



SOUTHEASTERN

L O U I S I A N A U N I V E R S I T Y

Annual Financial Statements

**For The Fiscal Year Ended
June 30, 2015**

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**STATE OF LOUISIANA
SOUTHEASTERN LOUISIANA UNIVERSITY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Assets

Current Assets

Cash and cash equivalents	\$ 29,990,599
Investments	10,074,642
Receivables, net	5,152,276
Due from State Treasury	199,745
Due from Federal Government	1,727,675
Inventories	769,187
Prepaid expenses and advances	306,250
Notes receivable	334,258
Other current assets	122,217
Total current assets	<u>48,676,849</u>

Noncurrent Assets

Restricted assets:

Cash and cash equivalents	20,567,547
Investments	20,725,415
Notes receivable, net	1,904,815
Capital assets, net	181,344,139
Other noncurrent assets	2,070,224
Total noncurrent assets	<u>226,612,140</u>
Total assets	<u>275,288,989</u>

Deferred Outflows of Resources

Deferred amounts related to pensions	<u>19,416,577</u>
Total deferred outflows of resources	<u>19,416,577</u>
Total assets and deferred outflow of resources	<u><u>\$294,705,566</u></u>

**STATE OF LOUISIANA
SOUTHEASTERN LOUISIANA UNIVERSITY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 8,559,498
Due to State Treasury	3,264
Unearned revenues	4,713,568
Amounts held in custody for others	2,524,913
Compensated absences payable	463,262
Capital lease obligations	485,000
Bonds payable	3,985,000
Other current liabilities	2,233
Total current liabilities	<u>20,736,738</u>
Long-term Portion of Noncurrent Liabilities:	
Compensated absences payable	6,906,500
Capital lease obligations	3,095,000
Net pension liability	141,016,820
OPEB payable	82,161,946
Bonds payable	87,209,365
Total noncurrent liabilities	<u>320,389,631</u>
Total liabilities	<u>341,126,369</u>
Deferred Inflows of Resources	
Deferred amounts related to pensions	<u>20,712,250</u>
Total deferred inflows of resources	20,712,250
Net Assets	
Net investment in capital assets	96,955,370
Restricted for Nonexpendable	11,790,724
Expendable	34,322,891
Unrestricted	<u>(210,202,038)</u>
Total net position	<u>(67,133,053)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$294,705,566</u>

STATE OF LOUISIANA
SOUTHEASTERN LOUISIANA UNIVERSITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Operating Revenues	
Student tuition and fees	\$ 86,020,954
Less scholarship allowances	<u>(23,746,449)</u>
Net student tuition and fees	<u>62,274,505</u>
Federal appropriations	
Federal grants and contracts	6,884,461
State and local grants and contracts	3,707,319
Nongovernmental grants and contracts	229,995
Sales and services of educational departments	499,842
Auxiliary enterprise revenues	27,971,582
Less scholarship allowances	<u>(5,229,179)</u>
Net auxiliary revenues	22,742,403
Other operating revenues	<u>2,709,789</u>
Total operating revenues	<u>99,048,314</u>
Operating Expenses	
Education and general	
Instruction	61,019,623
Research	1,318,489
Public service	3,253,114
Academic support	11,372,025
Student services	9,906,614
Institutional support	12,474,094
Operations and maintenance of plant	13,489,828
Depreciation	8,137,195
Scholarships and fellowships	15,039,738
Auxiliary enterprises	16,082,559
Other operating expenses	<u>851,798</u>
Total operating expenses	<u>152,945,077</u>
Operating income (loss)	<u>(53,896,763)</u>

**STATE OF LOUISIANA
SOUTHEASTERN LOUISIANA UNIVERSITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Nonoperating Revenues (Expenses)	
State appropriations	30,993,609
Gifts	1,003,117
Federal nonoperating revenues (expenses)	20,339,420
Net investment income (loss)	243,401
Interest expense	(2,683,087)
Other nonoperating revenues (expenses)	<u>(61,552)</u>
Net nonoperating revenues (expenses)	<u>49,834,908</u>
Income (loss) before other revenues, expenses, gains, losses	<u>(4,061,855)</u>
Capital appropriations	346,392
Capital grants and gifts	13,515
Additions to permanent endowments	<u>580,000</u>
Increase (decrease) in net position	<u>(3,121,948)</u>
 Net position at beginning of the year, as restated	 <u>(64,011,105)</u>
 Net position at end of the year	 <u><u>\$ (67,133,053)</u></u>

**STATE OF LOUISIANA
SOUTHEASTERN LOUISIANA UNIVERSITY
SIMPLIFIED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
\$ (152,945,077)	\$ 85,516,750	\$11,401,775	\$ 359,907	\$ (55,666,645)

General revenues:

State appropriations	30,993,609
Grants and contributions not restricted to specific programs	21,342,537
Interest	243,401
Miscellaneous	2,648,237
Total general revenues, special items, and transfers	55,227,784
Change in net position	(3,121,948)
Net position, beginning of year	(64,011,105)
Net position, end of year	\$ (67,133,053)

**STATE OF LOUISIANA
SOUTHEASTERN LOUISIANA UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

Cash flow from operating activities	
Tuition and fees	\$ 62,830,131
Grants and contracts	11,373,235
Sales and services of educational departments	344,376
Auxiliary enterprise receipts	22,332,453
Payments for employee compensation	(70,584,770)
Payments for benefits	(28,499,762)
Payments for utilities	(4,616,816)
Payments for supplies and services	(27,971,330)
Payments for scholarships and fellowships	(9,810,559)
Loans to students	(344,326)
Collection of loans to students	341,198
Other receipts (payments)	6,980,944
Net cash provided (used) by operating activities	<u>(37,625,226)</u>
Cash flows from non-capital financing activities	
State appropriations	30,950,330
Gifts and grants for other than capital purposes	1,003,117
Pell Grant receipts	20,051,125
Private gifts for endowment purposes	580,000
TOPS receipts	20,081,367
TOPS disbursements	(20,222,398)
Direct lending receipts	41,182,206
Direct lending disbursements	(41,245,887)
Other receipts (payments)	(248,061)
Net cash provided (used) by non-capital financing activities	<u>\$ 52,131,799</u>

