SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2018
ISSUED FEBRUARY 4, 2019

LOUISIANA LEGISLATIVE AUDITOR
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TABLE OF CONTENTS

		Page
Independent Auditor's Report		3
Management's Discussion and Analysis		7
	Statement	
Basic Financial Statements:		
Southern University System – Statement of Net Position	A	19
Southern University System Foundation – Statement of Financial Position	B	21
Southern University System – Statement of Revenues, Expenses, and Changes in Net Position	C	23
Southern University System Foundation – Statement of Activities	D	25
Southern University System – Statement of Cash Flows	E	26
Notes to the Financial Statements		28
	Schedule	
Required Supplementary Information:		
Schedule of the System's Proportionate Share of the Net Pension Liability	1	71
Schedule of the System's Contributions	2	72
Schedule of the System's Proportionate Share of the Total Collective OPEB Liability	3	73

Page

Schedule

Supplementary Information:

Combining Schedule of Net Position, by Campus .....4.....75

Combining Schedule of Revenues, Expenses,
and Changes in Net Position, by Campus .....5.....77

Combining Schedule of Cash Flows, by Campus .....6.....79

Exhibit

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*..... A

Appendix

Management's Corrective Action Plan and Response
to the Finding and Recommendation..... A

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 25, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Southern University System Foundation, which represents the only discretely presented component unit of the System. The Foundation financial statements were audited by another auditor whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Southern University System Foundation, are based solely on the report of the other auditor.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements

of the Southern University System Foundation, which were audited by another auditor, were audited in accordance with the standards generally accepted in the United States of America but not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the System as of June 30, 2018, 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 $203,360,857 at June 30, 2018, as determined by the Louisiana State Employees' Retirement System (LASERS) and Teachers' Retirement System of Louisiana (TRSL). The related actuarial valuations were performed by LASERS's and TRSL's actuaries using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at June 30, 2018, could be under or overstated. Our opinion is not modified with respect to this matter.

As discussed in notes 1-Q and 11 to the financial statements, the System implemented Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – superseding portions of GASB Statement No. 45 and GASB Statement No. 57*, for the year ended June 30, 2018. The adoption of these standards required the System to record its proportionate share of other postemployment benefits related to its participation in a defined-benefit, multiple-employer other postemployment benefit plan, restating the previous year. As a result of the implementation, the System's net position decreased by $69,477,700 as of July 1, 2017. 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 18, the Schedule of the System's Proportionate Share of the Net Pension Liability on page 71, the Schedule of the System's Contributions on page 72, and the Schedule of the System's Proportionate Share of the Total Collective OPEB Liability on page 73, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB 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 75 through 82, for the fiscal year ended June 30, 2018, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedule of Net Position; the Combining Schedule of Revenues, Expenses, and Changes in Net Position; and the Combining Schedule of Cash Flows are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

PGH:AD:RR:EFS:aa

SUS 2018

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, 2018. The System is geographically located in Baton Rouge, Louisiana and has three campuses located on the Baton Rouge Campus land mass [Southern University A&M (SUBR A&M); Southern University Law Center (SULC); and Southern University Agricultural, Research, and Extension Center, (SUAREC)]; and two campuses remotely located, one in New Orleans, Louisiana [Southern University at New Orleans (SUNO)]; and one in Shreveport, Louisiana [Southern University at Shreveport (SUSLA)]. This document focuses on the current year's activities, resulting changes, and currently-known facts in comparison with the prior year's information. The notes to the financial statements provide a summary of some of the significant accounting policies affecting all financial transactions of the System. The primary financial statements presented in this MD&A are the Statement of Net Position (SNP), the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP), and the Statement of Cash Flows (SCF). This document should be read in conjunction with the annual financial report of the System.

Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements 14 and 39*, issued in November 2010, modifies certain requirements for determining if a component unit is included in the System's financial statements. The System also applies GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, to determine which component units should be presented in the System's financial statements. The state of Louisiana has set a threshold for including component units if the component unit's total assets equal 3% or more of the total assets of the System. The System has two component units presented in its 2018 financial statements, namely the System Foundation (SUSF) and the SUSLA Facilities, Inc. The Foundation is a nonprofit organization chartered in 1968 to promote the educational and cultural welfare of the System and to develop, expand, and improve the System's facilities. The Foundation is reported as a discretely presented component unit. SUSLA Facilities, Inc., a nonprofit organization, chartered in 2006 was organized to promote, assist, and benefit the mission of Southern University at Shreveport and to develop, renovate, repair, rehabilitate, manage, and lease various facilities for the Shreveport Campus. SUSLA Facilities, Inc. is reported in the accompanying financial statements as a blended component unit. For more detailed information on this blended component unit, the financial statement reader is referred to Note 25, "Segment Information."

ENROLLMENT HIGHLIGHTS

Based on comparative data at the enrollment census date for the Fall 2016 and 2017 semesters, the System experienced an overall decrease in enrollment of 66 students, a decline of 0.52%. Enrollment declined from 12,661 students in Fall 2016 to 12,595 students in Fall 2017. The decline in enrollment is attributed to a decline in enrollment at the Shreveport campus.

FINANCIAL HIGHLIGHTS

The System's net position reflects an increase of $81.2 million, or 56.4%, for the current fiscal year. The System's operating revenues increased by $4.3 million, or 3.3%. This increase is primarily attributable to an increase in student tuition and fees; federal grants and contracts: and state and local grants and contracts.

Nonoperating revenues increased by $34.1 million, or 37.5%. This increase is primarily attributable to SUNO's debt cancellation. SUNO's debt of $35.6 million was cancelled by the U.S. Department of Education, resulting in federal nonoperating revenue of the same amount.

Total revenues increased by $38.4 million, or 17.5%, while total operating and nonoperating expenses decreased by $5.0 million, or 2.1%.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

The Statement of Net Position (pages 19-20) presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between assets plus deferred outflows and liabilities plus deferred inflows is net position, which may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

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

The Statement of Cash Flows (pages 26-27) presents information showing how the System's cash changed as a result of the current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB Statement 34.

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

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

FINANCIAL ANALYSIS

STATEMENT OF NET POSITION

The Statement of Net Position provides information to the financial statement reader regarding the available assets and deferred outflow of resources of the System, the liabilities and deferred inflow of resources, or amounts owed to vendors, students, and other System constituencies, and net position, or resources and their availability for use by the System for invested in capital assets, net of related debt, restricted, or unrestricted purposes.

Current assets total $41.6 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 $371.6 million and are comprised primarily of capital assets totaling $349.1 million, and restricted cash and cash equivalents and restricted investments totaling $22.5 million.

Deferred outflow of resources totals $37.3 million and is comprised of deferred outflows relating to pensions and to other postemployment benefits (OPEB).

Current liabilities total $31.2 million and primarily consist of accounts payable, accrued liabilities, unearned revenues, amounts held in custody for others, other current liabilities, and the current portion of long-term debt obligations for capital leases, notes payable, claims and litigations payable, and estimated liabilities for compensated absences.

Noncurrent liabilities total $458.5 million and include the long-term portion of noncurrent liabilities for 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 2018, the System's proportionate share of the net pension liability is $203.4 million and for OPEB the liability is $185.0 million.

Deferred inflow of resources totals $23.6 million and is comprised of deferred inflows relating to pensions and to other postemployment benefits.

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 $286.9 million and include capital investments, net of related debt for land, buildings, equipment, infrastructure, improvements, construction in progress, library holdings, and intangibles.

The **restricted nonexpendable net position** category totals $12.3 million and consist of endowment funds that have been restricted by the donor with a stipulation that as a condition of the award the principal is to remain intact and invested for the purpose of producing current and future income that may be either expended or added to the principal.

The **temporarily restricted (expendable) net position** category totals $23.7 million and includes resources for which an external or third party agency has imposed a legal or contractual obligation on the use of the funds that stipulates the manner in which these funds are to be spent by the System.

The **unrestricted net position** category totals a negative $385.6 million and includes resources that are under the control of the System's governing board. This category is comprised of the unfunded estimated liability for OPEB, compensated absences, net pension liabilities, deferred outflow of resources, deferred inflow of resources, auxiliary enterprise funds and other unrestricted funds under the control of the System's governing board.

The System's assets, liabilities, and net position for fiscal years 2018 and 2017 are presented on the following page in Table 1.

Table 1:
Comparative Statement of Net Position
For the Fiscal Years as of
June 30, 2018, and 2017

	2018	2017 (Restated)	Change	Percentage Change
Assets				
Current assets	$41,584,140	$40,314,074	$1,270,066	3.2%
Capital assets, net	349,075,872	306,698,469	42,377,403	13.8%
Other noncurrent assets	22,545,393	22,486,877	58,516	0.3%
Total assets	413,205,405	369,499,420	43,705,985	11.8%
Deferred outflow of resources				
Deferred outflows relating to OPEB	6,310,668	5,710,528	600,140	10.5%
Deferred outflows relating to pensions	31,030,086	46,554,423	(15,524,337)	(33.3%)
Total Deferred outflow of resources	37,340,754	52,264,951	(14,924,197)	(28.6%)
Total Assets and Deferred outflows of resources	$450,546,159	$421,764,371	$28,781,788	6.8%
Liabilities				
Current liabilities	$31,150,725	$28,649,351	$2,501,374	8.7%
Noncurrent liabilities	458,538,328	527,500,017	(68,961,689)	(13.1%)
Total liabilities	489,689,053	556,149,368	(66,460,315)	(12.0%)
Deferred inflows of resources				
Deferred inflows relating to OPEB	10,098,846		10,098,846	100%
Deferred inflows relating to pensions	13,516,613	9,544,463	3,972,150	41.6%
Total Deferred inflows of resources	$23,615,459	$9,544,463	$14,070,996	147.4%
Net Position				
Net investment in capital assets	$286,852,350	$214,219,017	$72,633,333	33.9%
Restricted:				
Nonexpendable	12,268,339	12,173,589	94,750	0.8%
Expendable	23,680,195	22,075,508	1,604,687	7.3%
Unrestricted	(385,559,237)	(392,397,574)	6,838,337	1.7%
Total net position	($62,758,353)	($143,929,460)	$81,171,107	56.4%

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

Total assets of the System increased by $43.7 million, or 11.8%. The System recognized a decrease in total liabilities of $66.5 million, or 12%. 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, 2018, the Statement of Revenues, Expenses, and Changes in Net Position reports a net operating loss of $93.1 million. The net operating loss includes expenses but does not include revenues for state appropriations of $46.1 million, federal nonoperating revenues of $69.9 million, gifts of $1.0 million, net investment income and other nonoperating revenues of $8.0 million. After adjusting for these revenues in the nonoperating revenues (expenses) section of the statement and adjusting for interest expense of $2.2 million, the net income before other revenues, expenses, gains or losses is $29.7 million.

The operating revenues are received for providing goods and services to various customers and other System constituents. Operating revenues total $133.2 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 $226.3 million for the year and include education and general expenses by functional breakdown (including pension and compensated absences expenses), depreciation, net auxiliary expenses, and other operating expenses.

Nonoperating revenues are revenues received for which goods and services are not provided in exchange for the revenues received. For example, state appropriations are considered nonoperating because they are provided by the Legislature to the System even though the Legislature does not receive, directly in return, goods and services for those revenues. Pell grant revenues are reported in the Statement of Revenues, Expenses, and Changes in Net Position as federal nonoperating revenues. Also, included in this section are net federal student loan receipts and disbursements for the William D. Ford Federal Direct Loan Program. Nonoperating revenues total $125.0 million and interest expenses total $2.2 million, resulting in net nonoperating revenues of $122.8 million for the 2018 fiscal year.

On April 4, 2018, the U.S. Department of Education cancelled the Promissory Note of Southern University at New Orleans that was held by Regions Bank. SUNO's debt cancellation of $35.6 million resulted in federal nonoperating revenue of the same amount being reported in the State of Revenues, Expenses, and Changes in Net Position.

