

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
A COMPONENT UNIT OF THE STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
ISSUED MARCH 11, 2009

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

February 26, 2009

Independent Auditor's Report
on the Financial Statements

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management of the University of Louisiana System. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Black and Gold Facilities, Inc.; Innovative Student Facilities, Inc.; Cowboy Facilities, Inc.; Nicholls State University Facilities Corporation; University Facilities, Inc.; Ragin' Cajun Facilities, Inc.; and University of Louisiana at Monroe Facilities, Inc., which are nonprofit corporations included as blended component units in the basic financial statements representing approximately 27.9% of total assets, 66.3% of total liabilities, 0.3% of net assets, and 4% of total revenues. We also did not audit the financial statements of the McNeese State University Foundation and the University of Louisiana at Lafayette Foundation, Inc., which are all of the discretely presented component units in the basic financial statements of the University of Louisiana System. The financial statements of the blended and discretely presented component units were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts reported for these component units, are based solely upon the reports of the other auditors.

We conducted our audit in accordance with 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 of material misstatement. The financial statements of the Black and Gold Facilities, Inc.; Nicholls State University Facilities Corporation; University Facilities, Inc.; and University of Louisiana at Monroe Facilities, Inc., which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant

estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of business-type activities and the discretely presented component units of the University of Louisiana System as of June 30, 2008, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-B to the financial statements, the Louisiana Tech University Foundation, Inc., a discretely presented component unit in the University of Louisiana System's financial statements for the year ended June 30, 2007, has been excluded from the financial statements for the year ended June 30, 2008, since the entity no longer met reporting requirements for inclusion. As discussed in note 15 to the financial statements, the effect of excluding Louisiana Tech University Foundation, Inc., is a decrease of \$31,321,457 in beginning net assets for the discretely presented component units. This change affects the comparability of amounts reported for the year ended June 30, 2008, with amounts reported for the year ended June 30, 2007.

As discussed in note 1-O to the basic financial statements, the University of Louisiana System implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*; GASB Statement No. 48, *Sales and Pledges of Receivable and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*; and GASB Statement No. 50, *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27* for the year ended June 30, 2008.

During August and September 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown what economic impact recovery efforts will have on state and local governmental operations in Louisiana. Both the University of Louisiana System and McNeese State University were significantly impacted as a result of Hurricane Rita.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2009, on our consideration of the University of Louisiana System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 7 through 13 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 73 are not required parts of the

basic financial statements but are supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Louisiana System's basic financial statements. The accompanying supplemental information schedules, including the combining schedule of net assets; the combining schedule of revenues, expenses, and changes in net assets; and the combining schedule of cash flows, on pages 76 through 90, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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INTRODUCTION

This section of the University of Louisiana System's (System) annual financial report presents a discussion and analysis of the System's financial performance during the fiscal year that ended June 30, 2008. Please read this section in conjunction with the System's financial statements, which follows this section. The System is comprised of the following entities:

- Grambling State University
- Louisiana Tech University
- McNeese State University
- Nicholls State University
- Northwestern State University
- Southeastern Louisiana University
- University of Louisiana at Lafayette
- University of Louisiana at Monroe
- Board of Supervisors

FINANCIAL HIGHLIGHTS

The System's net assets overall changed from \$979,203,962 (restated) to \$919,473,399, a 6.1% decrease from June 30, 2007, to June 30, 2008. The overall reasons for this change included increases in salary for faculty and staff and the addition of other postemployment benefits (OPEB) liability.

Enrollment changed from approximately 80,793 to approximately 79,383 from June 30, 2007, to June 30, 2008, an overall decrease of 1.75%. The System's operating revenues increased by approximately 5.3% to \$576,376,013 from June 30, 2007, to June 30, 2008, because of various grant/contract programs. Operating expenses increased by 24.5 % to \$1,109,951,920 for the year ended June 30, 2008. The primary reasons for this change include faculty salary increases, the addition of OPEB payable, and general increases in operations.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating appropriations, interest earnings/expense, and other nonoperating revenue. The change to \$434,904,848 in 2008 from \$367,812,160 (restated) in 2007 is primarily attributed to an increase in state appropriations. State appropriations increased by \$88,772,569, an increase of 25% because of changes in formula funding, state employee pay increases, and faculty pay increases.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements. 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 Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (pages 15-16) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and 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 Assets (pages 19-20) presents information showing how the System's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 23-25) presents information showing how the System's cash changed as a result of 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 34.

The System's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. 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 Assets. All assets and liabilities associated with the operation of the System are included in the Statement of Net Assets.

The System has two foundations that are discretely presented in its basic financial statements. These are the McNeese State University Foundation and the University of Louisiana at Lafayette Foundation, Inc. The financial data of each of these foundations are presented separately in a Statement of Financial Position (page 17) and a Statement of Activities (pages 21-22). Additional information about the foundations is contained in the notes to the financial statements.

FINANCIAL ANALYSIS

Net Assets

The System's total net assets at June 30, 2008, changed by approximately \$60 million, a 6.1% decrease over June 30, 2007 (see Table A-1). Total assets increased 13.6% to \$1.6 billion and total liabilities increased 58% to \$676 million.

Table A-1
University of Louisiana System
Statement of Net Assets
(in millions of dollars)

| | 2008 | 2007 (Restated) | Variance | Percent Variance |
|---|--------------|--------------------|---------------|---------------------|
| Current and other assets | \$664 | \$581 | \$83 | 14.3% |
| Capital assets | 932 | 824 | 108 | 13.1% |
| Total assets | <u>1,596</u> | <u>1,405</u> | <u>191</u> | 13.6% |
| Current liabilities | 91 | 84 | 7 | 8.3% |
| Noncurrent liabilities | <u>585</u> | <u>344</u> | <u>241</u> | 70.1% |
| Total liabilities | <u>676</u> | <u>428</u> | <u>248</u> | 57.9% |
| Net assets: | | | | |
| Invested in capital assets, net of debt | 546 | 540 | 6 | 1.1% |
| Restricted | 356 | 333 | 23 | 6.9% |
| Unrestricted | <u>17</u> | <u>106</u> | <u>(89)</u> | (84.0%) |
| Total net assets | <u>\$919</u> | <u>\$979</u> | <u>(\$60)</u> | (6.1%) |

This schedule is prepared from the System's statement of net assets as shown on pages 15-16, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Significant statement of net asset changes from 2007 include the following:

- Current assets increased because of an increase in cash and investments from decreases in accounts receivable for tuition and fees and increases in state appropriations.
- Restricted assets increased primarily from bond proceeds held by blended component units.
- Capital asset increases reflect current year additions and improvements.

- Current liabilities increased because of an increase in accounts payable, deferred revenues, amounts due within one year for bonds payable, and other liabilities.
- Long-term liabilities increased from the long-term portion of bonds payable resulting from the issuance of bonds for construction by four facilities corporations, which are blended component units, and the OPEB payable.
- Invested in capital assets, net of related debt, increased from current year capital asset additions.
- Restricted net assets increased from increased endowment gifts and earnings on endowments.
- Unrestricted net assets decreased from the addition of OPEB payable.

Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets.

Changes in Net Assets

The change in net assets at June 30, 2008, is approximately \$60 million or 6.1% less than at June 30, 2007. The changes in net assets are detailed in Table A-2; education and general expenses are detailed in Table A-3.

The System's total operating revenues increased by 5.3% to approximately \$576 million and total operating expenses increased 24.5% to approximately \$1.1 billion. These changes are the result of several factors, including the following:

- Operating revenues increased because of increases in various grants and contracts, auxiliary revenues, and other operating revenues.
- Operating expenses increased primarily because of increases from faculty salary adjustments, auxiliary expenses, and increases in operations and maintenance of capital assets.

Nonoperating revenues, net, increased by 18.2% to \$435 million, which is primarily attributable to increased state appropriations. Capital appropriations, capital grants and gifts, additions to permanent endowments, and other revenues/expenses increased by 39.3% to \$39 million as a result of an increase in capital appropriations and capital gifts and grants.

Total education and general expenses changed from \$757 million in 2007 to \$964 in 2008. The change is primarily attributable to the following:

- Faculty and staff salary increases
- Current year additions to the OPEB liability
- Group insurance increases
- General increases in operating the university system

Depreciation expense increased by 11.5% to \$49.2 million from depreciable capital assets placed in service during fiscal 2008.

Table A-2
University of Louisiana System
Statement of Changes in Net Assets
(in millions of dollars)

| | 2008 | 2007 (Restated) | Variance | Percent Variance |
|---|---------------------|---------------------|----------------------|---------------------|
| Operating revenues: | | | | |
| Student tuition and fees, net | \$236 | \$242 | (\$6) | (2.5%) |
| Auxiliary | 109 | 103 | 6 | 5.8% |
| Other | 231 | 203 | 28 | 13.8% |
| Total operating revenues | <u>576</u> | <u>548</u> | <u>28</u> | 5.1% |
| Operating expenses: | | | | |
| Education and general | 964 | 757 | 207 | 27.3% |
| Other | 146 | 133 | 13 | 9.8% |
| Total operating expenses | <u>1,110</u> | <u>890</u> | <u>220</u> | 24.7% |
| Operating loss | <u>(534)</u> | <u>(342)</u> | <u>(192)</u> | 56.1% |
| Nonoperating revenues (expenses): | | | | |
| State appropriations | 442 | 353 | 89 | 25.2% |
| Gifts | 8 | 7 | 1 | 14.3% |
| Other | (15) | 8 | (23) | (287.5%) |
| Total nonoperating revenues | <u>435</u> | <u>368</u> | <u>67</u> | 18.2% |
| Capital appropriations | 25 | 16 | 9 | 56.3% |
| Capital grants and gifts | 10 | 6 | 4 | 66.7% |
| Additions to permanent endowments | 6 | 8 | (2) | (25.0%) |
| Other expenses, net | <u>(2)</u> | <u>(2)</u> | <u>0</u> | 0.0% |
| Change in net assets | (60) | 54 | (114) | (211.1%) |
| Net assets, beginning of the year (restated) | <u>979</u> | <u>925</u> | <u>54</u> | 5.8% |
| Total net assets | <u><u>\$919</u></u> | <u><u>\$979</u></u> | <u><u>(\$60)</u></u> | (6.1%) |

Table A-3
University of Louisiana System
Education and General Expenses
(in millions of dollars)

| | <u>2008</u> | <u>2007</u> | <u>Variance</u> | <u>Percent Variance</u> |
|----------------------------------|--------------|--------------|-----------------|-----------------------------|
| Instruction | \$374 | \$285 | \$89 | 31.2% |
| Research | 84 | 69 | 15 | 21.7% |
| Public service | 26 | 23 | 3 | 13.0% |
| Academic support | 91 | 64 | 27 | 42.2% |
| Student services | 66 | 57 | 9 | 15.8% |
| Institutional support | 115 | 85 | 30 | 35.3% |
| Operations and plant maintenance | 103 | 76 | 27 | 35.5% |
| Depreciation | 49 | 44 | 5 | 11.4% |
| Scholarships and fellowships | 56 | 54 | 2 | 3.7% |
| | <u>\$964</u> | <u>\$757</u> | <u>\$207</u> | 27.3% |

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008 and 2007, the System's cost of capital assets totaled approximately \$1.7 billion and \$1.6 billion, respectively. Net of accumulated depreciation, the System's capital assets at June 30, 2008, total approximately \$932 million. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$108 million or 13.1% over June 30, 2007. The increases were primarily in buildings and equipment financed through long-term obligations.

Debt Administration

During fiscal year 2008, four facilities corporations, which are blended component units of System universities, issued bonds totaling \$145,700,000 for the improvement and construction of streets and parking facilities and the construction of new student residential facilities.

Under the terms of its capital leases, the System will make annual minimum lease payments in 2009 of approximately \$544,790, including principal and interest. All lease covenants have been met. See notes 11 and 12 to the financial statements for details relating to changes in and the composition of capital leases and long-term liabilities.

**CURRENTLY KNOWN FACTS,
DECISIONS, OR CONDITIONS**

The following currently known facts, decisions, or conditions are expected to have a significant effect on financial position or results of operations:

- Changes in state appropriations
- Changes in federal grant programs
- Significant new or additional capital appropriations
- New revenue bonds issued by blended component units
- Renovations and new construction to facilities
- Recognition of the annual unfunded OPEB liability

**CONTACTING UNIVERSITY OF LOUISIANA
SYSTEM'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our legislature, state officials, the Louisiana Legislative Auditor's Office, patrons, and other interested parties with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice President for Business and Finance at (225) 342-6950.

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**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Net Assets
June 30, 2008**

ASSETS

Current assets:

| | |
|---------------------------------------|--------------------|
| Cash and cash equivalents (note 2) | \$175,598,750 |
| Investments (note 3) | 66,684,323 |
| Receivables, net (note 4) | 52,306,805 |
| Due from state treasury | 1,134,804 |
| Due from federal government (note 4) | 1,620,322 |
| Inventories | 7,068,396 |
| Deferred charges and prepaid expenses | 6,497,215 |
| Notes receivable, net | 4,059,595 |
| Other current assets | 3,286,781 |
| Total current assets | <u>318,256,991</u> |

Noncurrent assets:

Restricted:

| | |
|---|----------------------|
| Cash and cash equivalents (notes 2 and 3) | 113,951,272 |
| Investments (note 3) | 187,088,932 |
| Receivables, net (note 4) | 1,092,271 |
| Notes receivable, net | 25,477,810 |
| Other | 7,267 |
| Notes receivable | 10,694 |
| Capital assets (net) (note 5) | 932,180,091 |
| Other noncurrent assets | 17,860,036 |
| Total noncurrent assets | <u>1,277,668,373</u> |
| Total assets | <u>1,595,925,364</u> |

LIABILITIES

Current liabilities:

| | |
|--|------------|
| Accounts payable and accruals (note 6) | 47,436,454 |
| Deferred revenues | 24,010,764 |

(Continued)

The accompanying notes are an integral part of this statement.

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 2008

LIABILITIES (CONT.)

| | |
|---|-----------------------------|
| Current liabilities: (Cont.) | |
| Compensated absences payable (note 10) | \$3,205,857 |
| Capital lease obligations (note 11) | 481,406 |
| Amounts held in custody for others (note 12) | 4,071,220 |
| Notes payable (note 12) | 635,603 |
| Contracts payable (note 12) | 134,545 |
| Reimbursement contracts payable (note 12) | 215,000 |
| Bonds payable (note 12) | 6,335,000 |
| Other current liabilities | 4,483,269 |
| Total current liabilities | <u>91,009,118</u> |
| Noncurrent liabilities: | |
| Compensated absences payable (note 10) | 31,501,273 |
| Capital lease obligations (note 11) | 1,073,858 |
| Notes payable (note 12) | 2,858,444 |
| Reimbursement contracts payable (note 12) | 805,000 |
| Bonds payable (note 12) | 448,020,000 |
| Other postemployment benefits payable (note 9) | 98,552,007 |
| Other noncurrent liabilities | 2,632,265 |
| Total noncurrent liabilities | <u>585,442,847</u> |
| Total liabilities | <u>676,451,965</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 545,745,047 |
| Restricted: | |
| Nonexpendable (note 16) | 143,847,976 |
| Expendable (note 16) | 212,634,601 |
| Unrestricted | 17,245,775 |
| Total net assets | <u><u>\$919,473,399</u></u> |

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

COMPONENT UNITS

Statement of Financial Position, June 30, 2008

| | MCNEESE STATE UNIVERSITY FOUNDATION | UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC. | TOTAL COMPONENT UNITS |
|---|--|--|-----------------------------|
| ASSETS | | | |
| Cash and cash equivalents (note 2) | \$3,677,050 | \$12,163,598 | \$15,840,648 |
| Investments (note 3) | 45,508,189 | 100,522,929 | 146,031,118 |
| State endowment matching receivable | 480,000 | 880,000 | 1,360,000 |
| Pledges receivable | 230,214 | 4,221,403 | 4,451,617 |
| Fixed assets, net (note 5) | 1,252,710 | 11,397,301 | 12,650,011 |
| Accrued interest receivable | | 390,564 | 390,564 |
| Other assets | | 409,801 | 409,801 |
| | <u>\$51,148,163</u> | <u>\$129,985,596</u> | <u>\$181,133,759</u> |
| LIABILITIES | | | |
| Accounts payable | \$69,707 | | \$69,707 |
| Endowment funds held in custody | 4,588,096 | \$24,777,226 | 29,365,322 |
| Bonds payable (note 12) | | 2,200,000 | 2,200,000 |
| Other liabilities | | 135,760 | 135,760 |
| Total liabilities | <u>4,657,803</u> | <u>27,112,986</u> | <u>31,770,789</u> |
| NET ASSETS | | | |
| Unrestricted | 4,602,030 | 5,588,345 | 10,190,375 |
| Temporarily restricted | 13,394,544 | 44,005,824 | 57,400,368 |
| Permanently restricted | 28,493,786 | 53,278,441 | 81,772,227 |
| Total net assets | <u>46,490,360</u> | <u>102,872,610</u> | <u>149,362,970</u> |
| Total liabilities and net assets | <u>\$51,148,163</u> | <u>\$129,985,596</u> | <u>\$181,133,759</u> |

The accompanying notes are an integral part of this statement.