**STATE OF LOUISIANA
SOUTHEASTERN LOUISIANA UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

Cash flows from capital financing activities	
Proceeds from capital debt	\$ 8,061
Purchases of capital assets	(8,844,083)
Principal paid on capital debt and leases	(4,889,633)
Interest paid on capital debt and leases	(2,683,087)
Other sources	(461,286)
Net cash provided (used) by capital financing activities	<u>(16,870,028)</u>
Cash flows from investing activities	
Proceeds from sales and maturities of investments	10,991,390
Interest received on investments	8,883
Purchases of investments	(4,053,450)
Net cash provided (used) by investing activities	<u>6,946,823</u>
Net increase (decrease) in cash and cash equivalents	<u>4,583,368</u>
Cash and cash equivalents at beginning of year	<u>45,974,778</u>
Cash and cash equivalents at end of year	<u>\$ 50,558,146</u>

**STATE OF LOUISIANA
SOUTHEASTERN LOUISIANA UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

Net Cash Provided (Used) by Operating Activities:

Operating income (loss)	\$ (53,896,763)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation expense	8,137,195
Pension Expense	12,526,821
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables, net	160,739
(Increase) decrease in inventories	43,633
(Increase) decrease in prepaid expenses and advances	(11,206)
(Increase) decrease in notes receivable	(3,128)
(Increase) decrease in other assets	2,249,404
(Increase) decrease in deferred outflows	(16,373,993)
Increase (decrease) in accounts payable and accrued liabilities	620,868
Increase (decrease) in unearned revenue	(273,581)
Increase (decrease) in amounts held in custody for others	2,188,862
Increase (decrease) in compensated absences	332,331
Increase (decrease) in OPEB payable	6,673,592
Net cash provided (used) by operating activities:	<u>\$ (37,625,226)</u>

Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions

Capital appropriations for construction of capital assets	\$ 346,392
Capital grants and gifts	13,515
Net increase in the fair value of investments	(234,518)
NCE Revenue related to Teacher's Retirement System	357,126
	<u>\$ 482,515</u>

Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

Cash and cash equivalents classified as current assets	\$ 29,990,599
Cash and cash equivalents classified as noncurrent assets	20,567,547
Total cash and cash equivalents	<u>\$ 50,558,146</u>

**STATE OF LOUISIANA
SOUTHEASTERN LOUISIANA UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

Other - Cash flow from operating activities:	
Other operating revenues	\$ 2,709,789
Increase in funds held for others	2,188,862
Increase in other current liabilities	(9,441)
Increase in prepaid expenses and advances	(11,206)
Increase in other accounts payable	399,593
Decrease in other assets	2,249,404
Civil Service transfers	(72,069)
System Office assessments	(339,406)
Decrease in other deferred revenue	(134,582)
	<u>\$ 6,980,944</u>
Other - Cash flows from non-capital financing activities:	
Federal non-operating receipts (less Pell)	\$ 288,295
Other non-operating revenues (expenses)	(418,678)
Adjustment for retirement of capital assets	7,711
Adjustment for non-cash transaction adjustment	(125,389)
	<u>\$ (248,061)</u>
Other - Cash flows from capital financing activities:	
Increase in Bond issue costs	\$ (461,286)
	<u>\$ (461,286)</u>

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

The university had approximately 14,498 students enrolled during the fall semester of the 2014/2015 academic year and employed approximately 1,601 employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

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

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

Blended Component Units

University Facilities, Inc. is a nonprofit corporation that is considered a blended component unit of Southeastern Louisiana University. The component unit is included in the reporting entity because it is fiscally dependent on the University. The purpose of the organization is to promote, assist, and benefit the mission of the university through the acquisition, construction, development, management, leasing or otherwise assisting in the acquisition, construction, development, management, or leasing of student housing or other facilities on behalf of the University. Although the facility corporation is legally separate, it is reported as a part of the University because the majority of their revenue comes from the leasing of facilities to the university.

To obtain the corporations' latest audit reports, write to University Facilities, Inc., c/o Mr. Sam Domiano, Southeastern Louisiana University, SLU Box 10709, Hammond, Louisiana 70402.

The blended component unit is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Accounting Standards Codification (ASC) §958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria, presentation, and disclosure requirements are different from GASB revenue recognition criteria and presentation features. With the exception of presentation adjustments, no modifications have been made to the component unit's financial information in the University's report.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. All activities of the University are accounted for within a single proprietary (enterprise) fund. Accordingly, the University'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-agency transactions have been eliminated.

D. BUDGET PRACTICES

The State of Louisiana's appropriation is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive branches of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) inventories are recorded as expenditures at the time of purchase.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand (petty cash), demand deposits, and interest-bearing demand deposits. Cash equivalents include certificates of deposit and all highly liquid investments with a maturity of three months or less when purchased. Under state law, the University 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 University 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 negotiable certificates of deposit, regardless of maturity.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the University 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 instrument or bond indenture. Investments are maintained in investment accounts in external foundations as authorized by policies and procedures established by the Board of Regents and are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. For purposes of the Statement of Cash Flows, the University considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. INVENTORIES

Inventories are valued at the lower of cost or market. The University uses periodic and perpetual inventory systems and values its various other inventories using the first-in, first-out and weighted-average valuation methods. Adjustments are made at fiscal year-end to account for inventories using the consumption method.

