SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2019
ISSUED FEBRUARY 5, 2020

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

January 24, 2020

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, 2019, 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 the Southern University System Foundation, which represents the only discretely presented component unit of the System. The Southern University System Foundation financial statements were audited by another auditor whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Southern University System Foundation, are based solely on the report of the other auditor.

We conducted our audit 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. 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 Southern University System Foundation, which were audited by another auditor, were audited in accordance with the standards generally accepted in the United States of America but not audited 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 report of another auditor, 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, 2019, 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.

Emphasis of Matter

As disclosed in note 9 to the financial statements, the net pension liability for the System was $204,688,782 at June 30, 2019, as determined by the Louisiana State Employees' Retirement System (LASERS) and Teachers' Retirement System of Louisiana (TRSL). The related actuarial valuations were performed by LASERS's and TRSL's actuaries using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at June 30, 2019, could be under or overstated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 18, the Schedule of the System's Proportionate Share of the Net Pension Liability on page 73, the Schedule of System's Contributions on page 73, and the Schedule of the System's Proportionate Share of the Total Collective OPEB Liability on page 75, 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, including the Combining Schedule of Net Position; the Combining Schedule of Revenues, Expenses, and Changes in Net Position; and the Combining Schedule of Cash Flows, on pages 77 through 84, for the fiscal year ended June 30, 2019, 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. In our opinion, the Combining Schedule of Net Position; the Combining Schedule of Revenues, Expenses, and Changes in Net Position; and the Combining Schedule of Cash Flows are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's 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

AB:AD:RR:EFS:aa

SUS 2019

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, 2019. The System is geographically located in Baton Rouge, Louisiana and has three campuses located on the Baton Rouge Campus land mass [Southern University A&M (SUBR A&M); Southern University Law Center (SULC); and Southern University Agricultural, Research, and Extension Center, (SUAREC)]; and two campuses remotely located, one in New Orleans, Louisiana [Southern University at New Orleans (SUNO)]; and one in Shreveport, Louisiana [Southern University at Shreveport (SUSLA)]. 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 (SNP), the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP), and the Statement of Cash Flows (SCF). This document should be read in conjunction with the financial statements and the notes thereto which follow this section.

Governmental Accounting Standards Board (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 2019 financial statements, namely the System Foundation (SUSF) 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 25, "Segment Information."

ENROLLMENT HIGHLIGHTS

Based on comparative data at the enrollment census date for the Fall 2017 and 2018 semesters, the System experienced an overall decrease in enrollment of 271 students, a decline of 2.15%. Enrollment declined from 12,594 students in Fall 2017 to 12,323 students in Fall 2018. The decline in enrollment is attributed to the New Orleans and Shreveport campuses. The New

Orleans campus experienced a decline in enrollment in graduate and transfer students, while the Shreveport campus experienced a decline in enrollment related to dual enrollment students.

FINANCIAL HIGHLIGHTS

The System's net position reflects an increase of $29.5 million, or 47.1%, for the current fiscal year. The System's operating revenues increased by $13.7 million, or 10.3%. This increase is primarily attributable to an increase in student tuition and fees and nongovernmental grants and contracts.

Nonoperating revenues decreased by $32.6 million, or 26.0%. This decrease is primarily attributable to SUNO's debt cancellation in the prior year. SUNO's debt of $35.6 million was cancelled by the U.S. Department of Education, resulting in federal nonoperating revenue of the same amount in the prior year.

Total revenues decreased by $18.8 million, or 7.3%, while total operating and nonoperating expenses increased by $9.4 million, or 4.1%.

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 (SNP); the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP); and the Statement of Cash Flows (SCF).

BASIC FINANCIAL STATEMENTS

The **Statement of Net Position** (pages 19-20) 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 23-24) presents information that shows how the System's assets changed as a result of the 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 26-27) 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 including 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 and deferred outflow of resources of the System, the liabilities and deferred inflow of resources, or amounts owed to vendors, students, and other System constituencies, and net position, or resources and their availability for use by the System for invested in capital assets, net of related debt, restricted, or unrestricted purposes.

Current assets total $45.3 million and include cash and cash equivalents, net receivables, federal government receivables, prepayments, inventories, other current assets, and the current portion of amounts due from the state treasury, and from other campuses participating in the System's pooled bank fund.

Noncurrent assets total $387.4 million and are comprised primarily of capital assets totaling $363.8 million, and restricted cash and cash equivalents and restricted investments totaling $23.6 million.

Deferred outflow of resources totals $50.5 million and is comprised of deferred outflows relating to pensions and to other postemployment benefits (OPEB).

Current liabilities total $35.5 million and primarily consist of accounts payable, accrued liabilities, unearned revenues, amounts held in custody for others, other current liabilities, and the current portion of long-term debt obligations for capital leases, notes payable, claims and litigations payable, OPEB liability, and estimated liabilities for compensated absences.

Noncurrent liabilities total $448.7 million and include the long-term portion of noncurrent liabilities for notes payables, capital lease obligations, and estimated liabilities for compensated absences, OPEB, and the net pension liability.

Deferred inflow of resources totals $32.1 million and is comprised of deferred inflows relating to pensions and to OPEB.

Categories of Net Position

Net position is divided into three major categories. The first category, invested in capital assets, net of debt, 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 **invested in capital assets, net of related debt net position** category totals $304.0 million and includes capital investments, net of related debt for land, buildings, equipment, infrastructure, improvements, construction in progress, and library holdings.

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 **temporarily restricted (expendable) net position** category totals $28.0 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 $377.6 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, compensated absences, net pension liabilities, deferred outflow of resources, deferred inflow of resources, auxiliary enterprise funds and other unrestricted funds under the control of the System's governing board.

The System's assets, liabilities, and net position for fiscal years 2019 and 2018 are presented on the following page in Table 1.

Table 1:
Comparative Statement of Net Position
For the Fiscal Years as of
June 30, 2019, and 2018

	2019	2018 (Restated)	Change	Percentage Change
Assets				
Current assets	$45,275,663	$41,591,845	$3,683,818	8.9%
Capital assets, net	363,842,462	349,074,250	14,768,212	4.2%
Other noncurrent assets	23,560,016	22,549,430	1,010,586	4.5%
Total assets	432,678,141	413,215,525	19,462,616	4.7%
Deferred outflow of resources				
Deferred outflows relating to OPEB	6,426,220	6,310,668	115,552	1.8%
Deferred outflows relating to pensions	44,078,637	31,030,086	13,048,551	42.1%
Total Deferred outflow of resources	50,504,857	37,340,754	13,164,103	35.3%
Total Assets and Deferred outflows of resources	$483,182,998	$450,556,279	$32,626,719	7.2%
Liabilities				
Current liabilities	$35,474,828	$31,087,039	$4,387,789	14.1%
Noncurrent liabilities	448,713,411	458,538,236	(9,824,825)	(2.1%)
Total liabilities	484,188,239	489,625,275	(5,437,036)	(1.1%)
Deferred inflows of resources				
Deferred inflows relating to OPEB	15,341,329	10,098,846	5,242,483	51.9%
Deferred inflows relating to pensions	16,788,652	13,516,613	3,272,039	24.2%
Total Deferred inflows of resources	$32,129,981	$23,615,459	$8,514,522	36.1%
Net Position				
Net investment in capital assets	$304,021,935	$286,850,728	$17,171,207	6.0%
Restricted:				
Nonexpendable	12,498,339	12,268,339	230,000	1.9%
Expendable	27,977,986	23,761,267	4,216,719	17.7%
Unrestricted	(377,633,482)	(385,564,789)	7,931,307	2.1%
Total net position	($33,135,222)	($62,684,455)	$29,549,233	47.1%
Total liabilities, Deferred inflows of resources, and Net Position	$483,182,998	$450,556,279	$32,626,719	7.2%

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 increased by $19.5 million, or 4.7%. The System recognized a decrease in total liabilities of $5.4 million, or 1.1%. 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. This statement includes any other revenues, gains, expenses, or losses that were realized or incurred by the System during the fiscal year.

At June 30, 2019, the Statement of Revenues, Expenses, and Changes in Net Position reports a net operating loss of $89.1 million. The net operating loss includes expenses but does not include revenues for state appropriations of $48.0 million, federal nonoperating revenues of $37.5 million, gifts of $1.0 million, net investment income and other nonoperating revenues of $6.1 million. After adjusting for these revenues in the nonoperating revenues (expenses) section of the statement and adjusting for interest expense of $1.9 million, the net income before other revenues, expenses, gains or losses is $1.6 million.

The operating revenues are received for providing goods and services to various customers and other System constituents. Operating revenues total $146.9 million and consist of net tuition and fee revenues, federal, state, and nongovernmental grants and contracts revenue, net auxiliary enterprises 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 mission of the System. Operating expenses total $235.9 million for the year and include education and general expenses by functional breakdown (including pension and compensated absences expenses), depreciation, net auxiliary expenses, and other operating expenses.

Nonoperating revenues are revenues received for which goods and services are not provided in 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 net federal student loan receipts and disbursements for the William D. Ford Federal Direct Loan Program. Nonoperating revenues total $92.5 million and interest expenses total $1.9 million, resulting in net nonoperating revenues of $90.6 million for the 2019 fiscal year.

The Statement of Revenues, Expenses, and Changes in Net Position reports an increase in net position of $29.5 million at the end of the 2019 fiscal year.

The Statement of Revenues, Expenses, and Changes in Net Position for the System are shown in Table 2 on the following page.

Table 2:
Comparative Statement of Revenues, Expenses, and Changes Net Position
For the Fiscal Years Ended June 30, 2019, and 2018

	2019	2018 (Restated)	Change	Percent Change
Operating Revenues:				
Student tuition and fees, net	$63,564,288	$57,788,665	$5,775,623	10.0%
Federal apppropriations	3,610,601	3,634,421	(23,820)	(0.7%)
Federal grants and contracts	42,854,754	42,299,820	554,934	1.3%
State and local grants and contracts	1,503,834	2,637,620	(1,133,786)	(43.0%)
Nongovernmental grants and contracts	3,935,107	616,651	3,318,456	538.1%
Auxiliary enterprises, net	24,561,435	21,942,301	2,619,134	11.9%
Other operating revenue	6,851,760	4,220,010	2,631,750	62.4%
Total operating revenues	146,881,779	133,139,488	13,742,291	10.3%
Nonoperating Revenues				
State appropriations	48,016,657	46,117,524	1,899,133	4.1%
Gifts	990,744	971,876	18,868	1.9%
Federal nonoperating revenues	37,492,938	69,920,245	(32,427,307)	(46.4%)
Net investment income	1,584,263	224,885	1,359,378	604.5%
Other nonoperating revenues	4,468,458	7,872,141	(3,403,683)	(43.2%)
Total nonoperating revenues	92,553,060	125,106,671	(32,553,611)	(26.0%)
Total Revenues	239,434,839	258,246,159	(18,811,320)	(7.3%)
Operating Expenses:				
Education and general:				
Instruction	49,123,611	48,996,658	126,953	0.3%
Research	7,075,940	6,946,225	129,715	1.9%
Public service	9,797,953	9,716,771	81,182	0.8%
Academic support	26,431,056	27,055,584	(624,528)	(2.3%)
Student services	18,831,551	18,591,872	239,679	1.3%
Institutional support	48,314,847	49,745,303	(1,430,456)	(2.9%)
Operations and maintenance of plant	24,545,647	16,846,536	7,699,111	45.7%
Depreciation	14,859,657	13,298,113	1,561,544	11.7%
Scholarships and fellowships	15,595,095	15,104,871	490,224	3.2%
Auxiliary enterprises	21,348,608	19,110,517	2,238,091	11.7%
Other operating expenses	10,174	847,194	(837,020)	(98.8%)
Total operating expenses	235,934,139	226,259,644	9,674,495	4.3%
Nonoperating expenses - interest expense	1,921,326	2,229,122	(307,796)	(13.8%)
Total expenses	237,855,465	228,488,766	9,366,699	4.1%
Income (loss) before other revenues, expenses, gains, and losses	1,579,374	29,757,393	(28,178,019)	(94.7%)
Capital appropriations	14,676,971	2,878,431	11,798,540	409.9%
Capital grants and gifts	13,062,888	48,509,181	(35,446,293)	(73.1%)
Additions to permanent endowments	230,000	100,000	130,000	130.0%
Change in Net Position	29,549,233	81,245,005	(51,695,772)	(63.6%)
Net position at beginning of year (restated)	(62,684,455)	(143,929,460)	81,245,005	56.4%
Net position at the end of the year	($33,135,222)	($62,684,455)	$29,549,233	47.1%

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As shown in the Table 3 below, the System invested $363.8 million in capital assets, which is shown net of accumulated depreciation. Shown also in Table 3 is an increase in the total cost of capital assets of $28.4 million, or 3.9%. Accumulated depreciation increased by $13.6 million, or 3.7%, resulting in an overall net increase in capital assets of approximately $14.8 million, or 4.2%. 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.

Table 3:
Capital Assets at Year-End
(Net of depreciation/amortization)

	2019	2018 (Restated)	Change	Percentage Change
Capital assets not being depreciated	$41,483,268	$91,779,544	($50,296,276)	(54.8%)
Other capital assets:				
Infrastructure	32,844,713	32,844,713		0.0%
Land Improvements	15,215,072	15,215,072		0.0%
Buildings	512,338,746	434,463,493	77,875,253	17.9%
Equipment (including library books)	139,277,379	138,469,511	807,868	0.6%
Software	7,317,561	7,317,561		0.0%
Total other capital assets	706,993,471	628,310,350	78,683,121	12.5%
Total cost of capital assets	748,476,739	720,089,894	28,386,845	3.9%
Less - accumulated depreciation	(384,634,277)	(371,015,644)	(13,618,633)	3.7%
Capital assets, net	$363,842,462	$349,074,250	$14,768,212	4.2%

This year's major additions include $27.5 million in construction in progress (CIP) projects. Projects totaling $77.8 million were completed in 2019 and transferred to buildings resulting in a net CIP reduction of $50.3 million.

For the 2019 fiscal year, equipment additions (including library books) totaled $2.0 million; of this amount, $1.2 million was retired, resulting in a net addition of $0.8 million; buildings for the System increased by $77.9 million due to the transfer from CIP mentioned above. The System recorded $14.9 million for depreciation expense in fiscal year 2019 and reduced accumulated depreciation by $1.2 million related to the retired assets. This resulted in a net current-year increase in capital assets of $14.8 million.