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**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2008**

OPERATING REVENUES

| | |
|--|--------------------|
| Student tuition and fees (net of scholarship allowances of \$71,819,996) | \$236,154,927 |
| Federal grants and contracts | 133,516,842 |
| State and local grants and contracts | 48,476,202 |
| Nongovernmental grants and contracts | 19,687,098 |
| Sales and services of educational departments | 5,230,554 |
| Auxiliary enterprise revenues (net of scholarship allowances of \$8,601,472, including revenues used as security for revenue bonds) | 109,160,732 |
| Other operating revenues | 24,149,658 |
| Total operating revenues | <u>576,376,013</u> |

OPERATING EXPENSES

| | |
|-------------------------------------|----------------------|
| Educational and general: | |
| Instruction | 373,810,586 |
| Research | 84,158,213 |
| Public service | 26,240,863 |
| Academic support | 91,287,319 |
| Student services | 66,362,329 |
| Institutional support | 114,583,817 |
| Operations and maintenance of plant | 102,827,728 |
| Depreciation | 49,230,810 |
| Scholarships and fellowships | 55,770,817 |
| Auxiliary enterprises | 139,072,662 |
| Other operating expenses | 6,606,776 |
| Total operating expenses | <u>1,109,951,920</u> |

OPERATING LOSS (533,575,907)

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and
Changes in Net Assets, June 2008**

| | |
|---|-----------------------------|
| NONOPERATING REVENUES (Expenses) | |
| State appropriations | \$442,116,144 |
| Gifts | 8,146,078 |
| Investment income, net | 7,151,784 |
| Interest expense | (16,528,898) |
| Payments to or on behalf of the university | 38,702 |
| Other nonoperating expenses, net | (6,018,962) |
| Net nonoperating revenues | <u>434,904,848</u> |
| LOSS BEFORE OTHER REVENUES AND EXPENSES | (98,671,059) |
| Capital appropriations | 25,236,622 |
| Capital grants and gifts | 10,337,847 |
| Additions to permanent endowments | 5,486,350 |
| Other expenses, net | <u>(2,120,323)</u> |
| CHANGE IN NET ASSETS | (59,730,563) |
| NET ASSETS - BEGINNING OF YEAR, Restated (note 15) | <u>979,203,962</u> |
| NET ASSETS - END OF YEAR | <u><u>\$919,473,399</u></u> |

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2008**

| | MCNEESE STATE UNIVERSITY FOUNDATION | UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC. | TOTAL COMPONENT UNITS |
|---|--|--|-----------------------------|
| Changes in unrestricted net assets: | | | |
| Contributions and contributed services | \$270,360 | \$281,869 | \$552,229 |
| Investment earnings (loss) | (313,005) | 847 | (312,158) |
| Rental income | 23,800 | | 23,800 |
| Interest, dividends, royalties, and lease income | | 388,265 | 388,265 |
| Fund raising | 1,000 | | 1,000 |
| Other | 10,204 | 106,349 | 116,553 |
| Total unrestricted revenues | <u>(7,641)</u> | <u>777,330</u> | <u>769,689</u> |
| Net assets released from restrictions: | | | |
| Satisfaction of program expenses | 4,424,391 | 4,307,058 | 8,731,449 |
| Transfers among net asset classifications | | 493,267 | 493,267 |
| Total unrestricted revenues and other support | <u>4,416,750</u> | <u>5,577,655</u> | <u>9,994,405</u> |
| Expenses - amounts paid to benefit | | | |
| University of Louisiana System for: | | | |
| Projects specified by donors | 3,897,916 | 2,841,545 | 6,739,461 |
| Scholarships and awards | 519,954 | | 519,954 |
| Departmental expenses | 6,521 | | 6,521 |
| Total program expenses | <u>4,424,391</u> | <u>2,841,545</u> | <u>7,265,936</u> |
| Supporting services: | | | |
| Management and general | 128,487 | 102,391 | 230,878 |
| Fund raising | 94,804 | 382,000 | 476,804 |
| Insurance | | 66,442 | 66,442 |
| Office operations | | 31,719 | 31,719 |
| Travel | | 7,686 | 7,686 |
| Professional services | | 77,744 | 77,744 |
| Dues and subscriptions | | 4,258 | 4,258 |
| Meetings and development | | 6,962 | 6,962 |
| Investment management fee | | 326,263 | 326,263 |
| Interest | | 195,038 | 195,038 |
| Depreciation | | 295,501 | 295,501 |
| Bad debt recoveries | | 294,421 | 294,421 |
| Total supporting services | <u>223,291</u> | <u>1,790,425</u> | <u>2,013,716</u> |
| Total expenses | <u>4,647,682</u> | <u>4,631,970</u> | <u>9,279,652</u> |
| Increase (decrease) in unrestricted net assets | <u><u>(\$230,932)</u></u> | <u><u>\$945,685</u></u> | <u><u>\$714,753</u></u> |

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2008**

| | MCNEESE STATE UNIVERSITY FOUNDATION | UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC. | TOTAL COMPONENT UNITS |
|--|--|--|-----------------------------|
| Changes in temporarily restricted net assets: | | | |
| Contributions | \$2,738,196 | \$5,261,907 | \$8,000,103 |
| Investment loss | (975,657) | (7,244,431) | (8,220,088) |
| Interest, dividends, and lease income | | 2,424,273 | 2,424,273 |
| Other | 358,500 | 1,438,349 | 1,796,849 |
| Total temporarily restricted revenues | 2,121,039 | 1,880,098 | 4,001,137 |
| Net assets released from restrictions: | | | |
| Satisfaction of program expenses | (4,424,391) | (4,307,058) | (8,731,449) |
| Transfers among net asset classifications | NONE | 1,108,079 | 1,108,079 |
| Decrease in temporarily restricted net assets | <u><u>(\$2,303,352)</u></u> | <u><u>(\$1,318,881)</u></u> | <u><u>(\$3,622,233)</u></u> |
| Changes in permanently restricted net assets: | | | |
| Contributions | \$1,774,482 | \$1,578,709 | \$3,353,191 |
| Investment earnings | 377,193 | | 377,193 |
| Other | | 19,944 | 19,944 |
| Total permanently restricted revenues | 2,151,675 | 1,598,653 | 3,750,328 |
| Net assets released from restrictions - transfers among net asset classifications | NONE | (1,601,346) | (1,601,346) |
| Increase (decrease) in permanently restricted net assets | <u><u>\$2,151,675</u></u> | <u><u>(\$2,693)</u></u> | <u><u>\$2,148,982</u></u> |
| Decrease in net assets | (\$382,609) | (\$375,889) | (\$758,498) |
| Net assets at beginning of year, restated (note 15) | 46,872,969 | 103,248,499 | 150,121,468 |
| Net assets at end of year | <u><u>\$46,490,360</u></u> | <u><u>\$102,872,610</u></u> | <u><u>\$149,362,970</u></u> |

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|----------------------|
| Tuition and fees | \$253,157,810 |
| Grants and contracts | 205,732,282 |
| Sales and services of educational departments | 4,827,366 |
| Auxiliary enterprise receipts | 100,109,287 |
| Payments for employee compensation | (472,571,158) |
| Payments for benefits | (109,355,310) |
| Payments for utilities | (40,568,686) |
| Payments for supplies and services | (261,457,498) |
| Payments for scholarships and fellowships | (71,433,101) |
| Loans issued to students and employees | (6,121,454) |
| Collection of loans to students and employees | 4,723,746 |
| Other receipts | 15,738,735 |
| Net cash used by operating activities | <u>(377,217,981)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

| | |
|---|--------------------|
| State appropriations | 442,756,144 |
| Gifts and grants for other than capital purposes | 7,736,550 |
| Private gifts for endowment purposes | 5,486,350 |
| TOPS receipts | 52,554,485 |
| TOPS disbursements | (52,483,111) |
| Federal Family Education Loan program receipts | 212,213,382 |
| Federal Family Education Loan program disbursements | (212,205,199) |
| Other payments | (4,764,437) |
| Net cash provided by noncapital financing sources | <u>451,294,164</u> |

(Continued)

The accompanying notes are an integral part of this statement.

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2008

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

| | |
|---|---------------|
| Proceeds from capital debt | \$146,231,458 |
| Capital appropriations received | 20,747,384 |
| Capital grants and gifts received | 10,386,596 |
| Proceeds from sale of capital assets | 292,767 |
| Purchases of capital assets | (149,902,400) |
| Principal paid on capital debt and leases | (7,132,053) |
| Interest paid on capital debt and leases | (18,305,225) |
| Deposit with trustees | 30,925 |
| Other uses | (2,287,198) |
| Net cash provided by capital financing activities | <u>62,254</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|---------------------|
| Proceeds from sales and maturities of investments | 327,319,448 |
| Interest received on investments | 6,449,166 |
| Purchase of investments | (362,619,204) |
| Net cash used by investing activities | <u>(28,850,590)</u> |

NET INCREASE IN CASH AND CASH EQUIVALENTS 45,287,847

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 244,262,175

CASH AND CASH EQUIVALENTS AT END OF YEAR \$289,550,022

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

| | |
|--|-----------------|
| Operating loss | (\$533,575,907) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation expense | 49,230,810 |

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2008**

**RECONCILIATION OF OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES: (CONT.)**

| | |
|---|-------------------------------|
| Adjustments to reconcile operating loss to net cash used by operating activities: (Cont.) | |
| Changes in assets and liabilities: | |
| Decrease in accounts receivable, net | \$4,716,925 |
| (Increase) in inventories | (115,069) |
| (Increase) in deferred charges and prepaid expenses | (1,058,768) |
| (Increase) in notes receivable, net | (1,094,427) |
| (Increase) in other assets | (3,352,905) |
| Increase in accounts payable and accrued liabilities | 1,703,569 |
| Increase in deferred revenue | 2,900,635 |
| (Decrease) in amounts held in custody for others | (1,139,803) |
| Increase in compensated absences | 2,669,692 |
| Increase in other postemployment benefits payable | 98,552,007 |
| Increase in other liabilities | 3,345,260 |
| | <hr/> |
| Net cash used by operating activities | <u><u>(\$377,217,981)</u></u> |

**SCHEDULE OF NONCASH INVESTING, CAPITAL,
AND FINANCING ACTIVITIES:**

| | |
|-----------------------------|--------------|
| Capital assets appropriated | \$10,137,224 |
| Equipment | 889,502 |
| Capital lease | (656,120) |
| Buildings | 2,260,890 |
| Capital assets donated | 1,152,190 |

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO THE STATEMENT OF NET ASSETS:**

| | |
|---|-----------------------------|
| Cash and cash equivalents classified as current assets | \$175,598,750 |
| Cash and cash equivalents classified as noncurrent assets | 113,951,272 |
| | <hr/> |
| Total Cash and Cash Equivalents | <u><u>\$289,550,022</u></u> |

(Concluded)

The accompanying notes are an integral part of this statement.

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INTRODUCTION

The University of Louisiana System (System) is a publicly supported institution of higher education. The System is a component unit of the State of Louisiana, within the executive branch of government. The 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 chief executive officer of the System is the president.

The System is comprised of eight universities in eight cities, which include Grambling State University at Grambling, Louisiana Tech University at Ruston, McNeese State University at Lake Charles, Nicholls State University at Thibodaux, Northwestern State University at Natchitoches, Southeastern Louisiana University at Hammond, University of Louisiana at Lafayette, and University of Louisiana at Monroe. The universities had approximately 79,383 students enrolled during the fall semester of the 2007/2008 academic year and employed approximately 10,341 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 System 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) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the universities within the System primarily serve state residents. The accompanying financial statements 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 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

The following are Louisiana nonprofit corporations that are considered blended component units of seven of the universities included in the System:

- Black and Gold Facilities, Inc., at Grambling State University
- Innovative Student Facilities, Inc., at Louisiana Tech University
- Cowboy Facilities, Inc., at McNeese State University
- NSU Facilities Corporation at Nicholls State University
- University Facilities, Inc., at Southeastern Louisiana University
- Ragin' Cajun Facilities, Inc., at the University of Louisiana at Lafayette
- University of Louisiana at Monroe Facilities, Inc., at the University of Louisiana at Monroe

These component units are included in the reporting entity because they are fiscally dependent on the universities. The purpose of these organizations is to promote, assist, and benefit the mission of the universities 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 universities. Although these facility corporations are legally separate, they are reported as a part of the System because the majority of their revenue comes from the leasing of facilities to the university. To obtain the corporations' latest audit reports, write to:

- Black and Gold Facilities, Inc., c/o Mr. Leon Sanders, Grambling State University, P.O. Box 605, Grambling, Louisiana 71245
- Innovative Student Facilities, Inc., c/o Mr. Joseph Thomas, Louisiana Tech University, P.O. Box 3151, Ruston, Louisiana 71209
- Cowboy Facilities, Inc., c/o Mr. Eddie Meche, McNeese State University, 4205 Ryan Street, Lake Charles, Louisiana 70609
- NSU Facilities Corporation, c/o Mr. Lionel Naquin, Nicholls State University, P.O. Box 2003, Thibodaux, Louisiana 70310

- University Facilities, Inc., c/o Mr. Stephen Smith, Southeastern Louisiana University, SLU Box 10709, Hammond, Louisiana 70402
- Ragin' Cajun Facilities, Inc., c/o Mr. Ronald P. Lajaunie, University of Louisiana at Lafayette, P.O. Box 42651, Lafayette, Louisiana 70504
- University of Louisiana at Monroe Facilities, Inc., c/o Mr. Dave Nicklas, University of Louisiana at Monroe, 700 University Avenue, Monroe, Louisiana 71209

Discretely Presented Component Units

The following legally separate, tax-exempt organizations are reported within the System as discrete component units:

- McNeese State University Foundation
- University of Louisiana at Lafayette Foundation, Inc.

These foundations act primarily as fund-raising organizations to supplement the resources that are available to the universities in support of their programs. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources or income that the foundations hold and invest are restricted to the activities of the university by the donors. Because these restricted resources held by the foundations can only be used by or for the benefit of the universities, the foundations are considered component units of the universities and are discretely presented in the financial statements.

During the year ended June 30, 2008, the foundations made distributions of \$7,265,936 to or on behalf of the universities for both restricted and unrestricted purposes.

To obtain the foundations' latest audit reports, write to:

- McNeese State University Foundation, c/o Mr. Eddie Meche, McNeese State University, 4205 Ryan Street, Lake Charles, Louisiana 70609
- University of Louisiana at Lafayette Foundation, Inc., c/o Mr. Ronald P. Lajaunie, University of Louisiana at Lafayette, P.O. Box 42651, Lafayette, Louisiana 70504

These blended and discretely presented component units are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. 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 these component units' financial information in the System's report for these differences. Accordingly, the financial data of the discretely presented component units are shown on a statement of financial position and a statement of activities.

Every three years, in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, the System evaluates whether discretely presented component units reported in prior financial statements continue to meet the Division of Administration, Office of Statewide Reporting and Accounting Policy's (OSRAP) guidelines requiring their presentation in the System's financial statements. For the year ended June 30, 2008, the Louisiana Tech University Foundation, Inc., which was included in the System's financial statements for the year ended June 30, 2007, did not meet these guidelines; therefore, it has been excluded from the System's financial statements.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the System is considered a special purpose government engaged only in business-type activities. All activities of the System are accounted for within a single proprietary (enterprise) fund. 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.