The Statement of Revenues, Expenses, and Changes in Net Position reports an increase in net position of $81.2 million at the end of the 2018 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, 2018, and 2017

	2018	2017 (Restated)	Change	Percent Change
Operating Revenues:				
Student tuition and fees, net	$57,788,665	$56,851,783	$936,882	1.6%
Federal apppropriations	3,634,421	3,213,323	421,098	13.1%
Federal grants and contracts	42,299,820	39,898,908	2,400,912	6.0%
State and local grants and contracts	2,648,295	1,681,056	967,239	57.5%
Nongovernmental grants and contracts	616,651	614,972	1,679	0.3%
Auxiliary enterprises, net	21,942,301	21,825,728	116,573	0.5%
Other operating revenue	4,220,010	4,772,470	(552,460)	(11.6%)
Total operating revenues	133,150,163	128,858,240	4,291,923	3.3%
Nonoperating Revenues				
State appropriations	46,117,524	47,311,880	(1,194,356)	(2.5%)
Gifts	971,876	483,365	488,511	101.1%
Federal nonoperating revenues	69,920,245	33,494,618	36,425,627	108.8%
Net investment income	227,703	859,341	(631,638)	(73.5%)
Other nonoperating revenues	7,797,231	8,780,981	(983,750)	(11.2%)
Total nonoperating revenues	125,034,579	90,930,185	34,104,394	37.5%
Total Revenues	258,184,742	219,788,425	38,396,317	17.5%
Operating Expenses:				
Education and general:				
Instruction	48,893,505	50,754,853	(1,861,348)	(3.7%)
Research	6,946,225	7,223,266	(277,041)	(3.8%)
Public service	9,716,771	9,277,882	438,889	4.7%
Academic support	27,055,584	25,110,393	1,945,191	7.7%
Student services	18,591,872	18,969,431	(377,559)	(2.0%)
Institutional support	49,770,126	50,472,974	(702,848)	(1.4%)
Operations and maintenance of plant	16,846,536	15,459,207	1,387,329	9.0%
Depreciation	13,296,491	14,023,683	(727,192)	(5.2%)
Scholarships and fellowships	15,104,871	16,012,855	(907,984)	(5.7%)
Auxiliary enterprises	19,110,517	21,581,824	(2,471,307)	(11.5%)
Other operating expenses	939,627	1,250,088	(310,461)	(24.8%)
Total operating expenses	226,272,125	230,136,456	(3,864,331)	(1.7%)
Nonoperating expenses - interest expense	2,229,122	3,355,632	(1,126,510)	(33.6%)
Total expenses	228,501,247	233,492,088	(4,990,841)	(2.1%)
Income (loss) before other revenues, expenses, gains, and losses	29,683,495	(13,703,663)	43,387,158	316.6%
Capital appropriations	2,878,431	3,153,967	(275,536)	(8.7%)
Capital grants and gifts	48,509,181	16,233,619	32,275,562	198.8%
Additions to permanent endowments	100,000	442,500	(342,500)	(77.4%)
Change in Net Position	81,171,107	6,126,423	75,044,684	1,224.9%
Net position at beginning of year (restated)	(143,929,460)	(80,578,183)	(63,351,277)	(78.6%)
Cumulative effect of change in accounting principle		(69,477,700)	69,477,700	100.0%
Net position at the end of the year	($62,758,353)	($143,929,460)	$81,171,107	56.4%

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As shown in the Table 3 below, the System invested $349.1 million in capital assets, which is shown net of accumulated depreciation. Shown also in Table 3 is an increase in the total cost of capital assets of $52.9 million, or 7.9%. Accumulated depreciation increased by $10.6 million, or 2.9%, resulting in an overall net increase in capital assets of approximately $42.4 million, or 13.8%. The System's capital assets (including additions, transfers and retirements, net of accumulated depreciation) is comprised of buildings, improvements, equipment, infrastructure, and library holdings. Also included are intangible assets for computer software and non-depreciable assets for land and construction in progress.

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

	2018	2017 (Restated)	Change	Percentage Change
Capital assets not being depreciated	$91,779,545	$47,527,716	$44,251,829	93.1%
Other capital assets:				
Infrastructure	32,844,715	32,844,715		0.0%
Land Improvements	15,215,069	15,215,069		0.0%
Buildings	434,463,494	426,611,395	7,852,099	1.8%
Equipment (including library books)	138,462,107	137,628,547	833,560	0.6%
Software	7,317,561	7,317,561		0.0%
Total other capital assets	628,302,946	619,617,287	8,685,659	1.4%
Total cost of capital assets	720,082,491	667,145,003	52,937,488	7.9%
Less - accumulated depreciation	(371,006,619)	(360,446,534)	(10,560,085)	(2.9%)
Capital assets, net	$349,075,872	$306,698,469	$42,377,403	13.8%

This year's major additions include $52.1 million in construction in progress (CIP) projects. Of this amount, projects totaling $7.9 million were completed in 2018 and transferred to buildings resulting in a net CIP addition of $44.2 million.

For the 2018 fiscal year, equipment additions (including library books) totaled $3.6 million; of this amount $2.7 million was retired, resulting in a net addition of $0.9 million; buildings for the System increased by $7.9 million, due to the $7.9 million transfer from CIP mentioned above. The System recorded $13.3 million for depreciation expense in fiscal year 2018, resulting in a net current year increase in capital assets of $42.4 million.

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

- SUNO Campus – This year's major additions include $48.5 million in CIP projects for the Arts & Humanities, Education, Social Work, and Natural Resources buildings. No projects were completed or transferred to the buildings category in 2018.

- SU A&M Campus – This year's major additions on the Campus include $1.6 million in CIP projects for: (1) Repair/Replacement of Hot Water Pipes, (2) Ravine Sloughing Project Phase 2, (3) SU Lab School Addition and Upgrades, (4) FG Clark Activity Center, (7) Southern University Outdoor Forum (Amphitheater), and (8) other major repairs and deferred maintenance projects. No projects were completed or transferred to other capital asset categories in 2018.

- SUSLA Campus – This year's major additions on the Campus include $2.0 million in construction projects and other major repairs and deferred maintenance projects. The Alphonse Jackson Classroom Building was completed August 2017, and the Dental Hygiene Clinic was completed January 2018. Both projects were transferred to the buildings category in 2018. Two projects currently in progress are the Allen Building School of Nursing with an expected completion in December 2018, and the Milam Street Kitchen Incubator and Culinary Kitchen with an expected completion in November 2018.

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

LONG-TERM DEBT

The total amount of long-term debt at June 30, 2018, is $461.8 million, as shown in Table 4 on the next page. Of this amount, $3.2 million is reported as current and is expected to be paid within one year.

During the 2018 fiscal year, the Shreveport campus retired $12.1 million in bonds payable, and SU A&M retired $23.7 million in capital lease obligations. The System has a net increase in its notes payable debt of $2.7 million. This increase is the net change resulting from the U.S. Department of Education cancelling the $35.6 million in notes payable for the New Orleans campus, and SU A&M incurring $26.2 million and the Shreveport campus incurring $12.1 million of notes payable debt. 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 13 and 14 in the accompanying notes to the financial statements.

Table 4:
Long-term Debt

	FY2018	FY2017 Restated	Increase (Decrease)	Percent Change	Current Portion
Compensated absences	$12,529,684	$11,780,514	$749,170	6.36%	$903,692
Bonds payable		12,120,186	(12,120,186)	(100.00%)	
Capital Lease Obligation	22,433,497	46,138,472	(23,704,975)	(51.38%)	725,641
Claims and Litigations	222,111	307,400	(85,289)	(27.75%)	188,289
Net Pension Liability	203,360,857	232,282,638	(28,921,781)	(12.45%)	
Notes Payable	38,250,326	35,566,943	2,683,383	7.54%	1,431,205
OPEB Payable	184,990,680	193,125,999	(8,135,319)	(4.21%)	
Total	$461,787,155	$531,322,152	($69,534,997)	(13.09%)	$3,248,827

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 2018 fiscal year, the following changes were made in key personnel:

- Board and System Administration – Dr. Vladimir A. Appeaning was named the Vice President for Strategic Planning, Policy and Institutional Effectiveness; Dr. Robyn Merrick was named Vice President for External Affairs; Dr. Katara Williams was named Chief of Staff; Attorney Deidre Robert was named General Counsel to the System and Board of Supervisors; and Attorney Tracie Woods was named Associate Vice President for Human Resources.

- SU A&M – Dr. James Ammons was appointed Executive Vice President/Executive Vice Chancellor, Dr. Kimberly Scott was appointed Vice Chancellor for Student Affairs and Enrollment Management, Dr. Bijoy Sahoo was appointed Senior Associate Vice Chancellor Academic Affairs, Mr. Michael Francois was appointed Financial Aid Director, and Mr. Edward Willis was appointed Assistant Vice Chancellor for Student Success.

- SULC – There were no changes in key personnel within Fiscal Year 2018.

- SUAREC – There were no changes in key personnel within Fiscal Year 2018.

- SUNO Campus – The director of facilities Management/Safety and Transportation resigned in May 2018. Ms. Bettye Ekperikpe was hired as Director of Evening and

Weekend Affairs, and Mr. Anthony Ray was hired as Director of College Access Retention Excellence and Success.

- SUSLA Campus – During the fiscal year, the university experienced turnover in the financial aid, admissions, and facilities departments. The Director of Facilities resigned in May 2018. In Financial Aid, two positions were vacant at the end of the fiscal year. Daniel Murff and Jennifer Roberts have been hired to fill these positions. In the Spring 2018, the Admissions Office had turnover in the director, assistant director, and two processor positions. Jorge Sousa was hired as Director of Admissions in July 2018; however, the Admissions office still has two vacancies.

CONTACTING THE SYSTEM'S MANAGEMENT

The accompanying System financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the System's finances and to show the System's accountability for the money it receives. If you have any questions about this report or the need for additional financial information, you may contact the System Vice President for Finance and Business Affairs, Mr. Flandus McClinton, Jr., who is located on the 4th Floor of the J.S. Clark Administration Building, Baton Rouge, Louisiana, 70813, phone number: 225-771-6278; e-mail address: flandus_mcclinton@sus.edu.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Position, June 30, 2018

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$7,125,042
Receivables, net (note 4)	14,230,921
Due from State Treasury	393,080
Due from federal government	13,050,165
Inventories	298,451
Prepaid expenses and advances	5,621,944
Notes receivable, net (note 5)	238,106
Other current assets	626,431
Total current assets	41,584,140
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	5,800,075
Restricted investments (note 3)	16,745,318
Capital assets, net (note 6)	349,075,872
Total noncurrent assets	371,621,265
Total assets	413,205,405
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflows related to OPEB (note 11)	6,310,668
Deferred outflows related to pensions (note 9)	31,030,086
Total deferred outflows of resources	37,340,754
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$450,546,159
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 7)	$14,696,199
Unearned revenues	8,132,854
Amounts held in custody for others	1,457,522
Other liabilities	3,615,323
Compensated absences (note 8 and 14)	903,692
Capital lease obligations (note 13 and 14)	725,641
Claims and litigation payable (note 12 and 14)	188,289
Notes payable (note 14 and 15)	1,431,205
Total current liabilities	31,150,725

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Position, June 30, 2018

LIABILITIES	
Noncurrent liabilities:	
Compensated absences (note 8 and 14)	$11,625,992
Capital lease obligations (note 13 and 14)	21,707,856
Claims and litigations payable (note 12 and 14)	33,822
Notes payable (note 14 and 15)	36,819,121
Net pension liability (note 9 and 14)	203,360,857
OPEB Payable (note 11)	184,990,680
Total noncurrent liabilities	458,538,328
Total liabilities	489,689,053
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB (note 11)	10,098,846
Deferred inflows related to pensions (note 9)	13,516,613
Total deferred inflows of resources	23,615,459
NET POSITION	
Net investment in capital assets	286,852,350
Restricted for:	
Nonexpendable (note 17)	12,268,339
Expendable (note 17)	23,680,195
Unrestricted	(385,559,237)
TOTAL NET POSITION	(62,758,353)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$450,546,159

(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, 2017

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$881,172
Accounts receivable (note 4)	51,050
Pledges receivable, net (note 4)	912,960
Prepaid expenses and advances	693,110
Other current assets	1,903,451
Total current assets	4,441,743
Noncurrent assets	
Restricted assets:	
Cash and cash equivalents (note 2)	3,658,000
Investments (note 3)	10,416,008
Capital assets (note 6)	3,643,425
Other noncurrent assets	24,656,135
Total noncurrent assets	42,373,568
TOTAL ASSETS	$46,815,311

(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, 2017

LIABILITIES	
Current liabilities:	
Accounts payable	$488,435
Amounts held in custody for others	7,755,409
Bonds payable and premium, net (note 16)	1,653,934
Other current liabilities	576,736
Total current liabilities	10,474,514
Noncurrent liabilities:	
Bonds payable and premium (note 16)	23,672,737
Other noncurrent liabilities	3,200,781
Total noncurrent liabilities	26,873,518
Total liabilities	37,348,032
NET ASSETS	
Unrestricted	1,822,480
Restricted for:	
Permanently restricted	6,630,689
Temporarily restricted	1,014,110
Total net assets	9,467,279
TOTAL LIABILITIES AND NET ASSETS	$46,815,311

(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, 2018

OPERATING REVENUES	
Student tuition and fees	$89,035,168
Less scholarship allowances	(31,246,503)
Net student tuition and fees	57,788,665
Federal appropriations	3,634,421
Federal grants and contracts	42,299,820
State and local grants and contracts	2,648,295
Nongovernmental grants and contracts	616,651
Auxiliary enterprise revenues	24,253,036
Less scholarship allowances	(2,310,735)
Net auxiliary revenues	21,942,301
Other operating revenues	4,220,010
Total operating revenues	133,150,163
OPERATING EXPENSES	
Education and general:	
Instruction	48,893,505
Research	6,946,225
Public service	9,716,771
Academic support	27,055,584
Student services	18,591,872
Institutional support	49,770,126
Operation and maintenance of plant	16,846,536
Depreciation (note 6)	13,296,491
Scholarships and fellowships	15,104,871
Auxiliary enterprises	19,110,517
Other operating expenses	939,627
Total operating expenses	226,272,125
OPERATING LOSS	(93,121,962)

