

SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2017
ISSUED DECEMBER 27, 2017

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 18, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of SUSLA Facilities, Inc., which is a nonprofit corporation included as a blended component unit in the basic financial statements representing 3%, 3%, 1%, and 1% of total assets, liabilities, revenues, and expenses, respectively. We also did not audit the financial statements of the Southern University System Foundation, which represents the only discretely presented component unit of the System. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the SUSLA Facilities, Inc., and the Southern University System Foundation, are based solely on the reports of the other auditors.

We conducted our audit in accordance with 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 SUSLA Facilities, Inc., 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the System as of June 30, 2017, 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 \$232,282,638 at June 30, 2017, as determined by the Louisiana State Employees' Retirement System (LASERS) and Teachers' Retirement System of Louisiana (TRSL). The related actuarial valuation was 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, 2017, 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 7 through 22, the Schedule of the System's

Proportionate Share of the Net Pension Liability on page 78, the Schedule of the System's Contributions on page 79, and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 80 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 and Other Information

Our audit was conducted for the purpose of forming opinions of 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 82 through 91, for the fiscal year ended June 30, 2017, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the schedules for the fiscal year ended June 30, 2017, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole for the year ended June 30, 2017.

New Accounting Standard Not Yet Effective

The implementation of the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal year 2018, will require the System to recognize its proportionate share of the other postemployment benefits liability. Though the System's proportionate share of the other postemployment benefits liability is currently unknown, the impact on the System's net position is expected to be significant.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Respectfully submitted,

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

Daryl G. Purpera, CPA, CFE
Legislative Auditor

CM:AD:WDG:EFS:ch

SUS 2017

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, 2017. 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 annual financial report of the System.

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 2017 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 2015 and 2016 semesters, the System experienced an overall decrease in enrollment of 400 students, a decline of 3.1%. Enrollment declined from 13,061 students in Fall 2015 to 12,661 students in Fall 2016. This

declining enrollment trend was experienced on all the System's campuses, except for the SUSLA Campus. SUSLA experienced an increase in enrollment of 87 students, or 2.7%.

The unprecedented flooding in the Baton Rouge and immediate surrounding areas was a major factor attributing to the decline on the SUBR A&M campus. The decline in enrollment at SULC follows a national trend in enrollment declines at other law schools. However, preliminary enrollment estimates for SULC show that enrollment is trending upwards for Fall 2017. The decline in enrollment at the SUNO Campus is attributed to increased admissions standards.

FINANCIAL HIGHLIGHTS

The System's net position reflects an increase of \$5.3 million, or 6.5%, for the current fiscal year. The System's operating revenues increased by \$5.3 million, or 4.3%. This increase is primarily attributable to increases in net tuition and fee revenues, federal grants and contract revenues, nongovernmental grants and contracts revenues, and other operating revenues. Nonoperating revenues decreased by \$1.6 million, or 1.8%. This decrease is primarily attributable to a decrease in federal Pell grants and other nonoperating revenues. Despite a decline in State appropriations of 3.4%, the System still realized an overall increase in total revenues. Total revenues increased by \$3.7 million, or 1.7%, while total operating and nonoperating expenses increased by \$9.2 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 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 23-24) 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 27-28) 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 30-31) 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 \$40.2 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 \$328.5 million and are comprised primarily of capital assets totaling \$306.0 million and restricted cash and cash equivalents, restricted investments, and other noncurrent assets of \$22.5 million.

Deferred outflow of resources totals \$46.6 million and is comprised of deferred outflows relating to pensions as required by implementation of GASB 68 and 82.

Current liabilities total \$28.6 million and primarily consist of accounts payable, accrued liabilities, deferred revenues, amounts held in custody for others, other current liabilities, and the current portion of long-term debt obligations for capital leases, bonds payable, claims and litigations payable, and estimated liabilities for compensated absences.

Noncurrent liabilities total \$452.3 million and include the long-term portion of noncurrent liabilities for bonds and notes payables, claims and litigations payable, capital lease obligations,

and estimated liabilities for compensated absences, other postemployment benefits (OPEB), and the net pension liability. For fiscal year 2017, the System's proportionate share of the net pension liability as required by implementation of GASB 68 and 82 is \$232.3 million.

Deferred inflow of resources totals \$9.5 million and is comprised of deferred inflows relating to pensions as required by implementation of GASB 68 and 82.

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 \$213.5 million and includes capital investments, net of related debt for land, buildings, equipment, infrastructure, improvements, construction-in-progress, library holdings, and intangibles.

The **restricted nonexpendable net position** category totals \$12.2 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 \$22.1 million and includes resources for which an external or third-party agency have 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 \$323.1 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 2017 and 2016 are presented on the following page in Table 1.

Table 1:
Comparative Statement of Net Position
For the Fiscal Years as of
June 30, 2017, and 2016

	2017	2016 (Restated)	Change	Percentage Change
Assets				
Current assets	\$40,162,310	\$43,963,391	(\$3,801,081)	(8.6%)
Capital assets, net	305,992,637	297,130,357	8,862,280	3.0%
Other noncurrent assets	22,486,877	21,402,690	1,084,187	5.1%
Total assets	<u>368,641,824</u>	<u>362,496,438</u>	<u>6,145,386</u>	1.7%
Deferred outflow of resources				
Deferred outflows relating to pensions	46,554,423	29,774,491	16,779,932	56.4%
Total Assets and Deferred outflows of resources	<u>\$415,196,247</u>	<u>\$392,270,929</u>	<u>\$22,925,318</u>	5.8%
Liabilities				
Current liabilities	\$28,644,169	\$30,670,253	(\$2,026,084)	(6.6%)
Noncurrent liabilities	452,311,789	432,942,498	19,369,291	4.5%
Total liabilities	<u>480,955,958</u>	<u>463,612,751</u>	<u>17,343,207</u>	3.7%
Deferred inflows of resources				
Deferred inflows relating to pensions	9,544,463	9,236,361	308,102	3.3%
Total Deferred inflows of resources	<u>\$9,544,463</u>	<u>\$9,236,361</u>	<u>\$308,102</u>	3.3%
Net Position				
Net investment in capital assets	\$213,513,185	\$202,415,743	\$11,097,442	5.5%
Restricted:				
Nonexpendable	12,173,589	11,708,878	464,711	4.0%
Expendable	22,075,508	21,669,898	405,610	1.9%
Unrestricted	<u>(323,066,456)</u>	<u>(316,372,702)</u>	<u>(6,693,754)</u>	(2.1%)
Total net position	<u>(\$75,304,174)</u>	<u>(\$80,578,183)</u>	<u>\$5,274,009</u>	6.5%

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 \$6.1 million, or 1.7%. The System recognized an increase in total liabilities of \$17.3 million, or 3.7%. 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. Also, the System continues its investment of available capital resources to accomplish the mission and goals of the System and its campuses.

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, 2017, the Statement of Revenues, Expenses, and Changes in Net Position reports a net operating loss of \$101.5 million. The net operating loss includes expenses but does not include revenues for State appropriations of \$47.3 million, federal nonoperating revenues of \$33.5 million, gifts of \$0.5 million, net investment income of \$0.8 million and other nonoperating revenues of \$8.2 million. After adjusting for these revenues in the nonoperating revenues (expenses) section of the statement and adjusting for interest expense of \$3.4 million, the net loss before other revenues, expenses, gains, or losses is \$14.6 million.

The operating revenues are received for providing goods and services to the various customers and other System constituents. Operating revenues total \$128.8 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 \$230.4 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 \$90.3 and interest expenses total \$3.4 million, resulting in net nonoperating revenues of \$86.9 million for the 2017 fiscal year.

The Statement of Revenues, Expenses, and Changes in Net Position reports an increase in net position of \$5.3 million at the end of the 2017 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, 2017, and 2016

	2017	2016 (Restated)	Change	Percent Change
Operating Revenues:				
Student tuition and fees, net	\$56,851,783	\$53,559,155	\$3,292,628	6.1%
Federal appropriations	3,213,323	3,492,678	(279,355)	(8.0%)
Federal grants and contracts	39,856,061	35,690,265	4,165,796	11.7%
State and local grants and contracts	1,699,581	2,330,883	(631,302)	(27.1%)
Nongovernmental grants and contracts	614,972	345,688	269,284	77.9%
Auxiliary enterprises, net	21,825,728	23,503,827	(1,678,099)	(7.1%)
Other operating revenue	4,777,652	4,613,117	164,535	3.6%
Total operating revenues	128,839,100	123,535,613	5,303,487	4.3%
Nonoperating Revenues				
State appropriations	47,311,880	48,982,934	(1,671,054)	(3.4%)
Gifts	483,365	516,305	(32,940)	(6.4%)
Federal nonoperating revenues	33,494,618	35,038,389	(1,543,771)	(4.4%)
Net investment income	859,341	(284,437)	1,143,778	402.1%
Other nonoperating revenues	8,178,409	7,711,849	466,560	6.0%
Total nonoperating revenues	90,327,613	91,965,040	(1,637,427)	(1.8%)
Total Revenues	219,166,713	215,500,653	3,666,060	1.7%
Operating Expenses:				
Education and general:				
Instruction	50,754,853	49,605,815	1,149,038	2.3%
Research	7,223,266	6,791,788	431,478	6.4%
Public service	9,277,882	7,244,224	2,033,658	28.1%
Academic support	25,110,393	23,169,451	1,940,942	8.4%
Student services	18,969,431	18,007,822	961,609	5.3%
Institutional support	50,472,974	46,179,254	4,293,720	9.3%
Operations and maintenance of plant	15,459,207	16,446,658	(987,451)	(6.0%)
Depreciation	14,126,943	13,965,751	161,192	1.2%
Scholarships and fellowships	16,012,855	18,082,221	(2,069,366)	(11.4%)
Auxiliary enterprises	21,660,090	20,029,255	1,630,835	8.1%
Other operating expenses	1,299,264	1,482,281	(183,017)	(12.3%)
Total operating expenses	230,367,158	221,004,520	9,362,638	4.2%
Nonoperating expenses - interest expense	3,355,632	3,547,483	(191,851)	(5.4%)
Total expenses	233,722,790	224,552,003	9,170,787	4.1%
Income (loss) before other revenues, expenses, gains, and losses	(14,556,077)	(9,051,350)	(5,504,727)	60.8%
Capital appropriations	3,153,967	6,260,296	(3,106,329)	(49.6%)
Capital grants and gifts	16,233,619	3,053,230	13,180,389	431.7%
Additions to permanent endowments	442,500	144,710	297,790	205.8%
Change in Net Position	5,274,009	406,886	4,867,123	1,196.2%
Net position at beginning of year (restated)	(80,578,183)	(80,985,069)	406,886	0.5%
Net position at the end of the year	(\$75,304,174)	(\$80,578,183)	\$5,274,009	6.5%

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As shown in the Table 3 below, the System invested \$306.0 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 \$21.0 million, or 3.2%. Accumulated depreciation increased by \$12.1 million, or 3.5%, resulting in an overall net increase in capital assets of approximately \$8.9 million, or 3.0%. 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)

	2017	2016 (Restated)	Change	Percentage Change
Capital assets not being depreciated	\$47,527,715	\$33,510,401	\$14,017,314	41.8%
Other capital assets:				
Infrastructure	32,844,713	32,844,713		0.0%
Land Improvements	15,215,072	15,215,072		0.0%
Buildings	426,008,820	419,608,175	6,400,645	1.5%
Equipment (including library books)	139,439,122	138,876,548	562,574	0.4%
Software	7,317,561	7,317,561		0.0%
Total other capital assets	<u>620,825,288</u>	<u>613,862,069</u>	<u>6,963,219</u>	<u>1.1%</u>
Total cost of capital assets	668,353,003	647,372,470	20,980,533	3.2%
Less - accumulated depreciation	<u>(362,360,366)</u>	<u>(350,242,113)</u>	<u>(12,118,253)</u>	<u>3.5%</u>
Capital assets, net	<u>\$305,992,637</u>	<u>\$297,130,357</u>	<u>\$8,862,280</u>	<u>3.0%</u>

This year's major additions include \$19.8 million in construction-in-progress (CIP) projects; of this amount, projects totaling \$5.8 million were completed in 2017 and transferred to buildings, resulting in a net CIP addition of \$14.0 million.

For the 2017 fiscal year, net equipment additions (including library books) totaled \$0.6 million; buildings for the System increased by \$6.4 million, including the \$5.8 million transfer from CIP mentioned above. The System recorded \$14.1 million for depreciation expense in fiscal year 2017 resulting in a net current-year increase in capital assets of \$8.9 million.

Major additions in 2017 on the SUBR A&M campus include construction-in-progress projects for repairs and replacement of hot water pipes, repairs to the ravine sloughing project, upgrades to the SU Laboratory School, the FG Clark Activity Center, and other major repairs and deferred maintenance projects.

