football Stadium for the 2006, 2007, and 2008 football seasons. The board member indicated that in light of other contributions made to the System, the receivable was actually forgiven simultaneously as the contract was signed, resulting in no amounts being due from the board member. However, there was no supporting documentation to support the forgiveness. At a board meeting subsequent to year-end, the Foundation board voted to ratify the forgiveness of the debt, and as such, the debt was written off as of December 31, 2008.

27. 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 System institutions have implemented approved restructuring plans to ensure that current operations are sustained and the missions and goals of the respective institutions are not negatively impacted. Management does not anticipate that the 2009-2010 mandated budget cuts will significantly impact the System's overall mission and goals. Management will continue to closely monitor available resources to ensure the System's ongoing ability to react to known and unknown internal and external issues in a prompt manner.

The System will implement the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, for the fiscal year ended June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets. This includes, but is not limited to, patents, copyrights, trademarks, and computer software. The effects of GASB Statement No. 51 are not known at this time but are required to be applied retroactively by restating prior year balances.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the Other Postemployment Benefits Plan

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

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SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan For the Fiscal Year Ended June 30, 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	$332,758,900	$332,758,900	0%	$81,508,249	408.3%
July 1, 2008	NONE	330,666,000	330,666,000	0%	82,571,124	400.5%

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

SCHEDULE OF PER DIEM PAID BOARD MEMBERS

Schedule 2 presents the per diem paid board members for the fiscal year ended June 30, 2009. Members of the Southern University Board of Supervisors receive $50 per diem for each day of attendance of board meetings, committee meetings, or while on business for the board, as authorized by R.S. 17:3206. This schedule is prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

COMBINING SCHEDULE OF NET ASSETS, BY CAMPUS

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

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

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

COMBINING SCHEDULE OF CASH FLOWS, BY CAMPUS

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

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SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Per Diem Paid Board Members
For the Fiscal Year Ended June 30, 2009

Name	Amount
Anderson, Johnny G.	$500
Bell, Patrick W.	400
Bilberry, Jesse B., Jr.	350
Caiton, Richard Jr.	500
Guidry, Walter Jr.	550
Hunter, Raushanna	100
Lawson, Myron K.	800
Miller, Louis	350
Montgomery, Lea M.	500
Nash, Murphy Jr.	550
Taylor, Jamal	750
Williams, Achilles	250
Total	$5,600

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

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

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
ASSETS			
Current assets:			
Cash and cash equivalents	$1,194,192	$16,762,963	($113,938)
Investments			
Receivables, net	24,546	10,926,139	2,153,699
Due from state treasury		281,473	30,312
Inventories		421,590	
Deferred charges and prepaid expenses	3,325	6,119,985	33,749
Notes receivable, net			
Other current assets			
Total current assets	1,222,063	34,512,150	2,103,822
Noncurrent assets:			
Restricted cash and cash equivalents	500,187	12,651,797	1,178,801
Restricted investments		3,644,097	184,347
Capital assets, net		143,572,816	1,751,231
Other		114,696	
Total noncurrent assets	500,187	159,983,406	3,114,379
Total assets	1,722,250	194,495,556	5,218,201
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	78,849	8,252,678	70,025
Due to federal government			
Deferred revenues		3,362,621	163,675
Compensated absences	28,101	359,468	39,421
Capital lease obligations		350,500	
Amounts held in custody for others		348,476	
Claims and litigation payable			
Bonds payable		55,000	
Other current payables	250	1,276,462	
Total current liabilities	107,200	14,005,205	273,121
Noncurrent liabilities:			
Compensated absences	686,534	8,093,902	1,103,184
Capital lease obligations		25,767,983	
Claims and litigation payable			
Notes payable			
OPEB payable	2,145,405	29,435,189	3,812,212
Bonds payable		95,000	
Total noncurrent liabilities	2,831,939	63,392,074	4,915,396
Total liabilities	2,939,139	77,397,279	5,188,517
NET ASSETS			
Invested in capital assets, net of related debt		117,304,333	1,751,231
Restricted for:			
Nonexpendable	360,000	5,655,940	1,203,750
Expendable	862,402	27,067,485	1,767,924
Unrestricted	(2,439,291)	(32,929,481)	(4,693,221)
TOTAL NET ASSETS	($1,216,889)	$117,098,277	$29,684

Schedule 3

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
$1,891,735	$9,636,526	($2,478,982)	$26,892,496
		487,003	487,003
1,158,524	8,737,665	5,295,445	28,296,018
258,650	82,277	30,313	683,025
			421,590
6,199		393,035	6,556,293
	153,214		153,214
		282,916	282,916
3,315,108	18,609,682	4,009,730	63,772,555
	7,996,226	469,164	22,796,175
	921,546	1,161,165	5,911,155
	55,520,652	26,274,030	227,118,729
			114,696
NONE	64,438,424	27,904,359	255,940,755
3,315,108	83,048,106	31,914,089	319,713,310
83,578	1,829,270	910,012	11,224,412
	8,159		8,159
39,214	2,072,169	1,013,962	6,651,641
25,041	211,325	49,976	713,332
		27,581	378,081
		213,974	562,450
		220,877	220,877
			55,000
	1,417,657	344,894	3,039,263
147,833	5,538,580	2,781,276	22,853,215
901,830	1,628,947	1,741,287	14,155,684
		1,561,809	27,329,792
		462,062	462,062
	24,331,118		24,331,118
3,238,538	7,369,274	4,686,162	50,686,780
		12,938,511	13,033,511
4,140,368	33,329,339	21,389,831	129,998,947
4,288,201	38,867,919	24,171,107	152,852,162
	30,608,134	13,423,240	163,086,938
	2,837,808	300,000	10,357,498
728,674	13,802,540	1,923,644	46,152,669
(1,701,767)	(3,068,295)	(7,903,902)	(52,735,957)
($973,093)	$44,180,187	$7,742,982	$166,861,148

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

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

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
OPERATING REVENUES			
Student tuition and fees		$31,690,804	$4,180,047
Less scholarship allowances		(10,966,513)	(185,689)
Net student tuition and fees	NONE	20,724,291	3,994,358
Federal appropriations			
Federal grants and contracts	$21,250	23,286,874	3,636,462
State and local grants and contracts	89,169	2,822,290	
Nongovernmental grants and contracts			
Auxiliary enterprise revenues (including revenue used to secure debt)		14,567,375	
Less scholarship allowances		(658,747)	
Net auxiliary revenues	NONE	13,908,628	NONE
Other operating revenues		2,433,408	83,162
Total operating revenues	110,419	63,175,491	7,713,982
OPERATING EXPENSES			
Educational and general:			
Instruction		45,053,337	5,548,214
Research	2,612	6,438,192	
Public service	106,238	3,136,424	425,248
Academic support	1,444	25,837,376	2,679,566
Student services	14,608	7,711,662	2,231,767
Institutional support	7,873,041	17,858,441	3,141,135
Operation and maintenance of plant		14,241,602	180,427
Depreciation		7,727,640	762,615
Scholarships and fellowships	60,882	10,635,021	484,275
Auxiliary enterprises		15,036,081	
Other operating expenses	113,071	443,379	200,514
Total operating expenses	8,171,896	154,119,155	15,653,761
OPERATING LOSS	(8,061,477)	(90,943,664)	(7,939,779)
NONOPERATING REVENUES (Expenses)			
State appropriations	3,396,975	53,250,574	7,294,956
Federal nonoperating revenues		15,349,088	
Gifts	304,559	389,910	125,021
Investment income (loss)	17,066	(270,190)	29,044
Interest expense		(1,495,612)	(1,401)
Other nonoperating revenues (expenses)	213,078	3,946,731	213,076
Net nonoperating revenues	3,931,678	71,170,501	7,660,696