Discrete Component Units

The component units follow the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, which establishes external financial reporting for not-for-profit organizations, and include the financial statements and the classifications of resources into three separate classes of net assets as follows:

- Unrestricted - net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- Temporarily Restricted - net assets whose use by the component unit is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the foundation pursuant to those stipulations.
- Permanently Restricted - net assets whose use by the component unit is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions by the component unit.

The System has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The System has elected to not apply FASB pronouncements issued after the applicable date. However, in the current fiscal year, the System has included seven nongovernmental, blended component units that follow SFAS 117.

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 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 Assets include all negotiable certificates of deposit, regardless of maturity.

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 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 Assets. For purposes of the Statement of Cash Flows, the System 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 System 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 Assets.

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 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. 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, and three to 10 years for most movable property.

I. DEFERRED REVENUES

Deferred 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 nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and nonclassified 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, reimbursement contracts payable, notes payable, and capital lease obligations with contractual maturities greater than one year and estimated amounts for accrued compensated absences, other postemployment benefits, and other liabilities that will not be paid within the next fiscal year.

L. NET ASSETS

The System's net assets are classified as follows:

- (1) Invested in Capital Assets, Net of Related Debt
This represents the System'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 Assets - Expendable
Restricted expendable net assets include resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (3) Restricted Net Assets - Nonexpendable
Restricted nonexpendable net assets consist 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 Assets
Unrestricted net assets represent 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 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, and then toward restricted resources.

M. CLASSIFICATION OF REVENUES

The System 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.

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 Assets. Scholarship discounts and allowances are the difference between the stated charge for 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. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2008, the System implemented the following accounting standards:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, affects the reporting of long-term liabilities and is addressed in the financial statements and the accompanying notes. The measurement and recognition requirements of this statement have been applied on a prospective basis.
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, affects specific relevant disclosures be made about the unavailability of future revenues that have been pledged or sold and is addressed in note 14 to the financial statements.
- GASB Statement No. 50, *Pension Disclosures - an amendment of GASB Statement No. 25 and Statement No. 27*, had no significant impact on the financial statements or notes.

2. CASH AND CASH EQUIVALENTS

At June 30, 2008, the System has cash and cash equivalents (book balances) of \$289,550,022 as follows:

| | |
|---------------------------|-----------------------------|
| Petty cash | \$421,332 |
| Demand deposits | 174,351,774 |
| Certificates of deposit | 54,462,515 |
| Cash with state treasurer | 313,204 |
| Money market funds | 2,976,923 |
| Cash in trustee accounts | 44,806,497 |
| Cash equivalents (note 3) | <u>12,217,777</u> |
| Total | <u><u>\$289,550,022</u></u> |

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

As of June 30, 2008, \$55,714,131 of the System's bank balance of \$298,444,739 was exposed to custodial credit risk as follows:

| | |
|--|----------------------------|
| Uninsured and uncollateralized | \$2,098,486 |
| Uninsured and collateralized with securities held by the pledging institution | 41,949,014 |
| Uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the System's name | <u>11,666,631</u> |
| Total | <u><u>\$55,714,131</u></u> |

Cash and cash equivalents of the component units totaling \$15,840,648, as shown on the Statement of Net Assets, are reported under FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*, which does not require the disclosures of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

3. INVESTMENTS

At June 30, 2008, the System has investments totaling \$265,991,032, which include \$12,217,777 of short-term investments reported on the Statement of Net Assets as restricted cash equivalents. Each university within the System follows state law (R.S. 49:327) as applicable to institutions of higher education in establishing investment policy. State law authorizes the System universities 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. A summary of the System's investments follows:

NOTES TO THE FINANCIAL STATEMENTS

| <u>Type of Investment</u> | <u>Percentage of Investments</u> | <u>Credit Quality Rating</u> | <u>Fair Value</u> |
|---|--------------------------------------|----------------------------------|-----------------------|
| U.S. government securities: | | | |
| U.S. Treasury Notes ¹ | 0.04% | | \$100,218 |
| Federal Home Loan Mortgage Corporation ² | 0.17% | AAA | 455,748 |
| Federal National Mortgage Association ² | 0.09% | Aaa | 244,461 |
| Federal Home Loan Bank ² | 13.33% | Aaa | 35,459,247 |
| Federal Farm Credit Bank ³ | 0.06% | AAA | 158,825 |
| Mutual funds: | | | |
| Vanguard Federal Money Market Fund ² | 0.55% | Aaa | 1,460,685 |
| Vanguard Inflation - Protected Securities Fund ² | 0.26% | Aaa | 702,656 |
| Vanguard Mid-Cap Index Fund ⁵ | 0.07% | | 184,389 |
| Vanguard REIT Index Fund ⁵ | 0.06% | | 158,824 |
| Vanguard Small-Cap Index Fund ⁵ | 0.07% | | 178,285 |
| Vanguard Total Bond Market Index Fund ⁵ | 0.62% | | 1,636,565 |
| Vanguard Total International Stock Index Fund ⁵ | 0.07% | | 194,623 |
| Vanguard Wellington Fund ² | 0.90% | Aa3 | 2,403,843 |
| Putnam High Yield Trust ⁶ | 0.00% | 3 Stars | 11,236 |
| Money market mutual funds ⁵ | 2.79% | | 7,411,608 |
| Investments held by foundations ⁴ | 51.96% | | 138,196,428 |
| Common and preferred stock ⁴ | 0.60% | | 1,592,451 |
| Certificates of deposit ⁴ | 0.23% | | 603,127 |
| Corporate bonds and bond funds | 2.55% | | 6,776,160 |
| Louisiana Asset Management Pool ³ | 0.46% | AAAm | 1,222,177 |
| Held by blended component units: | | | |
| Black and Gold Facilities, Inc. ⁵ | 12.31% | | 32,741,737 |
| Cowboy Facilities, Inc. (McNeese) ⁵ | 0.53% | | 1,415,612 |
| NSU Facilities Corporation (Nicholls) ⁵ | 6.43% | | 17,098,466 |
| University Facilities, Inc. ⁵ | 5.09% | | 13,530,661 |
| University of Louisiana at Monroe Facilities, Inc. ² | 0.77% | Aa2 | 2,044,761 |
| Other ⁴ | 0.00% | | 8,239 |
| | <u>100.01%</u> | | <u>\$265,991,032</u> |

¹Credit quality ratings not required - U.S. Treasury Notes are explicitly guaranteed by the U.S. government and have no credit risk.

²Credit quality ratings obtained from Moody's Investor Service.

³Credit quality ratings obtained from Standard and Poor's.

⁴Credit quality ratings are not required for these investments.

⁵Credit quality ratings are not available.

⁶Credit quality ratings obtained from Morning Star.

| Type of Investment | Investment Maturities in Years | | | | | |
|--|--------------------------------|----------------------|---------------------|---------------------|--------------------|--------------------|
| | Fair Value | Less Than 1 Year | 1-5 Years | 6-10 Years | 11-20 Years | 21-30 Years |
| U.S. government securities: | | | | | | |
| U.S. Treasury Notes | \$100,218 | \$100,218 | | | | |
| Federal Home Loan Mortgage Corporation | 455,748 | | \$236,425 | \$219,323 | | |
| Federal National Mortgage Association | 244,461 | 35,561 | 149,342 | 55,928 | \$3,630 | |
| Federal Home Loan Bank | 35,459,247 | 34,907,480 | 498,642 | 53,125 | | |
| Federal Farm Credit Bank | 158,825 | | | 158,825 | | |
| Mutual funds: | | | | | | |
| Vanguard Federal Money Market Fund | 1,460,685 | 1,460,685 | | | | |
| Vanguard Inflation - Protected Securities Fund | 702,656 | | | 702,656 | | |
| Vanguard Mid-Cap Index Fund | 184,389 | 184,389 | | | | |
| Vanguard REIT Index Fund | 158,824 | 158,824 | | | | |
| Vanguard Small Cap Index Fund | 178,285 | 178,285 | | | | |
| Vanguard Total Bond Market Index Fund | 1,636,565 | | 1,636,565 | | | |
| Vanguard Total International Stock Fund | 194,623 | 194,623 | | | | |
| Vanguard Wellington Fund | 2,403,843 | | | 2,403,843 | | |
| Putnum High Yield Trust | 11,236 | 11,236 | | | | |
| Money market mutual funds | 7,411,608 | 7,411,608 | | | | |
| Investments held by foundations: | | | | | | |
| Common and preferred stock | 54,961,570 | | | | | |
| U.S. Treasury Notes | 9,984,036 | 633,112 | 3,604,205 | 5,555,747 | 190,972 | |
| Federal Home Loan Mortgage Corporation | 9,913,786 | 362,736 | 1,554,048 | 3,961,527 | 2,008,459 | \$2,027,016 |
| Federal National Mortgage Association | 8,995,409 | 502,031 | 1,854,750 | 3,282,277 | 2,079,866 | 1,276,485 |
| Government National Mortgage Association | 791,073 | | | | 209,373 | 201,151 |
| Federal Home Loan Bank | 1,671,550 | 766,329 | 802,922 | 102,299 | | |
| Federal Farm Credit Bank | 1,185,595 | 368,630 | 470,296 | 346,669 | | |
| Mutual funds | 26,734,214 | 24,125,088 | | | | |
| Money market accounts | 3,105,144 | | | | | |
| Equity funds | 5,584,132 | | | | | |
| Corporation bonds/obligations | 7,968,679 | 772,792 | 5,192,645 | 1,645,835 | 251,375 | 106,032 |
| Other | 7,301,240 | 2,231,063 | 1,014,221 | | | |
| Common and preferred stock | 1,592,451 | | | | | |
| Certificates of deposit | 603,127 | 90,086 | 420,242 | 92,799 | | |
| Corporate bonds | 6,776,160 | 3,599,360 | 58,620 | 3,081,427 | 36,752 | |
| Louisiana Asset Management Pool | 1,222,177 | 1,222,177 | | | | |
| Held by blended component units: | | | | | | |
| Black and Gold Facilities, Inc. | 32,742,737 | 32,742,737 | | | | |
| Cowboy Facilities, Inc. (McNeese) | 17,098,466 | | | | | |
| NSU Facilities Corporation (Nicholls) | 1,415,612 | | | | | |
| University Facilities, Inc. | 13,530,661 | 13,530,661 | | | | |
| ULM Facilities, Inc. | 2,044,761 | 2,044,761 | | | | |
| Other - diamonds | 8,239 | | | | | |
| Total | <u>\$265,992,032</u> | <u>\$127,634,472</u> | <u>\$17,492,923</u> | <u>\$21,662,280</u> | <u>\$4,780,427</u> | <u>\$3,610,684</u> |

Investments held by private foundations in external investment pools are managed in accordance with the terms outlined in management agreements executed between the System universities and their respective foundations. The System universities are voluntary participants. This investment totaling \$138,196,428 has no credit quality rating. The foundations hold and manage funds received by the university as state matching funds for the Endowed Chairs and Endowed Professorship programs. Of the \$138,196,428 reported as investments held by foundations, the amounts held by its discretely presented component units total \$70,079,417.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the System'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. Individual System universities do 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 System 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 System universities' investment policies generally require that issuers must provide the universities with safekeeping receipts, collateral agreements, and custodial agreements. At June 30, 2008, investments held by blended component units totaling \$13,530,661 are uninsured and unregistered and held by the counterparty and are, therefore, exposed to custodial credit risk.

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. Individual System universities do 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, individual System universities do not have policies to limit interest rate risk.

INVESTMENTS - COMPONENT UNITS

Component units' investments totaling \$146,031,118, as shown on the Statement of Financial Position, are reported under FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*, which does not require the disclosures of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The fair value of investments held by the component units at June 30, 2008, follows:

| <u>Type of Investment</u> | <u>McNeese State University Foundation</u> | <u>University of Louisiana at Lafayette Foundation</u> | <u>Total</u> |
|--|--|--|----------------------|
| Certificates of deposit | \$84,674 | \$3,341,234 | \$3,425,908 |
| Mutual funds | 15,999,520 | | 15,999,520 |
| Government obligations and corporate bonds | | 40,010,772 | 40,010,772 |
| Corporate stocks | 29,404,615 | | 29,404,615 |
| Corporate stocks and mutual funds | | 57,170,923 | 57,170,923 |
| Other | 19,380 | | 19,380 |
| Total | <u>\$45,508,189</u> | <u>\$100,522,929</u> | <u>\$146,031,118</u> |

4. RECEIVABLES

Receivables are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2008. These receivables are composed of the following:

| <u>Type</u> | <u>Accounts Receivable</u> | <u>Allowance for Doubtful Accounts</u> | <u>Net Accounts Receivable</u> | <u>Noncurrent Portion</u> |
|---|--------------------------------|--|--|-------------------------------|
| Student tuition and fees | \$23,476,658 | (\$11,531,036) | \$11,945,622 | \$421,113 |
| Auxiliary enterprises | 9,466,333 | (737,180) | 8,729,153 | 98,222 |
| Contributions and gifts | 750,086 | | 750,086 | |
| Federal, state, and private grants and contracts | 23,533,409 | (30,340) | 23,503,069 | |
| Insurance recoveries | 7,253,706 | | 7,253,706 | |
| Other | 2,857,375 | (19,613) | 2,837,762 | 572,936 |
| Total | <u>\$67,337,567</u> | <u>(\$12,318,169)</u> | <u>\$55,019,398</u> | <u>\$1,092,271</u> |

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2008, follows:

University of Louisiana System

| | Balance July 1, 2007 | Prior Period Adjustment | Restated Balance July 1, 2007 | Additions | Transfers | Retirements | Balance June 30, 2008 |
|---|-------------------------|-------------------------------|-------------------------------------|----------------------|-----------------------|----------------------|--------------------------|
| Capital assets not being depreciated: | | | | | | | |
| Land | \$32,220,003 | \$64,000 | \$32,284,003 | \$7,786,546 | | | \$40,070,549 |
| Non-depreciable land improvements | 5,659,619 | | 5,659,619 | 114,230 | | | 5,773,849 |
| Capitalized collections | 205,002 | | 205,002 | | | | 205,002 |
| Livestock | 34,270 | | 34,270 | 6,150 | | (7,855) | 32,565 |
| Construction-in-progress | 72,018,770 | | 72,018,770 | 100,977,236 | (\$74,359,365) | (15,276) | 98,621,365 |
| Total capital assets not being depreciated | \$110,137,664 | \$64,000 | \$110,201,664 | \$108,884,162 | (\$74,359,365) | (\$23,131) | \$144,703,330 |
| Other capital assets: | | | | | | | |
| Infrastructure | \$4,643,069 | | \$4,643,069 | | | | \$4,643,069 |
| Less accumulated depreciation | (2,669,766) | | (2,669,766) | (\$116,076) | | | (2,785,842) |
| Total infrastructure | 1,973,303 | NONE | 1,973,303 | (116,076) | | NONE | 1,857,227 |
| Land improvements | 20,226,207 | | 20,226,207 | 5,678,686 | \$3,340,502 | | 29,245,395 |
| Less accumulated depreciation | (10,098,744) | | (10,098,744) | (1,181,997) | | | (11,280,741) |
| Total land improvements | 10,127,463 | NONE | 10,127,463 | 4,496,689 | 3,340,502 | NONE | 17,964,654 |
| Buildings | 1,147,990,938 | 132,642 | 1,148,123,580 | 65,653,423 | 22,191,528 | (\$8,412,694) | 1,227,555,837 |
| Less accumulated depreciation | (503,375,733) | 44,426 | (503,331,307) | (28,285,775) | | 6,138,974 | (525,478,108) |
| Total buildings | 644,615,205 | 177,068 | 644,792,273 | 37,367,648 | 22,191,528 | (2,273,720) | 702,077,729 |
| Equipment | 139,256,820 | (172,887) | 139,083,933 | 21,680,891 | | (7,294,724) | 153,470,100 |
| Less accumulated depreciation | (94,829,270) | 8,135 | (94,821,135) | (13,251,885) | | 6,846,616 | (101,226,404) |
| Total equipment | 44,427,550 | (164,752) | 44,262,798 | 8,429,006 | | (448,108) | 52,243,696 |
| Library books | 132,364,964 | | 132,364,964 | 6,611,460 | | (1,581,692) | 137,394,732 |
| Less accumulated depreciation | (119,228,867) | | (119,228,867) | (6,395,079) | | 1,562,669 | (124,061,277) |
| Total library books | 13,136,097 | NONE | 13,136,097 | 216,381 | | (19,023) | 13,333,455 |
| Total other capital assets | \$714,279,618 | \$12,316 | \$714,291,934 | \$50,393,648 | \$25,532,030 | (\$2,740,851) | \$787,476,761 |
| Capital Asset Summary: | | | | | | | |
| Capital assets not being depreciated | \$110,137,664 | \$64,000 | \$110,201,664 | \$108,884,162 | (\$74,359,365) | (\$23,131) | \$144,703,330 |
| Other capital assets, at cost | 1,444,481,998 | (40,245) | 1,444,441,753 | 99,624,460 | 25,532,030 | (17,289,110) | 1,552,309,133 |
| Total cost of capital assets | 1,554,619,662 | 23,755 | 1,554,643,417 | 208,508,622 | (48,827,335) | (17,312,241) | 1,697,012,463 |
| Accumulated depreciation | (730,202,380) | 52,561 | (730,149,819) | (49,230,812) | | 14,548,259 | (764,832,372) |
| Capital assets, net | \$824,417,282 | \$76,316 | \$824,493,598 | \$159,277,810 | (\$48,827,335) | (\$2,763,982) | \$932,180,091 |

The prior period adjustments represent corrections of errors in recorded capital assets from prior years as shown in note 15 and adjustments to classifications of capital assets by category.

