SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2016
ISSUED MARCH 29, 2017

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

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 24, 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, 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of SUSLA Facilities, Inc., a blended component unit which represents 3%, 3%, 1%, and 1%, respectively, of the total assets, liabilities, revenues, and expenses of the System. We also did not audit the financial statements of the Southern University System Foundation, which represents the only discretely presented component unit of the System. Those financial statements were audited by other auditors whose reports 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, 2016, 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 $214,558,646 at June 30, 2016, 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, 2016, 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 20, the Schedule of the System's

Proportionate Share of the Net Pension Liability on page 74, the Schedule of System Contributions on page 75, and the Schedule of Funding Progress for Other Postemployment Benefits Plan on page 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions 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 78 through 87, for the fiscal year ended June 30, 2016, 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, 2016, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole for the year ended June 30, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 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,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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SUS 2016

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, 2016. 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; 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 2016 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 for the enrollment census date for the Fall Semesters of 2014 and 2015, the System experienced an overall increase in enrollment of 628 students, or 5.1%. Enrollment increased from 12,433 students in Fall 2014 to 13,061 students in Fall 2015. This rising enrollment trend was experienced on all of the System's campuses, except for the Law

Center. The Law Center experienced a decline of 15 students. This decline follows a national trend, whereby fewer students are applying to law schools.

FINANCIAL HIGHLIGHTS

The System's net position reflects an increase of $0.8 million, or 0.9%, for the current fiscal year. The System's operating revenues increased by $2.6 million, or 2.1%. This increase is primarily attributable to increases in student enrollment and tuition and fees revenue. Nonoperating revenues decreased by $2.9 million, or 3.0%. This decrease is primarily attributable to reductions in state appropriation revenues of $1.6 million, or 3.2%; net investment income of $0.9 million, or 91.8%; other non-operating revenues of $0.3 million, or 3.3%; and gifts of $0.1 million, or 20.7%. Total revenues declined by $0.3 million, or 0.2%, while total operating and nonoperating expenses decreased by $14.4 million, or 6.0%.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The financial statements consist of three sections: Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information. The basic financial statements present information for the System as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position (SNP); the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP); and the Statement of Cash Flows (SCF).

BASIC FINANCIAL STATEMENTS

The Statement of Net Position (pages 21-22) 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 (page 25-26) presents information that show 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 28-29) 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 $44.0 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 $318.4 million and are comprised primarily of capital assets of $296.7 million and restricted cash and cash equivalents, restricted investments, and other noncurrent assets of $21.7 million.

Deferred outflow of resources totals $29.8 million and is comprised solely of deferred outflows relating to pensions as required by implementation of GASB 68.

Current liabilities total $30.3 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 $432.9 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 2016, the System's proportionate share of the net pension liability as required by implementation of GASB 68 is $214.6 million.

Deferred inflow of resources totals $9.2 million and is comprised solely of deferred inflows relating to pensions as required by implementation of GASB 68.

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 $201.9 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 $11.7 million and consists of endowment funds that have been restricted by the donor with a stipulation that as a condition of the award the principal is to remain intact and invested for the purpose of producing current and future income that may be either expended or added to the principal.

The **restricted expendable net position** category totals $22.5 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 $316.3 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 2016 and 2015 are presented on the following page in Table 1.

Table 1:
Comparative Statement of Net Position
For the Fiscal Years as of
June 30, 2016, and 2015

	2016	2015 (Restated)	Change	Percentage Change
Assets				
Current assets	$44,042,267	$45,046,341	($1,004,074)	(2.2%)
Capital assets, net	296,659,971	298,578,538	(1,918,567)	(0.6%)
Other noncurrent assets	21,770,593	23,005,086	(1,234,493)	(5.4%)
Total assets	362,472,831	366,629,965	(4,157,134)	(1.1%)
Deferred outflow of resources				
Deferred outflows relating to pensions	29,774,491	31,814,777	(2,040,286)	(6.4%)
Total Assets and Deferred outflows of resources	$392,247,322	$398,444,742	($6,197,420)	(1.6%)
Liabilities				
Current liabilities	$30,289,601	$32,583,909	($2,294,308)	(7.0%)
Noncurrent liabilities	432,937,788	418,130,304	14,807,484	3.5%
Total liabilities	463,227,389	450,714,213	12,513,176	2.8%
Deferred inflows of resources				
Deferred inflows relating to pensions	9,236,361	28,715,598	(19,479,237)	(67.8%)
Total Deferred inflows of resources	$9,236,361	$28,715,598	($19,479,237)	
Net Position				
Net investment in capital assets	$201,929,889	$204,854,934	($2,925,045)	(1.4%)
Restricted:				
Nonexpendable	11,708,878	12,954,533	(1,245,655)	(9.6%)
Expendable	22,486,915	17,975,941	4,510,974	25.1%
Unrestricted	(316,342,110)	(316,770,477)	428,367	0.1%
Total net position	($80,216,428)	($80,985,069)	$768,641	0.9%

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

Total assets of the System decreased by $4.1 million, or 1.1%. The System recognized an increase in total liabilities of $12.5 million, or 2.8%. The consumption of assets follows the

System's philosophy to use available resources to acquire and improve all operations of the System to better serve the instruction, research, and public service mission of the System.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

At June 30, 2016, the Statement of Revenues, Expenses, and Changes in Net Position reports a net operating loss of $97.3 million. The net operating loss includes expenses but does not include revenues for state appropriations of $49.0 million, federal nonoperating revenues of $35.0 million, gifts of $0.5 million, net investment income and other nonoperating revenues of $7.6 million. After adjusting for these revenues in the nonoperating revenues (expenses) section of the statement and adjusting for interest expense of $3.5 million, the net loss before other revenues, expenses, gains, or losses is $8.7 million.

The operating revenues are received for providing goods and services to the various customers and other System constituents. Operating revenues total $123.6 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 $220.9 million for the year and includes education and general expenses by functional breakdown (including pension and compensated absences expenses), depreciation, net auxiliary expenses, and other operating expenses.

Nonoperating revenues are revenues received for which goods and services are not provided in exchange for the revenues received. For example, state appropriations are considered nonoperating because they are provided by the Legislature to the System even though the Legislature does not receive, directly in return, goods and services for those revenues. Pell grant revenues are reported in the Statement of Revenues, Expenses, and Changes in Net Position as federal nonoperating revenues. Also included in this section are net federal student loan receipts and disbursements for the William D. Ford Federal Direct Loan Program. Nonoperating revenues total $92.1 and interest expenses total $3.5 million, resulting in a net nonoperating revenues (expenses) of $88.6 million for the 2016 fiscal year.

The Statement of Revenues, Expenses, and Changes in Net Position reports an increase in net position of $0.8 million at the end of the 2016 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, 2016, and 2015

	2016	2015 (Restated)	Change	Percent Change
Operating Revenues:				
Student tuition and fees, net	$53,559,155	$47,663,662	$5,895,493	12.4%
Federal apppropriations	3,492,678	3,604,388	(111,710)	(3.1%)
Federal grants and contracts	35,692,794	37,074,310	(1,381,516)	(3.7%)
State and local grants and contracts	2,364,127	3,738,347	(1,374,220)	(36.8%)
Nongovernmental grants and contracts	345,688	291,517	54,171	18.6%
Auxiliary enterprises, net	23,503,827	23,626,063	(122,236)	(0.5%)
Other operating revenue	4,613,117	5,019,525	(406,408)	(8.1%)
Total operating revenues	123,571,386	121,017,812	2,553,574	2.1%
Nonoperating Revenues				
State appropriations	48,982,934	50,593,731	(1,610,797)	(3.2%)
Gifts	516,305	651,189	(134,884)	(20.7%)
Federal nonoperating revenues	35,038,389	34,995,867	42,522	0.1%
Net investment income	83,466	1,015,690	(932,224)	(91.8%)
Other nonoperating revenues	7,549,915	7,809,220	(259,305)	(3.3%)
Total nonoperating revenues	92,171,009	95,065,697	(2,894,688)	(3.0%)
Total Revenues	215,742,395	216,083,509	(341,114)	(0.2%)
Operating Expenses:				
Education and general:				
Instruction	49,605,815	52,539,285	(2,933,470)	(5.6%)
Research	6,785,331	7,482,477	(697,146)	(9.3%)
Public service	7,233,530	8,773,886	(1,540,356)	(17.6%)
Academic support	23,169,451	26,195,683	(3,026,232)	(11.6%)
Student services	18,007,822	16,964,798	1,043,024	6.1%
Institutional support	46,154,688	49,739,581	(3,584,893)	(7.2%)
Operations and maintenance of plant	16,446,658	15,759,290	687,368	4.4%
Depreciation	13,965,751	14,566,474	(600,723)	(4.1%)
Scholarships and fellowships	18,082,221	19,763,236	(1,681,015)	(8.5%)
Auxiliary enterprises	20,029,255	23,256,643	(3,227,388)	(13.9%)
Other operating expenses	1,403,985	906,723	497,262	54.8%
Total operating expenses	220,884,507	235,948,076	(15,063,569)	(6.4%)
Nonoperating expenses - interest expense	3,547,483	2,850,687	696,796	24.4%
Total expenses	224,431,990	238,798,763	(14,366,773)	(6.0%)
Income (loss) before other revenues, expenses, gains, and losses	(8,689,595)	(22,715,254)	14,025,659	61.7%
Capital appropriations	6,260,296	195,072	6,065,224	3,109.2%
Capital grants and gifts	3,053,230	8,476,147	(5,422,917)	(64.0%)
Additions to permanent endowments	144,710		144,710	-
Change in Net Position	768,641	(14,044,035)	14,812,676	105.5%
Net position at beginning of year (restated)	(80,985,069)	(66,941,034)	(14,044,035)	(21.0%)
Net position at the end of the year	($80,216,428)	($80,985,069)	$768,641	0.9%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As shown in the table below, the System invested $296.7 million in capital assets, which is shown net of accumulated depreciation. The table below depicts an increase in the total cost of capital assets of $10.5 million, or 1.7%. Accumulated depreciation increased by $12.5 million, or 3.7%, resulting in an overall net decrease of approximately $1.9 million, or 0.6%. 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 progress.