(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, 2018

NONOPERATING REVENUES (Expenses)	
State appropriations	$46,117,524
Gifts	971,876
Federal nonoperating revenues	69,920,245
Net Investment income	227,703
Interest expense	(2,229,122)
Other nonoperating revenues	7,797,231
Net nonoperating revenues	122,805,457
Income before other revenues, expenses, gains, losses	29,683,495
Capital appropriations	2,878,431
Capital grants and gifts	48,509,181
Additions to permanent endowments	100,000
CHANGE IN NET POSITION	81,171,107
NET POSITION AT BEGINNING OF YEAR (restated) (note 18)	(143,929,460)
NET POSITION AT END OF YEAR	($62,758,353)

(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, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES AND SUPPORT				
Contributions and other support	$4,977,550		$2,688,456	$7,666,006
Rental income	2,430,058			2,430,058
Bayou Classic revenues		$116,621		116,621
Administration fees	177,289	44,322		221,611
Athletic sponsorships and support	9,100			9,100
Contributed services	13,298			13,298
Interest income	44,156	67,134		111,290
Other income		424,664		424,664
Total revenues and support	7,651,451	652,741	2,688,456	10,992,648
Net assets released from restrictions - (note 24)	536,120	(536,120)		
EXPENSES				
Program services	7,135,487			7,135,487
Support services	1,532,469			1,532,469
Fundraising	42,783			42,783
Total expenses	8,710,739			8,710,739
Investment Activities				
Net realized loss		(13,798)		(13,798)
Net unrealized gain			194,279	194,279
Total investment activities		(13,798)	194,279	180,481
Extraordinary loss on the early retirement of debt		(3,790,325)		(3,790,325)
Changes in net assets	(523,168)	(3,687,502)	2,882,735	(1,327,935)
Net assets - beginning of year	2,345,648	4,701,612	3,747,954	10,795,214
Net assets - end of year	$1,822,480	$1,014,110	$6,630,689	$9,467,279

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$58,628,872
Federal appropriations	3,634,421
Grants and contracts	43,556,692
Auxiliary enterprise charges	22,062,802
Payments for employee compensation	(96,721,709)
Payments for benefits	(46,598,581)
Payments for utilities	(7,737,474)
Payments for supplies and services	(48,804,592)
Payments for scholarships and fellowships	(16,857,714)
Loans to students	90,603
Other receipts	2,580,085
Net cash used by operating activities	(86,166,595)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	46,422,354
Gifts and grants for other than capital purposes	35,829,216
Private gifts for endowment purposes	100,000
Taylor Opportunity Program for Students (TOPS) receipts	3,245,332
TOPS disbursements	(3,429,365)
GO Grant receipts	1,234,721
GO Grant disbursements	(1,244,897)
Implicit loan reduction from other campuses	(3,253,440)
Implicit loan reduction to other campuses	3,253,440
Direct lending receipts	102,927,749
Direct lending disbursements	(102,927,749)
Federal Family Education Loan program receipts	969,938
Federal Family Education Loan program disbursements	(969,938)
Other receipts	6,769,756
Net cash provided by noncapital financing sources	88,927,117
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Proceeds from capital debt	38,250,593
Capital appropriations received	1,272,704
Purchases of capital assets	(5,558,986)
Principal paid on capital debt and leases	(35,825,161)
Interest paid on capital debt and leases	(2,230,364)
Deposit with trustees	1,965,601
Other sources	693,984
Net cash used by capital financing sources	(1,431,629)

(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, 2018

CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	$2,131,178
Interest received on investments	170,418
Purchase of investments	(2,669,282)
Net cash used by investing sources	(367,686)
NET INCREASE IN CASH AND CASH EQUIVALENTS	961,207
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,963,910
CASH AND CASH EQUIVALENTS AT END OF YEAR	$12,925,117
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($93,121,962)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	13,296,491
Non-employer contributing entity (NCE) revenue	542,426
Changes in assets and liabilities:	
Decrease in accounts receivable, net	1,042,453
Decrease in inventories	24,901
Decrease in due from federal government	610,522
Increase in prepaid expenses and advances	(2,059,946)
Decrease in notes receivable	9,152
Increase in other assets	(372,638)
Increase in deferred outflows related to OPEB	(600,140)
Decrease in deferred outflows related to pensions	15,524,336
Increase in accounts payable and accrued liabilities	3,833,100
Decrease in unearned revenue	(1,712,846)
Decrease in claims and litigation	(85,289)
Increase in compensated absences	560,102
Decrease in OPEB payable	(8,135,318)
Decrease in net pension liability	(28,921,781)
Increase in deferred inflows related to OPEB	10,098,846
Increase in deferred inflows related to pensions	3,972,150
Decrease in other liabilities	(671,154)
Net cash used by operating activities	($86,166,595)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents classified as current assets	$7,125,042
Cash and cash equivalents classified as noncurrent assets	5,800,075
Cash and cash equivalents at the end of the year	$12,925,117
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital appropriations for construction of capital assets	$2,878,431
Net decrease in the fair value of investments	$49,727
Federal gifts and grants	$35,566,943
Capital gifts and grants	$48,509,181
Non-employer contributing entity revenue	$542,426

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

In April 1880, Southern University was chartered by the General Assembly of the State of Louisiana. The first site of the university was in New Orleans on Calliope Street, and the university opened on March 7, 1881, with 12 students. In 1890, an Agriculture and Mechanical Department was established, and in 1981, Southern University was recognized by the federal government as a Land Grant College under the Federal Act of 1890, known as the Second Morrill Act. In 1914, Southern University in New Orleans was closed by legislative authorization, and Southern University was opened in Scotlandville, Louisiana. It is now the Southern University System, composed of campuses located in Baton Rouge, New Orleans, and Shreveport, and is managed by the Southern University Board of Supervisors. The New Orleans and Shreveport campuses were established in September 1959 and September 1967, respectively. The System is comprised of six separate agencies: Board and System Administration; Southern University and A&M System at Baton Rouge; Southern University Law Center; Southern University at New Orleans; Southern University at Shreveport; and Southern University Agricultural Research and Extension Center.

The universities offer numerous bachelor degrees in the areas of agriculture, arts and humanities, business, education, science, engineering, and home economics. In addition, master and doctoral degrees are offered through the System's Graduate School, and Juris Doctorate degrees are offered through the System's Law Center. Southern University at Shreveport offers only certificates, technical diplomas, and associate degrees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

accompanying financial statements have been prepared in accordance with these principles.

B. REPORTING ENTITY

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

Annually, the state of Louisiana issues a Comprehensive Annual Financial Report, which includes the activity contained in the accompanying financial statements. The Louisiana Legislative Auditor audits the basic financial statements of the System and the state of Louisiana.

COMPONENT UNITS

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

Discrete Component Unit

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

The consolidated financial statements of the Foundation include the Foundation as described above and Millennium Housing, LLC (Millennium), a nonprofit corporation organized under the laws of the state of Louisiana and owned by the Foundation. Millennium was formed to develop facilities and other auxiliary capital projects for the System. The Foundation, which has a December 31 year-end, is being included as a discretely presented component unit of the System in the accompanying financial statements.

The assets of the Foundation equal 3% or more of the assets of the System; therefore, the financial statements are presented as a discrete component unit in the System's financial statements. During the year ended June 30, 2018, the Foundation made distributions to or on behalf of the System for both restricted and unrestricted purposes in the amount of $2,670,122. To obtain a copy of the Foundation's audit report, write to:

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

Blended Component Unit

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

C. BASIS OF ACCOUNTING

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

Southern University System Foundation (Foundation), a discrete component unit, and SUSLA Facilities, Inc., a nongovernmental blended component unit, reported under the *Not-for-Profit Entities* topic of the FASB Accounting Standards Codification (ASC), FASB Topic 958. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Except for necessary presentation adjustments, no modifications have been made to their financial information in the System's financial statements for these differences.

D. BUDGET PRACTICES

The state of Louisiana's appropriation to the System is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal

restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) certain capital leases are not recorded. The other funds of the System, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

E. CASH AND CASH EQUIVALENTS

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

F. INVENTORIES

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

G. RESTRICTED CASH AND INVESTMENTS

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

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

maintained in investment accounts in the Foundation are authorized by policies and procedures established by the Board of Regents.

There are no formally adopted policies to further limit interest rate risk, credit risk, custodial credit risk, concentration of credit risk, or foreign currency risk.

H. CAPITAL ASSETS

The System follows the capitalization policies established by the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy. Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the System's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Buildings and improvements costing $100,000 or more are capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. Any infrastructure exceeding depreciable costs of $3 million or more is capitalized. Computer software purchased for internal use with depreciable costs of $1 million or more is capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. Library collections regardless of age with a total acquisition value of $5 million or more are capitalized and depreciated.

I. UNEARNED REVENUES

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

J. COMPENSATED ABSENCES

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

Upon separation or termination of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System (LASERS),

upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

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

K. NONCURRENT LIABILITIES

Noncurrent liabilities include (1) principal amounts of notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

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

L. NET POSITION

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

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

(b) *Restricted – nonexpendable* 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 the System and the amount that is paid by students and/or third parties making payments on the students' behalf.

O. USE OF ESTIMATES

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

P. ELIMINATING INTERFUND ACTIVITY

Activities among the departments, campuses, and auxiliary units of the System are eliminated for the purpose of preparing the Statement of Net Position and the Statement of Revenue, Expense, and Change in Net Position.

Q. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2018, the following statements were implemented:

The System implemented Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* issued by the Government Accounting Standards Board. This Statement addresses accounting and financial reporting of other postemployment benefits (OPEB) for health care and life insurance that are provided to the employees of state and local governmental employers and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to the actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

The cumulative effect of applying this Statement is reported as a restatement of beginning net position for fiscal year 2018. See note 18 GASB Statement 75, *OPEB* Restatement for the effect on 2018's beginning net position.

- GASB Statement No. 85, *Omnibus 2017,* addresses a number of topics, including those relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits or OPEB).

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

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

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

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

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

C. USE OF ESTIMATES

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

D. CASH AND CASH EQUIVALENTS

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

E. ENDOWMENT INVESTMENTS

Endowment investments are in short-term money market securities, equity investments, and fixed income investment. Endowment investments are carried at cost, which approximates market value. Interest earned from investments, including realized and unrealized gains and losses, is reported in the unrestricted net asset class except where the instructions of the donor specify otherwise.

F. PLEDGES

Unconditional promises to give are recognized as revenue in the period in which a written or oral agreement to contribute cash or other assets is received. An allowance for doubtful accounts is established based on the prior collection history of pledged contributions and management's analysis of specific promises made. Conditional promises to give are not recognized until they become unconditional; that is, when the donor-imposed conditions are substantially met.

G. INVESTMENT AND INVESTMENT INCOME

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

H. CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a temporary restriction

expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The Foundation does not currently imply time restrictions on contributions of long-lived assets about how long the donated asset must be used.

I. FUNCTIONAL ALLOCATION OF EXPENSES

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

J. TAX EXEMPTION STATUS

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

K. COMPENSATED ABSENCES

The Foundation accounts for compensated absences (e.g., unused vacation, sick leave) as directed by the Financial Accounting Standards Board Accounting Standards Codification No. 710-10-50-1 (FASB ASC 710-10-50-1), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to benefits. As of December 31, 2017, no estimates were made for compensated absences.

L. 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.

M. 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.

N. NONCURRENT LIABILITIES

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

O. 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, 2018, the System has cash and cash equivalents (book balance) totaling $12,925,117 as follows:

Demand deposits	$12,924,817
Petty Cash	300
Total	$12,925,117

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

Current assets	$7,125,042
Noncurrent assets - restricted	5,800,075
Total	$12,925,117

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, 2018, the System has $15,649,585 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, 2017, cash and cash equivalents totaled $4,539,172, which consisted of $881,172 unrestricted and $3,658,000 restricted.

FOUNDATION CONCENTRATIONS OF CREDIT RISK

The Foundation's cash balances are held in savings and trust, as well as investment institutions. As of December 31, 2017, funds on deposit with savings and trust institutions exceeded FDIC limits by $1,267,859. 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). As of December 31, 2017, the Foundation held investments in excess of the SIPC insurance limit of $500,000.