Component Units

| | Balance July 1, 2007 | Prior Period Adjustment | Restated Balance July 1, 2007 | Additions | Balance June 30, 2008 |
|---|-------------------------|-------------------------------|-------------------------------------|------------------|--------------------------|
| Capital assets not being depreciated: | | | | | |
| Real estate | \$1,444,624 | (\$199,857) | \$1,244,767 | \$732,185 | \$1,976,952 |
| Art and collectibles | 1,909,908 | (328,855) | 1,581,053 | 196,250 | 1,777,303 |
| Construction-in-progress | 1,004,328 | (1,004,328) | | | |
| Total capital assets not being depreciated | \$4,358,860 | (\$1,533,040) | \$2,825,820 | \$928,435 | \$3,754,255 |
| Depreciable capital assets: | | | | | |
| Buildings | \$14,219,478 | (\$4,161,554) | \$10,057,924 | | \$10,057,924 |
| Vehicles, furniture, and equipment | 5,284,070 | (4,851,425) | 432,645 | \$140,546 | 573,191 |
| Total depreciable capital assets | 19,503,548 | (9,012,979) | 10,490,569 | 140,546 | 10,631,115 |
| Less accumulated depreciation | (5,258,546) | 3,818,688 | (1,439,858) | (295,501) | (1,735,359) |
| Total depreciable capital assets, net | 14,245,002 | (5,194,291) | 9,050,711 | (154,955) | 8,895,756 |
| Total capital assets, net | \$18,603,862 | (\$6,727,331) | \$11,876,531 | \$773,480 | \$12,650,011 |

The prior period adjustments for discretely presented component units represent the elimination of the Louisiana Tech University Foundation as a discretely presented component unit of the System during the fiscal year ended June 30, 2008.

The capital asset disclosure for the discretely presented component units has been adjusted to reflect the classifications of the assets as presented in the audited financial statements of the discretely presented component units. Their financial statements have been prepared in accordance with FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. The disclosure requirements of FASB 117 differ from those required for financial statements prepared in accordance with GASB requirements.

Southeastern Louisiana University is the only university within the System that capitalizes its collections, which include various works of art and historical items, including sculptures, statues, portraits, murals, book collections, war artifacts, and maps.

Although not capitalized, the University of Louisiana at Lafayette maintains the Louisiana Room, the Rare Book Room, and the Southwestern Archives and Manuscripts Collection. In addition, the University of Louisiana at Monroe maintains the Thomas Gilhula War Collection, the Friends of the Library of Louisiana Collection of parish histories, the James A. Noe Collection, the Otto E. Pressman Collection, an African Artifacts collection, a geosciences collection, an herbarium collection, and various artifacts in the Natural History Museum.

The System universities generally do not capitalize collections of works of art or historical treasures either because they do not have any or because they meet the following criteria for exclusion from capitalization in accordance with the requirements of GASB 34; i.e., they are (1) held for public exhibition, education, or research in furtherance of public service rather than financial gain; (2) protected, kept unencumbered, cared for, or preserved; and (3) subject to an organizational policy that requires the proceeds from sales of the items to be used to acquire other items for the collection.

6. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2008:

| <u>Account Name</u> | |
|---|----------------------------|
| Vendor payables | \$19,406,343 |
| Accrued salaries and payroll deductions | 22,913,337 |
| Accrued interest | 1,545,986 |
| Other | <u>3,570,788</u> |
| Total payables | <u><u>\$47,436,454</u></u> |

7. PENSION PLANS

Plan Description. Substantially all employees of the System are members of three statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS), and the Louisiana School Employees Retirement System (LSERS) includes noninstructional personnel of the Louisiana Public School System. TRSL and LSERS are cost-sharing, multiple-employer defined benefit pension plans, and LASERS is considered a single-employer defined benefit pension plan because the material portion of its activity is with one employer--the State of Louisiana. All three plans are administered by separate boards of trustees. These plans provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the retirement systems; employee benefits vest with TRSL after five years of service and with LASERS and LSERS after 10 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information for the retirement systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446; the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600; and/or the Louisiana School Employees Retirement System, Post Office Box 44516, Baton Rouge, Louisiana 70804-4516.

Funding Policy. The contribution requirements of plan members and the System are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8.0% (TRSL) and 7.5% (LASERS and LSERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, contribute 8.0% to LASERS. The state is required to contribute 16.6% of covered salaries to TRSL, 20.4% of covered salaries to LASERS, and 18.1% of covered salaries to LSERS for fiscal year 2008. The State of Louisiana, through the annual appropriation to the System, funds the System's employer contribution. The System's employer contributions to TRSL for the years ended June 30, 2008, 2007, and 2006 were \$24,572,565; \$20,426,117; and \$19,439,549, respectively, to LASERS for the years ended June 30, 2008, 2007, and 2006 were \$19,281,491; \$16,483,712; and \$16,348,084, respectively, and to LSERS for the years ended June 30, 2008, 2007, and 2006 were \$29,781; \$15,059; and \$16,275, respectively, equal to the required contributions for each year.

8. 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 10 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 System are 16.6% of the covered payroll for fiscal year 2008. 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 System. 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 \$26,776,824 and \$12,852,187, respectively, for the year ended June 30, 2008.

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (OPEB)

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

Funding Policy--The contribution requirements of plan members and the System are established and may be amended by R.S. 42:801-883. Employees do not contribute to their post-employment 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, the Exclusive Provider Organization (EPO) plan, and the Health Maintenance Organization (HMO) plan. Retired employees who have Medicare Part A and Part B coverage also have access to two OGB Medicare Advantage plans--one HMO plan and one private fee-for-service (PFFS) plan--offered by two companies. Depending upon the plan selected, during fiscal year 2008, employee premiums for a single member receiving benefits range from \$34 to \$92 per month for retiree-only coverage with Medicare or from \$126 to \$170 per month for retiree-only coverage without Medicare. The

fiscal year 2008 employee premiums for a retiree with spouse, children, or family range from \$69 to \$452 per month for those with Medicare and from \$181 to \$496 per month for those without Medicare.

The plan is currently financed on a pay-as-you-go basis, with the System contributing from \$103 to \$237 per month for retiree-only coverage with Medicare or from \$809 to \$842 per month for retiree-only coverage without Medicare during fiscal year 2008. Also, the System's contributions range from \$207 to \$1,168 per month for retiree spouse, children, or family coverage with Medicare or from \$1,231 to \$1,293 for retiree and spouse without Medicare.

OGB also provides eligible retirees 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. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one half of the premium. 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 System's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45, which is being implemented prospectively for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year, closed amortization period has been used. The total ARC for fiscal year 2008 is \$118,614,000 as set forth below:

| | |
|------------------------------------|-----------------------------|
| Normal cost | \$63,212,200 |
| 30-year UAAL amortization amount | <u>55,402,200</u> |
| Annual required contribution (ARC) | <u><u>\$118,614,400</u></u> |

The following schedule presents the System's OPEB obligation for fiscal year 2008:

| | |
|--|----------------------------|
| Beginning net OPEB obligation at July 1, 2007 | None |
| Annual required contribution | \$118,614,400 |
| Interest on net OPEB obligation | None |
| ARC adjustment | None |
| OPEB cost | <u>118,614,400</u> |
| Contributions made - current year retiree premiums | <u>(20,062,393)</u> |
| Increase in net OPEB obligation | <u><u>98,552,007</u></u> |
| Ending net OPEB obligation at June 30, 2008 | <u><u>\$98,552,007</u></u> |

Using the pay-as-you-go method, the System contributed 16.91% of the annual postemployment benefits cost during 2008.

Funded Status and Funding Progress--During fiscal year 2008, neither the System 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 System's entire actuarial accrued liability of \$1,330,462,600 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2007, was as follows:

| | |
|---|-------------------------------|
| Actuarial accrued liability (AAL) | \$1,330,462,600 |
| Actuarial value of plan assets | <u>None</u> |
| Unfunded actuarial accrued liability | <u><u>\$1,330,462,600</u></u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0% |
| Covered payroll | \$354,023,555 |
| UAAL as percentage of covered payroll | 376% |

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 multi-year 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.

In the July 1, 2007, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included at 4% investment rate of return and an initial annual health care cost trend rate of 9.5% and 10.6% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 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 on a closed basis. The remaining amortization period at June 30, 2008, is 29 years.

10. COMPENSATED ABSENCES

At June 30, 2008, employees of the System have accumulated and vested annual, sick, and compensatory leave of \$20,439,733; \$13,406,178; and \$861,219, respectively. These balances are computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

11. LEASE OBLIGATIONS

Operating Leases

For the year ended June 30, 2008, the total rental expense for all operating leases is \$2,493,049. The following is a schedule by years of future minimum annual rental payments required under operating leases:

| Fiscal Year Ending June 30 | Office Space | Equipment | Land | Other | Total Minimum Payments Required |
|----------------------------|--------------------|------------------|--------------------|--------------------|--|
| 2009 | \$455,101 | \$562,954 | \$342,108 | \$626,880 | \$1,987,043 |
| 2010 | 428,661 | 296,113 | 328,175 | 627,686 | 1,680,635 |
| 2011 | 431,316 | 23,634 | 328,175 | 627,797 | 1,410,922 |
| 2012 | 354,850 | | 95,786 | 627,375 | 1,078,011 |
| 2013 | 272,913 | | 2 | 621,925 | 894,840 |
| 2014-2018 | 1,238,850 | | 10 | 3,101,663 | 4,340,523 |
| 2019-2023 | 1,238,850 | | 10 | 2,172,117 | 3,410,977 |
| 2024-2028 | 10 | | 10 | | 20 |
| 2029-2033 | 10 | | 10 | | 20 |
| 2034-2038 | 10 | | 10 | | 20 |
| Total | <u>\$4,420,571</u> | <u>\$882,701</u> | <u>\$1,094,296</u> | <u>\$8,405,443</u> | <u>\$14,803,011</u> |

Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. The System's capital leases at June 30, 2008, consist of various leases as follows:

| <u>Nature of Lease</u> | <u>Gross Amount of Leased Assets (Historical Cost)</u> | <u>Remaining Interest to End of Lease</u> | <u>Remaining Principal to End of Lease</u> |
|------------------------|--|---|--|
| Office space | \$380,271 | \$62,527 | \$241,626 |
| Equipment | <u>3,019,732</u> | <u>90,450</u> | <u>1,313,638</u> |
| Total | <u>\$3,400,003</u> | <u>\$152,977</u> | <u>\$1,555,264</u> |

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, 2008:

| | | |
|---|--|--------------------|
| Fiscal Year Ending June 30: | | |
| 2009 | | \$544,790 |
| 2010 | | 473,331 |
| 2011 | | 335,551 |
| 2012 | | 166,580 |
| 2013 | | 137,297 |
| 2014-2018 | | <u>50,692</u> |
| Total minimum lease payments | | 1,708,241 |
| Less - amount representing executory costs | | <u>None</u> |
| Net minimum lease payments | | 1,708,241 |
| Less - amount representing interest | | <u>(152,977)</u> |
| Present value of net minimum lease payments | | <u>\$1,555,264</u> |

The System's component unit foundations did not have any capital leases at June 30, 2008.

Lessor - Operating Lease

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

The following schedule provides an analysis of the System's investment in property on operating leases and property held for lease by major classes as of June 30, 2008:

| | Cost | Accumulated Depreciation | Carrying Amount |
|--------------|--------------|-----------------------------|--------------------|
| Office space | \$21,325,788 | (\$9,799,161) | \$11,526,627 |
| Equipment | 201,330 | (30,389) | 170,941 |
| Land | 190,096 | 0 | 190,096 |
| Total | \$21,717,214 | (\$9,829,550) | \$11,887,664 |

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2008:

| | Office Space |
|------------------------------|-----------------|
| Fiscal Year Ending June 30: | |
| 2009 | \$1,794,798 |
| 2010 | 1,390,200 |
| 2011 | 861,824 |
| 2012 | 780,000 |
| 2013 | 275,000 |
| Total minimum future rentals | \$5,101,822 |

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 for the year ended June 30, 2008, were \$783,565.

12. LONG-TERM LIABILITIES

The following is a summary of bond and other long-term debt transactions of the System for the year ended June 30, 2008:

University of Louisiana System

| | Balance June 30, 2007 | Adjustments | Adjusted Balance June 30, 2007 | Additions | Reductions | Balance June 30, 2008 | Amounts Due Within One Year |
|--|--------------------------|---------------|--------------------------------------|----------------------|-----------------------|--------------------------|-----------------------------------|
| Bonds and notes payable: | | | | | | | |
| Bonds payable | \$315,530,000 | (\$1,020,000) | \$314,510,000 | \$145,700,000 | (\$5,855,000) | \$454,355,000 | \$6,335,000 |
| Notes payable | 3,519,813 | | 3,519,813 | 649,828 | (675,595) | 3,494,046 | 635,603 |
| Total bonds and notes payable | 319,049,813 | (1,020,000) | 318,029,813 | 146,349,828 | (6,530,595) | 457,849,046 | 6,970,603 |
| Other liabilities: | | | | | | | |
| Accrued compensated absences payable (note 10) | 32,037,439 | | 32,037,439 | 10,763,260 | (8,093,569) | 34,707,130 | 3,205,857 |
| Capital lease obligations (note 11) | 1,231,298 | | 1,231,298 | 690,425 | (366,459) | 1,555,264 | 481,406 |
| Contracts payable | 623,011 | | 623,011 | | (623,011) | | |
| Reimbursement contracts payable | 205,000 | 1,020,000 | 1,225,000 | | (205,000) | 1,020,000 | 215,000 |
| OPEB payable (note 9) | | | | 118,614,400 | (20,062,393) | 98,552,007 | |
| Total other liabilities | 34,096,748 | 1,020,000 | 35,116,748 | 130,068,085 | (29,350,432) | 135,834,401 | 3,902,263 |
| Total | \$353,146,561 | NONE | \$353,146,561 | \$276,417,913 | (\$35,881,027) | \$593,683,447 | \$10,872,866 |

Component Units

| | Balance June 30, 2007 | Adjustments | Adjusted Balance June 30, 2007 | Additions | Reductions | Balance June 30, 2008 | Amounts Due Within One Year |
|--|--------------------------|-----------------------|--------------------------------------|------------------|----------------------|--------------------------|-----------------------------------|
| Bonds, notes, and capital leases payable: | | | | | | | |
| Bonds payable | \$8,373,828 | (\$1,473,828) | \$6,900,000 | | (\$4,700,000) | \$2,200,000 | |
| Notes payable | 1,050,000 | (1,050,000) | | | | | |
| Subtotal | 9,423,828 | (2,523,828) | 6,900,000 | NONE | (4,700,000) | 2,200,000 | NONE |
| Other liabilities - amounts held in custody for others | 60,305,190 | (30,472,424) | 29,832,766 | \$381,297 | (848,741) | 29,365,322 | NONE |
| Total | \$69,729,018 | (\$32,996,252) | \$36,732,766 | \$381,297 | (\$5,548,741) | \$31,565,322 | NONE |

Details of all debt outstanding at June 30, 2008, follow.