G. NONCURRENT RESTRICTED ASSETS

Cash, investments, receivables, and other assets that are externally restricted for grants, endowments, debt service payments, maintenance of sinking or reserve funds or to purchase or construct capital assets are classified as noncurrent restricted assets in the Statement of Net Position.

H. CAPITAL ASSETS

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 University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be 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, three to 10 years for most movable property, three years for software with an acquisition cost of \$1,000,000 or more, and three to 10 years for internally generated software with development costs of \$1,000,000 or more.

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. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

J. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered

having nonexempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

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

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

K. NONCURRENT LIABILITIES

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Louisiana State Employees Retirement System and the Teachers Retirement System of Louisiana, and additions to/deductions from the retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirements systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. NET POSITION

The University's net position is classified as follows:

(1) Net Investment in Capital Assets

This represents the University's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations

related to acquisition, construction, or improvement of those capital assets.

(2) Restricted Net Position - Expendable

Restricted expendable net position includes resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(3) Restricted Net Position - Nonexpendable

Restricted nonexpendable net position consists of endowment and similar type funds that donors or other outside sources have stipulated, as a condition of the gift instrument, that 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.

(4) Unrestricted Net Position

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University 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 University's policy is to first apply the expense toward unrestricted resources, and then toward restricted resources.

M. CLASSIFICATION OF REVENUES AND EXPENSES

The University has classified its revenues as either operating or nonoperating according to the following criteria:

- (a) Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) most federal, state, and local grants and contracts and federal appropriations.
- (b) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

- (c) Operating expenses generally include transactions resulting from providing goods or services, such as (1) payment to vendors for goods or services; (2) payments to employees for services; and (3) 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 services (tuition and fees) provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf.

O. USE OF ESTIMATES

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

P. ADOPTION OF NEW ACCOUNTING PRINCIPLES

Accounting changes made during the year involve a change in reporting. Due to the implementation of GASB 68, the new accounting principle establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenditures. These reporting changes are reflected in the accompanying financial statements.

2. CASH AND CASH EQUIVALENTS

At June 30, 2015, the University had cash and cash equivalents (book balances) of \$50,558,146 as follows:

University Facilities Inc.	\$ 5,818,628
Petty Cash	27,550
Demand Deposits	38,076,383
Certificates of Deposit	<u>6,635,585</u>
Total	<u>\$ 50,558,146</u>

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Under state law, the University's 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. These securities are held in the name of the University or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

At year end, the deposits reflected in the bank accounts totaled \$51,352,811. Of the bank balances, \$5,818,628 was held in the name of University Facilities, Inc. (UFI), a blended component. UFI's cash balances are deposited with high quality, credit worthy, financial institutions. Management monitors the soundness of these financial institutions and considers the custodial credit risk insignificant.

3. INVESTMENTS

At June 30, 2015, the University has investments totaling \$30,800,057. The University follows state law (R.S. 49:327) as applicable to institutions of higher education in establishing investment policy. State law authorizes the University to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds.

Endowments are maintained in investment accounts as authorized by policies and procedures established by the Board of Regents. To reduce overall volatility of investment returns and to provide a hedge against the effects of the economic downturns, these policies require that at least 26% of assets be invested in fixed income funds. The fixed income funds are diversified among various sectors of the fixed income market. No more than 74% of funds may be invested in equities. The overall average quality of debt investments must be "A" and, with exception of the U.S. government and its agencies, no more than 5% of the fixed income fund may be invested in the securities of any one issuer. No more than 50% of publicly traded equity or debt

may be foreign. In addition, no more than 10% of program assets may be invested in REITs, no more than 15% may be invested in hedge funds, and no more than 10% may be invested in private equity and private debt combined based on committed capital.

A summary of the University's investments follows:

	Percentage of Investments	Credit Quality Rating	Fair Value
Investments held by foundations:			
U.S. government securities:			
U.S. Treasury Notes	5.15%	AAA	\$1,587,704
U.S. Agency Obligations	0.69%	AAA	\$212,766
U.S. Agency Obligations	0.17%	Aaa	\$53,562
Federal Home Loan Mortgage Corpora	3.89%	AAA	1,199,082
Federal National Mortgage Associator	0.00%		
Federal Home Loan Bank	0.00%		
Federal Farm Credit Bank	0.00%		
Money market mutual funds	0.00%		
Certificates of deposit	0.00%		
Common and preferred stock	25.42%		7,829,004
Corporate bonds and bond funds	0.99%	Aa	305,196
Corporate bonds and bond funds	2.36%	Aaa	726,947
Corporate bonds and bond funds	1.64%	Ba	505,436
Corporate bonds and bond funds	2.14%	Baa	658,747
Corporate bonds and bond funds	0.65%	Unrated	200,000
Mutual funds	1.65%	Unrated	508,904
Money Market	2.46%	Unrated	757,006
Other	0.70%	Unrated	215,261
Held by blended component units:			
University Facilities, Inc.	<u>52.08%</u>		<u>16,040,442</u>
	<u>100.0%</u>		<u>\$30,800,057</u>

Credit quality ratings obtained from Moody's Investor Service.