3. INVESTMENTS

The System maintains investment accounts as authorized by state law. At June 30, 2018, the System has investments totaling $16,745,318 as follows:

Type of Investment	Percentage of Investments	Credit Quality Rating	Fair Value June 30, 2018
Investments held by private foundation:			
Cash and cash alternatives	17.40%		$2,913,227
Mutual funds	31.73%		5,313,943
Subtotal - held by private foundation	49.13%	Not Rated	8,227,170
Louisiana Asset Management Pool	37.55%	AAAm	6,287,646
Certificates of Deposit	1.92%		322,337
Fidelity Investments Money Market Fund	10.32%		1,727,888
Liberty Bank Money Market	1.08%		180,277
Subtotal - other investments	50.87%		8,518,148
Total Investments	100%		$16,745,318

These investments are reported on the Statement of Net Position as Noncurrent assets – restricted total $16,745,318.

	June 30, 2018				
Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	10+ Years
Certificates of Deposit	$322,337	$293,118	$29,219		
Total	$322,337	$293,118	$29,219	NONE	NONE

Investments are reported at fair market value. Investments totaling $8,227,170 are held by a private foundation in external investment pools and managed in accordance with the terms outlined in management agreements executed between the System and the Foundation and have no credit quality rating. The System is a voluntary participant. The Foundation holds and manages funds received by the System as state matching funds for the Endowed Chairs and Endowed Professorship programs. These investments are held by the System's discretely presented component unit.

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

INVESTMENTS – FAIR VALUE MEASUREMENT

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

- Level 1 inputs – the valuation is based on quoted market prices for identical assets or liabilities traded in active markets;

- Level 2 inputs – the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability;

- Level 3 inputs – the valuation is determined by using the best information available under the circumstances and might include the government's own data. In developing unobservable inputs, a government may begin with its own data but should adjust those data if (a) reasonably available information indicates that other market participants would use different data or (b) there is something particular to the government that is not available to other market participants.

Fair values of assets measured on a recurring basis at June 30, 2018, are as follows:

		Fair Value Hierarchy		
	Fair Value June 30, 2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments held by private foundation:				
Cash and Cash alternatives	$2,913,227	$2,913,227		
Mutual funds	5,313,943	5,313,943		
Subtotal - held by private foundation	8,227,170	8,227,170	NONE	NONE
Louisiana Asset Management Pool	6,287,646		$6,287,646	
Fidelity Investments Money Market Fund	1,727,888		1,727,888	
Liberty Bank Money market	180,277	180,277		
Certificates of Deposit	322,337	322,337		
Subtotal - other investments	8,518,148	502,614	8,015,534	NONE
Total Investments at Fair Value Level	$16,745,318	$8,729,784	$8,015,534	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, 2017:

Description	Carrying Value	Fair Value
Publicly traded securities	$4,981,634	$5,175,913
Fixed income investments	5,275,069	5,240,095
Total	$10,256,703	$10,416,008

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, 2017, are as follows:

		Fair Value Hierarchy		
	Fair Value December 31, 2017	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	$10,416,008	$10,416,008		
Total Investments at Fair Value Level	$10,416,008	$10,416,008	NONE	NONE

4. RECEIVABLES

Receivables are shown on the Statement of Net Position, net of an allowance for doubtful accounts, at June 30, 2018. These receivables are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	$11,829,819	$3,940,280	$7,889,539
Auxiliary enterprises	2,860,322	1,001,681	1,858,641
State and private grants and contracts	2,667,298		2,667,298
Due from Office of Facility Planning	495,388		495,388
Accrued interest	1,588		1,588
Other	1,243,291	965	1,242,326
SUSLA Facilities, Inc.	76,141		76,141
Total	$19,173,847	$4,942,926	$14,230,921

There is no noncurrent portion of receivables.

FOUNDATION RECEIVABLES

As of December 31, 2017, accounts receivable totaled $51,050. 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, 2017:

Expected to be collected in:	
Less than one year	$723,308
One to five years	500,009
Gross pledges receivable	1,223,317
Less - allowance for doubtful accounts	(310,357)
Pledges receivable, net	$912,960

Capitalized Lease Receivable

The Foundation entered into a cooperative agreement with the System's Board to lease the projects included in the bond issuance. The System's Board will lease certain facilities from the Foundation under the facility lease and pay rent, subject to the appropriation, in an amount which will be sufficient to pay the principal and interest on the Series 2006 Bonds. The lease was determined to meet the requirements of a capital lease and as such, as projects are completed, they are transferred from construction-in-progress to Capitalized Lease Receivable. The total lease payments due from the System during the next fiscal year totals $1,790,669. The total amount due for succeeding years totals $24,651,671. The total Capitalized Lease Receivable balance at December 31, 2017, totaled $26,442,340.

The Foundation has certain receivables due from the System. The receivables due from the System at December 31, 2017, are reimbursable costs pertaining to bond projects due from SU A&M totaling $112,782.

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, 2018. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
Federal Perkins Loan	$425,275	$412,888	$12,387
Student Revolving Loans	225,719		225,719
Long-term student loans	98,931	98,931	
Total	$749,925	$511,819	$238,106

6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2018, 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, 2018, total interest paid on capital debt was $2,229,122.

	Balance June 30, 2017	Prior Period Adjustments	Adjusted Balance June 30, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
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	40,542,381	($1)	40,542,380	$52,103,928	($7,852,099)		84,794,209
Total capital assets not being depreciated	$47,527,717	($1)	$47,527,716	$52,103,928	($7,852,099)	NONE	$91,779,545
Capital assets being depreciated:							
Infrastructure	$32,844,715		$32,844,715				$32,844,715
Less accumulated depreciation	(25,494,807)		(25,494,807)	($241,520)			(25,736,327)
Total infrastructure	7,349,908	NONE	7,349,908	(241,520)	NONE	NONE	7,108,388
Land improvements	15,215,069		15,215,069				15,215,069
Less accumulated depreciation	(8,264,369)		(8,264,369)	(482,898)			(8,747,267)
Total land improvements	6,950,700	NONE	6,950,700	(482,898)	NONE	NONE	6,467,802
Buildings	426,008,821	$602,574	426,611,395		$7,852,099		434,463,494
Less accumulated depreciation	(189,854,875)	1	(189,854,874)	(9,576,383)			(199,431,257)
Total buildings	236,153,946	602,575	236,756,521	(9,576,383)	7,852,099	NONE	235,032,237
Equipment (including library books)	139,439,124	(1,810,577)	137,628,547	3,569,966		($2,736,406)	138,462,107
Less accumulated depreciation	(131,506,066)	1,913,835	(129,592,231)	(2,918,382)		2,736,406	(129,774,207)
Total equipment	7,933,058	103,258	8,036,316	651,584	NONE	NONE	8,687,900
Software (internally generated and purchased)	7,317,561		7,317,561				7,317,561
Accumulated amortization - software	(7,240,253)		(7,240,253)	(77,308)			(7,317,561)
Total intangibles	77,308	NONE	77,308	(77,308)	NONE	NONE	NONE
Total capital assets being depreciated	$258,464,920	$705,833	$259,170,753	($9,726,525)	$7,852,099	NONE	$257,296,327
Capital assets summary:							
Capital assets not being depreciated	$47,527,717	($1)	$47,527,716	$52,103,928	($7,852,099)		$91,779,545
Capital assets being depreciated	620,825,290	(1,208,003)	619,617,287	3,569,966	7,852,099	($2,736,406)	628,302,946
Total cost of capital assets	668,353,007	(1,208,004)	667,145,003	55,673,894		(2,736,406)	720,082,491
Less accumulated depreciation	(362,360,370)	1,913,836	(360,446,534)	(13,296,491)	NONE	2,736,406	(371,006,619)
Capital assets, net	$305,992,637	$705,832	$306,698,469	$42,377,403	NONE	NONE	$349,075,872

FOUNDATION FIXED ASSETS

Land, building and equipment as of December 31, 2017, are summarized as follows:

Land and improvements	$1,515,077
Construction in Progress	1,044,938
Building	373,352
Office equipment	85,930
Scoreboard equipment	3,411,619
Furniture and fixtures	133,358
Software	93,290
Subtotal	6,657,564
Less - accumulated depreciation	(3,014,139)
Total	$3,643,425

Depreciation expense totaled $119,695 for the year ended December 31, 2017.

7. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accruals at June 30, 2018:

Vendors payables	$7,954,951
Accrued salaries and benefits	5,924,068
Accrued interest	817,180
Total	$14,696,199

8. COMPENSATED ABSENCES

At June 30, 2018, employees of the System have accumulated and vested annual leave, sick leave, and compensatory leave of $5,799,603, $6,487,218, and $242,863, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

9. LASERS AND TRSL PENSION PLANS

General Information about the Pension Plans

Plan Descriptions

The System is a participating employer in two state public employee retirement systems, LASERS and TRSL. Both systems have separate boards of trustees and administer cost-sharing, multiple-employer defined benefit pension plans, including classes of employees with different

benefits and contribution rates (sub-plans). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all sub-plans administered by these systems to the State Legislature. Each system issues a public report that includes financial statements and required supplementary information. Copies of these reports for LASERS and TRSL may be obtained at www.lasersonline.org and www.trsl.org, respectively.

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

LASERS Retirement Benefits

LASERS administers a plan to provide retirement, disability, and survivor benefits to eligible state employees and their beneficiaries as defined in R.S. 11:411-414. Act 992 of the 2010 Regular Legislative Session closed existing sub-plans for members hired before January 1, 2011, and created new sub-plans for regular members, hazardous duty members, and judges. Act 226 of the 2014 Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. The age and years of creditable service required for a member to receive retirement benefits are established by R.S. 11:441 and vary depending on the member's hire date, employer, and job classification. The computation of retirement benefits is defined in R.S. 11:444.

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

Eligibility requirements and benefit computations for disability benefits are provided for in R.S. 11:461. Generally, active regular plan members with ten or more years of credited service

who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age. Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the LASERS Board of Trustees.

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

TRSL Retirement Benefits

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

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

Under R.S. 11:778 and 11:779, members who have suffered a qualified disability are eligible for disability benefits if employed prior to January 1, 2011, and attained at least five years of service or if employed on or after January 1, 2011, and attained at least ten years of service. Members

employed prior to January 1, 2011, receive disability benefits equal to 2.5% of average compensation multiplied by the years of service, but not more than 50% of average compensation subject to statutory minimums. Members employed on or after January 1, 2011, receive disability benefits equivalent to the regular retirement formula without reduction by reason of age.

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

Deferred Retirement Option Plan

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

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

Cost of Living Adjustments

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

Contributions

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

Employer contributions to LASERS for fiscal year 2018 totaled $6,240,101, with regular plan active member contributions ranging from 7.5% to 8%, and employer contributions of 37.9% of covered payroll. Employer defined benefit plan contributions to TRSL for fiscal year 2018 totaled $17,438,717, with regular plan active member contributions of 8%, and employer contributions of 22.2% for ORP members, and 25.4% to 26.6% for defined benefit plan members. Non-employer contributing entity contributions to TRSL, which are comprised of ad valorem tax revenue, totaled $542,426, and were recognized as revenue in fiscal year 2018 by the System.

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

At June 30, 2018, the System reported liabilities of $59,902,341 and $143,458,516 under LASERS and TRSL, respectively, for its proportionate share of the collective Net Pension Liability (NPL). The NPL for LASERS and TRSL was measured as of June 30, 2017, 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, 2017, the most recent measurement date, the System's proportions and the changes in proportion from the prior measurement date were 0.85103%, or a decrease of 0.03231%, for LASERS, and 1.39933%, or an increase of 0.01126%, for TRSL. For the year ended June 30, 2018, the System recognized a total pension expense of $14,795,952 for defined benefit plans, or $2,122,977 and $12,672,975 for LASERS and TRSL, respectively.

