SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
ISSUED DECEMBER 26, 2013

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

December 17, 2013

Independent Auditor's Report

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Southern University System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 represent 3.1%, 1.6%, and 0.7%, respectively, of the assets, net position, and revenues of the System. We also did not audit the financial statements of the Southern University System Foundation, which represents the only discretely presented component unit of the System. Those financial statements 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 solely 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 from material misstatement. The financial statements of the SUSLA Facilities, Inc., which were audited by other auditors upon whose report we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the System as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 16 and the Schedule of Funding Progress for Other Postemployment Benefits Plan on page 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying supplementary information combining financial schedules on pages 71 through 80 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) for the Southern University Agricultural & Mechanical (A&M) College System, hereafter referred to as the System, discusses the System's financial performance and presents a narrative overview and analysis of the System's financial activities and statements for the year ended June 30, 2013. The System is geographically located in Baton Rouge, Louisiana and has three campuses located in Baton Rouge, Louisiana on the Baton Rouge Campus land mass, one campus located in New Orleans, Louisiana and one campus located in Shreveport-Bossier, Louisiana. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. The notes to the financial statements provide a summary of some of the significant accounting policies affecting all financial transactions of the System. The primary financial statements presented in this MD&A are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This document should be read in conjunction with the annual financial report of the System.

GASB Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements 14 and 39*, issued in November 2010, modifies certain requirements for determining if a component unit is included in the System's financial statements. The System also applies GASB Statement 39, *Determining Whether Certain Organizations Are Component Units* to determine which component units should be presented in the System's financial statements. The State of Louisiana has set a threshold for including component units if the component unit's total assets equal 3% or more of the total assets of the System. The System has two component units presented in its 2013 financial statements, namely the Southern University System Foundation, hereafter referred to as the Foundation, and the SUSLA Facilities, Inc. The Foundation is a nonprofit organization chartered in 1968 to promote the educational and cultural welfare of the System and to develop, expand, and improve the System's facilities. The Foundation is reported as a discretely presented component unit. SUSLA Facilities, Inc., a nonprofit organization chartered in 2006 was organized to promote, assist, and benefit the mission of Southern University at Shreveport and to develop, renovate, repair, rehabilitate, manage, and lease various facilities for the Shreveport Campus. SUSLA Facilities, Inc. is reported in the accompanying financial statements as a blended component unit. For more detailed information on this blended component unit, the financial statement reader is referred to note 30, "Segment Information."

Based on comparative data for the fall semesters of 2011 and 2012, the System experienced a modest enrollment decline. Enrollment declined from 13,675 students in fall 2011 to 13,346 students in fall 2012. This decline is partially attributable to implementation of higher selective admissions standards, a more competitive recruitment market, and the increasing cost of tuition and fees in higher education.

FINANCIAL HIGHLIGHTS

The System's net position reflects a decrease of $13 million or 9.1%. This decrease in total net position is partially attributable to the implementation of GASB Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This decrease is also attributable to a decline in state appropriations and federal grants and contracts funding in fiscal year 2013.

The System's operating revenues increased by $1.3 million or 1.1%. This increase is primarily attributable to increases in tuition and fees, state and local grants and contract revenues, and auxiliary enterprise revenues.

Nonoperating revenues decreased by $11.2 million or 10.7%. This decrease is primarily attributable to a decline in state appropriated funds and federal nonoperating revenues. State appropriation revenues reflect a decline of $3.9 million or 6.8% and federal Pell grant and ARRA revenues decreased by $6.9 million or 16.4% in fiscal year 2013.

Capital appropriations, grants and gifts, and other additions reflect a positive change of $.7 million or 8.3%.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The financial statements consist of three sections: Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information. The basic financial statements present information for the 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 Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

BASIC FINANCIAL STATEMENTS

The **Statement of Net Position** (pages 17-18) presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between assets plus deferred outflows and liabilities plus deferred inflows is net position, which may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

The **Statement of Revenues, Expenses, and Changes in Net Position** (pages 21-22) presents information that shows how the System's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The **Statement of Cash Flows** (pages 24-25) presents information showing how the System's cash changed as a result of the 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 Statement 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 financial statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The System's financial statements are prepared on an accrual basis of accounting 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 Position. All assets and liabilities associated with the operation of the System are included in the Statement of Net Position.

FINANCIAL ANALYSIS

STATEMENT OF NET POSITION

The Statement of Net Position provides information to the financial statement reader regarding the available assets of the System, the liabilities or amounts owed to vendors, students, or other System constituents, and the net position of resources (net investment in capital assets, restricted, or unrestricted) and their availability for use by the System.

Current assets total $53.4 million and include cash and cash equivalents, net receivables, federal government receivables, deferred charges and prepayments, inventories, other current assets, and the current portion of amounts due from the state treasury.

Current liabilities total $29.7 million and primarily consist of accounts payable, accrued liabilities, deferred revenues, amounts held in custody for others, other current liabilities, and the current portion of long-term debt obligations for capital leases, bonds payable, claims and litigation payable, pollution remediation obligations, and estimated liabilities for compensated absences.

Noncurrent assets total $311.5 million and are comprised primarily of capital assets of $283.5 million. Also included in this section of the report are restricted assets for cash and cash equivalents, investments, and other noncurrent assets.

Noncurrent liabilities total $203.7 million and include the long-term portion of noncurrent liabilities for capital lease obligations, estimated liabilities for compensated absences and other post employment benefits (OPEB), claims and litigation payable, bonds payable, notes payable, and other noncurrent liabilities.

Categories of Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, reflects the total investment in property, plant, and equipment net of accumulated depreciation and outstanding debt obligations. The second net position category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. The restricted expendable net position category is available to the System for legally and contractually obligated expenditures and must be spent for the purposes that are designated by external donors or entities that have placed time or purpose restrictions on the use of the assets. The final net position category is unrestricted, which is available to the System to be used for any lawful purposes.

The **net investment in capital assets** category totals $184.4 million and includes capital investments, net of related debt for land, buildings, equipment, infrastructure, improvements, construction-in-progress, library holdings, and intangibles.

The **restricted nonexpendable net position** category totals $12.5 million and consists of endowment funds that have been restricted by the donor with a stipulation that as a condition of the award the principal is to remain intact and invested for the purpose of producing current and future income that may be either expended or added to the principal.

The **restricted expendable net position** category totals $33.8 million and includes resources for which an external or third party agency has imposed a legal or contractual obligation on the use of the funds that stipulates the manner in which these funds are to be spent by the System.

The **unrestricted net position** category totals a negative $99.2 million and includes resources that are under the control of the System's governing board. This category is comprised of the unfunded estimated liability for OPEB of negative $92.3 million and compensated absences of negative $12.1 million. Also included are auxiliary enterprise funds and other unrestricted funds under the control of the System's governing board.

The assets, liabilities, and net position for fiscal years 2013 and 2012 are presented in Table 1 as follows:

Comparative Statement of Net Position
For the Fiscal Years as of
June 30, 2013 and 2012

	2013	2012 (Restated)	Change	Percentage Change
Assets				
Current assets	$53,431,934	$56,083,962	($2,652,028)	(4.7%)
Capital assets, net	283,544,036	286,278,427	(2,734,391)	(1.0%)
Other noncurrent assets	27,908,627	29,762,091	(1,853,464)	(6.2%)
Total assets	364,884,597	372,124,480	(7,239,883)	(1.9%)
Liabilities				
Current liabilities	29,673,016	29,125,909	547,107	1.9%
Noncurrent liabilities	203,664,650	198,316,250	5,348,400	2.7%
Total liabilities	233,337,666	227,442,159	5,895,507	2.6%
Net Position				
Net investment in capital assets	184,416,135	184,607,372	(191,237)	(0.1%)
Restricted:				
Nonexpendable	12,510,885	11,909,023	601,862	5.1%
Expendable	33,809,001	35,415,831	(1,606,830)	(4.5%)
Unrestricted	(99,189,090)	(87,249,905)	(11,939,185)	13.7%
Total net position	$131,546,931	$144,682,321	($13,135,390)	(9.1%)

The above schedules are prepared using the System's Statement of Net Position which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Total assets of the System decreased by $7.2 million or 1.9%. Total liabilities of the System reflect an increase of $5.9 million or 2.6%. The consumption of assets follows the System's philosophy to use available resources to acquire and improve all operations of the System to better serve the instruction, research, and public service mission of the System.

Statement of Revenues, Expenses, and Changes in Net Position

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

The Statement of Revenues, Expenses, and Changes in Net Position at June 30, 2013, reports a net operating loss of $112.7 million which includes expenses but does not include revenues for state appropriations of $54.1 million, federal nonoperating and ARRA revenues of $35.1 million, gifts of $.6 million, investment income of $.4 million, and other nonoperating revenues of $3.4 million. After adjusting for these revenues in the Nonoperating Revenues (Expenses) section of the report and adjusting for interest expense of $3.6 million, the net loss before other revenues, expenses, gains or losses total $22.6 million.

The operating revenues are received for providing goods and services to the various customers and constituents of the System. Operating revenues total $117.3 million and consist of net tuition and fee revenues, federal, state, and nongovernmental grants and contracts revenues, net auxiliary enterprise revenues and other operating revenues.

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. Operating expenses are reported at $230 million for the year and includes education and general expenses by functional breakdown, depreciation, net auxiliary expenses, and other operating expenses.

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 System even though the Legislature does not receive, directly in return, goods and services for those revenues. Pell grant revenues are reported in the Statement of Revenues, Expenses, and Changes in Net Position as federal nonoperating revenues. Also included in this section are ARRA revenues and net federal student loan receipts and disbursements for the William D. Ford Federal Direct Loan Program. Net nonoperating revenues (expenses) total $90.1 million for fiscal year 2013.

The change in net position on the Statement of Revenues, Expenses, and Changes in Net Position reflect a negative change of 9.1%. Reductions in nonoperating revenues for Pell grants and state appropriations are offset by corresponding reductions in total expenses.

The detailed Statement of Revenues, Expenses, and Changes in Net Position for the System are shown on page 12.