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

	2016	2015 (Restated)	Change	Percentage Change
Capital assets not being depreciated	$33,510,401	$29,145,622	$4,364,779	15.0%
Other capital assets:				
Infrastructure	32,844,713	32,844,713		0.0%
Land Improvements	15,215,072	15,215,072		0.0%
Buildings	419,608,175	414,432,230	5,175,945	1.2%
Equipment (including library books)	138,876,548	137,879,816	996,732	0.7%
Software	7,317,561	7,317,561		0.0%
Total other capital assets	613,862,069	607,689,392	6,172,677	1.0%
Total cost of capital assets	647,372,470	636,835,014	10,537,456	1.7%
Less - accumulated depreciation	(350,712,499)	(338,256,476)	(12,456,023)	3.7%
Capital assets, net	$296,659,971	$298,578,538	($1,918,567)	(0.6%)

This year's major additions include $9.5 million in construction-in-progress (CIP) projects; of this amount, projects totaling $5.1 million were transferred to the buildings category for completion of various System buildings in 2016, resulting in a net CIP addition of $4.4 million, or 15% for the year.

Equipment cost (including library books) increased by $1.0 million, or 0.7%. Buildings for the System increased by $5.2 million for the 2016 fiscal year. The System recorded $14.0 million for depreciation expense in fiscal year 2016 resulting in a net current-year decrease in capital assets of $1.9 million.

This year's major additions include construction-in-progress projects on the Shreveport campus for the New Classroom Building, School of Nursing Allen Building, and the Day Care Facility.

This year's major additions on the Baton Rouge campus include construction-in-progress projects for repairs and replacement of hot water pipes, the ravine sloughing project, F. G. Clark Activity Center, additions and upgrades to the System Lab School, renovations to the women's gym, and the cultural and heritage center.

This year's major additions on the New Orleans campus include continuing construction projects for buildings damaged by Hurricane Katrina and the completion of various buildings and construction-in-progress projects. Also completed this year was the health and physical education reconstruction project, which was moved from construction-in-progress to buildings.

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, $0.9 million for capital lease obligations, and $1.4 million in notes payable during the 2016 fiscal year. The total amount of long-term debt at June 30, 2016, is $436.6 million, as shown in Table 4 below. Of this amount, $3.7 million is reported as current and is expected to be paid within one year.

Table 4:
Long-term Debt

	FY2016	FY2015 (Restated)	Increase (Decrease)	Percent Change	Current Portion
Compensated absences	$12,010,522	$11,673,969	$336,553	2.88%	$813,770
Bonds payable	12,333,100	12,511,016	(177,916)	(1.42%)	215,000
Capital Lease Obligation	47,216,814	48,164,465	(947,651)	(1.97%)	1,062,875
Claims and Litigations	448,189	583,478	(135,289)	(23.19%)	143,789
Net Pension Liability	214,558,646	204,507,777	10,050,869	4.91%	
Notes Payable	37,029,943	38,395,943	(1,366,000)	(3.56%)	1,459,866
OPEB payable	113,035,874	105,770,613	7,265,261	6.87%	
Total	$436,633,088	$421,607,261	$15,025,827	3.56%	$3,695,300

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 2016 fiscal year, the following changes were made in key personnel:

SUBR A&M Campus − Dr. M. Christopher Brown, II, was appointed the Executive Vice President for Academic Affairs, and Provost and Dr. Luria Young was appointed Associate Vice Chancellor for Academic Affairs.

SULC − Dr. John Pierre was appointed Chancellor, Dr. Roederick White was appointed Vice Chancellor of Academic and Student Affairs, and Dr. Alfreda S. Diamond was appointed Vice Chancellor of Institutional Accountability and Evening Division.

SUAREC − Dr. Adell Brown was appointed Interim Chancellor at the Southern University Agricultural Research and Extension Center (SUAREC) after the retirement of Dr. Leodrey Williams in June 2015. In April 2016, SUAREC was merged with the College of Agriculture, creating a land grant campus to include research, teaching, and extension components within the System.

SUNO Campus − Dr. Victor Ukpolo, former Chancellor at the New Orleans campus, retired, and Dr. Lisa Mims-Devezin served as Acting Chancellor from May 1, 2016, to June 30, 2016.

SUSLA Campus − Dr. Rodney Ellis was appointed Chancellor.

Subsequent changes occurring after June 30, 2016, include the following:

SUAREC − Dr. Adell Brown retired as of August 31, 2016, and Dr. Bobby R. Phills was appointed Chancellor-Dean of the Agricultural, Research, and Extension Center as of September 1, 2016.

SUNO Campus − Dr. Lisa Mims-Devezin was appointed Interim Chancellor at the New Orleans campus effective July 1, 2016. A Chancellor’s Search Committee is activated to recommend candidates to the Southern University System President for recommendation to the Southern University Board of Supervisors. The process is scheduled for completion by October 31, 2016.

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 campuses are continuing to utilize strategic marketing and communication techniques to reverse the decline in enrollment, stabilize current enrollment, attract new students, and boost future enrollment. The overall increase in enrollment for the System in the 2016 academic year is evidence that the marketing plan is achieving the intended results. Highlights of the marketing plan on the System campuses are described below:

- SUBR A&M Campus - The SUBR A&M campus marketing plan includes the creation of an enrollment management recruitment committee, the continued implementation of high school tours, the creation of an institutional branding image, and the launching of a year-long, multimedia campaign.

- SULC - The SULC strategic marketing plan is to fully implement an aggressive recruitment program utilizing social media and advertise in targeted periodicals and multimedia platforms.

- SUNO Campus - The SUNO campus is continuing its involvement in various strategic initiatives whereby campus personnel will continue to visit in- and out-of-state high schools and college fairs; continue to encourage high school students enrolled into the Early Start program to apply to SUNO, and continue to integrate social media into SUNO's recruitment plan.

- SUSLA Campus - The SUSLA campus' marketing plan includes strengthening strategic communications to build university awareness in the community, integrating social media into the recruitment process, and televising over the course of the upcoming fiscal year at least four professionally developed commercials aimed at showcasing the positive strengths and accomplishments of the university.

- 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 2016 fiscal year, System funding through state appropriations decreased from $50.6 million in 2015 to $49.0 million in 2016; a reduction of $1.6 million, or 3.2%. The System was appropriated $43.7 million in the 2017 state general fund (Direct) budget and an additional $5.0 million in statutorily-dedicated funds, for a total state funding appropriation of $48.7 million. A total of $4.3 million is included in the 2017 budget for one-time funding. The System continues to receive significant budget cuts in state funding. The 2009 base-year funding level of $93.8 million, compared to the 2017 fiscal year funding level of $48.7 million, reflects a decline in state funding of $45.1 million, or 48.1%. TOPS scholarships for students enrolled within the System were reduced by $0.3 million. This reduction had to be absorbed by the System campus' budgets.

- Tuition and fees - The System campuses continue to impose tuition and fee increases upon its students to offset state budget cuts. These tuition and fee increases negatively impact the enrollment, recruitment, and retention of students.

- Act 377 of the 2015 Legislative Session authorized the System Board of Supervisors to charge mandatory fees to students enrolled at the System campuses and to adjust such fees as deemed necessary. Such authority applies to the 2015-2016 and 2016-2017 academic years only, and the authority to increase fees terminates on June 30, 2017. The System campuses are required to establish a need-based financial assistance fund. Not less than 5% of the fee revenues realized by the System 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.

    - SUBR A&M Campus - In fiscal year 2016, the SUBR A&M campus increased tuition and fees by 10% and out-of-state fees by 13%, and assessed a University Support fee of $4 per credit hour (not to exceed $96 maximum) per Act 377. In fiscal year 2017, 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.

    - SULC - SULC increased its tuition fee by $515, or 10%; assessed a student success fee of $258, or 5% per Act 377; and increased the nonresident fee by $500 per semester for fiscal year 2016. 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 2017.

    - SUNO Campus - The SUNO campus increased tuition by 10% in fiscal year 2016 and increased nonresident fees by $707 per semester for undergraduate students and $552 per semester for graduate students. In fiscal year 2017, SUNO was granted Board approval to establish a University Support Fee of 10% per Act 377.

    - SUSLA Campus - The SUSLA campus implemented two new fees per Act 377 for $180 per semester, or 10%, for fiscal years 2016 and 2017.

- GRAD Act - The SUSLA campus did not pass the GRAD Act in fiscal year 2015 and was not able to increase tuition in fiscal year 2016. SUBR A&M, SULC, and SUSLA did not pass the GRAD Act in fiscal year 2016 and was not able to increase tuition in fiscal year 2017.

- Federal Match - 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 programming functions and the number of citizens that the Center serves throughout the state.

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

  - SUBR A&M submitted its fifth-year interim report in March 2016, and in July 2016 received a positive response from the SACSCOC committee. The Committee accepted the Quality Enhancement Plan (QEP) Impact Report with no further action required. SUBR A&M was requested to submit a Referral Report in April 2017 related to core requirement 2.8, *Faculty*. SUBR A&M was requested to provide updates on faculty counts at all levels of instruction to demonstrate compliance that SUBR A&M has an adequate number of full-time faculty to support both the mission of the institution and the quality and integrity of its academic programs.

  - SULC was reviewed by the SACSCOC Committee during fiscal year 2015 and received a favorable report. SULC will be reviewed again in fiscal year 2020.

  - SUNO received a favorable report from SACSCOC. The QEP Impact Report was accepted by SACSCOC with no further action required. SUNO received one recommendation on core requirement 2.10, *Student Learning Outcomes*. More evidence is requested on how SUNO provides support services for online students with disabilities, or those who need counseling or tutorial services. SUNO submitted a Referral Report which appropriately addressed the recommendation. A favorable response is expected from SACSCOC.

  - SUSLA submitted its fifth-year Interim SACS report on September 16, 2016. The campus expects to receive notification on the report in January 2017.

- 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 2016 legislative session, $16.1 million in priority 1 funding, $3.5 million in priority 2 funding, and $21.8 million in priority 5 funding for American with Disabilities Act (ADA) Consent Decree projects, deferred maintenance, and other construction projects and major repairs. The System has been approved for a $6.0 million line of credit.

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 and sustained stable financial positions. System administrators have strategically implemented approved budgetary measures to ensure that current operations are sustained and the mission and goals of the System are preserved.

The long-term outlook for the System remains positive despite budgetary and economic challenges. Environmental and economic factors continue to challenge the sustainability of institutional programs and services. However, the System will continue to make the necessary changes to ensure the long term viability of the University System. The long-term outlook remains positive that the System will continue to meet its goals and mission, despite budgetary challenges and economic factors that impacts the future. The System’s efficiency measures and strategic goals and objectives outline realistic targets for long term growth and stability to ensure the System will continue on its pathway to prominence as the only Historically Black College and University (HBCU) System of higher education in the nation.