At June 30, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	LASERS	TRSL	Total	LASERS	TRSL	Total
Differences between expected and actual experience				($1,099,135)	($8,420,986)	($9,520,121)
Changes of assumptions						
Net difference between projected and actual earnings on pension plan investments	$2,184,562	$1,512,776	$3,697,338			
Changes in proportion and differences between employer contributions and proportionate share of contributions	98,059	3,555,871	3,653,930	(2,422,965)	(1,573,527)	(3,996,492)
Employer contributions subsequent to the measurement date	6,240,101	17,438,717	23,678,818			
Total	$8,522,722	$22,507,364	$31,030,086	($3,522,100)	($9,994,513)	($13,516,613)

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	LASERS	TRSL	Total
2019	($1,866,549)	($1,906,990)	($3,773,539)
2020	1,053,529	1,795,601	2,849,130
2021	779,518	(1,253,372)	(473,854)
2022	(1,205,975)	(3,561,107)	(4,767,082)
	($1,239,477)	($4,925,868)	($6,165,345)

Actuarial Assumptions and Methodologies

The total pension liabilities for LASERS and TRSL in the June 30, 2017, actuarial valuations were determined using the following actuarial assumptions and methodologies, applied to all periods included in the measurements:

	LASERS	TRSL
Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Approach	Closed	Closed
Expected Remaining Service Lives	3 years	5 years
Investment Rate of Return	7.70% per annum, net of investment exp.	7.70%, net of investment exp.
Inflation Rate	2.75% per annum	2.5% per annum
Mortality - Non-disabled	RP-2000 Combined Healthy Mortality Table, improvement projected to 2015	RP-2000 Mortality Table with projection to 2025 using Scale AA
Mortality - Disabled	RP-2000 Disabled Retiree Mortality Table, no projection for improvement	RP-2000 Mortality Table with no projection for improvement
Termination, Disability, Retirement	2009-2013 experience study	2008-2012 experience study
Salary Increases	2009-2013 experience study, ranging from 2.8% to 14.3%	2008-2012 experience study, ranging from 3.5% to 10.0% depending on duration of service
Cost of Living Adjustments	Not substantively automatic	Not substantively automatic

There were several changes in assumptions for the June 30, 2017, valuations. The LASERS and TRSL Boards adopted plans to gradually reduce the discount rate from 7.75% to 7.50% in 0.05% annual increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017 valuations. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019. The projected contribution requirement for fiscal year 2018/2019 includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016. The LASERS Board also reduced the inflation assumption from 3.0% to 2.75%, effective July 1, 2017. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by 0.25%.

For LASERS and TRSL, the long-term expected rate of return for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25%, and 2.5%, for LASERS and TRSL, respectively, and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.69% and 8.33% for LASERS and TRSL, respectively. The target allocation and best estimates of geometric/arithmetic real rates of return for each major asset class are summarized for each plan in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
LASERS (geometric)		
Cash	0.00%	-0.24%
Domestic equity	25.00%	4.31%
International equity	32.00%	5.35%
Domestic fixed income	8.00%	1.73%
International fixed income	6.00%	2.49%
Alternative investments	22.00%	7.41%
Global tactical asset allocation	7.00%	2.84%
Total	100.00%	5.26%
TRSL (arithmetic)		
Domestic equity	27.00%	4.28%
International equity	19.00%	4.96%
Domestic fixed income	13.00%	1.98%
International fixed income	5.50%	2.75%
Private Equity	25.50%	8.47%
Other Private Assets	10.00%	3.51%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.70% for both LASERS and TRSL. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially-determined rates approved by PRSAC taking into consideration the recommendation of the respective pension system's actuary. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1.0% Decrease	Current Discount Rate	1.0% Increase
	(6.70%)	(7.70%)	(8.70%)
LASERS	$75,200,597	$59,902,341	$46,895,199
TRSL	$184,849,570	$143,458,516	$108,248,145

Pension plan fiduciary net position

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

Payables to the Pension Plan

At June 30, 2018, the System had $155,973 and $389,484 in payables to LASERS and TRSL, respectively, for the June 2018 employee and employer legally-required contributions.

10. OPTIONAL RETIREMENT PLAN

TRSL administers an optional retirement plan (ORP), which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants. The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRSL and purchase retirement and death benefits through fixed and/or variable annuity contracts provided by designated companies. Benefits payable to participants are not the obligation of the State of Louisiana or the TRSL. Such benefits and other rights of the ORP are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

R.S. 11:927 sets the contribution requirements of the ORP plan members and the employer. Each plan member shall contribute monthly to the ORP an amount equal to the contribution rates established for the regular retirement plan of TRSL as disclosed in Note 9. Effective July 1, 2014, each higher education board created by Article VIII of the Constitution of Louisiana is required to establish, by resolution, the portion of the employer contribution to be transferred to the ORP participants' accounts (transfer amount). In addition, effective July 1, 2014, the employer contribution rate for amounts credited to the ORP participants who are not employed in higher education must be the greater of: (1) the employer normal cost contribution for the TRSL Regular Plan; or (2) 6.2%.

Net Employer ORP contributions to TRSL for fiscal year 2018 totaled $4,333,291, which represents pension expense for the System. The net is composed of the gross Employer

contribution amount of $5,484,931 and an adjustment of $1,151,640. Employee contributions totaled $1,561,544. The FY 2018 employee and employer contribution rates were 8% and 5.95%, respectively, with an additional employer contribution of 22.2% (shared UAL) made to the TRSL defined benefit plan described in Note 9 above.

11. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided

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

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

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

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

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

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

Total Collective OPEB Liability and Changes in Total Collective OPEB Liability

At June 30, 2018, the System reported a liability of $184,990,680 for its proportionate share of the total collective OPEB liability. The total collective OPEB liability was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date. The System's proportionate share of the restated total collective OPEB liability at June 30, 2017, totaling $193,125,999, was determined using a roll back of the same valuation to July 1, 2016, using the discount rate applicable on that date, and assuming no experience gains or losses.

The System's proportionate share percentage is based on the employer's individual OPEB actuarial accrued liability (AAL) in relation to the total OPEB AAL liability for all participating entities included in the state of Louisiana reporting entity. At June 30, 2018, the System's proportion was 2.1285%. Because the beginning balance was restated using a roll back of the July 1, 2017 valuation assuming no experience gains or losses, there is no change to the proportion since the prior measurement date.

The total collective OPEB liability in the July 1, 2017, actuarial valuation was determined using the following actuarial methods, assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method – Entry Age Normal, level percentage of pay
- Estimated Remaining Service Lives – 4.48
- Inflation rate – Consumer Price Index (CPI) 2.8%
- Salary increase rate – consistent with the pension plan disclosed in note 9
- Discount rate – 3.13% based on June 30, 2017, Standard & Poor's 20-year municipal bond index rate

- Mortality rates - based on the RP-2014 Combined Healthy Mortality Table, or RP-2014 Disabled Retiree Mortality Table; both tables projected on a fully generational basis by Mortality Improvement Scale MP-2017.

- Healthcare cost trend rates – 7% for pre-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2029; 5.5% for post-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2023-2024 and thereafter; the initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach which considers Consumer Price Index, Gross Domestic Product, and technology growth.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.71% as of July 1, 2016, to 3.13% as of July 1, 2017.

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

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

	1.0% Decrease	Current Discount Rate	1.0% Increase
	(2.13%)	(3.13%)	(4.13%)
Proportionate Share of Total Collective OPEB Liability	$217,216,263	$184,990,680	$159,568,148

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

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

	1.0% Decrease (6% decreasing to 3.5%)	Current Healthcare Cost Trend Rates (7% decreasing to 4.5%)	1.0% Increase (8% decreasing to 5.5%)
Proportionate Share of Total Collective OPEB Liability	$159,443,179	$184,990,680	$217,722,871

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

For the year ended June 30, 2018, the System recognized OPEB expense of $7,642,132. At June 30, 2018, System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions or other inputs		($9,775,662)
Changes in proportion and differences between benefit payments and proportionate share of benefit payments	$31,922	(323,184)
Amounts paid by the employer for OPEB subsequent to the measurement date	6,278,746	
Amounts incurred by the employer for OPEB administrative expenses subsequent to the measurement date		
Total	$6,310,668	($10,098,846)

Deferred outflows of resources related to OPEB resulting from the System's benefit payments subsequent to the measurement date will be recognized as a reduction of the total collective OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	($2,892,794)
2020	(2,892,794)
2021	(2,892,794)
2022	(1,388,542)
	($10,066,924)

12. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund that is operated by the Office of Risk Management (ORM), the agency responsible for the state's risk management program, or by General Fund appropriation. The System is involved in 11 lawsuits at June 30, 2018, that are being handled by contract attorneys. In the opinion of legal counsel, the possibility that the System will incur a liability in two of the cases is probable, and the amount of $53,000 is reflected on the financial statements. The Shreveport campus also reported $135,289 and $33,822 for current and noncurrent liabilities, respectively. The amount of settlements paid in the last three years did not exceed insurance coverage. The System uses internal funds that are legally available to handle risks of loss for claims and litigations not handled by ORM. The System does not participate in a risk pool other than ORM. The System is not the guarantor of indebtedness with even a remote chance that it will be called on to honor its guarantee. The System has not been informed of any disallowed costs from federal grant agencies.

13. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2018, total operating lease expenditures were $2,244,954. 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, 2018.

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, 2018:

Fiscal Year Ended June 30,	
2019	$1,963,279
2020	1,962,189
2021	1,962,671
2022	1,963,754
2023	1,803,219
2024-2028	9,016,093
2029-2033	9,019,292
2034-2038	9,019,310
2039-2043	1,803,039
Total mimimum payments	38,512,846
Less - amount representing interest	(16,079,349)
Present value of net minimum lease payments	$22,433,497

The gross amount, including capitalized interest, of assets held under capital leases as of June 30, 2018, totals $29,736,661 and includes buildings, land improvements, and equipment of $25,184,393; $2,769,851; and $1,782,417, respectively.

Lessor Leases

The System's leasing operations consist primarily of leasing property for providing food services to students and bookstore operations. The following schedule provides an analysis of the cost and carrying amount of the System's investment in property on operating leases and property held for lease as of June 30, 2018:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	$4,900,104	($4,145,143)	$754,961
Buildings	2,923,357	(1,005,039)	1,918,318
Total	$7,823,461	($5,150,182)	$2,673,279

The following is a schedule, by fiscal years, of the minimum future rentals on noncancelable operating leases as of June 30, 2018:

Nature of Operating Lease	2019	2020	2021	2022	2023	2024-2028	2029	Total Minimum Future Rentals
Office space	$1,658,198	$1,470,000	$1,508,000	$1,548,000	$1,483,000	$8,444,000	$1,830,000	$17,941,198
Building	70,000	75,000	80,000	85,000	90,000	525,000	120,000	1,045,000
Land	39,600	3,600	3,600	3,600	3,600	18,000		72,000
Other	66,000	50,000	50,000	50,000				216,000
Total	$1,833,798	$1,598,600	$1,641,600	$1,686,600	$1,576,600	$8,987,000	$1,950,000	$19,274,198

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, 2018, contingent rentals received from operating leases were $390,214: $359,351 for office space, and $30,863 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, 2018:

	Balance, June 30, 2017	Additions	Reductions	Balance, June, 30 2018	Amounts Due Within One Year
Bond payable	$12,120,186		$12,120,186		
Notes payable	35,566,943	$38,250,326	35,566,943	$38,250,326	$1,431,205
Compensated absences payable	11,780,514	982,005	232,835	12,529,684	903,692
Capital lease obligations	46,138,472		23,704,975	22,433,497	725,641
Claims payable	307,400	53,000	138,289	222,111	188,289
Net pension liabilities	232,282,638		28,921,781	203,360,857	
Total long-term liabilities	$338,196,153	$39,285,331	$100,685,009	$276,796,475	$3,248,827

15. NOTES PAYABLE

Loan Cancellation – Southern University at New Orleans (SUNO)

The System Board of Supervisors with and on behalf of SUNO 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 April 4, 2018, the U.S. Department of Education cancelled the Promissory Note of SUNO that was held by Regions Bank. This debt cancellation resulted in revenue of $35.6 million being

reported in the Statement of Revenues, Expenses, and Changes in Net Position. These revenues were included in federal nonoperating revenues along with PELL funds totaling $34.3 million.

Loan – Southern University at Shreveport (SUSLA)

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

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

During fiscal year 2017-2018 the Campus entered a refinancing program with HBCU Series A 2017-5 and HBCU 2017-6. The refinancing included the Dormitories and Intramural Complex in the amount of $23.7 million and $2.5 million, respectively. The refinancing reduced the amount owed under the Millennium Capital lease. The remaining Millennium Capital Lease obligation is $21.1 million at June 30, 2018.

The following is a summary of future minimum payments as of June 30, 2018:

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	$1,431,205	$924,857	$2,356,062
2020	1,464,720	891,343	2,356,063
2021	1,496,902	859,162	2,356,064
2022	1,541,465	814,598	2,356,063
2023	1,578,464	777,599	2,356,063
2024-2028	8,481,729	3,298,584	11,780,313
2029-2033	9,576,588	2,203,726	11,780,314
2034-2038	10,813,562	966,755	11,780,317
2039-2043	1,865,691	35,480	1,901,171
Total	$38,250,326	$10,772,104	$49,022,430

16. BONDS PAYABLE

FOUNDATION REVENUE BONDS PAYABLE

On December 13, 2006, the Louisiana Public Facilities Authority issued $59,990,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2006) to the Foundation. The proceeds of the bonds are being used to (i) finance the design, development, acquisition, construction, installation, renovation, and equipping of (a) Student Housing Facilities to be located on the campus of Southern University and A&M College in Baton Rouge, Louisiana (SUBR); (b) certain auxiliary student projects, including a student intramural sports complex, a portion of a football and track complex, a baseball field house and north-end seating in Mumford Stadium, and refinancing a loan for the football field restoration at SUBR; (c) all equipment,

furnishings, fixtures, and facilities incidental or necessary in connection therewith at SUBR; and (d) acquiring a building to be used by SUSLA (collectively, the "Project"); (ii) refinance portions of a bridge loan incurred to pay certain of such costs prior to delivery of the Series 2006 Bonds; (iii) pay costs of issuance including premium on the Bond Insurance Policy; (iv) fund a reserve fund; and (v) pay capitalized interest during construction of the Project.