(Continued)

Schedule 4

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	$8,942,946	$4,797,303	$49,611,100
	(3,017,952)	(1,946,466)	(16,116,620)
NONE	5,924,994	2,850,837	33,494,480
$3,036,209			3,036,209
2,104,577	7,104,057	8,344,081	44,497,301
587,033	2,086,060	379,101	5,963,653
45,375			45,375
	476,843	514,445	15,558,663
	(34,812)	(4,416)	(697,975)
NONE	442,031	510,029	14,860,688
98,405	295,789	1,212,090	4,122,854
5,871,599	15,852,931	13,296,138	106,020,560
	8,408,424	5,799,958	64,809,933
2,105,909	367,351	356,920	9,270,984
3,408,798	633,210	1,874,319	9,584,237
1,055,400	8,351,930	1,254,161	39,179,877
	3,048,589	8,035,392	21,042,018
5,182,673	9,275,511	5,434,466	48,765,267
9,414	2,757,274	1,400,171	18,588,888
	962,426	1,223,656	10,676,337
	5,434,656	4,130,872	20,745,706
	943,956	576,310	16,556,347
69,956		445,801	1,272,721
11,832,150	40,183,327	30,532,026	260,492,315
(5,960,551)	(24,330,396)	(17,235,888)	(154,471,755)
5,646,636	15,572,008	8,545,274	93,706,423
	21,725,374	4,964,888	42,039,350
	81,165		900,655
5,833	74,982	110,642	(32,623)
	(20,885)	(841,491)	(2,359,389)
243,902	108,082	(23,508)	4,701,361
5,896,371	37,540,726	12,755,805	138,955,777

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by Campus, 2009

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
INCOME (Loss) BEFORE OTHER REVENUES	($4,129,799)	($19,773,163)	($279,083)
Capital appropriations		2,814,334	
Capital grants and gifts		1,031,754	
Additions to permanent endowment		170,896	100,000
Transfers from (to) other campuses	2,319,713	4,860,352	(5,165,766)
Extraordinary item - loss on impairment of capital assets			
INCREASE (Decrease) IN NET ASSETS	(1,810,086)	(10,895,827)	(5,344,849)
NET ASSETS - BEGINNING OF YEAR (Restated)	593,197	127,994,104	5,374,533
NET ASSETS - END OF YEAR	($1,216,889)	$117,098,277	$29,684

(Concluded)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
($64,180)	$13,210,330	($4,480,083)	($15,515,978)
	291,196	4,335,474	7,441,004
	569,753	1,200,000	2,801,507
	26,000	120,000	416,896
(1,548,374)	(375,819)	(90,106)	
	(1,780,270)		(1,780,270)
(1,612,554)	11,941,190	1,085,285	(6,636,841)
639,461	32,238,997	6,657,697	173,497,989
($973,093)	$44,180,187	$7,742,982	$166,861,148

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

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

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tuition and fees		$21,730,420	$3,989,639
Federal appropriations			
Grants and contracts	$83,849	24,142,634	1,214,638
Payments to suppliers	(1,785,604)	(26,098,385)	(2,209,873)
Payments for utilities		(6,540,712)	
Payments to employees	(4,086,274)	(67,419,359)	(8,174,830)
Payments for benefits	(1,029,268)	(18,938,987)	(1,855,093)
Payments for scholarships and fellowships	(121,014)	(14,996,360)	(647,010)
Loans issued to students and employees			
Payments on loans issued to students and employees			
Auxiliary enterprise charges		13,977,173	
Other receipts (payments)	(3,000)	2,429,408	83,162
Net cash used by operating activities	(6,941,311)	(71,714,168)	(7,599,367)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
State appropriations	3,500,495	53,482,834	7,320,728
Gifts and grants for other than capital purposes	304,559	15,996,741	125,021
Private gifts for endowment purposes		170,896	100,000
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 receipts (payments)	2,443,043	4,068,518	(5,052,946)
Net cash provided by noncapital financing sources	6,248,097	73,697,274	2,492,803
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital debt			
Capital grants and gifts received		1,031,754	
Purchases of capital assets		(2,841,374)	(1,061,804)
Principal paid on capital debt and leases		(51,000)	
Interest paid on capital debt and leases		(14,088)	
Other sources (uses)		(560,976)	3,897,847
Net cash provided (used) by capital and related financing activities	NONE	(2,435,684)	2,836,043
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments		18,475,969	633,953
Interest received on investments	17,994	(294,444)	30,930
Purchase of investments		(18,081,583)	(615,815)
Net cash provided by investing activities	17,994	99,942	49,068

(Continued)

Schedule 5

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	$7,255,979	$2,463,456	$35,439,494
$3,036,209			3,036,209
2,347,481	7,734,196	9,712,823	45,235,621
(2,361,931)	(7,281,212)	(5,087,261)	(44,824,266)
	(674,598)	(464,909)	(7,680,219)
(6,171,342)	(15,810,266)	(12,242,998)	(113,905,069)
(1,584,751)	(4,613,200)	(3,193,360)	(31,214,659)
(96,323)	(5,571,150)	(5,912,937)	(27,344,794)
	(153,214)		(153,214)
	153,656		153,656
	521,529	522,630	15,021,332
98,405	295,789	1,427,149	4,330,913
(4,732,252)	(18,142,491)	(12,775,407)	(121,904,996)
5,558,754	15,636,575	8,567,516	94,066,902
	6,051,714	5,647,827	28,125,862
	26,000	120,000	416,896
	45,689	64,013	1,664,194
	(45,689)	(64,013)	(1,685,909)
	15,730,717	4,779,170	84,706,814
	(15,730,717)	(4,779,170)	(84,706,814)
(1,304,472)	(2,388,266)	(383,331)	(2,617,454)
4,254,282	19,326,023	13,952,012	119,970,491
	22,242,655		22,242,655
	12,303		1,044,057
	(23,394,535)	(140,263)	(27,437,976)
			(51,000)
		(754,162)	(768,250)
	731,583		4,068,454
NONE	(407,994)	(894,425)	(902,060)
		2,026,122	21,136,044
5,833	171,265	113,565	45,143
		(1,715,992)	(20,413,390)
5,833	171,265	423,695	767,797