Major capital asset additions in 2017 on the SUNO campus include construction-in-progress projects for the Arts and Humanities, Education, Natural Resources, and Social Work buildings; and completion of the Central Heating Plant Building.

Major capital asset additions in 2017 on the SUSLA campus include construction-in-progress projects for the Alphonse Jackson Jr. Classroom, School of Nursing Building, and Dental Hygiene Clinic.

Capital asset additions in 2017 at SULC include roof additions and equipment purchases.

Capital asset additions in 2017 at SUAREC and the Board and System include purchases of equipment.

For additional information concerning Capital Assets, the financial statement reader can refer to note 6 in the accompanying Notes to the Financial Statements.

LONG-TERM DEBT

The System retired \$0.2 million in bonds payable, \$1.1 million for capital lease obligations, and \$1.5 million in notes payable during the 2017 fiscal year. The total amount of long-term debt at June 30, 2017, is \$456.1 million as shown in Table 4 below. Of this amount, \$3.8 million is reported as current and is expected to be paid within one year.

**Table 4:
Long-term Debt**

	FY2017	FY2016 (Restated)	Increase (Decrease)	Percent Change	Current Portion
Compensated absences	\$11,780,514	\$12,030,700	(\$250,186)	(2.10%)	\$702,524
Bonds payable	12,120,186	12,333,100	(212,914)	(1.70%)	245,000
Capital Lease Obligation	46,138,472	47,201,346	(1,062,874)	(2.30%)	1,125,322
Claims and Litigations	307,400	439,689	(132,289)	(30.10%)	138,289
Net Pension Liability	35,566,943	37,029,943	(1,463,000)	(4.00%)	
Notes Payable	232,282,638	214,558,646	17,723,992	8.30%	1,611,000
OPEB payable	117,937,771	113,035,874	4,901,897	4.30%	
Total	\$456,133,924	\$436,629,298	\$19,504,626	4.50%	\$3,822,135

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 16 in the accompanying notes to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

CHANGE IN KEY PERSONNEL

During the 2017 fiscal year, the following changes were made in key personnel:

SUBR A&M Campus – Dr. Luria Young was appointed Interim Executive Vice President for Academic Affairs & Provost, Dr. Camacia Smith-Ross was appointed Interim Vice Provost for Academic Affairs, Ronnie Foster was appointed Interim Registrar, and Monica Mealie was appointed Associate Vice Chancellor for Financial Operations and Comptroller.

SULC – Key personnel changes at SULC included the promotion of Terry Hall to Vice Chancellor for Finance and Administration.

SUNO Campus – Dr. Lisa Mims-Devezin served as Interim Chancellor from July 2016 to November 2016. During the System Board of Supervisors meeting in November 2016, Dr. Lisa Mims-Devezin was confirmed as Chancellor for Southern University at New Orleans.

SUSLA Campus – Brandy Jacobsen was appointed Chief Finance Officer effective January 3, 2017; Dr. Melva Williams was appointed Vice Chancellor for Student Affairs and Enrollment Management effective November 1, 2016; Dr. Sharron Herron-Williams was appointed Vice Chancellor for Academic Affairs effective January 3, 2017; and Leslie R. McClellon was appointed Chief Administrative and Operations Officer effective November 1, 2017.

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:

- **Enrollment challenges** - The System continues to face enrollment challenges at all campuses providing instructional programs. These enrollment challenges have prompted System and campus management to conduct a careful review of current marketing, recruiting, and retention practices at all System campuses, with a focus on improving student access and opportunity. The System campuses are continuing to review their enrollment strategies with plans to reverse the decline in enrollment, stabilize current enrollment, and increase future enrollment. The enrollment strategies are aimed at aligning recruitment and marketing efforts to the mission and goals of the System campuses. By improving access and opportunity for both traditional and online students, the System hopes to enroll, retain, and graduate a larger and more diverse student body. Highlights of the enrollment and marketing strategies at the System campuses are described below:

- SUBR A&M - Enrollment and marketing strategies include the following:
 - Aggressively implement recruitment of dual enrollment students;
 - Fully utilize social media advertising;
 - Hire outside consultants to assist with innovative new marketing strategy development;
 - Include television and billboard advertisement in marketing strategy; and
 - Increase public relations and marketing staff.
- SULC - The Law Center, in a very determined manner, will continue to rigorously recruit students, in a very competitive environment, informing potential candidates about innovative programs designed to enhance their matriculation through law school, in addition to telling the many stories about SULC's success, tradition, and history. Other targeted strategies include the following:
 - Fully implement an aggressive recruitment program utilizing social media; and
 - Advertise in targeted periodicals and multimedia platforms.
- SUNO Campus - Enrollment and marketing strategies include the following:
 - Continue to visit high schools in-state and out-of-state and attend college fairs;
 - Create new recruitment literature;
 - Continue to enroll high school students into the Early Start Program;
 - Continue to encourage successful participants of the Early Start Program to apply to SUNO;
 - Continue to include television and radio announcements in SUNO's marketing strategies; and
 - Integrate social media into recruitment through positive use of various social media networks and social media apps.
- SUSLA Campus - Enrollment and marketing strategies include the following:

- Strengthen strategic communication;
 - Integrate social media into recruitment through positive use of Facebook, Twitter, and Instagram;
 - Televised over the course of the fiscal year several professionally-developed commercials; and
 - Strengthen partnerships with local school boards to promote opportunities for high school students and increased dual enrollment opportunities.
- **Reductions in state funding** - State funding continues to decline for public colleges and universities in Louisiana. The ongoing reductions and uncertainties in State appropriations funding continues to have a negative impact on the System's operating budgets. During the 2017 fiscal year, the System's funding through State appropriations decreased from \$49.0 million in 2016 to \$47.3 million in 2017; a reduction of \$1.7 million, or 3.4%. The System was appropriated \$43.0 million in the 2017 State general fund (Direct) budget and an additional \$4.3 million in statutory dedication funds, for a total State funding appropriation of \$47.3 million. A total of \$4.2 million is included in the 2017 budget for one-time funding. For the 2017 budget year, the System received a mid-year budget reduction of \$0.7 million. The System continues to receive budget cuts in State funding. The 2009 base-year funding level of \$93.8 million, compared to the 2017 fiscal year funding level of \$47.3 million, reflects a decline in State funding of \$46.5 million, or 49.6%.
 - **Rising cost in tuition and fees** - As fiscal pressures continue to mount, the System campuses continue to impose tuition and fee increases on its students to offset declines in State appropriations. These tuition and fee increases have negatively impacted the System's efforts to recruit, enroll, and retain students. Since 2009, there has been a national trend to shift the financing of higher education away from State appropriations and toward tuition and fee increases. As stated above, since the 2009 base-year level, State appropriations for the System campuses has declined by 49.6%. As a result, the System campuses have had to become significantly more dependent on tuition and fee revenues.

Act 293 (House Bill 113) of the 2017 Legislative Session authorized the System Board to establish and adjust fees to students enrolled at the System campuses. Such authority applies to the 2017-18, 2018-19, and 2019-20 academic years only, and the authority to increase fees terminates on June 30, 2020. The campuses are required to establish a need-based financial assistance fund. Not less than 5% of the fee revenues realized by the campuses must be allocated to this fund. Such funds will be used to provide need-based financial assistance to students who are eligible to receive a PELL grant. Act 293 of the 2017 Legislative Session changes the sunset of Act 377 of the 2015 Regular Session from June 30, 2017, to June 30, 2020.

The System campuses received Board approval to impose fee increases as described below:

- **SUBR A&M Campus** - In fiscal year 2016-17, the SUBR A&M campus received Board approval to increase the University Support fee by 10% per Act 377 and was granted approval to pilot a reduction in the nonresident fees by \$1,000 per student, per semester as part of the strategic initiative to boost enrollment of nonresident students. In fiscal year 2017-18, per Act 293 SUBR A&M increased the University Support by \$203 per semester for undergraduate students and \$234 per semester for graduate students, or 5%, for use in support of the general operations of the university. SUBR A&M increased student self-assessed fees by \$140 per student referendum and Board approval.
- **SULC** - increased the student success fee by \$283, or 5%, assessed an Academic Excellence fee of \$120, and increased the Nonresident fee by \$500 per semester in fiscal year 2016-17. In 2017-18, per Act 293 SULC increased the University Support fee by \$374 per semester, or 5%. SULC increased the Nonresident fee by \$500 per semester. The increase in fees will allow SULC to continue to be competitive with peer institutions.
- **SUNO Campus** - In fiscal year 2016-17, SUNO established a University Support fee at \$335 per semester for undergraduate students and \$394 per semester for graduate students per Act 377. In fiscal year 2017-18, the SUNO campus did not increase tuition; however, SUNO increased the Facility Maintenance fee by \$210 per semester for undergraduate students and \$247 per semester for graduate students.
- **SUSLA Campus** - The SUSLA campus did not impose any additional fees or fee increases for 2016-17. For fiscal year 2017-18, per Act 293 SUSLA increased the University Support fee and the University Maintenance fee by \$27, respectively per semester. SUSLA increased student self-assessed fees by \$14 per student referendum and Board approval.
- **Federal Match (SUAREC)** - SUAREC'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 programs and functions and the number of citizens that the Center serves throughout the state.
- **Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) Status:**
 - **SUBR A&M** - SUBR A&M was placed on "warning" by SACSCOC for 12 months for failure to comply with the following four (4) requirements and comprehensive standards: (1) Core Requirement 2.8 (Faculty); (2) Comprehensive Standard 3.3.1.1 (Institutional effectiveness: educational programs); (3) Federal Requirement 4.1 (Student

achievement); and (4) Federal Requirement 4.5 (Student complaints). A monitoring report must be submitted by April 2, 2018. A “warning” is the lowest level of sanction that can be placed on the university.

- **SULC** - The Law Center received accreditation in 2015 and will be reviewed for re-affirmation in 2020.
- **SUNO** - SUNO's Fifth-Year Interim Report received a favorable final review by SACSCOC. Per SACSCOC's response of January 11, 2017, “no additional report was requested.” SUNO is on target regarding preparation for its 2020 accreditation reaffirmation. All the major committees needed for the preparation of the Compliance Certification Report, the Quality Enhancement Plan Report, and the On-Site Visit Logistic Committee have been appointed and are making steady progress with the timeline approved for the reaffirmation process.
- **SUSLA** - The SUSLA campus received reaffirmation from SACSCOC. The next reaffirmation review begins in 2021. SUSLA received reaffirmation of its 5th year report with a requirement to submit a follow up report in April on the financial stability of the university.
- **Capital Outlay/Deferred maintenance** - All System campuses are in urgent need of deferred maintenance funds to support repairs and maintenance of aging buildings and equipment. In response to this urgent need, the System was awarded capital outlay funding in HB-2 during the 2017 Legislative Session, \$23.8 million in Priority 1 funding, \$0.2 million in Priority 2 funding, \$8.1 million in Priority 5 funding, and \$1.0 million in Other funding. These funds are appropriated in support of capital outlay projects for the Americans with Disabilities Act (ADA) Consent Decree, deferred maintenance, infrastructure, and other construction and major repairs projects.
- **Hazard Mitigation Grant Program** - At a press conference on September 20, 2017, Governor John Bel Edwards announced the State of Louisiana is dedicating \$10.0 million to improve damaged and eroded roads at the SUBR campus land mass and address the long-term threat posed by this erosion. \$7.5 of the \$10.0 million will come from the Hazard Mitigation Grant Program, which is administered by the Federal Emergency Management Agency (FEMA). The Department of Transportation and Development (DOTD) is funding most of the remaining \$2.5 million cost of the project along with contributions from the System, the Board of Regents, and the city of Baton Rouge.
- **Medical Marijuana (SUAREC)** - On June 29, 2015, the Governor signed Senate Bill 143 (Act 261, also known as the “Alison Neustrom Act”) into law, establishing a framework for the legal production and sale of medical marijuana products in the State of Louisiana. In May 2016, Governor John Bel Edwards signed Senate Bill 271 (Act 96) into law, allowing physicians to ‘recommend’ medical marijuana to qualifying patients instead of ‘prescribing,’ which had

previously created legal barriers to patient access and physician participation. The following month, the Governor also signed Senate Bill 180 (Act 343), creating legal protections for qualified patients in possession of medical marijuana. These bills collectively ensure that patients may legally access medical marijuana under the State's program, while providing a market for legally-produced medical marijuana.

One of the provisions of Act 96 grants the right of first refusal to Southern University Agricultural Center ("SU Ag Center") and Louisiana State University Agricultural Center ("LSU Ag Center") to produce medical marijuana either separately or jointly. In June 2016, the Southern University Board of Supervisors notified the Louisiana Department of Agriculture and Forestry that they had approved a measure authorizing the institution to establish a medical marijuana production facility, pursuant to Act 96.