The Foundation is required to submit certain prescribed documentation within 180 days after the last day of each fiscal year to the bond insurer and the trust officer. These documents include financial reports certified by independent certified public accountants, a copy of the budget, a no default certificate, a copy of the developer's certificate, and a copy of the disclosure certificate. As of December 31, 2017, the foundation is in compliance with the terms of the bond indenture.

In 2017 Millennium Housing, LLC (a private subsidiary of the Southern University System Foundation), and the Southern University Baton Rouge Campus entered into an agreement that transferred through an act-of-cash sale in the amount of $26,286,499 assets previously held by Millennium Housing, LLC. The transaction occurred to provide Southern University Baton Rouge Campus with an opportunity to refinance the 2006 series bonds secured to build student apartments on the Baton Rouge Campus. The amount of bonds defeased in the transaction were $26,120,000 leaving a balance of $23,820,000 of bond debt outstanding from the 2006 series bond issue.

Scheduled principal payments on the bonds are as follows:

Year Ended December 31,	Principal
2018	$675,000
2019	710,000
2020	745,000
2021	780,000
2022	817,830
2023 and thereafter	20,092,170
Total	$23,820,000

Interest expense related to the bonds for the year ended December 31, 2017, totaled $2,338,925.

FOUNDATION LOAN PAYABLE

The Foundation also has an obligation to Whitney Bank bearing interest at 4.6%. The principal amount of the business loan agreement is $750,000. The loan is payable in annual installments of $95,566, including interest, and is collateralized by a stadium scoreboard with an outdoor video screen, as well as rental revenues from electronic advertisements on the Southern University campus. During the 2017 fiscal year, $638,000 was added to the principal amount borrowed from Whitney Bank.

FOUNDATION EXTRAORDINARY LOSS ON DEFEASANCE OF BONDS

During 2017, the Foundation participated in an early retirement of bond debt that resulted in a one-time extraordinary loss. The carrying value of the capitalized lease receivable was adjusted based upon the terms of the cooperative endeavor agreement between the University and the Foundation. The defeasance of the bonds, reduction of the bond premium and adjustment in the carrying value of the capitalized lease receivable resulted in the extraordinary loss presented below.

Capitalized lease receivable before adjustment	$30,232,665
Adjusted balance of capitalized lease 12/31/2017	(26,442,340)
Extraordinary loss on the early retirement of debt	$3,790,325

17. RESTRICTED NET POSITION

The System has the following restricted net position at June 30, 2018:

Nonexpendable - endowments	$12,268,339
Expendable:	
Gifts, grants, and contracts	$2,865,093
Endowment income	3,416,338
Student fees, faculty and staff funds	9,995,989
Student loans	973,189
Unexpended plant	3,177,847
Renewals and replacements	1,760,292
Retirement of indebtedness funds	1,491,447
Total expendable	$23,680,195

Of the total net assets reported in the Statement of Net Position as of June 30, 2018, a total of $122,417 is restricted by enabling legislation.

FOUNDATION RESTRICTED NET ASSETS

The components expected to be paid with restricted net assets at December 31, 2017, are as follows:

Accrued interest payable	$483,333
Amount held in custody for others	7,755,409
Bonds payable and premium	1,653,934
Rental deposits	1,879,286
Total restricted assets	$11,771,962

The Foundation reported total permanently restricted net assets of $6,630,689 in the endowment fund at December 31, 2017.

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, 2017	($75,304,174)
Restatement of OPEB liability - GASB Statement No. 75	(75,188,228)
Deferred Outflows Relating to OPEB - GASB Statement No. 75	5,710,528
Receivable adjustment	108,917
Federal receivable adjustment	42,847
FMV of investments adjustment	
Accounts payable adjustment	(5,182)
Capital asset adjustment - Buildings	602,574
Capital asset adjustment - Equipment	103,258
Net Position at July 1, 2017, as restated	($143,929,460)

The restatements decreased the System's beginning net position by $68,625,286. The restatement was due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as well as other errors. Had the error corrections affecting fiscal year 2017 been included in the June 30, 2017, Statement of Revenues, Expenses, and Changes in Net Position, the previously reported change in net position of $5,274,009 would have been $6,126,423.

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, 2018, net appreciation of $3,416,338 is available to be spent, of which $2,138,862 is restricted to specific purposes (net appreciation during the fiscal year). The state of Louisiana Board of Regents Endowed Chair and Endowed Professorship policy governs the amount of net appreciation available to spend for all endowments established under this policy. Other governing authority if applicable is defined within the donor agreements at the time that the endowment was established.

The donated portion of the endowments is reported in restricted net position – nonexpendable in the Statement of Net Position; the endowment income is reported in restricted net position – expendable.

FOUNDATION – ENDOWMENTS

The Foundation's endowments consist of individual funds established for Endowed Chairs, Endowed Professorships, and Endowed Scholarships. The Foundation's endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2017, the foundation's endowment ending balance was $10,335,775.

20. RELATED PARTY TRANSACTIONS

During fiscal year ended June 30, 2018, the System had a relationship with the Foundation. The Foundation has a cooperative endeavor agreement with the System to promote activities of the Southern University Athletic Department and coordinates the auxiliary activities of the Bayou Classic weekend. Southern University and A&M College and Southern University Shreveport also obtained financing for various capital projects through a third-party financing arrangement with its affiliate, the Southern University System Foundation, Millennium Housing, L.L.C. The System also has a cooperative endeavor agreement with the Foundation to manage certain endowments on the System's behalf.

The Southern University Law Center, Southern University at New Orleans, and Southern University at Shreveport also had a relationship with the Foundation during the fiscal year ending June 30, 2018. The three campuses, as well as Southern University and A&M College, invest funds with the Foundation. See note 3 for details. In addition, Southern University at Shreveport has obtained financing for various projects in previous years through a third-party arrangement with the Foundation.

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

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

The System provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel. In addition, the System provides, without cost, certain other operating services associated with the Foundation. These services are valued at their estimated cost to the System. The amounts for these services have been reflected as contributed

services revenue and corresponding general administrative services expenses in the financial statements. The value of these services was estimated as $326,367 for the year ended December 31, 2017.

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, 2017, totaled $3,748,775. The schedule of rent payment coincides with the debt service payments.

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, 2017, the Foundation made distributions to or on behalf of the University for both restricted and unrestricted purposes of $2,670,122.

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

The System has contracted with the Foundation to invest the System's Endowed Chair 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, 2017, for the Endowed Chair and Professorship program totaled $7,755,409.

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, 2017, the balance of the Rental Deposit Fund is $1,879,286.

FOUNDATION GROUND LEASE

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

23. DEFERRED COMPENSATION PLAN

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

24. FOUNDATION - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by the donors as follows for the year ended December 31, 2017:

Administration & Donor Fees	$44,322
Interest Income	67,134
Other Income	424,664
Total	$536,120

25. SEGMENT INFORMATION

SUSLA Facilities, Inc., originally chartered in 2006, is a nonprofit corporation organized to promote, assist, and benefit the mission of Southern University at Shreveport through acquiring, constructing, developing, renovating, rehabilitating, repairing, managing, and leasing residential, classroom, administrative, and other facilities on the campus of Southern University at Shreveport.

Condensed financial information at June 30, 2018, for the System's blended component unit follows:

Condensed Statement of Net Position

	SUSLA Facilities, Inc.
Assets	
Current assets	$76,609
Capital assets	544,395
Total assets	621,004
Liabilities	
Current liabilities	76,141
Total liabilities	76,141
Net Position	
Net investment in capital assets	544,395
Unrestricted	468
Total net position	$544,863

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

	SUSLA Facilities, Inc.
Operating revenues	$547,063
Operating expenses	(474,384)
Net operating income	72,679
Nonoperating revenues (expenses):	
Interest expense	(342,700)
Extraordinary gain on debt extinguishment	3,633,833
Changes in net position	3,363,812
Net position at beginning of year	(2,818,949)
Net position at end of year	$544,863

Condensed Statement of Cash Flows

	SUSLA Facilities, Inc.
Net cash flows provided (used) by:	
Operating activities	($32,075)
Capital financing activities	(2,098,441)
Investing activities	2,117,698
Net decrease in cash	(12,818)
Cash, beginning of year	13,286
Cash, end of year	$468

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 the System's Proportionate Share Of the Total Collective OPEB Liability

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

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Schedules of Required Supplementary Information
Fiscal Year Ended June 30, 2018

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

Fiscal Year*	System's proportion of the net pension liability (asset)	System's proportionate share of the net pension liability (asset)	System's covered payroll		System's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Louisiana State Employees' Retirement System						
2015	0.99158%	$62,002,484	$18,265,649	^	339%	65.0%
2016	0.92291%	$62,772,084	$17,220,920	^	365%	62.7%
2017	0.88334%	$69,365,045	$16,862,931		411%	57.7%
2018	0.85103%	$59,902,341	$16,458,394		364%	62.5%
Teachers' Retirement System of Louisiana						
2015	1.39419%	$142,505,293	$65,981,943	^	216%	63.7%
2016	1.41168%	$151,786,564	$67,036,033	^	226%	62.5%
2017	1.38807%	$162,917,593	$66,184,774		246%	59.9%
2018	1.39933%	$143,458,516	$66,946,095		214%	65.6%

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

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

Notes to Required Supplementary Information

Changes to Covered payroll for LASERS and TRSL:

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

Changes of Benefit Terms include:

LASERS

(1) A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session, and,
(2) Improved benefits for certain members employed by the Office of Adult Probation and Parole within the Department of Public Safety and Corrections as established by Act 852 of 2014, and,
(3) A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session, and,
(4) Added benefits for members of the Harbor Police Retirement System which was merged with LASERS effective July 1, 2015 by Act 648 of 2014.

TRSL

(1) A 1.5% COLA, effective July 1, 2014, provided by Act 204 of the 2014 Louisiana Regular Legislative Session, and,
(2) Regular plan members whose first employment makes them eligible for membership in a Louisiana state retirement system on or after July 1, 2015, may retire with a 2.5% benefit factor after attaining age 62 with at least 5 years of service credit and are eligible for an actuarially reduced benefit with 20 years of service at any age, and,
(3) A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session.

Changes of Assumptions include:

LASERS

There were several changes in assumptions for the June 30, 2017, valuation. The Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in 0.05% annual increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017, valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019. The projected contribution requirement for fiscal year 2018/2019 includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016. The Board also reduced the inflation assumption from 3.0% to 2.75%, effective July 1, 2017. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by 0.25%.

TRSL

There were several changes in assumptions for the June 30, 2017, valuation. The TRSL Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in 0.05% annual increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017, valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019. The projected contribution requirement for fiscal year 2018/2019 includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Schedules of Required Supplementary Information
Fiscal Year Ended June 30, 2018

Schedule of System's Contributions — Schedule 2

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

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

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

Notes to Required Supplementary Information

Changes to Covered payroll for LASERS and TRSL:

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

Changes of Benefit Terms include:

LASERS

(1) A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session, and,
(2) Improved benefits for certain members employed by the Office of Adult Probation and Parole within the Department of Public Safety and Corrections as established by Act 852 of 2014, and,
(3) A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session, and,
(4) Added benefits for members of the Harbor Police Retirement System which was merged with LASERS effective July 1, 2015, by Act 648 of 2014.

TRSL

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(2) Regular plan members whose first employment makes them eligible for membership in a Louisiana state retirement system on or after July 1, 2015 may retire with a 2.5% benefit factor after attaining age 62 with at least 5 years of service credit and are eligible for an actuarially reduced benefit with 20 years of service at any age, and,
(3) A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session.

Changes of Assumptions include:

LASERS

There were several changes in assumptions for the June 30, 2017, valuation. The Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in 0.05% annual increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017, valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019. The projected contribution requirement for fiscal year 2018/2019 includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016. The Board also reduced the inflation assumption from 3.0% to 2.75%, effective July 1, 2017. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by 0.25%.

TRSL

There were several changes in assumptions for the June 30, 2017 valuation. The TRSL Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in 0.05% annual increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017, valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019. The projected contribution requirement for fiscal year 2018/2019 includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of the System's Proportionate Share of the Total Collective OPEB Liability For the Fiscal Year Ended June 30, 2018

	Fiscal Year End*	
	June 30, 2018	**June 30, 2017**
System's proportion of the total collective OPEB liability	2.1285%	2.1285%
System's proportionate share of the total collective OPEB liability	$184,990,680	$193,125,999
System's covered-employee payroll	$77,693,833	$73,560,127
System's proportionate share of the total collective OPEB liability as a percentage of the covered-employee payroll	238.10%	262.54%

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

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

Notes to Required Supplementary Information (Schedule 3)

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

Changes in assumptions

The discount rate changed from 2.71% as of July 1, 2016, to 3.13% as of July 1, 2017.