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by Campus, 2009

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
NET INCREASE (Decrease) IN CASH AND CASH EQUIVALENTS	($675,220)	($352,636)	($2,221,453)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,369,599	29,767,396	3,286,316
CASH AND CASH EQUIVALENTS AT END OF YEAR	$1,694,379	$29,414,760	$1,064,863
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	($8,061,477)	($90,943,664)	($7,939,779)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense		7,727,640	762,615
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net	107,729	(1,128,435)	(1,988,483)
Decrease in notes receivable			
(Increase) decrease in inventories		(90,277)	
(Increase) decrease in prepaid expenses	5,841	(3,986)	(9,229)
Decrease in other assets			
Increase (decrease) in accounts payable	(75,716)	(945,074)	(40,261)
Increase (decrease) in deferred revenue	(133,320)	81,076	(488,794)
Increase in compensated absences	113,071	488,502	200,514
Increase in OPEB payable	1,102,561	13,580,588	1,904,050
Increase (decrease) in other liabilities		(480,538)	
Net cash used by operating activities	($6,941,311)	($71,714,168)	($7,599,367)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS			
Cash and cash equivalents classified as current assets	$1,194,192	$16,762,963	($113,938)
Cash and cash equivalents classified as noncurrent assets	500,187	12,651,797	1,178,801
Cash and cash equivalents at the end of the year	$1,694,379	$29,414,760	$1,064,863
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital appropriations for construction of capital assets		$2,814,334	
Capital gifts and grants			
Net decrease in the fair value of investments		496,282	$18,138
Loss on disposal of capital assets		14,462	
New capital leases		1,407,108	

(Concluded)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
($472,137)	$946,803	$705,875	($2,068,768)
2,363,872	16,685,949	(2,715,693)	51,757,439
$1,891,735	$17,632,752	($2,009,818)	$49,688,671
($5,960,551)	($24,330,396)	($17,235,888)	($154,471,755)
	962,426	1,223,656	10,676,337
(428,052)	158,465	765,842	(2,512,934)
	442		442
	20,354		(69,923)
(3,104)	18,143	(186,228)	(178,563)
		141,798	141,798
(117,144)	789,309	(75,007)	(463,893)
38,616	(229,775)	289,218	(442,979)
69,956		116,568	988,611
1,668,027	3,279,441	2,184,634	23,719,301
	1,189,100		708,562
($4,732,252)	($18,142,491)	($12,775,407)	($121,904,996)
$1,891,735	$9,636,526	($2,478,982)	$26,892,496
	7,996,226	469,164	22,796,175
$1,891,735	$17,632,752	($2,009,818)	$49,688,671
	$291,196	$4,335,474	$7,441,004
	16,334,583	1,200,000	17,534,583
	102,066	5,296	621,782
	38,141	44,477	97,080
		259,768	1,666,876

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OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

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

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

April 5, 2010

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

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit, which collectively comprise the basic financial statements of the Southern University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2009, and have issued our report thereon dated April 5, 2010. Our report was modified to include a reference to other auditors and a classification change for Pell Grant revenues. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Southern University System Foundation and SUSLA Facilities, Inc., as described in our report on Southern University System's financial statements. The financial statements of the Southern University System Foundation and SUSLA Facilities, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Inaccurate Annual Fiscal Report Preparation

For the third consecutive year, the Southern University System (System) did not have adequate controls over the New Orleans and Shreveport campuses' financial information included in the System's annual fiscal report (AFR) to ensure that the System's AFR and related note disclosures were prepared timely and accurately. Louisiana Revised Statute (R.S.) 39:79 authorizes the commissioner of administration to establish the format for obtaining each agency's financial information. Good internal control includes establishing formal written procedures for compiling financial information included in the AFR and developing an adequate review process to ensure that financial statements are prepared accurately and submitted timely.

The Office of Statewide Reporting and Accounting Policy (OSRAP) designed the AFR to obtain financial information and required a signed affidavit from each agency or university system that the financial statements present fairly the financial information of the System. OSRAP uses the AFRs during its compilation of the state's Comprehensive Annual Financial Report (CAFR).

For the fiscal year ended June 30, 2009, the System's AFR was due to OSRAP by September 21, 2009. The System's AFR was submitted 44 days late on November 4, 2009. A review of the New Orleans and Shreveport campuses' financial information included the following errors and omissions:

The Statement of Net Assets included the following errors:

- The New Orleans campus overstated receivables and notes payable by $581,400 for funds it intended to draw on its line of credit for construction costs incurred as of June 30, 2009.

- The New Orleans campus overstated the value of its buildings by $1,780,270. The Clark Hall and the Central Plant buildings are considered to be over 50% damaged making them eligible for total replacement under the Federal Emergency Management Agency's guidelines. Therefore, the buildings are considered to be permanently impaired.

- The New Orleans campus understated capital assets by $412,473 because it did not include three buildings that were under construction and miscalculated the construction costs on two other construction projects.

- The New Orleans campus misclassified $1,733,908 as expendable net assets instead of unrestricted. The campus incorrectly reported $4,933,761 of facility maintenance funds as unrestricted. In addition, student insurance fees and other unrestricted funds were incorrectly reported as restricted. Therefore, in the related note disclosure for expendable net assets, the campus overstated restricted funds by $3,199,853 and unexpended plant funds by $767,016 and understated retirement of indebtedness funds by $5,700,777.

- The New Orleans and Shreveport campuses overstated the value of their equipment by $251,589 and 236,313, respectively, because the campuses recorded depreciation expense only for items purchased in the current year.

- The Shreveport campus overstated federal receivables by $1,431,690. The receivables have been outstanding for over two years and it is doubtful that these receivables can be collected since the period of availability has elapsed.

- The Shreveport campus overstated capital assets by $830,601 because it double counted $1,090,236 of prior year construction costs for three buildings as additional construction costs incurred in the current year and excluded $259,635 of current year construction costs for another building.

- The Shreveport campus understated claims payable and the related note disclosure by $682,939 for disallowed costs on federal programs. The campus did not include the amounts owed under the repayment plan with the U.S. Department of Education.

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

- The New Orleans campus understated capital appropriations by $291,196 related to construction performed by the Division of Administration, Office of Facility Planning and Control.

- The Shreveport campus incorrectly reduced instructional expenses by $1,200,000 for the donation of a plane instead of reporting this as a capital gift. This also misstated the statement of cash flows by understating payments for supplies and services and overstating capital asset purchases by $1,200,000.

- The Shreveport campus incorrectly reported $120,000 of endowment contributions as investment income. This also misstated the statement of cash flows by understating private gifts for endowments and purchases of investments by $120,000.

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

- The New Orleans campus reported $15,777,133 in noncash capital transactions as capital appropriations instead of as capital gifts and grants.

- The Shreveport campus included noncash capital appropriations as cash transactions which overstated capital appropriations and the purchases of capital assets by $5,166,075.

- The Shreveport campus reported the investment transactions of its blended component unit at net, thereby understating the proceeds from sales and maturities of investments by $2,026,122; understating the purchases of investments by $1,595,992; and overstating interest received on investments by $430,130.

The related note disclosures included the following errors:

- The Shreveport campus did not disclose its related party transaction with its blended component unit (SUSLA Facilities, Inc). In addition, the campus did not disclose the bond reserve requirements of $948,488 and available funds of $971,105 for SUSLA Facilities, Inc.