Comparative Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended June 30, 2013 and 2012

	2013	2012 (Restated)	Change	Percentage Change
Operating revenues:				
Student tuition and fees, net of scholarship allowances	$46,219,157	$41,851,958	$4,367,199	10.4%
Federal appropriations	3,384,248	3,336,764	47,484	1.4%
Federal grants and contracts	39,071,089	43,318,843	(4,247,754)	(9.8%)
State and local grants and contracts	4,088,317	3,766,817	321,500	8.5%
Nongovernmental grants and contracts	429,899	351,546	78,353	22.3%
Auxiliary revenues, net of scholarship allowances	19,286,130	18,288,056	998,074	5.5%
Other operating revenues	4,829,476	5,105,198	(275,722)	(5.4%)
Total operating revenues	117,308,316	116,019,182	1,289,134	1.1%
Nonoperating revenues:				
State appropriations	54,075,121	57,992,969	(3,917,848)	(6.8%)
Federal nonoperating revenues	34,608,731	40,561,924	(5,953,193)	(14.7%)
ARRA revenues	470,955	1,377,875	(906,920)	(65.8%)
Gifts	617,537	1,318,307	(700,770)	(53.2%)
Investment income	440,326	274,065	166,261	60.7%
Other nonoperating revenues	3,441,377	3,328,344	113,033	3.4%
Total nonoperating revenues	93,654,047	104,853,484	(11,199,437)	(10.7%)
Total revenues	210,962,363	220,872,666	(9,910,303)	(4.5%)
Operating expenses:				
Educational and general:				
Instruction	51,860,676	53,519,155	(1,658,479)	(3.1%)
Research	8,574,441	9,326,292	(751,851)	(8.1%)
Public service	8,934,936	9,996,591	(1,061,655)	(10.6%)
Academic support	26,149,954	29,323,146	(3,173,192)	(10.8%)
Student services	18,005,563	16,189,566	1,815,997	11.2%
Institutional support	43,129,298	45,921,583	(2,792,285)	(6.1%)
Operation and maintenance of plant	17,942,514	15,465,222	2,477,292	16.0%
Depreciation	14,266,728	14,696,742	(430,014)	(2.9%)
Scholarships and fellowships	23,091,588	30,387,613	(7,296,025)	(24.0%)
Auxiliary enterprises	17,023,924	16,039,960	983,964	6.1%
Other operating expenses	1,016,487	889,171	127,316	14.3%
Total operating expenses	229,996,109	241,755,041	(11,758,932)	(4.9%)
Nonoperating expenses - interest expense	3,595,575	3,637,735	(42,160)	(1.2%)
Other nonoperating expenses		136,800	(136,800)	(100.0%)
Total nonoperating expenses	3,595,575	3,774,535	(178,960)	(4.7%)
Total expenses	233,591,684	245,529,576	(11,937,892)	(4.9%)
Loss before other revenues	(22,629,321)	(24,656,910)	2,027,589	(8.2%)
Capital appropriations	3,569,813	5,159,638	(1,589,825)	(30.8%)
Capital grants and gifts	5,814,416	3,108,514	2,705,902	87.0%
Additions to permanent endowment	109,702	495,850	(386,148)	(77.9%)
Other revenues	9,493,931	8,764,002	729,929	8.3%
Change in net position	(13,135,390)	(15,892,908)	2,757,518	(17.4%)
Net position at beginning of year, restated	144,682,321	160,575,229	(15,892,908)	(9.9%)
Net position at end of year	$131,546,931	$144,682,321	($13,135,390)	(9.1%)

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As shown in the table below, the System invested $283.5 million in capital assets which is shown net of accumulated depreciation. The table below depicts an increase in the total cost of capital assets of $11.1 million or 1.9%. Accumulated depreciation for the same period increased by $13.9 million or 4.7% resulting in an overall net decrease of approximately $2.7 million or 1%. The System's capital assets (including additions, transfers and retirements, net of accumulated depreciation) is comprised of buildings, improvements, equipment, infrastructure, and library holdings. Also included are intangible assets for computer software and non-depreciable assets for land and construction-in-progress.

(Net of depreciation/amortization)

	2013	2012 (Restated)	Change	Percentage Change
Capital assets not being depreciated	$30,811,267	$23,405,742	$7,405,525	31.6%
Other capital assets:				
Infrastructure	32,844,713	32,844,713	0	0.0%
Land Improvements	14,485,562	13,404,194	1,081,368	8.1%
Buildings	374,507,186	373,349,485	1,157,701	0.3%
Equipment (including library books)	134,081,184	132,576,888	1,504,296	1.1%
Software	7,317,561	7,317,561	0	0.0%
Total other capital assets	563,236,206	559,492,841	3,743,365	0.7%
Total cost of capital assets	594,047,473	582,898,583	11,148,890	1.9%
Less - accumulated depreciation	(310,503,437)	(296,620,156)	(13,883,281)	4.7%
Capital assets, net	$283,544,036	$286,278,427	($2,734,391)	(1.0%)

This year's major additions include construction-in-progress projects for repairs to buildings damaged by Hurricane Katrina in New Orleans, renovations and repairs to various buildings, installation of various lighting projects, and the repair of the ravine sloughing project located on the Baton Rouge land mass. Other capital asset increases during the fiscal year include net capitalized increases for equipment and purchases of $.8 million and library purchases of $.7 million.

For additional information concerning Capital Assets, the financial statement reader can refer to note 6 in the accompanying notes to the financial statements.

LONG-TERM DEBT

The System retired $97,915 in bonds payable and paid $1,039,000 in notes payable during the current fiscal year. The total amount of long-term debt at June 30, 2013, is $207.1 million as shown in the table below. Of this amount, $3.4 million is reported as current and is expected to be paid within one year.

Description	Amount	Current Portion
Compensated absences	$12,145,356	$856,920
Notes payable	40,813,943	1,147,537
Capital lease obligation	47,767,527	850,564
Bonds payable	12,771,848	120,000
Pollution remediation payable	11,968	11,968
OPEB obligation	92,318,683	
Claims and litigation payable	1,232,834	410,520
Total	$207,062,159	$3,397,509

For additional information relating to changes in and the composition of long-term liabilities and capital leases, the financial statement reader can refer to notes 9, 12 through 17, and 29 in the accompanying notes to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The following currently known facts, decisions, or conditions are expected to have a significant effect on the System's financial position or results of operations.

Decreases in current enrollment, changes in tuition and fees, and reductions in state and federal funding continue to have a significant impact on the System's financial position. The System has received mid-year budget cuts in state appropriations since fiscal year 2009. Another mid-year budget cut of $1.3 million was imposed by the State during the current fiscal year. These economic factors have placed a strain on already limited resources. The System is addressing these issues through prudent and careful management of available resources.

All universities within the System passed the LA Grad Act in 2013 and were approved to implement varying tuition increases for fiscal year 2014.

The Baton Rouge and Shreveport campuses were recommended for full reaccreditation by SACS Review Committee in 2013. The Law Center has completed the SACS application process and is currently preparing for the Compliance Certification Review.

The Southern University Board of Supervisors approved the expansion and extension of the System's educational partnership with Education Online Services Corporation (EOServe Corp.) to implement multiple online degree programs for all campuses within the System.

Despite continuing budgetary and economic challenges, the System has continued to maintain balanced operating budgets and sustain stable financial positions. The System leadership projects 2014 to be another lean year. The System received a one-time funding increase to be used for non-recurring initiatives for fiscal year 2014. The increase is attributed to the appropriation of $17.5 million in one-time funding. The one-time funding is comprised of $6.5 million from the general fund and $11 million from the statutory dedicated over collections fund. The System leadership has strategically positioned itself to implement approved budgetary measures to ensure that current operations are sustained and the mission and goals of the System are preserved.

The long-term outlook for the System remains strong despite budgetary challenges. Environmental and economic risks continue to challenge the sustainability of institutional programs and services. However, System leadership will continue to make the necessary budgetary adjustments to ensure the long-term viability of the System. Confidence remains positive that the System will accomplish its mission and goals. The System's strategic plan outlines realistic and measurable goals and objectives for long-term growth and stability. The System leadership remains confident that in the long-term, improved economic conditions, stabilized enrollment trends and continued autonomies provided by the LA GRAD Act will allow the System to continue to achieve its goals and mission as a Historically Black College and University System of higher education in the State of Louisiana.

CONTACTING THE 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 for the money it receives. If you have questions about this report or the need for additional financial information, contact the System Vice President for Finance and Business Affairs and Comptroller, Mr. Kevin Appleton, located on the 4th Floor of the J. S. Clark Administration Building, Baton Rouge, Louisiana, 70813; phone number 225-771-5550; e-mail - kevin_appleton@sus.edu.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Position
June 30, 2013

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$17,482,108
Investments (note 3)	620,210
Receivables, net (note 4)	14,412,623
Due from federal government	15,015,999
Due from state treasury	271,210
Inventories	327,982
Deferred charges and prepaid expenses	4,789,025
Notes receivable, net (note 5)	371,737
Other current assets	141,040
Total current assets	53,431,934
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	17,341,448
Restricted investments (note 3)	10,378,914
Capital assets, net (note 6)	283,544,036
Other (note 17)	188,265
Total noncurrent assets	311,452,663
Total assets	364,884,597
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 7)	12,517,186
Deferred revenues (note 8)	11,352,106
Compensated absences (notes 9 and 15)	856,920
Capital lease obligations (notes 14 and 15)	850,564
Amounts held in custody for others	744,189
Claims and litigation payable (notes 13 and 15)	410,520
Notes payable (notes 15 and 16)	1,147,537
Pollution Remediation Obligation (notes 15 and 29)	11,968
Bonds payable (notes 15 and 17)	120,000
Other current liabilities	1,662,026
Total current liabilities	29,673,016

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Position
June 30, 2013

LIABILITIES (CONT.)	
Noncurrent liabilities:	
Compensated absences (notes 9 and 15)	$11,288,436
Capital lease obligations (notes 14 and 15)	46,916,963
Claims and litigation payable (note 13 and 15)	822,314
Notes payable (notes 15 and 16)	39,666,406
Other postemployment benefits payable (notes 12 and 15)	92,318,683
Bonds payable (notes 15 and 17)	12,651,848
Total noncurrent liabilities	203,664,650
Total liabilities	233,337,666
NET POSITION	
Net investment in capital assets	184,416,135
Restricted for:	
Nonexpendable (note 18)	12,510,885
Expendable (note 18)	33,809,001
Unrestricted	(99,189,090)
TOTAL NET POSITION	$131,546,931

(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, 2012

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$6,638,139
Accounts receivable (note 4)	95,720
Capital lease receivable (note 4)	1,105,000
Pledges receivable, net (note 4)	460,686
Due from affiliate (note 4)	236,105
Accrued interest income	1,166
Prepaid expenses	29,601
Prepaid bond insurance (note 17)	32,945
Bond issuance costs (note 17)	27,855
Total current assets	8,627,217
Noncurrent assets:	
Cash and cash equivalents (note 2)	3,136,217
Investments (note 3)	5,567,161
Fixed assets (note 6)	7,096,608
Capital lease receivable (note 4)	51,292,535
Prepaid bond insurance (note 17)	825,832
Bond issuance costs (note 17)	726,693
Total noncurrent assets	68,645,046
TOTAL ASSETS	$77,272,263