Bonds Payable - University of Louisiana System

| Issue | Date of Issue | Original Issue | Outstanding June 30, 2007 (as Adjusted) | Issued (Redeemed) | Outstanding June 30, 2008 | Maturities | Interest Rates | Interest Outstanding June 30, 2008 |
|---|--------------------|----------------|---|-------------------|---------------------------|------------|----------------|------------------------------------|
| Grambling State University | | | | | | | | |
| Black & Gold Facilities, Inc. (blended component unit): | | | | | | | | |
| Louisiana Public Facilities Authority - | | | | | | | | |
| Student Housing Revenue Bonds: | | | | | | | | |
| Series 2006 A | October 24, 2006 | \$55,705,000 | \$55,705,000 | | \$55,705,000 | 2039 | 4%-5% | \$53,813,950 |
| Series 2006 B | October 24, 2006 | 3,595,000 | 3,595,000 | | 3,595,000 | 2013 | 5.35% | 588,154 |
| Series 2006 C | December 28, 2006 | 5,700,000 | 5,700,000 | | 5,700,000 | 2038 | 5.15% | 6,392,080 |
| Series 2007 A | December 5, 2007 | 39,330,000 | | 39,330,000 | 39,330,000 | 2040 | 4%-4.25% | 43,280,263 |
| Series 2007 B | December 5, 2007 | 2,595,000 | | 2,595,000 | 2,595,000 | 2016 | 5.72% | 777,777 |
| Louisiana Tech University | | | | | | | | |
| Academic Facilities Extension | | | | | | | | |
| Use Fee Revenue Bonds - Series 1972 B | July 1, 1972 | 4,750,000 | 1,875,000 | (265,000) | 1,610,000 | 2013 | 5.9%-6.25% | 264,063 |
| Revenue Bonds - Power Plant | | | | | | | | |
| 2002 Series | July 1, 2002 | 5,920,000 | 5,200,000 | (255,000) | 4,945,000 | 2022 | 3.5%-4.9% | 1,924,670 |
| Revenue Refunding Bonds: | | | | | | | | |
| Revenue Bonds - 2004 Series | September 30, 2004 | 7,225,000 | 5,300,000 | (1,005,000) | 4,295,000 | 2012 | 2.25%-3.0% | 243,062 |
| Innovative Student Facilities, Inc. (blended component unit): | | | | | | | | |
| Louisiana Local Government Environmental Facilities and Community Development Authority - Revenue Bonds - 2003 Series | | | | | | | | |
| | July 1, 2003 | 21,840,000 | 21,595,000 | (270,000) | 21,325,000 | 2034 | 2.25%-4.5% | 15,227,600 |
| Student Housing and Recreational Facilities - 2007 Series | | | | | | | | |
| | September 26, 2007 | 51,670,000 | | 51,670,000 | 51,670,000 | 2034 | 2.25%-4.5% | 46,245,450 |
| McNeese State University | | | | | | | | |
| Student Housing System Revenue | | | | | | | | |
| Bonds - Refunding Bonds - Series 2001 | May 30, 2001 | 2,110,000 | 740,000 | (260,000) | 480,000 | 2009 | 4.95% | 11,880 |
| Stadium Project - Series 1996 | October 15, 1996 | 900,000 | 300,000 | (300,000) | | | | |
| Parking Lot - Series 1997 | February 12, 1997 | 1,500,000 | 660,000 | (115,000) | 545,000 | 2012 | 6.25% | 70,781 |
| Cowboy Facilities, Inc. (blended component unit): | | | | | | | | |
| Calcasieu Parish Trust Authority: | | | | | | | | |
| University Student Lease Revenue Bonds - Series 2001 | May 31, 2001 | 21,120,000 | 19,720,000 | (385,000) | 19,335,000 | 2033 | 5.4% | 15,778,216 |
| University Stadium Parking Revenue Bonds - Series 2004 | February 20, 2004 | 820,000 | 605,000 | (75,000) | 530,000 | 2014 | 4.73% | 90,343 |
| University Scoreboard Project Bonds - Series 2005 | April 1, 2005 | 1,900,000 | 1,610,000 | (160,000) | 1,450,000 | 2015 | 6.5% | 400,725 |
| Nicholls State University | | | | | | | | |
| NSU Facilities Corporation (blended component unit): | | | | | | | | |
| Louisiana Community Development Authority: | | | | | | | | |
| Streets and Parking Revenue Bonds - Series 2006 A Cafeteria & Student Union Revenue Bonds - Series 2006 B | May 1, 2006 | 3,320,000 | 3,195,000 | (110,000) | 3,085,000 | 2026 | 4.76% | 1,578,300 |
| Student Revenue Housing - Series 2007A | August 23, 2007 | 17,680,000 | | 17,680,000 | 17,680,000 | 2024 | 4.4% | 7,601,594 |
| Student Revenue Housing - Series 2007B | August 23, 2007 | 32,380,000 | | 32,380,000 | 32,380,000 | 2039 | Variable | 28,314,058 |
| Northwestern State University | | | | | | | | |
| Wellness, Recreation, and Activity Center Bonds - Series 1999 | | | | | | | | |
| | April 1, 1999 | 6,850,000 | 5,420,000 | (215,000) | 5,205,000 | 2024 | 4.45%-5.1% | 2,501,303 |
| Southeastern Louisiana University | | | | | | | | |
| Student Recreation and Activity Center Revenue Bonds - Series 1998 | | | | | | | | |
| | June 30, 1998 | 7,690,000 | 5,430,000 | (310,000) | 5,120,000 | 2020 | 4.6%-5% | 1,804,050 |
| University Facilities, Inc. (blended component unit): | | | | | | | | |
| Louisiana Local Government Environmental Facilities and Community Development Authority: | | | | | | | | |
| Student housing, intermodal parking and stadium - Series 2004 | | | | | | | | |
| | August 13, 2004 | 76,910,000 | 76,685,000 | (880,000) | 75,805,000 | 2035 | 3.5%-5.25% | 59,121,235 |
| Intermodal parking - Series 2007(A) | March 14, 2007 | 5,545,000 | 5,545,000 | (165,000) | 5,380,000 | 2031 | 4.2%-4.25% | 3,115,998 |
| Intermodal parking - Series 2007(B) | March 14, 2007 | 2,490,000 | 2,490,000 | | 2,490,000 | 2037 | 4.375% | 2,900,406 |

Bonds Payable - University of Louisiana System (Concluded)

| Issue | Date of Issue | Original Issue | Outstanding June 30, 2007 (as Adjusted) | Issued (Redeemed) | Outstanding June 30, 2008 | Maturities | Interest Rates | Interest Outstanding June 30, 2008 |
|--|------------------|----------------------|---|----------------------|---------------------------|------------|----------------|------------------------------------|
| University of Louisiana at Lafayette | | | | | | | | |
| Ragin' Cajun Facilities, Inc. (blended component unit): Lafayette Public Trust Financing Authority - Student Housing and Child Care Facilities - Series 2002 | | | | | | | | |
| | October 1, 2002 | \$19,065,000 | \$18,355,000 | (\$370,000) | \$17,985,000 | 2033 | 3.15%-5.0% | \$13,440,980 |
| University of Louisiana at Monroe | | | | | | | | |
| ULM Facilities, Inc. (blended component unit): Louisiana Local Government Environmental Facilities and Community Development Authority: Student housing, infirmary, and student center: Revenue Bonds Series 2004 A & B | | | | | | | | |
| | June 30, 2004 | 35,210,000 | 34,985,000 | (225,000) | 34,760,000 | 2034 | Variable | 21,180,073 |
| Revenue Bonds Series 2004 C & D | | | | | | | | |
| | Dec. 8, 2004 | 33,680,000 | 33,420,000 | (285,000) | 33,135,000 | 2035 | Variable | 20,053,144 |
| Intermodal Transit Facility and Parking | | | | | | | | |
| | Nov. 7, 2006 | 1,500,000 | 1,500,000 | (115,000) | 1,385,000 | 2016 | 5.06% | 338,135 |
| Clarke Williams Student Center Renovation | | | | | | | | |
| | October 25, 2007 | 2,045,000 | | 2,045,000 | 2,045,000 | 2027 | 5.40% | 1,294,245 |
| Total | | <u>\$476,045,000</u> | <u>\$314,510,000</u> | <u>\$139,845,000</u> | <u>\$454,355,000</u> | | | <u>\$353,075,960</u> |

On December 5, 2007, Black & Gold Facilities, Inc. (blended component unit of Grambling State University) entered into a loan agreement with the Louisiana Public Facilities Authority (LPFA) to issue \$41,925,000 of LPFA Revenue Bonds, Series 2007 A and B. The proceeds of the bonds will be used for financing, planning, designing, constructing, furnishing, and equipping residence facilities for use by Grambling State University.

On September 26, 2007, Innovative Student Facilities, Inc. (blended component unit of Louisiana Tech University) entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to issue \$51,670,000 of Revenue Bonds, Series 2007. The proceeds of the bonds will be used for financing the development, design, construction, renovation, and equipping of student housing and recreational facilities, the acquisition of immovable property, and certain repairs and maintenance on existing properties.

On August 23, 2007, Nicholls State University Facilities Corporation (blended component unit of Nicholls State University) entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to issue \$50,060,000 of Revenue Bonds, Series 2007 A and B. The proceeds of the bonds will finance the renovation of existing facilities and the development and construction of new student housing and related facilities.

On October 25, 2007, the University of Louisiana at Monroe Facilities, Inc. (blended component unit of the University of Louisiana at Monroe) entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to issue \$2,045,000 of Revenue Bonds, Series 2007 for the demolition and renovation of certain existing buildings and the development, construction, and equipping of a student learning enhancement center and related facilities.

Component Units

| Issue | Date of Issue | Original Issue | Outstanding June 30, 2007 | Issued (Redeemed) | Outstanding June 30, 2008 | Maturities | Interest Rates | Interest Outstanding June 30, 2008 |
|---|------------------|--------------------|---------------------------|----------------------|---------------------------|------------|----------------|------------------------------------|
| University of Louisiana at Lafayette Foundation, Inc. Lafayette Economic Development Authority | February 1, 2002 | \$8,500,000 | \$6,900,000 | (\$4,700,000) | \$2,200,000 | 2017 | 4.50% | \$796,500 |
| Total | | <u>\$8,500,000</u> | <u>\$6,900,000</u> | <u>(\$4,700,000)</u> | <u>\$2,200,000</u> | | | <u>\$796,500</u> |

**Reimbursement Contracts Payable -
University of Louisiana System**

| Issue | Date of Issue | Original Issue | Outstanding June 30, 2007 | Issued (Redeemed) | Outstanding June 30, 2008 | Maturities | Interest Rates | Interest Outstanding June 30, 2008 |
|---|------------------|--------------------|---------------------------|--------------------|---------------------------|------------|----------------|------------------------------------|
| Northwestern State University General Obligation Bonds - Series 1993-B | February 1, 1993 | \$460,000 | \$205,000 | (\$25,000) | \$180,000 | 2014 | 5.6%-5.625% | \$31,778 |
| University of Louisiana at Monroe Physical Education Complex - Series 1992-A | March 1, 1992 | 2,650,000 | 1,020,000 | (180,000) | 840,000 | 2012 | 6.0%-8.0% | 140,725 |
| | | <u>\$3,110,000</u> | <u>\$1,225,000</u> | <u>(\$205,000)</u> | <u>\$1,020,000</u> | | | <u>\$172,503</u> |

The annual requirements to amortize all System bonds and reimbursement contracts outstanding at June 30, 2008, are as follows:

| | Interest Rate Swap (Note 13) | Principal | Interest | Total |
|------------|------------------------------|----------------------|----------------------|----------------------|
| 2009 | \$1,639,086 | \$6,550,000 | \$18,118,338 | \$26,307,424 |
| 2010 | 1,637,362 | 8,235,000 | 18,980,657 | 28,853,019 |
| 2011 | 1,634,368 | 9,235,000 | 18,616,086 | 29,485,454 |
| 2012 | 1,626,525 | 10,175,000 | 18,200,171 | 30,001,696 |
| 2013 | 767,729 | 9,540,000 | 18,617,658 | 28,925,387 |
| 2014-2018 | 1,699,950 | 57,290,000 | 88,102,498 | 147,092,448 |
| 2019-2023 | 1,699,950 | 71,655,000 | 73,439,335 | 146,794,285 |
| 2024-2028 | 1,584,818 | 85,475,000 | 55,027,758 | 142,087,576 |
| 2029-2033 | 1,065,961 | 105,855,000 | 33,066,310 | 139,987,271 |
| 2034-2038 | 462,578 | 79,430,000 | 10,630,863 | 90,523,441 |
| Thereafter | 32,760 | 11,935,000 | 448,789 | 12,416,549 |
| Total | <u>\$13,851,087</u> | <u>\$455,375,000</u> | <u>\$353,248,463</u> | <u>\$822,474,550</u> |

The annual requirements to amortize all component unit bonds outstanding at June 30, 2008, are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------|--------------------|------------------|--------------------|
| 2009 | | \$99,000 | \$99,000 |
| 2010 | | 99,000 | 99,000 |
| 2011 | | 99,000 | 99,000 |
| 2012 | | 99,000 | 99,000 |
| 2013 | | 99,000 | 99,000 |
| 2014-2018 | \$2,200,000 | 301,500 | 2,501,500 |
| Total | \$2,200,000 | \$796,500 | \$2,996,500 |

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2008:

| <u>Bond Issue</u> | <u>Reserves Available</u> | <u>Reserve Requirement</u> | <u>Excess</u> |
|--|---------------------------|----------------------------|--------------------|
| Grambling State University | | | |
| U.S. Department of Education Note | \$528,000 | \$493,000 | \$35,000 |
| Black & Gold Facilities, Inc. Revenue Bonds Series 2006 | 2,713,381 | 2,642,435 | 70,946 |
| Black & Gold Facilities, Inc. Revenue Bonds Series 2007 | 1,672,597 | 1,667,406 | 5,191 |
| Louisiana Tech University | | | |
| Academic Facilities Bonds | 479,702 | 389,650 | 90,052 |
| Innovative Student Facilities, Inc. Revenue Bonds 2003 | 1,984,014 | 1,969,139 | 14,875 |
| Innovative Student Facilities, Inc. Revenue Bonds 2007 | 3,427,439 | 3,416,725 | 10,714 |
| McNeese State University | | | |
| Student Housing System Revenue Refunding Bonds 2001 | 244,276 | 211,000 | 33,276 |
| Cowboy Facilities, Inc. Student Lease Revenue Bonds 2001 | 1,415,612 | 1,409,558 | 6,054 |
| Nicholls State University | | | |
| NSU Facilities Corporation Revenue Bonds 2006, Series A and B | 736,723 | 677,566 | 59,157 |
| NSU Facilities Corporation Revenue Bonds 2007, Series A and B | 3,275,945 | 3,275,945 | None |
| Northwestern State University | | | |
| Reimbursement Contracts Payable - General Obligation Bonds, 1993-B | 38,250 | 38,250 | None |
| Southeastern Louisiana University | | | |
| Student Recreation and Activity Center Revenue Bonds | 637,424 | 578,750 | 58,674 |
| University Facilities, Inc. (UFI) Revenue Bonds 2004 | 5,536,804 | 5,265,837 | 270,967 |
| University Facilities, Inc. (UFI) Revenue Bonds 2007 | 503,676 | 482,969 | 20,707 |
| University of Louisiana at Lafayette | | | |
| Ragin' Cajun Facilities, Inc. Student Housing and Child Care Facilities Revenue Bonds 2002 | 1,447,673 | 1,242,745 | 204,928 |
| University of Louisiana at Monroe | | | |
| Physical Education Complex Bonds 1992-A | 245,204 | 245,204 | None |
| ULM Facilities, Inc. Student Housing and Student Center Revenue Bonds 2004 A & B | 2,809,929 | 2,616,281 | 193,648 |
| ULM Facilities, Inc. Student Housing and Student Center Revenue Bonds 2004 C & D | 2,221,403 | 2,044,762 | 176,641 |
| ULM Facilities, Inc. Intermodel Transit Facility and Parking Project Revenue Bonds 2006 | 151,837 | 150,000 | 1,837 |
| Total | \$30,069,889 | \$28,817,222 | \$1,252,667 |

As permitted by the Bond Resolution for the Revenue Refunding Bonds, Series 2004, Louisiana Tech University obtained a surety bond of \$722,500 issued by an insurance company as a substitute for the reserve requirement for the bonds. The surety bond meets the definition as a “Reserve Fund Investment” and guarantees payment of principal and interest on the bonds when they are due in the event of nonpayment.