In May 2017, Southern University released its Medical Marijuana Cultivation and Production Facility Operator Request for Applications (RFA), following LaPAC (Louisiana Procurement and Contract Network) guidelines. As required by state law, the SU Ag Center will enter into and oversee a contractual relationship with a private organization that will be responsible for all operational aspects of the Facility including, but not limited to, cultivation, processing, extraction, production, and any other necessary activities to produce approved medical marijuana products.

On June 30, 2017, the Procurement Office received seven (7) applications in response to the RFA. The successful applicant will enter a five-year contract, assuming responsibility for all the expenses involved in running the business. Southern has estimated the initial investment will range from \$5 million to \$7 million. No state tax dollars are involved in producing medical marijuana. Revenues generated from the program shows promise of strengthening the System.

The System's Board of Supervisors on Friday (September 22, 2017) selected Lafayette-based company, Advanced Biomedics, LLC, to cultivate and produce medical marijuana for the System's Agricultural Center.

Advanced Biomedics will produce pharmaceutical grade medicines for patients with cancer, HIV/AIDS, cachexia or wasting syndrome, seizure disorders, epilepsy, spasticity, Crohn's disease, muscular dystrophy, and multiple sclerosis. Under the law, marijuana can be available in medicinal oils, pills, sprays, and topical applications, but cannot be sold in a form that can be smoked. Advanced Biomedics will receive more than \$6 million over the five-year contract period.

The System leadership is continuing to address the budget shortfalls through implementation of efficiency measures and prudent and careful management of available resources. Despite continuing budgetary and economic challenges, the System campuses have maintained balanced

operating budgets. System administrators have implemented approved budgetary measures to ensure current operations are sustained and the mission and goals of the System are preserved.

The long-term outlook for the System remains positive despite budgetary and economic challenges. Environmental, budgetary, and economic factors continue to challenge the sustainability of institutional programs and services. However, the System will continue to make fiscal and program changes to ensure the long-term viability of the System. The long-term outlook remains positive. The System will continue to achieve its mission and goals, despite the long-term outlook of adverse environmental issues, budgetary challenges, and unstable economic factors. The System's efficiency measures and strategic goals and objectives outline realistic targets for long-term growth and stability to ensure the System continues 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: 225-771-5550; email address: flandus_mcclinton@sus.edu.

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**

Statement of Net Position, June 30, 2017

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$5,212,036
Investments (note 3)	572,454
Receivables, net (note 4)	14,425,716
Due from State Treasury	697,910
Due from Federal government	14,091,205
Inventories	323,352
Prepaid expenses and advances	4,126,269
Notes receivable, net (note 5)	330,177
Other current assets	383,191
Total current assets	<u>40,162,310</u>

Noncurrent assets:

Restricted cash and cash equivalents (note 2)	6,751,874
Restricted investments (note 3)	15,577,475
Capital assets, net (note 6)	305,915,329
Intangible assets (note 6)	77,308
Other noncurrent assets	157,528
Total noncurrent assets	<u>328,479,514</u>
Total assets	<u>368,641,824</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred outflows related to pensions (note 9)	46,554,423
Total deferred outflows of resources	<u>46,554,423</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$415,196,247

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 7)	\$12,116,497
Unearned revenues	9,845,700
Amounts held in custody for others	1,133,275
Compensated absences (note 8 and 14)	702,524
Capital lease obligations (note 13 and 14)	1,125,322
Claims and litigation payable (note 12 and 14)	138,289
Notes payable (note 14 and 15)	1,611,000
Bonds payable (note 14 and 16)	245,000
Other current liabilities	1,726,562
Total current liabilities	<u>28,644,169</u>

(Continued)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Position, June 30, 2017**

LIABILITIES

Noncurrent liabilities:

Compensated absences (notes 8 and 14)	\$11,077,990
Capital lease obligations (notes 13 and 14)	45,013,150
Claims and litigations payable (notes 12 and 14)	169,111
Notes payable (notes 14 and 15)	33,955,943
Net pension liability (notes 9 and 14)	232,282,638
OPEB Payable (notes 11 and 14)	117,937,771
Bonds payable (notes 14 and 16)	11,875,186
Total noncurrent liabilities	<u>452,311,789</u>
Total liabilities	<u>480,955,958</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions (note 9)	<u>9,544,463</u>
Total deferred inflows of resources	<u>9,544,463</u>

NET POSITION

Net investment in capital assets	213,513,185
Restricted for:	
Nonexpendable (note 17)	12,173,589
Expendable (note 17)	22,075,508
Unrestricted	<u>(323,066,456)</u>
TOTAL NET POSITION	<u>(75,304,174)</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS
OF RESOURCES AND NET POSITION**

\$415,196,247

(Concluded)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Statement of Financial Position, December 31, 2016**

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$4,567,216
Accounts receivable (note 4)	192,408
Pledges receivable, net (note 4)	658,533
Prepaid expenses and advances	195,166
Other current assets (note 4)	1,340,000
Total current assets	<u>6,953,323</u>

Noncurrent assets

Restricted assets:

Cash and cash equivalents (note 2)	1,867,227
Investments (note 3)	7,665,095
Capital assets (note 6)	2,483,974
Other noncurrent assets (note 4)	53,931,618
Total noncurrent assets	<u>65,947,914</u>

TOTAL ASSETS

\$72,901,237

(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, 2016**

LIABILITIES

Current liabilities:

Accounts payable	\$545,615
Amounts held in custody for others	6,568,790
Bonds payable and premium, net (note 16)	1,340,000
Other current liabilities	535,963
Total current liabilities	<u>8,990,368</u>

Noncurrent liabilities:

Bonds payable and premium (note 16)	49,909,308
Other noncurrent liabilities	3,206,347
Total noncurrent liabilities	<u>53,115,655</u>
Total liabilities	<u>62,106,023</u>

NET ASSETS

Unrestricted	2,345,648
Restricted for:	
Permanently restricted	3,747,954
Temporarily restricted	4,701,612
Total net assets	<u>10,795,214</u>

TOTAL LIABILITIES AND NET ASSETS

<u><u>\$72,901,237</u></u>

(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, 2017**

OPERATING REVENUES

Student tuition and fees	\$84,813,279
Less scholarship allowances	(27,961,496)
Net student tuition and fees	<u>56,851,783</u>
Federal appropriations	3,213,323
Federal grants and contracts	39,856,061
State and local grants and contracts	1,699,581
Nongovernmental grants and contracts	614,972
Auxiliary enterprise revenues	23,863,853
Less scholarship allowances	(2,038,125)
Net auxiliary revenues	<u>21,825,728</u>
Other operating revenues	4,777,652
Total operating revenues	<u><u>128,839,100</u></u>

OPERATING EXPENSES

Education and general:	
Instruction	50,754,853
Research	7,223,266
Public service	9,277,882
Academic support	25,110,393
Student services	18,969,431
Institutional support	50,472,974
Operation and maintenance of plant	15,459,207
Depreciation (note 6)	14,126,943
Scholarships and fellowships	16,012,855
Auxiliary enterprises	21,660,090
Other operating expenses	1,299,264
Total operating expenses	<u><u>230,367,158</u></u>

OPERATING LOSS (\$101,528,058)

(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, 2017**

NONOPERATING REVENUES (Expenses)	
State appropriations	\$47,311,880
Gifts	483,365
Federal nonoperating revenues	33,494,618
Net investment income	859,341
Interest expense	(3,355,632)
Other nonoperating revenues	8,178,409
Net nonoperating revenues	<u>86,971,981</u>
LOSS BEFORE OTHER REVENUES	(14,556,077)
Capital appropriations	3,153,967
Capital grants and gifts	16,233,619
Additions to permanent endowments	442,500
CHANGE IN NET POSITION	5,274,009
NET POSITION AT BEGINNING OF YEAR (restated) (note 18)	<u>(80,578,183)</u>
NET POSITION AT END OF YEAR	<u><u>(\$75,304,174)</u></u>

(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, 2016**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES AND OTHER SUPPORT				
Contributions and other support	\$1,536,425	\$2,473,602	\$127,500	\$4,137,527
Rental income	2,495,019			2,495,019
Bayou Classic revenues		249,071		249,071
Administration fees	82,114	20,000		102,114
Donor fees and registration	195,451			195,451
Athletic sponsorships and support	29,190			29,190
Contributed services	326,367			326,367
Interest income	1,117	38,486		39,603
Other income		50,034		50,034
Total revenues and other support	<u>4,665,683</u>	<u>2,831,193</u>	<u>127,500</u>	<u>7,624,376</u>
Net assets released from restrictions - (note 24)	<u>2,800,000</u>	<u>(2,800,000)</u>		
EXPENSES				
Program services	7,341,370			7,341,370
Support services	711,782			711,782
Fundraising	179,613			179,613
Total expenses	<u>8,232,765</u>			<u>8,232,765</u>
Investment Activities				
Net realized loss		(28)		(28)
Net unrealized loss		(89,558)		(89,558)
Total investment activities		<u>(89,586)</u>		<u>(89,586)</u>
Changes in net assets	(767,082)	(58,393)	127,500	(697,975)
Net assets - beginning of year	<u>3,112,730</u>	<u>4,760,005</u>	<u>3,620,454</u>	<u>11,493,189</u>
Net assets - end of year	<u>\$2,345,648</u>	<u>\$4,701,612</u>	<u>\$3,747,954</u>	<u>\$10,795,214</u>

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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$57,665,106
Federal appropriations	3,213,323
Grants and contracts	38,725,514
Auxiliary enterprise charges	22,052,937
Payments for employee compensation	(97,312,329)
Payments for benefits	(37,389,300)
Payments for utilities	(7,490,334)
Payments for supplies and services	(49,678,626)
Payments for scholarships and fellowships	(17,070,493)
Loans to students	(1)
Other receipts	3,544,013
Net cash used by operating activities	(83,740,190)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	47,276,373
Gifts and grants for other than capital purposes	33,296,910
Private gifts for endowment purposes	180,000
Taylor Opportunity Program for Students (TOPS) receipts	2,288,511
TOPS disbursements	(2,308,224)
GO Grant receipts	1,246,064
GO Grant disbursements	(1,246,564)
Implicit loan reduction from other campuses	2,548,482
Implicit loan reduction to other campuses	(2,548,482)
Direct lending receipts	98,227,990
Direct lending disbursements	(98,863,501)
Federal Family Education Loan program receipts	940,248
Federal Family Education Loan program disbursements	(940,248)
Other receipts	8,045,353
Net cash provided by noncapital financing sources	88,142,912

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Capital appropriations received	2,761,028
Capital grants and gifts received	4,764
Purchases of capital assets	(6,351,981)
Principal paid on capital debt and leases	(1,291,256)
Interest paid on capital debt and leases	(3,129,695)
Other sources	(670,420)
Net cash used by capital financing sources	(8,677,560)

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales and maturities of investments	\$549,067
Interest received on investments	560,254
Purchase of investments	(5,434,439)
Net cash used by investing sources	<u>(4,325,118)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (8,599,956)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 20,563,866

CASH AND CASH EQUIVALENTS AT END OF YEAR \$11,963,910

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:

Operating loss	(\$101,528,058)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	14,126,943
Non-employer contributing entity (NCE) revenue	530,151
Changes in assets and liabilities:	
Decrease in accounts receivable, net	1,534,685
Increase in inventories	(21,740)
Increase in due from federal government	(2,406,276)
Decrease in prepaid expenses and advances	66,789
Increase in notes receivable	(53,910)
Increase in other assets	(184,779)
Increase in deferred outflows related to pensions	(16,779,932)
Decrease in accounts payable and accrued liabilities	(792,980)
Decrease in unearned revenue	(513,722)
Decrease in claims and litigation	(126,789)
Decrease in amounts held in custody	(10,413)
Decrease in compensated absences	(250,186)
Increase in OPEB payable	4,901,897
Increase in net pension liability	17,723,992
Increase in deferred inflows related to pensions	308,102
Decrease in other liabilities	(263,964)
Net cash used by operating activities	<u><u>(\$83,740,190)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION

Cash and cash equivalents classified as current assets	\$5,212,036
Cash and cash equivalents classified as noncurrent assets	6,751,874
Cash and cash equivalents at the end of the year	<u><u>\$11,963,910</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital appropriations for construction of capital assets	\$392,939
Net decrease in the fair value of investments	\$319,406
Capital gifts and grants	\$20,680,206

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Southern University System (System) is a publicly-supported institution of higher education. The System is a component unit of the State of Louisiana within the executive branch of government. The System is under the management and supervision of the Southern University Board of Supervisors. However the annual budget of the university and 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 university, operations of the System's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

In April 1880, Southern University was chartered by the General Assembly of the State of Louisiana. The first site of the university was in New Orleans on Calliope Street, and the university opened on March 7, 1881, with 12 students. In 1890, an Agriculture and Mechanical Department was established, and in 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. During the summer, fall, and spring semesters of the 2016-2017 fiscal year, the System conferred 2,056 degrees, and student enrollment was approximately 27,527. The System has 452 full-time faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of*

Governmental Accounting and Financial Reporting Standards, published by 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 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 statues 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 that 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, 2017, the Foundation made distributions to or on behalf of the System for both restricted and unrestricted purposes in the amount of \$2,577,719. 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 that 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. To obtain a copy of the Facilities' audit report, write to:

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

C. BASIS OF ACCOUNTING

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities. 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 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 that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) 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 uses periodic and perpetual inventory systems and accounts for its inventories using the consumption method.