(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, 2012

LIABILITIES	
Current liabilities:	
Accounts payable	$703,638
Retainage payable	234,150
Accrued interest payable	882,342
Due to affiliate (note 22)	4,773,866
Loans payable	390,562
Bonds payable and premium, net (note 17)	1,171,157
Total current liabilities	8,155,715
Noncurrent liabilities:	
Rental deposit fund (note 23)	1,876,013
Bonds payable and premium (note 17)	56,583,936
Total noncurrent liabilities	58,459,949
Total liabilities	66,615,664
NET ASSETS	
Unrestricted	1,397,884
Temporarily restricted	6,681,169
Permanently restricted	2,577,546
Total net assets	10,656,599
TOTAL LIABILITIES AND NET ASSETS	$77,272,263

(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 Position
For the Fiscal Year Ended June 30, 2013

OPERATING REVENUES	
Student tuition and fees	$68,511,665
Less scholarship allowances	(22,292,508)
Net student tuition and fees	46,219,157
Federal appropriations	3,384,248
Federal grants and contracts	39,071,089
State and local grants and contracts	4,088,317
Nongovernmental grants and contracts	429,899
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 17)	20,534,327
Less scholarship allowances	(1,248,197)
Net auxiliary revenues	19,286,130
Other operating revenues	4,829,476
Total operating revenues	117,308,316
OPERATING EXPENSES	
Educational and general:	
Instruction	51,860,676
Research	8,574,441
Public service	8,934,936
Academic support	26,149,954
Student services	18,005,563
Institutional support	43,129,298
Operation and maintenance of plant	17,942,514
Depreciation (note 6)	14,266,728
Scholarships and fellowships	23,091,588
Auxiliary enterprises	17,023,924
Other operating expenses	1,016,487
Total operating expenses	229,996,109
OPERATING LOSS	(112,687,793)

(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 Position
For the Fiscal Year Ended June 30, 2013

NONOPERATING REVENUES (Expenses)	
State appropriations	$54,075,121
Federal nonoperating revenues	34,608,731
ARRA revenues (note 25)	470,955
Gifts	617,537
Investment income	440,326
Interest expense	(3,595,575)
Other nonoperating revenues	3,441,377
Net nonoperating revenues	90,058,472
LOSS BEFORE OTHER REVENUES	(22,629,321)
Capital appropriations	3,569,813
Capital grants and gifts	5,814,416
Additions to permanent endowment	109,702
CHANGE IN NET POSITION	(13,135,390)
NET POSITION - BEGINNING OF YEAR (restated) (note 19)	144,682,321
NET POSITION - END OF YEAR	$131,546,931

(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, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES AND OTHER SUPPORT				
Contributions and other support	$1,672,888	$6,268,181	$488,294	$8,429,363
Rental income	2,699,525			2,699,525
Bayou Classic revenues	1,521,884			1,521,884
Scoreboard sponsorships	47,200			47,200
Athletic sponsorships and support		148,575		148,575
Contributed Services	206,500			206,500
Interest income	2,322	31,614		33,936
Realized/unrealized investment gains, net of losses		52,261		52,261
Other income	113,994			113,994
Net assets released from restrictions (note 26)	2,042,454	(2,042,454)		
Total revenues and other support	8,306,767	4,458,177	488,294	13,253,238
EXPENSES				
Program services	7,136,595			7,136,595
Support services	914,098			914,098
Total expenses	8,050,693	NONE	NONE	8,050,693
Changes in net assets	256,074	4,458,177	488,294	5,202,545
Net assets - beginning of year (restated) (note 19)	1,141,810	2,222,992	2,089,252	5,454,054
Net assets - end of year	$1,397,884	$6,681,169	$2,577,546	$10,656,599

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$44,085,477
Federal appropriations	3,384,248
Grants and contracts	43,360,369
Payments to suppliers	(41,304,095)
Payments for utilities	(6,987,261)
Payments to employees	(97,183,900)
Payments for benefits	(37,229,238)
Payments for scholarships and fellowships	(24,000,205)
Loans issued to students	(371,736)
Collection on loans issued to students	488,126
Auxiliary enterprise charges	20,888,503
Other receipts	2,865,048
Net cash used by operating activities	(92,004,664)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	54,541,146
Gifts and grants for other than capital purposes	34,535,007
Private gifts for endowment purposes	109,702
TOPS receipts	2,144,544
TOPS disbursements	(2,138,057)
Implicit loan reduction from other campuses	1,231,492
Implicit loan reduction to other campuses	(1,231,492)
Direct lending receipts	108,038,012
Direct lending disbursements	(108,038,012)
Federal Family Education Loan program receipts	1,046,936
Federal Family Education Loan program disbursements	(1,046,936)
ARRA	470,955
Other receipts	2,522,431
Net cash provided by noncapital financing activities	92,185,728
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants and gifts received	1,129,520
Purchases of capital assets	(3,383,937)
Principal paid on capital debt and leases	(2,028,864)
Interest paid on capital debt and leases	(3,619,974)
Other sources	977,973
Net cash used by capital and related financing activities	(6,925,282)

(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, 2013

CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	$5,879,309
Interest received on investments	241,773
Purchase of investments	(7,290,720)
Net cash used by investing activities	(1,169,638)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,913,856)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR AS RESTATED	42,737,412
CASH AND CASH EQUIVALENTS AT END OF YEAR	$34,823,556
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($112,687,793)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	14,266,728
Changes in assets and liabilities:	
Increase in accounts receivable, net	(1,576,804)
Derease in inventories	268,671
Increase in deferred charges and prepaid expenses	(170,282)
Decrease in notes receivable	116,390
Decrease in other assets	950
Increase in accounts payable	93,440
Increase in deferred revenue	1,874,344
Decrease in compensated absences	(366,564)
Increase in other postemployment benefits payable	7,008,339
Decrease in other liabilities	(832,083)
Net cash used by operating activities	($92,004,664)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents classified as current assets	$17,482,108
Cash and cash equivalents classified as noncurrent assets	17,341,448
Cash and cash equivalents at the end of the year	$34,823,556
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital appropriations for construction of capital assets	$3,569,813
Capital gifts and grants	$4,955,498
Net increase in the fair value of investments	$298,853
Loss on disposal of capital assets	($2,209)

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Southern University System (System) is a publicly supported institution of higher education. The System is a component unit of the State of Louisiana, within the executive branch of government. The System 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 System'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 System is comprised of six agencies: 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 System's Law Center. During the summer, fall, and spring semesters of the 2012-2013 fiscal year, the System conferred 2,312 degrees and student enrollment was approximately 30,137. The System has 500 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.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The System is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) the state issues bonds to finance certain construction; and (4) the System primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the System as authorized by Louisiana statutes and administrative regulations.

Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements. The financial statements are audited by the Louisiana Legislative Auditor.

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

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

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

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

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

C. BASIS OF ACCOUNTING

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred. All significant intra-system transactions have been eliminated.

The SUSLA Facilities, Inc., a nongovernmental blended component unit, and the Southern University System Foundation (Foundation), a discrete component unit, follow the not-for-profit model of financial reporting as set forth in the FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, which are codified in FASB ASC Topic 958. With the exception of necessary presentation adjustments, no modifications have been made to their financial information in the System's financial statements for these differences.

D. BUDGET PRACTICES

The State of Louisiana's appropriation to the System 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; and (4) inventories are recorded as expenditures at the time of purchase. The other funds of the System, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

E. CASH AND CASH EQUIVALENTS

The System defines cash as cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include time deposits and repurchase agreements. Under state law, the System may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the System may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash equivalents reported on the Statement of Net Position 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 System investments are classified as noncurrent assets in the Statement of Net Position.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the System is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift or endowment instrument or bond indenture. Investments maintained in investment accounts in the Foundation are authorized by policies and procedures established by 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 Position. There are no formally adopted policies to further limit interest rate risk, credit risk, custodial credit risk, concentration of credit risk, or foreign currency risk.

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 Position, 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 System's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Buildings and improvements costing $100,000 or more are capitalized. Renovations to buildings, and land improvements that significantly increase the value or extend the useful life of the structure are also capitalized. Any infrastructure exceeding $3 million is also capitalized. Computer software purchased for internal use with depreciable costs of $1 million or more is capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and three to 10 years for most movable property. Library collections regardless of age with a total acquisition value of $5 million or more will be capitalized and depreciated.

I. DEFERRED REVENUES

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

J. COMPENSATED ABSENCES

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

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

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

K. NONCURRENT LIABILITIES

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

L. NET POSITION

The System's net position is classified in the following components:

(a) *Net investment in capital assets* 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 student tuition and fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and 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 payments to vendors for goods or services; payments to employees for services; and 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 Position. 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. 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.

P. ELIMINATING INTERFUND ACTIVITY

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

Q. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2013, the System implemented the following accounting standards:

- GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*, addresses issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of Statement No. 60 had no impact on the financial statements.

- GASB Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements 14 and 34*, modifies certain requirements for inclusion of component units in a government's financial statements. In addition, Statement No. 61 amends the requirement in GASB Statement No. 14 for determining and reporting major component units; clarifies the reporting of equity interests in legally separate organizations; and expands note disclosures explaining the rationale for the classification of each component unit.

- GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, codifies certain accounting and financial reporting guidance included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures that were issued on or before November 30, 1989, and do not conflict with current GASB pronouncements. The implementation of Statement No. 62 had no significant impact on the financial statements.

- GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The implementation of Statement No. 63 primarily affected the replacement of the term "net assets" with "net position."

FOUNDATION

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION AND PURPOSE

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

The consolidated financial statements of the Foundation include:

(1) 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 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. BASIS OF ACCOUNTING

The Foundation financial statement presentation follows the recommendations of the FASB in its Statement of Financial Accounting Standards Codification (FASB ASC) No. 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958, the Foundation is required to report information regarding its financial position and activities according three classes of net assets according to external (donor) imposed restrictions.

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

- *Unrestricted* - net assets not subject to donor-imposed stipulations; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net position.

- *Temporarily restricted* - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the foundations and/or the passage of time.

- *Permanently restricted* - net assets subject to donor-imposed restriction that they be maintained permanently by the foundation.

C. USE OF ESTIMATES

Management uses estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the estimates that were used.

D. 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.

E. ENDOWMENT INVESTMENTS

Endowment investments are in certificates of deposit with original maturities of more than three months and short-term money market securities and are carried at cost, which approximates market value. Interest earned from investments, including realized and unrealized gains and losses, is reported in the unrestricted net asset class except where the instructions of the donor specify otherwise.