CONTACTING THE SYSTEM’S MANAGEMENT

The accompanying System financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the System’s finances and to show the System’s accountability for the money it receives. If you have any questions about this report or the need for additional financial information, you may contact the System Vice President for Finance and Business Affairs, Mr. Flandus McClinton, Jr., who is located on the Fourth Floor of the J. S. Clark Administration Building, Baton Rouge, Louisiana, 70813, phone number: 225-771-5550; e- mail address: flandus_mcclinton @sus.edu.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Position, June 30, 2016

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$9,748,236
Investments (note 3)	523,245
Receivables, net (note 4)	15,197,309
Due from State Treasury	668,659
Due from federal government	13,020,775
Inventories	301,612
Prepaid expenses and advances	4,170,076
Notes receivable, net (note 5)	332,127
Other current assets	80,228
Total current assets	44,042,267
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	10,815,630
Restricted investments (note 3)	10,789,751
Capital assets, net (note 6)	295,537,297
Intangible assets (note 6)	1,122,674
Other noncurrent assets	165,212
Total noncurrent assets	318,430,564
Total assets	362,472,831
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflows related to pensions (note 9)	29,774,491
Total deferred outflows of resources	29,774,491
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$392,247,322
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 7)	$12,879,381
Unearned revenues	10,359,420
Amounts held in custody for others	1,445,500
Compensated absences (note 8 and 14)	813,770
Capital lease obligations (note 13 and 14)	1,062,875
Claims and litigation payable (note 12 and 14)	143,789
Notes payable (note 14 and 15)	1,459,866
Bonds payable (note 14 and 16)	215,000
Other current liabilities	1,910,000
Total current liabilities	30,289,601

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Position, June 30, 2016

LIABILITIES	
Noncurrent liabilities:	
Compensated absences (note 8 and 14)	$11,196,752
Capital lease obligations (note 13 and 14)	46,153,939
Claims and litigations payable (note 12 and 14)	304,400
Notes payable (note 14 and 15)	35,570,077
Net pension liability (note 9)	214,558,646
OPEB Payable (note 11)	113,035,874
Bonds payable (note 14 and 16)	12,118,100
Total noncurrent liabilities	432,937,788
Total liabilities	463,227,389
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (note 9)	9,236,361
Total deferred inflows of resources	9,236,361
NET POSITION	
Net investment in capital assets	201,929,889
Restricted for:	
Nonexpendable (note 17)	11,708,878
Expendable (note 17)	22,486,915
Unrestricted	(316,342,110)
TOTAL NET POSITION	(80,216,428)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$392,247,322

(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, 2015

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$5,683,868
Accounts receivable (note 4)	305,644
Pledges receivable, net (note 4)	500,969
Prepaid expenses and advances	63,023
Other current assets	1,303,978
Total current assets	7,857,482
Noncurrent assets	
Restricted assets:	
Cash and cash equivalents (note 2)	2,107,785
Investments (note 3)	7,770,306
Capital assets (note 6)	972,432
Other noncurrent assets	56,695,850
Total noncurrent assets	67,546,373
TOTAL ASSETS	$75,403,855

(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, 2015

LIABILITIES	
Current liabilities:	
Accounts payable	$552,150
Amounts held in custody for others	6,240,251
Bonds payable and premium, net (note 16)	1,341,157
Other current liabilities	541,716
Total current liabilities	8,675,274
Noncurrent liabilities:	
Bonds payable and premium (note 16)	52,735,466
Other noncurrent liabilities	2,499,926
Total noncurrent liabilities	55,235,392
Total liabilities	63,910,666
NET ASSETS	
Unrestricted	3,112,730
Restricted for:	
Permanently restricted	3,620,454
Temporarily restricted	4,760,005
Total net assets	11,493,189
TOTAL LIABILITIES AND NET ASSETS	$75,403,855

(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, 2016

OPERATING REVENUES	
Student tuition and fees	$82,091,546
Less scholarship allowances	(28,532,391)
Net student tuition and fees	53,559,155
Federal appropriations	3,492,678
Federal grants and contracts	35,692,794
State and local grants and contracts	2,364,127
Nongovernmental grants and contracts	345,688
Auxiliary enterprise revenues	25,325,966
Less scholarship allowances	(1,822,139)
Net auxiliary revenues	23,503,827
Other operating revenues	4,613,117
Total operating revenues	123,571,386
OPERATING EXPENSES	
Education and general:	
Instruction	49,605,815
Research	6,785,331
Public service	7,233,530
Academic support	23,169,451
Student services	18,007,822
Institutional support	46,154,688
Operation and maintenance of plant	16,446,658
Depreciation (note 6)	13,965,751
Scholarships and fellowships	18,082,221
Auxiliary enterprises	20,029,255
Other operating expenses	1,403,985
Total operating expenses	220,884,507
OPERATING LOSS	($97,313,121)

(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, 2016

NONOPERATING REVENUES (Expenses)	
State appropriations	$48,982,934
Gifts	516,305
Federal nonoperating revenues	35,038,389
Net Investment income	83,466
Interest expense	(3,547,483)
Other nonoperating revenues	7,549,915
Net nonoperating revenues	88,623,526
LOSS BEFORE OTHER REVENUES	(8,689,595)
Capital appropriations	6,260,296
Capital grants and gifts	3,053,230
Additions to permanent endowments	144,710
CHANGE IN NET POSITION	768,641
NET POSITION AT BEGINNING OF YEAR (restated) (note 18)	(80,985,069)
NET POSITION AT END OF YEAR	($80,216,428)

(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, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES AND OTHER SUPPORT				
Contributions and other support	$1,451,399	$3,192,783	$405,356	$5,049,538
Rental income	2,535,975			2,535,975
Bayou Classic revenues	498,274			498,274
Administration fees	125,784			125,784
Donor fees and registration	146,678	52,155		198,833
Athletic sponsorships and support	116,630	11,000		127,630
Contributed services	294,400			294,400
Interest income	434	31,443		31,877
Other income	10,826	278,069		288,895
Net assets released from restrictions - (note 24)	3,159,185	(3,159,185)		
Total revenues and other support	8,339,585	406,265	405,356	9,151,206
EXPENSES				
Program services	8,044,651			8,044,651
Support services	712,119			712,119
Fundraising	73,666			73,666
Total expenses	8,830,436	NONE	NONE	8,830,436
Changes in net assets	(490,851)	406,265	405,356	320,770
Net assets - beginning of year	3,603,581	4,353,740	3,215,098	11,172,419
Net assets - end of year	$3,112,730	$4,760,005	$3,620,454	$11,493,189

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 OPERATING ACTIVITIES:	
Tuition and fees	$51,746,460
Federal appropriations	3,492,678
Grants and contracts	44,387,460
Auxiliary enterprise charges	22,197,178
Payments for employee compensation	(96,502,251)
Payments for benefits	(40,571,011)
Payments for utilities	(6,692,543)
Payments for supplies and services	(48,221,509)
Payments for scholarships and fellowships	(19,609,560)
Loans to students	9,788
Other receipts	5,137,113
Net cash used by operating activities	(84,626,197)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	48,980,602
Gifts and grants for other than capital purposes	35,358,502
Private gifts for endowment purposes	144,710
Taylor Opportunity Program for Students (TOPS) receipts	4,426,338
TOPS disbursements	(3,171,196)
GO Grant receipts	80,244
GO Grant disbursements	(81,494)
Implicit loan reduction from other campuses	(1,225,283)
Implicit loan reduction to other campuses	1,184,877
Direct lending receipts	102,097,107
Direct lending disbursements	(102,236,970)
Federal Family Education Loan program receipts	783,216
Federal Family Education Loan program disbursements	(783,216)
Other receipts	4,603,640
Net cash provided by noncapital financing sources	90,161,077
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Capital grants and gifts received	96,973
Purchases of capital assets	(2,831,578)
Principal paid on capital debt and leases	1,016,851
Interest paid on capital debt and leases	(3,418,320)
Other sources	659,394
Net cash used by capital financing sources	(4,476,680)

(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	$485,020
Interest received on investments	316,330
Purchase of investments	(442,801)
Net cash provided by investing sources	358,549
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,416,749
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, RESTATED	19,147,117
CASH AND CASH EQUIVALENTS AT END OF YEAR	$20,563,866
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($97,313,121)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	13,965,751
Non-employer contributing entity (NCE) revenue	528,328
Changes in assets and liabilities:	
Increase in accounts receivable, net	(1,498,049)
Increase in inventories	(14,846)
Decrease in due from federal government	2,790,720
Increase in prepaid expenses and advances	(385,429)
Decrease in notes receivable	96,209
Decrease in other assets	14,101
Decrease in deferred outflows related to pensions	2,040,286
Decrease in accounts payable and accrued liabilities	(4,094,521)
Increase in unearned revenue	1,197,471
Decrease in claims and litigation	(135,289)
Increase in compensated absences	336,553
Increase in OPEB payable	7,265,262
Increase in net pension liability	10,050,869
Decrease in deferred inflows related to pensions	(19,479,237)
Increase in other liabilities	8,745
Net cash used by operating activities	($84,626,197)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents classified as current assets	$9,748,236
Cash and cash equivalents classified as noncurrent assets	10,815,630
Cash and cash equivalents at the end of the year	$20,563,866
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital appropriations for construction of capital assets	$6,467,404
Net decrease in the fair value of investments	($335,702)
Capital gifts and grants	$4,208,250

(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, certain items, such as the annual budget of the university and changes to the degree programs and departments of instruction 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 of the university. As a state university, operations of the System's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

In April 1880, Southern University was chartered by the General Assembly of the State of Louisiana. The first site of the university was in New Orleans on Calliope Street, and the university opened on March 7, 1881, with 12 students. In 1890, an Agriculture and Mechanical Department was established, and in 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 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 degrees are offered in the Graduate School, and Jurist Doctorate degrees are offered through the System's Law Center. During the summer, fall, and spring semesters of the 2015-2016 fiscal year, the System conferred 1,930 degrees, and student enrollment was approximately 28,698. The System has 438 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 such principles.

B. REPORTING ENTITY

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

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 Foundation, originally chartered in 1968, is a nonprofit corporation 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 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, 2016, the Foundation made distributions to or on behalf of the System for both restricted and unrestricted purposes in the amount of $5,220,710. 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 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.

SUSLA Facilities, Inc., a nongovernmental blended component unit, and the Southern University System Foundation (Foundation), a discrete component unit, report under the *Not-for-Profit Entities* topic of the FASB Accounting Standards Codification (ASC), FASB Topic 958. With the exception of necessary presentation adjustments, no modifications have been made to their financial information in the System's financial statements for these differences.

D. BUDGET PRACTICES

The State of Louisiana's appropriation to the System is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) 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 State of Cash Flows. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

F. INVENTORIES

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

G. RESTRICTED CASH AND INVESTMENTS

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

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

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

H. CAPITAL ASSETS

The System follows the capitalization policies established by the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy. Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the System's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Buildings and improvements costing $100,000 or more are capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are 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, ninemonth 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; (3) and 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* consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

(c) *Restricted – expendable* 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, 2016, the following statement was implemented: GASB Statement 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements.