Notes Payable - University of Louisiana System

| Note | Date of Issue | Original Issue | Outstanding June 30, 2007 | Issued (Redeemed) | Outstanding June 30, 2008 | Maturities | Interest Rates | Interest Outstanding June 30, 2008 |
|---|--------------------|--------------------|---------------------------|-------------------|---------------------------|------------|----------------|------------------------------------|
| Grambling State University | | | | | | | | |
| U.S. Department of Education | May 1, 1993 | \$3,500,000 | \$2,300,043 | (\$109,568) | \$2,190,475 | 2023 | 3.0% | \$564,710 |
| Ford Motor Credit Company | August 30, 2001 | 1,165,931 | 218,320 | (186,488) | 31,832 | 2008 | 4.1% | 163 |
| Louisiana Tech University | | | | | | | | |
| Canon Color Copier #1 | May 31, 2006 | 65,167 | 42,863 | (21,800) | 21,063 | 2009 | 5.5% | 584 |
| Canon Color Copier #2 | May 31, 2006 | 51,274 | 33,740 | (17,153) | 16,587 | 2009 | 5.59% | 467 |
| Nicholls State University | | | | | | | | |
| Bus | September 11, 2007 | 219,016 | | 188,388 | 188,388 | 2012 | 3.25% | 13,578 |
| Banner Conversion Equipment | February 20, 2008 | 430,812 | | 384,415 | 384,415 | 2011 | 2.00% | 10,455 |
| Southeastern Louisiana University | | | | | | | | |
| Copiers | September 20, 2004 | 641,861 | 302,789 | (131,630) | 171,159 | 2010 | 3.5% | 4,032 |
| University of Louisiana at Lafayette | | | | | | | | |
| Sigma Nu Fraternity House | June 6, 1984 | 66,485 | 44,908 | (16,531) | 28,377 | 2010 | 7.5% | 1,793 |
| University of Louisiana at Monroe | | | | | | | | |
| Regions Bank | April 17, 2007 | 577,150 | 577,150 | (115,400) | 461,750 | 2012 | 6.0% | 63,246 |
| Total | | <u>\$6,717,696</u> | <u>\$3,519,813</u> | <u>(\$25,767)</u> | <u>\$3,494,046</u> | | | <u>\$659,028</u> |

The System’s component unit foundations did not have any outstanding notes payable at June 30, 2008.

The annual requirements to amortize all notes outstanding for the System at June 30, 2008, including interest of \$659,028 are as follows:

| | Principal | Interest | Total |
|-----------|--------------------|------------------|--------------------|
| 2009 | \$635,604 | \$109,556 | \$745,160 |
| 2010 | 465,235 | 88,830 | 554,065 |
| 2011 | 378,028 | 73,656 | 451,684 |
| 2012 | 285,295 | 60,820 | 346,115 |
| 2013 | 138,975 | 50,659 | 189,634 |
| 2014-2018 | 695,819 | 192,950 | 888,769 |
| 2019-2023 | 807,527 | 81,243 | 888,770 |
| 2024-2028 | 87,563 | 1,314 | 88,877 |
| Total | <u>\$3,494,046</u> | <u>\$659,028</u> | <u>\$4,153,074</u> |

Grambling State University is required by a U.S. Department of Education note to establish a retirement of indebtedness account and make semiannual deposits of \$22,250 until \$178,000 has

been reached. Once the debt service reserve account balance is satisfied, the university is to establish a repair and replacement reserve account and make annual deposits of \$35,000 until \$350,000 has been accumulated.

13. INTEREST RATE SWAP AGREEMENTS

The NSU Facilities Corporation (Nicholls) and University of Louisiana Monroe Facilities, Inc. are reported under FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*, the requirements of which differ from the requirements of GASB Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value* on the Statement of Net Assets.

NSU Facilities Corporation (Nicholls)

The Louisiana Local Government Environmental Facilities and Community Development Authority (Authority) issued its \$32,380,000 Revenue Bonds (Nicholls State University Student Housing/NSU Facilities Corporation Project) Series 2007A Bonds (Bonds), the proceeds of which were loaned to the NSU Facilities Corporation (Corporation). The bonds were issued as variable rate securities and bear interest at the variable rate in effect from time to time.

Objective of the interest rate swap: To hedge interest rate exposure on the bonds at the request of the Corporation, the Authority entered into an interest rate swap (2007 Swap) with Morgan Keegan Financial Products, Inc. (Provider) as more fully described in the Master Agreement, Schedule, Replacement Transaction Agreement and Confirmation dated August 15, 2007 (Swap Documents). The Corporation is liable to the Authority to make swap payments and bond payments pursuant to the terms of the bond documents. Capitalized terms used herein but not defined shall have the meaning set forth in the Swap Documents.

Terms: Under the terms of the 2007 Swap, the Authority pays a fixed rate of 4.49%, and the Provider pays a variable rate equal to the Securities Industry and Financial Markets Association Swap Index (formerly the Bond Market Association Municipal Swap Index and also known as SIFMA or BMA), all as more fully described in the Swap Documents.

The Authority, at the request of the Corporation, elected to amend the 2007 Swap on June 20, 2008. Under the amended terms of the 2007 Swap, the Authority will pay a fixed rate of 4.12%, and the Provider pays (a) a variable rate equal to SIFMA through and excluding July 1, 2010, and (b) a variable rate equal to 70% of the one month London Interbank Offered Rate (LIBOR) beginning July 1, 2010, through June 1, 2039, all as more fully described in the Swap Documents (2008 Amended Swap). The Provider also paid an upfront payment of \$226,000 to the Authority.

Fair Value: The fair value of the swap agreement as of June 30, 2008, which is not reported in the financial statements, was \$2,641,800 in favor of the Provider. The fair value was provided by Sisung Securities Corporation.

Credit Risk: Credit risk is the risk that the counterparty will not fulfill its obligations. At June 30, 2008, the Authority is not exposed to credit risk because the swap has a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Authority would be exposed to credit risk in the amount of the swap's fair value.

Basis Risk: Basis risk is the risk that arises when variable rates on a swap and the associated debt are based on different indexes. The interest rates for both the swap and the bonds are based on SIFMA; therefore, the Authority is not subject to basis risk.

Termination Risk: The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap agreement may be terminated if either party fails to make payment, when due, under the swap agreement; breaches the agreement; made or repeated or deemed to have made or repeated a misrepresentation; bankrupts; or merges without assumption or commits an illegality. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Rollover Risk: Rollover risk is the risk that the swap does not extend to the maturity of the associated debt. The Authority is not exposed to rollover risk because the swap terminates in conjunction with the maturity of the associated bond. The swap terminates on June 1, 2039, and the bonds mature on June 1, 2039.

Interest Rate Risk: Interest rate risk is the risk that the interest rate will change over some interval while the bonds are outstanding. The Authority has entered into this fixed rate swap agreement to mitigate interest risk associated with the underlying variable rate bonds.

University of Louisiana Monroe Facilities, Inc. (ULM Facilities)

The Authority for ULM Facilities and Regions Bank have entered into two interest rate swap contracts (Swap Contracts) on its Series 2004A and Series 2004C bonds.

Objective of the Interest Rate Swaps: The Swap Contracts are fixed rate swaps that are used to mitigate or eliminate the interest rate exposure of the variable rate bonds. In essence, the Swap Contracts effectively have converted the existing variable rate bonds into fixed rate bonds. In accordance with the Swap Contracts, ULM Facilities pays interest computed on a notional amount using a fixed rate to Regions Bank and receives interest computed on the notional amount using a standard variable rate index.

Terms: During the year ended June 30, 2008, the Authority and Regions Bank terminated the existing Swap Contracts and entered into two new Swap Contracts. The significant terms of these Swap Contracts are summarized as follows:

| | Series 2004A Bonds | Series 2004C Bonds |
|-----------------------------------|---|---|
| Notional Amount | \$31,065,000 | \$32,415,000 |
| Fixed Rate Payer | ULM Facilities, Inc. | ULM Facilities, Inc. |
| Fixed Rate | 3.55% | 3.5025% |
| Fixed Rate Payer Payment Dates | 1st Business Day of February, May, August, and November | 1st Business Day of February, May, August, and November |
| Floating Rate Payer | Regions Bank | Regions Bank |
| Floating Rate | USD-SIFMA Municipal Swap Index | USD-SIFMA Municipal Swap Index |
| Floating Rate Payer Payment Dates | 1st Business Day of February, May, August, and November | 1st Business Day of February, May, August, and November |
| Effective Date | November 1, 2007 | November 1, 2007 |
| Termination Date | November 1, 2012 | November 1, 2012 |

Fair Values: The fair values of the Swap Contracts are reported in other assets and long-term liabilities, as applicable. At June 30, 2008, the fair values of the Swap Contracts are in Regions Bank's favor. The gain or loss from changes in the fair values of the Swap Contracts is reported in change in net assets. During the year ended June 30, 2008, ULM Facilities recorded a total loss of \$1,831,155 on the Swap Contracts. During the year ended June 30, 2007, ULM Facilities recorded a total loss of \$554,647 on the Swap Contracts. Also, amounts for the accrual of the net interest on the notionals due to/from Regions Bank under the Swap Contracts at June 30, 2008 and 2007, are recorded in current liabilities and current assets, respectively.

Credit Risk: Credit risk is the exposure that a counterparty will not fulfill its obligations. At June 30, 2008, ULM Facilities is not exposed to credit risk since the fair values of the Swap Contracts are in Regions Bank's favor. Regions Bank was rated A+/Stable/A-1 by Standard & Poor's as of June 30, 2008. However, should interest rates change and the fair values of the Swap Contracts become in ULM Facilities' favor, then ULM Facilities would be exposed to credit risk in the amount of the derivative's fair value.

Interest Rate Risk: Interest rate risk is the risk that an adverse change in variable interest rates will increase the overall cost of borrowing for ULM Facilities. Interest rate swap agreements used to hedge variable rate bonds that extend through maturity of the related debt effectively eliminate the interest rate risk, unless the swap agreement is terminated before maturity.

Basis Risk: Basis risk arises when the variable interest rates on an interest rate swap and an associated bond are based on different indices. ULM Facilities is not exposed to basis risk since the interest rates received on the Swap Contracts are fixed in amount.

Termination Risk: Termination risk is the risk that an unscheduled early termination of the Swap Contracts will result in a significant payment to Regions Bank. ULM Facilities or Regions Bank may terminate the Swap Contracts if the other party fails to perform under the terms of the contracts. If the Swap Contracts are terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination a swap has a fair value in favor of Regions Bank, ULM Facilities would be liable to Regions Bank for a payment equal to the swap's fair value.

Rollover Risk: Rollover risk is the risk that a derivative associated with an entity's debt does not extend to the maturity of that debt. When the derivative terminates, the associated debt will no longer have the benefit of the derivative. ULM Facilities is exposed to rollover risk with respect to its Swap Contracts. The Swap Contracts terminate on November 1, 2012, and the Series 2004A and Series 2004C bonds mature on November 1, 2034 and November 1, 2035, respectively. As a result, ULM Facilities will lose the benefit of the Swap Contracts upon the termination of the Swap Contracts.

14. 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.

Northwestern State University

Specific pledged revenue is student self-assessed fees approved by the students of the Northwestern State University in the amount of \$75 per semester for the planning, acquisition, construction, and equipping of the university's Student Wellness, Recreation, and Activity Center. The debt secured by the pledged revenue was \$6,850,000, the original bond issue. The approximate remaining amount of the pledge is \$7,706,303 at June 30, 2008, representing \$5,205,000 in principal and \$2,501,303 in interest. The term of commitment was 25 years beginning in October 1999 and ending in April 2024. The dedicated revenues are pledged 100% annually up to the current amount due for principal and interest. For fiscal year 2008, the pledged revenues recognized totaled \$482,610, \$215,000 in principal and \$267,610 in interest.

Southeastern Louisiana University

Board of Trustees for State Colleges and Universities State of Louisiana Revenue Bonds (Southeastern Louisiana University Student Recreation and Activity Center Project) Series 1998 - Revenues pledged for these bonds include all revenues related to the Student Recreation and Activity Center, including student fees, membership fees, and other miscellaneous revenues related to the Recreation Center. The bonds were originally issued for \$7,690,000. As of June 30, 2008, principal and interest outstanding totaled \$5,120,000 and \$1,804,050, respectively. The revenues are pledged for the period July 1995 through June 2020.

The debt secured by the revenues pledged was for planning and constructing the Recreation Center, funding a Reserve Fund, and funding certain expenses related to the issuance of the bonds. Pledged revenues related to the bonds include (1) all revenue from the Pledged Student Fee [\$25 per student per regular semester (\$12.50 for summer) dedicated to planning, construction, staffing, equipment, and operations of the Recreation Center]; (2) a \$5 per student per regular semester (\$2.50 for summer) fee to be placed in the Intramural/Recreational Sports department budget to increase the scope and range of the intramural program; (3) any other student fees collected to pay for the Recreation Center; (4) membership fees imposed on users of the Recreation Center other than Southeastern students; and (5) all funds and accounts held pursuant to the Bond Resolution, except the Rebate Fund and the Costs of Issuance Account of the Bond Proceeds Fund created for the payment of costs associated with the issuance of the bonds.

For the year ending June 30, 2008, principal and interest requirements were \$310,000 and \$266,860, respectively. Pledged revenues recognized for the period were \$1,149,068.

15. RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets as reflected on Statement C have been restated to reflect the following changes:

NOTES TO THE FINANCIAL STATEMENTS

| | University | Component Units |
|--|---------------|--------------------|
| Net assets at June 30, 2007 | \$977,539,434 | \$181,771,780 |
| Adjustment to reverse FEMA disaster receivables recorded by the universities in 2007 | (174,011) | |
| Adjustment to correct elimination entry between Southeastern Louisiana University and its blended component unit | 997,506 | |
| Capital asset adjustment to record correct beginning balances at the University of Louisiana at Monroe | 76,316 | |
| Adjustment to correct overstatement of prior year receivable at the University of Louisiana at Monroe | (61,554) | |
| Adjustment to capital assets at Nicholls State University for its blended component unit | 826,271 | |
| Adjustment to the University of Louisiana at Lafayette Foundation's fixed assets for capitalized artwork previously stated at \$1,909,908 at June 30, 2007, and should have been \$1,581,053 | | (328,855) |
| Removal of the Louisiana Tech Foundation, which fell below the Division of Administration, Office of Statewide Reporting and Accounting Policy's threshold for inclusion per GASB 39 | | (31,321,457) |
| Net assets at June 30, 2007, restated | \$979,203,962 | \$150,121,468 |

16. RESTRICTED NET ASSETS

The System has the following restricted expendable net assets at June 30, 2008:

| <u>Account Title</u> | <u>Amount</u> |
|---|---------------------------------|
| Student fees | \$21,681,009 |
| Grants and contracts | 15,550,178 |
| Gifts - restricted by donors | 13,097,580 |
| Endowment earnings | 4,506,952 |
| Auxiliary enterprises | 25,828,783 |
| Student loan fund | 36,708,633 |
| Capital construction | 27,918,927 |
| Retirement of indebtedness/debt service | 16,334,997 |
| Instructional department use | 8,443,335 |
| WRAC Fund | 1,781,668 |
| Building use fund | 2,237,888 |
| Vehicle registration fund | 798,896 |
| Endowments | 77,075 |
| Plant projects | 20,557,028 |
| Chairs and professorships | 3,952,466 |
| Other | <u>13,159,186</u> |
| Total expendable | <u><u>\$212,634,601</u></u> |

The System's restricted nonexpendable net assets of \$143,847,976 as of June 30, 2008, were comprised entirely of endowment funds.

Of the total net assets reported on Statement A for the year ended June 30, 2008, \$55,079,265 was restricted by enabling legislation.