F. PLEDGES

Unconditional promises to give are recognized as revenue in the period in which a written or oral agreement to contribute cash or other assets is received. An allowance for doubtful accounts is established based on the prior collection history of pledged contributions and management's analysis of specific promises made. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

G. 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 System.

H. CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

I. 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/or supporting services benefited.

J. TAX EXEMPTION STATUS

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

K. 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.

L. 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.

M. NONCURRENT LIABILITIES

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

N. 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, 2013, the System has cash and cash equivalents (book balances) totaling $34,823,556 as follows:

Demand deposits	$29,184,887
Time certificates of deposit	5,636,969
Petty cash	1,700
Total	$34,823,556

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

Current assets	$17,482,108
Noncurrent assets - restricted	17,341,448
Total	$34,823,556

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The pledged securities are held in the name of the university or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2013, the university has $32,137,064 in deposits (collected bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

FOUNDATION CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Cash and cash equivalents exceeded federally insured limits by $674,027 as of December 31, 2012.

3. INVESTMENTS

At June 30, 2013, the System has investments totaling $10,999,124 as follows:

	Fair Value June 30, 2013	Investment Maturities (Years)	Credit Quality Rating
Investments held by private foundation:			
Corporate bonds	$1,508,219	2.32	
U.S. agency obligations	1,093,256	3.84	
Government obligations	96,637	0.22	
Common and preferred stock	1,452,132	Not Applicable	
Mutual funds	1,311,403	Not Applicable	
Subtotal - held by private foundation	5,461,647		Not Rated
Louisiana Asset Management Pool	2,272,878	Not Applicable	AAAm
U.S. government obligations	9,998	0.34	Not Applicable
Equities	797,019	Not Applicable	Not Applicable
Mutual funds (debt securities)	477,579	5.67	Not Rated
Money market mutual fund	22,893	Not Applicable	Not Rated
Subtotal	3,580,367		
SUSLA Facilities, Inc.	1,957,110		
Total	$10,999,124		

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

Current assets	$620,210
Noncurrent assets - restricted	10,378,914
Total	$10,999,124

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

The investments in U.S. government obligations totaling $9,998 are generally not exposed to custodial credit risk because they are backed by the full faith and credit of the U.S. government. There is no formal adopted investment policy regarding custodial credit risk.

Investments totaling $5,461,647 are held by private foundations in external investment pools and managed in accordance with the terms outlined in management agreements executed between the System and the Foundation. The System is a voluntary participant. The foundations hold and manage funds received by the System as state matching funds for the Endowed Chairs and Endowed Professorship programs. All of these investments are held by the System's discretely presented component unit.

At June 30, 2013, the Facilities has bond funds totaling $1,957,110 on deposit with its bond trustee. These deposits consist of cash equivalents, money market investments, and securities that are primarily issued by the U.S. government and various other financial instruments. The financial statements and notes to the financial statements of the Facilities were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, codified by FASB ASC Topic 958. Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the notes to the financial statements of the Facilities do not reflect the requirements of GASB Statement No. 3, as revised by GASB Statement No. 40.

FOUNDATION INVESTMENTS

Investments are stated at market value in accordance with FASB ASC Topic 820, *Fair Value Measurements*. Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata include:

> Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume).
>
> Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.
>
> Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation specified data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2012, are as follows:

Description	Level 1	Level 2	Level 3	Fair Value
Publicly traded securities	$932,566			$932,566
Fixed income funds	4,634,595			4,634,595
Total	$5,567,161	NONE	NONE	$5,567,161

The above total represents the amount of investments that are maintained and managed on behalf of the System. These amounts are classified as noncurrent restricted assets in the Statement of Financial Position.

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	$6,773,506	($1,582,054)	$5,191,452
Auxiliary enterprises	1,166,086	(449,923)	716,163
State and private grants and contracts	2,800,540		2,800,540
Accrued interest receivable	24,377		24,377
Due from Office of Facility Planning	4,419,367		4,419,367
Other	1,260,724		1,260,724
Total	$16,444,600	($2,031,977)	$14,412,623

There is no noncurrent portion of accounts receivable.

FOUNDATION RECEIVABLES

As of December 31, 2012, accounts receivable totaled $95,720. Management believes all receivables to be collectible; therefore, no allowance for doubtful collection is recorded.

Unconditional pledges receivable are due as follows on December 31, 2012:

Expected to be collected in:	
Less than one year	$185,566
One to five years	348,374
Gross pledges receivable	533,940
Less - allowance for doubtful accounts	(73,254)
Pledges receivable, net	$460,686

The Foundation entered into a cooperative agreement with the System's Board to lease the projects included in the bond issuance. The System's 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 System during the next fiscal year totals $1,105,000. The total amount due for succeeding years totals $51,292,535. The total Capitalized Lease Receivable balance at December 31, 2012, totaled $52,397,535.

The Foundation has certain receivables due from the System. The receivables due from the System were as follows at December 31, 2012:

Reimbursable costs pertaining to bond projects due from the Baton Rouge campus	$68,212
Reimbursable costs pertaining to bond projects due from the Shreveport campus	167,893
Total due from affiliate	$236,105

5. NOTES RECEIVABLE

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

Notes receivable are shown on Statement A, net of an allowance for doubtful accounts, at June 30, 2013. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
Federal Perkins Loan Program (A&M and SUSLA)	$1,987,308	($1,987,308)	
Student Government Association loans (SUNO)	371,737		$371,737
Long-term student loans (SUSLA)	98,931	(98,931)	
Total	$2,457,976	($2,086,239)	$371,737

6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2013, is as follows:

	Balance June 30, 2012	Prior Period Adjustments	Adjusted Balance June 30, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Capital assets not being depreciated:							
Land	$6,609,696		$6,609,696				$6,609,696
Non-depreciable land improvements	139,640		139,640				139,640
Software-development in progress	NONE						NONE
Construction-in-progress	16,656,406		16,656,406	$8,465,561	($1,060,036)		24,061,931
Total capital assets not being depreciated	$23,405,742	NONE	$23,405,742	$8,465,561	($1,060,036)	NONE	$30,811,267
Capital assets being depreciated:							
Infrastructure	$32,844,713		$32,844,713				$32,844,713
Less accumulated depreciation	(24,287,216)		(24,287,216)	($241,518)			(24,528,734)
Total infrastructure	8,557,497	NONE	8,557,497	(241,518)	NONE	NONE	8,315,979
Land improvements	13,404,194		13,404,194	1,067,807	13,561		14,485,562
Less accumulated depreciation	(5,609,304)		(5,609,304)	(561,459)			(6,170,763)
Total land improvements	7,794,890	NONE	7,794,890	506,348	13,561	NONE	8,314,799
Buildings	373,349,484		373,349,484	111,227	1,046,475		374,507,186
Less accumulated depreciation	(144,834,580)	($41,570)	(144,876,150)	(8,483,348)			(153,359,498)
Total buildings	228,514,904	(41,570)	228,473,334	(8,372,121)	1,046,475	NONE	221,147,688
Equipment (including library books)	132,563,363	13,525	132,576,888	1,889,951		($385,655)	134,081,184
Less accumulated depreciation	(119,824,430)	(9,631)	(119,834,061)	(3,935,038)		383,446	(123,385,653)
Total equipment	12,738,933	3,894	12,742,827	(2,045,087)	NONE	(2,209)	10,695,531
Software (internally generated and purchased)	7,317,561		7,317,561				7,317,561
Other intangibles							
Accumulated amortization - other intangibles							
Accumulated amortization - software	(2,013,424)		(2,013,424)	(1,045,365)			(3,058,789)
Total intangibles	5,304,137	NONE	5,304,137	(1,045,365)	NONE	NONE	4,258,772
Total capital assets being depreciated	$262,910,361	($37,676)	$262,872,685	($11,197,743)	$1,060,036	($2,209)	$252,732,769
Capital assets summary:							
Capital assets not being depreciated	$23,405,742	NONE	$23,405,742	$8,465,561	($1,060,036)	NONE	$30,811,267
Capital assets being depreciated	559,479,315	$13,525	559,492,840	3,068,985	1,060,036	($385,655)	563,236,206
Total cost of capital assets	582,885,057	13,525	582,898,582	11,534,546	NONE	(385,655)	594,047,473
Less accumulated depreciation	(296,568,954)	(51,201)	(296,620,155)	(14,266,728)	NONE	383,446	(310,503,437)
Capital assets, net	$286,316,103	($37,676)	$286,278,427	($2,732,182)	NONE	($2,209)	$283,544,036

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, 2013, total interest paid on capital debt was $2,765,626.

Buildings with a carrying value of $1,239,159 are idle at June 30, 2013.

FOUNDATION FIXED ASSETS

Land, building, and equipment as of December 31, 2012, are summarized as follows:

Land and improvements	$1,005,193
Building	172,125
Office equipment	24,725
Scoreboard equipment	2,555,612
Furniture and fixtures	79,994
Software	56,610
Subtotal	3,894,259
Less - accumulated depreciation	(2,721,477)
Total	$1,172,782

Depreciation expense totaled $269,777 for the year ended December 31, 2012.

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

The Foundation borrowed money and is in the process of constructing the facilities as specified by the Board. Certain facilities have been completed and are being leased back to the Board. Other facilities are still in the process of being constructed. The revenues generated by these facilities will be used to pay for the financing of the project. Construction-in-progress related to the project totaled $5,923,826 at December 31, 2012.

7. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of the System's payables and accruals at June 30, 2013:

Vendor payables	$4,967,834
Accrued salaries and payroll deductions	5,814,460
Accrued interest	1,734,892
Total	$12,517,186

8. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2013:

Prepaid tuition and fees	$2,556,432
Prepaid athletic ticket sales	316,346
Prepaid room and board	199,208
Grants and contracts	8,280,120
Total	$11,352,106

9. COMPENSATED ABSENCES

At June 30, 2013, employees of the System have accumulated and vested annual leave, sick leave, and compensatory leave of $5,760,292; $6,174,756; and $210,308, 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 and 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. TRSL and LASERS 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 retirement systems, with employee benefits vesting after five years of service for TRSL and after 10 years of service for LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information. The TRSL reports may be obtained online at www.trsl.org or by writing to the Teachers' Retirement System of Louisiana at Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446. The LASERS reports may be obtained online at www.lasersonline.org or by writing the Louisiana State Employees' Retirement System at Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy - The contribution requirements of 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 Louisiana Revised Statute (R.S.) 11:102. For fiscal year 2013, employees contributed 8% (TRSL) and 7.5% (LASERS) of covered salaries (8% and 9.5 % for LASERS employees hired after July 1, 2006 and Hazardous Duty employees, respectively). For fiscal year 2013, the state is required to contribute 24.4% of covered salaries to TRSL. The state is also required to contribute 29.1% and 28% of covered salaries to LASERS and Hazardous Duty. The State of Louisiana, through the annual appropriation to the university, funds the employer contribution. The employer contributions to TRSL for the years ended June 30, 2013, 2012, and 2011 were $10,903,717; $11,103,793; and $9,559,209, respectively, and to LASERS for the years ended June 30, 2013, 2012, and 2011 were $5,765,955; $5,624,820; $5,096,221, 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 24.4% of the covered payroll for fiscal year 2013. The participant's contribution of 8% for fiscal year 2013, less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $4,878,386 and $1,599,480, respectively, for the fiscal year ended June 30, 2013.