	Investment Maturities in Years				
	Fair Value	Less Than 1 Year	1-5	6-10	11-20
Investments held by foundation					
U.S. government securities:					
U.S. Treasury Notes/U.S. Government Obligations	\$ 1,587,704	\$ 605,116	\$ 685,771	\$ 296,817	\$ -
U.S. Agency Obligations	\$266,328	\$97,135	\$115,631	\$53,562	-
Federal Home Loan Mortgage Corporation	1,199,082	-	614,403	490,293	94,386
Mutual Funds	1,042,423	508,904	533,519	-	-
Other:					
Common and Preferred Stock	7,829,004	7,829,004	-	-	-
Corporate bonds	1,674,275	290,184	637,888	746,203	-
Money Market	757,006	757,006	-	-	-
Other	403,793	215,261	31,256	157,276	-
Investments held by blended component unit:					
University Facilities, Inc.	\$16,040,442	-	-	-	-
Total	\$ 30,800,057	\$ 10,302,610	\$ 2,618,468	\$ 1,744,151	\$ 94,386

Investments totaling \$14,759,615 are held by the Southeastern Louisiana University Foundation and mainly consist of stocks, U.S. obligations, and corporate bonds. Investments related to the 2004, 2007, 2010, and 2013 Series Bond issuances are valued at \$16,040,442 and are held by bond trustees for University Facilities, Inc. These funds are invested under the terms of the various trust indentures. These documents direct the types of investments and collateralization requirements, and work to mitigate the credit risk of these investments.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the University's investments to U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds. The University does not have policies to further limit credit risk.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For U.S. Treasury obligations and U.S. government agency obligations, the University's investment policies generally require that issuers must provide the University with safekeeping receipts, collateral agreements, and custodial agreements.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. State law requires that at no time shall the funds invested in U.S. government agency obligations exceed 60% of all monies invested with maturities of 30 days or longer. In addition, state law limits the investment in commercial paper and corporate notes and bonds to 20% of all investments. The University does not have policies to further limit concentration of credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to institutions of higher education does not address interest rate risk. In addition, the University does not have policies to limit interest rate risk.

4. RECEIVABLES

Receivables are shown on the Statement of Net Position, net of an allowance for doubtful accounts, at June 30, 2015. These receivables are composed of the following:

	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	\$ 5,260,264	\$ (1,535,479)	\$ 3,724,785
Auxiliary enterprises	655,768	-	655,768
Federal, State and private grants and contracts	1,853,111	(39,475)	1,813,636
Other miscellaneous	686,162	(400)	685,762
Total	<u>\$ 8,455,305</u>	<u>\$ (1,575,354)</u>	<u>\$ 6,879,951</u>

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2015, follows:

SCHEDULE OF CAPITAL ASSETS

	Balance July 1, 2014	Prior Period Adjustment	Restated Balance July 1, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
Capital assets not being depreciated:							
Land	\$ 1,544,209	\$ -	\$ 1,544,209	\$ -	\$ -	\$ -	\$ 1,544,209
Land improvements	5,989,193	-	5,989,193	-	-	-	5,989,193
Capitalized collections	314,621	-	314,621	-	-	-	314,621
Construction-in-progress	3,679,567	(10,375)	3,669,192	7,426,771	(\$7,445,673)	-	3,650,290
Total assets not being depreciated	11,527,590	(10,375)	11,517,215	7,426,771	(7,445,673)	-	11,498,313
Capital assets being depreciated:							
Infrastructure	-	-	-	-	-	-	-
Land improvements	1,377,622	-	1,377,622	-	237,225	-	1,614,847
Buildings	268,350,320	-	268,350,320	524,588	7,208,448	-	276,083,356
Equipment (including library books)	20,952,764	-	20,952,764	1,612,538	-	(1,091,096)	21,474,206
Software (internally generated and purchased)	1,066,242	-	1,066,242	-	-	-	1,066,242
Total capital assets being depreciated	291,746,948	-	291,746,948	2,137,126	7,445,673	(1,091,096)	300,238,651
Less accumulated depreciation:							
Infrastructure	-	-	-	-	-	-	-
Land improvements	(396,409)	-	(396,409)	(80,743)	-	-	(477,152)
Buildings	(105,646,115)	-	(105,646,115)	(6,367,712)	-	-	(112,013,827)
Equipment	(16,230,249)	-	(16,230,249)	(1,688,740)	-	1,083,385	(16,835,604)
Software (internally generated and purchased)	(1,066,242)	-	(1,066,242)	-	-	-	(1,066,242)
Total accumulated depreciation	(123,339,015)	-	(123,339,015)	(8,137,195)	-	1,083,385	(130,392,825)
Total capital assets, net	\$ 179,935,523	\$ (10,375)	\$ 179,925,148	\$ 1,426,702	\$ -	\$ (7,711)	\$ 181,344,139

Southeastern Louisiana University capitalizes its collections, which include various works of art and historical items, including sculptures, statues, portraits, murals, book collections, war artifacts, and maps.

6. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2015:

Vendor Payables	\$ 3,570,174
Accrued Salaries and Payroll Deduction	3,870,234
Accrued Interest	<u>1,119,090</u>
Total Payables	<u><u>\$ 8,559,498</u></u>

7. COMPENSATED ABSENCES

At June 30, 2015, employees of the University have accumulated and vested annual, sick, and compensatory leave of \$ 3,295,014; \$ 3,883,452; and \$ 191,296, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

8. PENSION LIABILITY

The University of Louisiana System Annual Fiscal Report for fiscal year end June 30, 2015, will disclose pension liability for the board office and all the universities under their jurisdiction. No disclosure is being made at the university level. After the implementation of GASB 68, Southeastern had a pension liability of \$142,312,493 as of June 30, 2015.

9. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the TRSL for five or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRSL and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the University are 28.0% of the covered payroll for fiscal year 2015. The participant's contribution (8.0%), less any monthly fee required to cover the cost of

administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the University. Benefits payable to participants are not the obligations of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled \$ 6,246,800 and \$ 1,780,690 , respectively, for the year ended June 30, 2015.

10. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The University provides certain continuing health care and life insurance benefits for its retired employees. Substantially, all University employees become eligible for these benefits if they reach normal retirement age while working for the University.

The University offers its employees the opportunity to participate in the state's Office of Group Benefits (OGB), which offers a life insurance plan. GASB Statement No. 45 promulgates the accounting and financial reporting requirement by employers that offer other postemployment benefits (OPEB) besides pensions. Both the medical coverage plan and the life insurance plan available would be subject to the provisions of this statement. Information about this plan is presented below.

Plan Description

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

Funding Policy

The contribution requirements of plan members and the University are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to

the cost of retiree health care based on a service schedule. Contribution amounts vary depending on what health care provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, two Health Maintenance Organization (HMO) plans, and the Medical Home HMO Plan. OGB also offers the Consumer Driven Health Plan with a Health Savings Account option (CDHP-HSA) to active employees. Retired employees who have Medicare Part A and Part B coverage also have access to two OGB Medicare Advantage plans – two HMO plans, which are based on a calendar year. The two HMO plans are the Peoples Health HMO and the Vantage HMO. Beginning in 2013, Medicare eligible retirees can choose to enter the Towers Extend HIX program.

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

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

OGB also provides eligible retirees and their spouses Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life, and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. Effective January 1, 2014, the total premium is approximately \$1 per thousand dollars of coverage of which the employer pays fifty percent for retirees. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and disability coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability

The University's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year, open amortization period has been used. The total ARC for fiscal year 2015 is \$9,700,800.

The following schedule presents the University's OPEB obligation for fiscal year 2015:

	<u>State OGB Plan</u>
Beginning Net OPEB Obligation at July 1, 2014	\$ 75,488,354
Annual Required Contributions	9,700,800
Interest on Net OPEB Obligation	3,019,500
ARC Adjustment	<u>(2,884,500)</u>
OPEB Cost	9,835,800
Contributions Made (current year retiree premiums)	<u>(3,162,208)</u>
Increase in Net OPEB Obligation	6,673,592
Ending Net OPEB Obligations at June 30, 2015	<u><u>\$ 82,161,946</u></u>

The University's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2015, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$9,313,000	32.8%	\$69,219,505
June 30, 2014	\$9,240,000	32.2%	\$75,488,354
June 30, 2015	\$9,835,800	32.2%	\$82,161,946

Funded Status and Funding Progress

During fiscal year 2015, neither the University nor the State of Louisiana made contributions to its postemployment benefits plan trust. A trust was established during fiscal year 2008, but was not funded at all, has no assets, and hence has a funded ratio of zero. Since the plan was not funded, the University's entire actuarial accrued liability of \$126,288,300 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2014, was as follows:

	<u>State OGB Plan</u>
Actuarial Accrued Liability (AAL)	\$ 126,288,300
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 126,288,300</u></u>
Funded Ratio (actuarial value of plan assets/AAL)	0%
Covered Payroll	\$ 22,651,300
UAAL as a Percentage of Covered Payroll	558%

Using the pay-as-you-go method, the University contributed 32.15% of the annual postemployment benefits cost during 2015. In fiscal year 2014, the annual OPEB cost was \$9,240,000 and the University contributed 32.2% of the annual OPEB cost.

Actuarial Methods and Assumptions

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

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

The RP 2014 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's UAAL is being amortized as a level percentage of projected payroll over an open amortization period of 30 years. The remaining amortization period at June 30, 2015 is 22 years. Annual per capita medical claims costs were updated to reflect an additional year of actual experience.

The OGB Plan AAL decreased from the last actuarial valuation due to a change in the retiree benefit plans for those retiring past March 31, 2015. Some assumptions were updated including (1) using the RP2014 mortality table; (2) the most recent pension valuation for assumptions such as retirement and termination; (3) a different age graded claim curve and updated per capita health claim costs based on the State's most recent claims and enrollment experience

A summary of the actuarial assumptions is presented as follows:

	<u>State OGB Plan</u>
Actuarial Valuation Date	July 1, 2014
Actuarial Cost Method	Projected Unit Cost
Amortization Method	Level % of Payroll
Amortization Period	30 Years, Open
Asset Valuation Method	None
Actuarial Assumptions:	
Investment Rate of Return	4%
Projected Salary Increases	3%
Healthcare Inflation Rate	4.5%-8%
Ultimate	4.50%

11. LEASE OBLIGATIONS

Operating Leases

For the year ended June 30, 2015, the total rental expense for all operating leases is \$266,289. The following is a schedule by years of future minimum annual rental payments required under operating leases:

	<u>Office Space</u>	<u>Equipment</u>	<u>Minimum Future</u>
FY2016	\$ 256,288	\$ 10,001	\$ 266,289
FY2017	57,602	10,001	67,603
FY2018	14,402	-	14,402
FY2019	2	-	2
FY2020	10	-	10
FY2021 - 2025	10	-	10
FY2026 - 2030	10	-	10
FY2031 - 2035	10	-	10
FY2036 - 2040	10	-	10
FY2041 - 2045	10	-	10
Thereafter	48	-	48
Total Minimum Future Rentals	<u>\$ 328,402</u>	<u>\$ 20,002</u>	<u>\$ 348,404</u>

Capital Leases

The University records items under capital leases as assets and obligations in the accompanying financial statements. The University's capital leases at June 30, 2015, consist of various leases as follows:

	Buildings	Equipment	Total
Gross amount of leased assets at historical cost	\$ 5,523,464	\$ -	\$ 5,523,464
Remaining interest to end of lease	\$ 280,540	\$ -	\$ 280,540
Remaining principal to end of lease	\$ 3,580,000	\$ -	\$ 3,580,000

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, 2015:

Year ending June 30:	Amount
2016	\$ 558,091
2017	552,415
2018	551,575
2019	550,515
2020	549,237
2021-2025	1,098,707
Total minimum lease payments	3,860,540
Less: Amounts representing executory costs	-
Net minimum lease payments	3,860,540
Less: Amounts representing interest	280,540
Present value of net minimum lease payments	\$ 3,580,000

Lessor - Operating Leases

The University's leasing operations consist primarily of leasing property for providing food services to students, bookstore operations, office space, banking services, and vending operations.