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 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.

2. CASH

At June 30, 2016, the System has cash and cash equivalents (book balance) totaling $20,563,866 as follows:

Demand deposits	$18,927,035
Time certificates of deposits	1,635,531
Petty Cash	1,300
Total	$20,563,866

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

Current assets	$9,748,236
Noncurrent assets - restricted	10,815,630
Total	$20,563,866

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, 2016, the System has $22,171,992 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, 2015, cash and cash equivalents consisted of $5,683,868 unrestricted and $2,107,785 restricted.

FOUNDATION CONCENTRATIONS OF CREDIT RISK

The Foundation's cash balances are held in savings and trust, as well as investment institutions. Cash and cash equivalents exceeded federally-insured limits by $1,182,602 as of December 31, 2015. 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. Funds which are being held by investment institutions are protected by the Securities Investor Protection Corporation (SIPC). The SIPC provides insurance coverage limited to $500,000 per customer, including up to $250,000 for cash. As of December 31, 2015, cash investments exceeded SIPC coverage by $100,321, and publicly-traded securities and fixed income investments exceeded the SIPC limit by $5,770,306. Management believes there is minimal risk related to the insolvency of the financial institutions.

3. INVESTMENTS

The System maintains investment accounts as authorized by state law. At June 30, 2016, the System has investments totaling $11,312,996 as follows:

Type of Investment	Percentage of Investments	Credit Quality Rating	Fair Value June 30, 2016
Investments held by private foundation:			
Corporate bonds	13.34%		$1,509,564
U.S. government agencies	4.17%		471,421
U.S. government obligations	1.72%		194,133
Government obligations	2.74%		309,781
Common and preferred stock	34.86%		3,943,487
Mutual funds	3.55%		401,543
Subtotal - held by private foundation	60.37%	Not Rated	6,829,929
Louisiana Asset Management Pool	21.57%	AAAm	2,440,067
Investments held by SUSLA Facilities, Inc.			
U.S. government notes	8.39%		948,819
Government money market funds	9.67%		1,094,181
Subtotal - held by SUSLA Facilities, Inc.	18.06%	Not Rated	2,043,000
Total Investments	100%		$11,312,996

	June 30, 2016				
Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	10+ Years
Investments held by private foundation:					
Corporate bonds	$1,509,564	$205,111	$709,117	$595,336	
U.S. government agencies	471,421	29,961	16,862	188,556	$236,042
U.S. government obligations	194,133		20,586	173,547	
Government obligations	309,781		240,651	69,130	
Total	$2,484,899	$235,072	$987,216	$1,026,569	$236,042

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

Current assets	$523,245
Noncurrent assets - restricted	10,789,751
Total	$11,312,996

Investments are reported at fair market value. Investments totaling $6,829,929 are held by a private foundation 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. All of these investments are held by the System's discretely presented component unit.

The investments in U.S. government obligations totaling $194,133 are generally not exposed to custodial credit risk because they are backed by the full faith and credit of the U.S. government. There is no formal adopted investment policy regarding custodial credit risk.

At June 30, 2016, the Facilities had bond funds totaling $2,043,000 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, 2016, are as follows:

	Fair Value June 30, 2016	Fair Value Hierarchy 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	$1,509,564	$1,509,564		
U.S. government agencies	471,421	471,421		
U.S. government obligations	194,133	194,133		
Government obligations	309,781	309,781		
Common and preferred stock	3,943,487	3,943,487		
Mutual funds	401,543	401,543		
Subtotal - held by private foundation	6,829,929	6,829,929	NONE	NONE
Louisiana Asset Management Pool	2,440,067		$2,440,067	
SUSLA Facilities, Inc.:				
U.S. government notes	948,819		948,819	
Government money market funds	1,094,181		1,094,181	
Subtotal - SUSLA Facilities, Inc.	2,043,000	NONE	2,043,000	NONE
Total Investments at Fair Value Level	$11,312,996	$6,829,929	$4,483,067	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, 2015:

Description	Carrying Value	Fair Value
Publicly traded securities	$4,309,640	$4,791,363
Fixed income investments	2,991,159	2,978,943
Total	$7,300,799	$7,770,306

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

FOUNDATION FAIR VALUE OF INVESTMENTS

Fair values of investments measured on a recurring basis at December 31, 2015, are as follows:

		Fair Value Hierarchy		
	Fair Value December 31, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	$7,770,306	$7,770,306	NONE	NONE
Total Investments at Fair Value Level	$7,770,306	$7,770,306	NONE	NONE

4. RECEIVABLES

Receivables are shown on the Statement of Net Position, net of an allowance for doubtful accounts, at June 30, 2016. These receivables are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	$12,062,866	$3,051,704	$9,011,162
Auxiliary enterprises	1,981,059	596,373	1,384,686
State and private grants and contracts	3,420,848		3,420,848
Due from Office of Facility Planning	495,388		495,388
Accrued interest	128		128
Other	819,550		819,550
SUSLA Facilities, Inc.	65,547		65,547
Total	$18,845,386	$3,648,077	$15,197,309

There is no noncurrent portion of receivables.

FOUNDATION RECEIVABLES

As of December 31, 2015, accounts receivable totaled $169,598. Management believes all receivables to be collectible; therefore, no allowance for doubtful collection is recorded.

Unconditional pledges receivable are due as follows on December 31, 2015:

Expected to be collected in:	
Less than one year	$316,687
One to five years	487,139
Gross pledges receivable	803,826
Less - allowance for doubtful accounts	(302,857)
Pledges receivable, net	$500,969

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, 2015, all projects have been completed. The total lease payments due from the System during the next fiscal year totals $1,275,000. The total amount due for succeeding years totals $55,271,618. The total Capitalized Lease Receivable balance at December 31, 2015, totaled $56,546,618.

The Foundation has certain receivables due from the System. The receivables due from the System were as follows at December 31, 2015:

Reimbursable costs pertaining to bond projects due from the Baton Rouge campus	$95,574
Reimbursable costs pertaining to bond projects due from the Shreveport campus	17,759
Total due from affiliate	$113,333

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, 2016. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
Federal Perkins Loan	$1,545,915	($1,530,109)	$15,806
Student Revolving Loans	316,321		316,321
Long-term student loans	98,931	(98,931)	
Total	$1,961,167	($1,629,040)	$332,127

6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2016, 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, 2016, total interest paid on capital debt was $2,797,488.

	Balance June 30, 2015	Prior Period Adjustments	Adjusted Balance June 30, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
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	20,839,980	$1,320,306	22,160,286	$9,477,229	($5,112,450)		26,525,065
Total capital assets not being depreciated	$27,825,316	$1,320,306	$29,145,622	$9,477,229	($5,112,450)	NONE	$33,510,401
Capital assets being depreciated:							
Infrastructure	$32,844,713		$32,844,713				$32,844,713
Less accumulated depreciation	(25,011,770)		(25,011,770)	($241,519)			(25,253,289)
Total infrastructure	7,832,943	NONE	7,832,943	(241,519)	NONE	NONE	7,591,424
Land improvements	15,215,072		15,215,072				15,215,072
Less accumulated depreciation	(7,214,201)		(7,214,201)	(556,594)			(7,770,795)
Total land improvements	8,000,871	NONE	8,000,871	(556,594)	NONE	NONE	7,444,277
Buildings	414,432,230		414,432,230	63,495	$5,112,450		419,608,175
Less accumulated depreciation	(171,241,171)		(171,241,171)	(9,233,605)			(180,474,776)
Total buildings	243,191,059	NONE	243,191,059	(9,170,110)	5,112,450	NONE	239,133,399
Equipment (including library books)	137,853,691	$26,125	137,879,816	2,532,257		($1,535,525)	138,876,548
Less accumulated depreciation	(129,629,362)	(10,450)	(129,639,812)	(2,888,668)		1,509,728	(131,018,752)
Total equipment	8,224,329	15,675	8,240,004	(356,411)	NONE	(25,797)	7,857,796
Software (internally generated and purchased)	7,317,561		7,317,561				7,317,561
Accumulated amortization - software	(5,149,522)		(5,149,522)	(1,045,365)			(6,194,887)
Total intangibles	2,168,039	NONE	2,168,039	(1,045,365)	NONE	NONE	1,122,674
Total capital assets being depreciated	$269,417,241	$15,675	$269,432,916	($11,369,999)	$5,112,450	($25,797)	$263,149,570
Capital assets summary:							
Capital assets not being depreciated	$27,825,316	$1,320,306	$29,145,622	$9,477,229	($5,112,450)	NONE	$33,510,401
Capital assets being depreciated	607,663,267	26,125	607,689,392	2,595,752	5,112,450	($1,535,525)	613,862,069
Total cost of capital assets	635,488,583	1,346,431	636,835,014	12,072,981		(1,535,525)	647,372,470
Less accumulated depreciation	(338,246,026)	(10,450)	(338,256,476)	(13,965,751)	NONE	1,509,728	(350,712,499)
Capital assets, net	$297,242,557	$1,335,981	$298,578,538	($1,892,770)	NONE	($25,797)	$296,659,971

FOUNDATION FIXED ASSETS

Land, building and equipment as of December 31, 2015, are summarized as follows:

Land and improvements	$175,427
Building	172,125
Office equipment	24,725
Scoreboard equipment	3,288,530
Furniture and fixtures	86,816
Software	97,753
Subtotal	3,845,376
Less - accumulated depreciation	(2,872,944)
Total	$972,432

Depreciation expense totaled $91,327 for the year ended December 31, 2015.

7. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accruals at June 30, 2016:

Vendors payables	$4,850,196
Accrued salaries and benefits	6,251,496
Accrued interest	1,775,510
Other payables	2,179
Total	$12,879,381

8. COMPENSATED ABSENCES

At June 30, 2016, employees of the System have accumulated and vested annual leave, sick leave, and compensatory leave of $5,666,586; $6,079,429; and $264,507, 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 statewide, 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 Louisiana Revised Statute (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 11). 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's benefits to eligible state employees and their beneficiaries as defined in R.S. 11:411-414. The age and years of creditable service (service) required in order 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. 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 substantial majority of members may retire with full benefits at any age upon completing 30 years of service and at age 60 upon completing 5 to 10 years of service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. Eligibility for retirement benefits and the computation of retirement benefits are provided for in R.S. 11:444. The basic annual retirement benefit for members is equal to a percentage (between 2.5% and 3.5%) of average compensation multiplied by the number of years of service, generally not to exceed 100% of average compensation. Average compensation is defined 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's benefits are provided for in R.S. 11:471-478. Under these statutes, the deceased member who was in state service at the time of death must have a minimum of 5 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.