12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description - Employees of the System voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately prior to retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan, but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report; however, the entity is included in the Louisiana 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 Health Maintenance Organization (HMO) Plan, and the Medical Home HMO Plan. OGB also offers the Consumer Driven Health Plan with a Health Saving Account option (CDHP-HSA) to active employees. OGB also offered the Regional HMO Plan for the first part of the fiscal year which ended December 31, 2012. Retired employees who have Medicare Part A and Part B coverage also have access to three OGB Medicare Advantage plans: the Peoples Health HMO-POS Plan, the Vantage HMO-POS Plan, and the Vantage Zero-Premium HMO-POS Plan. There is also a Health Exchange Plan which is not an OGB plan; however, OGB is partnering with Extend Health to offer access to multiple Medicare plans. There are no premiums to the state for the Vantage Zero-Premium HMO-POS Plan or the Health Exchange Plan. During calendar year 2012, OGB offered five Medicare Advantage plans: Humana HMO Plan, Peoples Health HMO-POS Plan, Vantage HMO-POS Plan, Humana PPO Plan, and United Healthcare PPO Plan.

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

Service	Employee Contribution Percentage	Employer Contribution Percentage
Under 10 years	81%	19%
10 - 14 years	62%	38%
15 - 19 years	44%	56%
20+ years	25%	75%

The following table shows the monthly premium rates in effect at June 30, 2013.

	PPO	HMO	CPHP with HSA
Active			
Single	$576	$544	$447
With Spouse	1,223	1,156	950
With Children	702	664	545
Family	1,290	1,219	1,001
Retired, No Medicare and Re-employed Retiree			
Single	$1,071	$1,015	N/A
With Spouse	1,892	1,793	N/A
With Children	1,193	1,131	N/A
Family	1,883	1,784	N/A
*Retired, with 1 Medicare			
Single	$348	$336	N/A
With Spouse	1,287	1,228	N/A
With Children	603	578	N/A
Family	1,715	1,634	N/A
*Retired, with 2 Medicare			
With Spouse	$626	$602	N/A
Family	775	746	N/A

*All members who retire on or after July 1, 1997, must have Medicare Parts A and B to qualify for the reduced premium rates.

The following table shows the Medicare Advantage Plans monthly premium rates in effect at June 30, 2013.

	Calendar Year 2013		Calendar Year 2012	
	Retired with		Retired with	
Medicare Supplemental Rates	1 Medicare	2 Medicare	1 Medicare	2 Medicare
People's Health (HMO Plan)	$234	$468	$167	$334
Vantage (HMO Plan)	$184	$369	$279	$558
Humana (HMO Plan)			$156	$312
Humana (PPO Plan)			$150	$300
United Health Care (PPO Plan)			$214	$428

OGB also provides eligible retirees and their spouses 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. Effective January 1, 2013, the total monthly premium is approximately $1 per thousand dollars of coverage of which the employer pays fifty cents for retirees. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability - The System’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL) over a period of 30 years. A 30-year open amortization period has been used. The total ARC for fiscal year 2013 is $12,305,500.

The following schedule presents the components of the System’s annual OPEB cost for fiscal year 2013, the amount actually contributed to the plan, and changes to the System’s net OPEB obligation to the OPEB plan:

ARC	$12,305,500
Interest on net OPEB obligation	3,412,700
ARC adjustment	(3,259,900)
Annual OPEB cost	12,458,300
Contributions made - current year retiree premiums	(5,449,961)
Increase in net OPEB obligation	7,008,339
Beginning net OPEB obligation, June 30, 2012	85,310,344
Ending net OPEB obligation, June 30, 2013	$92,318,683

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, 2013, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$16,928,600	28.5%	$78,027,232
June 30, 2012	$12,769,901	43.0%	$85,310,344
June 30, 2013	$12,548,300	30.3%	$92,318,683

Funded Status and Funding Progress - During fiscal year 2013, neither the System nor the State of Louisiana made contributions to a postemployment benefits plan trust. A trust was established July 1, 2008, but was not funded, has no assets, and hence has a funded ratio of zero. Since the plan was not funded, the System's entire actuarial accrued liability (AAL) of $173,573,500 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2012, was as follows:

AAL	$173,573,500
Actuarial value of plan assets	NONE
UAAL	$173,573,500
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$74,707,245
UAAL as a percentage of covered payroll	232.3%

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

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

In the July 1, 2012, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and initial annual healthcare cost trend rate of 8.0% and 6.0% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 4.5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on an open basis. Annual per capita medical claims were updated to reflect an additional year of actual experience.

13. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund that is operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. The System is involved in nine lawsuits at June 30, 2013, that are being handled by contract attorneys. In the opinion of legal counsel, the possibility that the System will incur a liability in two of the cases is probable and the amount of $157,500 is reflected on the financial statements. The amount of settlements paid in the last three years did not exceed insurance coverage. For the claims and litigation not being handled by the Office of Risk Management, the System's campuses pay for settlements out of available funds.

14. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2013, total operating lease expenditures were $2,666,200. There were no future minimum annual rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013.

Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. Assets under capital lease are included as capital assets in note 6. The majority of the capital lease obligation is associated with the capital lease agreement described at note 23. The capital lease obligation reported by the System does not equal the capital lease receivable reported by the Foundation due to its fiscal year ending on December 31. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments, at June 30, 2013:

Fiscal Year Ended June 30,	
2014	$3,563,095
2015	3,562,858
2016	3,560,009
2017	3,559,297
2018	3,560,483
2019-2023	17,797,621
2024-2028	17,797,135
2029-2033	17,803,450
2034-2038	17,803,485
2039	3,559,071
Total mimimum payments	92,566,504
Less - amount representing interest	(44,798,977)
Present value of net minimum lease payments	$47,767,527

The gross amount, including capitalized interest, of assets held under capital leases as of June 30, 2013, totals $54,788,083 and includes buildings, land improvements, equipment, and land of $51,064,216; $2,284,478; 983,951; 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, 2013:

Nature of Lease	Cost	Depreciation	Amount
Office space	$984,270	($171,357)	$812,913
Buildings	6,305,567	(3,805,352)	2,500,215
Total	$7,289,837	($3,976,709)	$3,313,128

The following is a schedule, by fiscal years, of the minimum future rentals on noncancelable operating leases as of June 30, 2013:

Nature of Operating Lease	2014	2015	2016	2017	2018	2019-2023	2024-2028	2029-2032	Total Minimum Future Rentals
Office space	$1,636,640	$1,552,100	$1,587,100	$1,620,900	$1,657,900				$8,054,640
Buildings	30,000								30,000
Equipment	15,000								15,000
Land	3,600	3,600	3,600	3,600	3,600	$18,000	$18,000	$7,800	61,800
Other	72,296	66,296	50,000	50,000	50,000	200,000			488,592
Total	$1,757,536	$1,621,996	$1,640,700	$1,674,500	$1,711,500	$218,000	$18,000	$7,800	$8,650,032

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. For fiscal year ended June 30, 2013, contingent rentals for office space and other amounted to $232,314 and $1,841, respectively.

FOUNDATION LEASE OBLIGATIONS

Lease Agreement

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

15. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in the System's long-term liabilities for the fiscal year ended June 30, 2013:

	Balance, June 30, 2012	Additions	Reductions	Balance, June 30, 2013	Amounts Due Within One Year
Compensated absences payable	$12,511,919	$212,486	($579,049)	$12,145,356	$856,920
Capital lease obligations	48,912,476		(1,144,949)	47,767,527	850,564
Claims payable	149,250	1,365,099	(281,515)	1,232,834	410,520
Notes payable	41,852,943		(1,039,000)	40,813,943	1,147,537
OPEB payable	85,310,344	13,057,582	(6,049,243)	92,318,683	
Revenue bonds payable	12,869,763		(97,915)	12,771,848	120,000
Pollution Remediation Obligation	120,485	50,368	(158,885)	11,968	11,968
Total long-term liabilities	$201,727,180	$14,685,535	($9,350,556)	$207,062,159	$3,397,509

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.

On March 29, 2013, the Secretary of the U.S. Department of Education (the Secretary) modified the terms and conditions of the Gulf Hurricane Disaster loan made to the University under the Historically Black College and University Capital Financing Program. The loan modification is required by statute to be on such terms as the Secretary, the Secretary of the Treasury, and the Director of the Office of Management and Budget jointly determine are in the best interests of both the United States and the University and necessary to mitigate the economic effects of the hurricanes, provided that the modification does not result in any net cost to the Federal Government.

The loan modification has three principal components: payment forbearance, expense-base repayment and debt adjustment. The University will receive a five-year forbearance commencing April 1, 2013, during which no principal, interest, or servicing fees will be required to be paid. During the forbearance period, the Secretary will pay the required principal and interest payments, and the servicing fee. At the end of the forbearance period, the accrued interest, the servicing fees, and the insurance fee will be capitalized with the principal balance, and a reamortized debt service plan will be developed.

Beginning 60 days after execution of the loan modification documents, and every February thereafter, the University will provide the secretary with a detailed operating plan and performance data addressing goals agreed to by the University and the Secretary. The content required to be submitted as a part of the operating plan includes financial statements, budgets, census information on employees and students, and short-term and long-term strategies regarding enrollment, auxiliary services income, and the academic core.

If the Secretary determines that the University's submission for the first four years of forbearance reflect a good faith effort to devise and implement a reasonable strategic plan, and that the performance data reflect reasonable progress in the circumstances towards the benchmarks adopted, the Secretary will designate the University as eligible for Expense-Based Repayments (EBR).

Once the five-year forbearance has ended, the EBR will be based on the University's adjusted unrestricted fund operating expenses. The EBR will be set at the lesser of the reamortized scheduled payments (plus servicing and Federal Financing Bank (FFB) fees) or six percent (3%) of the adjusted Unrestricted Current Funds' operating expenses. If the EBR is less than the reamortized scheduled payment, the University will pay the EBR and the Secretary will pay the difference. However, the amounts paid by the Secretary will not reduce the amount owed by the University.