The following schedule provides an analysis of the University's investment in property on operating leases and property held for lease by major classes as of June 30, 2015:

	Cost	Accumulated Depreciation	Carrying Amount
Office space	\$ 14,586,250	\$ (888,343)	\$ 13,697,907
Total	\$ 14,586,250	\$ (888,343)	\$ 13,697,907

The following is a schedule by years of minimum future rentals on non-cancelable operating leases as of June 30, 2015:

	Office				
	Space	Equipment	Land	Other	Total
2016	\$ 975,741	-	-	-	\$ 975,741
2017	971,711	-	-	-	971,711
2018	969,452	-	-	-	969,452
2019	967,482	-	-	-	967,482
2020	965,552	-	-	-	965,552
2021-2025	3,727,934	-	-	-	3,727,934
Total minimum future rentals	\$ 8,577,872	-	-	-	\$ 8,577,872

Minimum future rentals do not include contingent rentals that may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume or customer usage of services provided. Contingent rentals received from operating leases of office space and buildings for the year ended June 30, 2015, were \$187,944.

12. LONG-TERM LIABILITIES

The following is a summary of bond and other long-term debt transactions of the University for the year ended June 30, 2015:

Southeastern Louisiana University	Balance June 30, 2014	Adjustments	Balance June 30, 2014 Restated	Additions	Reductions	Balance at June 30, 2015	Amounts due within one year
Notes & bonds payable:							
Notes payable	-	-	-	-	-	-	-
Bonds payable	\$ 95,605,937	\$ -	\$ 95,605,937	\$ 8,061	\$ 4,419,633	\$ 91,194,365	\$ 3,985,000
Total bonds and notes payable	95,605,937	-	95,605,937	8,061	4,419,633	91,194,365	3,985,000
Other liabilities:							
Compensated absences payable	7,089,508	(52,077)	7,037,431	774,702	442,371	7,421,839	463,262
Capital lease obligations	4,050,000	-	4,050,000	-	470,000	3,580,000	485,000
Net Pension Liability	-	161,683,557	161,683,557	14,889,331	35,556,068	141,016,820	-
OPEB payable	75,488,354	-	75,488,354	9,835,800	3,162,208	82,161,946	-
Total other liabilities	86,627,862	161,631,480	248,259,342	25,499,833	39,630,647	234,180,605	948,262
Total long-term liabilities	\$182,233,799	\$161,631,480	\$343,865,279	\$ 25,507,894	\$ 44,050,280	\$ 325,374,970	\$ 4,933,262

Details of all debt outstanding at June 30, 2015, are as follows:

Bonds Payable

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/14	(Redeemed) Issued	Principal Outstanding 6/30/15	Interest Rates	Interest Outstanding 6/30/15
UFI Revenue Bonds Series 2004	August 13, 2004	\$ 15,000,000	\$ 15,000,000	\$ -	\$ 15,000,000	Variable	\$ 518,963
UFI Revenue Bonds Series 2007, Series A&B	March 14, 2007	8,035,000	4,755,000	(185,000)	4,570,000	4.000- 4.375%	1,944,362
UFI Revenue Bonds Series 2010, Series A&B	November 17, 2010	31,255,000	29,605,000	(625,000)	28,980,000	0.80-5.00%	21,309,878
Student Recreation & Activity Center Revenue Bonds	December 7, 2011	3,650,000	2,560,000	(395,000)	2,165,000	2.000- 3.375%	209,749
UFI Revenue Bonds Series 2013	November 13, 2013	40,910,000	40,910,000	(2,685,000)	38,225,000	4.00-5.25%	10,392,868
Unamortized discounts and premiums:							
Series:							
			(77,043)	2,366	(74,677)		
			(18,422)	5,695	(12,727)		
			2,871,402	(529,633)	2,341,769		
	Total	\$ 98,850,000	\$ 95,605,937	\$ (4,411,572)	\$ 91,194,365		\$ 34,375,820

The annual requirements to amortize all University bonds outstanding at June 30, 2015, are as follows:

	Principal	Interest	Total
2016	\$ 3,985,000	\$ 3,249,966	\$ 7,234,966
2017	4,130,000	3,112,755	7,242,755
2018	4,295,000	2,952,768	7,247,768
2019	4,470,000	2,767,351	7,237,351
2020	4,685,000	2,554,542	7,239,542
2021-2015	24,220,000	9,477,805	33,697,805
2026-2030	11,090,000	5,197,282	16,287,282
2031-2035	21,920,000	3,479,101	25,399,101
2036-2040	8,260,000	1,537,125	9,797,125
2041-2045	1,885,000	47,125	1,932,125
Sub-Total	<u>88,940,000</u>	<u>34,375,820</u>	<u>123,315,820</u>
Unamortized Discount/Premium	<u>2,254,365</u>	-	<u>2,254,365</u>
Total	<u>\$ 91,194,365</u>	<u>\$ 34,375,820</u>	<u>\$ 125,570,185</u>

The interest on the 2004B Series tax-exempt auction rate bonds is payable in weekly installments of interest at a rate based on 175% of the SIFMA rate as determined weekly. The range of interest paid during the fiscal year 2015 was 0.035% - 0.193%.