LASERS has established a Deferred Retirement Option Plan (DROP). When members enter 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.

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. Eligibility for retirement benefits and the calculation of retirement benefits are provided for in R.S. 11:761. Statutory changes closed existing, and created new, sub-plans for members hired on or after January 1, 2011.

Most members are eligible to receive retirement benefits (1) at the age of 60 with 5 years of service, (2) at the age of 55 with at least 25 years of service, or (3) at any age with at least 30 years of service. Retirement benefits are calculated by applying a percentage ranging from 2% to 3% of final average salary multiplied by years of service. Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2011, or highest 60 consecutive months of employment for members employed 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 5 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 5 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. Survivor 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 18, or age 23 if the child remains a full-time student. The minimum service credit requirement is 10 years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or a qualified handicapped child.

TRSL has established a DROP plan. When members enter 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. These ad hoc COLAs are not considered 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 are used to fund the TRSL defined benefit plans' unfunded accrual liability.

Employer contributions to LASERS for fiscal year 2016 were $6,278,510, with active member contributions ranging from 7.5% to 9.5% and employer contributions of 37.2% and 37.6%. Employer defined benefit plan contributions to TRSL for fiscal year 2016 were $16,142,757, with active member contributions of 8% and employer contributions ranging from 25.3% to 26.3% and 27.4% for ORP and defined benefit plan employees, respectively. Non-employer contributing entity contributions to TRSL, which are comprised of ad valorem tax revenue, totaled $528,328 for fiscal year 2016, and were recognized as revenue by the System.

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

At June 30, 2016, the System reported liabilities of $62,772,082 and $151,786,564 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, 2015, 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, 2015, the most recent measurement date, the System's proportions and the changes in proportion from the prior measurement date were 0.92291%, or a decrease of 0.06867% for LASERS, and 1.41168%, or an increase of 0.01749% for TRSL.

For the year ended June 30, 2016, the System recognized a total pension expense of $15,561,510, or $3,220,414 and $12,341,096 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	$83,915		$83,915	($514,150)	($1,741,824)	($2,255,974)
Net difference between projected and actual earnings on pension plan investments				(56,768)	(3,349,725)	(3,406,493)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,134,119	$6,135,190	7,269,309	(3,573,894)		(3,573,894)
Employer contributions subsequent to the measurement date	6,278,510	16,142,757	22,421,267			
Total	$7,496,544	$22,277,947	$29,774,491	($4,144,812)	($5,091,549)	($9,236,361)

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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	LASERS	TRSL	Total
2017	($1,650,137)	($675,543)	($2,325,680)
2018	(2,160,846)	(675,543)	(2,836,389)
2019	(470,487)	(675,543)	(1,146,030)
2020	1,354,692	3,070,270	4,424,962
Total	($2,926,778)	$1,043,641	($1,883,137)

Actuarial Assumptions

The total pension liabilities for LASERS and TRSL in the June 30, 2015, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	LASERS	TRSL
Valuation Date	June 30, 2015	June 30, 2015
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	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,	2009-2013 experience study	2008-2012 experience study
Salary Increases	2009-2013 experience study, ranging from 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 and an adjustment for the effect of rebalancing/diversification. 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	Long-term Expected Real Rate of Return
TRSL (arithmetic)		
Domestic equity	31.00%	4.71%
International equity	19.00%	5.69%
Domestic fixed income	14.00%	2.04%
International fixed income	7.00%	2.80%
Alternatives	29.00%	5.94%
Total	100.00%	
LASERS (geometric)		
Cash	0.00%	0.24%
Domestic equity	27.00%	4.56%
International equity	30.00%	5.67%
Domestic fixed income	10.00%	2.24%
International fixed income	2.00%	3.64%
Alternative investments	24.00%	7.82%
Global tactical asset allocation	7.00%	3.70%
Total	100.00%	5.66%

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	Current Discount Rate	1.0% Increase
LASERS	$79,231,919	$62,772,082	$48,793,660
TRSL	$192,065,173	$151,786,564	$117,528,832

Pension plan fiduciary net position. Detailed information about LASERS and TRSL fiduciary net position is available in the separately-issued financial reports referenced above.

Payables to the Pension Plan. At June 30, 2016, the System had $570,679 and $1,351,424 in payables to LASERS and TRSL, respectively, for the June 2016 employee and employer legally-required contributions.

10. OPTIONAL RETIREMENT PLAN

TRSL administers an optional retirement plan (ORP), which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants. The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than TRSL and purchase retirement and death benefits through 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 equal to the contribution rates established for the regular retirement plan of TRSL. However, effective July 1, 2014, the employer contribution rate for amounts credited to 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 2016 totaled $5,137,985, which represents pension expense for the System. Employee contributions totaled $1,500,141. The active member and employer contribution rates were 8% and 5.4%, respectively, with an additional employer contribution of 22% made to the TRSL defined benefit plan described in note 9.

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 but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly-available financial report. However, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy

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

OGB offers 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 over 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 2016 is $13,031,598.

The following schedule presents the components of the System's annual OPEB cost for fiscal year 2016, the amount actually contributed to the plan, and changes in the System's net OPEB obligation to the OPEB plan:

ARC	$13,031,598
Interest on net OPEB obligation	4,230,824
ARC adjustment	(4,041,755)
Annual OPEB cost	13,220,667
Contributions made - current year retiree premiums	(5,955,406)
Increase in net OPEB obligation	7,265,261
Beginning net OPEB obligation at June 30, 2015	105,770,613
Ending net OPEB obligation at June 30, 2016	$113,035,874

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, 2016, 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, 2014	$11,910,100	46.2%	$98,724,568
June 30, 2015	$12,598,590	44.1%	$105,770,613
June 30, 2016	$13,220,667	45.0%	$113,035,874

Funded Status and Funding Progress

During fiscal year 2016, 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 $164,990,611 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2015, was as follows:

AAL	$164,990,611
Actuarial value of plan assets	NONE
UAAL	$164,990,611
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$73,739,693
UAAL as percentage of covered payroll	223.7%

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 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.

The July 1, 2015, actuarially accrued liability is based on the valuation results and information as of July 1, 2014, from the actuarial valuation report dated July 22, 2015. In the July 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate. 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 7.5% (6.5% post Medicare) in the year July 1, 2015, to June 30, 2016, 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:

Years of Service	Participation Percentage
<10	57%
10-14	72%
15-19	82%
20+	100%

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, 2016, 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 $8,500 is reflected on the financial statements. The Shreveport campus also reported $135,289 and $304,400 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, 2016, total operating lease expenditures were $2,984,596. 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, 2016.

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, 2016:

Fiscal Year Ended June 30,	
2017	$3,751,030
2018	3,745,508
2019	3,724,987
2020	3,722,738
2021	3,723,732
2022-2026	18,621,146
2027-2031	18,627,356
2032-2036	18,626,773
2037-2039	11,191,846
Total mimimum payments	85,735,116
Less - amount representing interest	(38,518,302)
Present value of net minimum lease payments	$47,216,814

The gross amount, including capitalized interest, of assets held under capital leases as of June 30, 2016, totals $58,198,670 and includes buildings, land improvements, and equipment of $54,369,326; $2,769,852; 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, 2016:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	$4,900,104	($3,959,240)	$940,864
Buildings	2,923,357	(821,160)	2,102,197
Total	$7,823,461	($4,780,400)	$3,043,061

The following is a schedule, by fiscal years, of the minimum future rentals on noncancelable operating leases as of June 30, 2016:

Nature of Operating Lease	2017	2018	2019	2020	2021	2022-2026	2027-2031	Total Minimum Future Rentals
Office space	$1,722,600	$1,757,600	$1,238,000	$1,275,000	$1,313,000	$7,182,000	$4,847,000	$19,335,200
Building	60,000	65,000	70,000	75,000	80,000	475,000	345,000	1,170,000
Land	39,600	39,600	39,600	3,600	18,000	18,000		158,400
Other	72,770	60,500	50,000	50,000	50,000	50,000		333,270
Total	$1,894,970	$1,922,700	$1,397,600	$1,403,600	$1,461,000	$7,725,000	$5,192,000	$20,996,870

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, 2016, contingent rentals received from operating leases were $412,192: $377,435 for office space and $34,757 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, 2016:

	Balance, June 30, 2015 (Restated)	Additions	Reductions	Balance, June, 30 2016	Amounts Due Within One Year
Bond payable	$12,511,016		$177,916	$12,333,100	$215,000
Notes payable	38,395,943		1,366,000	37,029,943	1,459,866
Compensated absences payable	11,673,969	$597,028	260,475	12,010,522	813,770
Capital lease obligations	48,164,465	75,541	1,023,192	47,216,814	1,062,875
Claims payable	583,478		135,289	448,189	143,789
Net pension liabilities	204,507,777	10,050,869		214,558,646	
OPEB payable	105,770,613	8,504,515	1,239,254	113,035,874	
Total long-term liabilities	$421,607,261	$19,227,953	$4,202,126	$436,633,088	$3,695,300

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 SUNO 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. 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, 2016, the System reported $37,029,943 on the Statement of Net Position as Notes Payable.

The following is a summary of future minimum payments as of June 30, 2016:

Fiscal Year Ended June 30,	Principal	Interest	Total
2017	$1,459,866	$366,773	$1,826,639
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
2022-2026	8,579,582	1,260,180	9,839,762
2027-2031	9,018,640	821,462	9,840,102
2032-2036	9,478,652	360,257	9,838,909
2037-2041	1,940,270	14,659	1,954,929
Total	$37,029,943	$4,132,955	$41,162,898

16. BONDS PAYABLE

Bonds payable consisted of the following for the fiscal year ended June 30, 2016:

Issue	Date of Issue	Original Issue	Principal Outstanding June 30, 2015	Issued (Redeemed)	Principal Outstanding June 30, 2016	Final Fiscal Year Maturity	Interest Rates	Future Interest Payments June 30, 2015
SUSLA Facilities, Inc., Revenue Bonds:								
Series 2007A	July 25, 2007	$12,795,000	$12,560,000	($180,000)	$12,380,000	2040	5.75%	$10,895,385
Total			12,560,000	(180,000)	12,380,000			$10,895,385
Accumulated amortization of premium			72,261	(3,075)	69,186			
Accumulated amortization of discount			(121,245)	5,159	(116,086)			
Bonds payable, net			$12,511,016	($177,916)	$12,333,100			

The scheduled maturities of the bonds at June 30, 2016, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2017	$215,000	$705,668	$920,668
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
2022-2026	1,730,000	2,952,050	4,682,050
2027-2031	2,285,000	2,378,344	4,663,344
2032-2036	3,025,000	1,619,918	4,644,918
2037-2041	4,055,000	560,192	4,615,192
Total	$12,380,000	$10,895,385	$23,275,385
Unamortized premium/discount, net	($46,900)		
Bonds payable reported on the Statement of Net Position	$12,333,100		

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, 2016:

	Costs	Prior-year Accumulated Amortization	Current-year Amortization	Costs, net of Accumulated Amortization
Bond issuance costs	$230,528	($57,632)	($7,684)	$165,212

The following is a summary of the debt service reserve requirements of the bond issues outstanding at June 30, 2016.