Upon approval by the Secretary, if the University has made payments in the amounts and at the times specified in the loan documents, any loan amounts outstanding due to the difference between the EBR payment amounts and the reamortized scheduled payment amounts will be forgiven at the maturity date of June 1, 2037. The Secretary reserves the right to deny forgiveness if the University has breached, falsified, or misrepresented any covenants, representations, or any information relative to the loan and related documents.

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, 2013, the System recorded advances in the amount of $40,813,943 and is reported on the Statement of Net Position as Notes Payable.

The following is a summary of future minimum payments as of June 30, 2013:

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	$1,147,537	$405,315	$1,552,852
2015	1,265,284	393,545	1,658,829
2016	1,363,074	380,648	1,743,722
2017	1,459,866	366,773	1,826,639
2018	1,607,549	351,815	1,959,364
2019-2023	8,327,124	1,513,141	9,840,265
2024-2028	8,751,214	1,087,306	9,838,520
2029-2033	9,200,250	639,737	9,839,987
2034-2038	7,692,045	174,181	7,866,226
Total	$40,813,943	$5,312,461	$46,126,404

17. BONDS PAYABLE

Bonds payable consisted of the following for the fiscal year ended June 30, 2013:

Issue	Date of Issue	Original Issue	Principal Outstanding June 30, 2012	Issued (Redeemed)	Principal Outstanding June 30, 2013	Final Fiscal Year Maturity	Interest Rates	Future Interest Payments June 30, 2013
A.W. Mumford Stadium Track Resurfacing								
Revenue Bonds, Series 1993	November 1, 1993	$650,000	$30,000	($20,000)	$10,000	2014	8.50%	$425
SUSLA Facilities, Inc., Revenue Bonds:								
Series 2007A	July 25, 2007	12,795,000	12,795,000		12,795,000	2040	5.75%	13,071,904
Series 2007B	July 25, 2007	205,000	100,000	(80,000)	20,000	2014	9.0%	900
Total			12,925,000	(100,000)	12,825,000			$13,073,229
Accumulated amortization of premium			81,485	(3,074)	78,411			
Accumulated amortization of discount			(136,722)	5,159	(131,563)			
Bonds payable, net			$12,869,763	($97,915)	$12,771,848			

The scheduled maturities of the bonds at June 30, 2013, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	$120,000	$734,450	$854,450
2015	145,000	726,369	871,369
2016	180,000	717,025	897,025
2017	215,000	705,668	920,668
2018	245,000	692,444	937,444
2019-2023	1,460,000	3,226,613	4,686,613
2024-2028	1,935,000	2,741,456	4,676,456
2029-2033	2,555,000	2,100,332	4,655,332
2034-2038	3,385,000	1,251,628	4,636,628
2039-2040	2,585,000	177,244	2,762,244
Total	$12,825,000	$13,073,229	$25,898,229
Unamortized premium/discount, net	($53,152)		
Bonds payable reported on the Statement of Net Assets	$12,771,848		

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 the Facilities bonds, Series 2007A and 2007B, are amortized using the straight-line method over the lives of the bonds. Bond issuance costs incurred through the bond issuance totaled $230,528. Bond issuance costs net of accumulated amortization are as follows for the fiscal year ended June 30, 2013:

	Costs	Prior Year Accumulated Amortization	Current Year Amortization	Costs, net of Accumulated Amortization
Bond issuance costs	$230,528	($34,579)	($7,684)	$188,265

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 track 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 3.08% of net revenues. The total principal and interest remaining to be paid on the bonds is $10,425. Principal and interest paid for the current year and total fees collected were $21,700 and $340,066, respectively.

The following is a summary of the debt service reserve requirements of the bond issues outstanding at June 30, 2013:

	Cash/ Investment Reserves Available	Reserve Requirements	Excess
A.W. Mumford track project	$10,839	$10,425	$414
SUSLA Facilities, Inc., Series 2007A	$948,488	$948,488	

FOUNDATION REVENUE BONDS PAYABLE

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

The requirements to amortize the bonds are as follows:

Year Ended December 31,	Principal
2013	$1,105,000
2014	1,160,000
2015	1,215,000
2016	1,275,000
Subsequent to 2016	51,280,000
Total	$56,035,000

Interest expense for the year ended December 31, 2012, totaled $3,065,788. Total bonds payable net of bond premium totaled $57,755,093.

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	(330,786)
Current year amortization	(66,158)
Total accumulated amortization	(396,944)
Ending balance, December 31, 2011	$1,720,093

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, 2012
Bond issuance costs	$927,291	($144,888)	($27,855)	$754,548
Prepaid bond insurance	$1,054,250	($162,528)	($32,945)	$858,777

18. RESTRICTED NET POSITION

The System has the following restricted net position at June 30, 2013:

Nonexpendable - endowments	$12,510,885
Expendable:	
Gifts, grants, and contracts	$2,795,873
Endowment income	3,968,485
Student fees, faculty and staff funds	9,048,671
Student loans	1,056,488
University plant projects	15,844,686
Debt service requirements	1,094,809
General Fund	(11)
Total expendable	$33,809,001

Of the total net assets reported in the Statement of Net Position as of June 30, 2013, a total of $10,028,128 is restricted by enabling legislation.

FOUNDATION RESTRICTED NET ASSETS

Net assets that were permanently restricted as of December 31, 2012, consisted of a $2,577,546 scholarship endowment fund.

19. RESTATEMENT OF BEGINNING NET POSITION

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

Net Position at June 30, 2012	$144,689,843
Capital asset adjustment	(37,676)
Investment correction	5,300
Deferred revenue adjustment	(3,531)
Accounts payable adjustment	(63,170)
Revenue reclassification	(116)
Expense reclassification/adjustment	(819,324)
Accounts receivable adjustment	1,265,730
Federal receivable adjustment	(535,305)
Write-off recovery	(107)
Risk management claim reimbursement	25,026
Endowment adjustment - permanent	60,000
Endowment adjustment - income	11,056
Restate fund balance at beginning of year	61,532
Claims and litigation adjustment	8,000
Payroll expense correction	15,063
Net Position at June 30, 2012, as restated	$144,682,321

FOUNDATION NET ASSET RESTATEMENT

The Foundation made an adjustment to unrestricted beginning net assets for the year ended December 31, 2012, to properly reflect payment from a sponsor in the amount of $32,750 that should have been recorded as revenue in the prior year. An adjustment was also made to unrestricted beginning net assets in the amount of $3,709 to properly reflect accumulated depreciation per the fixed asset schedule. The following schedule summarizes the adjustments to unrestricted beginning net assets:

Unadjusted unrestricted beginning net assets	$1,112,769
Revenue adjustment	32,750
Depreciation adjustment	(3,709)
Restated unrestricted beginning net assets	$1,141,810

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, 2013, net appreciation of $3,918,535 is available to be spent, of which $3,013,436 is restricted to specific purposes. The donated portion of the endowments is reported in restricted net position - nonexpendable in the Statement of Net Position; the endowment income is reported in restricted net position - expendable.

21. RELATED PARTY TRANSACTIONS

During fiscal year ended June 30, 2013, 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 auxiliary activities of the Bayou Classic weekend. Southern University and A&M College also obtained financing for various capital projects through a third party financing arrangement with its affiliate, the Southern University System Foundation, Millennium Housing, L.L.C. The System also has a cooperative endeavor agreement with the Foundation to manage certain endowments on the System's behalf.

The Southern University Law Center, Southern University at New Orleans, and Southern University Shreveport also had a relationship with the Foundation during the fiscal year ending June 30, 2013. The three campuses, as well as Southern University and A&M College, invest funds with the Foundation. See note 3 for details. In addition, Southern University at Shreveport has obtained financing for various projects in previous years through a third party arrangement with the Foundation.

Certain board members of the System are also board members of the Foundation. The System provides certain payroll management functions, as well as office space, meeting space, utilities and use of office furniture and equipment to the Foundation for a nominal monthly fee.

The Chancellor and Vice Chancellor for Finance at Southern University Shreveport also serve as ex-officio members of SUSLA Facilities, Inc., a nonprofit that operates campus housing on the Shreveport campus. SUSLA Facilities, Inc., was created for the purpose of issuing bonds for the construction of facilities and dormitories. For the purpose of financial reporting, SUSLA Facilities, Inc., is considered a blended unit of the System.

FOUNDATION - RELATED PARTY TRANSACTIONS

Certain board members of the Foundation are also board members of the System Board. The System provides certain payroll management functions as well as office space, meeting space, utilities, and use of all office furniture and equipment to the Foundation for a nominal monthly fee. The value of these services 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 its behalf. The Foundation is allowed to charge the System an administration fee for these services. In addition to the aforementioned agreement, the Foundation entered into a cooperative endeavor agreement with the System to construct certain housing facilities as well as other projects through a bond issuance. The System has agreed to pay certain rents to the Foundation for these services. The total amount of rent and interest paid during the year ended December 31, 2012, totaled $3,749,525. The schedule of rent payment coincides with the debt service payments.

The System provides to the Foundation without cost, services for the administration of the Foundation in the form of personnel. In addition, the System provides, without cost, certain other operating services associated with the Foundation. These services are valued at their estimated cost to the System. The amounts for these services have been reflected as contributed services revenue and corresponding general administrative services expenses in the financial statements. The value of these services was estimated as $206,500 for the year ended December 31, 2012.

22. FOUNDATIONS

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

FOUNDATION DISCLOSURE

The System has contracted with the Foundation to invest the System's Endowed Chairs for Eminent Scholars and Endowed Professorship endowment funds. The Endowed Chairs for Eminent Scholars endowment funds are established for $1,000,000 with $600,000 of private contributions and $400,000 of state matching portion allocated by the Board of Regents for Higher Education. The Endowed Professorship Program endowment funds are established for $100,000 with $60,000 of private contributions and $40,000 of state matching portion allocated by the Board of Regents for Higher Education. The amount due to the System as of December 31, 2012, for the Endowed Chair and Professorship program totaled $4,773,866.

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 agreement required the Board to make 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's bank account to be utilized to supplement the cost for a student intramural sports complex and north-end seating in Mumford Stadium.