Management of the System and of these institutions has not placed sufficient emphasis on ensuring that financial information included in the AFR is properly prepared and reviewed for errors or omissions. Currently, each campus is responsible for its own financial statements and note disclosure preparation and each uses different Financial Record System reports and/or different methods for compiling the information in those reports. Failure to provide accurate and timely financial information for inclusion in the System's AFR that is submitted to OSRAP could result in a misstatement of the state's CAFR.

System management should develop procedures to include written instructions, a timetable for compiling the required financial information, detailed supporting schedules that each campus uses to support AFR information, and a system-level supervisory review of the financial information and note disclosures submitted by each campus to detect and correct material errors in the campuses' financial information before it is included in the System's AFR. Management concurred with the finding and provided correction action plans (see Appendix A, pages 1-3).

Insufficient Control Over Leave Records

For the second consecutive year, the Southern University - Baton Rouge campus does not have adequate control procedures in place to ensure that employee leave records reflect accurate leave balances. In addition, the Southern University - New Orleans campus does not have adequate control procedures in place to ensure that employee leave records are being properly maintained. Good internal control includes adequate supervisory and review procedures to ensure that (1) leave records are timely and accurately updated; (2) leave balances are carried forward accurately; and (3) leave records are maintained in accordance with the campus' established procedures. R.S. 17:2149 and 17:3312 permit the campus to advance sick leave with pay in an amount not exceeding 176 hours. The Louisiana Constitution, Article VII, Section 14(A) prohibits the campus from loaning, pledging, or donating funds or things of value to any person. The advancing of annual leave or sick leave without approval may constitute a loan and violation of the provisions of Article VII, Section 14(A). In addition, Civil Service Rule 11.13(a) and R.S. 17:2149(A)1 only permit the use of sick leave for illness or injury and medical, dental, or other optical consultation or treatment.

During our review of all the Baton Rouge campus' employee leave records for the period July 2008 through June 2009, the following errors were noted in the leave records of 147 employees:

- Forty-three employees had negative leave balances up to 170 hours without proper advance approval. In addition, 32 of those employees had negative annual leave balances up to 170 hours each although state law only permits the advance of sick leave.

- Ninety-five employees had leave balances that were misstated when carried forward into calendar year 2009. The net misstatement of leave was 5,791 hours understated for annual leave; 357 hours overstated for sick leave; and 61 hours understated for compensatory leave.

- The leave records for two employees were incomplete because of missing leave entries.

- Twenty-seven employees had leave entries that were posted late and to incorrect pay periods.

- Twenty-one employees with negative sick leave balances had available annual leave that should have been applied before advancing sick leave.

- Four employees had available sick leave that was inappropriately used to reduce their negative annual leave balance.

- Eleven employees terminated employment from the campus with negative leave balances totaling 243 hours. The university did not attempt to recoup this overpayment.

During the test of payroll, it was noted that a New Orleans campus Human Resource employee, who was responsible for posting leave to all of that campus' employee leave records, did not perform her responsibilities for the period July 1, 2008 through June 30, 2009. Therefore, the correct employee leave balances for approximately 285 employees could not be determined as of and for the period ending June 30, 2009.

No evidence existed of supervisory review of the changes made to the leave records to ensure that the leave records were being properly updated on a regular basis. In addition, because employees and their supervisors were not provided with detailed periodic reports of leave balances and changes thereto, they were not provided with sufficient information to make decisions about whether leave was available or determine whether their leave balances are being properly updated each pay period.

The Baton Rouge and New Orleans campuses lack of adequate supervisory review over leave records resulted in misstated leave balances and the advancing of leave inappropriately. Misstated leave balances could result in employees receiving the benefits of paid leave or payment of leave upon termination of employment when none is available and also results in misstating the compensated leave liability in the System's AFR. In addition, retirement benefits could be calculated erroneously because an employee's remaining leave balance at retirement is converted to retirement service credit in the calculation of those benefits. The advance of annual leave or unapproved advance of sick leave could be considered a violation of state law and the constitution.

The campuses should ensure that all leave records are mathematically accurate and should implement adequate supervisory and review procedures to ensure that accurate leave records are maintained by the personnel assigned this responsibility. In addition to ensuring that annual leave is not advanced to any employee, the campuses should ensure that sick leave is not advanced unless it is approved and documented in advance. The campuses should also begin providing detailed periodic reports of leave balances to employees and their supervisors for review, and pursue reimbursement from those employees who terminated employment with negative leave balances. Management concurred with the finding and provided corrective action plans (see Appendix A, pages 4-7).

Insufficient Control Over Receivables

For the fourth consecutive year, the System did not maintain adequate internal control over student and federal receivables. Good internal control requires regular monitoring and the periodic reconciliation of accounts receivable general ledger balances to the subsidiary ledger balances to ensure that (1) federal receivables are collected timely; (2) reasonable attempts are made to collect outstanding student account balances; (3) errors and or fraud are detected timely; and (4) financial information is fairly presented. System policy requires that after one year a demand letter be mailed to students not currently enrolled at the university informing them that if past due amounts are not remitted to the university, the account balance will be transferred to the Louisiana Department of Justice for collection 30 days after the letters are mailed.

Our audit revealed the following:

- At June 30, 2009, the New Orleans campus' subsidiary ledger (trial balance report) for student receivables, which totaled $1,168,414, was not properly reconciled to the general ledger balance of $1,149,877 or to the aged accounts receivable report balance of $1,071,675. In addition, the campus' general ledger balances for the doubtful accounts allowances, which totaled $203,668, could not be reconciled to the subsidiary ledger's reserve accounts. At fiscal year-end, a report from the subsidiary system could not be obtained which properly aged the receivable balances.

- At June 30, 2009, the Shreveport campus' subsidiary ledger for student receivables, which totaled $1,624,502, was not reconciled to the general ledger balance of $1,314,348. Since the campus converted to the Banner Student Information System (SIS) in August 2003, a reconciliation of the entire account balance has not been performed. In addition, the campus' general ledger balances for doubtful accounts allowances of $290,734 were not reconciled to the subsidiary ledger balances which totaled $228,956.

- The New Orleans and Shreveport campuses did not remit their doubtful (overdue) accounts of $203,668 and $228,956, respectively, to the Louisiana Department of Justice for collection action as required by System policy. In addition, the New Orleans and Shreveport campuses did not remit their receivable accounts written off during the current year of $158,589 and $164,583, respectively.

- The Shreveport campus did not attempt to collect federal receivables totaling $1,431,690 for over two years. According to the general ledger system, of this amount, $283,126 was established from two to three years ago; $142,367 was established from three to four years ago; and $1,006,197 was established more than four years ago. Because the federal programs are operated on a reimbursement basis, the campus has been using its existing resources to operate the programs without drawing the proper source of funds. This contributed to the campus accumulating a negative cash balance of approximately $2 million at June 30, 2009.

Management did not ensure that the System's policies and procedures requiring the reconciliation of the general ledger accounts to the subsidiary ledgers were performed accurately and timely and that overdue accounts were submitted to the Department of Justice for collection. In addition, the Shreveport campus did not request reimbursement from federal programs timely. As a result, the Shreveport campus may have lost its ability to claim those federal funds that were not requested within the federal programs' period of availability. In addition, the university could not use the replacement funds for necessary functions. When accounts receivable are not adequately monitored, analyzed, collected, and reconciled timely, assets are placed at greater risk of fraud and/or misappropriation and financial records and/or financial statements may not represent the true financial condition of the entity.