RESTRICTED NET ASSETS - COMPONENT UNITS

Restricted net assets for the component units within the System are as follows:

| | <u>McNeese State Foundation</u> | <u>University of Louisiana at Lafayette Foundation</u> |
|---|-------------------------------------|--|
| Temporarily restricted | <u>\$13,394,544</u> | <u>\$44,005,824</u> |
| Permanently restricted: | | |
| Scholarships and fellowships | \$11,285,720 | |
| Endowments | 6,882,143 | \$53,278,441 |
| Other university projects | <u>10,325,923</u> | |
| Total permanently restricted net assets | <u><u>\$28,493,786</u></u> | <u><u>\$53,278,441</u></u> |

17. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies such as guaranty of mortgage loans on sorority and fraternity houses are considered state liabilities and paid upon appropriation by the legislature and not the university. Therefore, the System, through its respective universities' legal advisors, estimates that potential claims not covered by insurance would not materially affect the financial statements. In addition, the System had not incurred any claims and/or litigation cost in the current year. Other losses of the System arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The Office of Risk Management insures all of these lawsuits.

18. ON-BEHALF PAYMENTS FOR SALARIES AND FRINGE BENEFITS

On-behalf payments for salaries and fringe benefits are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. For example, a nongovernmental fund-raising foundation affiliated with a governmental university may supplement salaries of certain university employees. Those payments constitute on-behalf payments for purposes of reporting by the System.

The amount of on-behalf payments for salaries and fringe benefits included in the accompanying financial statements for the fiscal year ended June 30, 2008, was \$1,195,290--an additional \$40,114 that is not included in the accompanying financial statements was paid by an affiliated foundation.

19. 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, 2008, net appreciation of donor restricted endowments is equal to \$18,281,097, which is available to be spent for restricted purposes. The System 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 assets - nonexpendable in the Statement of Net Assets; the endowment income is reported in restricted net assets - expendable.

20. FOUNDATIONS

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

Grambling University Athletic Foundation
Grambling Black & Gold Foundation
Louisiana Tech University Foundation
Louisiana Tech University Alumni Association
McNeese State University Alumni Association
Nicholls State University Foundation
Nicholls Alumni Federation
PRO NSU
Northwestern State University Foundation
Southeastern Athletic Association
Southeastern Development Foundation
Southeastern Louisiana University Alumni Association
The University of Louisiana at Lafayette Alumni Association
The University of Louisiana at Monroe Foundation
The University of Louisiana at Monroe Athletic Scholarship Foundation
The University of Louisiana at Monroe Alumni Association

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

Certain universities of the System have contracted with their respective foundations to invest the universities' Endowed Chair/Professorship Program endowment funds in accordance with the Board of Regents for Higher Education's investment policies. The Endowed Chair endowment funds are established for \$1,000,000 each, 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 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. At June 30, 2008, the foundations hold in custody \$138,196,428 of Endowed Chair and Endowed Professorship Program funds. Amounts invested by private foundations for the System are included as investments held by private foundations in external investment pools in the disclosures in note 3.

21. 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 for the Plan, available on the Internet at www.la.gov.

22. ALTERNATIVE FINANCING AGREEMENTS

Grambling State University (Grambling)

On October 1, 2006, Black and Gold Facilities, Inc., entered into a loan agreement with the Louisiana Public Facilities Authority (LPFA) to obtain financing for the demolition of existing residential facilities; the acquisition of existing apartments and related parking facilities; and the planning, designing, constructing, furnishing, and equipping of residence facilities for use by Grambling. The project also includes the conversion of an existing bookstore to a student food-service and conference facility. Financing for the project is through the issuance of \$65,000,000 of LPFA Revenue Bonds, Series 2006 A, B, and C.

Pursuant to the terms of the ground lease agreement, the corporation will lease land from the Board of Supervisors of the University of Louisiana System upon which the new student housing will be built and food service facilities that will be renovated. The corporation will contract with Ambling, Inc., to manage the residential facilities and with Aramark to manage the food services upon completion. 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 December 5, 2007, Black and Gold Facilities, Inc., entered into a loan agreement with the LPFA to obtain financing for the acquisition, design, development, equipping, renovation, reconstruction and/or construction of new residence hall facilities, related parking facilities, related sewer and water lines, and the demolition of existing facilities. Financing for the project is through the issuance of \$41,925,000 of LPFA Revenue Bonds, Series 2007 A and B.

Pursuant to the terms of the ground lease agreement, the corporation will lease land from the Board of Supervisors of the University of Louisiana System upon which the new residence halls will be built. 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.

Louisiana Tech University (Tech)

On July 1, 2003, the Louisiana Local Government Environmental Facilities and Community Development Authority agreed to issue revenue bonds totaling \$21,840,000 for the Innovative Student Facilities Inc., a nonprofit corporation, for constructing student housing and related facilities for the Board of Supervisors of the University of Louisiana System.

Pursuant to the terms of the ground lease agreement, the corporation will lease land from the board upon which the facilities will be built. The new facilities will be leased by the corporation to the board in accordance with the provisions of an agreement to lease (facilities lease). In accordance with the facilities lease, the corporation will construct student housing facilities and lease back the facilities to the board for use by students, faculty, and staff of Tech. The rental income derived from the facilities lease will be used to pay the bonds.

On September 26, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority agreed to issue revenue bonds totaling \$51,670,000 for the Innovative Student Facilities Inc., a nonprofit corporation, for acquiring land to be purchased by the Board of Supervisors for the University of Louisiana System and financing the development, design, construction, renovation, and equipping of certain student housing and recreational facilities, including all furnishings, fixtures, and equipment necessary for the completion of the projects.

Pursuant to the terms of the ground lease agreement, the corporation will lease land from the board upon which the facilities will be built. The new facilities will be leased by the corporation to the board in accordance with the provisions of an agreement to lease (facilities lease). In accordance with the facilities lease, the corporation will construct student housing facilities and lease back the facilities to the board for use by students, faculty, and staff of Tech. The rental income derived from the facilities lease will be used to pay the bonds.

McNeese State University (McNeese)

On May 31, 2001, Cowboy Facilities, Inc., entered into a loan agreement with the Calcasieu Parish Public Trust Authority to obtain financing for constructing student housing facilities on the McNeese campus. Financing for the project is through the issuance of \$21,120,000 of University Student Lease Revenue Bonds, Series 2001.

Pursuant to the terms of a ground lease agreement, the corporation is leasing land from the Board of Supervisors of the University of Louisiana System that is now occupied by three new residential facilities on the main campus. McNeese will lease the dormitories from Cowboy Facilities, Inc., for 33 years at which time the facilities will become McNeese's property. McNeese has also contracted with Ambling, Inc., to manage the new facilities. All rental income will be used first to pay the bonds, then maintain the building, and then the management fee.

On February 1, 2004, Cowboy Facilities, Inc., entered into a loan agreement with the Calcasieu Parish Public Trust Authority to obtain financing for developing additional public parking on the McNeese campus. Financing for the project is through the issuance of \$820,000 of Revenue Bonds, Series 2004.

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 public parking facilities have been built. The new parking is 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 April 1, 2005, Cowboy Facilities, Inc., entered into a loan agreement with the Calcasieu Parish Public Trust Authority to obtain financing for purchasing scoreboards on the McNeese campus. Financing for the project is through the issuance of \$1,900,000 of Revenue Bonds, Series 2005.

Pursuant to the terms of the ground lease agreement, the corporation leases the facilities from the Board of Supervisors of the University of Louisiana System upon which the scoreboards are installed. The property is 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 scoreboards is set forth in the facilities lease agreement. The rental income derived from the facilities lease will be used to pay the bonds.

Nicholls State University (Nicholls)

On May 11, 2006, NSU Facilities Corporation entered into a loan agreement with the Louisiana Community Development Authority to obtain financing for street and parking lot improvements along with renovations to the cafeteria on the Nicholls campus. Financing for the project is through the issuance of \$8,320,000 of Series 2006 A tax exempt bonds and Series B taxable bonds.

Pursuant to the terms of a ground lease agreement, the corporation leases land from the Board of Supervisors of the University of Louisiana System on which the improvements to the streets, parking lots, and facilities will take place. In return, the university leases the facilities from the corporation for use by university students, faculty, and staff and others. The university has agreed to make lease payments to the corporation in amounts sufficient to allow the corporation to pay the debt service and related bond expenses.

On August 23, 2007, NSU Facilities Corporation entered into a loan agreement with the Louisiana Community Development Authority to obtain financing for the demolition of four existing housing facilities; the renovation of existing facilities; and the development and construction of new student housing, including parking improvements; and the construction of a convenience store. Financing for the project is through the issuance of \$50,060,000 of tax-exempt Series 2007 A and B bonds.

Pursuant to the terms of the ground lease agreement, the corporation leases land from the Board of Supervisors of the University of Louisiana System on which the additional facilities will be located, the existing facilities are located, and certain other land. In return, the university leases the facilities from the corporation for use by university students, faculty, and staff. Proceeds of the rental payments will be used to pay the debt service and related bond expenses.

Southeastern Louisiana University (SLU)

On August 13, 2004, University Facilities, Inc. (UFI), entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community 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).

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 Authority to obtain financing of \$8,035,000 for a new intermodal transit facility to be located on the SLU campus. This project is a continuation of the improvements and construction on the SLU 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.

University of Louisiana at Lafayette (ULL)

On October 1, 2002, the Lafayette Public Trust Financing Authority agreed to issue revenue bonds totaling \$19,065,000 for the Ragin' Cajun Facilities, Inc., for constructing a student apartment complex, food service facility, and child care facility including parking and other infrastructure on land owned by the Board of Supervisors of the University of Louisiana System on behalf of ULL.

Pursuant to the terms of the ground lease agreements, the corporation leases the land from the board. The new facilities are leased by the corporation to the board in accordance with the provisions of an agreement to lease (facilities lease). In accordance with the facilities lease, the corporation has constructed and equipped student housing facilities and leased the facilities back to the board for use by students, faculty, and staff of ULL. The rental income derived from the facilities lease will be used to pay the bonds.

University of Louisiana at Monroe (ULM)

On June 30, 2004, the Louisiana Local Government Environmental Facilities and Community Development Authority agreed to issue revenue bonds totaling \$35,210,000 for the University of Louisiana Monroe Facilities, Inc., for paying prior debt and constructing student housing, a student union, a student health center, and other facilities for the Board of Supervisors of the University of Louisiana System.

Pursuant to the terms of the ground lease agreement, the corporation leases the land from the board. The new facilities are leased by the corporation to the board in accordance with the provisions of an agreement to lease (facilities lease). In accordance with the facilities lease, the corporation constructed student housing facilities, a student health center, and other student

facilities and leased the facilities back to the board for use by students, faculty, and staff of ULM. The rental income derived from the facilities lease will be used to pay the bonds.

On December 8, 2004, the Louisiana Local Government Environmental Facilities and Community Development Authority agreed to issue revenue bonds totaling \$33,680,000 for the University of Louisiana Monroe Facilities, Inc., to demolish existing dormitories on the campus; to design, develop, and construct new student housing and a student union; and to refurbish existing on-campus student housing.

Pursuant to the terms of the ground lease agreement, the corporation leased the land from the board. The new facilities are leased by the corporation to the board in accordance with the provisions of an agreement to lease (facilities lease). In accordance with the facilities lease, the corporation constructed student housing facilities and leased the facilities back to the board for use by students, faculty, and staff of ULM. The rental income derived from the facilities lease will be used to pay the bonds.

On November 7, 2006, the Louisiana Local Government Environmental Facilities and Community Development Authority agreed to issue revenue bonds totaling \$1,500,000 for the University of Louisiana Monroe Facilities, Inc. Bond proceeds will be used for constructing and equipping an intermodal transit facility and improving existing parking lots or constructing new parking lots for students, faculty, staff, and the public on the ULM campus.

Pursuant to the terms of the ground lease agreement, the corporation will lease the land required for the project from the board. The new facilities/parking lots will be leased back to the board by the corporation in accordance with the provisions of an agreement to lease with option to purchase (facilities lease). The income derived from parking fees will be used to pay the bonds.

On October 25, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority agreed to issue revenue bonds totaling \$2,045,000 for the University of Louisiana Monroe Facilities, Inc. for demolishing and renovating certain existing buildings and developing, constructing, and equipping a student learning enhancement facility and related facilities.

Pursuant to the terms of the loan and assignment agreement, the corporation transferred, assigned, and pledged to the Authority all right, title, and interest of the corporation in, to, and under the agreement to lease with option to purchase, and all rents, issues, receipts, and profits derived related to the learning center.

23. IMPAIRMENT OF CAPITAL ASSETS

GASB Statement No. 42 established accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. The state's Office of Statewide Reporting and

Accounting Policy provides guidance on impairment test criteria by stating that the greater of the capitalization threshold, \$100,000 or 20% of the capitalized cost of the building impaired by physical damage be used as the test of whether the magnitude in the decline was significant. McNeese State University recognized an impairment loss of \$273,052 during the fiscal year because of a building fire and the University of Louisiana at Lafayette recognized a \$21,099 building impairment loss because of storm and wind damage. In addition, the University of Louisiana at Lafayette sustained a \$14,875 loss when a vehicle was totaled in an accident.

The carrying amount of impaired capital assets that are idle at year-end is disclosed, regardless of whether the impairment is considered permanent or temporary. System buildings with a carrying value of \$53,532 were idle at the end of the fiscal year.

24. INSURANCE RECOVERIES

In proprietary fund financial statements, the impairment loss should be reported net of the associated insurance recovery when the recovery and loss occur in the same years. Insurance recoveries should be recognized only when realized or realizable. At June 30, 2006, an accounts receivable of \$17,609,149 was recorded related to expected insurance recoveries for damages from hurricanes Katrina and Rita. The accounts receivable for insurance recoveries at June 30, 2008, total \$7,253,706.

25. 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 statement, except as noted below:

University of Louisiana at Lafayette

The Ragin Cajuns Facilities, Inc., plans to begin the second phase of construction during fiscal year 2009 in Legacy Park, the university's apartment style housing complex. The State Bond Commission approved \$12.5 million in bonds for construction at the September 18, 2008, meeting.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the Other Postemployment Benefits Plan

The schedule of funding progress is required supplementary information that presents certain specific data regarding the funding progress for the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Schedule of Funding Progress for the
Other Postemployment Benefits Plan
Fiscal Year Ended June 30, 2008**

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| July 1, 2007 | NONE | \$1,330,462,600 | \$1,330,462,600 | 0.0% | \$354,023,555 | 376% |

Note to the Schedule:

GASB Statement 45 was implemented prospectively during the fiscal year ended June 30, 2008; therefore, only one year of information is presented.

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Combining Schedule of Net Assets, by University

Schedule 1 presents the current and long-term portions of assets and liabilities and net assets for each university.

**Combining Schedule of Revenues, Expenses,
and Changes in Net Assets, by University**

Schedule 2 presents information showing how the assets of each university changed as a result of current year operations.