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 prior to that date. The Board payment shall be the same as the payments due on the LPFA Series 2006 Bonds. The base rental payments are as follows:

Fiscal Year Ended June 30,	Base Rent
2014	$3,752,025
2015	3,751,775
2016	3,748,775
2017	3,748,025
2018	3,749,275
2019-2023	18,741,323
2024-2028	18,740,810
2029-2033	18,747,460
2034-2038	18,747,498
2039	3,747,796
Total	$97,474,762

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

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

The Agreement also required that a Rental Deposit Fund be established on the date of issuance of the LPFA Series 2006 Bonds. The Rental Deposit Fund was funded by the Board in an amount equal to 50% of the maximum principal and interest requirements coming due on the LPFA Series 2006 Bonds in any future fiscal year. If there is any insufficiency in the Revenue Account of the Bond Fund to pay principal and interest on the LPFA Series 2006 Bonds in future fiscal years, then the monies on deposit in the Rental Deposit Fund shall be used in an amount sufficient to pay the principal and interest on the LPFA Series 2006 Bonds. On the final maturity date of the LPFA Series 2006 Bonds, any monies on hand in the Rental Deposit Fund shall be used to pay any principal and interest remaining on the LPFA Series 2006 Bond on such final maturity date. At December 31, 2012, and June 30, 2012, the balance in the Rental Deposit Fund is $1,876,013.

Pursuant to the Agreement, the Foundation (the Lessee) will lease the land on which the student housing facilities and certain auxiliary student facilities are being constructed and/or renovated for the Board (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 website at www.lla.la.gov.

25. AMERICAN RECOVERY AND REINVESTMENT ACT

American Recovery and Reinvestment Act expenses incurred in fiscal year 2013 consisted of the following programs and amounts:

Program:	
MRI-R2: Acquisition of a Transmission Electron Microscope	$99,950
Identification and Characterization of Kola Acuminate (Bizzy Nut) Specific Biomarkers for Prostate Cancer	26,918
Energy Efficiency	344,087
Total	$470,955

26. FOUNDATION - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by the donors for the year ended December 31, 2012:

Scholarships and educational assistance	$608,681
University events, programs, and support	1,433,773
Total	$2,042,454

27. SUBSEQUENT EVENTS

The State of Louisiana continues to experience decreases in state revenues that has resulted in decreased funding for the 2014 fiscal year. The System institutions have implemented approved restructuring plans to ensure that current operations are sustained and the missions and goals of the respective institutions are not negatively impacted. Management does not anticipate that the 2013-2014 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.

28. EMPLOYEE TERMINATION BENEFITS

Substantially all employees are eligible for termination benefits upon separation from the state. The System recognizes the cost of providing these benefits as expenditures when paid during the year. For the fiscal year ending June 30, 2013, the cost of providing those benefits for 14 voluntary terminations totaled $110,241. During fiscal year ending June 30, 2013, the System offered a retirement incentive plan, in accordance with Southern University System Board of Supervisors policies and Civil Service rules 17.2 and 17.9, to classified employees and unclassified faculty and staff of the Southern University at Shreveport campus and Southern University Board and System, who were eligible to retire. The plan offered employees a lump-sum payment provided that the employees retired by August 31, 2012. The lump-sum payment amounted to 40% of the employees' annual salary as of September 1, 2012, with a cap that could not exceed $25,000. The System did not report any involuntary terminations for the 2013 fiscal year.

29. POLLUTION REMEDIATION OBLIGATION

A preliminary site assessment has been performed that revealed asbestos on the Southern University & A&M and Southern University New Orleans properties. The State Office of Facility Planning and Control (FP&C) is responsible for coordinating the completion of the project and paying remediation costs for the System. As of June 30, 2013, the potential liability totaled $11,968. During fiscal year 2013, no remediation costs were paid by FP&C on behalf of the System. At this time, the complete cost for remediation is unable to be estimated.

30. SEGMENT INFORMATION

SUSLA Facilities, Inc., 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.

Condensed financial information for the blended component unit follows:

Condensed Statement of Net Position

	Segment/Blended Component Unit
Assets	
Current assets	$674,114
Capital assets	9,181,372
Other assets	1,525,165
Total assets	11,380,651
Liabilities	
Current liabilities	792,481
Long-term liabilities	12,651,848
Total liabilities	13,444,329
Net Position	
Net investment in capital assets	(1,435,101)
Unrestricted	(628,577)
Total net position	($2,063,678)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Segment/Blended Component Unit
Operating revenues	$1,461,362
Operating expenses	(566,914)
Depreciation expense	(406,910)
Net operating income	487,538
Nonoperating revenues (expenses):	
Investment income	805
Interest expense	(739,597)
Changes in net position	(251,254)
Net position at beginning of year	(1,812,424)
Net position at end of year	($2,063,678)

Condensed Statement of Cash Flows

	Segment/Blended Component Unit
Net cash flows provided (used) by:	
Operating activities	$972,855
Capital and related financing	(838,489)
Investing activities	(186,377)
Net increase (decrease) in cash	(52,011)
Cash, beginning of year	75,089
Cash, end of year	$23,078

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 for the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan For the Fiscal Year Ended June 30, 2013

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, 2010	NONE	$211,086,700	$211,086,700	0%	$80,218,582	263.1%
July 1, 2011	NONE	$156,334,101	$156,334,101	0%	$75,405,451	207.3%
July 1, 2012	NONE	$173,573,500	$173,573,500	0%	$74,707,245	232.3%

SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF NET POSITION, BY CAMPUS

Schedule 2 presents the Combining Schedule of Net Position, by Campus.

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

Schedule 3 presents the Combining Schedule of Revenues, Expenses, and Changes in Net Position, by Campus.

COMBINING SCHEDULE OF CASH FLOWS, BY CAMPUS

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

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Position, by Campus, June 30, 2013

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
ASSETS			
Current assets:			
Cash and cash equivalents	$17,314	$6,781,560	
Investments			
Receivables, net	343	5,318,014	$483,330
Due from federal government		6,396,600	2,887,810
Due from other campuses	1,898,430	9,927,027	222,010
Due from state treasury		76,500	8,352
Inventories		327,982	
Deferred charges and prepaid expenses	40,831	4,426,050	63,969
Notes receivable, net			
Other current assets	5,669	110,555	
Total current assets	1,962,587	33,364,288	3,665,471
Noncurrent assets:			
Restricted cash and cash equivalents	87,806	8,807,846	1,328,083
Restricted investments	413,534	6,606,328	363,753
Due from other campuses		978,905	
Capital assets, net	13,600	161,242,102	7,985,836
Other			
Total noncurrent assets	514,940	177,635,181	9,677,672
Total assets	2,477,527	210,999,469	13,343,143
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	304,951	9,151,627	278,326
Due to other campuses			
Deferred revenues		5,681,605	559,674
Compensated absences	74,743	483,146	33,267
Capital lease obligations		823,911	
Amounts held in custody for others		382,600	
Claims and litigation payable		157,500	
Notes payable			
Pollution Remediation Obligation		9,558	
Bonds payable		10,000	
Other current payables		704,025	92,829
Total current liabilities	379,694	17,403,972	964,096
Noncurrent liabilities:			
Compensated absences	506,846	5,895,833	1,039,439
Capital lease obligations		45,446,815	
Claims and litigation payable			
Due to other campuses			
Notes payable			
OPEB payable	4,081,120	51,452,020	8,575,027
Bonds payable			
Total noncurrent liabilities	4,587,966	102,794,668	9,614,466
Total liabilities	4,967,660	120,198,640	10,578,562
NET POSITION			
Net investment in capital assets	13,600	114,951,818	7,985,836
Restricted for:			
Nonexpendable	360,000	6,555,152	1,478,750
Expendable	901,013	21,660,413	2,604,610
Unrestricted	(3,764,746)	(52,366,554)	(9,304,615)
TOTAL NET POSITION	($2,490,133)	$90,800,829	$2,764,581

Schedule 2

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	ELIMINATIONS	TOTAL SYSTEM
	$5,515,244	$5,167,990		$17,482,108
		620,210		620,210
$566,976	6,390,010	2,147,575	($493,625)	14,412,623
2,486,185	1,402,983	1,842,421		15,015,999
			(12,047,467)	
111,382	67,131	7,845		271,210
				327,982
592		257,583		4,789,025
	371,737			371,737
	2,549	22,267		141,040
3,165,135	13,749,654	10,065,891	(12,541,092)	53,431,934
	6,408,048	709,665		17,341,448
	1,357,491	1,637,808		10,378,914
			(978,905)	
4,836,744	86,193,848	23,271,906		283,544,036
		188,265		188,265
4,836,744	93,959,387	25,807,644	(978,905)	311,452,663
8,001,879	107,709,041	35,873,535	(13,519,997)	364,884,597
121,658	1,682,087	1,216,316	(237,779)	12,517,186
638,052	5,194,025	6,215,390	(12,047,467)	
	4,473,313	637,514		11,352,106
30,658	86,384	148,722		856,920
		26,653		850,564
	31,409	330,180		744,189
		253,020		410,520
	1,147,537			1,147,537
	2,410			11,968
		110,000		120,000
	350,943	770,075	(255,846)	1,662,026
790,368	12,968,108	9,707,870	(12,541,092)	29,673,016
838,916	1,828,054	1,179,348		11,288,436
		1,470,148		46,916,963
		822,314		822,314
		978,905	(978,905)	
	39,666,406			39,666,406
6,525,975	12,753,178	8,931,363		92,318,683
		12,651,848		12,651,848
7,364,891	54,247,638	26,033,926	(978,905)	203,664,650
8,155,259	67,215,746	35,741,796	(13,519,997)	233,337,666
4,926,344	45,379,905	11,158,632		184,416,135
	3,516,983	600,000		12,510,885
668,224	8,153,947	(179,206)		33,809,001
(5,747,948)	(16,557,540)	(11,447,687)		(99,189,090)
($153,380)	$40,493,295	$131,739	NONE	$131,546,931

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Revenues, Expenses, and Changes in Net Position, by Campus
For the Fiscal Year Ended June 30, 2013

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
OPERATING REVENUES			
Student tuition and fees		$39,129,195	$9,069,717
Less scholarship allowances		(13,087,331)	(311,570)
Net student tuition and fees	NONE	26,041,864	8,758,147
Federal appropriations			
Federal grants and contracts		17,894,989	3,724,791
State and local grants and contracts		2,067,859	
Nongovernmental grants and contracts		405,382	
Auxiliary enterprise revenues (including revenue used to secure debt)		15,734,206	
Less scholarship allowances		(946,305)	
Net auxiliary revenues	NONE	14,787,901	NONE
Other operating revenues		2,404,716	83,408
Total operating revenues	NONE	63,602,711	12,566,346
OPERATING EXPENSES			
Educational and general:			
Instruction		30,597,813	5,921,776
Research		4,416,126	
Public service		2,471,593	128,895
Academic support	$510,425	19,390,496	3,315,375
Student services		6,958,217	1,408,914
Institutional support	7,340,180	10,477,780	3,274,277
Operation and maintenance of plant		13,492,409	264,370
Depreciation	5,689	8,574,942	1,101,990
Scholarships and fellowships	59,181	10,163,329	525,093
Auxiliary enterprises		14,494,875	
Other operating expenses	117,870	284,004	
Total operating expenses	8,033,345	121,321,584	15,940,690
OPERATING LOSS	(8,033,345)	(57,718,873)	(3,374,344)
NONOPERATING REVENUES (Expenses)			
State appropriations	2,421,547	29,275,200	4,164,110
Federal nonoperating revenues		16,271,784	
ARRA revenues		126,868	
Gifts	72,551	431,223	3,100
Investment income	616	272,988	13,740
Interest expense		(2,683,398)	
Other nonoperating revenues (expenses)	15,114	2,891,258	11,775
Net nonoperating revenues	2,509,828	46,585,923	4,192,725