This year's major additions for the System include completed and CIP projects as follows:

- SUNO Campus – This year's major additions include $13.0 million in CIP projects for the Arts & Humanities, Education, Social Work, and Natural Resources buildings. These projects were completed in the current year and transferred at a value of $76.8 million to the buildings category in 2019.

- SU A&M Campus – This year's major additions on the Campus include $12.8 million in CIP projects for: Southern University Laboratory School, Sloughing Off of Ravine, F.G. Clark Activity Center New Phase and ADA Renovations, A.W. Mumford ADA Renovations, T.T. Allain Hall ADA Renovations, and other major repairs and deferred maintenance projects. Completed projects of $1.0 million were transferred to buildings in 2019.

- SUSLA Campus – This year's major additions include $1.7 million in CIP projects for the Allen building (School of Nursing) and Milam Street Kitchen Incubator and Culinary Kitchen (MSKICK).

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 total amount of long-term debt at June 30, 2019, is $457.5 million, as shown in Table 4. Of this amount, $8.8 million is reported as current and is expected to be paid within one year.

During the 2019 fiscal year, the System retired $1.4 million in notes payable debt. For additional information relating to changes in and the composition of long-term liabilities the financial statement reader can refer to Note 14 in the accompanying notes to the financial statements.

Table 4:
Long-term Debt

	FY2019	FY2018 Restated	Increase (Decrease)	Percent Change	Current Portion
Compensated absences	$12,903,139	$12,529,684	$373,455	3.0%	$832,556
Capital Lease Obligation	22,964,079	22,433,497	$530,582	2.4%	574,693
Claims and Litigations	86,822	222,111	($135,289)	(60.9%)	86,822
Net Pension Liability	204,688,782	203,360,768	$1,328,014	0.7%	
Notes Payable	36,819,122	38,250,326	($1,431,204)	(3.7%)	1,464,720
OPEB Payable	180,028,508	184,990,677	($4,962,169)	(2.7%)	5,818,250
Total	$457,490,452	$461,787,063	($4,296,611)	(0.9%)	$8,777,041

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 8 through 15 in the accompanying notes to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

CHANGE IN KEY PERSONNEL

During the 2019 fiscal year, the following changes were made in key personnel:

- **Board and System Administration –** Pamela Jones was named the Special Assistant to the Vice President for Finance and Business Affairs; and Catherine Miles was named Associate Vice President for Finance and Treasury Services.

- **SU A&M –** Dr. Tracy Barley was appointed Director of eLearning, Dr. Sandra Brown was appointed Dean of School of Nursing and Allied Health, Ms. Heather Freeman was appointed Director of Outreach and Engagement-Student Affairs, Ms. Akai Smith was appointed Executive Director of Admission/Recruitment, and Ms. Dawn Harris was appointed Director of Human Resources.

- **SULC –** Roederick White retired as Vice Chancellors for Academic and Student Affairs and was replaced by Shawn Vance as Vice Chancellor for Academic Affairs and Donald North as Vice Chancellor for Student Affairs. Alfreda Diamond retired as Vice Chancellor for Institutional Accountability and Accreditation and was replaced by Regina James.

- **SUAREC –** Dr. Calvin Walker was appointed as Interim Chancellor to replace Dr. Bobby Phills, Dr. Orlando McMeans was appointed as Chancellor, and Dr. Lynda Batiste resigned as Director of Finance.

- **SUNO –** Dr. David Adegboye was named Interim Vice Chancellor for Student Affairs, Justin James was named Interim Vice Chancellor for Administration & Finance, Shapiro Meadows was named Interim Director of Admissions, and Walter Stembridge was named Interim Director of Student & Faculty Housing.

- **SUSLA –** William Thompson, Director of Internal Audit, retired June 30, 2019.

CURRENTLY-KNOWN FACTS, DECISIONS, OR CONDITIONS

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

- ***Federal Match***:

  - **SUAREC -** The SU Agriculture and Research Center's ability to comply with the one-to-one match of federal funding is becoming more challenging and could impact the Center's ability to support programming functions and the number of citizens that the Center serves throughout the state.

- ***Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) Status***:

  - **SU A&M –** Southern University Baton Rouge Campus submitted its off-site reaffirmation report by the due date of September 11, 2019. The on-site visit is scheduled for March 2020. The university anticipates no serious issues with the reaffirmation effort and fully expects ongoing accreditation by SACSCOC.

  - **SUNO –** Southern University at New Orleans is accredited by SACSCOC. Reaffirmation of accreditation was achieved in 2011. Following a Second Financial Monitoring Report review process in 2019, SACSCOC currently places the University on probation citing Core Requirement 13.1. Financial Resources. A Third Monitoring Report is requested in early 2020 to be followed by a Special Committee visit sometime in April 2020. The University is working on a Financial Management Plan to facilitate a successful Third Monitoring Report.

  - **SULC –** The Law Center received accreditation in 2015 and will be reviewed for re-affirmation in 2020.

  - **SUSLA –** The Shreveport Campus received reaffirmation from SACSCOC in 2016 for its fifth-year interim report and will be reviewed for the reaffirmation in 2021.

- ***Medical Marijuana***: The Southern University Board of Supervisors selected Advanced Biomedics, LLC as the University's medical marijuana cultivation and production facility operator. The Board of Supervisors approved a contract with Advanced Biomedics, LLC during its regularly scheduled meeting on May 25, 2018. Under the agreement, the Southern University Ag Center will receive more than $6 million over five years. The primary objective of the Facility will be to provide safe, high-quality, pharmaceutical-grade medical marijuana products to qualifying patients through the state's licensed dispensary pharmacies.

The long-term outlook for the System remains positive despite budgetary and economic challenges. The System continues to make the necessary changes to ensure the long-term viability of the System. The System's efficiency measures and strategic goals and objectives outline realistic targets for long term growth and stability to ensure the System will continue on its pathway to prominence as the only Historically Black College and University (HBCU) System of higher education in the nation.

CONTACTING THE SYSTEM'S MANAGEMENT

The accompanying System financial report is designed to provide citizens, 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 any questions about this report or the need for additional financial information, you may contact the System Vice President for Finance and Business Affairs, Mr. Flandus McClinton, Jr., who is located on the 4th Floor of the J.S. Clark Administration Building, Baton Rouge, Louisiana, 70813, phone number: 225-771-6278; e- mail address: flandus_mcclinton @sus.edu.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Position, June 30, 2019

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$9,839,119
Receivables, net (note 4)	16,057,633
Due from State Treasury	709,479
Due from federal government	12,779,615
Inventories	323,704
Prepaid expenses and advances	4,527,330
Notes receivable, net (note 5)	229,127
Other current assets	809,656
Total current assets	45,275,663
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	6,967,383
Restricted investments (note 3)	16,592,633
Capital assets, net (note 6)	363,842,462
Total noncurrent assets	387,402,478
Total assets	432,678,141
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflows related to OPEB (note 11)	6,426,220
Deferred outflows related to pensions (note 9)	44,078,637
Total deferred outflows of resources	50,504,857
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$483,182,998
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 7)	$14,425,211
Unearned revenues	8,581,295
Amounts held in custody for others	939,015
Other liabilities	2,752,266
Compensated absences (note 8 and 14)	832,556
Capital lease obligations (note 13 and 14)	574,693
Claims and litigation payable (note 12 and 14)	86,822
Notes payable (note 14 and 15)	1,464,720
OPEB liability (note 11)	5,818,250
Total current liabilities	35,474,828

(Continued)

The accompanying notes are an integral part of this statement.

Statement A

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Position, June 30, 2019

LIABILITIES	
Noncurrent liabilities:	
Compensated absences (note 8 and 14)	$12,070,583
Capital lease obligations (note 13 and 14)	22,389,386
Notes payable (note 14 and 15)	35,354,402
Net pension liability (note 9 and 14)	204,688,782
OPEB liability (note 11)	174,210,258
Total noncurrent liabilities	448,713,411
Total liabilities	484,188,239
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB (note 11)	15,341,329
Deferred inflows related to pensions (note 9)	16,788,652
Total deferred inflows of resources	32,129,981
NET POSITION	
Net investment in capital assets	304,021,935
Restricted for:	
Nonexpendable (note 17)	12,498,339
Expendable (note 17)	27,977,986
Unrestricted	(377,633,482)
TOTAL NET POSITION	(33,135,222)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$483,182,998

(Concluded)

The accompanying notes are an integral part of this statement.

Statement B

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Statement of Financial Position, December 31, 2018

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$1,995,490
Accounts receivable (note 4)	252,295
Pledges receivable, net (note 4)	684,868
Prepaid expenses and advances	666,302
Other current assets	118,380
Total current assets	3,717,335
Noncurrent assets	
Restricted assets:	
Cash and cash equivalents (note 2)	1,838,792
Investments (note 3)	9,768,211
Capital assets (note 6)	5,329,990
Other noncurrent assets	22,489,464
Total noncurrent assets	39,426,457
TOTAL ASSETS	$43,143,792

(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, 2018

LIABILITIES	
Current liabilities:	
Accounts payable	$620,213
Amounts held in custody for others	6,988,290
Bonds payable and premium, net (note 16)	481,157
Other current liabilities	1,995,458
Total current liabilities	10,085,118
Noncurrent liabilities:	
Bonds payable and premium (note 16)	22,970,562
Other noncurrent liabilities	3,061,493
Total noncurrent liabilities	26,032,055
Total liabilities	36,117,173
NET ASSETS	
Without donor restrictions	2,952,727
With donor restrictions	4,073,892
Total net assets	7,026,619
TOTAL LIABILITIES AND NET ASSETS	$43,143,792

(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, 2019

OPERATING REVENUES	
Student tuition and fees	$97,586,474
Less scholarship allowances	(34,022,186)
Net student tuition and fees	63,564,288
Federal appropriations	3,610,601
Federal grants and contracts	42,854,754
State and local grants and contracts	1,503,834
Nongovernmental grants and contracts	3,935,107
Auxiliary enterprise revenues	27,020,266
Less scholarship allowances	(2,458,831)
Net auxiliary revenues	24,561,435
Other operating revenues	6,851,760
Total operating revenues	146,881,779
OPERATING EXPENSES	
Education and general:	
Instruction	49,123,611
Research	7,075,940
Public service	9,797,953
Academic support	26,431,056
Student services	18,831,551
Institutional support	48,314,847
Operation and maintenance of plant	24,545,647
Depreciation (note 6)	14,859,657
Scholarships and fellowships	15,595,095
Auxiliary enterprises	21,348,608
Other operating expenses	10,174
Total operating expenses	235,934,139
OPERATING LOSS	(89,052,360)

(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, 2019

NONOPERATING REVENUES (Expenses)	
State appropriations	$48,016,657
Gifts	990,744
Federal nonoperating revenues	37,492,938
Net Investment income	1,584,263
Interest expense	(1,921,326)
Other nonoperating revenues	4,468,458
Net nonoperating revenues	90,631,734
Income before other revenues, expenses, gains, losses	1,579,374
Capital appropriations	14,676,971
Capital grants and gifts	13,062,888
Additions to permanent endowments	230,000
CHANGE IN NET POSITION	29,549,233
NET POSITION AT BEGINNING OF YEAR (restated) (note 18)	(62,684,455)
NET POSITION AT END OF YEAR	($33,135,222)

(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, 2018

	Without Donor Restrictions	With Donor Restrictions	TOTAL
REVENUES AND SUPPORT			
Contributions and other support	$6,038,388		$6,038,388
Grants	615,000		615,000
Rental income	1,835,380		1,835,380
Bayou Classic revenues		$208,441	208,441
Administration fees	207,774		207,774
Athletic sponsorships and support	275		275
Donor's fees and registration	666,653		666,653
Interest income	47,345		47,345
Total revenues and support	9,410,815	208,441	9,619,256
Net assets released from restrictions - (note 24)	1,366,225	(1,366,225)	
EXPENSES			
Program services	6,460,071		6,460,071
Support services	1,514,514		1,514,514
Fundraising	264,073		264,073
Total expenses	8,238,658		8,238,658
Investment Activities			
Net realized loss	(18,753)		(18,753)
Net unrealized gain	(250,713)		(250,713)
Total investment activities	(269,466)		(269,466)
Changes in net assets	2,268,916	(1,157,784)	1,111,132
Net assets - beginning of year (restated) (note 18)	683,811	5,231,676	5,915,487
Net assets - end of year	$2,952,727	$4,073,892	$7,026,619

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$63,689,370
Federal appropriations	3,610,601
Grants and contracts	48,136,266
Auxiliary enterprise charges	22,347,298
Payments for employee compensation	(101,195,469)
Payments for benefits	(46,524,909)
Payments for utilities	(7,843,961)
Payments for supplies and services	(54,576,369)
Payments for scholarships and fellowships	(17,626,702)
Loans to students	8,979
Other receipts	7,193,060
Net cash used by operating activities	(82,781,836)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	47,700,258
Gifts and grants for other than capital purposes	38,111,584
Private gifts for endowment purposes	230,000
Taylor Opportunity Program for Students (TOPS) receipts	4,067,479
TOPS disbursements	(4,119,835)
GO Grant receipts	1,350,806
GO Grant disbursements	(1,340,500)
Implicit loan reduction from other campuses	(2,367,171)
Implicit loan reduction to other campuses	2,367,171
Direct lending receipts	104,812,945
Direct lending disbursements	(104,812,945)
Federal Family Education Loan program receipts	1,336,811
Federal Family Education Loan program disbursements	(1,336,811)
Other receipts	3,368,351
Net cash provided by noncapital financing sources	89,368,143
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Proceeds from capital debt	585,049
Capital grants and gifts received	83,302
Purchases of capital assets	(1,971,312)
Principal paid on capital debt and leases	(1,530,338)
Interest paid on capital debt and leases	(1,951,287)
Other sources	342,856
Net cash used by capital financing sources	(4,441,730)

(Continued)

The accompanying notes are an integral part of this statement.