	Cash/ Investment Reserves Available	Reserve Requirement	Excess
SUSLA Facilities, Inc., Series 2007A	$948,819	$948,819	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, 2015, the foundation is in compliance with the terms of the bond indenture.

Scheduled principal payments on the bonds are as follows:

Year Ended December 31,	Principal
2016	$1,275,000
2017	1,340,000
2018	1,410,000
2019	1,480,000
2020	1,555,000
2021 and thereafter	45,495,000
Total	$52,555,000

Interest expense related to the bonds for the year ended December 31, 2015, totaled $2,457,493. Bonds payable net of the bond premium totaled $54,076,620.

The Foundation has a capitalized lease receivable due from the System in the amount of $56,546,618. Payments are made to the Foundation totaling the amount of annual principal and interest due to service the Foundation's bond repayments. A loss in students or funding to the System could potentially result in the foundation defaulting on their bond obligations. There is currently no cause for concern regarding the System's ability to repay the capitalized lease.

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	(529,257)
Current year amortization	(66,157)
Ending balance, December 31, 2015	$1,521,623

Bond issuance costs incurred through the bond issuance totaled $927,291 and prepaid bond insurance totaled $1,054,250. These costs will be shown net of accumulated amortization.

	Costs	Prior-year Accumulated Amortization	Current-year Amortization	Costs, Net of Accumulated Amortization at December 31, 2015
Bond issuance costs	$927,291	($231,823)	($28,978)	$666,490
Prepaid bond insurance	$1,054,250	($263,562)	($32,945)	$757,743

17. RESTRICTED NET POSITION

The System has the following restricted net position at June 30, 2016:

Nonexpendable - endowments	$11,708,878
Expendable:	
Gifts, grants, and contracts	$2,619,291
Restricted funds	719,552
Endowment income	3,714,019
Student fees, faculty and staff funds	8,867,680
Student loans	985,068
Unexpended plant	1,563,782
Renewals and replacements	1,711,349
Retirement of indebtedness funds	2,306,174
Total expendable	$22,486,915

Of the total net assets reported in the Statement of Net Position as of June 30, 2016, a total of $1,410,902 is restricted by enabling legislation.

FOUNDATION RESTRICTED NET ASSETS

Net assets that were permanently restricted as of December 31, 2015, consisted of a $3,620,454 foundations 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, 2015	($82,415,610)
Cash adjustment	86,386
FMV of investments adjustment	603,177
Accounts receivable adjustment	4,170
Federal receivable adjustment	230,987
Prepaid expenses and advances adjustment	(54)
Accounts payable adjustment	(121,402)
Deferred revenue adjustment	71,566
Capital asset adjustment	1,335,981
Capital lease adjustment	(2,142,418)
Other current liabilities adjustment	1,450,187
Other current asset adjustment	(11,157)
Amounts held in custody for others	2,981
Claims and litigation adjustment	60,000
Direct loan	(139,863)
Net Position at June 30, 2015, as restated	($80,985,069)

The restatements increased the System's beginning net position by $1,430,541. The restatements were due to corrections of errors. Had the error corrections affecting fiscal year 2015 been included in the June 30, 2015, Statement of Revenues, Expenses, and Changes in Net Position, the previously reported change in net position of ($14,161,166) would have been ($14,044,035).

19. DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2016, net appreciation of $3,714,019 is available to be spent, of which $3,128,890 is restricted to specific purposes. The donated portion of the endowments is reported in restricted net position - nonexpendable in the Statement of Net Position; the endowment income is reported in restricted net position - expendable.

FOUNDATION – ENDOWMENTS

The Foundation's endowments consist of individual funds established for Endowed Chairs, Endowed Professorships, and Endowed Scholarships. The Foundation's endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2015, the foundation's endowment ending balance was $7,770,306.

20. RELATED PARTY TRANSACTIONS

During fiscal year ended June 30, 2016, 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 Shreveport also had a relationship with the Foundation during the fiscal year ending June 30, 2016. 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 Shreveport has obtained financing for various projects in previous years through a third party arrangement with the Foundation.

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

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

FOUNDATION - RELATED PARTY TRANSACTIONS

Certain board members of the Foundation are also board members of the System Board. The System provides certain payroll management functions as well as office space, meeting space, utilities, and use of all office furniture and equipment to the Foundation for a nominal monthly fee. The value of these services has not been determined by the System. The System has also entered into a cooperative endeavor agreement with the Foundation to manage certain endowments on its behalf. The Foundation is allowed to charge the System an administration fee for these services. In addition to the aforementioned agreement, the Foundation entered into a cooperative endeavor agreement with the System to construct certain housing facilities as well as other projects through a bond issuance. The System has agreed to pay certain rents to the Foundation for these services. The total amount of rent and interest paid during the year ended December 31, 2015, 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 $294,400 for the year ended December 31, 2015.

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, 2015, the Foundation made distributions to or on behalf of the University for both restricted and unrestricted purposes of $5,220,710.

FOUNDATION DISCLOSURE – DUE TO/FROM AFFILIATE

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, 2015, for the Endowed Chair and Professorship program totaled $6,240,251.

22. COOPERATIVE ENDEAVOR AGREEMENT

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

FOUNDATION 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, 2015, the balance of the Rental Deposit Fund is $1,874,387.

FOUNDATION GROUND LEASE

Pursuant to the Cooperative Endeavor and Lease Agreement between the Foundation and the Board, the Foundation (the Lessee) will lease the land on which the student housing facilities and certain auxiliary student facilities are being constructed and/or renovated for the Board (the Lessor). The annual rents will total $100 and the term is equal to the term of the Series 2006 bonds, terminating on the date of payment in full or defeasance of the Series 2006 bonds.

23. DEFERRED COMPENSATION PLAN

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

24. FOUNDATION - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by the donors for the year ended December 31, 2015:

Scholarships and educational assistance	$413,201
University events, programs, and support	2,745,984
Total	$3,159,185

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 for the blended component unit follows:

Condensed Statement of Net Position

	SUSLA Facilities, Inc.
Assets	
Current assets	$747,243
Capital assets	8,066,394
Other assets	1,684,967
Total assets	10,498,604
Liabilities	
Current liabilities	896,956
Long-term liabilities	12,118,100
Total liabilities	13,015,056
Net Position	
Net investment in capital assets	(2,058,494)
Unrestricted	(457,958)
Total net position	($2,516,452)

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

	SUSLA Facilities, Inc.
Operating revenues	$1,602,369
Operating expenses	(584,817)
Depreciation expense	(415,803)
Net operating income	601,749
Nonoperating revenues (expenses):	
Investment income	187
Interest expense	(713,934)
Changes in net position	(111,998)
Net position at beginning of year	(2,404,454)
Net position at end of year	($2,516,452)

Condensed Statement of Cash Flows

	SUSLA Facilities, Inc.
Net cash flows provided (used) by:	
Operating activities	$1,004,776
Capital and related financing	(963,844)
Investing activities	30,311
Net increase in cash	71,243
Cash, beginning of year	76,085
Cash, end of year	$147,328

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.

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, 2016

Fiscal Year*	System's proportion of the net pension liability (asset)	System's proportionate share of the net pension liability (asset)	System's covered-employee payroll	System's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
Louisiana State Employees' Retirement System					
2015	0.99158%	$62,002,484	$18,381,504	337%	65.0%
2016	0.92291%	$62,772,082	$17,350,405	362%	62.7%
Teachers' Retirement System of Louisiana					
2015	1.39419%	$142,505,293	$67,137,954	212%	63.7%
2016	1.41168%	$151,786,564	$68,067,319	223%	62.5%

*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 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.

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

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Schedule of the System's Contributions
For the Fiscal Year Ended June 30, 2016

Fiscal Year*	(a) Statutorily-Required Contribution	(b) Contributions in relation to the statutorily-required contribution	(a-b) Contribution Deficiency (Excess)	System's covered-employee payroll	Contributions as a percentage of covered-employee payroll
Louisiana State Employees' Retirement System					
2015	$6,423,036	$6,423,036	$0	$17,350,405	37.0%
2016	$6,278,510	$6,278,510	$0	$16,893,695	37.2%
Teachers' Retirement System of Louisiana					
2015	$18,313,185	$18,313,185	$0	$68,067,319	26.9%
2016	$16,142,757	$16,142,757	$0	$66,186,679	24.4%

*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 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.

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

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Schedule of Funding Progress for the Other Postemployment Benefits Plan
For the Fiscal Year Ended June 30, 2016

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, 2013	NONE	$169,921,700	$169,921,700	0%	$76,275,333	222.8%
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%

Factors contributing to the increase in the Office of Group Benefits plans from the July 1, 2013, valuation to the July 1, 2014, valuation were:

1. A change in the retiree benefit plans for those retiring past March 31, 2015
2. A change in the mortality tables used
3. An update to the retirement and termination assumptions
4. A change in the different age graded claim curve and updated per capita health claim costs

(The actuarial valuation was completed July 1, 2014, and July 1, 2015, were completed by a different actuary than for July 1, 2013.)

SUPPLEMENTARY INFORMATION SCHEDULES

Combining Schedule of Net Position, by Campus, for the year ended June 30, 2016

Schedule 4 presents the Combining Schedule of Net Position, by campus, for the year ended June 30, 2016.

Combining Schedule of Revenues, Expenses, and Changes in Net Position, by Campus, for the year ended June 30, 2016

Schedule 5 presents the Combining Schedule of Revenues, Expenses, and Changes in Net Position, by Campus, for the year ended June 30, 2016.