Changes in population

Changes in the campus's census data including an increase of the number of participating employees at July 1, 2017, changed from 2,062 employees to 2,104 employees.

SUPPLEMENTARY INFORMATION SCHEDULES

Combining Schedule of Net Position, by Campus,
for the year ended June 30, 2018

Schedule 4 presents the Combining Schedule of Net Position, by campus, for the year ended June 30, 2018.

Combining Schedule of Revenues, Expenses, and Changes in Net Position,
by Campus, for the year ended June 30, 2018

Schedule 5 presents the Combining Schedule of Revenues, Expenses, and Changes in Net Position, by Campus, for the year ended June 30, 2018.

Combining Schedule of Cash Flows, by Campus,
for the year ended June 30, 2018

Schedule 6 presents the Combining Schedule of Cash Flows, by Campus, for the year ended June 30, 2018.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Position, by Campus, June 30, 2018

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER	AGRICULTURAL RESEARCH & EXTENSION CENTER
ASSETS				
Current assets:				
Cash and cash equivalents		$4,193,242		
Receivables, net	$41,578	7,014,366	$181,547	$798,329
Due from State Treasury		198,202	22,032	143,757
Due from federal government		8,085,910	1,574,550	618,203
Due from other campuses	3,372,789	7,495,058	2,667,587	166,135
Inventories		298,451		
Prepaid expenses and advances	214,886	5,006,979	26,677	
Notes receivable, net				
Other current assets		153,454	44,234	
Total current assets	3,629,253	32,445,662	4,516,627	1,726,424
Noncurrent assets				
Restricted cash and cash equivalents		3,645,697	258,172	
Restricted investments	508,239	10,699,069	1,935,541	
Capital assets, net	117,374	143,922,461	7,038,895	5,270,586
Total noncurrent assets	625,613	158,267,227	9,232,608	5,270,586
Total assets	4,254,866	190,712,889	13,749,235	6,997,010
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows related to OPEB	245,544	3,594,085	545,208	394,123
Deferred outflows related to pensions	1,277,269	16,229,688	2,502,506	1,362,333
Total deferred outflows of resources	1,522,813	19,823,773	3,047,714	1,756,456
Total assets and deferred outflows of resources	$5,777,679	$210,536,662	$16,796,949	$8,753,466
LIABILITIES				
Current liabilities:				
Accounts payable and accruals	$238,110	$11,312,094	$337,064	$210,650
Due to other campuses				
Unearned revenues		4,537,976	366,392	42,551
Amounts held in custody for others		1,242,987		
Other current liabilities		2,799,381	123,022	37,500
Compensated absences payable	120,137	429,275	114,548	74,862
Capital lease obligations		690,635		
Claims and litigation payable		53,000		
Notes payable		998,756		
Total current liabilities	358,247	22,064,104	941,026	365,563
Noncurrent Liabilities:				
Compensated absences	539,563	6,024,308	987,231	673,006
Capital lease obligations		20,394,786		
Claims and litigation payable				
Notes payable		25,204,642		
Net pension liability	8,918,386	106,693,364	18,177,064	10,740,113
OPEB payable	9,044,456	97,455,360	18,971,564	14,251,586
Total noncurrent liabilities	18,502,405	255,772,460	38,135,859	25,664,705
Total liabilities	18,860,652	277,836,564	39,076,885	26,030,268
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to OPEB	389,203	5,696,844	864,188	624,709
Deferred inflows related to pensions	568,396	7,340,496	1,075,764	647,773
Total deferred inflows of resources	957,599	13,037,340	1,939,952	1,272,482
NET POSITION				
Net investment in capital assets	117,374	96,633,375	7,038,895	5,270,586
Restricted for:				
Nonexpendable	360,000	6,939,462	1,700,000	
Expendable	1,037,096	15,433,917	2,033,258	712,039
Unrestricted	(15,555,042)	(199,343,996)	(34,992,041)	(24,531,909)
TOTAL NET POSITION	(14,040,572)	(80,337,242)	(24,219,888)	(18,549,284)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$5,777,679	$210,536,662	$16,796,949	$8,753,466

	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	ELIMINATIONS	TOTAL SYSTEM
ASSETS				
Current assets:				
Cash and cash equivalents	$306,636	$2,625,164		$7,125,042
Receivables, net	2,571,211	3,781,358	($157,468)	14,230,921
Due from State Treasury	20,122	8,967		393,080
Due from federal government	2,171,477	600,025		13,050,165
Due from other campuses			(13,701,569)	
Inventories				298,451
Prepaid expenses and advances		373,402		5,621,944
Notes receivable, net	225,719	12,387		238,106
Other current assets	516,200	20,226	(107,683)	626,431
Total current assets	5,811,365	7,421,529	(13,966,720)	41,584,140
Noncurrent assets				
Restricted cash and cash equivalents	1,157,068	739,138		5,800,075
Restricted investments	2,970,675	631,794		16,745,318
Capital assets, net	162,367,935	30,358,621		349,075,872
Total noncurrent assets	166,495,678	31,729,553	NONE	371,621,265
Total assets	172,307,043	39,151,082	(13,966,720)	413,205,405
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows related to OPEB	925,708	606,000		6,310,668
Deferred outflows related to pensions	5,440,107	4,218,183		31,030,086
Total deferred outflows of resources	6,365,815	4,824,183		37,340,754
Total assets and deferred outflows of resources	$178,672,858	$43,975,265	($13,966,720)	$450,546,159
LIABILITIES				
Current liabilities:				
Accounts payable and accruals	$1,626,912	$1,128,837	($157,468)	$14,696,199
Due to other campuses	11,303,504	2,398,065	(13,701,569)	
Unearned revenues	1,993,484	1,192,451		8,132,854
Amounts held in custody for others	189,247	25,288		1,457,522
Other current liabilities	115,977	647,126	(107,683)	3,615,323
Compensated absences payable	70,014	94,856		903,692
Capital lease obligations		35,006		725,641
Claims and litigation payable		135,289		188,289
Notes payable		432,449		1,431,205
Total current liabilities	15,299,138	6,089,367	(13,966,720)	31,150,725
Noncurrent Liabilities:				
Compensated absences	1,881,022	1,520,862		11,625,992
Capital lease obligations		1,313,070		21,707,856
Claims and litigation payable		33,822		33,822
Notes payable		11,614,479		36,819,121
Net pension liability	35,498,783	23,333,147		203,360,857
OPEB payable	25,059,106	20,208,608		184,990,680
Total noncurrent liabilities	62,438,911	58,023,988	NONE	458,538,328
Total liabilities	77,738,049	64,113,355	(13,966,720)	489,689,053
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to OPEB	1,324,225	1,199,677		10,098,846
Deferred inflows related to pensions	2,375,738	1,508,446		13,516,613
Total deferred inflows of resources	3,699,963	2,708,123	NONE	23,615,459
NET POSITION				
Net investment in capital assets	162,367,935	15,424,185		286,852,350
Restricted for:				
Nonexpendable	2,608,877	660,000		12,268,339
Expendable	1,730,371	2,733,514		23,680,195
Unrestricted	(69,472,337)	(41,663,912)		(385,559,237)
TOTAL NET POSITION	97,234,846	(22,846,213)	NONE	(62,758,353)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$178,672,858	$43,975,265	($13,966,720)	$450,546,159

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, 2018

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
OPERATING REVENUES			
Student tuition and fees		$55,252,356	$10,401,799
Less scholarship allowances		(20,457,751)	(407,933)
Net student tuition and fees		34,794,605	9,993,866
Federal appropriations			
Federal grants and contracts		19,148,367	2,656,830
State and local grants and contracts		39,733	
Nongovernmental grants and contracts		272,725	266,590
Auxiliary enterprise revenues		17,829,028	
Less scholarship allowances		(1,928,130)	
Net auxiliary revenues		15,900,898	
Other operating revenues	$18,458	2,415,858	82,692
Total operating revenues	18,458	72,572,186	12,999,978
OPERATING EXPENSES			
Education and general:			
Instruction		32,337,672	4,249,212
Research		3,456,904	
Public service		3,886,754	132,791
Academic support	58,635	19,327,696	2,857,808
Student services		7,793,608	1,843,710
Institutional support	7,766,200	13,580,938	4,464,963
Operation and maintenance of plant		12,859,836	308,655
Depreciation	30,384	7,253,270	757,531
Scholarships and fellowships	115,778	6,505,923	394,704
Auxiliary enterprises		15,968,247	
Other operating expenses		383,592	
Total operating expenses	7,970,997	123,354,440	15,009,374
OPERATING LOSS	(7,952,539)	(50,782,254)	(2,009,396)
NONOPERATING REVENUES (Expenses)			
State appropriations	2,959,185	21,230,564	4,218,530
Gifts	103,191	618,195	49,580
Federal nonoperating revenues		18,899,895	
Net investment income (loss)	7,145	169,685	4,991
Interest expense		(1,719,573)	
Other nonoperating revenues	29,594	4,165,201	69,244
Net nonoperating revenues	3,099,115	43,363,967	4,342,345
INCOME (Loss) BEFORE OTHER REVENUES	(4,853,424)	(7,418,287)	2,332,949
Capital appropriations		1,605,727	
Capital grants and gifts			
Additions to permanent endowments		38,500	1,500
Other additions, net	4,854,126	(209,670)	(1,467,993)
CHANGE IN NET POSITION	702	(5,983,730)	866,456
NET POSITION AT BEGINNING OF YEAR (Restated)	(14,041,274)	(74,353,512)	(25,086,344)
NET POSITION AT END OF YEAR	($14,040,572)	($80,337,242)	($24,219,888)

	AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
OPERATING REVENUES				
Student tuition and fees		$14,902,555	$8,478,458	$89,035,168
Less scholarship allowances		(4,979,152)	(5,401,667)	(31,246,503)
Net student tuition and fees		9,923,403	3,076,791	57,788,665
Federal appropriations	$3,634,421			3,634,421
Federal grants and contracts	3,879,930	8,805,033	7,809,660	42,299,820
State and local grants and contracts	348,908	643,729	1,615,925	2,648,295
Nongovernmental grants and contracts	6,075	71,261		616,651
Auxiliary enterprise revenues		3,440,270	2,983,738	24,253,036
Less scholarship allowances		(288,076)	(94,529)	(2,310,735)
Net auxiliary revenues		3,152,194	2,889,209	21,942,301
Other operating revenues	321,618	200,667	1,180,717	4,220,010
Total operating revenues	8,190,952	22,796,287	16,572,302	133,150,163
OPERATING EXPENSES				
Education and general:				
Instruction		8,474,708	3,831,913	48,893,505
Research	3,035,161	454,160		6,946,225
Public service	4,778,905	91,811	826,510	9,716,771
Academic support		1,887,529	2,923,916	27,055,584
Student services		3,701,122	5,253,432	18,591,872
Institutional support	2,304,099	14,028,290	7,625,636	49,770,126
Operation and maintenance of plant	776,407	1,017,296	1,884,342	16,846,536
Depreciation	367,584	3,573,595	1,314,127	13,296,491
Scholarships and fellowships	85,590	3,654,102	4,348,774	15,104,871
Auxiliary enterprises		1,201,376	1,940,894	19,110,517
Other operating expenses			556,035	939,627
Total operating expenses	11,347,746	38,083,989	30,505,579	226,272,125
OPERATING LOSS	(3,156,794)	(15,287,702)	(13,933,277)	(93,121,962)
NONOPERATING REVENUES (Expenses)				
State appropriations	5,253,662	6,748,019	5,707,564	46,117,524
Gifts		169,198	31,712	971,876
Federal nonoperating revenues		42,148,135	8,872,215	69,920,245
Net investment income (loss)		18,008	27,874	227,703
Interest expense			(509,549)	(2,229,122)
Other nonoperating revenues	1,070,405	1,802,197	660,590	7,797,231
Net nonoperating revenues	6,324,067	50,885,557	14,790,406	122,805,457
INCOME (Loss) BEFORE OTHER REVENUES	3,167,273	35,597,855	857,129	29,683,495
Capital appropriations			1,272,704	2,878,431
Capital grants and gifts		48,509,181		48,509,181
Additions to permanent endowments			60,000	100,000
Other additions, net	(1,525,040)	(978,929)	(672,494)	
CHANGE IN NET POSITION	1,642,233	83,128,107	1,517,339	81,171,107
NET POSITION AT BEGINNING OF YEAR (Restated)	(20,191,517)	14,106,739	(24,363,552)	(143,929,460)
NET POSITION AT END OF YEAR	($18,549,284)	$97,234,846	($22,846,213)	($62,758,353)

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by Campus
For the Fiscal Year Ended June 30, 2018