Statement E

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	$3,211,850
Interest received on investments	1,522,968
Purchase of investments	(2,998,010)
Net cash provided by investing sources	1,736,808
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,881,385
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,925,117
CASH AND CASH EQUIVALENTS AT END OF YEAR	$16,806,502
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($89,052,360)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	14,859,657
Non-employer contributing entity (NCE) revenue	578,891
Changes in assets and liabilities:	
Increase in accounts receivable, net	(2,720,242)
Increase in inventories	(25,254)
Decrease in due from federal government	642,649
Decrease in prepaid expenses and advances	139,495
Decrease in notes receivable	166,867
Increase in other assets	(59,816)
Increase in deferred outflows related to OPEB	(115,553)
Increase in deferred outflows related to pensions	(13,048,550)
Increase in accounts payable and accrued liabilities	283,495
Increase in unearned revenue	448,439
Decrease in claims and litigation	(135,289)
Increase in compensated absences	373,456
Decrease in OPEB liability	(4,962,169)
Increase in net pension liability	1,327,925
Increase in deferred inflows related to OPEB	5,242,485
Increase in deferred inflows related to pensions	3,272,039
Increase in other liabilities	1,999
Net cash used by operating activities	($82,781,836)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents classified as current assets	$9,839,119
Cash and cash equivalents classified as noncurrent assets	6,967,383
Cash and cash equivalents at the end of the year	$16,806,502
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital appropriations for construction of capital assets	$14,676,971
Net decrease in the fair value of investments	$217,464
Capital gifts and grants	$12,979,586
Non-employer contributing entity revenue	$578,891

(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 system of institutions 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 proposed changes to the degree programs, departments of instruction, et cetera, require the approval of the Board of Regents for Higher Education. The board of supervisors is comprised of 15 members appointed for a six-year term by the governor with the consent of the Senate, and one student member appointed for a one-year term by a council composed of the student body presidents for the university. As a state institution, 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 1981, 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 separate agencies: Board and System Administration; Southern University and A&M System 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 and doctoral degrees are offered through the System's Graduate School, and Juris Doctorate degrees are offered through the System's Law Center. Southern University at Shreveport offers only certificates, technical diplomas, and associate degrees.

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 GASB. The accompanying financial statements have been prepared in accordance with these 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 such as: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) the state issues bonds to finance certain construction; and (4) the System primarily serves state residents. The accompanying financial statements of the System contain subaccount information of the various funds of the state of Louisiana and 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 a Comprehensive Annual Financial Report, which includes the activity contained in the accompanying financial statements. The Louisiana Legislative Auditor audits the basic financial statements of the System and the state of Louisiana.

COMPONENT UNITS

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.

Discrete Component Unit

The Southern University System Foundation (Foundation), originally chartered in 1968, is a legally separate, tax exempt organization which was organized to promote the educational and cultural welfare of the System and to provide scholarships and awards for a student to continue his or her studies at any campus within the System.

The consolidated financial statements of the Foundation include the Foundation as described above and 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. 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.

The assets of the Foundation equal 3% or more of the assets of the System; therefore, the financial statements are presented as a discrete component unit in the System's financial statements. During the year ended June 30, 2019, the Foundation made distributions to or on behalf of the System for both restricted and unrestricted purposes in the amount of $2,009,676. To obtain a copy of the Foundation's audit report, write to:

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

Blended Component Unit

SUSLA Facilities, Inc. (Facilities), originally chartered in 2006, is a nonprofit corporation. The corporation is a legally separate, tax exempt entity which was 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.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities. 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 recorded when an obligation has been incurred. All significant intra-System transactions have been eliminated.

Southern University System Foundation (Foundation), a discrete component unit, and SUSLA Facilities, Inc., a nongovernmental blended component unit, reported under the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), FASB Topic 958. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Except for 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 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) certain capital leases are not recorded. 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 deposits, 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 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.

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.

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 capitalized if they exceed $100,000. Any infrastructure exceeding depreciable costs of $3 million or more is 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 3 to 10 years for most movable property. Library collections regardless of age with a total acquisition value of $5 million or more are capitalized and depreciated.

I. UNEARNED REVENUES

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but are related to the subsequent accounting period. Unearned 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 non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System (LASERS), 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 time 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 (1) principal amounts of notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of LASERS and the Teachers’ Retirement System of Louisiana (TRSL), and additions to/deductions from each retirement system’s fiduciary net position, have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Synthetic guaranteed investment contracts are reported at contract value. All other investments are reported at fair value.

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

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

(d) *Unrestricted* consists of resources derived from student tuition and fees, state appropriations, 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:

(a) *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.

(b) *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.

(c) *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.

(d) *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 the System 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 significantly 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

The System implemented Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, issued by the Government Accounting Standards Board. This Statement defines debt for purposes of disclosure in the notes to the financial statements; clarifies which liabilities governments should include when disclosing information related to debt; and requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The Statement also requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default and/or termination events with finance-related consequences and significant subjective acceleration clauses.

This statement impacted note 15 notes payable. The adoption of this standard had no impact on the System's 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 System'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 financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation's resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions.

The Foundation financial statement presentation follows the recommendations of the FASB Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. Under FASB ASU No. 2016-14, the Foundation is required to report only two classes of net assets: "net assets without donor restrictions" and "net assets with donor restrictions."

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

- *Net Assets without Donor Restrictions* – are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes.

- *Net Assets with Donor Restrictions* – are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations.

C. 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. Accordingly, actual results could differ from those estimates.

D. CASH AND CASH EQUIVALENTS

For accounting and reporting purposes, cash and cash equivalents includes cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less. However, cash and cash equivalents that are required by donors to be maintained permanently are classified with endowment investments.

E. ENDOWMENT INVESTMENTS

Endowment investments are in short-term money market securities, equity investments, and fixed income investment. Endowment investments 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 not recognized until they become unconditional; that is, when the donor-imposed conditions 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. The Foundation does not currently imply time restrictions on contributions of long-lived assets about how long the donated asset must be used.

I. TAX EXEMPTION STATUS

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

J. COMPENSATED ABSENCES

The Foundation accounts for compensated absences (e.g., unused vacation, sick leave) as directed by the Financial Accounting Standards Board Accounting Standards Codification No. 710-10-50-1 (FASB ASC 710-10-50-1), “Accounting for Compensated Absences.” A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to benefits. As of December 31, 2018, no estimates were made for compensated absences.

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. The Foundation utilizes the straight-line method of depreciation over the estimated useful life of the assets which are five to 39 years. 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.

L. RESTRICTED ASSETS

Cash and cash equivalents, 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 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 Housing, LLC. All material intercompany transactions have been eliminated.

O. 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.

P. ACCOUNTING PRONOUNCEMENTS ADOPTED

In August 2016, the FASB issued ASU 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The ASU amends the current reporting model for nonprofits and enhances their required disclosures.

Q. RECLASSIFICATIONS

Certain accounts in 2017 financial statements have been reclassified to conform with the current year financial statement presentation.

- The temporary restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.

2. CASH

At June 30, 2019, the System has cash and cash equivalents (book balance) totaling $16,806,502 as follows:

Demand deposits	$16,806,202
Petty Cash	300
Total	$16,806,502

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

Current assets	$9,839,119
Noncurrent assets - restricted	6,967,383
Total	$16,806,502

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. These pledged securities are held in the name of the System or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2019, the System has $16,011,816 in deposits (collective bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

FOUNDATION CASH AND CASH EQUIVALENTS

As of December 31, 2018, cash and cash equivalents totaled $3,834,282, which consisted of $1,995,490 unrestricted and $1,838,792 restricted.

FOUNDATION CONCENTRATIONS OF CREDIT RISK

The Foundation's cash balances are held in savings and trust, as well as investment institutions. As of December 31, 2018, funds on deposit with savings and trust institutions exceeded FDIC limits by $3,584,283. However, the excess funds are placed into a "Sweep Account," which automatically transfers amounts that exceed the FDIC limit into an overnight investment account at the close of each business day to ensure the funds are secure. The Foundation's credit risk is inherent principally in its investments. Adverse economic conditions either nationwide or internationally may result in a reduction of the investments' carrying amount. As of December 31, 2018, the Foundation held investments in excess of the Securities Investor Protection Corporation insurance limit of $500,000.

3. INVESTMENTS

The System maintains investment accounts as authorized by state law. At June 30, 2019, the System has investments totaling $16,592,633 as follows:

Type of Investment	Percentage of Investments	Credit Quality Rating	Fair Value June 30, 2019
Investments held by private foundation:			
Cash and cash alternatives	23.96%		$3,976,389
Mutual funds	51.08%		8,474,764
Subtotal - held by private foundation	75.04%	Not Rated	12,451,153
Louisiana Asset Management Pool	17.42%	AAAm	2,890,628
Mutual funds	6.83%		1,133,512
Certificates of Deposit	0.71%		117,340
Subtotal - other investments	24.96%		4,141,480
Total Investments	100%		$16,592,633

These investments are reported on the Statement of Net Position as Noncurrent assets – restricted total $16,592,633.

	June 30, 2019				
Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	10+ Years
Certificates of Deposit	$117,340	$117,340			
Total	$117,340	$117,340	NONE	NONE	NONE

Investments are reported at fair market value. Investments totaling $12,451,153 are held by a private foundation in external investment pools and managed in accordance with the terms outlined in management agreements executed between the System and the Foundation and have no credit quality rating. The System is a voluntary participant. The Foundation holds and manages funds received by the System as state matching funds for the Endowed Chairs and Endowed Professorship programs. These investments are held by the System's discretely presented component unit.

There is no formal adopted investment policy regarding custodial credit risk.

INVESTMENTS – FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

- Level 1 inputs – the valuation is based on quoted market prices for identical assets or liabilities traded in active markets;
- Level 2 inputs – 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 inputs other than quoted prices that are observable for the asset or liability;
- Level 3 inputs – the valuation is determined by using the best information available under the circumstances and might include the government's own data. In developing unobservable inputs, a government may begin with its own data but should adjust those data if (a) reasonably available information indicates that other market participants would use different data or (b) there is something particular to the government that is not available to other market participants.

Fair values of assets measured on a recurring basis at June 30, 2019, are as follows:

		Fair Value Hierarchy		
	Fair Value June 30, 2019	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments held by private foundation:				
Cash and Cash alternatives	$3,976,389	$3,976,389		
Mutual funds	8,474,764	8,474,764		
Subtotal - held by private foundation	12,451,153	12,451,153	NONE	NONE
Louisiana Asset Management Pool	2,890,628		$2,890,628	
Mutual funds	1,133,512	1,133,512		
Certificates of Deposit	117,340	117,340		
Subtotal - other investments	4,141,480	1,250,852	2,890,628	NONE
Total Investments at Fair Value Level	$16,592,633	$13,702,005	$2,890,628	NONE

FOUNDATION INVESTMENTS

Investments are stated at market value (fair value) in accordance with FASB ASC Topic 958-320, *Accounting for Certain Investments Held by Non-For-Profit Organizations*. Net appreciation (depreciation) in the fair value of investments, which consists of realized gains and losses and the unrealized appreciation (depreciation) on those investments, is shown in the Statement of Activities. Investments consist of the following at December 31, 2018:

Description	Fair Value
Money market funds	$490,571
Exchange-traded products	6,886,345
Equities	1,555,667
Fixed income	835,628
Total investments	$9,768,211

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.

FOUNDATION FAIR VALUE OF INVESTMENTS

Fair values of investments measured on a recurring basis at December 31, 2018, are as follows:

		Fair Value Hierarchy		
	Fair Value December 31, 2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	$9,768,211	$9,768,211		
Total Investments at Fair Value Level	$9,768,211	$9,768,211	NONE	NONE

4. RECEIVABLES

Receivables are shown on the Statement of Net Position, net of an allowance for doubtful accounts, at June 30, 2019. These receivables are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	$11,875,575	$3,649,904	$8,225,671
Auxiliary enterprises	4,421,201	903,790	3,517,411
State and private grants and contracts	2,421,038		2,421,038
Due from Office of Facility Planning	696,585		696,585
Accrued interest	2,151		2,151
Other	1,201,008	6,231	1,194,777
Total	$20,617,558	$4,559,925	$16,057,633

There is no noncurrent portion of receivables.

FOUNDATION RECEIVABLES

As of December 31, 2018, accounts receivable totaled $252,295. 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, 2018:

Expected to be collected in:	
Less than one year	$342,585
One to five years	764,931
Gross pledges receivable	1,107,516
Less - allowance for doubtful accounts	(422,648)
Pledges receivable, net	$684,868

Capitalized Lease Receivable

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 total amounts due from the System during the next fiscal year totals $1,278,048. The total amount due for succeeding years totals $21,206,952. The total Capitalized Lease Receivable balance at December 31, 2018, totaled $22,485,000.

The Foundation has certain receivables due from the System. The receivables due from the System at December 31, 2018, are reimbursable costs totaling $118,380.

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 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, 2019. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
Federal Perkins Loan	$425,274	$412,887	$12,387
Student Revolving Loans	216,740		216,740
Long-term student loans	98,931	98,931	
Total	$740,945	$511,818	$229,127

6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2019, follows:

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 on a project until the project is completed. For the fiscal year ended June 30, 2019, total interest paid on capital debt was $1,921,326.

	Balance June 30, 2018	Prior Period Adjustments	Adjusted Balance June 30, 2018	Additions	Transfers	Retirements	Balance June 30, 2019
Capital assets not being depreciated:							
Land	$6,845,696	($1)	$6,845,695				$6,845,695
Nondepreciable land improvements	139,640		139,640				139,640
Construction-in-progress	84,794,209		84,794,209	$27,514,116	($77,810,392)		34,497,933
Total capital assets not being depreciated	$91,779,545	($1)	$91,779,544	$27,514,116	($77,810,392)	NONE	$41,483,268
Capital assets being depreciated:							
Infrastructure	$32,844,715	($2)	$32,844,713				$32,844,713
Less accumulated depreciation	(25,736,327)	2	(25,736,325)	($241,519)			(25,977,844)
Total infrastructure	7,108,388	NONE	7,108,388	(241,519)	NONE	NONE	6,866,869
Land improvements	15,215,069	3	15,215,072				15,215,072
Less accumulated depreciation	(8,747,267)	(2)	(8,747,269)	(497,942)			(9,245,211)
Total land improvements	6,467,802	1	6,467,803	(497,942)	NONE	NONE	5,969,861
Buildings	434,463,494	(1)	434,463,493	64,861	$77,810,392		512,338,746
Less accumulated depreciation	(199,431,257)	(1,626)	(199,432,883)	(11,391,192)			(210,824,075)
Total buildings	235,032,237	(1,627)	235,030,610	(11,326,331)	77,810,392	NONE	301,514,671
Equipment (including library books)	138,462,107	7,404	138,469,511	2,048,892		($1,241,024)	139,277,379
Less accumulated depreciation	(129,774,207)	(7,399)	(129,781,606)	(2,729,004)		1,241,024	(131,269,586)
Total equipment	8,687,900	5	8,687,905	(680,112)	NONE	NONE	8,007,793
Software (internally generated and purchased)	7,317,561		7,317,561				7,317,561
Accumulated amortization - software	(7,317,561)		(7,317,561)				(7,317,561)
Total intangibles	NONE	NONE	NONE	NONE	NONE	NONE	NONE
Total capital assets being depreciated	$257,296,327	($1,621)	$257,294,706	($12,745,904)	$77,810,392	NONE	$322,359,194
Capital assets summary:							
Capital assets not being depreciated	$91,779,545	($1)	$91,779,544	$27,514,116	($77,810,392)		$41,483,268
Capital assets being depreciated	628,302,946	7,404	628,310,350	2,113,753	77,810,392	($1,241,024)	706,993,471
Total cost of capital assets	720,082,491	7,403	720,089,894	29,627,869	NONE	(1,241,024)	748,476,739
Less accumulated depreciation	(371,006,619)	(9,025)	(371,015,644)	(14,859,657)	NONE	1,241,024	(384,634,277)
Capital assets, net	$349,075,872	($1,622)	$349,074,250	$14,768,212	NONE	NONE	$363,842,462

FOUNDATION FIXED ASSETS

Land, building and equipment as of December 31, 2018, are summarized as follows:

Land and improvements	$1,215,840
Construction in Progress	1,485,347
Building	1,995,830
Office equipment	245,464
Software	122,248
Other fixed assets	3,411,619
Subtotal	8,476,348
Less - accumulated depreciation	(3,146,358)
Total	$5,329,990

Depreciation expense totaled $132,220 for the year ended December 31, 2018.

7. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accruals at June 30, 2019:

Vendors payables	$7,519,563
Accrued salaries and benefits	6,572,805
Accrued interest	332,843
Total	$14,425,211

8. COMPENSATED ABSENCES

At June 30, 2019, employees of the System have accumulated and vested annual leave, sick leave, and compensatory leave of $5,841,371, $6,831,872, and $229,896, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

9. LASERS AND TRSL PENSION PLANS

General Information about the Pension Plans

Plan Descriptions

The System is a participating employer in two state public employee retirement systems, LASERS and TRSL. Both systems have separate boards of trustees and administer cost-sharing, multiple-employer defined benefit pension plans, including classes of employees with different benefits and contribution rates (sub-plans). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all sub-plans administered by these systems to the State Legislature. Each system issues a public report that includes financial statements and required supplementary information. Copies of the reports for LASERS and TRSL may be obtained at www.lasersonline.org and www.trsl.org, respectively.

TRSL also administers an optional retirement plan (ORP), which was created by Louisiana Revised Statute 11:921-931 for academic and administrative employees of public institutions of higher education and is considered a defined contribution plan (see Note 10 below). A portion of the employer contributions for ORP plan members is dedicated to the unfunded accrued liability of the TRSL defined benefit plan.

LASERS Retirement Benefits

LASERS administers a plan to provide retirement, disability, and survivor benefits to eligible state employees and their beneficiaries as defined in R.S. 11:411-417. Act 992 of the 2010 Regular Legislative Session closed existing sub-plans for members hired before January 1, 2011, and created new sub-plans for regular members, hazardous duty members, and judges. Act 226 of the 2014 Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. The age and years of creditable service required for a member to receive retirement benefits are established by R.S. 11:441 and vary depending on the member's hire date, employer, and job classification. The computation of retirement benefits is defined in R.S. 11:444.

The substantial majority of the System's members are regular plan members. Regular plan members hired prior to July 1, 2006, may retire with full benefits at any age upon completing 30 years of creditable service, at age 55 upon completing 25 years of creditable service, and at age 60 upon completing 10 years of creditable service. Regular plan members hired from July 1, 2006, through June 30, 2015, may retire with full benefits at age 60 upon completing 5 years of creditable service. Regular plan members hired on or after July 1, 2015, may retire with full benefits at age 62 upon completing 5 years of creditable service. Additionally, all regular plan members may choose to retire with 20 years of creditable service at any age, with an actuarially-reduced benefit. The basic annual retirement benefit for regular plan members is equal to 2.5% of average compensation multiplied by the number of years of creditable service, generally not to exceed 100% of average compensation. Average compensation for regular plan members is defined in R.S. 11:403 as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006, or highest 60 consecutive months of employment for members employed on or after that date. A member leaving service before attaining minimum retirement age but after completing certain minimum service requirements, generally 10 years, becomes eligible for a benefit provided the member lives to the minimum service retirement age and does not withdraw the accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

Eligibility requirements and benefit computations for disability benefits are provided for in R.S. 11:461. Generally, active regular plan members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age. Upon reaching retirement age, the disability retiree may receive a regular retirement benefit by making application to the LASERS Board of Trustees.

Provisions for survivor benefits are provided for in R.S. 11:471-478. Under these statutes, the deceased regular plan member, hired before January 1, 2011, who was in state service at the time of death must have a minimum of five years of service, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18 or age 23 if the child remains a full-time student. The minimum service requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child. The deceased regular plan member, hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The minimum service credits for a surviving spouse include active service at the time of death and a minimum of ten years of service credit with two years being earned immediately prior to death, or a minimum of 20 years regardless of when earned. In addition, the deceased regular plan member's spouse must have been married for at least one year before death.

TRSL Retirement Benefits

TRSL administers a plan to provide retirement, disability, and survivor benefits to employees who meet the legal definition of a "teacher" as provided for in R.S 11:701. Statutory changes closed existing, and created new, sub-plans for members hired on or after January 1, 2011. The age and years of creditable service required for a member to receive retirement benefits are established by R.S. 11:761 and vary depending on the member's hire date. The computation for retirement benefits is defined in R.S. 11:768.

Most of the TRSL members at the System are participants in the Regular Plan. In the regular plan, eligibility for retirement is determined by the date the member joined TRSL. Members hired prior to January 1, 2011, are eligible to receive retirement benefits (1) at the age of 60 with 5 years of service, (2) at the age of 55 with at least 25 years of service, or (3) at any age with at least 30 years of service. Members hired between January 1, 2011, and June 30, 2015, are eligible to retire at age 60 with 5 years of service. Members hired on or after July 1, 2015, are eligible to retire at age 62 with 5 years of service. All regular plan members are eligible to retire at any age with 20 years of service and an actuarially-reduced benefit. Retirement benefits for regular plan members are calculated by applying a percentage ranging from 2% to 2.5% of final average compensation multiplied by years of creditable service. Average compensation is defined in R.S. 11:701 as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to January 1, 2011, or highest 60 consecutive months of employment for members employed on or after that date.

Under R.S. 11:778 and 11:779, members who have suffered a qualified disability are eligible for disability benefits if employed prior to January 1, 2011, and attained at least five years of service or if employed on or after January 1, 2011, and attained at least ten years of service. Members employed prior to January 1, 2011, receive disability benefits equal to 2.5% of average compensation multiplied by the years of service, but not more than 50% of average compensation subject to statutory minimums. Members employed on or after January 1, 2011, receive disability benefits equivalent to the regular retirement formula without reduction by reason of age.

Survivor benefits are provided for in R.S. 11:762. In order for survivor benefits to be paid, the deceased member must have been in state service at the time of death and must have a minimum of five years of service, at least two of which were earned immediately prior to death, or must have had a minimum of 20 years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. The minimum service credit requirement is ten years for a surviving spouse with no minor children. Surviving spouse benefits are equal to 50% of the benefit to which the member would have been entitled if retired on the date of death using a factor of 2.5% regardless of years of service or age, or $600 per month, whichever is greater. Benefits are payable to an unmarried child until age 21, or age 23 if the child remains a full-time student. Benefits are paid for life to a qualified handicapped child. Benefits are paid for life to a surviving spouse unless the deceased active member has less than 20 years of creditable service and the surviving spouse remarries before the age of 55.

Deferred Retirement Option Plan

Both LASERS and TRSL have established a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period up to three years. The election is irrevocable once participation begins. During participation, benefits otherwise payable are fixed and deposited in an individual DROP account. Upon leaving DROP and terminating employment, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial lump-sum benefit option in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits.

Cost of Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS and TRSL allow for the payment of permanent benefit increases, also known as cost of living adjustments (COLAs), which are funded through investment earnings when recommended by the retirement system board of trustees and approved by the Legislature. These ad hoc COLAs are not considered substantively automatic.

Contributions

Employee contribution rates are established by R.S. 11.62. Employer contribution rates are established annually under R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the respective pension system actuary. Employer contribution rates are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Each LASERS and TRSL sub-plan pays a separate actuarially-determined employer contribution rate. However, all assets of the pension plan are used for the payment of benefits for all classes of members, regardless of their sub-plan membership. For those members participating in the TRSL defined contribution ORP, a portion of the employer contributions is used to fund the TRSL defined benefit plan's unfunded accrued liability.

Employer contributions to LASERS for fiscal year 2019 totaled $6,644,683, with regular plan active member contributions ranging from 7.5% to 8%, and employer contributions of 37.9% of covered payroll. Employer defined benefit plan contributions to TRSL for fiscal year 2019 totaled $17,866,820, with regular plan active member contributions of 8%, and employer contributions of 21.8% for ORP members, and 25.5% to 26.7% for defined benefit plan members. Non-employer contributing entity contributions to TRSL, which are comprised of ad valorem tax revenue, totaled $578,891, and were recognized as revenue in fiscal year 2019 by the System.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the System reported liabilities of $60,838,018 and $143,850,764 under LASERS and TRSL, respectively, for its proportionate share of the collective Net Pension Liability (NPL). The NPL for LASERS and TRSL was measured as of June 30, 2018, and the total pension liabilities used to calculate the NPL were determined by actuarial valuations as of that date. The System's proportions of the NPL were based on projections of the System's long-term share of contributions to the pension plans relative to the projected contribution of all participating employers, actuarially determined. As of June 30, 2018, the most recent measurement date, the System's proportions and the changes in proportion from the prior measurement date were 0.89206%, or an increase of 0.04103%, for LASERS, and 1.46369%, or an increase of 0.06436%, for TRSL.

For the year ended June 30, 2019, the System recognized a total pension expense of $16,641,892 for defined benefit plans, or $4,196,906 and $12,444,986 for LASERS and TRSL, respectively. At June 30, 2019, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	LASERS	TRSL	Total	LASERS	TRSL	Total
Differences between expected and actual experience				($682,237)	($14,009,527)	($14,691,764)
Changes of assumptions						
Net difference between projected and actual earnings on pension plan investments	$1,407,969	$9,242,883	$10,650,852			
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,939,722	6,976,560	8,916,282	(926,107)	(1,170,781)	(2,096,888)
Employer contributions subsequent to the measurement date	6,644,683	17,866,820	24,511,503			
Total	$9,992,374	$34,086,263	$44,078,637	($1,608,344)	($15,180,308)	($16,788,652)

Deferred outflows of resources related to pensions resulting from the System's contributions subsequent to the measurement date will be recognized as a reduction of the LASERS and TRSL NPL in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	LASERS	TRSL	Total
2020	$1,884,820	$2,914,270	$4,799,090
2021	1,563,899	(245,839)	1,318,060
2022	(1,486,778)	(2,683,158)	(4,169,936)
2023	(222,656)	1,053,731	831,075
	$1,739,285	$1,039,004	$2,778,289

Actuarial Assumptions and Methodologies

The total pension liabilities for LASERS and TRSL in the June 30, 2018, actuarial valuations were determined using the following actuarial assumptions and methodologies, applied to all periods included in the measurements:

	LASERS	TRSL
Valuation Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Approach	Closed	Closed
Expected Remaining Service Lives	3 years	5 years
Investment Rate of Return (discount rate)	7.65% per annum, net of investment expense	7.65% per annum, net of investment expense
Inflation Rate	2.75% per annum	2.5% per annum
Mortality Rates	Non-disabled members: RP-2000 Combined Healthy Mortality Table, improvement projected to 2015 Disabled members: RP-2000 Disabled Retiree Mortality Table, no projection for improvement	Active members: 'RP-2014 White Collar Employee tables, adjusted by 1.010 for males and by 0.997 for females. Non-disabled inactive members: RP-2014 White Collar Healthy Annuitant tables, adjusted by 1.366 for males and by 1.189 for females Disabled inactive members: RP-2014 Disability tables, adjusted by 1.111 for males and by 1.134 for females Mortality base tables were adjusted from 2014 to 2018 using the MP-2017 generational improvement table, with continued future mortality improvement projected using the MP-2017 generational mortality improvement tables.
Termination, Disability, Retirement	Termination, disability, and retirement assumptions were projected based on a five year (2009-2013) experience study of the plan's members	Termination, disability, and retirement assumptions were projected based on a five year (2012-2017) experience study of the plan's members
Projected Salary Increases	Salary increases were projected based on a 2009-2013 experience study of the plan's members. The projected salary increase for regular plan members ranges from 3.8% to 12.8% depending on duration of service.	Salary increases were projected based on a 2012-2017 experience study of the System's members. The projected salary increase for regular plan members ranges from 3.3% to 4.8% depending on duration of service.
Cost of Living Adjustments	Not substantively automatic	Not substantively automatic

The projected benefit payments do not include provisions for potential future increases not yet authorized by the LASERS and TRSL Boards of Trustees as these ad hoc COLAs were deemed not to be substantively automatic.

The June 30, 2018 valuations include the following changes in assumptions:

- The LASERS and TRSL Boards adopted plans to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments, beginning July 1, 2017.

Therefore, the discount rate was reduced from 7.70% to 7.65% for the LASERS and TRSL June 30, 2018 valuations. The 7.65% discount rate was used to determine the LASERS projected contribution requirements for fiscal year 2018/2019. On November 1, 2018, the TRSL Board accelerated the discount rate reduction plan by one year, and a 7.55% rate was used to determine the projected contribution requirements for the 2019/2020 fiscal year.

- The TRSL demographic, mortality, and salary increase assumptions were updated to reflect the results of the most recent experience study of the plan's members observed for the period July 1, 2012, through June 30, 2017.

For LASERS and TRSL, the long-term expected rate of return for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25%, and 2.5%, for LASERS and TRSL, respectively, and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.83%, and 8.07%, for LASERS and TRSL, respectively. The target allocation and best estimates of geometric/arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized for each plan in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
LASERS (geometric)		
Cash	0.00%	-0.48%
Domestic equity	23.00%	4.31%
International equity	32.00%	5.26%
Domestic fixed income	6.00%	1.49%
International fixed income	10.00%	2.23%
Alternative investments	22.00%	7.67%
Risk Parity	7.00%	4.96%
Total	100.00%	5.40%
TRSL (arithmetic)		
Domestic equity	27.00%	4.01%
International equity	19.00%	4.90%
Domestic fixed income	13.00%	1.36%
International fixed income	5.50%	2.35%
Private Equity	25.50%	8.39%
Other Private Assets	10.00%	3.57%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for both LASERS and TRSL. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the respective pension system's actuary. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the NPL to changes in the discount rate

The following presents the System's proportionate share of the NPL for LASERS and TRSL using the current discount rate as well as what the System's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
	(6.65%)	(7.65%)	(8.65%)
LASERS	$76,781,483	$60,838,018	$47,106,564
TRSL	$190,567,736	$143,850,764	$104,442,814

Pension plan fiduciary net position

Detailed information about the LASERS and TRSL fiduciary net position is available in the separately issued Comprehensive Annual Financial Reports at www.lasersonline.org and www.trsl.org, respectively.