Management of the New Orleans and Shreveport campuses should ensure that periodic reconciliations of the subsidiary ledgers for student receivables and the doubtful account allowance accounts to the general ledger balances are performed timely and accurately. Management of each campus should review those reconciliations to ensure that all reconciling items are properly supported. Management should also ensure that overdue student receivables are submitted to the Department of Justice for collection in accordance with System policy. In addition, management of the Shreveport campus should implement adequate procedures to ensure that all federal receivables are adequately monitored and that requests for reimbursement are made timely. The campus should also analyze its federal receivables and pursue collection of all outstanding federal receivables. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 8-10).

Ineffective Internal Audit Function

The System does not have an effective internal audit function to examine, evaluate, and report on compliance with the policies and procedures that comprise the internal controls. An effective internal audit function should identify high risk areas and evaluate and report on whether internal controls have been implemented to properly safeguard assets and prevent or detect errors and fraud in those areas.

During fiscal year ended June 30, 2009, the following were noted about the System's internal audit function:

- Board and System internal auditors issued one report that addressed a high risk area even though the internal audit plan identified 17 high risk areas.

- Southern University - New Orleans internal auditors issued two reports that addressed high risk areas even though the internal audit plan identified 21 high risk areas.

- Southern University - Shreveport internal auditors issued one report that addressed a high risk area even though the internal audit plan identified 25 high risk areas.

- Southern University Law Center and Southern University Agricultural Research and Extension Center share the same internal auditor. Because the internal auditor position was vacant from July 2008 through March 2009, an internal audit plan was not developed and no internal audit reports were issued during the fiscal year.

These institutions report over $124 million in total assets and over $117 million in total revenues. Even though there is no requirement to address each high risk area identified in the internal audit plan or even a specific number of them, the lack of significant progress toward addressing them diminishes the System's ability to identify and address potential weaknesses that could result in the loss of assets, fraud, and errors going undetected and/or funds not being properly expended or accounted for.

Management should allocate sufficient resources and planning to effectively address and report on the high risk areas identified in the audit plans. Management concurred that it did not have an internal auditor for the Southern University Law Center and Southern University Agricultural Research and Extension Center and provided corrective action plans. However, management of the other campuses either did not concur or partially concurred with the finding stating that there are no standards or requirements that mandate a specific number of formal audit reports, that not all work performed results in a report, and that they addressed the most crucial needs with the limited staff they had after positions were eliminated because of budget cuts (see Appendix A, pages 11-18).

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described previously is a material weakness as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Uncollateralized Bank Accounts

The System did not ensure that all bank accounts were adequately collateralized as required by state law. R.S. 49:321 states that state agencies shall require security for deposits of state funds in excess of those amounts insured by a governmental agency, such as the Federal Deposit Insurance Corporation. Under the United States Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), a security agreement for collateral must (1) be in writing; (2) be approved by the financial institution's board of directors or loan committee and that approval must be reflected in the minutes of the board or committee; and (3) be an official record of the depository institution from the time of its execution. If these FIRREA requirements are not met, the entity would not be able to maintain an enforceable security interest in collateral pledged to secure deposits against the receiver of a failed financial institution and, thus, the accounts would not be considered collateralized.

At June 30, 2009, the System's security agreement with one financial institution lacked the approval by its board or loan committee. As a result, the security agreement is not perfected and therefore does not demonstrate compliance with FIRREA requirements for bank account balances totaling $1.8 million out of a total of $56.6 million. Failure to adhere to the FIRREA requirements increases the risk of loss of public funds resulting from the failure of the financial institution. Unless the FIRREA requirements are met, the Federal Deposit Insurance Corporation may rule that the System does not have a perfected security interest and would then have only the right to share with other creditors in the pro rata distribution of the remaining assets of the failed financial institution.

Management of the System should ensure that all FIRREA requirements regarding the security agreement have been met so that the accounts are adequately collateralized as required by state law. Management did not concur with the finding stating that its collateral agreement with the bank complies with the requirements of R.S. 49:321. However, management is in discussions with the bank and the Louisiana Department of Treasury to resolve the issue (see Appendix A, pages 19-20).

Additional Comments: Because the security provided by the bank did not comply with the requirements of FIRREA, the requirement of R.S. 49:321 to provide security for the deposits was not met.

Noncompliance With Louisiana Procurement Code

Southern University Agricultural & Mechanical College (SU A&M) did not comply with the provisions of the Louisiana Procurement Code (LPC) when it continued to operate its food services without a signed vendor contract. The LPC (R.S. 39:1551, et al) applies to every expenditure of public funds by state entities for supplies, equipment, insurance, leases, services, and major repairs. Although not specifically stated, the requirements of the LPC indicate that goods and services are not to be obtained until the purchasing process is complete and the contract awarded.

For the period July 1, 2008, to June 30, 2009, SU A&M received services from a food services vendor without a valid contract in place. Instead, the SU A&M operated under the terms of the contract that had expired on June 30, 2008. Under those terms, the vendor paid an annual lease of $800,000 or the commission calculated in accordance with the commission terms, whichever amount was higher. In addition, the SU A&M paid the vendor approximately $192,000 for various food services provided during fiscal year 2009.

Southern University management expressed that although the SU A&M purchasing department attempted to start the bid process in January 2008, the request for proposal (RFP) was not advertised until May 21, 2008, because the SU A&M administration and Southern University System (SUS) administration did not provide an approved RFP package timely to the purchasing department. The bid closing date was June 27, 2008; however, it was not until December 3, 2008, that the SU A&M administration notified the purchasing department of the selected vendor. The SUS Board of Supervisors did not approve the contract, which has an effective date of July 1, 2009, until July 31, 2009. As a result, the university went the entire fiscal year 2009 without a contract for food services.

By operating under the terms of the expired food services contract, SU A&M precluded the competitive bid process that helps to ensure that services are obtained equitably and under the best possible terms. In addition, SU A&M failed to comply with the requirements of the LPC by not awarding the new contract timely. The lack of a valid contract allows the vendor to have less accountability and exposes SU A&M to a lack of recourse if the vendor does not perform or performs improperly.

SU A&M management should approve RFP packages in a timely manner so that the SU A&M purchasing department can ensure that contracts are bid, awarded, and approved before the expiration of existing contracts. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 21-23).

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

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

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

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

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

Respectfully submitted,

Daryl G. Purpera, CPA
Legislative Auditor

STD:WDD:EFS:PEP:dl

SU09

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

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

Office of the President
(225) 771-4680

Fax Number:
(225) 771-5522

February 9, 2010

Mr. Daryl G. Purpera, CPA
Temporary Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

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

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

Please let me know if additional information is needed.

Sincerely,

Kassie Freeman, Ph.D.
Interim President
Southern University System

KF/gam

Enclosures

xc: Mr. Tolor E. White

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

OFFICE OF THE CHANCELLOR

February 3, 2010

Mr. Daryl G. Purpera
Temporary Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

Inaccurate Annual Fiscal Report Preparation

The Southern University System (System) did not have adequate controls over the New Orleans campus' financial information included in the System's annual fiscal report (AFR) to ensure that the System's AFR and related note disclosures were prepared timely and accurately.