G. RESTRICTED CASH AND INVESTMENTS

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

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

Investments are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. There are no formally adopted policies to further limit interest rate risk, credit risk, custodial credit risk, concentration of credit risk, or foreign currency risk.

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

H. CAPITAL ASSETS

The System follows the capitalization policies established by the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy. Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the System's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Buildings and improvements costing \$100,000 or more are capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million is also capitalized. Computer software purchased for internal use with depreciable costs of \$1 million or more is capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable

land improvements, and 3 to 10 years for most movable property. Library collections regardless of age with a total acquisition value of \$5 million or more will be capitalized and depreciated.

I. 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 revenue bonds payable, 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 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. 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 each institution 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 Revenue, Expense, and Change in Net Position.

Q. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2017, the following statements were implemented:

GASB Statement 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was implemented by the System for the fiscal year ended June 30, 2017. The only impact on the System is a change in terminology related to the description of the other postemployment benefit plan as a "multiple employer plan" instead of an "agent multiple employer plan."

GASB Statement No. 82, *Pension Issues*, was implemented by the System for the fiscal year ended June 30, 2017. The impact on the System includes a change to the presentation of payroll-related measures in the required supplementary information from *covered-employee payroll*, payroll of employees that are provided with pensions, to *covered payroll*, payroll on which contributions are based.

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

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

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

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

C. USE OF ESTIMATES

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. FUNCTIONAL ALLOCATION OF EXPENSES

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

J. TAX EXEMPTION STATUS

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

K. FIXED ASSETS

Fixed assets of the Foundation are recorded as assets and are stated at historical cost if purchased or at fair value at the date of the gift, if donated. 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, certificates of deposit, and investments that are held on behalf of the System are classified as restricted assets in the Statement of Financial Position along with assets held by the bond trustee on behalf of 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. NEW ACCOUNTING STANDARDS

Long-term debt and debt issuance costs - In April 2016, FASB issued ASU No. 2016-03, Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. ASU 2016-03 requires entities to present debt issuance costs as a direct deduction from the carrying value of the related debt liability and amortization is required to be included with interest expense in the statements of operations. ASU 2016-03 is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years, beginning after December 15, 2016.

As a result, as of December 31, 2016, \$695,468 of unamortized deferred financing costs related to the Organization's mortgage payable were reclassified in the balance sheet from other assets to bonds payable and for the year ended December 31, 2016. \$790,687 of amortization expense related to such deferred financing costs were reclassified to interest expense in the statement of operations, with no effect on previously reported net income (loss). Other than this reclassification, the adoption of ASU 2016-03 did not have a material impact on the Organization's financial position, results of operations or cash flows.

2. CASH

At June 30, 2017, the System has cash and cash equivalents (book balance) totaling \$11,963,910 as follows:

Demand deposits	\$11,484,532
Time certificates of deposits	478,078
Petty Cash	<u>1,300</u>
Total	<u><u>\$11,963,910</u></u>

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

Current assets	\$5,212,036
Noncurrent assets - restricted	<u>6,751,874</u>
Total	<u><u>\$11,963,910</u></u>

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, 2017, the System has \$14,094,213 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, 2016, cash and cash equivalents totaled \$6,434,443, which consisted of \$4,567,216 unrestricted and \$1,867,227 restricted.

FOUNDATION CONCENTRATIONS OF CREDIT RISK

The Foundation's cash balances are held in savings and trust, as well as investment institutions. The Federal Deposit Insurance Corporation (FDIC) provides deposit insurance coverage on non-interest bearing and interest bearing accounts for deposits up to \$250,000. The FDIC insurance coverage limit applies per depositor and per insured depository institution for each ownership category. As of December 31, 2016, funds on deposit with savings and trust institutions exceeded FDIC limits by \$1,182,602. 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.

3. INVESTMENTS

The System maintains investment accounts as authorized by state law. At June 30, 2017, the System has investments totaling \$16,149,929 as follows:

Type of Investment	Percentage of Investments	Credit Quality Rating	Fair Value June 30, 2017
Investments held by private foundation:			
Corporate bonds	4.27%		\$689,815
Common and preferred stock	5.89%		951,314
Mutual funds	34.60%		5,588,117
Subtotal - held by private foundation	44.76%	Not Rated	7,229,246
Louisiana Asset Management Pool	42.12%	AAAm	6,802,985
Investments held by SUSLA Facilities, Inc.			
U.S. government notes	13.11%		2,117,698
Subtotal - held by SUSLA Facilities, Inc.	13.11%	Not Rated	2,117,698
Total Investments	100%		\$16,149,929

Investment Type	June 30, 2017				
	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	10+ Years
Investments held by private foundation:					
Corporate bonds	\$689,815		\$689,815		
Total	\$689,815	NONE	\$689,815	NONE	NONE

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

Current assets	\$572,454
Noncurrent assets - restricted	<u>15,577,475</u>
Total	<u>\$16,149,929</u>

Investments are reported at fair market value. Investments totaling \$7,229,246 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.

At June 30, 2017, the Facilities had bond funds totaling \$2,117,698 on deposit with its bond trustee. These deposits consist of investments and securities that are primarily issued by the U.S. government and various other financial instruments. The financial statements and notes to the financial statements of the Facilities were prepared in accordance with FASB ASC Topic 958. Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the Notes to the Financial Statement of the Facilities does not reflect the requirements of GASB Statement No. 3, as revised by Statement No. 40.

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, 2017, are as follows:

	Fair Value Hierarchy			
	Fair Value June 30, 2017	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments held by private foundation:				
Corporate bonds	\$689,815	\$689,815		
Common and preferred stock	951,314	951,314		
Mutual funds	5,588,117	5,588,117		
Subtotal - held by private foundation	7,229,246	7,229,246	NONE	NONE
Louisiana Asset Management Pool	6,802,985		\$6,802,985	
SUSLA Facilities, Inc.:				
U.S. government notes	2,117,698		2,117,698	
Subtotal - SUSLA Facilities, Inc.	2,117,698	NONE	2,117,698	NONE
Total Investments at Fair Value Level	\$16,149,929	\$7,229,246	\$8,920,683	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, 2016:

Description	Carrying Value	Fair Value
Publicly traded securities	\$4,791,363	\$4,826,525
Fixed income investments	2,978,943	2,838,570
Total	\$7,770,306	\$7,665,095

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 CONCENTRATIONS OF CREDIT RISK

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. Investment funds which are being held by investment institutions are protected by the Securities Investor Protection Corporation (SIPC). As of December 31, 2016, the Foundation held investments in excess of the SIPC insurance limit of \$500,000.

FOUNDATION FAIR VALUE OF INVESTMENTS

Fair values of investments measured on a recurring basis at December 31, 2016, are as follows:

	Fair Value December 31, 2016	Fair Value Hierarchy		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$7,665,095	\$7,665,095	NONE	NONE
Total Investments at Fair Value Level	\$7,665,095	\$7,665,095	NONE	NONE

4. RECEIVABLES

Receivables are shown on the Statement of Net Position, net of an allowance for doubtful accounts, at June 30, 2017. These receivables are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	\$10,999,033	\$3,862,028	\$7,137,005
Auxiliary enterprises	2,776,186	596,373	2,179,813
State and private grants and contracts	3,204,577		3,204,577
Due from Office of Facility Planning	543,759		543,759
Accrued interest	127		127
Other	1,337,821	965	1,336,856
SUSLA Facilities, Inc.	23,579		23,579
Total	\$18,885,082	\$4,459,366	\$14,425,716

There is no noncurrent portion of receivables.

FOUNDATION RECEIVABLES

As of December 31, 2016, accounts receivable totaled \$54,251. Receivables classified as ‘other’ at December 31, 2016, totaled \$31,193. Management believes all receivables to be collectible; therefore, no allowance for doubtful collection is recorded.

The Foundation has certain receivables due from the System. The receivables due from the System at December 31, 2016, are reimbursable costs pertaining to bond projects due from SU A&M totaling \$106,964.

Unconditional pledges receivable are due as follows on December 31, 2016:

Expected to be collected in:	
Less than one year	\$474,250
One to five years	<u>487,140</u>
Gross pledges receivable	961,390
Less - allowance for doubtful accounts	<u>(302,857)</u>
Pledges receivable, net	<u>\$658,533</u>

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 lease was determined to meet the requirements of a capital lease and as such, as projects are completed, they are transferred from construction-in-progress to Capitalized Lease Receivable. As of December 31, 2016, all projects have been completed. The total lease payments due from the System during the next fiscal year totals \$1,340,000. The total amount due for succeeding years totals \$53,931,618. The total Capitalized Lease Receivable balance at December 31, 2016, totaled \$55,271,618.

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, 2017. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
Federal Perkins Loan	\$426,912	(\$413,057)	\$13,855
Student Revolving Loans	316,322		316,322
Long-term student loans	98,931	(98,931)	
Total	<u>\$842,165</u>	<u>(\$511,988)</u>	<u>\$330,177</u>

6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2017, 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, 2017, total interest paid on capital debt was \$2,654,061.

	Balance June 30, 2016	Prior Period Adjustments	Adjusted Balance June 30, 2016	Additions	Transfers	Retirements	Balance June 30, 2017
Capital assets not being depreciated:							
Land	\$6,845,696		\$6,845,696				\$6,845,696
Nondepreciable land improvements	139,640		139,640				139,640
Construction-in-progress	26,525,065		26,525,065	\$19,826,411	(\$5,809,097)		40,542,379
Total capital assets not being depreciated	<u>\$33,510,401</u>	NONE	<u>\$33,510,401</u>	<u>\$19,826,411</u>	<u>(\$5,809,097)</u>	NONE	<u>\$47,527,715</u>
Capital assets being depreciated:							
Infrastructure	\$32,844,713		\$32,844,713				\$32,844,713
Less accumulated depreciation	(25,253,289)		(25,253,289)	(\$241,518)			(25,494,807)
Total infrastructure	7,591,424	NONE	7,591,424	(241,518)	NONE	NONE	7,349,906
Land improvements	15,215,072		15,215,072				15,215,072
Less accumulated depreciation	(7,770,795)		(7,770,795)	(493,574)			(8,264,369)
Total land improvements	7,444,277	NONE	7,444,277	(493,574)	NONE	NONE	6,950,703
Buildings	419,608,175		419,608,175	591,548	\$5,809,097		426,008,820
Less accumulated depreciation	(180,474,776)		(180,474,776)	(9,380,095)			(189,854,871)
Total buildings	239,133,399	NONE	239,133,399	(8,788,547)	5,809,097	NONE	236,153,949
Equipment (including library books)	138,876,548		138,876,548	2,616,340	(135,043)	(\$1,918,723)	139,439,122
Less accumulated depreciation	(131,018,752)	\$470,386	(130,548,366)	(2,966,390)	135,043	1,873,647	(131,506,066)
Total equipment	7,857,796	470,386	8,328,182	(350,050)	NONE	(45,076)	7,933,056
Software (internally generated and purchased)	7,317,561		7,317,561				7,317,561
Accumulated amortization - software	(6,194,887)		(6,194,887)	(1,045,366)			(7,240,253)
Total intangibles	1,122,674	NONE	1,122,674	(1,045,366)	NONE	NONE	77,308
Total capital assets being depreciated	<u>\$263,149,570</u>	<u>\$470,386</u>	<u>\$263,619,956</u>	<u>(\$10,919,055)</u>	<u>\$5,809,097</u>	<u>(\$45,076)</u>	<u>\$258,464,922</u>
Capital assets summary:							
Capital assets not being depreciated	\$33,510,401		\$33,510,401	\$19,826,411	(\$5,809,097)		\$47,527,715
Capital assets being depreciated	613,862,069		613,862,069	3,207,888	5,674,054	(\$1,918,723)	620,825,288
Total cost of capital assets	647,372,470		647,372,470	23,034,299	(135,043)	(1,918,723)	668,353,003
Less accumulated depreciation	(350,712,499)	\$470,386	(350,242,113)	(14,126,943)	135,043	1,873,647	(362,360,366)
Capital assets, net	<u>\$296,659,971</u>	<u>\$470,386</u>	<u>\$297,130,357</u>	<u>\$8,907,356</u>	<u>NONE</u>	<u>(\$45,076)</u>	<u>\$305,992,637</u>

FOUNDATION FIXED ASSETS

Land, building, and equipment as of December 31, 2016, are summarized as follows:

Land and improvements	\$816,304
Construction In Progress	796,361
Building	172,125
Office equipment	24,725
Scoreboard equipment	3,288,530
Furniture and fixtures	114,076
Software	166,297
Subtotal	5,378,418
Less - accumulated depreciation	(2,894,444)
Total	\$2,483,974

Depreciation expense totaled \$21,499 for the year ended December 31, 2016.

7. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accruals at June 30, 2017:

Vendors payables	\$5,060,368
Accrued salaries and benefits	5,326,905
Accrued interest	1,729,224
Total	\$12,116,497

8. COMPENSATED ABSENCES

At June 30, 2017, employees of the System have accumulated and vested annual leave, sick leave, and compensatory leave of \$5,602,042; \$5,914,174; and \$264,298, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

9. DEFINED BENEFIT PENSION PLANS

The System is a participating employer in two state public employee retirement systems, the Louisiana State Employees' Retirement System (LASERS) and the Teachers' Retirement System of Louisiana (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 these 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 R.S. 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.

General Information about the Pension Plans

Plan Descriptions/Benefits Provided

LASERS - LASERS administers a plan to provide retirement, disability, and survivor benefits to eligible state employees and their beneficiaries as defined in R.S. 11:411-414. 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. 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 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 service and at age 60 upon completing 10 years of service. Regular plan members hired from July 1, 2006, through June 30, 2015, may retire with full benefits at age 60 upon completing five years of service. Regular plan members hired on or after July 1, 2015, may retire with full benefits at age 62 upon completing five years of service. Additionally, all members may choose to retire with 20 years of 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 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 after that date. A member leaving service before attaining minimum retirement 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.

Eligibility requirements and benefit computations for disability benefits are provided for in R.S. 11:461. All members with 10 or more years of service or members aged 60 or older regardless of date of hire who become disabled may receive a maximum disability benefit equivalent to the regular retirement formula without reduction by reason of age. Hazardous duty personnel who become disabled in the line of duty will receive a disability benefit equal to 75% of final average compensation.

Provisions for survivor benefits are provided for in R.S. 11:471-478. Under these statutes, the deceased 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 20 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 10 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 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 10 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 member's spouse must have been married for at least one year before death.

LASERS has 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, 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 benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits.

TRSL - 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 sub-plans, 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 five 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 five years of service. Members hired on or after July 1, 2015, are eligible to retire at age 62 with five years of service. All regular plan members are eligible to retire at any age with 20 years of service and a 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 10 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 10 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.

TRSL has established a DROP plan. 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, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts.

Cost of Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS and TRSL allow for the payment of cost of living adjustments, or COLAs, that are funded through investment earnings when recommended by the board of trustees and approved by the Legislature. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as these ad hoc COLAs were deemed not to be substantively automatic.

Contributions

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee. 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 2017 were \$5,896,489, with active regular plan member contributions ranging from 7.5% to 8%, and employer contributions of 35.8%. Employer defined benefit plan contributions to TRSL for fiscal year 2017 were \$15,761,248, with active regular plan member contributions of 8%, and employer contributions of 21.2% for ORP members, and 24.4% to 25.5% for defined benefit plan members. Non-employer contributing entity contributions to TRSL, which are comprised of ad valorem tax revenue, totaled \$530,151, and were recognized as revenue in fiscal year 2017 by the System.

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

At June 30, 2017, the System reported liabilities of \$69,365,045 and \$162,917,593 under LASERS and TRSL, respectively, for its proportionate share of the Net Pension Liability (NPL). The NPL for LASERS and TRSL was measured as of June 30, 2016, 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, 2016, the most recent measurement date, the System's proportions and the changes in proportion from the prior measurement date were 0.88334%, or a decrease of 0.03957% for LASERS, and 1.38807% or a decrease of 0.02361% for TRSL.

For the year ended June 30, 2017, the System recognized a total pension expense of \$23,440,050 for defined benefit plans, or \$5,494,982 and \$17,945,068 for LASERS and TRSL, respectively.

The System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows			Deferred Inflows		
	LASERS	TRSL	Total	LASERS	TRSL	Total
Differences between expected and actual experience	\$40,159		\$40,159	(\$643,334)	(\$3,216,446)	(\$3,859,780)
Changes in Assumptions						
Net difference between projected and actual earnings on pension plan investments	8,639,536	\$11,860,018	20,499,554			
Changes in proportion and differences between employer contributions and proportionate share of contributions		4,356,973	4,356,973	(3,586,647)	(2,098,036)	(5,684,683)
Employer contributions subsequent to the measurement date	5,896,489	15,761,248	21,657,737			
Total	\$14,576,184	\$31,978,239	\$46,554,423	(\$4,229,981)	(\$5,314,482)	(\$9,544,463)

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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>LASERS</u>	<u>TRSL</u>	<u>Total</u>
2018	(\$1,330,416)	\$1,651,460	\$321,044
2019	\$361,742	\$1,651,460	\$2,013,202
2020	\$3,357,499	\$5,314,550	\$8,672,049
2021	\$2,060,889	\$2,285,043	\$4,345,932

Actuarial Assumptions

The total pension liabilities for LASERS and TRSL in the June 30, 2016, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	LASERS	TRSL
Valuation Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Expected Remaining Service Lives	3 years	5 years
Investment Rate of Return	7.75% per annum, net of investment exp.	7.75%, net of investment exp.
Inflation Rate	3% per annum	2.5% per annum
Mortality - Non-disabled	RP-2000, improvement to 2015	RP-2000, scale AA to 2025
Mortality - Disabled	RP-2000	RP-2000, scale AA to 2025
Termination, Disability, Retirement	2009-2013 experience study 2009-2013 experience study, ranging from	2008-2012 experience study
Salary Increases	3.0% to 14.5%	3.5% to 10.0%
Cost of Living Adjustments	Not substantively automatic	Not substantively automatic

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 8.72%, and 8.23%, for LASERS and TRSL, respectively. The target allocation and best estimates of arithmetic/geometric real rates of return for each major asset class are summarized for each plan in the following table:

	Target Allocation	Expected Real Rate of Return
TRSL (arithmetic)		
Domestic equity	31.00%	4.50%
International equity	19.00%	5.31%
Domestic fixed income	14.00%	2.45%
International fixed income	7.00%	3.28%
Alternatives	29.00%	
Private Equity		6.80%
Other Private Assets		4.82%
Total	<u>100.00%</u>	
LASERS (geometric)		
Cash	0.00%	-0.24%
Domestic equity	25.00%	4.31%
International equity	32.00%	5.48%
Domestic fixed income	8.00%	1.63%
International fixed income	6.00%	2.47%
Alternative investments	22.00%	7.42%
Global tactical asset allocation	7.00%	2.92%
Total	<u>100.00%</u>	5.30%

Discount Rate. The discount rate used to measure the total pension liability was 7.75% for both LASERS and TRSL. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. 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 active and inactive 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 (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
LASERS	\$85,221,378	\$69,365,045	\$55,892,133
TRSL	\$203,208,104	\$162,917,593	\$128,633,091

Pension plan fiduciary net position. Detailed information about LASERS and TRSL fiduciary net position is available in the separately issued financial reports at www.lasersonline.org and www.trsl.org, respectively.

Payables to the Pension Plan. At June 30, 2017, the System had \$708,799 and \$1,424,353 in payables to LASERS and TRSL, respectively, for the June 2017 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 ORP is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants. The ORP 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 ORP rather than 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 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, 2014, each higher education board created by Article VIII of the Constitution of Louisiana is required to establish, by resolution, the portion of the employer contribution to be transferred to the ORP participants' accounts (transfer amount). In addition, effective July 1, 2014, the employer contribution rate for amounts credited to the ORP participants who are not employed in higher education must be the greater of: (1) the employer normal cost contribution for the TRSL Regular Plan; or (2) 6.2%.

Employer ORP contributions to TRSL for fiscal year 2017 totaled \$5,029,662, which represents pension expense for the System. Employee contributions totaled \$1,495,736. The fiscal year 2017 employee and employer contribution rates were 8% and 5.7%, respectively, with an additional employer contribution of 21.2% (shared UAL) made to the TRSL defined benefit plan described in note 9 above.

11. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

Employees of the System voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to

eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system, and they must be covered by the active medical plan immediately before retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan that is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly-available financial report. However, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy

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

OGB offers several different plan options for both active and retired employees. Employer contributions are based on plan premiums and the employer contribution percentage. This percentage is based on the date of participation in an OGB plan (before or after January 1, 2002) 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. Employees who begin participation or rejoin on or after January 1, 2002, pay a percentage of premiums (active premium if more than 20 years of service) based on the following schedule:

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

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retiree and spouses of retirees, subject to maximum values. Employers pay approximately 50% of monthly premiums. Participating retirees paid \$0.54 each month for each \$1,000 of life insurance and \$0.98 each month for each \$1,000 of spouse life insurance. Life insurance amounts are reduced to 75% of the initial value at age 65 and to 50% of the original amount at age 70.

Annual Other Postemployment Benefit Cost and Liability

The System's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45, which was initially implemented for the year ended

June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year open amortization period has been used. The total ARC for fiscal year 2017 is \$10,356,633.

The following schedule presents the components of the System's annual OPEB cost for fiscal year 2017, the amount actually contributed to the plan, and changes in the System's net OPEB obligation to the OPEB plan:

ARC	\$10,356,633
Interest on net OPEB obligation	4,295,363
ARC adjustment	(4,205,751)
Annual OPEB cost	<u>10,446,245</u>
Contributions made - current year retiree premiums	<u>(5,544,348)</u>
Increase in net OPEB obligation	4,901,897
Beginning net OPEB obligation at June 30, 2016	<u>113,035,874</u>
Ending net OPEB obligation at June 30, 2017	<u><u>\$117,937,771</u></u>

The System's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2017, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$12,598,590	44.1%	\$105,770,613
June 30, 2016	\$13,220,667	45.0%	\$113,035,874
June 30, 2017	\$10,446,245	53.1%	\$117,937,771

Funded Status and Funding Progress

During fiscal year 2017, neither the System nor the State of Louisiana made contributions to a postemployment benefits plan trust. A trust was established July 1, 2008, but was not funded, has no assets, and hence has a funded ratio of zero.

Since the plan was not funded, the System's entire actuarial accrued liability (AAL) of \$148,263,563 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2016, was as follows:

AAL	\$148,263,563
Actuarial value of plan assets	NONE
UAAL	<u>\$148,263,563</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	\$73,560,126
UAAL as percentage of covered payroll	201.6%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.8% discount rate and a 3.0% per annum projected salary increase. The UAAL is amortized over the maximum acceptable period of 30 years on an open basis. It is calculated assuming a level percentage of projected payroll. Other critical assumptions used in the actuarial valuation are the health care cost trend rate and participation assumptions. The health care cost trend assumption is used to project the cost of health care to future years. The valuation uses a health care cost trend rate assumption of 7.0% (6.0% post Medicare) in the year July 1, 2016, to June 30, 2017, grading down by 0.5% each year until an ultimate health care cost trend rate of 4.5% is reached. The participation assumption is the assumed percentage of future retirees that participate and enroll in the health plan. The participation breakouts are provided in the following table:

<u>Years of Service</u>	<u>Participation Percentage</u>
<10	56%
10-14	78%
15-19	90%
20+	93%

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, the agency responsible for the state's risk management program, or by General Fund appropriation. The System is involved in 15 lawsuits at June 30, 2017, that are being handled by contract attorneys. In the opinion of legal counsel, the possibility that the System will incur a liability in one of the cases is probable and the amount of \$3,000 is reflected on the financial statements. The Shreveport campus also reported \$135,289 and \$169,111 for current and noncurrent liabilities, respectively. The amount of settlements paid in the last three years did not exceed insurance coverage except for one settlement on the Shreveport campus in the current year. For the claims and litigation not being handled by the Office of Risk Management, the System's campuses pay for settlements out of available funds.

13. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2017, total operating lease expenditures were \$3,302,248. 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, 2017.

Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. Assets under capital lease are included as capital assets in note 6. The capital lease 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, 2017:

<u>Fiscal Year Ended June 30,</u>	
2018	\$3,745,538
2019	3,724,987
2020	3,722,738
2021	3,723,732
2022	3,725,968
2023-2027	18,619,904
2028-2032	18,626,114
2033-2037	18,629,430
2038-2039	<u>7,450,209</u>
Total minimum payments	81,968,620
Less - amount representing interest	<u>(35,830,148)</u>
Present value of net minimum lease payments	<u><u>\$46,138,472</u></u>

The gross amount, including capitalized interest, of assets held under capital leases as of June 30, 2016, totals \$58,198,668 and includes buildings, land improvements, and equipment of \$54,369,325; \$2,769,851; and \$1,059,492, 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, 2017:

<u>Nature of Lease</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	\$4,900,284	(\$4,052,192)	\$848,092
Buildings	2,923,357	(940,890)	1,982,467
Total	<u><u>\$7,823,641</u></u>	<u><u>(\$4,993,082)</u></u>	<u><u>\$2,830,559</u></u>

The following is a schedule, by fiscal years, of the minimum future rentals on noncancelable operating leases as of June 30, 2017:

Nature of Operating Lease	2018	2019	2020	2021	2022	2023-2027	2028-2032	Total Minimum Future Rentals
Office space	\$1,789,800	\$1,263,000	\$1,300,000	\$1,338,000	\$1,378,000	\$7,398,000	\$3,279,000	\$17,745,800
Building	65,000	70,000	75,000	80,000	85,000	500,000	235,000	1,110,000
Land	39,600	39,600	3,600	3,600	3,600	18,000	13,500	121,500
Other	60,500	50,000	50,000	50,000	50,000			260,500
Total	<u>\$1,954,900</u>	<u>\$1,422,600</u>	<u>\$1,428,600</u>	<u>\$1,471,600</u>	<u>\$1,516,600</u>	<u>\$7,916,000</u>	<u>\$3,527,500</u>	<u>\$19,237,800</u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume. For fiscal year ended June 30, 2017, contingent rentals received from operating leases were \$250,816: \$215,757 for office space, \$2,346 for buildings, \$0 for land, and \$32,713 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, 2017:

	Balance, June 30, 2016 (Restated)	Additions	Reductions	Balance, June, 30 2017	Amounts Due Within One Year
Bond payable	\$12,333,100		\$212,914	\$12,120,186	\$245,000
Notes payable	37,029,943		1,463,000	35,566,943	1,611,000
Compensated absences payable	12,030,700	\$90,477	340,663	11,780,514	702,524
Capital lease obligations	47,201,346		1,062,874	46,138,472	1,125,322
Claims payable	439,689	3,000	135,289	307,400	138,289
Net pension liabilities	214,558,646	17,723,992		232,282,638	
OPEB payable	113,035,874	6,794,887	1,892,990	117,937,771	
Total long-term liabilities	<u>\$436,629,298</u>	<u>24,612,356</u>	<u>\$5,107,730</u>	<u>\$456,133,924</u>	<u>\$3,822,135</u>

15. NOTES PAYABLE

The System Board of Supervisors with and on behalf of Southern University at New Orleans (University) entered into an agreement with the U.S. Department of Education to borrow \$44,000,000 in June 2007 to construct student housing. Pursuant to Section 2601 of Title II of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006, the U.S. Department of Education has implemented a loan program for Historically Black Colleges and Universities affected by hurricanes Katrina and Rita. The loan program provides for a loan at 1% interest and 1% origination fees to be made by the U.S. Department of Education to the University for the purpose of financing residential housing.

On March 29, 2013, the Secretary of the U.S. Department of Education (the Secretary) modified the terms and conditions of the Gulf Hurricane Disaster loan under the Historically Black

College and University Capital Financing Program. The loan modification is required by statute to be on such terms as the Secretary, the Secretary of the Treasury, and the Director of the Office of Management and Budget jointly determine are in the best interests of both the United States and the University and necessary to mitigate the economic effects of the hurricanes, provided that the modification does not result in any net cost to the federal government.

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

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

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

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

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

During the fiscal year ended June 30, 2017, the System reported \$35,566,943 on the Statement of Net Position as Notes Payable.

The following is a summary of future minimum payments as of June 30, 2017:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$1,607,549	\$351,815	\$1,959,364
2019	1,631,498	335,684	1,967,182
2020	1,648,461	319,325	1,967,786
2021	1,665,425	302,800	1,968,225
2022	1,682,388	286,101	1,968,489
2023-2027	8,665,398	1,174,169	9,839,567
2028-2032	9,108,447	731,051	9,839,498
2033-2037	9,557,777	265,236	9,823,013
Total	<u>\$35,566,943</u>	<u>\$3,766,181</u>	<u>\$39,333,124</u>

16. BONDS PAYABLE

Bonds payable consisted of the following for the fiscal year ended June 30, 2017:

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Principal Outstanding June 30, 2016</u>	<u>Issued (Redeemed)</u>	<u>Principal Outstanding June 30, 2017</u>	<u>Final Fiscal Year Maturity</u>	<u>Interest Rates</u>	<u>Future Interest Payments June 30, 2017</u>
SUSLA Facilities, Inc., Revenue Bonds: Series 2007A	July 25, 2007	\$12,795,000	\$12,380,000	(\$215,000)	\$12,165,000	2040	5.75%	\$10,189,717
Total			<u>12,380,000</u>	<u>(215,000)</u>	<u>12,165,000</u>			<u>\$10,189,717</u>
Accumulated amortization of premium			69,186	(3,073)	66,113			
Accumulated amortization of discount			<u>(116,086)</u>	<u>5,159</u>	<u>(110,927)</u>			
Bonds payable, net			<u>\$12,333,100</u>	<u>(\$212,914)</u>	<u>\$12,120,186</u>			

The scheduled maturities of the bonds at June 30, 2017, are as follows:

<u>Fiscal Year Ended June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$245,000	\$692,444	\$937,444
2019	260,000	677,925	937,925
2020	275,000	662,544	937,544
2021	290,000	646,300	936,300
2022	310,000	629,050	939,050
2023-2026	1,420,000	2,323,000	3,743,000
2027-2031	2,285,000	2,378,344	4,663,344
2032-2036	3,025,000	1,619,918	4,644,918
2037-2040	4,055,000	560,192	4,615,192
Total	<u>\$12,165,000</u>	<u>\$10,189,717</u>	<u>\$22,354,717</u>
Unamortized premium/discount, net	<u>(\$44,814)</u>		
Bonds payable reported on the Statement of Net Position	<u>\$12,120,186</u>		

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

Costs incurred in connection with the issuance of the bonds, are amortized using the straight-line method over the lives of the bonds. Bond issuance costs incurred through the bond issuance totaled \$230,528. Bond issuance costs net of accumulated amortization is as follows as of June 30, 2017:

	<u>Costs</u>	<u>Prior-year Accumulated Amortization</u>	<u>Current-year Amortization</u>	<u>Costs, net of Accumulated Amortization</u>
Bond issuance costs	<u>\$230,528</u>	<u>(\$65,316)</u>	<u>(\$7,684)</u>	<u>\$157,528</u>

The following is a summary of the debt service reserve requirements of the bond issues outstanding at June 30, 2017.

	Cash/ Investment Reserves Available	Reserve Requirement	Excess
SUSLA Facilities, Inc., Series 2007A	\$949,929	\$949,929	NONE

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, 2016, the Foundation is in compliance with the terms of the bond indenture.

Scheduled principal payments on the bonds are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>
2017	\$1,340,000
2018	1,410,000
2019	1,480,000
2020	1,555,000
2021	1,635,000
2022 and thereafter	<u>43,860,000</u>
Total	<u><u>\$51,280,000</u></u>

Interest expense related to the bonds for the year ended December 31, 2016, totaled \$2,592,932. Bonds payable net of the bond premium totaled \$51,249,308.

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

Beginning balance	\$2,117,037
Less: Prior year accumulated amortization	(595,417)
Current year amortization	<u>(66,157)</u>
Ending balance, December 31, 2016	<u><u>\$1,455,463</u></u>

FOUNDATION REDUCTION IN BOND RATING

On May 20, 2016, the Foundation's Series 2006 Revenue Bonds issuer rating was downgraded to Ba1 from Baa2, and its debt rating was downgraded to Ba2 from Baa3. The negative ratings outlook was said to be the result of the System displaying extremely thin liquidity, deficit operations, deteriorating financial reserves, and an urgent need for capital investment.

The Ba1 rating reflects the System's material size and presence in the State, generating nearly \$200 million in operating revenues across three campuses, a law center, and an agricultural research center. Given the System's size and current operations, the University has limited financial flexibility to remain stagnant to declining State funding particularly as student demand has softened.

The Ba2 rating on the 2006 bonds reflects the risk associated with its lease structure. The lease contains a non-appropriation risk by which the lease could be cancelled if the Board of the System determined that funds were insufficient to pay the debt service.

The factors that could possibly lead to an upgrade in the bond rating include receiving a greater amount of funding from the State, and significantly improved cash flows contributing to the growth of unrestricted liquidity. Conversely, the factors that could lead to a further downgrade include reduced liquidity, a decline in operating support from the State, adverse accreditation sanctions, or a change in the System's federal financial aid status.

FOUNDATION LOAN PAYABLE

The Foundation also has an obligation to Whitney Bank bearing interest at 4.6%. The principal amount of the business loan agreement is \$750,000. The loan is payable in annual installments of \$95,566, including interest, and is collateralized by a stadium scoreboard with an outdoor video screen, as well as rental revenues from electronic advertisements on the Southern University campus.

17. RESTRICTED NET POSITION

The System has the following restricted net position at June 30, 2017:

Nonexpendable - endowments	<u><u>\$12,173,589</u></u>
Expendable:	
Gifts, grants, and contracts	\$1,884,761
Restricted funds	883,480
Endowment income	3,781,844
Student fees, faculty and staff funds	10,517,057
Student loans	972,234
Unexpended plant	287,093
Renewals and replacements	1,629,457
Retirement of indebtedness funds	<u>2,119,582</u>
Total expendable	<u><u>\$22,075,508</u></u>

Of the total net assets reported in the Statement of Net Position as of June 30, 2017, a total of \$1,522,770 is restricted by enabling legislation.

FOUNDATION RESTRICTED NET ASSETS

The components expected to be paid with restricted net assets at December 31, 2016, are as follows:

Accrued interest payable	\$446,667
Amounts due to affiliate	6,568,790
Bonds payable and premium	1,340,000
Rental deposits	<u>1,907,643</u>
Total restricted assets	<u><u>\$10,263,100</u></u>

Net assets that were permanently restricted as of December 31, 2016, consisted of a \$3,747,954 Foundation's endowment fund.

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, 2016	(\$80,216,428)
FMV of investments adjustment	(367,903)
Accounts receivable adjustment	(78,707)
Federal receivable adjustment	(169)
Accounts payable adjustment	(97,921)
Unearned revenue adjustment	(280,817)
Capital asset adjustment - equipment	470,386
Noncurrent capital lease adjustment	15,468
Noncurrent compensated absences adjustment	(20,178)
Amounts held in custody for others	(10,414)
Claims and litigation adjustment	8,500
Net Position at July 1, 2016, as restated	<u><u>(\$80,578,183)</u></u>

The restatements decreased the System's beginning net position by \$361,755. Had the error corrections affecting fiscal year 2016 been included in the June 30, 2016, Statement of Revenues, Expenses, and Changes in Net Position, the previously reported change in net position of \$768,641 would have been \$406,886.

19. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the 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, 2017, net appreciation of \$3,781,844 is available to be spent, of which \$2,777,052 is restricted to specific purposes. 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 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, 2016, the Foundation's endowment ending balance was \$7,665,095.

20. RELATED PARTY TRANSACTIONS

During fiscal year ended June 30, 2017, the System had a relationship with the Foundation. The Foundation has a cooperative endeavor agreement 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, 2017. The three campuses, as well as Southern University and A&M College, invest funds with the Foundation. See note 3 for details. Additionally, 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 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, 2016, 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, 2016.

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, 2016, the Foundation made distributions to or on behalf of the System for both restricted and unrestricted purposes of \$2,577,719.

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, 2016, for the Endowed Chair and Professorship program totaled \$6,568,790.

22. COOPERATIVE ENDEAVOR AGREEMENT

In 2006, the 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 RENTAL DEPOSIT FUND

The Bond Trust Indenture required that a Rental Deposit Fund be established on the date of issuance of the LPFA Series 2006 Bonds. The Rental Deposit Fund was required to be funded by the Board. The Rental Deposit Fund was funded in an amount equal to 50% of the maximum principal and interest requirements coming due on the Series 2006 Bonds in any future fiscal year. If there is any insufficiency in the Revenue Account of the Bond Fund to pay principal and

interest on the Series 2006 Bonds in future fiscal years, then the monies on deposit in the Rental Deposit Fund shall be used in an amount sufficient to pay the principal and interest on the Series 2006 Bonds.

On the final maturity date of the Series 2006 Bonds, any monies on hand in the Rental Deposit Fund shall be used to pay any principal and interest remaining on the Series 2006 Bond on such final maturity date. At December 31, 2016, the balance of the Rental Deposit Fund is \$1,907,643.