Payables to the Pension Plan

At June 30, 2019, the System had $728,315 and $1,814,347 in payables to LASERS and TRSL, respectively, for the June 2019 employee and employer legally-required contributions.

10. OPTIONAL RETIREMENT PLAN

TRSL administers an optional retirement plan (ORP), which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. 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 fixed and/or variable annuity contracts provided by designated companies. Benefits payable to participants are not the obligation of the State of Louisiana or the TRSL. Such benefits and other rights of the ORP are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

R.S. 11:927 sets the contribution requirements of the ORP plan members and the employer. Each plan member shall contribute monthly to the ORP an amount equal to the contribution rates established for the regular retirement plan of TRSL as disclosed in Note 9. Effective July 1, 2018, the portion of the employer contribution to be transferred to the ORP participants' accounts (transfer amount) is the greater of: (1) the employer normal cost contribution for the TRSL Regular Plan; or (2) 6.2%. The amount must be set as a percentage of pay.

Employer ORP contributions to TRSL for fiscal year 2019 totaled $4,096,529, which represents pension expense for the System. Employee contributions totaled $1,503,312. The fiscal year 2019 employee and employer contribution rates were 8% and 6.2%, respectively, with an additional employer contribution of 21.8% (shared UAL) made to the TRSL defined benefit plan described in Note 9 above.

11. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Office of Group Benefits (OGB) administers the State of Louisiana Post-Retirement Benefits Plan – a defined-benefit, multiple-employer other post-employment benefit plan. The plan provides medical, prescription drug, and life insurance benefits to retirees, disabled retirees, and their eligible beneficiaries through premium subsidies. Current employees, who participate in an OGB health plan while active, are eligible for plan benefits if they are enrolled in the OGB health plan immediately before the date of retirement and retire under one of the state sponsored retirement systems (Louisiana State Employees' Retirement System, Teachers' Retirement System of Louisiana, Louisiana School Employees' Retirement System, or Louisiana State Police Retirement System), or they retire from a participating employer that meets the qualifications in the Louisiana Administrative Code 32:3.303. Benefit provisions are established under R.S. 42:851 for health insurance benefits and R.S. 42:821 for life insurance benefits. The obligations of the plan members, employer(s), and other contributing entities to contribute to the plan are established or may be amended under the authority of R.S. 42:802.

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75.

Employer contributions are based on plan premiums and the employer contribution percentage. Premium amounts vary depending on the health plan selected and if the retired member has Medicare coverage. OGB offers retirees four self-insured healthcare plans and one fully insured plan. Effective January 1, 2019, retired employees who have Medicare Part A and Part B coverage also have access to six fully insured Medicare Advantage plans.

The employer contribution percentage is based on the date of participation in an OGB plan and employee years of service at retirement. Employees who begin participation or rejoin the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65, who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer and retiree is based on the following schedule:

OGB Participation	Employer Share	Retiree Share
Under 10 years	19%	81%
10 - 14 years	38%	62%
15 - 19 years	56%	44%
20+ years	75%	25%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retirees and spouses of retirees subject to maximum values. Employers pay approximately 50% of monthly premiums for individual retirees. The retiree is responsible for 100% of the premium for dependents. Effective January 1, 2018, the total monthly premium for retirees varies according to age group.

Total Collective OPEB Liability and Changes in Total Collective OPEB Liability

At June 30, 2019, the System reported a liability of $180,028,508 for its proportionate share of the total collective OPEB liability. The total collective OPEB liability was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

The System's proportionate share percentage is based on the employer's individual OPEB actuarial accrued liability (AAL) in relation to the total OPEB AAL liability for all participating entities included in the state of Louisiana reporting entity. At July 1, 2018, the most recent measurement date, the System's proportion and the change in proportion from the prior measurement date was 2.1090%, a decrease of 0.0195%.

The total collective OPEB liability in the July 1, 2018, actuarial valuation was determined using the following actuarial methods, assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method – Entry Age Normal, level percentage of pay
- Estimated Remaining Service Lives – 4.5
- Inflation rate – Consumer Price Index (CPI) 2.8%

- Salary increase rate – consistent with the pension plan disclosed in note 9
- Discount rate – 2.98% based on June 29, 2018, Standard & Poor's 20-year municipal bond index rate
- Mortality rates – for members of LASERS, assumptions were based on the RP-2014 Combined Healthy Mortality Table, or RP-2014 Disabled Retiree Mortality Table; both tables projected on a fully generational basis by Mortality Improvement Scale MP-2018; for TRSL members, assumptions are consistent with the pension plan disclosed in note 9.
- Healthcare cost trend rates – 7% for pre-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2029 and thereafter; 5.5% for post-Medicare eligible employees grading down by .25% each year beginning in 2020-2021, to an ultimate rate of 4.5% in 2023-2024 and thereafter; the initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach which considers Consumer Price Index, Gross Domestic Product, and technology growth.

Changes of assumptions and other inputs from the prior valuation include the following:

- The discount rate decreased from 3.13% to 2.98%.
- Baseline per capita costs were adjusted to reflect 2018 claims and enrollment, retiree contributions were updated based on 2019 premiums, and the impact of the High Cost Excise Tax was revisited reflecting updated plan premiums.
- The percentage of future retirees assumed to elect medical coverage was adjusted based on recent plan experience.
- Demographic and mortality assumptions were updated consistent with the TRSL plan based on recent experience studies reflected in the June 30, 2018, pension valuations.
- Mortality assumptions for LASERS members were updated using projection scale MP-2018 based on information released by the Society of Actuaries in October 2018.

Sensitivity of the proportionate share of the total collective OPEB liability to changes in the discount rate

The following presents the System's proportionate share of the total collective OPEB liability using the current discount rate as well as what the System's proportionate share of the total collective OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease (1.98%)	Current Discount Rate (2.98%)	1.0% Increase (3.98%)
Proportionate Share of Total Collective OPEB Liability	$209,156,196	$180,028,508	$156,742,363

Sensitivity of the proportionate share of the total collective OPEB liability to changes in the healthcare cost trend rates

The following presents the System's proportionate share of the total collective OPEB liability using the current healthcare cost trend rates as well as what the System's proportionate share of the total collective OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
Pre-65 Rates	6.0% decreasing to 3.5%	7.0% decreasing to 4.5%	8.0% decreasing to 5.5%
Post-65 Rates	4.5% decreasing to 3.5%	5.5% decreasing to 4.5%	6.5% decreasing to 5.5%
Proportionate Share of Total Collective OPEB Liability	$156,489,148	$180,028,508	$209,914,978

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the System recognized OPEB expense of $5,558,459. At June 30, 2019, System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		($784,684)
Changes of assumptions or other inputs		(12,129,085)
Changes in employer's proportionate share	$585,221	(1,977,613)
Difference between proportionate share of benefit payments and actual benefit payments	22,749	(449,947)
Amounts paid by the employer for OPEB subsequent to the measurement date	5,818,250	
TOTAL	$6,426,220	($15,341,329)

Deferred outflows of resources related to OPEB resulting from the System's benefit payments subsequent to the measurement date will be recognized as a reduction of the total collective OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Net Amount Recognized in OPEB Expense
2020	($5,045,049)
2021	(5,045,049)
2022	(3,554,223)
2023	(1,089,037)
	($14,733,358)

12. 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 (ORM), the agency responsible for the state's risk management program, or by General Fund appropriation. The System is involved in 11 lawsuits at June 30, 2019, 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 $53,000 is reflected on the financial statements. The

Shreveport campus also reported $33,822 for current liabilities. The amount of settlements paid in the last three years did not exceed insurance coverage. The System uses internal funds that are legally available to handle risks of loss for claims and litigations not handled by ORM. The System does not participate in a risk pool other than ORM. The System is not the guarantor of indebtedness with even a remote chance that it will be called on to honor its guarantee. The System has not been informed of any disallowed costs from federal grant agencies.

13. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2019, total operating lease expenditures were $2,161,969. 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, 2019.

Capital Leases

During fiscal year 2019, SU A&M entered into an amended and restated cooperative endeavor and lease agreement with the Foundation (Millennium). This agreement adjusts the System's base rental payments downward.

The System records items under capital leases as assets and obligations in the accompanying financial statements. Assets under capital lease are included as capital assets in note 6. The capital lease obligation is associated with the capital lease agreement described at note 22. 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, 2019:

Fiscal Year Ended June 30,	
2020	$1,560,161
2021	1,861,144
2022	1,858,019
2023	1,698,325
2024	1,696,325
2025-2029	8,438,126
2030-2034	8,443,962
2035-2039	8,405,780
Total mimimum payments	33,961,842
Less - amount representing interest	(10,997,763)
Present value of net minimum lease payments	$22,964,079

The gross amount, including capitalized interest, of assets held under capital leases as of June 30, 2019, totals $29,736,661 and includes buildings, land improvements, and equipment of $25,184,393; $2,769,851; and $1,782,417, 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, 2019:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	$4,900,104	($4,238,094)	$662,010
Buildings	2,923,357	(1,067,887)	1,855,470
Total	$7,823,461	($5,305,981)	$2,517,480

The following is a schedule, by fiscal years, of the minimum future rentals on noncancelable operating leases as of June 30, 2019:

Nature of Operating Lease	2020	2021	2022	2023	2024	2025-2029	2030-2031	Total Minimum Future Rentals
Office space	$1,794,120	$1,832,120	$1,864,920	$1,774,920	$1,600,000	$8,673,000		$17,539,080
Building	70,000	75,000	80,000	85,000	90,000	550,000		950,000
Land	39,600	3,600	3,600	3,600	3,600	18,000	$6,300	78,300
Other	50,000	50,000	50,000					150,000
Total	$1,953,720	$1,960,720	$1,998,520	$1,863,520	$1,693,600	$9,241,000	$6,300	$18,717,380

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, 2019, contingent rentals received from operating leases were $491,778: $476,287 for office space, and $15,491 for other.

14. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term transactions of the System for the year ended June 30, 2019:

	Balance, June 30, 2018 Restated	Additions	Reductions	Balance, June, 30 2019	Amounts Due Within One Year
Notes payable	$38,250,326		$1,431,204	$36,819,122	$1,464,720
Compensated absences payable	12,529,684	$432,010	58,555	12,903,139	832,556
Capital lease obligations	22,433,497	1,365,275	834,693	22,964,079	574,693
Claims payable	222,111		135,289	86,822	86,822
Net pension liabilities	203,360,768	1,328,014		204,688,782	
Total long-term liabilities	$276,796,386	$3,125,299	$2,459,741	$277,461,944	$2,958,791

15. NOTES PAYABLE

Loan – Southern University at Shreveport (SUSLA)

The System Board of Supervisors with and on behalf of SUSLA entered into an agreement with the U.S. Department of Education to borrow $12,046,928 in September 2017 to refinance the debt on existing student housing facilities. Total debt retired included $12.1 million in bonds held by SUSLA Facilities, Inc. The refinancing reduced the interest rate on the debt and the debt service requirements for the remainder of the loans.

The Shreveport Campus's outstanding notes from direct borrowings and direct placements related to business-type activities of $11,614,479 contain (1) a provision that in an event of default, the lender may declare the principal of, and interest on, the loan forthwith due and payable whereupon the principal of, and interest on, the loan will become forthwith due and payable and (2) a provision that at the behest of the United States Department of Education, the loan agreement could be terminated and a declaration made that any loan funds which have been provided to the borrower up until the event of default as well as the interest accrued thereon from the date the funds were received at the rate established under the terms of the loan agreement, to be immediately due and payable in full to the lender.

Loan – Southern University Agricultural & Mechanical College (SU A&M)

During fiscal year 2017-2018 SU A&M entered a refinancing program with HBCU Series A 2017-6 and HBCU 2017-5. The refinancing included the Dormitories and Intramural Complex in the amount of $23.7 million and $2.5 million, respectively. The refinancing reduced the amount owed under the Millennium Capital lease.

The Baton Rouge Campus's outstanding notes from direct borrowings and direct placements related to business-type activities of $25,204,643 contain (1) a provision that in an event of default, the lender may declare the principal of, and interest on, the loan forthwith due and payable whereupon the principal of, and interest on, the loan will become forthwith due and payable and (2) a provision that at the behest of the United States Department of Education, the loan agreement could be terminated and a declaration made that any loan funds which have been provided to the borrower up until the event of default as well as, the interest accrued thereon from the date the funds were received at the rate established under the terms of the loan agreement, to be immediately due and payable in full to the lender.

The following is a summary of future minimum payments as of June 30, 2019:

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	$1,464,720	$891,343	$2,356,063
2021	1,496,902	859,162	2,356,064
2022	1,541,465	814,598	2,356,063
2023	1,578,464	777,599	2,356,063
2024	1,614,949	741,113	2,356,062
2025-2029	8,690,702	3,089,614	11,780,316
2030-2034	9,812,378	1,967,937	11,780,315
2035-2039	10,262,239	701,614	10,963,853
2040	357,303	4,267	361,570
Total	$36,819,122	$9,847,247	$46,666,369

16. BONDS PAYABLE

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 Foundation is required to submit certain prescribed documentation within 180 days after the last day of each fiscal year to the bond insurer and the trust officer. These documents include financial reports certified by independent certified public accountants, a copy of the budget, a no default certificate, a copy of the developer's certificate, and a copy of the disclosure certificate. As of December 31, 2018, the foundation is in compliance with the terms of the bond indenture.

In 2018 Millennium Housing, LLC (the sole member of which is the Southern University System Foundation) and the Louisiana Public Facilities Authority entered into an agreement to issue $22,485,000 aggregate principal amount of Refunding Revenue Bond Series 2018. The purpose of the bonds is for the refunding of all the Refunded Bonds, fund a debt service reserve fund and paying the cost of the issuance of the Bonds. The transactions occurred to allow a new bond issue to be made for the replacement of The Refunded Bond balance not defeased in 2017, the balance of which was $23,145,000 remaining from the 2006 series bond issue secured to build student apartments on the Baton Rouge Campus of Southern University.