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tuition and fees		$35,257,962	$10,023,437
Federal appropriations			
Grants and contracts		17,852,650	3,775,013
Auxiliary enterprise charges		15,888,021	
Payments for employee compensation	($3,385,311)	(50,764,484)	(9,137,898)
Payments for benefits	(1,249,756)	(29,772,471)	(3,070,090)
Payment for utilities	(13,212)	(4,664,184)	(14,922)
Payments for supplies and services	(3,529,906)	(25,057,163)	(2,058,419)
Payments for scholarships and fellowships	(115,778)	(7,181,070)	(415,868)
Loans to students			
Other receipts (payments)	15,974	2,393,110	137,729
Net cash used by operating activities	(8,277,989)	(46,047,629)	(761,018)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
State appropriations	2,959,185	21,389,199	4,237,747
Gifts and grants for other than capital purposes	103,191	19,991,452	49,580
Private gifts for endowment purposes		38,500	1,500
Taylor Opportunity Program for Students (TOPS) receipts		3,030,271	
TOPS disbursements		(3,214,304)	
GO Grant receipts		1,234,721	
GO Grant disbursements		(1,244,897)	
Implicit loan reduction from other campuses	333,721		(1,388,151)
Implicit loan reduction to other campuses		3,419,575	
Direct lending receipts		52,639,255	16,804,881
Direct lending disbursements		(52,639,255)	(16,804,881)
Federal Family Education Loan program receipts		969,938	
Federal Family Education Loan program disbursements		(969,938)	
Other receipts (payments)	4,861,449	3,948,825	(1,439,171)
Net cash provided by noncapital financing sources	8,257,546	48,593,342	1,461,505
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Proceeds from capital debt		26,203,665	
Capital appropriations received			
Purchases of capital assets		(1,426,190)	(546,623)
Principal paid on capital debt and leases		(23,652,905)	
Interest paid on capital debt and leases		(1,719,573)	
Deposits with trustees		1,965,601	
Other sources		(265,346)	
Net cash used by capital financing sources	NONE	1,105,252	(546,623)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments			15,000
Interest received on investments	12,919	169,685	(58,068)
Purchase of investments		(888,550)	(1,263,162)
Net cash provided (used) by investing sources	12,919	(718,865)	(1,306,230)

(Continued)

	AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
CASH FLOWS FROM OPERATING ACTIVITIES:				
Tuition and fees		$9,240,999	$4,106,474	$58,628,872
Federal appropriations	$3,634,421			3,634,421
Grants and contracts	6,097,470	7,307,995	8,523,564	43,556,692
Auxiliary enterprise charges		3,043,755	3,131,026	22,062,802
Payments for employee compensation	(5,492,582)	(15,589,179)	(12,352,255)	(96,721,709)
Payments for benefits	(2,360,630)	(5,314,156)	(4,831,478)	(46,598,581)
Payment for utilities	(50,125)	(1,887,365)	(1,107,666)	(7,737,474)
Payments for supplies and services	(3,617,819)	(7,307,061)	(7,234,224)	(48,804,592)
Payments for scholarships and fellowships	(135,061)	(4,080,211)	(4,929,726)	(16,857,714)
Loans to students		90,603		90,603
Other receipts (payments)	277,780	(179,788)	(64,720)	2,580,085
Net cash used by operating activities	(1,646,546)	(14,674,408)	(14,759,005)	(86,166,595)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	5,289,614	6,819,863	5,726,746	46,422,354
Gifts and grants for other than capital purposes	30,676	6,750,390	8,903,927	35,829,216
Private gifts for endowment purposes			60,000	100,000
Taylor Opportunity Program for Students (TOPS) receipts		134,255	80,806	3,245,332
TOPS disbursements		(134,255)	(80,806)	(3,429,365)
GO Grant receipts				1,234,721
GO Grant disbursements				(1,244,897)
Implicit loan reduction from other campuses	(2,032,292)	1,011,362	(1,178,080)	(3,253,440)
Implicit loan reduction to other campuses	(166,135)			3,253,440
Direct lending receipts		21,031,486	12,452,127	102,927,749
Direct lending disbursements		(21,031,486)	(12,452,127)	(102,927,749)
Federal Family Education Loan program receipts				969,938
Federal Family Education Loan program disbursements				(969,938)
Other receipts (payments)	(1,475,317)	794,506	79,464	6,769,756
Net cash provided by noncapital financing sources	1,646,546	15,376,121	13,592,057	88,927,117
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Proceeds from capital debt			12,046,928	38,250,593
Capital appropriations received			1,272,704	1,272,704
Purchases of capital assets	(959,330)	(96,254)	(2,530,589)	(5,558,986)
Principal paid on capital debt and leases			(12,172,256)	(35,825,161)
Interest paid on capital debt and leases			(510,791)	(2,230,364)
Deposits with trustees				1,965,601
Other sources	959,330			693,984
Net cash used by capital financing sources	NONE	(96,254)	(1,894,004)	(1,431,629)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments			2,116,178	2,131,178
Interest received on investments		18,008	27,874	170,418
Purchase of investments		(517,570)		(2,669,282)
Net cash provided (used) by investing sources	NONE	(499,562)	2,144,052	(367,686)

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by Campus, 2018

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	($7,524)	$2,932,100	($1,152,366)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,524	4,906,839	1,410,538
CASH AND CASH EQUIVALENTS AT END OF YEAR	NONE	$7,838,939	$258,172
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	($7,952,539)	($50,782,254)	($2,009,396)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense	30,384	7,253,270	757,531
Non-Employer contributing entity (NCE) revenue	22,271	295,966	40,422
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net	(2,484)	516,773	107,564
(Increase) decrease in inventories		24,901	
(Increase) decrease in due from federal government		(882,949)	851,593
(Increase) decrease in prepaid expenses and advances	20,675	(2,067,630)	(13,379)
(Increase) decrease in notes receivable			
(Increase) decrease in other assets			(32,784)
(Increase) decrease in deferred outflows related to OPEB	(22,043)	(322,654)	(48,945)
(Increase) decrease in deferred outflows related to pensions	684,269	8,375,367	1,243,929
Increase (decrease) in accounts payable and accrued liability	(185,057)	2,704,249	80,943
Increase (decrease) in unearned revenue		445,294	53,403
Increase (decrease) in claims and litigation		50,000	
Increase (decrease) in compensated absences	156,173	476,067	94,002
Increase (decrease) in OPEB payable	(315,711)	(4,621,121)	(701,005)
Increase (decrease) in net pension liability	(1,260,740)	(15,631,837)	(2,291,336)
Increase (decrease) in deferred inflows related to OPEB	389,203	5,696,844	864,188
Increase (decrease) in deferred inflows related to pensions	157,610	2,178,483	285,827
Increase (decrease) in other liabilities		243,602	(43,575)
Net cash used by operating activities	($8,277,989)	($46,047,629)	($761,018)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and cash equivalents classified as current assets		$4,193,242	
Cash and cash equivalents classified as noncurrent assets		3,645,697	$258,172
Cash and cash equivalents at the end of the year	NONE	$7,838,939	$258,172
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital appropriations for construction of capital assets		$1,605,727	
Net increase in the fair value of investments		$50,283	
Federal gifts and grants			
Capital gifts and grants			
Non-employer contributing entity revenue	$22,271	$295,966	$40,422

(Concluded)

	AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		$105,897	($916,900)	$961,207
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	NONE	1,357,807	4,281,202	11,963,910
CASH AND CASH EQUIVALENTS AT END OF YEAR	NONE	$1,463,704	$3,364,302	$12,925,117
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating loss	($3,156,794)	($15,287,702)	($13,933,277)	($93,121,962)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation expense	367,584	3,573,595	1,314,127	13,296,491
Non-Employer contributing entity (NCE) revenue	30,676	82,940	70,151	542,426
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable, net	277,913	(332,248)	474,935	1,042,453
(Increase) decrease in inventories				24,901
(Increase) decrease in due from federal government	1,556,886	(588,920)	(326,088)	610,522
(Increase) decrease in prepaid expenses and advances		388		(2,059,946)
(Increase) decrease in notes receivable		90,603	(81,451)	9,152
(Increase) decrease in other assets		(339,197)	(657)	(372,638)
(Increase) decrease in deferred outflows related to OPEB	(35,382)	(60,264)	(110,852)	(600,140)
(Increase) decrease in deferred outflows related to pensions	935,129	2,445,767	1,839,875	15,524,336
Increase (decrease) in accounts payable and accrued liability	(126,716)	1,444,700	(85,019)	3,833,100
Increase (decrease) in unearned revenue	28,114	(2,074,329)	(165,328)	(1,712,846)
Increase (decrease) in claims and litigation			(135,289)	(85,289)
Increase (decrease) in compensated absences	(89,689)	132,610	(209,061)	560,102
Increase (decrease) in OPEB payable	(506,747)	(1,102,022)	(888,712)	(8,135,318)
Increase (decrease) in net pension liability	(1,724,996)	(4,534,870)	(3,478,002)	(28,921,781)
Increase (decrease) in deferred inflows related to OPEB	624,709	1,324,225	1,199,677	10,098,846
Increase (decrease) in deferred inflows related to pensions	217,947	598,948	533,335	3,972,150
Increase (decrease) in other liabilities	(45,180)	(48,632)	(777,369)	(671,154)
Net cash used by operating activities	($1,646,546)	($14,674,408)	($14,759,005)	($86,166,595)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and cash equivalents classified as current assets		$306,636	$2,625,164	$7,125,042
Cash and cash equivalents classified as noncurrent assets		1,157,068	739,138	5,800,075
Cash and cash equivalents at the end of the year	NONE	$1,463,704	$3,364,302	$12,925,117
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Capital appropriations for construction of capital assets			$1,272,704	$2,878,431
Net increase in the fair value of investments		($556)		$49,727
Federal gifts and grants		$35,566,943		$35,566,943
Capital gifts and grants		$48,509,181		$48,509,181
Non-employer contributing entity revenue	$30,676	$82,940	$70,151	$542,426

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

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

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 25, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated January 25, 2019. Our report was modified to include an emphasis of matter section regarding actuarial assumptions and financial statement comparability.

Our report includes reference to another auditor who audited the financial statements of the Southern University System Foundation, the only discretely presented component unit of the System, as described in our report on the System's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by the auditor.

Internal Control over Financial Reporting

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

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

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

Inappropriate System Access

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

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

- Eight employees from the comptroller, finance, property control, and information technology offices could create a purchase order.
- One employee from the comptroller's office could create a purchase order and receive goods.
- One employee in finance could create a purchase order and create a vendor.
- One employee in information technology could create employees, edit pay rates, and edit deductions.
- Two employees in the comptroller's office could create employees.
- Two employees in the comptroller and financial aid offices had the ability to enter and delete charges to students' accounts.
- One employee in the comptroller's office had the ability to create or edit tuition and fee setup, refund setup, and registration tables.

Good internal control requires the University to restrict access to those functions necessary for its employees' job duties and ensure that no employees have the ability to make unauthorized changes to system data.

Management represented that the deficiencies resulted from accesses being granted due to turnover and a small number of staff as well as access not subsequently being re-evaluated when new employees were hired. After auditors brought these matters to management's attention, the accesses were removed.

University management should follow established policies to limit its employees' access to only what is required to perform their job duties. Management should also further restrict or closely monitor any access that allows an employee to change system data. Management concurred with the finding and provided a plan of corrective action. (see Appendix A).

Compliance and Other Matters

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

System's Response to Finding

The System's response to the finding identified in this report is attached in Appendix A. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

PGH:AD:RR:EFS:aa
SUS2018

APPENDIX A

Management's Corrective Action Plan and Response to the Finding and Recommendation

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

December 12, 2018

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

Dear Mr. Purpera:

FINDING: Inappropriate System Access

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

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

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

- Southern University System – Flandus McClinton, Jr., Vice President for Finance and Business Affairs
- Southern University Baton Rouge – Benjamin Pugh, Vice Chancellor for Finance and Administration
- Southern University Law Center – Terry Hall, Vice Chancellor for Finance and Administration

- Southern University Ag Center – Lynda Batiste, Director of Finance
- Southern University New Orleans – Jullin Renthrope, Vice Chancellor for Administration and Finance
- Southern University Shreveport – Brandy Jacobsen, Chief Finance Officer

The corrective action has begun and will be completed not later than June 30, 2019.Thank you for your assistance.

Sincerely,

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

cc: Mr. Flandus McClinton, Jr., Vice President for Finance and Business Affairs, SUS
Mr. Benjamin Pugh, Vice Chancellor for Finance and Administration, SUBR
Mr. Terry Hall, Vice Chancellor for Finance and Administration, SULC
Ms. Lynda Batiste, Director of Finance, SUAREC
Mr. Jullin Renthrope, Vice Chancellor for Finance and Administration, SUNO
Mrs. Brandy Jacobsen, Chief Finance Officer, SUSLA