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2015:

Bond Issue	Reserve Available	Reserve Requirement	Excess
University Facilities, Inc. (UFI) Revenue Bonds 2004	\$ 1,500,075	\$ 1,500,000	\$ 75
University Facilities, Inc. (UFI) Revenue Bonds 2007	482,969	482,969	-
University Facilities, Inc. (UFI) Revenue Bonds 2010A	1,578,621	1,578,569	52
University Facilities, Inc. (UFI) Revenue Bonds 2010B	358,552	358,540	12
University Facilities, Inc. (UFI) Revenue Bonds 2013	\$ 2,045,585	\$ 2,045,500	\$ 85

Notes Payable

Southeastern Louisiana University does not have notes payable as of June 30, 2015.

13. REFUNDING OF BONDS

Not Applicable.

14. INTEREST RATE SWAP AGREEMENTS

Not Applicable.

15. REVENUE USED AS SECURITY FOR REVENUE BONDS

Pledged revenues are specific revenues that have been formally committed to directly collateralize or secure debt of the pledging government, or directly or indirectly collateralize or secure debt of a component unit. Pledged revenues must be disclosed for each period in which the secured debt remains outstanding and for each secured debt issued.

The Board of Supervisors for the University of Louisiana System Revenue Refunding Bonds (Southeastern Louisiana University Student Recreation and Activity Center Project) Series 2011 Revenue pledged for this bond includes all revenue related to the Student Recreation and Activity Center, including student fees, membership fees, and other miscellaneous revenue related to the Recreation Center. The bond was originally issued for \$3,650,000. As of June 30, 2015, principal and interest outstanding was \$2,165,000 and \$209,749, respectively. The revenue was pledged for the purpose of this bond through June 2020.

The debt secured by the revenue pledged was for the purpose of providing funds to refund the \$4,100,000 outstanding Board of Trustees for State Colleges and Universities, State of Louisiana Revenue Bonds (Southeastern Louisiana University Student Recreation and Activity Center Project), Series 1998; to fund a debt service reserve fund, if necessary; and to pay the costs of issuance of the bonds. Pledged revenue related to this bond includes all revenue derived by the university from the levy and collection of the pledged student fee; any other student fees levied and collected to pay for the Recreation Center pledged to the payment of bonds from time to time; and membership fees imposed by the university from time to time on Recreation Center users other than Southeastern Louisiana University students. The pledged student fee is equal to \$25 per student per regular semester and \$12.50 per student per summer semester.

For the year ending June 30, 2015, principal and interest requirements were \$395,000 and \$79,081, respectively. Pledged revenues recognized for the period were \$1,311,038.

16. RESTATEMENT OF BEGINNING NET POSITION/NET ASSETS

The beginning net position as reflected on the Statement of Revenues, Expenses, and Changes to Net Position and net assets on the Statement of Activities for the university has been restated to reflect the following changes:

Ending net position as reported on AFR at	\$ 82,463,984
Adjustments identified after AFR submitted to OSRAP in prior year	
Subtotal	<u>82,463,984</u>
Adjustments identified during 2014/2015 requiring restatement of prior year ending net position:	
Capital Asset Adjustments	
Construction in Progress	(10,375)
Compensated Absences	52,077
Net Pension Liability	<u>(146,516,791)</u>
Subtotal	<u>(146,475,089)</u>
Beginning net position at 07/1/14, as restated	<u>\$ (64,011,105)</u>

17. RESTRICTED NET POSITION

The University has the following restricted expendable net position at June 30, 2015:

Loans	\$ 3,230,453
Endowments	3,678,152
Capital Projects	6,082,257
Debt Service	3,589,291
Auxiliary	10,867,134
Student Fees	3,530,513
Other	<u>3,345,091</u>
Total	<u>\$34,322,891</u>

The University's restricted nonexpendable net position totaling \$11,790,724 as of June 30, 2015, was comprised entirely of endowment funds.

Of the total net position reported on the Statement of Net Position for the year ended June 30, 2015, \$3,560,293 was restricted by enabling legislation.

18. CONDENSED FINANCIAL INFORMATION

Following is condensed financial information for the University's blended component unit.

CONDENSED STATEMENT OF NET POSITION

	<u>University Facilities, Inc.</u>
Assets	
Current assets	\$ 18,062,743
Capital assets	91,866,616
Other assets	8,158,242
Total Assets	<u>118,087,601</u>
Deferred outflow of resources	-
Total Assets and Deferred Outflow of Resources	<u>118,087,601</u>
Liabilities	
Current liabilities	7,158,409
Long-term liabilities	85,449,365
Total Liabilities	<u>92,607,774</u>
Deferred Inflow of Resources	-
Net Position	
Net, investment in capital assets	13,222,847
Restricted net position - expendable	10,867,134
Restricted net position - nonexpendable	-
Unrestricted net position	1,389,846
Total Net Position	<u>\$ 25,479,827</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

	<u>University Facilities, Inc.</u>
Operating revenues	\$ 15,462,802
Operating expenses	(7,881,150)
Depreciation expense	<u>(2,880,354)</u>
Net operating income	<u>4,701,298</u>
Nonoperating revenues (expenses):	
Investment income	9,025
Interest expense	(2,520,457)
Other (net)	(116,720)
Capital contributions/additions to permanent and term endowments	<u>-</u>
Changes in Net Position	<u>2,073,146</u>
Net position, beginning of the year	<u>23,406,681</u>
Net position, end of the year	<u>\$ 25,479,827</u>