Scheduled principal payments on the bonds are as follows:

Year Ended December 31,	Principal	Unamortized Premium	Total
2019	$415,000	$66,157	$481,157
2020	745,000	66,157	811,157
2021	780,000	66,157	846,157
2022	820,000	66,157	886,157
2023	860,000	66,157	926,157
2024 and thereafter	18,865,000	635,934	19,500,934
Total	$22,485,000	$966,719	$23,451,719

Interest expense related to the bonds for the year ended December 31, 2018, totaled $65,665.

FOUNDATION LOAN PAYABLE

The Foundation has a multiple advance loan obligation with Whitney Bank bearing a variable interest rate. The principal amount of the business loan agreement is $4,400,000 with interest payments commencing on June 1, 2019, and annually on the same day each year thereafter. Once the total amount of principal has been advanced under this note, the Foundation will not be entitled to further loan advances. Effective June 2, 2020 (the "Conversion Date"), the Foundation will not be entitled to any further advances on the Non-revolving Line of Credit, interest shall accrue on the outstanding balance in effect as of the conversion date at the variable rate of One Month LIBOR plus a margin of 1.10%. The Note shall then be payable in seven (7) payments of interest plus principal beginning June 1, 2021, and annually on the same day thereafter, with the entire unpaid balance of principal and interest being payable on June 1, 2028. The specific purpose of this business loan is to finance the construction of a new building on the campus of Southern University. The loan is collateralized by the Foundation's now owned and hereafter acquired equipment, machinery, furniture, and other real estate related goods. As of December 31, 2018, the Foundation utilized $1,409,946 of the line of credit.

The Foundation also has an obligation to Whitney Bank bearing interest at 5.75%. The loan is payable in annual installments of $27,748, including interest. The Foundation made its first payment towards the obligation on August 24, 2018, and all subsequent payments are due on the same day of each year after that.

Hancock Bank Scoreboard Loan No.3

Loan maturities for each of the five years following December 31, 2018 are as follows:

Year Ending December 31,	
2019	$20,903
2020	20,903
2021	20,903
2022	20,903
2023	12,903
Total	$96,515

Whitney Bank Scoreboard Loan No.2

Loan maturities for each of the five years following December 31, 2018 are as follows:

Year Ending December 31,	
2019	$97,700
2020	102,194
2021	106,895
2022	111,812
2023	116,955
2024 and thereafter	667,600
Total	$1,203,156

17. RESTRICTED NET POSITION

The System has the following restricted net position at June 30, 2019:

Nonexpendable - endowments	$12,498,339
Expendable:	
Gifts, grants, and contracts	$3,180,598
Endowment income	3,577,126
Student fees, faculty and staff funds	11,118,147
Student loans	967,800
Unexpended plant	6,976,395
Renewals and replacements	1,496,908
Retirement of indebtedness funds	661,012
Total expendable	$27,977,986

Of the total net assets reported in the Statement of Net Position as of June 30, 2019, a total of $3,609,276 is restricted by enabling legislation.

FOUNDATION RESTRICTED NET ASSETS

The components expected to be paid with restricted net assets at December 31, 2018, are as follows:

Accrued interest payable	$365,134
Bonds payable and premium	1,828,333
Rental deposits	1,880,425
Total restricted assets	$4,073,892

18. 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, 2018	($62,758,353)
Capital asset adjustment - Buildings	(1,622)
Receivable adjustment	(15,286)
FMV of investments adjustment	4,037
Other current asset adjustment	22,991
Accounts payable adjustment	70,058
Other current liabilities adjustment	(6,372)
Net pension liability	89
Restatement of OPEB liability	3
Net Position at July 1, 2018, as restated	($62,684,455)

The restatements increased the System's beginning net position by $73,898. The restatement was due to various adjustments as well as other errors. Had the error corrections affecting fiscal year 2018 been included in the June 30, 2018, Statement of Revenues, Expenses, and Changes in Net Position, the previously reported change in net position of $81,171,107 would have been $81,245,005.

FOUNDATION RESTATED NET ASSETS

The following restatement was made to net assets to account for the refinancing of the bond debt, as well as to adjust the capital lease receivable to actual per the board base rent source agreement between the Foundation and the System.

Net Assets at December 31, 2017	$9,467,279
LPFA revenue bond payable premium	621,058
Capitalized lease receivable - SUBR	(3,245,559)
Deferred bond issuance cost	(927,291)
Net Assets at December 31, 2018, as restated	$5,915,487

19. DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2019, net appreciation of $3,577,127 is available to be spent, of which $2,438,791 is restricted to specific purposes (net appreciation during the fiscal year). The state of Louisiana Board of Regents Endowed Chair and Endowed Professorship policy governs the amount of net appreciation available to spend for all endowments established under this policy. Other governing authority if applicable is defined within the donor agreements at the time that the endowment was established.

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.

FOUNDATION – ENDOWMENTS

The Foundation's endowments consist of individual funds established for Endowed Chairs, Endowed Professorships, and Endowed Scholarships. The Foundation's endowments include both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2018, the Foundation's endowments ending balance was $10,110,791.

20. RELATED PARTY TRANSACTIONS

During fiscal year ended June 30, 2019, 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 and Southern University Shreveport 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 at Shreveport also had a relationship with the Foundation during the fiscal year ending June 30, 2019. 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 Chief Finance Officer at Southern University at 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, 2018, totaled $3,748,775. 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 $326,367 for the year ended December 31, 2018.

21. 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 – AFFILIATION AGREEMENT

The purpose of the Foundation is to receive, hold, invest, and administer property and to make expenditures to support programs and activities designed to advance, promote, or otherwise benefit the System. Because of the close association of the Foundation with the System, an affiliation agreement was entered into by both parties on January 25, 2002.

During the year ended December 31, 2018, the Foundation made distributions to or on behalf of the University for both restricted and unrestricted purposes in the amounts of $2,009,676.

FOUNDATION DISCLOSURE – DUE TO/FROM AFFILIATE/AMOUNTS HELD IN CUSTODY FOR OTHERS

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, 2018, for the Endowed Chair and Professorship program totaled $6,988,290.

22. COOPERATIVE ENDEAVOR AGREEMENT

In 2006, Board of Supervisors of Southern University Agricultural and Mechanical College (the Board) entered into a Cooperative Endeavor and Lease Agreement with the Foundation, Millennium Housing, L.L.C. to obtain financing for various capital projects.

FOUNDATION GROUND LEASE

Pursuant to the Cooperative Endeavor and Lease Agreement between the Foundation and the Board, 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 annual rents will total $100, and the term is equal to the term of the Series 2006 bonds, terminating on the date of payment in full or defeasance of the Series 2006 bonds.

23. 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.

24. 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 as follows for the year ended December 31, 2018:

Administration fees	$207,774
Donor fees and registration	666,653
Interest income	67,134
Other income	424,664
Total	$1,366,225

25. 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 at June 30, 2019, for the System's blended component unit follows:

Condensed Statement of Net Position

	SUSLA Facilities, Inc.
Assets	
Current assets	$152,009
Capital assets	1,575,213
Total assets	1,727,222
Liabilities	
Current liabilities	151,406
Total liabilities	151,406
Net Position	
Net investment in capital assets	1,525,213
Unrestricted	603
Total net position	$1,525,816

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	SUSLA Facilities, Inc.
Operating revenues	$1,041,127
Operating expenses	10,174
Net operating income	1,030,953
Changes in net position	1,030,953
Net position at beginning of year	544,863
Net position at end of year	$1,575,816

Condensed Statement of Cash Flows

	SUSLA Facilities, Inc.
Net cash flows provided (used) by:	
Operating activities	$1,030,953
Capital financing activities	(1,030,818)
Net increase in cash	135
Cash, beginning of year	468
Cash, end of year	$603

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the System's Proportionate Share of the Net Pension Liability

Schedule 1 presents the System's Net Pension Liability.

Schedule of System's Contributions

Schedule 2 presents the amount of contributions the System made to pension systems.

Schedule of the System's Proportionate Share of the Total Collective OPEB Liability

Schedule 3 presents the System's Other Postemployment Benefits Plan.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Schedules of Required Supplementary Information
Fiscal Year Ended June 30, 2019

Schedule of the System's Proportionate Share of the Net Pension Liability — Schedule 1

Fiscal Year*	System's proportion of the net pension liability (asset)	System's proportionate share of the net pension liability (asset)	System's covered payroll		System's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Louisiana State Employees' Retirement System						
2015	0.99158%	$62,002,484	$18,265,649	^	339%	65.0%
2016	0.92291%	$62,772,084	$17,220,920	^	365%	62.7%
2017	0.88334%	$69,365,045	$16,862,931		411%	57.7%
2018	0.85103%	$59,902,206	$16,458,394		364%	62.5%
2019	0.89206%	$60,838,018	$16,393,265		371%	64.3%
Teachers' Retirement System of Louisiana						
2015	1.39419%	$142,505,293	$65,981,943	^	216%	63.7%
2016	1.41168%	$151,786,564	$67,036,033	^	226%	62.5%
2017	1.38807%	$162,917,593	$66,184,774		246%	59.9%
2018	1.39933%	$143,458,562	$66,946,095		214%	65.6%
2019	1.46369%	$143,850,764	$70,977,098		203%	68.2%

*Amounts presented were determined as of the measurement date (previous fiscal year end).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of System's Contributions — Schedule 2

Fiscal Year*	(a) Statutorily Required Contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution Deficiency (Excess)	System's covered payroll		Contributions as a percentage of covered payroll
Louisiana State Employees' Retirement System						
2015	$6,423,036	$6,423,036	$0	$17,220,920	^	37.3%
2016	$6,278,510	$6,278,510	$0	$16,862,931	^	37.2%
2017	$5,896,489	$5,896,489	$0	$16,458,394		35.8%
2018	$6,240,101	$6,240,101	$0	$16,393,265		38.1%
2019	$6,644,683	$6,644,683	$0	$17,565,227		37.8%
Teachers' Retirement System of Louisiana						
2015	$18,313,185	$18,313,185	$0	$67,036,033	^	27.3%
2016	$16,142,757	$16,142,757	$0	$66,184,774	^	24.4%
2017	$15,761,248	$15,761,248	$0	$66,946,095		23.5%
2018	$17,438,717	$17,438,717	$0	$70,977,098		24.6%
2019	$17,866,820	$17,866,820	$0	$72,612,019		24.6%

*Amounts presented were determined as of the end of the fiscal year.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information

Changes to Covered payroll for LASERS and TRSL:

^ *Due to the implementation of GASB 82 in fiscal year 2017, prior amounts presented for covered payroll were restated to reflect payroll on which contributions are based.*

Changes of Benefit Terms include:

LASERS

2015 (1) A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session, and,

2015 (2) Improved benefits for certain members employed by the Office of Adult Probation and Parole within the Department of Public Safety and Corrections as established by Act 852 of 2014, and,

2017 (3) A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session, and,

2017 (4) Added benefits for members of the Harbor Police Retirement System which was merged with LASERS effective July 1, 2015, by Act 648 of 2014.

2019 (5) Added survivor and disability benefits for members of the Hazardous Duty, Corrections Primary and Secondary, Wildlife, and Harbor Police sub-plans as a result of Acts 224 and 595 of the 2018 Regular Legislative Session.

TRSL

2015 (1) A 1.5% COLA, effective July 1, 2014, provided by Act 204 of the 2014 Louisiana Regular Legislative Session, and,

2016 (2) Regular plan members whose first employment makes them eligible for membership in a Louisiana state retirement system on or after July 1, 2015, may retire with a 2.5% benefit factor after attaining age 62 with at least 5 years of service credit and are eligible for an actuarially reduced benefit with 20 years of service at any age, and,

2017 (3) A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session.

Changes of Assumptions include:

LASERS

2018 (1) Effective July 1, 2017, the LASERS Board reduced the inflation assumption from 3.0% to 2.75%. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by .25% in the June 30, 2017, valuation.

2018 (2) Effective July 1, 2017, the projected contribution requirement includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016.

2018 and 2019 (3) Effective July 1, 2017, the LASERS Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in 0.05% annual increments. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017, valuation, and to 7.65% for the June 30, 2018, valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019 and a 7.60% rate was used for the 2019/2020 fiscal year.

TRSL

2018 (1) Effective July 1, 2017, the projected contribution requirement includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016.

2018 - 2019 (2) Effective July 1, 2017, the TRSL Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in 0.05% annual increments. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017, valuation, and to 7.65% for the June 30, 2018, valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019.

2019 (3) Demographic, mortality, and salary increase assumptions were updated beginning with the June 30, 2018, valuation to reflect the results of the most recent experience study observed for the period July 1, 2012 – June 30, 2017.

2020 (4) On November 1, 2018, the TRSL Board accelerated the discount rate reduction plan by one year and a 7.55% rate was used to determine the projected contribution requirements for the 2019/2020 fiscal year.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of the System's Proportionate Share of the Total Collective OPEB Liability
For the Fiscal Year Ended June 30, 2019

Fiscal Year End*	Employer's proportion of the total collective OPEB liability	Employer's proportionate share of the total collective OPEB liability	Employer's covered-employee payroll	Employer's proportionate share of the total collective OPEB liability as a percentage of the covered-employee payroll
June 30, 2019	2.1090%	$180,028,508	$79,490,877	226.48%
June 30, 2018	2.1285%	$184,990,677	$77,693,833	238.10%
June 30, 2017	2.1285%	$193,125,999	$73,560,127	262.54%

*The amounts presented were determined as of the measurement date (July 1).

This schedule is intended to show information for 10 years. Additional years will be presented as they become available.

Notes to Required Supplementary Information (Schedule 3)

There are no assets accumulated in a trust that meets the requirements in paragraph 4 of GASB Statement 75 to pay related benefits.

Changes in assumptions

The 2017 valuation reflects an increase in the discount rate from 2.71% as of July 1, 2016, to 3.13% as of July 1, 2017.

The 2018 valuation reflects the following changes of assumptions and other inputs:

(1) decreased the discount rate from 3.13% to 2.98%,
(2) the baseline per capita costs were adjusted to reflect 2018 claims and enrollment, retiree contributions were updated based on 2019 premiums, and the impact of the High Cost Excise Tax was revisited, reflecting updated plan premiums, and
(3) the percentage of future retirees assumed to elect medical coverage was adjusted based on recent plan experience.
(4) updated demographic and mortality assumptions consistent with the TRSL plan based on recent experience studies reflected in the June 30, 2018, pension valuation,
(5) updated the mortality assumptions for members in LASERS using projection scale MP-2018 based on information released by the Society of Actuaries in October 2018.