Management Response:

Management concurs with this finding. Management is extremely aware of the significance of submitting timely and accurate financial information. Management will ensure compliance with the closing schedule established by the Southern University System campuses. This will include adjustments to the scheduled time allotted by the institution for year end closing processes, supervisory review and final report preparation, that are sufficient to detect and correct material errors in the campuses' financial information before it is included in the System's AFR.

The aforementioned corrective actions will be closely monitored to ensure that the stated objectives are met by June 30, 2010.

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

Sincerely,

Victor Ukpolo, Ph.D.
Chancellor

SOUTHERN UNIVERSITY OF LOUISIANA AT SHREVEPORT

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Office of the Chancellor

February 4, 2010

Mr. Daryl G. Purpera, Temporary Legislative Auditor
Office of Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Dear Mr. Purpera:

Please find the below-listed legislative audit finding and corrective action response referencing ***"Inaccurate Annual Fiscal Report Preparation"*** (AFR) for the Southern University at Shreveport campus for fiscal year ending June 30, 2009.

Finding:
Inaccurate Annual Fiscal Report (AFR) Preparation.

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

The University will work with System Management and other Southern University campus fiscal officers to develop written procedures and a timetable for preparation and compilation of the AFR. Additionally, the University will modify and strengthen internal procedures regarding preparation and review of all journal entries.

The University has recently hired a Comptroller to assume supervisory responsibility for all accounting personnel, and to ensure day-to-day monitoring of all financial activity. This is a new position within the organizational structure of the Division of Finance and Administration. The proposed upgrade to the Banner Finance software module will also bring significant enhancement to SUSLA's reporting capabilities.

The University will take positive steps to avoid a future repeat of this finding.

Proposed Completion Date: **June 30, 2010**
Persons Responsible: **Dr. Ray L. Belton, Chancellor**
Benjamin Pugh, Vice Chancellor for Finance & Administration

Should you have questions or require additional information, I can be reached at (318) 670-6481.

Respectfully submitted,

Ray L. Belton, Ph.D.
Chancellor

BWP/lhb

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

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

Office of the President
(225) 771-4680

Fax Number:
(225) 771-5522

February 9, 2010

Mr. Daryl G. Purpera, CPA
Temporary Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

Attached are the responses of the following campuses in the Southern University System, to the finding concerning ***"Insufficient Control Over Leave Records"***:

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

Please let me know if additional information is needed.

Sincerely,

Kassie Freeman, Ph.D.
Interim President
Southern University System

KF/gam

Enclosures

xc: Mr. Tolor E. White

SOUTHERN UNIVERSITY And Agricultural & Mechanical College
INCORPORATED 1880 RELOCATED 1914

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

February 5, 2010

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

RE: Insufficient Control Over Leave Records

Dear Mr. Purpera:

We concur with the finding cited by the Office of Legislative Auditor entitled "**Insufficient Control Over Leave Records.**" Southern University at Baton Rouge recognizes the importance of maintaining accurate leave records and affirms that adequate control procedures are needed to ensure that employee leave records are properly maintained. To this end, the University is currently in the process of implementing the Sungard Banner Human Resource System which is scheduled to 'go live' in April 2010. The University's Banner Human Resource Implementation team has been working aggressively for the past two years to ensure that adequate controls are available in the Banner Human Resource System to alleviate the control deficiencies cited by the auditors.

While we recognize that the discrepancies cited by the auditors represent a review of 100% of all leave records maintained at the University, we also recognize that existing controls already in place at the University had previously detected the control deficiencies and that corrective actions were already in progress by the University's Human Resource department. This comprehensive review involves a detailed inspection and reconciliation of all leave records for approximately 1,500 employees. Our internal review however, had not been completed at the time the auditor's conducted their review of leave records.

In September 2009, the University experienced a key personnel loss in the Human Resource department with the untimely resignation of the Human Resource Director. To ensure minimum interruptions in our internal review of leave records, we have appointed an interim director who is overseeing this effort. A University appointed search committee has convened and is currently reviewing application packets of potential candidates to fill this position. The University expects to appoint a permanent director before the end of the fiscal year.

Baton Rouge, Louisiana 70813-0400 [225] 771-2011

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Other corrective actions and mitigating controls that have been put into effect by the University include, providing periodic classes to train University staff on leave processing, validating and monitoring leave records to ensure accuracy in calculations and compliance with all applicable laws and regulations, and providing periodic leave balance reports to employees and supervisors for review as a secondary validation of leave balances.

The management at Southern University at Baton Rouge will continue to review the University's current business practices relating to leave processing in an ongoing effort to strengthen existing controls in this area. The corrective actions outlined above will be monitored on a continuous basis to ensure accuracy of calculations and adequacy of controls. Changes will be implemented in the new Banner Human Resource System to ensure that the system provides adequate and sufficient internal controls over leave processing and maintenance prior to 'go live.'

The point of contact for corrective action is the **Interim Director of Human Resources. Ms. Ethel R. Washington**. The Chancellor's Office will provide administrative oversight in the implementation of the corrective actions. The anticipated date for completion of the corrective action plan is June 30, 2010.

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

Sincerely,

Kofi Lomotey
Chancellor

xc: Kassie Freeman, Interim System President

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

OFFICE OF THE CHANCELLOR

February 3, 2010

Mr. Daryl G. Purpera
Temporary Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

Insufficient Control Over Leave Records

Southern University – New Orleans campus does not have adequate control procedures in place to ensure that employee leave records are being properly maintained.

Management Response:

Management concurs with this finding. Management has implemented corrective action. All leave records for each employee at the institution have been reviewed and brought up to date as of October 30, 2009. Management will ensure that leave balances are posted currently and supervisory review is conducted periodically by the Human Resources Director. For terminated employees with negative leave balances management will send billing statements notifying them of the indebtedness not later than March 31, 2010.

Any questions or concerns regarding these corrective actions can be directed to Randy Dukes, Director of Human Resources. The responsibility and implementation of these actions will be provided by him.

Sincerely,

Victor Ukpolo, Ph.D.
Chancellor

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

Office of the President
(225) 771-4680

Fax Number:
(225) 771-5522

March 3, 2009

Mr. Daryl G. Purpera, CPA
Temporary Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

Attached are the responses of the following campuses in the Southern University System to the finding concerning ***"Insufficient Control Over Receivables"***:

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

Please let me know if additional information is needed.

Sincerely,

Kassie Freeman, Ph.D.
Interim President
Southern University System

KF/gam

Enclosures

xc: Mr. Tolor E. White

SUSLA

SOUTHERN UNIVERSITY SHREVEPORT LOUISIANA

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Office of the Chancellor

February 24, 2010

Mr. Daryl G. Purpera, Temporary Legislative Auditor
Office of Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Dear Mr. Purpera:

Please find the below-listed legislative audit finding and corrective action response referencing ***"Insufficient Control Over Receivables"*** for the Southern University at Shreveport campus for fiscal year ending June 30, 2009.

Finding:
Insufficient Control Over Receivables

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

The University, after several months of intensive recruitment, hired a highly qualified individual in December 2009 to assume the position of Comptroller whose first priority has been to bring day-to-day supervision to this task.