(Continued)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	$12,560,032	$7,752,721	$68,511,665
	(3,372,038)	(5,521,569)	(22,292,508)
NONE	9,187,994	2,231,152	46,219,157
$3,384,248			3,384,248
2,410,077	6,153,419	8,887,813	39,071,089
532,642	661,662	826,154	4,088,317
20,000	4,517		429,899
	2,406,833	2,393,288	20,534,327
	(174,179)	(127,713)	(1,248,197)
NONE	2,232,654	2,265,575	19,286,130
258,778	143,610	1,938,964	4,829,476
6,605,745	18,383,856	16,149,658	117,308,316
	10,738,038	4,603,049	51,860,676
3,110,208	507,327	540,780	8,574,441
4,993,091	262,102	1,079,255	8,934,936
	2,098,336	835,322	26,149,954
	4,307,427	5,331,005	18,005,563
2,244,928	9,704,676	10,087,457	43,129,298
130,661	2,392,016	1,663,058	17,942,514
253,908	2,824,475	1,505,724	14,266,728
198,246	6,501,550	5,644,189	23,091,588
	551,906	1,977,143	17,023,924
	47,699	566,914	1,016,487
10,931,042	39,935,552	33,833,896	229,996,109
(4,325,297)	(21,551,696)	(17,684,238)	(112,687,793)
4,315,101	7,956,038	5,943,125	54,075,121
	8,365,723	9,971,224	34,608,731
	344,087		470,955
	110,663		617,537
	119,137	33,845	440,326
	(57,745)	(854,432)	(3,595,575)
221,154	(269,782)	571,858	3,441,377
4,536,255	16,568,121	15,665,620	90,058,472

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses,
and Changes in Net Position, by Campus, 2013

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
INCOME (Loss) BEFORE OTHER REVENUES	($5,523,517)	($11,132,950)	$818,381
Capital appropriations		3,569,813	
Capital grants and gifts		1,022,405	
Additions to permanent endowment		10,252	59,450
Other additions, net	5,379,365	(850,462)	(1,567,280)
CHANGE IN NET POSITION	(144,152)	(7,380,942)	(689,449)
NET POSITION - BEGINNING OF YEAR (Restated)	(2,345,981)	98,181,771	3,454,030
NET POSITION - END OF YEAR	($2,490,133)	$90,800,829	$2,764,581

(Concluded)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
$210,958	($4,983,575)	($2,018,618)	($22,629,321)
			$3,569,813
	4,792,011		$5,814,416
		40,000	$109,702
(1,031,319)	(1,156,324)	(773,980)	
(820,361)	(1,347,888)	(2,752,598)	(13,135,390)
666,981	41,841,183	2,884,337	144,682,321
($153,380)	$40,493,295	$131,739	$131,546,931

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by Campus
For the Fiscal Year Ended June 30, 2013

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tuition and fees		$26,506,043	$8,886,495
Federal appropriations			
Grants and contracts		21,027,782	3,884,454
Payments to suppliers	($2,559,142)	(21,219,159)	(1,474,064)
Payments for utilities		(4,940,586)	
Payments to employees	(3,624,071)	(52,503,960)	(9,033,376)
Payments for benefits	(1,269,145)	(20,104,148)	(2,642,926)
Payments for scholarships and fellowships	(59,181)	(10,932,916)	(526,093)
Loans issued to students			
Collections on loans issued to students			
Auxiliary enterprise charges		14,471,299	
Other receipts (payments)	(342)	2,404,716	83,408
Net cash used by operating activities	(7,511,881)	(45,290,929)	(822,102)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
State appropriations	2,421,547	29,470,432	4,185,423
Gifts and grants for other than capital purposes	72,551	16,266,733	3,100
Private gifts for endowment purposes		10,252	59,450
TOPS receipts		2,056,906	
TOPS disbursements		(2,050,419)	
Implicit loan reduction from other campuses	(383,468)		(1,223,596)
Implicit loan reduction to other campuses		(1,231,492)	
Direct lending receipts		52,596,646	17,700,185
Direct lending disbursements		(52,596,646)	(17,700,185)
Federal Family Education Loan program receipts		1,046,936	
Federal Family Education Loan program disbursements		(1,046,936)	
ARRA		126,868	
Other receipts (payments)	5,394,479	(562,008)	(2,143,518)
Net cash provided by noncapital financing sources	7,505,109	44,087,272	880,859
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants and gifts received		1,030,213	
Purchases of capital assets		(2,095,835)	(588,013)
Principal paid on capital debt and leases		(1,039,665)	
Interest paid on capital debt and leases		(2,652,491)	
Other sources		285,157	588,013
Net cash provided (used) by capital and related financing activities	NONE	(4,472,621)	NONE
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments		2,801,076	
Interest received on investments	648	242,198	13,739
Purchase of investments	(132,191)	(3,820,423)	(72,691)
Net cash provided by investing activities	(131,543)	(777,149)	(58,952)

(Continued)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	$6,816,950	$1,875,989	$44,085,477
$3,384,248			$3,384,248
1,187,549	7,630,215	9,630,369	43,360,369
(2,610,963)	(5,426,619)	(8,014,148)	(41,304,095)
(41,586)	(1,238,241)	(766,848)	(6,987,261)
(5,345,044)	(14,605,789)	(12,071,660)	(97,183,900)
(1,858,396)	(7,178,149)	(4,176,474)	(37,229,238)
(198,838)	(6,734,599)	(5,548,578)	(24,000,205)
	(371,736)		(371,736)
	488,126		488,126
	4,250,992	2,166,212	20,888,503
258,841	(1,860,647)	1,979,072	2,865,048
(5,224,189)	(18,229,497)	(14,926,066)	(92,004,664)
4,534,087	7,966,578	5,963,079	54,541,146
	8,221,399	9,971,224	34,535,007
		40,000	109,702
		87,638	2,144,544
		(87,638)	(2,138,057)
1,515,470	1,612,967	(289,881)	1,231,492
			(1,231,492)
	25,079,189	12,661,992	108,038,012
	(25,079,189)	(12,661,992)	(108,038,012)
			1,046,936
			(1,046,936)
	344,087		470,955
(914,968)	442,230	306,216	2,522,431
5,134,589	18,587,261	15,990,638	92,185,728
	99,307		1,129,520
(15,203)	(376,140)	(308,746)	(3,383,937)
	(786,000)	(203,199)	(2,028,864)
	(55,758)	(911,725)	(3,619,974)
104,803			977,973
89,600	(1,118,591)	(1,423,670)	(6,925,282)
		3,078,233	5,879,309
	(33,339)	18,527	241,773
		(3,265,415)	(7,290,720)
NONE	(33,339)	(168,655)	(1,169,638)

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by Campus, 2013

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
NET DECREASE IN CASH AND CASH EQUIVALENTS	($138,315)	($6,453,427)	($195)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (as restated)	243,435	22,042,833	1,328,278
CASH AND CASH EQUIVALENTS AT END OF YEAR	$105,120	$15,589,406	$1,328,083
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	($8,033,345)	($57,718,873)	($3,374,344)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense	5,689	8,574,942	1,101,990
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net	(342)	585,107	215,414
Decrease in inventories		268,671	
(Increase) decrease in deferred charges and prepaid expenses	(25,491)	(191,904)	(7,286)
(Increase) decrease in notes receivable			
(Increase) decrease in other assets			
Increase (decrease) in accounts payable	9,259	(1,013,568)	(10,548)
Increase (decrease) in deferred revenue		1,221,316	165,809
Increase (decrease) in compensated absences	117,870	(211,854)	64,092
Increase in OPEB payable	414,479	3,083,288	1,022,771
Increase (decrease) in other liabilities		111,946	
Net cash used by operating activities	($7,511,881)	($45,290,929)	($822,102)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and cash equivalents classified as current assets	$17,314	$6,781,560	
Cash and cash equivalents classified as noncurrent assets	87,806	8,807,846	$1,328,083
Cash and cash equivalents at the end of the year	$105,120	$15,589,406	$1,328,083
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital appropriations for construction of capital assets		$3,569,813	
Capital gifts and grants		$7,808	
Net increase in the fair value of investments		$224,756	$13,241
Loss on disposal of capital assets			

(Concluded)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	($794,166)	($527,753)	($7,913,856)
	12,717,458	6,405,408	42,737,412
NONE	$11,923,292	$5,877,655	$34,823,556
($4,325,297)	($21,551,696)	($17,684,238)	($112,687,793)
253,908	2,824,475	1,505,724	14,266,728
(1,773,874)	(161,331)	(441,778)	(1,576,804)
			268,671
(592)		54,991	(170,282)
	116,390		116,390
	(2,549)	3,499	950
(3,470)	977,312	134,455	93,440
(1,200)	603,147	(114,728)	1,874,344
(20,178)	(114,356)	(202,138)	(366,564)
646,514	1,064,724	776,563	7,008,339
	(1,985,613)	1,041,584	(832,083)
($5,224,189)	($18,229,497)	($14,926,066)	($92,004,664)
	$5,515,244	$5,167,990	$17,482,108
	6,408,048	709,665	17,341,448
NONE	$11,923,292	$5,877,655	$34,823,556
			$3,569,813
	$4,947,690		$4,955,498
	$60,856		$298,853
		($2,209)	($2,209)

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

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

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 17, 2013

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

Independent Auditor's Report

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Southern University System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 17, 2013. Our report includes references to other auditors who audited the financial statements of the Southern University System Foundation, the only discretely presented component unit of the System, and SUSLA Facilities, Inc., a blended component unit of the System, as described in our report on the System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the SUSLA Facilities, Inc., which were audited by other auditors upon whose report we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Other Reports

We also audited the Southern University Law Center as of June 30, 2013, for SACS accreditation. That report was issued December 26, 2013, and can be found on the Internet at www.lla.la.gov.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

AD:BDC:THC:ch

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