SUPPLEMENTARY INFORMATION SCHEDULES

Combining Schedule of Net Position, by Campus,
for the year ended June 30, 2019

Schedule 4 presents the Combining Schedule of Net Position, by campus, for the year ended June 30, 2019.

Combining Schedule of Revenues, Expenses, and Changes in Net Position,
by Campus, for the year ended June 30, 2019

Schedule 5 presents the Combining Schedule of Revenues, Expenses, and Changes in Net Position, by Campus, for the year ended June 30, 2019.

Combining Schedule of Cash Flows, by Campus,
for the year ended June 30, 2019

Schedule 6 presents the Combining Schedule of Cash Flows, by Campus, for the year ended June 30, 2019.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Position, by Campus, June 30, 2019

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER	AGRICULTURAL RESEARCH & EXTENSION CENTER
ASSETS				
Current assets:				
Cash and cash equivalents		$5,369,827	$1,853,768	
Receivables, net	$2,285	7,785,768	234206	$783,305
Due from State Treasury		205,004	22,034	460,126
Due from federal government		7,008,214	469,442	1,718,093
Due from other campuses	3,321,477	5,742,953	1,800,000	469,968
Inventories		323,704		
Prepaid expenses and advances	131,997	4,167,026	12,793	
Notes receivable, net				
Other current assets		156,163	4,536	
Total current assets	3,455,759	30,758,659	4,396,779	3,431,492
Noncurrent assets				
Restricted cash and cash equivalents		6,347,245	246,098	
Restricted investments	511,937	9,213,918	1,996,696	
Capital assets, net	89,274	150,303,330	6,860,133	4,959,453
Total noncurrent assets	601,211	165,864,493	9,102,927	4,959,453
Total assets	4,056,970	196,623,152	13,499,706	8,390,945
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows related to OPEB	140,165	3,739,059	259,807	199,826
Deferred outflows related to pensions	1,762,348	23,460,591	3,546,483	2,089,421
Total deferred outflows of resources	1,902,513	27,199,650	3,806,290	2,289,247
Total assets and deferred outflows of resources	$5,959,483	$223,822,802	$17,305,996	$10,680,192
LIABILITIES				
Current liabilities:				
Accounts payable and accruals	$892,017	$10,730,160	$436,088	$478,919
Due to other campuses				
Unearned revenues		4,608,382	415,596	38,165
Amounts held in custody for others		832,621		
Other current liabilities		2,265,386	75,819	37,500
Compensated absences payable	124,291	425,131	57,495	74,959
Capital lease obligations		549,028		
Claims and litigation payable		53,000		
Notes payable		1,021,652		
OPEB Liability	140,165	3,739,059	259,807	199,826
Total current liabilities	1,156,473	24,224,419	1,244,805	829,369
Noncurrent Liabilities:				
Compensated absences	578,477	5,969,897	1,130,117	780,459
Capital lease obligations		21,024,501		
Notes payable		24,182,991		
Net pension liability	8,945,857	107,459,025	18,285,779	10,823,147
OPEB Liability	8,793,568	90,300,245	18,557,159	13,934,126
Total noncurrent liabilities	18,317,902	248,936,659	37,973,055	25,537,732
Total liabilities	19,474,375	273,161,078	39,217,860	26,367,101
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to OPEB	586,390	8,183,205	1,408,928	854,344
Deferred inflows related to pensions	753,600	9,067,137	1,330,361	803,843
Total deferred inflows of resources	1,339,990	17,250,342	2,739,289	1,658,187
NET POSITION				
Net investment in capital assets	89,274	103,525,158	6,860,133	5,270,586
Restricted for:				
Nonexpendable	360,000	7,099,462	1,700,000	
Expendable	1,338,286	16,545,302	2,553,311	768,467
Unrestricted	(16,642,442)	(193,758,540)	(35,764,597)	(23,384,149)
TOTAL NET POSITION	(14,854,882)	(66,588,618)	(24,651,153)	(17,345,096)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$5,959,483	$223,822,802	$17,305,996	$10,680,192

	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	ELIMINATIONS	TOTAL SYSTEM
ASSETS				
Current assets:				
Cash and cash equivalents	$1,492,905	$1,122,619		$9,839,119
Receivables, net	3,746,382	4,642,266	($1,136,579)	16,057,633
Due from State Treasury	13,346	8,969		709,479
Due from federal government	2,285,498	1,298,368		12,779,615
Due from other campuses			(11,334,398)	
Inventories				323,704
Prepaid expenses and advances		215,514		4,527,330
Notes receivable, net	216,740	12,387		229,127
Other current assets	552,590	96,367		809,656
Total current assets	8,307,461	7,396,490	(12,470,977)	45,275,663
Noncurrent assets				
Restricted cash and cash equivalents		374,040		6,967,383
Restricted investments	3,085,790	1,784,292		16,592,633
Capital assets, net	170,611,558	31,018,714		363,842,462
Total noncurrent assets	173,697,348	33,177,046	NONE	387,402,478
Total assets	182,004,809	40,573,536	(12,470,977)	432,678,141
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows related to OPEB	1,506,550	580,813		6,426,220
Deferred outflows related to pensions	7,415,822	5,803,972		44,078,637
Total deferred outflows of resources	8,922,372	6,384,785		50,504,857
Total assets and deferred outflows of resources	$190,927,181	$46,958,321	($12,470,977)	$483,182,998
LIABILITIES				
Current liabilities:				
Accounts payable and accruals	$586,493	$1,459,002	($157,468)	$14,425,211
Due to other campuses	9,401,382	1,933,016	(11,334,398)	
Unearned revenues	1,967,147	1,552,005		8,581,295
Amounts held in custody for others	58,340	48,054		939,015
Other current liabilities	39,631	1,313,041	(979,111)	2,752,266
Compensated absences payable	66,582	84,098		832,556
Capital lease obligations		25,665		574,693
Claims and litigation payable		33,822		86,822
Notes payable		443,068		1,464,720
OPEB Liability	898,580	580,813		5,818,250
Total current liabilities	13,018,155	7,472,584	(12,470,977)	35,474,828
Noncurrent Liabilities:				
Compensated absences	1,989,365	1,622,268		12,070,583
Capital lease obligations		1,364,885		22,389,386
Notes payable		11,171,411		35,354,402
Net pension liability	35,709,168	23,465,806		204,688,782
OPEB Liability	24,416,520	18,208,640		174,210,258
Total noncurrent liabilities	62,115,053	55,833,010	NONE	448,713,411
Total liabilities	75,133,208	63,305,594	(12,470,977)	484,188,239
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to OPEB	1,961,690	2,346,772		15,341,329
Deferred inflows related to pensions	2,844,080	1,989,631		16,788,652
Total deferred inflows of resources	4,805,770	4,336,403	NONE	32,129,981
NET POSITION				
Net investment in capital assets	170,611,558	17,665,226		304,021,935
Restricted for:				
Nonexpendable	2,608,877	730,000		12,498,339
Expendable	4,420,522	2,352,098		27,977,986
Unrestricted	(66,652,754)	(41,431,000)		(377,633,482)
TOTAL NET POSITION	110,988,203	(20,683,676)	NONE	(33,135,222)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$190,927,181	$46,958,321	($12,470,977)	$483,182,998

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, 2019

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
OPERATING REVENUES			
Student tuition and fees		$59,716,792	$12,172,698
Less scholarship allowances		(22,905,873)	(585,286)
Net student tuition and fees		36,810,919	11,587,412
Federal appropriations			
Federal grants and contracts		17,459,170	4,024,153
State and local grants and contracts		455,395	
Nongovernmental grants and contracts	$997,306	541,384	528,195
Auxiliary enterprise revenues	737	20,783,605	
Less scholarship allowances		(2,111,758)	
Net auxiliary revenues	737	18,671,847	
Other operating revenues	7508	3,598,173	81,443
Total operating revenues	1,005,551	77,536,888	16,221,203
OPERATING EXPENSES			
Education and general:			
Instruction		31,593,702	5,628,855
Research		3,665,575	
Public service		4,338,523	161,144
Academic support	108,122	17,575,843	3,955,479
Student services		7,788,850	2,173,538
Institutional support	11,001,661	12,860,199	5,018,708
Operation and maintenance of plant		13,878,006	894,261
Depreciation	28,100	7,067,654	775,588
Scholarships and fellowships	64,323	7,084,848	549,109
Auxiliary enterprises		16,791,557	
Other operating expenses			
Total operating expenses	11,202,206	122,644,757	19,156,682
OPERATING LOSS	(10,196,655)	(45,107,869)	(2,935,479)
NONOPERATING REVENUES (Expenses)			
State appropriations	3,159,184	20,057,624	4,213,161
Gifts	113,916	528,969	99,266
Federal nonoperating revenues		21,601,715	
Net investment income (loss)	25,030	1,372,015	61,154
Interest expense		(1,569,019)	
Other nonoperating revenues	7,309	3,748,964	70,193
Net nonoperating revenues	3,305,439	45,740,268	4,443,774
INCOME (Loss) BEFORE OTHER REVENUES	(6,891,216)	632,399	1,508,295
Capital appropriations		13,978,495	
Capital grants and gifts		83,302	
Additions to permanent endowments		160,000	
Other additions, net	6,094,599	(1,198,005)	(1,836,407)
CHANGE IN NET POSITION	(796,617)	13,656,191	(328,112)
NET POSITION AT BEGINNING OF YEAR (Restated)	(14,058,265)	(80,244,809)	(24,323,041)
NET POSITION AT END OF YEAR	($14,854,882)	($66,588,618)	($24,651,153)

	AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
OPERATING REVENUES				
Student tuition and fees		$15,346,466	$10,350,518	$97,586,474
Less scholarship allowances		(4,587,164)	(5,943,863)	(34,022,186)
Net student tuition and fees		10,759,302	4,406,655	63,564,288
Federal appropriations	$3,610,601			3,610,601
Federal grants and contracts	5,697,103	7,256,540	8,417,788	42,854,754
State and local grants and contracts	208,350	667,146	172,943	1,503,834
Nongovernmental grants and contracts	1,460,835	242,671	164,716	3,935,107
Auxiliary enterprise revenues		3,355,704	2,880,220	27,020,266
Less scholarship allowances		(259,273)	(87,800)	(2,458,831)
Net auxiliary revenues		3,096,431	2,792,420	24,561,435
Other operating revenues	244,428	196,425	2,723,783	6,851,760
Total operating revenues	11,221,317	22,218,515	18,678,305	146,881,779
OPERATING EXPENSES				
Education and general:				
Instruction		7,897,932	4,003,122	49,123,611
Research	2,985,219	425,146		7,075,940
Public service	4,583,077	55,428	659,781	9,797,953
Academic support		1,911,905	2,879,707	26,431,056
Student services		3,105,635	5,763,528	18,831,551
Institutional support	2,547,523	10,182,195	6,704,561	48,314,847
Operation and maintenance of plant	3,432,067	3,310,285	3,031,028	24,545,647
Depreciation	311,133	5,380,094	1,297,088	14,859,657
Scholarships and fellowships		3,635,590	4,261,225	15,595,095
Auxiliary enterprises		2,172,725	2,384,326	21,348,608
Other operating expenses			10,174	10,174
Total operating expenses	13,859,019	38,076,935	30,994,540	235,934,139
OPERATING LOSS	(2,637,702)	(15,858,420)	(12,316,235)	(89,052,360)
NONOPERATING REVENUES (Expenses)				
State appropriations	5,552,129	9,454,728	5,579,831	48,016,657
Gifts		142,635	105,958	990,744
Federal nonoperating revenues		6,562,268	9,328,955	37,492,938
Net investment income (loss)		71,067	54,997	1,584,263
Interest expense			(352,307)	(1,921,326)
Other nonoperating revenues	120,377	555,661	(34,046)	4,468,458
Net nonoperating revenues	5,672,506	16,786,359	14,683,388	90,631,734
INCOME (Loss) BEFORE OTHER REVENUES	3,034,804	927,939	2,367,153	1,579,374
Capital appropriations			698,476	14,676,971
Capital grants and gifts		12,979,586		13,062,888
Additions to permanent endowments			70,000	230,000
Other additions, net	(1,858,075)	(230,553)	(971,559)	
CHANGE IN NET POSITION	1,176,729	13,676,972	2,164,070	29,549,233
NET POSITION AT BEGINNING OF YEAR (Restated)	(18,521,825)	97,311,231	(22,847,746)	(62,684,455)
NET POSITION AT END OF YEAR	($17,345,096)	$110,988,203	($20,683,676)	($33,135,222)

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by Campus
For the Fiscal Year Ended June 30, 2019

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tuition and fees		$38,112,313	$11,719,850
Federal appropriations			
Grants and contracts	$997,306	18,531,562	5,657,456
Auxiliary enterprise charges	737	17,231,576	
Payments for employee compensation	(3,595,480)	(53,716,265)	(10,551,824)
Payments for benefits	(1,357,727)	(27,760,047)	(3,384,041)
Payment for utilities	(14,965)	(4,368,853)	(19,739)
Payments for supplies and services	(5,432,372)	(27,125,928)	(3,558,296)
Payments for scholarships and fellowships	(64,323)	(7,812,247)	(730,616)
Loans to students			
Other receipts (payments)	42,508	3,598,173	(61,957)
Net cash used by operating activities	(9,424,316)	(43,309,716)	(929,167)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
State appropriations	3,159,184	20,050,822	4,213,159
Gifts and grants for other than capital purposes	113,916	21,758,586	99,266
Private gifts for endowment purposes		160,000	
Taylor Opportunity Program for Students (TOPS) receipts		3,847,381	
TOPS disbursements		(3,899,737)	
GO Grant receipts		1,350,806	
GO Grant disbursements		(1,340,500)	
Implicit loan reduction from other campuses			
Implicit loan reduction to other campuses	51,312	1,752,105	867,587
Direct lending receipts		54,078,917	19,581,044
Direct lending disbursements		(54,078,917)	(19,581,044)
Federal Family Education Loan program receipts		1,336,811	
Federal Family Education Loan program disbursements		(1,336,811)	
Other receipts (payments)	6,078,572	1,819,563	(1,812,324)
Net cash provided by noncapital financing sources	9,402,984	45,499,026	3,367,688
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Proceeds from capital debt		585,049	
Capital grants and gifts received		83,302	
Purchases of capital assets		529,972	(596,826)
Principal paid on capital debt and leases		(1,140,363)	
Interest paid on capital debt and leases		(1,569,019)	
Other sources		342,856	
Net cash used by capital financing sources	NONE	(1,168,203)	(596,826)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments	518,690	1,485,151	
Interest received on investments	25,030	1,371,875	(1)
Purchase of investments	(522,388)		
Net cash provided (used) by investing sources	21,332	2,857,026	(1)