CONDENSED STATEMENT OF CASH FLOWS

	<u>University Facilities, Inc.</u>
Net cash flows provided (used) by:	
Operating activities	\$ 3,950,223
Noncapital financing	-
Capital and related financing	(10,035,390)
Investing activities	<u>6,066,702</u>
Net increase (decrease) in cash	(18,465)
Cash, beginning of the year	<u>214,383</u>
Cash, end of the year	<u>\$ 195,918</u>

19. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

The following is a schedule of function versus natural classification of the University operating expenses for the year ending June 30, 2015:

Functional versus Natural Classification of Expenses

Function	Employee Compensation	Benefits	Utilities	Supplies and Services	Scholarships and Fellowships	Depreciation	Compensated Absences	OPEB Expense	Pension Expense	Total
Instruction	\$ 40,566,284	\$ 15,269,796	-	\$ 3,355,003	\$ 7,221	-	-	\$ 3,844,790	\$ (2,023,471)	\$ 61,019,623
Research	653,446	161,932	-	502,275	-	-	-	43,985	(43,149)	1,318,489
Public service	1,732,435	638,304	-	793,843	-	-	-	155,950	(67,418)	3,253,114
Academic support	5,992,558	2,386,432	-	2,767,219	-	-	-	533,626	(307,810)	11,372,025
Student services	5,478,929	2,082,799	-	2,164,513	-	-	-	446,226	(265,853)	9,906,614
Institutional support	6,449,151	3,105,664	-	2,670,880	-	-	-	661,239	(412,840)	12,474,094
Operations and maintenance of plant	4,972,590	2,902,639	3,129,085	2,402,144	-	-	-	484,071	(400,701)	13,489,828
Scholarships and fellowships	-	-	-	-	15,039,738	-	-	-	-	15,039,738
Auxiliary enterprises	4,974,299	2,597,858	1,116,395	12,464,614	(5,229,179)	-	-	484,502	(325,930)	16,082,559
Depreciation	-	-	-	-	-	8,137,195	-	-	-	8,137,195
Other	43,054	-	-	461,998	14,415	-	332,331	-	-	851,798
Total operating expenses	\$ 70,862,746	\$ 29,145,424	\$ 4,245,480	\$ 27,582,489	\$ 9,832,195	\$ 8,137,195	\$ 332,331	\$ 6,654,389	\$ (3,847,172)	\$ 152,945,077

20. CONTINGENT LIABILITIES AND RISK MANAGEMENT

As of June 30, 2015, Southeastern Louisiana University has no anticipated liability for current pending litigation, or litigation is being handled by the Office of Risk Management or the Attorney General.

21. ON-BEHALF PAYMENTS FOR SALARIES AND FRINGE BENEFITS

Southeastern Louisiana University did not have on-behalf payments for fringe benefits and salaries for the year ending June 30, 2015.

22. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the University of Louisiana 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, 2015, net appreciation of donor restricted endowments is equal to \$846,521, which is available to be spent for restricted purposes. The University limits endowment spending to the income earned in a given year for purposes specified by donors. 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.

23. AFFILIATED ORGANIZATIONS

The accompanying financial statements do not include the accounts of the following affiliated organizations:

Southeastern Athletic Association
Southeastern Louisiana University Foundation
Southeastern Louisiana University Alumni Association

These organizations are separate corporations whose financial statements are subject to audit by other independent certified public accountants.

24. DEFERRED COMPENSATION PLAN

Certain employees of the University 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 for the plan, available online at www.la.gov.

25. ALTERNATIVE FINANCING AGREEMENTS

On August 13, 2004, University Facilities, Inc. (UFI), entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain financing for the acquisition, construction, renovation, and furnishing of student housing and demolishing existing housing; to provide working capital; to fund interest on the Series 2004 bonds; and to repay certain indebtedness of the corporation. Financing for the project is through the issuance of \$76,910,000 of Revenue Bonds, Series 2004(A), Series 2004(B), and Series 2004(C). On November 13, 2013, UFI entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain financing of \$40,910,000 to refund a portion of the Series 2004 bond issues. The original bonds were issued for the construction of student housing, intermodal parking, stadium, and other related facilities on the campus of Southeastern Louisiana University.

Pursuant to the terms of the ground lease agreement, the corporation leases land from the Board of Supervisors of the University of Louisiana System upon which the new facilities will be built. The new facilities are leased by the corporation to the board in accordance with the provisions of the lease agreement. The Board's right to obtain title to the facilities is set forth in the facilities lease agreement. The rental income derived from the facilities lease will be used to pay the bonds.

On March 14, 2007, UFI entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain financing of \$8,035,000 for a new intermodal transit facility to be located on the University campus. This project is a continuation of the improvements and construction on the University campus that were financed with Revenue Bonds, Series 2004.

Pursuant to the terms of the ground lease agreement, the corporation will lease the land from the Board. The new parking facility will be leased back to and operated by the Board in accordance with the provisions of an agreement to lease with option to purchase by and between the Board and UFI. Revenues from auxiliary operations and student fees will be used to pay the bonds.

On November 3, 2010, UFI entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain financing of \$31,255,000 for demolishing certain existing facilities and renovating, developing, and constructing the student union, the Center for Student Excellence, student health center, food services areas, the bookstore and other related facilities on the campus of Southeastern Louisiana University.

Pursuant to the terms of the ground lease agreement, the corporation will lease the land from the Board. The student union and related facilities will be leased back to and operated by the Board in accordance with the provisions of an agreement to lease with option to purchase by and between the Board and UFI. Revenues derived from the facilities lease will be used to pay the bonds.

26. COOPERATIVE ENDEAVOR AGREEMENTS

Not Applicable.

27. SUBSEQUENT EVENTS

No events of a material nature have occurred subsequent to the Statement of Net Assets date that would require adjustment to, or disclosure in, the accompanying financial statements.