Combining Schedule of Cash Flows, by Campus, for the year ended June 30, 2016

Schedule 6 presents the Combining Schedule of Cash Flows, by Campus, for the year ended June 30, 2016.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Position, by Campus, June 30, 2016

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
ASSETS			
Current assets:			
Cash and cash equivalents	$8,135	$6,969,743	
Investments			
Receivables, net	5,918	6,681,361	$59,729
Due from State Treasury		415,233	47,504
Due from federal government		9,617,699	272,231
Due from other campuses	3,525,280	8,366,151	3,224,292
Inventories		301,612	
Prepaid expenses and advances	144,782	3,770,235	17,017
Notes receivable, net			
Other current assets		60,404	
Total current assets	3,684,115	36,182,438	3,620,773
Noncurrent assets			
Restricted cash and cash equivalents	86,873	4,730,356	1,375,780
Restricted investments	414,761	7,681,882	474,663
Capital assets, net	30,247	154,010,890	6,974,205
Intangible assets		670,651	66,193
Other noncurrent assets		-	
Total noncurrent assets	531,881	167,093,779	8,890,841
Total assets	4,215,996	203,276,217	12,511,614
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	1,101,972	15,869,239	2,334,347
Total deferred outflows of resources	1,101,972	15,869,239	2,334,347
Total assets and deferred outflows of resources	$5,317,968	$219,145,456	$14,845,961
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	$115,879	$10,577,094	$289,373
Due to other campuses			
Unearned revenues		4,068,675	309,982
Amounts held in custody for others		776,249	
Other current liabilities		912,746	123,843
Compensated absences payable	57,762	531,887	76,016
Capital lease obligations		1,007,706	
Claims and litigation payable		8,500	
Notes payable			
Bonds payable			
Total current liabilities	173,641	17,882,857	799,214
Noncurrent Liabilities:			
Compensated absences	601,087	5,524,657	962,355
Capital lease obligations		44,753,794	
Claims and litigation payable			
Notes payable			
Net pension liability	9,290,741	113,058,177	18,996,560
OPEB payable	5,385,050	60,332,005	11,334,263
Bonds payable			
Total noncurrent liabilities	15,276,878	223,668,633	31,293,178
Total liabilities	15,450,519	241,551,490	32,092,392
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	395,993	4,999,600	765,007
Total deferred inflows of resources	395,993	4,999,600	765,007
NET POSITION			
Net investment in capital assets	30,247	108,920,041	7,040,398
Restricted for:			
Nonexpendable	360,000	6,698,752	1,441,250
Expendable	861,187	15,976,447	2,534,264
Unrestricted	(11,779,978)	(159,000,874)	(29,027,350)
TOTAL NET POSITION	(10,528,544)	(27,405,634)	(18,011,438)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$5,317,968	$219,145,456	$14,845,961

Schedule 4

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	ELIMINATIONS	TOTAL SYSTEM
	$754,607	$2,015,751		$9,748,236
		523,245		523,245
$367,272	3,374,855	5,485,194	($777,020)	15,197,309
62,178	109,183	34,561		668,659
736,313	1,785,808	608,724		13,020,775
			(15,115,723)	
				301,612
		238,042		4,170,076
	316,321	15,806		332,127
		19,824		80,228
1,165,763	6,340,774	8,941,147	(15,892,743)	44,042,267
	4,044,942	577,679		10,815,630
	75,767	2,142,678		10,789,751
4,850,340	103,989,303	25,682,312		295,537,297
19,501	309,231	57,098		1,122,674
		165,212		165,212
4,869,841	108,419,243	28,624,979	NONE	318,430,564
6,035,604	114,760,017	37,566,126	(15,892,743)	362,472,831
1,256,456	5,189,967	4,022,510		29,774,491
1,256,456	5,189,967	4,022,510		29,774,491
$7,292,060	$119,949,984	$41,588,636	($15,892,743)	$392,247,322
$87,421	$893,878	$915,736		$12,879,381
366,430	10,564,289	4,185,004	($15,115,723)	
15,526	4,472,129	1,493,108		10,359,420
	91,601	577,650		1,445,500
	118,219	1,532,212	(777,020)	1,910,000
45,154	44,144	58,807		813,770
		55,169		1,062,875
		135,289		143,789
	1,459,866			1,459,866
		215,000		215,000
514,531	17,644,126	9,167,975	(15,892,743)	30,289,601
733,886	1,828,398	1,546,369		11,196,752
		1,400,145		46,153,939
		304,400		304,400
	35,570,077			35,570,077
11,386,302	37,191,572	24,635,294		214,558,646
8,522,946	16,174,653	11,286,957		113,035,874
		12,118,100		12,118,100
20,643,134	90,764,700	51,291,265	NONE	432,937,788
21,157,665	108,408,826	60,459,240	(15,892,743)	463,227,389
411,900	1,727,568	936,293		9,236,361
411,900	1,727,568	936,293	NONE	9,236,361
4,996,894	67,268,591	13,673,718		201,929,889
	2,608,876	600,000		11,708,878
1,038,074	788,761	1,288,182		22,486,915
(20,312,473)	(60,852,638)	(35,368,797)		(316,342,110)
(14,277,505)	9,813,590	(19,806,897)	NONE	(80,216,428)
$7,292,060	$119,949,984	$41,588,636	($15,892,743)	$392,247,322

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, 2016

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE
OPERATING REVENUES		
Student tuition and fees		$49,385,874
Less scholarship allowances		(18,528,443)
Net student tuition and fees		30,857,431
Federal appropriations		
Federal grants and contracts		15,744,873
State and local grants and contracts		582,836
Nongovernmental grants and contracts		189,286
Auxiliary enterprise revenues		19,248,917
Less scholarship allowances		(1,425,942)
Net auxiliary revenues		17,822,975
Other operating revenues		1,985,830
Total operating revenues		67,183,231
OPERATING EXPENSES		
Education and general:		
Instruction		31,911,302
Research		3,255,805
Public service		1,926,436
Academic support	$174,034	17,856,146
Student services		6,011,783
Institutional support	7,590,684	11,960,025
Operation and maintenance of plant		12,149,663
Depreciation	26,070	7,942,467
Scholarships and fellowships	66,069	8,626,174
Auxiliary enterprises		15,523,923
Other operating expenses	165,344	644,468
Total operating expenses	8,022,201	117,808,192
OPERATING LOSS	(8,022,201)	(50,624,961)
NONOPERATING REVENUES (Expenses)		
State appropriations	2,917,237	26,035,435
Gifts	107,913	150,205
Federal nonoperating revenues		18,347,510
Net investment income (loss)	1,070	110,802
Interest expense		(2,659,456)
Other nonoperating revenues	107,757	5,882,169
Net nonoperating revenues	3,133,977	47,866,665

(Continued)

Schedule 5

LAW CENTER	AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
$9,109,964		$13,430,172	$10,165,536	$82,091,546
(373,092)		(3,606,001)	(6,024,855)	(28,532,391)
8,736,872		9,824,171	4,140,681	53,559,155
	$3,492,678			3,492,678
2,510,992	2,784,517	7,086,832	7,565,580	35,692,794
	368,034	714,264	698,993	2,364,127
80,000	62,952	13,450		345,688
		3,736,710	2,340,339	25,325,966
		(280,253)	(115,944)	(1,822,139)
		3,456,457	2,224,395	23,503,827
121,570	267,690	250,596	1,987,431	4,613,117
11,449,434	6,975,871	21,345,770	16,617,080	123,571,386
4,659,302		9,075,008	3,960,203	49,605,815
	3,298,409	227,174	3,943	6,785,331
112,044	4,390,809	45,691	758,550	7,233,530
2,610,432		1,500,321	1,028,518	23,169,451
1,640,834		4,295,943	6,059,262	18,007,822
3,661,642	2,444,564	11,106,070	9,391,703	46,154,688
505,499	336,416	2,006,303	1,448,777	16,446,658
892,405	337,844	3,591,082	1,175,883	13,965,751
669,948	47,210	4,277,604	4,395,216	18,082,221
		2,023,880	2,481,452	20,029,255
		9,358	584,815	1,403,985
14,752,106	10,855,252	38,158,434	31,288,322	220,884,507
(3,302,672)	(3,879,381)	(16,812,664)	(14,671,242)	(97,313,121)
4,110,836	3,983,342	6,318,756	5,617,328	48,982,934
123,960		134,227		516,305
		7,299,584	9,391,295	35,038,389
(20,475)		8,025	(15,956)	83,466
		(93,101)	(794,926)	(3,547,483)
73,190	347,621	671,800	467,378	7,549,915
4,287,511	4,330,963	14,339,291	14,665,119	88,623,526

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses, and Changes in Net Position, by Campus, 2016

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE
INCOME (Loss) BEFORE OTHER REVENUES	($4,888,224)	($2,758,296)
Capital appropriations		2,052,046
Capital grants and gifts		96,973
Additions to permanent endowments		22,210
Other additions, net	4,487,283	(732,348)
CHANGE IN NET POSITION	(400,941)	(1,319,415)
NET POSITION AT BEGINNING OF YEAR (Restated)	(10,127,603)	(26,086,219)
NET POSITION AT END OF YEAR	($10,528,544)	($27,405,634)

(Concluded)

Schedule 5

LAW CENTER	AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
$984,839	$451,582	($2,473,373)	($6,123)	($8,689,595)
			4,208,250	6,260,296
		2,956,257		3,053,230
22,500		100,000		144,710
(1,217,724)	(1,074,175)	(720,780)	(742,256)	
(210,385)	(622,593)	(137,896)	3,459,871	768,641
(17,801,053)	(13,654,912)	9,951,486	(23,266,768)	(80,985,069)
($18,011,438)	($14,277,505)	$9,813,590	($19,806,897)	($80,216,428)

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by Campus
For the Fiscal Year Ended June 30, 2016

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tuition and fees		$30,537,677	$8,766,918
Federal appropriations			
Grants and contracts	$103,674	16,801,609	4,671,814
Auxiliary enterprise charges		16,617,054	
Payments for employee compensation	(3,602,924)	(51,736,488)	(8,498,381)
Payments for benefits	(1,477,672)	(22,161,213)	(2,778,676)
Payment for utilities	(13,440)	(4,434,230)	(15,016)
Payments for supplies and services	(2,835,399)	(25,064,550)	(2,162,224)
Payments for scholarships and fellowships	(66,069)	(9,506,189)	(474,252)
Loans to students			
Other receipts (payments)		2,089,260	(40,776)
Net cash used by operating activities	(7,891,830)	(46,857,070)	(530,593)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
State appropriations	2,917,237	25,956,294	4,102,369
Gifts and grants for other than capital purposes	107,913	19,760,624	123,960
Private gifts for endowment purposes		22,210	22,500
Taylor Opportunity Program for Students (TOPS) receipts		4,239,671	
TOPS disbursements		(2,984,529)	
GO Grant receipts		80,244	
GO Grant disbursements		(81,494)	
Implicit loan reduction from other campuses	290,122		(1,945,578)
Implicit loan reduction to other campuses		1,184,877	
Direct lending receipts		52,767,946	14,961,430
Direct lending disbursements		(52,767,946)	(14,961,430)
Federal Family Education Loan program receipts		783,216	
Federal Family Education Loan program disbursements		(783,216)	
Other receipts (payments)	4,568,867	2,304,225	(1,189,496)
Net cash provided by noncapital financing sources	7,884,139	50,482,122	1,113,755
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Capital grants and gifts received		96,973	
Purchases of capital assets	(2,675)	(873,877)	(535,657)
Principal paid on capital debt and leases		1,181,442	
Interest paid on capital debt and leases		(2,623,394)	
Other sources		448,603	
Net cash used by capital financing sources	(2,675)	(1,770,253)	(535,657)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments		(1,065,477)	
Interest received on investments	83	270,005	(9,203)
Purchase of investments		1,107,883	
Net cash provided (used) by investing sources	83	312,411	(9,203)