The University also hired an external CPA firm to provide staff training on federal and state regulations relative to receivables.

Additionally, the University is in negotiations with an external CPA firm to provide technical assistance and support in resolving this finding.

Reimbursement requests will be monitored and submitted to the appropriate funding agencies on a timely basis.

All federal receivables will be analyzed by University staff who will be required to diligently pursue collection.

Proposed Completion Date: **June 30, 2010**
Persons Responsible: **Brandy Jacobsen, Comptroller**
Benjamin Pugh, Vice Chancellor for Finance & Administration

Should you have questions or concerns, please contact Mr. Benjamin Pugh at (318) 670-6481.

Respectfully submitted,

Ray L. Belton, Ph.D.
Chancellor

BWP/lhb

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

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

OFFICE OF THE CHANCELLOR

March 1, 2010

Mr. Daryl G. Purpera
Temporary Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

Response to Legislative Auditor Report for FYE 6/30/09

Finding:

Insufficient Control Over Receivables

For the fourth consecutive year, the Southern University System (System) did not maintain adequate internal control over student and federal receivables.

Management Response:

Management concurs with this finding. Management is aware of the necessity to maintain adequate internal control over receivables. When sited for this finding in FY 08, an effort was made to identify the problem with the Accounting Feed for Student Receivables; however, we were not successful in achieving our goal. This Fiscal year Management will schedule quarterly reconciliations of the subsidiary ledger for student receivables to the general ledger balance and the aged accounts receivable report to ensure the integrity of the financial data. Management will also designate specific personnel with the responsibility to adhere to compliance with the Southern University System policies for remitting doubtful accounts to the Louisiana Department of Justice for Collection, and receivable accounts written off during the current year.

Contact Person: Woodie White – Interim Vice Chancellor for Administration and Finance

Completion Date: June 30, 2010

Sincerely,

Victor Ukpolo, Ph.D.
Chancellor

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

Office of the President
(225) 771-4680

Fax Number:
(225) 771-5522

February 9, 2010

Mr. Daryl G. Purpera, CPA
Temporary Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

Attached are the responses of the following campuses in the Southern University System, to the finding concerning ***"Ineffective Internal Audit Function"***:

- **Southern University Board of Supervisors**
- **Southern University at New Orleans**
- **Southern University Law Center**
- **Southern University Agricultural Center**
- **Southern University at Shreveport**

Please let me know if additional information is needed.

Sincerely,

Kassie Freeman, Ph.D.
Interim President
Southern University System

KF/gam

Enclosures

xc: Mr. Tolor E. White

SOUTHERN UNIVERSITY
POST OFFICE BOX 10878
BATON ROUGE, LOUISIANA 70813
(225) 771-2011

Office of the Board of Supervisors
(225) 771-4600
Fax (225) 771-5770

Internet Address:
http://www.sus.edu

February 3, 2010

Mr. Daryl G. Purpera, CPA
Temporary Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, La. 70804-9397

Re: Ineffective Internal Audit Function

Dear Mr. Purpera:

The following response applicable to the Board of Supervisors' Office of Internal Auditor is submitted in reply to the reportable finding entitled, "Ineffective Internal Audit Function."

We do not concur with this finding. The internal audit activities include compliance, performance, and operational audits, follow-up of prior audits, and special projects (investigative reviews, consulting assistance) which may or may not result in a formal written report. As you are aware, there is no standard or requirement that mandates a specific number of formal audit reports to be issued to deem an audit function effective.

In response to the system-wide budget cuts which resulted in the elimination of three positions within the Office of the Internal Auditor during the 2008-2009 fiscal year, resources within the department were reallocated to best meet the most crucial needs. To maximize its limited resources, every effort was to avoid duplication of audit reviews that were scheduled to be conducted by campus level auditors. Instead, the office focused its attention on the Office of Human Resources and the Office of Student Financial Aid which were identified as high risk areas.

The Office of Internal Audit will continuously seek alternative ways to increase the coverage of high risk areas with the limited resources available. As additional resources are allocated to the internal audit function, its ability to address and report on the high risk areas identified in the audit plan will increase.

Plans are currently being made to engage an accounting firm to conduct a study of the system wide internal audit functions. The objective of this study is to assess the organizational structure in meeting its mission and identifying methods to enhance the effectiveness and efficiency in addressing the high level of risks within the organization. The findings and recommendations provided from this study will help address noted deficiencies.

Sincerely,

Tony M. Clayton

Tony M. Clayton
Chairman of the Board

SOUTHERN UNIVERSITY AT NEW ORLEANS
6400 Press Drive
New Orleans, LA 70126-0002
(504) 286-5311
FAX (504) 284-5500
www. suno.edu

OFFICE OF THE CHANCELLOR

February 3, 2010

Mr. Daryl G. Purpera
Temporary Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

Ineffective Internal Audit Function

The Southern University System (SUS) does not have an effective internal audit function to examine, evaluate, and report on compliance with the policies and procedures that comprise the internal controls at the various campuses.

During fiscal year ended June 30, 2009, the following was noted about the SUS internal audit function:

- Southern University – New Orleans (SUNO) internal auditors issued two reports that addressed high risk areas even though the internal audit plan identified seven high risk areas

Management Response:

We do not agree with the finding that Southern University at New Orleans does not have an effective internal audit function.

The Office of Internal Audit is operating with limited resources and one professional. The internal audit activities include audits, consulting, follow up and special projects which may or may not result in a report during the fiscal year in which the project was initiated. The internal audit activities also include administrative duties, meetings, committee participation, and training requirements.

All audit activities provide the opportunity to identify and assess risk throughout the university. The conducting of an audit in one area identified as high risk will frequently encompass other high risk areas. All audit work is conducted according to the standards.

The Office of Internal Audit will continuously seek alternative ways to increase the coverage of high risk areas with the limited resources on hand. As the ability to allocate more resources to the internal audit function is increased, the ability to address and report on the high risk areas identified in the audit plan will increase.

Any questions or concerns regarding the aforementioned can be directed to Renee' Johnson, Director of Internal Audit (504 286-5120).

Sincerely,

Victor Ukpolo, Ph.D.
Chancellor

SOUTHERN UNIVERSITY LAW CENTER
261 A. A. LENOIR HALL
POST OFFICE BOX 9294
BATON ROUGE, LOUISIANA 70813-9294

OFFICE OF THE CHANCELLOR
(225) 771-2552
FAX (225) 771-2474

February 5, 2010

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

Dear Mr. Purpera:

We concur with the audit finding. We have put in place an appropriate corrective action by hiring an internal auditor, Mr. Sterling Bertrand, for the Southern University Law Center and the Southern University Agricultural Research and Extension Center as of March 2009. Mr. Bertrand has submitted an approved Audit Plan for the fiscal year ending June 30, 2010 detailing the audits that will be performed of high risk areas for the Southern University Law Center and the Southern University Agricultural Research and Extension Center.