(Continued)

	AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
CASH FLOWS FROM OPERATING ACTIVITIES:				
Tuition and fees		$10,325,750	$3,531,457	$63,689,370
Federal appropriations	$3,610,601			3,610,601
Grants and contracts	6,268,580	8,073,373	8,607,989	48,136,266
Auxiliary enterprise charges		2,382,471	2,732,514	22,347,298
Payments for employee compensation	(5,276,609)	(15,764,705)	(12,290,586)	(101,195,469)
Payments for benefits	(2,284,362)	(6,792,355)	(4,946,377)	(46,524,909)
Payment for utilities	(42,362)	(2,235,154)	(1,162,888)	(7,843,961)
Payments for supplies and services	(5,683,612)	(5,491,250)	(7,284,911)	(54,576,369)
Payments for scholarships and fellowships		(4,176,321)	(4,843,195)	(17,626,702)
Loans to students		8,979		8,979
Other receipts (payments)	245,042	14,983	3,354,311	7,193,060
Net cash used by operating activities	(3,162,722)	(13,654,229)	(12,301,686)	(82,781,836)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	5,235,760	9,461,504	5,579,829	47,700,258
Gifts and grants for other than capital purposes		6,704,903	9,434,913	38,111,584
Private gifts for endowment purposes			70,000	230,000
Taylor Opportunity Program for Students (TOPS) receipts		151,385	68,713	4,067,479
TOPS disbursements		(151,385)	(68,713)	(4,119,835)
GO Grant receipts				1,350,806
GO Grant disbursements				(1,340,500)
Implicit loan reduction from other campuses		(1,902,122)	(465,049)	(2,367,171)
Implicit loan reduction to other campuses	(303,833)			2,367,171
Direct lending receipts		20,520,675	10,632,309	104,812,945
Direct lending disbursements		(20,520,675)	(10,632,309)	(104,812,945)
Federal Family Education Loan program receipts				1,336,811
Federal Family Education Loan program disbursements				(1,336,811)
Other receipts (payments)	(1,769,205)	107,324	(1,055,579)	3,368,351
Net cash provided by noncapital financing sources	3,162,722	14,371,609	13,564,114	89,368,143
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Proceeds from capital debt				585,049
Capital grants and gifts received				83,302
Purchases of capital assets		(644,131)	(1,260,327)	(1,971,312)
Principal paid on capital debt and leases			(389,975)	(1,530,338)
Interest paid on capital debt and leases			(382,268)	(1,951,287)
Other sources				342,856
Net cash used by capital financing sources	NONE	(644,131)	(2,032,570)	(4,441,730)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments		391,738	816,271	3,211,850
Interest received on investments		71,067	54,997	1,522,968
Purchase of investments		(506,853)	(1,968,769)	(2,998,010)
Net cash provided (used) by investing sources	NONE	(44,048)	(1,097,501)	1,736,808

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by Campus, 2019

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		$3,878,133	$1,841,694
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,838,939	258,172
CASH AND CASH EQUIVALENTS AT END OF YEAR	NONE	$11,717,072	$2,099,866
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	($10,196,655)	($45,107,869)	($2,935,479)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense	28,100	7,067,654	775,588
Non-Employer contributing entity (NCE) revenue	23,336	318,321	46,110
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net	35,000	(670,534)	(52,659)
(Increase) decrease in inventories		(25,254)	
(Increase) decrease in due from federal government		1,449,794	1,105,108
(Increase) decrease in prepaid expenses and advances	82,889	42,722	13,884
(Increase) decrease in notes receivable			
(Increase) decrease in other assets			39,698
(Increase) decrease in deferred outflows related to OPEB	105,379	(144,975)	285,401
(Increase) decrease in deferred outflows related to pensions	(485,079)	(7,230,902)	(1,043,977)
Increase (decrease) in accounts payable and accrued liability	653,907	(127,559)	99,024
Increase (decrease) in unearned revenue		70,406	49,202
Increase (decrease) in claims and litigation			
Increase (decrease) in compensated absences	43,068	(58,554)	85,833
Increase (decrease) in OPEB payable	(124,123)	(3,337,634)	(257,751)
Increase (decrease) in net pension liability	27,471	765,661	108,715
Increase (decrease) in deferred inflows related to OPEB	197,187	2,486,361	544,742
Increase (decrease) in deferred inflows related to pensions	185,204	1,726,641	254,597
Increase (decrease) in other liabilities		(533,995)	(47,203)
Net cash used by operating activities	($9,424,316)	($43,309,716)	($929,167)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and cash equivalents classified as current assets		$5,369,827	$1,853,768
Cash and cash equivalents classified as noncurrent assets		6,347,245	246,098
Cash and cash equivalents at the end of the year	NONE	$11,717,072	$2,099,866
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital appropriations for construction of capital assets		$13,978,495	
Net increase in the fair value of investments		$217,464	
Capital gifts and grants			
Non-employer contributing entity revenue	$23,336	$318,321	$46,110

(Concluded)

Schedule 6

	AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		$29,201	($1,867,643)	$3,881,385
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,463,704	3,364,302	12,925,117
CASH AND CASH EQUIVALENTS AT END OF YEAR	NONE	$1,492,905	$1,496,659	$16,806,502
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating loss	($2,637,702)	($15,858,420)	($12,316,235)	($89,052,360)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation expense	311,133	5,380,094	1,297,088	14,859,657
Non-Employer contributing entity (NCE) revenue	31,507	86,877	72,740	578,891
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable, net	4,348	(1,175,489)	(860,908)	(2,720,242)
(Increase) decrease in inventories				(25,254)
(Increase) decrease in due from federal government	(1,099,889)	(114,021)	(698,343)	642,649
(Increase) decrease in prepaid expenses and advances				139,495
(Increase) decrease in notes receivable		8,979	157,888	166,867
(Increase) decrease in other assets		(23,373)	(76,141)	(59,816)
(Increase) decrease in deferred outflows related to OPEB	194,297	(580,842)	25,187	(115,553)
(Increase) decrease in deferred outflows related to pensions	(727,088)	(1,975,715)	(1,585,789)	(13,048,550)
Increase (decrease) in accounts payable and accrued liability	268,269	(970,361)	360,215	283,495
Increase (decrease) in unearned revenue	(4,386)	(26,337)	359,554	448,439
Increase (decrease) in claims and litigation			(135,289)	(135,289)
Increase (decrease) in compensated absences	107,550	104,911	90,648	373,456
Increase (decrease) in OPEB payable	(79,500)	255,994	(1,419,155)	(4,962,169)
Increase (decrease) in net pension liability	83,034	210,385	132,659	1,327,925
Increase (decrease) in deferred inflows related to OPEB	229,635	637,465	1,147,095	5,242,485
Increase (decrease) in deferred inflows related to pensions	156,070	468,342	481,185	3,272,039
Increase (decrease) in other liabilities		(82,718)	665,915	1,999
Net cash used by operating activities	($3,162,722)	($13,654,229)	($12,301,686)	($82,781,836)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and cash equivalents classified as current assets		$1,492,905	$1,122,619	$9,839,119
Cash and cash equivalents classified as noncurrent assets			374,040	6,967,383
Cash and cash equivalents at the end of the year	NONE	$1,492,905	$1,496,659	$16,806,502
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Capital appropriations for construction of capital assets			$698,476	$14,676,971
Net increase in the fair value of investments				$217,464
Capital gifts and grants		$12,979,586		$12,979,586
Non-employer contributing entity revenue	$31,507	$86,877	$72,740	$578,891

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 and 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

January 24, 2020

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, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated January 24, 2020. Our report was modified to include an emphasis of matter section regarding actuarial assumptions.

Our report includes reference to another auditor who audited the financial statements of the Southern University System Foundation, the only discretely presented component unit of the System, as described in our report on the System's financial statements. The financial statements of the Southern University System Foundation were not audited 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control below that we consider to be significant deficiencies.

Inappropriate System Access

For the second consecutive year, Southern University (University) granted its staff inappropriate access to the Banner System Purchasing/Accounts Payable Module, the Payroll/Human Resource Module, and the Student Module, increasing the risk of errors or fraud.

Audit procedures revealed the following deficiencies across two campuses of employees granted access without a business need:

- One employee from the comptroller's office could create invoices and create checks.
- Two employees in the comptroller's office could create employees.
- One employee in the physical plant property control office had the ability to receive cash and change student account balances.
- One employee in human resources terminated in January 2019, but Banner access was not removed at June 2019.

Good internal control requires the University to restrict access to those functions necessary for its employees' job duties and ensure that no employees have the ability to make unauthorized changes to system data. Management did not adequately monitor employees' access to Banner system modules to ensure proper segregation of duties and to prohibit unnecessary access.

University management should follow established policies to limit its employees' access to only what is required to perform their job duties. Management should also further restrict or closely monitor any access that allows an employee to change system data.

Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Noncompliance and Control Weakness Relating to Time, Attendance, and Leave Usage

Southern University System Office of the Internal Auditor issued an investigative audit report dated May 7, 2019, that identified issues related to the inappropriate use of leave and errors in processing payroll time and attendance. Based on work performed, the Office of the Internal Auditor determined the Southern University of New Orleans Associate Vice Chancellor for Academic Affairs owed the university $43,144. The investigative audit report included the following:

- "… during calendar year 2017, the legislature was in session on 46 workdays. Of those days, the individual's timesheet erroneously indicated the employee was sick on 21 days (46%). In 2018, the legislature was in session on 59 workdays. Of those days, the individual's timesheet erroneously indicated the employee was sick 47.5 days (81%)."

- In August 2017, the employee attended a conference and utilized three days of educational leave. However, the Office of the Internal Auditor concluded that "…the conference did not provide the type of instruction that is included in the definition of educational leave."

- "Internal Audit identified several instances in which the individual's timesheet did not agree with the associated time in the system for which the individual was paid."

In management's response to the investigative audit report, management stated, "We have begun implementing procedures that will aid in identifying and preventing the above observations from reoccurring." In addition, management's response stated, "The Associate Vice Chancellor for Academic Affairs has settled with the System University System by off-setting annual leave hours and remitting a check for the remaining balance."

The Southern University System Office of the Internal Auditor recommendations included but were not limited to the following: (1) Management should implement procedures to reconcile employees' approved time activity with the time activity for which the employee will be paid, prior to processing payroll. (2) Management should implement procedures to ensure that all necessary payroll adjustments and error corrections are properly identified, processed within a reasonable time frame, and supported by adequate documentation. (3) Management should establish and document payroll processing procedures that include multiple levels of review and any essential reconciliation identified by the payroll system provider. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described above in the finding titled Noncompliance and Control Weakness Relating to Time, Attendance, and Leave Usage.

System's Responses to Findings

The System's responses to the findings identified in this report are attached in Appendix A. The System's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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 results 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

AB:AD:RR:EFS:aa

SUS2019

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

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

OFFICE OF THE
PRESIDENT - CHANCELLOR
(225) 771-4680

FAX NUMBER
(225) 771-5522

December 17, 2019

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

Dear Mr. Purpera:

FINDING: Inappropriate System Access

Southern University System concurs with this finding and has or will institute the following corrective actions to resolve the issues:

- Access levels have been reviewed and removed for employees cited in the finding.
- We are continuing our comprehensive review for the Southern University New Orleans and Southern University Shreveport campuses of all individuals with access to the Southern University Banner Systems and appropriate adjustments will be made to allow for proper internal controls.
- Access will be limited to the functions required for an employee to perform his/her job duties.

The following campus Chancellors are responsible for implementing and monitoring the corrective action plans:

- Southern University New Orleans – Dr. James Ammons, SUS Executive Vice President/Interim Chancellor Southern University New Orleans
- Southern University Shreveport – Dr. Rodney Ellis, Chancellor

The corrective action has begun and will be completed not later than June 30, 2020.

Thank you for your assistance.

Sincerely,

Ray L. Belton, Ph.D.
President-Chancellor
Southern University System

cc: Mr. Flandus McClinton, Jr., Vice President for Finance and Business Affairs, SUS

Dr. James Ammons, SUS Executive Vice President/Interim Chancellor Southern University New Orleans, SUNO

Dr. Rodney Ellis, Chancellor, SUSLA

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OFFICE OF THE CHANCELLOR

January 8, 2020

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

Dear Mr. Purpera:

FINDING: Noncompliance and Control Weakness Relating to Time, Attendance, and Leave Usage

Southern University System (SUS) concurs with the audit finding and related recommendations. The internal audit report from which this finding was derived represents one component of the plan of action the System has taken in response to resolving this matter. When the System became aware of the potential errors and weaknesses, management immediately requested the SUS Office of Internal Audit perform a thorough investigation in order to identify any matters requiring resolution. The internal audit scope considered the related allegations, accuracy of allegations, nature of any instances of noncompliance or control weaknesses identified, related records, personnel and available public records. At the conclusion of the investigation, a report was released. This report, all supporting documents, and management's response to resolving the matter were made available to appropriate parties within the Southern University System, the Office of the Legislative Auditor and the Louisiana Office of State Inspector General.

In response to the internal audit observations, some referenced in your audit finding, management has implemented procedures that will aid in identifying and preventing the identified observations from reoccurring as follows: (1) management has recouped the amounts owed to the University and has made the necessary adjustments to the employee's leave records; (2) management has implemented a more rigorous payroll review process and procedure that ensures approved time activity agrees with the time activity for which the employee will be paid prior to payroll being processed; (3) management has established procedures to improve communications with the payroll and human resources departments that will ensure payroll adjustments and corrections are timely identified and processed; and (4) management has been in communication with the payroll system provider in order to identify and establish additional preventative payroll processing/review procedures.

Southern University System's management strives for continuous improvement regarding processes supporting compliance with laws and regulations and internal controls. To this end, management will continue ongoing training surrounding the payroll process as well as consider recommendations as identified by our internal audit office.

Feel free to contact me should you have any questions or require any additional information.

Sincerely,

James H. Ammons

Dr. James H. Ammons, Jr.
Interim Chancellor
Southern University New Orleans

cc: Dr. Ray L. Belton, President-Chancellor, SUS
Mr. Flandus McClinton, Jr., Vice President for Finance and Business Affairs, SUS