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.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, 2016:

Scholarships and educational assistance	\$357,187
University events, programs, and support	<u>2,442,813</u>
Total	<u><u>\$2,800,000</u></u>

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, 2017, for the System's blended component unit follows:

Condensed Statement of Net Position

	<u>SUSLA Facilities, Inc.</u>
Assets	
Current assets	\$621,803
Capital assets	7,669,565
Other assets	1,702,772
Total assets	<u>9,994,140</u>
Liabilities	
Current liabilities	937,903
Long-term liabilities	11,875,186
Total liabilities	<u>12,813,089</u>
Net Position	
Net investment in capital assets	(2,175,395)
Unrestricted	(643,554)
Total net position	<u><u>(\$2,818,949)</u></u>

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

	<u>SUSLA Facilities, Inc.</u>
Operating revenues	\$1,565,486
Operating expenses	(749,508)
Depreciation expense	(419,303)
Net operating income	<u>396,675</u>
Nonoperating revenues (expenses):	
Investment income	2,399
Interest expense	(701,571)
Changes in net position	(302,497)
Net position at beginning of year	<u>(2,516,452)</u>
Net position at end of year	<u><u>(\$2,818,949)</u></u>

Condensed Statement of Cash Flows

	SUSLA Facilities, Inc.
Net cash flows provided (used) by:	
Operating activities	\$881,429
Capital and related financing	(943,172)
Investing activities	(72,299)
Net decrease in cash	(134,042)
Cash, beginning of year	147,328
Cash, end of year	\$13,286

26. SUBSEQUENT EVENTS

On February 17, 2017, the Southern University Board of Supervisors adopted a resolution to authorize the Shreveport campus to begin proceedings to enter into a loan agreement with the HBCU loan program to refinance the Louisiana Facilities Authority Tax-Exempt Revenue Bonds (SUSLA Facilities, Inc. Project) Series 2007A Bonds, to acquire the residence hall facilities known as the Jaguar Courtyard at Southern University Shreveport. The SUSLA refinancing loan agreement was approved for participation in the HBCU loan program and will subsequently close with a refinance rate of 2.435%.

On March 31, 2017, the System Board of Supervisors adopted a resolution to authorize the Baton Rouge campus to explore partial refinancing options for the Louisiana Public Facilities Authority Revenue Bonds (Millennium Housing, L.L.C. Student Housing and Auxiliary Facilities Project) Series 2006 Bonds, to refinance the Series 2006 Bonds for Student Housing Facilities and Student Intramural Facilities at Southern University-Baton Rouge. The partial refinancing of the Series 2006 Bonds were approved for participation in the HBCU loan program on December 7, 2017, for the Southern University Baton Rouge Series A 2017-5 (Student Intramural Facilities) Bonds and Series A 2017-6 (Student Housing Facilities) Bonds. The Series A 2017-5 and 2017-6 bonds closed with a final refinance rate of 2.443%.

FOUNDATION SUBSEQUENT EVENTS

FASB 165, which is codified in ASC Topic 855-10, requires the disclosure of the date through which the Foundation has evaluated subsequent events and the reason for selecting that date. The Foundation evaluated subsequent events through August 21, 2017, the date the financial statements were available to be issued.

In May 2017, the Board of Supervisors for the System initiated procedures for the refinancing of the Series 2006 bonds. As of the date of this report, no definitive terms have been communicated to the Foundation's board regarding the possible refinancing of said bonds.

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 the System's Contributions

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

Schedule of Funding Progress for the Other Postemployment Benefits Plan

Schedule 3 presents certain specific data regarding the funding progress of the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Schedule of the System's Proportionate Share
of the Net Pension Liability
For the Fiscal Year Ended June 30, 2017**

Schedule 1

<u>Fiscal Year*</u>	<u>System's proportion of the net pension liability (asset)</u>	<u>System's proportionate share of the net pension liability (asset)</u>	<u>System's covered payroll</u>	<u>System's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
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%
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%

*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.

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 Fiscal Year 2015:

- A. A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session, and,
- B. 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.

LASERS Fiscal Year 2017 :

- A. A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session, and,
- B. Added benefits for members of the Harbor Police Retirement System, which was merged with LASERS effective July 1, 2015, by ACT 648 of 2014.

TRSL Fiscal Year 2015:

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

TRSL Fiscal Year 2016:

- A. 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 five years of service credit and are eligible for an actuarially reduced benefit with 20 years of service at any age.

TRSL Fiscal Year 2017:

- A. 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:

There were no changes of benefit assumptions for the years presented.

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Schedule of the System's Contributions
For the Fiscal Year Ended June 30, 2017**

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%
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%

*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 Fiscal Year 2015:

- A. A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session, and,
- B. 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.

LASERS Fiscal Year 2017 :

- A. A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session, and,
- B. Added benefits for members of the Harbor Police Retirement System, which was merged with LASERS effective July 1, 2015, by ACT 648 of 2014.

TRSL Fiscal Year 2015:

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

TRSL Fiscal Year 2016:

- A. 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 five years of service credit and are eligible for an actuarially reduced benefit with 20 years of service at any age.

TRSL Fiscal Year 2017:

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

**Schedule of Funding Progress for the
Other Postemployment Benefits Plan
For the Fiscal Year Ended June 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2014	NONE	\$155,919,800	\$155,919,800	0%	\$76,972,367	202.6%
July 1, 2015	NONE	\$164,990,611	\$164,990,611	0%	\$73,739,693	223.7%
July 1, 2016	NONE	\$148,263,563	\$148,263,563	0%	\$73,560,126	201.6%

Factors contributing to the change in the Office of Group Benefits plans from the July 1, 2014, valuation report to the July 1, 2016, valuation report:

Factors that decreased the valuation include:

1. A smaller active population
2. Better claims experience than expected
3. Lower than expected spousal coverage for future retirees
4. Incorporating disabled mortality rates to current disabled retirees
5. An update to the participation assumptions based on more recent information

Factors that increased the valuation include:

1. A lower discount rate assumption reflecting more appropriate market conditions
2. Improved mortality tables being applied to the population, reflecting members living longer (RP 2014 scaling with MP-16)
3. Higher than expected contributions for retirees
4. Addition of a post Medicare excise tax

The remaining variances include census changes, a change in the age based curves, and inclusion of DROP participant information.

SUPPLEMENTARY INFORMATION SCHEDULES

Combining Schedule of Net Position, by Campus, for the year ended June 30, 2017

Schedule 4 presents the Combining Schedule of Net Position, by Campus, for the year ended June 30, 2017.

Combining Schedule of Revenues, Expenses, and Changes in Net Position, by Campus, for the year ended June 30, 2017

Schedule 5 presents the Combining Schedule of Revenues, Expenses, and Changes in Net Position, by Campus, for the year ended June 30, 2017.

Combining Schedule of Cash Flows, by Campus, for the year ended June 30, 2017

Schedule 6 presents the Combining Schedule of Cash Flows, by Campus, for the year ended June 30, 2017.

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Net Position, by Campus, June 30, 2017**

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
ASSETS			
Current assets:			
Cash and cash equivalents		\$1,954,393	
Investments			
Receivables, net	\$39,094	7,287,753	\$289,110
Due from State Treasury		356,837	41,249
Due from Federal government		7,633,479	2,426,143
Due from other campuses	3,706,510	10,914,633	1,279,436
Inventories		323,352	
Prepaid expenses and advances	235,561	3,585,071	13,298
Notes receivable, net			
Other current assets		176,637	11,450
Total current assets	<u>3,981,165</u>	<u>32,232,155</u>	<u>4,060,686</u>
Noncurrent assets			
Restricted cash and cash equivalents	7,524	2,952,446	1,410,538
Restricted investments	514,013	9,810,519	624,320
Capital assets, net	147,758	148,143,814	7,249,803
Intangible assets			
Other noncurrent assets			
Total noncurrent assets	<u>669,295</u>	<u>160,906,779</u>	<u>9,284,661</u>
Total assets	<u>4,650,460</u>	<u>193,138,934</u>	<u>13,345,347</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	1,961,538	24,605,056	3,746,435
Total deferred outflows of resources	<u>1,961,538</u>	<u>24,605,056</u>	<u>3,746,435</u>
Total assets and deferred outflows of resources	<u>\$6,611,998</u>	<u>\$217,743,990</u>	<u>\$17,091,782</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	\$423,167	\$9,513,465	\$256,120
Due to other campuses			
Unearned revenues		4,092,682	312,989
Amounts held in custody for others		976,910	
Other current liabilities		590,179	166,597
Compensated absences payable	62,914	343,726	113,429
Capital lease obligations		1,073,252	
Claims and litigation payable		3,000	
Notes payable			
Bonds payable			
Total current liabilities	<u>486,081</u>	<u>16,593,214</u>	<u>849,135</u>
Noncurrent Liabilities:			
Compensated absences	440,613	5,633,790	894,348
Capital lease obligations		43,665,074	
Claims and litigation payable			
Notes payable			
Net pension liability	10,179,126	122,325,201	20,468,400
OPEB payable	5,716,014	62,335,491	12,013,533
Bonds payable			
Total noncurrent liabilities	<u>16,335,753</u>	<u>233,959,556</u>	<u>33,376,281</u>
Total liabilities	<u>16,821,834</u>	<u>250,552,770</u>	<u>34,225,416</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	410,786	5,162,013	789,937
Total deferred inflows of resources	<u>410,786</u>	<u>5,162,013</u>	<u>789,937</u>
NET POSITION			
Net investment in capital assets	147,758	103,405,488	7,249,803
Restricted for:			
Nonexpendable	360,000	6,900,962	1,703,750
Expendable	1,027,555	15,195,575	2,068,889
Unrestricted	<u>(12,155,935)</u>	<u>(163,472,818)</u>	<u>(28,946,013)</u>
TOTAL NET POSITION	<u>(10,620,622)</u>	<u>(37,970,793)</u>	<u>(17,923,571)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$6,611,998</u>	<u>\$217,743,990</u>	<u>\$17,091,782</u>

Schedule 4

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	ELIMINATIONS	TOTAL SYSTEM
	(\$300,524)	\$3,558,167		\$5,212,036
		572,454		572,454
\$1,094,767	2,238,963	4,178,027	(\$701,998)	14,425,716
179,709	91,966	28,149		697,910
2,175,089	1,582,557	273,937		14,091,205
			(15,900,579)	
				323,352
	388	291,951		4,126,269
	316,322	13,855		330,177
	177,003	18,101		383,191
3,449,565	4,106,675	8,934,641	(16,602,577)	40,162,310
	1,658,331	723,035		6,751,874
	2,453,105	2,175,518		15,577,475
4,575,580	117,258,787	28,539,587		305,915,329
	77,308			77,308
		157,528		157,528
4,575,580	121,447,531	31,595,668	NONE	328,479,514
8,025,145	125,554,206	40,530,309	(16,602,577)	368,641,824
2,297,462	7,885,874	6,058,058		46,554,423
2,297,462	7,885,874	6,058,058		46,554,423
\$10,322,607	\$133,440,080	\$46,588,367	(\$16,602,577)	\$415,196,247
\$337,366	\$182,212	\$1,404,167		\$12,116,497
2,032,292	10,292,142	3,576,145	(\$15,900,579)	
14,437	4,067,813	1,357,779		9,845,700
	135,069	21,296		1,133,275
82,680	164,609	1,424,495	(701,998)	1,726,562
65,915	53,060	63,480		702,524
		52,070		1,125,322
		135,289		138,289
	1,611,000			1,611,000
		245,000		245,000
2,532,690	16,505,905	8,279,721	(16,602,577)	28,644,169
771,642	1,765,366	1,572,231		11,077,990
		1,348,076		45,013,150
		169,111		169,111
	33,955,943			33,955,943
12,465,109	40,033,653	26,811,149		232,282,638
9,012,535	16,957,722	11,902,476		117,937,771
		11,875,186		11,875,186
22,249,286	92,712,684	53,678,229	NONE	452,311,789
24,781,976	109,218,589	61,957,950	(16,602,577)	480,955,958
429,826	1,776,790	975,111		9,544,463
429,826	1,776,790	975,111	NONE	9,544,463
4,575,580	81,769,152	16,365,404		213,513,185
	2,608,877	600,000		12,173,589
713,097	1,066,930	2,003,462		22,075,508
(20,177,872)	(63,000,258)	(35,313,560)		(323,066,456)
(14,889,195)	22,444,701	(16,344,694)		(75,304,174)
\$10,322,607	\$133,440,080	\$46,588,367	(\$16,602,577)	\$415,196,247