(Continued)

Schedule 6

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	$9,314,052	$3,127,813	$51,746,460
$3,492,678			3,492,678
3,749,757	10,353,245	8,707,361	44,387,460
	3,426,277	2,153,847	22,197,178
(5,718,206)	(14,776,016)	(12,170,236)	(96,502,251)
(2,245,474)	(7,075,995)	(4,831,981)	(40,571,011)
(47,484)	(1,347,887)	(834,486)	(6,692,543)
(2,337,583)	(8,494,302)	(7,327,451)	(48,221,509)
(47,210)	(4,604,268)	(4,911,572)	(19,609,560)
	9,788		9,788
267,690	207,730	2,613,209	5,137,113
(2,885,832)	(12,987,376)	(13,473,496)	(84,626,197)
4,100,721	6,295,379	5,608,602	48,980,602
	5,974,710	9,391,295	35,358,502
	100,000		144,710
	100,726	85,941	4,426,338
	(100,726)	(85,941)	(3,171,196)
			80,244
			(81,494)
(249,331)	1,868,802	(1,189,298)	(1,225,283)
			1,184,877
	20,605,766	13,761,965	102,097,107
	(20,605,766)	(13,901,828)	(102,236,970)
			783,216
			(783,216)
(965,558)	(42,416)	(71,982)	4,603,640
2,885,832	14,196,475	13,598,754	90,161,077
			96,973
(210,791)	(633,380)	(575,198)	(2,831,578)
		(164,591)	1,016,851
		(794,926)	(3,418,320)
210,791			659,394
	(633,380)	(1,534,715)	(4,476,680)
		1,550,497	485,020
	11,610	43,835	316,330
		(1,550,684)	(442,801)
NONE	11,610	43,648	358,549

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by Campus, 2016

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	($10,283)	$2,167,210	$38,302
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, RESTATED	105,291	9,532,889	1,337,478
CASH AND CASH EQUIVALENTS AT END OF YEAR	$95,008	$11,700,099	$1,375,780
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	($8,022,201)	($50,624,961)	($3,302,672)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense	26,070	7,942,467	892,405
Non-Employer contributing entity (NCE) revenue	20,710	279,221	44,962
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net	103,674	(487,192)	109,792
(Increase) in inventories		(14,846)	
(Increase) decrease in due from federal government		422,510	1,887,306
(Increase) in prepaid expenses and advances	(144,782)	(240,647)	
Decrease in notes receivable			
(Increase) decrease in other assets			(14,063)
(Increase) decrease in deferred outflows related to pensions	101,127	1,041,254	203,378
Increase (decrease) in accounts payable and accrued liability	(135,667)	(1,863,993)	(144,354)
Increase (decrease) in unearned revenue		(1,709,604)	(6,763)
(Decrease) in claims and litigation			
Increase (decrease) in compensated absences	165,344	221,671	(86,836)
Increase in OPEB payable	438,763	3,161,956	836,317
Increase in net pension liability	407,616	5,288,027	874,491
(Decrease) in deferred inflows related to pensions	(852,484)	(10,139,079)	(1,782,743)
Increase (decrease) in other liabilities		(133,854)	(41,813)
Net cash used by operating activities	($7,891,830)	($46,857,070)	($530,593)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and cash equivalents classified as current assets	$8,135	$6,969,743	
Cash and cash equivalents classified as noncurrent assets	86,873	4,730,356	$1,375,780
Cash and cash equivalents at the end of the year	$95,008	$11,700,099	$1,375,780
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital appropriations for construction of capital assets		$2,052,046	
Net increase in the fair value of investments		($291,236)	($11,400)
Capital gifts and grants			

(Concluded)

The accompanying notes are an integral part of this statement.

	AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
		$587,329	($1,365,809)	$1,416,749
		4,212,220	3,959,239	19,147,117
	NONE	$4,799,549	$2,593,430	$20,563,866
	($3,879,381)	($16,812,664)	($14,671,242)	($97,313,121)
	337,844	3,591,082	1,175,883	13,965,751
	28,213	88,019	67,203	528,328
	149,634	(1,015,398)	(358,559)	(1,498,049)
				(14,846)
	363,663	(45,505)	162,746	2,790,720
				(385,429)
		9,788	86,421	96,209
		43,770	(15,606)	14,101
	127,111	343,376	224,040	2,040,286
	(6,190)	(1,798,129)	(146,188)	(4,094,521)
	15,435	3,031,672	(133,269)	1,197,471
			(135,289)	(135,289)
	(116,752)	(56,887)	210,013	336,553
	662,708	1,275,604	889,914	7,265,262
	548,415	1,676,707	1,255,613	10,050,869
	(1,116,532)	(3,259,806)	(2,328,593)	(19,479,237)
	-	(59,005)	243,417	8,745
	($2,885,832)	($12,987,376)	($13,473,496)	($84,626,197)
		$754,607	$2,015,751	$9,748,236
		4,044,942	577,679	10,815,630
	NONE	$4,799,549	$2,593,430	$20,563,866
		$4,415,358		$6,467,404
		($3,585)	($29,481)	($335,702)
			$4,208,250	$4,208,250

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

February 24, 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, 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated February 24, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified deficiencies in internal control that we consider to be significant deficiencies.

Unlocated Movable Property

Southern University - Baton Rouge (SUBR) reported $1.4 million of movable property that could not be located. Of the total reported as unlocated, $410,499 was identified during the current year, the majority of which were computers and computer-related equipment. In addition, the annual certification of property inventory, which was submitted to the Louisiana Property Assistance Agency (LPAA) on May 16, 2016, was disapproved by LPAA because of an unacceptable amount of current-year discrepancies. SUBR administers movable property totaling $47,053,711.

Failure to adequately monitor, secure, and account for all movable property subjects SUBR's movable property to an increased risk of loss arising from theft or unauthorized use and to noncompliance with state laws and regulations. Furthermore, because of the nature of services provided by SUBR, there is risk that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

Good internal control requires adequate monitoring of movable property to safeguard against loss or theft. The Louisiana Administrative Code requires entities to conduct an annual physical inventory of movable property and make efforts to locate all movable property for which there are no explanations available for their disappearance.

Management should strengthen internal control to ensure that all movable property is adequately secured and monitored and continue to devote efforts to locating movable property previously reported as unlocated. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Weaknesses in Internal Audit Function

For fiscal year 2016, the Southern University System (SUS) did not adhere to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing (IIA Standards), increasing the risk that SUS internal processes will not be effective or efficient and placing SUS in noncompliance with state law. The following weaknesses were noted:

- The internal audit plan did not have the signed approval of the System President and was not approved by the Board of Supervisors.

- The SUS internal audit section did not have a quality assurance and improvement program and has not obtained an external quality assurance review as required by IIA Standards.

Effective fiscal year 2016, any postsecondary education management board with an appropriation level of $30 million or more is required by Act 314 of the 2015 Regular Session of the Louisiana Legislature to have an internal audit function and establish an office of the chief audit executive who is responsible for ensuring the internal audit function adheres to IIA Standards.

Considering SUS received appropriations of $49 million during fiscal year 2016, an internal audit function is important to ensure SUS's assets are safeguarded and that management's policies and procedures are uniformly applied. Management should ensure that internal audit activities are performed in accordance with IIA Standards. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

Compliance and Other Matters

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

System's Responses to Findings

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

Purpose of this Report

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

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KJ:AD:WDG:EFS:aa

SUS2016

APPENDIX A

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

SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM
J.S. CLARK ADMINISTRATION BUILDING
4TH FLOOR
BATON ROUGE, LOUISIANA 70813

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

FAX NUMBER
(225) 771-5522

February 9, 2017

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

RE: Unlocated Movable Property

Dear Mr. Purpera:

Southern University Baton Rouge (SUBR) Campus concurs with the finding noted above relative to Unlocated Movable Property. It should be duly noted that the $1.4 million total for SUBR represents four separate fiscal years as reported on our Certification of Annual Property Inventory.

Additionally, the $410,499 listed as unlocated property for fiscal year 2016 when compared with the total inventory of $47,053,711 for that period equals to less than a one percent (1%) discrepancy. The University recognizes the importance of monitoring, securing, and accounting for all movable property inclusive of computer related equipment.

To ensure compliance with state and university procedures the university has taken the following actions:

1. **Replaced the previous Property Manager**
2. **Requested and received technical assistance from LPAA staff**
3. **Purchased new equipment for Property staff (computers, scanners)**
4. **Reorganized and filled all vacancies in the Property department**
5. **Sent email to all employees indicating they will be held accountable for movable property assigned to them**
6. **Property personnel and departmental staff are working tirelessly to locate movable property previously reported as unlocated**

Southern University Baton Rouge campus is committed to resolving this finding. We will continue to strengthen existing internal controls to ensure future compliance with all applicable state laws and regulations.

If you have any additional questions or concerns, please contact Mr. Benjamin Pugh, Vice Chancellor for Finance and Administration at 225.771.5021.

Sincerely,

Ray L. Belton /BLP

Ray L. Belton
System President-Chancellor

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January 17, 2017

Mr. Daryl Purpera
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: System Finding – Weaknesses in Internal Audit Function

Dear Mr. Purpera:

We concur with the finding relative to the Southern University System Internal Audit function. The following actions will address the weaknesses noted:

- According to the Southern University System Internal Audit Director, the former System President signed and approved the audit plan for the period July 1, 2014 through June 30, 2016. However, a copy of the approved document could not be located. The Southern University Board of Supervisors has approved the audit plan for the period July 1, 2016 through June 30, 2018.

- Due to budget reductions and the expensive cost involved in having an external quality assurance review, the Southern University System Internal Audit department will conduct a self-assessment with an external validation. The estimated completion date of this process is seven months.

Should you have any questions or need additional information, please let me know.

Sincerely,

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