Sincerely,

Terry R. Hall

Terry Hall
Associate Vice Chancellor
for Financial Affairs

cc: Dr. Kassie Freeman, System President
Mr. Tolor E. White, System Vice President for Finance
Freddie Pitcher, Jr., Chancellor SULC

TH/jca

SOUTHERN UNIVERSITY
AGRICULTURAL
RESEARCH & EXTENSION
CENTER

Office of the Chancellor
Ashford O. Williams Hall
Post Office Box 10010
Baton Rouge, Louisiana 70813
(225) 771-2242
(225) 771-2861 Fax
www.suagcenter.com

February 8, 2010

Darryl G. Purpera, CPA
Temporary Louisiana Legislative Auditor
1609 North Thrid Street
Baton Rouge, La. 70804-9397

Dear Mr. Purpera:

We concur with the finding and have taken corrective actions by hiring an internal auditor, Mr. Sterling Bertrand, for the Southern University Law Center and the Southern University Agricultural Research and Extension Center as of March 2009. Mr. Bertrand has submitted an approved Audit Plan for the fiscal year ending June 30, 2010 detailing the audits that will be performed of high risk areas for the Southern University Law Center and the Southern University Agricultural Research and Extension Center.

If you have any further questions, please contact me at (225)771-2552.

Sincerely,

Leodrey Williams
Chancellor
Southern University Agricultural Research and Extension Center

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Office of the Chancellor

February 4, 2010

Mr. Daryl G. Purpera, Temporary Legislative Auditor
Office of Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Dear Mr. Purpera:

Please find the below-listed legislative audit finding and corrective action response referencing ***"Ineffective Internal Audit Function"*** for the Southern University at Shreveport campus for fiscal year ending June 30, 2009.

Finding:
Ineffective Internal Audit Function

Corrective Action:
Southern University at Shreveport (SUSLA) partially concurs with the above-noted finding. During FY 2009, our Internal Audit function completed field work in several areas of interest to the University. Most of the audits were listed as Special Audits/Projects which can vary significantly from projected audit plans.

The University will review its internal audit function to determine the adequacy of current resources and planning to ensure effective monitoring of high risk areas.

Proposed Completion Date: **June 30, 2010**
Persons Responsible: **Arthur Smalls, CPA - Internal Auditor**
Dr. Ray L. Belton, Chancellor
Benjamin Pugh, Vice Chancellor for Finance & Administration

Should you have questions or require additional information, I can be reached at (318) 670-6481.

Respectfully submitted,

Ray L. Belton, Ph.D.
Chancellor

BWP/lhb

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

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

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

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

January 20, 2010

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

RE: Uncollateralized Bank Accounts

Dear Mr. Purpera:

We do not concur with the finding reported by the Louisiana Legislative Auditor related to "Uncollateralized Bank Accounts". The Southern University System, Regions Bank and The Bank of New York signed a collateral agreement effective May 12, 2009. (See Attachment A) Additionally, Regions Bank transmitted a Secretary Certificate signed by the Assistant Secretary and Assistant General Counsel of Regions Bank naming the individual who signed the agreement as qualified and authorized to sign documents (including security agreements) on behalf of the Bank. (See Attachment B). These documents, we believe, comply with the requirements of R.S. 49:321.

We understand however, that compliance with state law may not obviate a challenge under 12 U.S.C. Section 1823 (e) of Federal Deposit Insurance Enforcement Act of 1989 (FIRREA). We concur that the financial institution's collateral agreement lacks the approval of its board or loan committee as required by FIRREA. When the matter was brought to our attention by the auditors, we began discussions with officials from Regions Bank. Their intent was to develop a document that would be acceptable by the Louisiana Department of Treasury. In our recent discussions with officials from the State Treasurer's office, it was indicated that a collateral agreement that does not comply with all elements of 12 U.S.C. Section 1823 (e) as written would not be acceptable.

Regions Bank has agreed to request approval of the collateral agreement at the next meeting of its Executive Loan Committee. We have requested that minutes of the meeting reflecting the required approvals be submitted to the Office of the Vice President for Finance and Business Affairs and Comptroller within 15 days. If this information is not received, the certificates of deposits held at Regions Bank will not be renewed.

Mr. Tolor White, Vice President for Finance and Business Affairs and Comptroller, is responsible for monitoring the corrective actions indicated in this letter. Please contact Mr. White if you have any questions.

Sincerely,

Kassie Freeman, PhD
Interim System President

cc: Tolor E. White, Vice President for Finance and Business Affairs and Comptroller

KF/TEW

Attachments

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

Office of the President
(225) 771-4680

Fax Number:
(225) 771-5522

March 1, 2010

Mr. Daryl G. Purpera, CPA
Temporary Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

Attached is the response of the Southern University at Baton Rouge Campus to the finding ***"Noncompliance with Louisiana Procurement Code".***

Please let me know if additional information is needed.

Sincerely,

Kassie Freeman, Ph.D.
Interim President
Southern University System

KF/gam

Enclosures

xc: Mr. Tolor E. White

SOUTHERN UNIVERSITY And Agricultural & Mechanical College

INCORPORATED 1880 RELOCATED 1914

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

February 26, 2010

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

RE: Noncompliance with Louisiana Procurement Code

Dear Mr. Purpera:

The University concurs with the audit finding regarding, **"Noncompliance with Louisiana Procurement Code."** The development of the request for proposal (RFP) for the food services operation began on May 17, 2007 and was advertised on May 21, 2008. Southern University Board of Supervisors approved the food services contract on July 31, 2009 after it had been reviewed by the University attorneys, Southern University System management and Southern University and A & M College management. Southern University's procurement procedures require all Requests for Proposal (RFP) to be reviewed and approved by the Chancellor and System President prior to being submitted to the Southern University Board for final approval. Once the food services contract is approved by the Chancellor, System President, and Southern University Board of Supervisors, it can be released to the approved contractor.

The delay in the timely completion of the RFP and contract is partially attributed to several changes in key management personnel from May 17, 2007 to July 31, 2009. During this time, the Southern University System experienced several changes in the top echelon of both the System and Campus officials. Serving the Southern University and A & M College System at various times during this period were two chancellors at the campus level and three presidents at the system level.

Although the System President made several attempts in June 2008 and March 2009 to extend the existing food services contract, the requests for extension was not approved by the contractor.

Baton Rouge, Louisiana 70813-0400 [225] 771-2011

In the best interest of the health and well-being of our students, the University continued to operate under the provisions of the old contract until the selection and approval process was completed. Upon completion of the selection process, the Southern University System and Campus management selected the same contractor that continued to operate the food services operations during fiscal year 2008-09. This food service contractor was approved by the Southern University Board of Supervisors on July 31, 2009.

Southern University management will reevaluate the RFP and contracting procedures to ensure future contracts are completed prior to services being performed. If delays are encountered in completing the contract timely, as a result of uncontrollable management or other administrative changes, the appropriate approvals will be requested and vigorously pursued from the contractor and the Commissioner of Administration.

The point of contact for corrective action is the **Vice Chancellor for Finance and Administration, Mr. Flandus McClinton**. The Chancellor's Office will provide management oversight in the implementation of the corrective actions. The anticipated date for completion of the corrective action plan is June 30, 2010.

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

Sincerely,

Kofi Lomotey mer

Kofi Lomotey
Chancellor

C: Kassie Freeman, Interim System President