**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, 2017**

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE
OPERATING REVENUES		
Student tuition and fees		\$51,390,234
Less scholarship allowances		(17,873,398)
Net student tuition and fees		<u>33,516,836</u>
Federal appropriations		
Federal grants and contracts		18,588,921
State and local grants and contracts		286,723
Nongovernmental grants and contracts		254,695
Auxiliary enterprise revenues		18,011,188
Less scholarship allowances		(1,617,510)
Net auxiliary revenues		<u>16,393,678</u>
Other operating revenues		2,038,675
Total operating revenues		<u><u>71,079,528</u></u>
OPERATING EXPENSES		
Education and general:		
Instruction		32,626,759
Research		3,446,153
Public service		3,686,821
Academic support	\$112,375	19,893,843
Student services		7,227,716
Institutional support	8,638,755	12,516,221
Operation and maintenance of plant		12,800,545
Depreciation	12,356	7,977,525
Scholarships and fellowships	71,562	7,546,190
Auxiliary enterprises		17,127,222
Other operating expenses	(155,322)	705,078
Total operating expenses	<u>8,679,726</u>	<u>125,554,073</u>
OPERATING LOSS	<u>(8,679,726)</u>	<u>(54,474,545)</u>
NONOPERATING REVENUES (Expenses)		
State appropriations	2,910,717	22,345,799
Gifts	100,431	110,336
Federal nonoperating revenues		17,468,483
Net investment income (loss)	2,878	748,483
Interest expense		(2,354,534)
Other nonoperating revenues	162,158	6,040,787
Net nonoperating revenues	<u>3,176,184</u>	<u>44,359,354</u>

(Continued)

Schedule 5

LAW CENTER	AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
\$9,434,497		\$14,255,107	\$9,733,441	\$84,813,279
(341,060)		(4,266,006)	(5,481,032)	(27,961,496)
9,093,437		9,989,101	4,252,409	56,851,783
	\$3,213,323			3,213,323
2,449,415	2,982,223	7,970,792	7,864,710	39,856,061
	376,226	545,008	491,624	1,699,581
186,125	98,636	50,954	24,562	614,972
		3,683,949	2,168,716	23,863,853
		(308,250)	(112,365)	(2,038,125)
		3,375,699	2,056,351	21,825,728
59,530	212,633	328,622	2,138,192	4,777,652
11,788,507	6,883,041	22,260,176	16,827,848	128,839,100
4,576,834		9,425,153	4,126,107	50,754,853
	3,426,924	350,189		7,223,266
119,726	4,600,373	44,066	826,896	9,277,882
2,636,640		1,574,797	892,738	25,110,393
1,822,194		4,696,064	5,223,457	18,969,431
4,104,458	2,546,836	13,077,669	9,589,035	50,472,974
365,364	252,704	628,283	1,412,311	15,459,207
843,670	332,511	3,788,828	1,172,053	14,126,943
473,233	154,341	3,544,649	4,222,880	16,012,855
		2,739,645	1,793,223	21,660,090
			749,508	1,299,264
14,942,119	11,313,689	39,869,343	30,008,208	230,367,158
(3,153,612)	(4,430,648)	(17,609,167)	(13,180,360)	(101,528,058)
4,120,334	5,107,392	7,032,384	5,795,254	47,311,880
97,856		174,096	646	483,365
		7,339,906	8,686,229	33,494,618
31,225		19,976	56,779	859,341
		(227,323)	(773,775)	(3,355,632)
193,824	183,165	1,055,064	543,411	8,178,409
4,443,239	5,290,557	15,394,103	14,308,544	86,971,981

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses,
and Changes in Net Position, by Campus, 2017**

	<u>BOARD AND SYSTEM</u>	<u>AGRICULTURAL & MECHANICAL COLLEGE</u>
INCOME (Loss) BEFORE OTHER REVENUES	(\$5,503,542)	(\$10,115,191)
Capital appropriations		392,939
Capital grants and gifts		4,764
Additions to permanent endowments		180,000
Other additions, net	<u>5,433,003</u>	<u>(660,144)</u>
CHANGE IN NET POSITION	(70,539)	(10,197,632)
NET POSITION AT BEGINNING OF YEAR (restated)	<u>(10,550,083)</u>	<u>(27,773,161)</u>
NET POSITION AT END OF YEAR	<u><u>(\$10,620,622)</u></u>	<u><u>(\$37,970,793)</u></u>

(Concluded)

Schedule 5

LAW CENTER	AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
\$1,289,627	\$859,909	(\$2,215,064)	\$1,128,184	(\$14,556,077)
			2,761,028	3,153,967
		16,228,855		16,233,619
262,500				442,500
(1,438,692)	(1,451,421)	(1,018,906)	(863,840)	
113,435	(591,512)	12,994,885	3,025,372	5,274,009
(18,037,006)	(14,297,683)	9,449,816	(19,370,066)	(80,578,183)
<u>(\$17,923,571)</u>	<u>(\$14,889,195)</u>	<u>\$22,444,701</u>	<u>(\$16,344,694)</u>	<u>(\$75,304,174)</u>

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Cash Flows, by Campus
For the Fiscal Year Ended June 30, 2017**

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tuition and fees		\$32,487,866	\$9,064,753
Federal appropriations			
Grants and contracts		19,644,253	487,883
Auxiliary enterprise charges		16,618,213	
Payments for employee compensation	(\$3,349,239)	(53,423,616)	(8,734,333)
Payments for benefits	(1,762,474)	(20,146,538)	(2,725,918)
Payment for utilities	(14,560)	(4,665,931)	(19,739)
Payments for supplies and services	(3,011,553)	(27,515,629)	(1,491,602)
Payments for scholarships and fellowships	(71,562)	(8,036,045)	(383,398)
Loans to students			
Other receipts (payments)	(33,176)	1,259,427	(106,856)
Net cash used by operating activities	(8,242,564)	(43,778,000)	(3,909,210)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
State appropriations	2,910,717	22,404,194	4,120,334
Gifts and grants for other than capital purposes	100,431	18,588,068	97,856
Private gifts for endowment purposes		180,000	
Taylor Opportunity Program for Students (TOPS) receipts		2,148,269	
TOPS disbursements		(2,167,982)	
GO Grant receipts		1,246,064	
GO Grant disbursements		(1,246,564)	
Implicit loan reduction from other campuses	(181,230)		1,944,856
Implicit loan reduction to other campuses		(2,548,482)	
Direct lending receipts		52,459,054	15,119,748
Direct lending disbursements		(52,459,054)	(15,119,748)
Federal Family Education Loan program receipts		940,248	
Federal Family Education Loan program disbursements		(940,248)	
Other receipts (payments)	5,551,403	5,179,031	(1,047,571)
Net cash provided by noncapital financing sources	8,381,321	43,782,598	5,115,475
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Capital appropriation			
Capital grants and gifts received		4,764	
Purchases of capital assets	(129,867)	(1,031,391)	(1,053,075)
Principal paid on capital debt and leases		(1,023,174)	
Interest paid on capital debt and leases		(2,354,534)	
Other sources		(708,670)	
Net cash used by capital financing sources	(129,867)	(5,113,005)	(1,053,075)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments		(546,114)	
Interest received on investments	(96,374)	748,483	(118,432)
Purchase of investments		(1,887,222)	
Net cash used by investing sources	(96,374)	(1,684,853)	(118,432)

(Continued)

Schedule 6

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	\$10,899,364	\$5,213,123	\$57,665,106
\$3,213,323			3,213,323
1,390,635	8,223,995	8,978,748	38,725,514
	3,374,629	2,060,095	22,052,937
(5,556,361)	(14,664,067)	(11,584,713)	(97,312,329)
(2,262,789)	(5,875,607)	(4,615,974)	(37,389,300)
(53,213)	(1,795,748)	(941,143)	(7,490,334)
(2,192,187)	(9,679,048)	(5,788,607)	(49,678,626)
(154,341)	(3,769,965)	(4,655,182)	(17,070,493)
	(1)		(1)
293,357	206,709	1,924,552	3,544,013
<u>(5,321,576)</u>	<u>(13,079,739)</u>	<u>(9,409,101)</u>	<u>(83,740,190)</u>
4,989,861	7,049,601	5,801,666	47,276,373
	5,823,680	8,686,875	33,296,910
			180,000
	78,420	61,822	2,288,511
	(78,420)	(61,822)	(2,308,224)
			1,246,064
			(1,246,564)
1,665,862	(272,147)	(608,859)	2,548,482
			(2,548,482)
	19,521,734	11,127,454	98,227,990
	(19,521,734)	(11,762,965)	(98,863,501)
			940,248
			(940,248)
(1,334,147)	(4,159)	(299,204)	8,045,353
<u>5,321,576</u>	<u>12,596,975</u>	<u>12,944,967</u>	<u>88,142,912</u>
		2,761,028	2,761,028
			4,764
(38,250)	(597,534)	(3,501,864)	(6,351,981)
		(268,082)	(1,291,256)
		(775,161)	(3,129,695)
38,250			(670,420)
<u>NONE</u>	<u>(597,534)</u>	<u>(1,784,079)</u>	<u>(8,677,560)</u>
		1,095,181	549,067
	15,894	10,683	560,254
	(2,377,338)	(1,169,879)	(5,434,439)
<u>NONE</u>	<u>(2,361,444)</u>	<u>(64,015)</u>	<u>(4,325,118)</u>

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by Campus, 2017**

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(\$87,484)	(\$6,793,260)	\$34,758
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	95,008	11,700,099	1,375,780
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$7,524	\$4,906,839	\$1,410,538
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	(\$8,679,726)	(\$54,474,545)	(\$3,153,612)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense	12,356	7,977,525	843,670
Non-Employer contributing entity (NCE) revenue	22,219	286,041	39,636
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net	(33,176)	108,517	(223,125)
(Increase) decrease in inventories		(21,740)	
(Increase) decrease in due from Federal government		974,972	(2,153,912)
(Increase) decrease in prepaid expenses and advances	(90,779)	154,237	3,719
(Increase) decrease in notes receivable			
(Increase) decrease in other assets			(11,450)
(Increase) decrease in deferred outflows related to pensions	(859,566)	(8,735,817)	(1,412,088)
Increase (decrease) in accounts payable and accrued liability	307,288	(1,095,111)	(33,253)
Increase (decrease) in unearned revenue		24,007	3,005
Increase (decrease) in claims and litigation		8,500	
Increase (decrease) in amounts held in custody for others		(10,413)	
Increase (decrease) in compensated absences	(155,322)	(79,028)	(30,594)
Increase (decrease) in OPEB payable	330,964	2,003,486	679,270
Increase (decrease) in net pension liability	888,385	9,267,024	1,471,840
Increase (decrease) in deferred inflows related to pensions	14,793	162,413	24,930
Increase (decrease) in other liabilities		(328,068)	42,754
Net cash used by operating activities	(\$8,242,564)	(\$43,778,000)	(\$3,909,210)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and cash equivalents classified as current assets		\$1,954,393	
Cash and cash equivalents classified as noncurrent assets	\$7,524	2,952,446	\$1,410,538
Cash and cash equivalents at the end of the year	\$7,524	\$4,906,839	\$1,410,538
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital appropriations for construction of capital assets		\$392,939	
Net increase in the fair value of investments		\$319,406	
Capital gifts and grants			

(Concluded)

Schedule 6

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	(\$3,441,742)	\$1,687,772	(\$8,599,956)
NONE	4,799,549	2,593,430	20,563,866
NONE	\$1,357,807	\$4,281,202	\$11,963,910
(\$4,430,648)	(\$17,609,167)	(\$13,180,360)	(\$101,528,058)
332,511	3,788,828	1,172,053	14,126,943
27,641	83,785	70,829	530,151
(727,495)	1,102,797	1,307,167	1,534,685
(1,438,776)	(123,347)	334,787	(2,406,276)
	(388)		66,789
	(1)	(53,909)	(53,910)
	(177,003)	3,674	(184,779)
(1,041,006)	(2,695,907)	(2,035,548)	(16,779,932)
249,945	(711,666)	489,817	(792,980)
(1,089)	(404,316)	(135,329)	(513,722)
		(135,289)	(126,789)
			(10,413)
38,339	(54,116)	30,535	(250,186)
489,589	783,069	615,519	4,901,897
1,078,807	2,842,081	2,175,855	17,723,992
17,926	49,222	38,818	308,102
82,680	46,390	(107,720)	(263,964)
(\$5,321,576)	(\$13,079,739)	(\$9,409,101)	(\$83,740,190)
	(\$300,524)	\$3,558,167	\$5,212,036
	1,658,331	723,035	6,751,874
NONE	\$1,357,807	\$4,281,202	\$11,963,910
	\$17,919,178	\$2,761,028	\$20,680,206

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

December 18, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 18, 2017. Our report was modified to include an emphasis of matter section regarding actuarial assumptions.

Our report includes references to other auditors who audited the financial statements of the Southern University System Foundation, the only discretely presented component unit of the System, and SUSLA Facilities, Inc., a blended component unit of the System, as described in our report on the System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the SUSLA Facilities, Inc., which were audited by other auditors upon whose report we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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

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

Compliance and Other Matters

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

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