Combining Schedule of Cash Flows, by University

Schedule 3 presents information showing how each university's cash changed as a result of current year operations.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Net Assets, by University
June 30, 2008**

| | GRAMBLING STATE UNIVERSITY | LOUISIANA TECH UNIVERSITY | MCNEESE STATE UNIVERSITY | NICHOLLS STATE UNIVERSITY |
|---------------------------------------|----------------------------------|---------------------------------|--------------------------------|---------------------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$7,821,458 | \$14,314,807 | \$21,384,080 | \$20,530,899 |
| Investments | 22,452,349 | | | 12,844,993 |
| Receivables (net) | 4,832,280 | 6,982,855 | 13,901,261 | 1,786,897 |
| Due from state treasury | 1,120,000 | | 14,804 | |
| Due from federal government | 1,088,151 | | | |
| Inventories | 272,288 | 2,006,336 | 1,512,245 | 135,971 |
| Deferred charges and prepaid expenses | 136,287 | 1,314,108 | 158,638 | 1,341,222 |
| Notes receivable (net) | | 1,262,178 | 329,952 | |
| Other current assets | | 112,649 | | |
| Total current assets | <u>37,722,813</u> | <u>25,992,933</u> | <u>37,300,980</u> | <u>36,639,982</u> |
| Noncurrent assets: | | | | |
| Restricted: | | | | |
| Cash and cash equivalents | 2,540,912 | 47,320,415 | 1,599,590 | 4,489,597 |
| Investments | 21,343,152 | 30,133,417 | 13,355,031 | 15,731,416 |
| Receivables (net) | 504 | 120,803 | | |
| Notes receivable (net) | 1,660 | 6,307,765 | 2,491,728 | |
| Other | | | 7,267 | |
| Notes receivable (net) | | | | 10,694 |
| Capital assets (net) | 156,031,716 | 124,297,242 | 59,607,739 | 76,478,319 |
| Other noncurrent assets | 5,436,143 | 2,640,126 | 1,403,247 | 2,645,222 |
| Total noncurrent assets | <u>185,354,087</u> | <u>210,819,768</u> | <u>78,464,602</u> | <u>99,355,248</u> |
| Total assets | <u>223,076,900</u> | <u>236,812,701</u> | <u>115,765,582</u> | <u>135,995,230</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accruals | 7,974,765 | 5,327,439 | 5,095,040 | 3,677,530 |
| Deferred revenues | 1,077,740 | 5,104,822 | 2,222,505 | 3,250,356 |
| Compensated absences payable | 742,804 | 384,658 | 186,975 | 246,236 |
| Capital lease obligations | | 470,446 | | |
| Amounts held in custody for others | 574,099 | 679,758 | 302,463 | 231,474 |
| Notes payable | 144,712 | 37,650 | | 183,828 |
| Contracts payable | | | | |
| Reimbursement contracts payable | | | | |
| Bonds payable | 75,000 | 1,885,000 | 1,260,000 | 400,000 |
| Other current liabilities | 2,726,207 | 2,625 | 202,280 | 264,581 |
| Total current liabilities | <u>13,315,327</u> | <u>13,892,398</u> | <u>9,269,263</u> | <u>8,254,005</u> |

(Continued)

Schedule 2

| NORTHWESTERN STATE UNIVERSITY | SOUTHEASTERN LOUISIANA UNIVERSITY | UNIVERSITY OF LOUISIANA AT LAFAYETTE | UNIVERSITY OF LOUISIANA AT MONROE | BOARD | TOTAL SYSTEM |
|-------------------------------------|---|--|---|------------------|----------------------|
| \$27,035,115 | \$28,754,047 | \$29,955,695 | \$25,629,440 | \$173,209 | \$175,598,750 |
| | 7,490,181 | 23,896,800 | | | 66,684,323 |
| 3,885,706 | 5,965,409 | 8,794,416 | 6,157,981 | | 52,306,805 |
| | | 532,171 | | | 1,134,804 |
| | | | | | 1,620,322 |
| 631,196 | 520,191 | 1,803,394 | 186,775 | | 7,068,396 |
| 232,225 | 35,028 | 2,609,035 | 670,672 | | 6,497,215 |
| 98,432 | 531,207 | 1,075,132 | 762,694 | | 4,059,595 |
| 53,794 | 2,483,595 | | | 636,743 | 3,286,781 |
| <u>31,936,468</u> | <u>45,779,658</u> | <u>68,666,643</u> | <u>33,407,562</u> | <u>809,952</u> | <u>318,256,991</u> |
| 2,822,491 | 11,970,922 | 31,999,402 | 11,207,943 | | 113,951,272 |
| 8,177,311 | 14,457,055 | 59,017,793 | 24,873,757 | | 187,088,932 |
| 35,038 | | 440,364 | 495,562 | | 1,092,271 |
| 1,687,423 | 1,970,710 | 8,696,594 | 4,321,930 | | 25,477,810 |
| | | | | | 7,267 |
| | | | | | 10,694 |
| 53,089,325 | 155,619,150 | 171,376,370 | 135,643,026 | 37,204 | 932,180,091 |
| | 3,476,935 | 714,300 | 1,544,063 | | 17,860,036 |
| <u>65,811,588</u> | <u>187,494,772</u> | <u>272,244,823</u> | <u>178,086,281</u> | <u>37,204</u> | <u>1,277,668,373</u> |
| <u>97,748,056</u> | <u>233,274,430</u> | <u>340,911,466</u> | <u>211,493,843</u> | <u>847,156</u> | <u>1,595,925,364</u> |
| 4,258,044 | 8,747,504 | 5,590,349 | 6,004,719 | 761,064 | 47,436,454 |
| 2,353,881 | 5,126,699 | 1,615,933 | 3,258,828 | | 24,010,764 |
| 301,188 | 264,410 | 440,098 | 454,482 | 185,006 | 3,205,857 |
| | | | 10,960 | | 481,406 |
| 26,595 | 350,842 | 1,274,014 | 631,975 | | 4,071,220 |
| | 136,325 | 17,688 | 115,400 | | 635,603 |
| | | | 134,545 | | 134,545 |
| 25,000 | | | 190,000 | | 215,000 |
| 225,000 | 1,485,000 | 380,000 | 625,000 | | 6,335,000 |
| | 11,095 | | 1,103,272 | 173,209 | 4,483,269 |
| <u>7,189,708</u> | <u>16,121,875</u> | <u>9,318,082</u> | <u>12,529,181</u> | <u>1,119,279</u> | <u>91,009,118</u> |

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Combining Schedule of Net Assets, by University
June 30, 2008**

| | <u>GRAMBLING STATE UNIVERSITY</u> | <u>LOUISIANA TECH UNIVERSITY</u> | <u>MCNEESE STATE UNIVERSITY</u> | <u>NICHOLLS STATE UNIVERSITY</u> |
|---|---|--|---|--|
| LIABILITIES (CONT.) | | | | |
| Noncurrent liabilities: | | | | |
| Compensated absences payable | \$3,046,400 | \$3,395,292 | \$2,853,868 | \$2,955,791 |
| Capital lease obligations | | 1,056,731 | | |
| Notes payable | 2,077,596 | | | 388,975 |
| Reimbursement contracts payable | | | | |
| Bonds payable | 106,850,000 | 81,960,000 | 21,080,000 | 57,535,000 |
| Other postemployment benefits payable | 7,803,612 | 11,644,350 | 8,464,292 | 9,218,644 |
| Other noncurrent liabilities | 516,006 | 125,613 | | 219,978 |
| Total noncurrent liabilities | <u>120,293,614</u> | <u>98,181,986</u> | <u>32,398,160</u> | <u>70,318,388</u> |
| Total liabilities | <u>133,608,941</u> | <u>112,074,384</u> | <u>41,667,423</u> | <u>78,572,393</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 78,181,231 | 82,531,095 | 39,181,739 | 18,378,127 |
| Restricted for: | | | | |
| Nonexpendable | 6,310,542 | 27,705,262 | 12,130,292 | 12,628,029 |
| Expendable | 8,720,979 | 16,642,177 | 13,736,931 | 29,878,972 |
| Unrestricted | <u>(3,744,793)</u> | <u>(2,140,217)</u> | <u>9,049,197</u> | <u>(3,462,291)</u> |
| Total net assets | <u><u>\$89,467,959</u></u> | <u><u>\$124,738,317</u></u> | <u><u>\$74,098,159</u></u> | <u><u>\$57,422,837</u></u> |

(Concluded)

Schedule 2

| <u>NORTHWESTERN STATE UNIVERSITY</u> | <u>SOUTHEASTERN LOUISIANA UNIVERSITY</u> | <u>UNIVERSITY OF LOUISIANA AT LAFAYETTE</u> | <u>UNIVERSITY OF LOUISIANA AT MONROE</u> | <u>BOARD</u> | <u>TOTAL SYSTEM</u> |
|--|--|---|--|--------------------|-------------------------|
| \$2,224,679 | \$4,673,968 | \$8,081,227 | \$3,957,167 | \$312,881 | \$31,501,273 |
| | | | 17,127 | | 1,073,858 |
| | 34,834 | 10,689 | 346,350 | | 2,858,444 |
| 155,000 | | | 650,000 | | 805,000 |
| 4,980,000 | 87,310,000 | 17,605,000 | 70,700,000 | | 448,020,000 |
| 10,360,144 | 17,192,799 | 21,282,924 | 12,370,954 | 214,288 | 98,552,007 |
| 37,613 | 314,941 | | 1,418,114 | | 2,632,265 |
| <u>17,757,436</u> | <u>109,526,542</u> | <u>46,979,840</u> | <u>89,459,712</u> | <u>527,169</u> | <u>585,442,847</u> |
| <u>24,947,144</u> | <u>125,648,417</u> | <u>56,297,922</u> | <u>101,988,893</u> | <u>1,646,448</u> | <u>676,451,965</u> |
| 47,704,325 | 62,883,167 | 153,859,968 | 62,988,191 | 37,204 | 545,745,047 |
| 8,739,896 | 6,781,599 | 47,732,978 | 21,819,378 | | 143,847,976 |
| 10,686,592 | 54,795,488 | 59,157,262 | 19,016,200 | | 212,634,601 |
| 5,670,099 | (16,834,241) | 23,863,336 | 5,681,181 | (836,496) | 17,245,775 |
| <u>\$72,800,912</u> | <u>\$107,626,013</u> | <u>\$284,613,544</u> | <u>\$109,504,950</u> | <u>(\$799,292)</u> | <u>\$919,473,399</u> |

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Revenues, Expenses,
and Changes in Net Assets, by University
For the Fiscal Year Ended June 30, 2008**

| | GRAMBLING STATE UNIVERSITY | LOUISIANA TECH UNIVERSITY | MCNEESE STATE UNIVERSITY | NICHOLLS STATE UNIVERSITY |
|---|----------------------------------|---------------------------------|--------------------------------|---------------------------------|
| OPERATING REVENUES | | | | |
| Student tuition and fees (net of scholarship allowances of \$71,819,996) | \$16,107,300 | \$36,042,987 | \$20,977,043 | \$19,544,476 |
| Federal grants and contracts | 18,821,336 | 15,607,093 | 11,234,886 | 7,049,492 |
| State and local grants and contracts | 3,316,017 | 3,253,678 | 2,305,721 | 6,208,834 |
| Nongovernmental grants and contracts | 254,904 | 561,284 | 1,035,647 | 908,476 |
| Sales and services of educational departments | 355,928 | 707,539 | 57,622 | 747,048 |
| Auxiliary enterprise revenues (net of scholarship allowances of \$8,601,472; including revenues used as security for revenue bonds) | 14,817,022 | 23,495,247 | 10,804,449 | 7,580,700 |
| Other operating revenues | 7,144,544 | 1,269,734 | 2,125,284 | 1,397,569 |
| Total operating revenues | <u>60,817,051</u> | <u>80,937,562</u> | <u>48,540,652</u> | <u>43,436,595</u> |
| OPERATING EXPENSES | | | | |
| Educational and general: | | | | |
| Instruction | 27,644,390 | 48,913,077 | 39,142,895 | 33,153,654 |
| Research | 237,049 | 18,457,901 | 1,513,073 | 1,168,482 |
| Public service | 85,445 | 697,904 | 1,449,859 | 3,207,194 |
| Academic services | 9,559,847 | 12,159,274 | 10,202,240 | 8,725,318 |
| Student services | 7,358,884 | 6,437,663 | 5,710,648 | 6,342,250 |
| Institutional support | 15,382,708 | 10,619,016 | 9,602,083 | 8,769,086 |
| Operations and maintenance of plant | 9,969,277 | 12,135,596 | 11,514,756 | 8,885,849 |
| Depreciation | 4,524,413 | 7,609,527 | 4,590,203 | 3,207,432 |
| Scholarships and fellowships | 8,381,585 | 4,928,510 | 6,166,232 | 3,129,644 |
| Auxiliary enterprises | 18,591,334 | 35,590,609 | 12,319,365 | 10,114,009 |
| Other operating expenses | 1,859,008 | 583,183 | 562,664 | 508,017 |
| Total operating expenses | <u>103,593,940</u> | <u>158,132,260</u> | <u>102,774,018</u> | <u>87,210,935</u> |
| OPERATING LOSS | <u>(42,776,889)</u> | <u>(77,194,698)</u> | <u>(54,233,366)</u> | <u>(43,774,340)</u> |
| NONOPERATING REVENUES (Expenses) | | | | |
| State appropriations | 31,679,845 | 59,822,664 | 43,247,275 | 35,821,191 |
| Gifts | 794,035 | 3,816,250 | 2,091,405 | 602,320 |
| Investment income | 251,475 | 1,757,616 | 723,879 | 1,206,962 |
| Interest expense | (4,729,250) | (1,571,725) | (1,224,371) | (1,947,197) |
| Payments to or on behalf of the university | | | | 38,702 |
| Other nonoperating revenues (expenses) | | 1,123,287 | (1,957,494) | (1,705,743) |
| Net nonoperating revenues | <u>27,996,105</u> | <u>64,948,092</u> | <u>42,880,694</u> | <u>34,016,235</u> |

(Continued)

Schedule 3

| NORTHWESTERN STATE UNIVERSITY | SOUTHEASTERN LOUISIANA UNIVERSITY | UNIVERSITY OF LOUISIANA AT LAFAYETTE | UNIVERSITY OF LOUISIANA AT MONROE | BOARD | TOTAL SYSTEM |
|-------------------------------------|---|--|---|-------------|-----------------|
| \$27,472,719 | \$44,472,759 | \$45,648,065 | \$25,889,578 | | \$236,154,927 |
| 12,377,183 | 21,378,686 | 32,805,136 | 14,243,030 | | 133,516,842 |
| 4,102,409 | 3,617,272 | 13,281,993 | 12,390,278 | | 48,476,202 |
| 793,586 | 208,999 | 14,713,976 | 1,210,226 | | 19,687,098 |
| 1,279,794 | 1,091,830 | 642,750 | 348,043 | | 5,230,554 |
| 4,417,287 | 15,383,623 | 17,712,925 | 14,949,479 | | 109,160,732 |
| 2,665,107 | 2,539,679 | 4,168,596 | 2,839,145 | | 24,149,658 |
| 53,108,085 | 88,692,848 | 128,973,441 | 71,869,779 | NONE | 576,376,013 |
| 43,361,236 | 68,451,561 | 67,083,156 | 46,060,617 | | 373,810,586 |
| 1,551,090 | 2,334,719 | 49,140,482 | 9,755,417 | | 84,158,213 |
| 2,098,495 | 4,187,236 | 3,120,319 | 11,394,411 | | 26,240,863 |
| 12,370,972 | 15,537,981 | 14,389,827 | 8,341,860 | | 91,287,319 |
| 7,041,731 | 10,932,864 | 14,534,830 | 8,003,459 | | 66,362,329 |
| 10,128,538 | 15,839,154 | 25,846,761 | 14,226,089 | \$4,170,382 | 114,583,817 |
| 12,051,149 | 19,529,667 | 18,589,377 | 10,152,057 | | 102,827,728 |
| 4,287,269 | 7,245,696 | 11,076,646 | 6,677,197 | 12,427 | 49,230,810 |
| 9,744,089 | 11,891,398 | 3,856,547 | 7,672,812 | | 55,770,817 |
| 8,126,148 | 14,277,178 | 24,506,193 | 15,547,826 | | 139,072,662 |
| 551,984 | (432,290) | 1,091,506 | 1,260,496 | 622,208 | 6,606,776 |
| 111,312,701 | 169,795,164 | 233,235,644 | 139,092,241 | 4,805,017 | 1,109,951,920 |
| (58,204,616) | (81,102,316) | (104,262,203) | (67,222,462) | (4,805,017) | (533,575,907) |
| 49,332,713 | 74,000,335 | 87,555,903 | 57,182,526 | 3,473,692 | 442,116,144 |
| | 473,114 | 368,954 | | | 8,146,078 |
| 1,745,263 | 2,360,233 | (1,019,436) | (768,576) | 894,368 | 7,151,784 |
| (278,429) | (3,384,034) | (911,242) | (2,482,650) | | (16,528,898) |
| | | | | | 38,702 |
| (532,645) | (1,886,145) | 838,093 | (1,934,315) | 36,000 | (6,018,962) |
| 50,266,902 | 71,563,503 | 86,832,272 | 51,996,985 | 4,404,060 | 434,904,848 |

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses,
and Changes in Net Assets, by University
For the Fiscal Year Ended June 30, 2008**

| | <u>GRAMBLING STATE UNIVERSITY</u> | <u>LOUISIANA TECH UNIVERSITY</u> | <u>MCNEESE STATE UNIVERSITY</u> | <u>NICHOLLS STATE UNIVERSITY</u> |
|--|---|--|---|--|
| LOSS BEFORE OTHER REVENUES AND EXPENSES | (\$14,780,784) | (\$12,246,606) | (\$11,352,672) | (\$9,758,105) |
| Capital appropriations | 6,466,835 | 1,482,331 | 2,260,890 | 4,942,235 |
| Capital grants and gifts | | 2,757,438 | 889,502 | 1,152,190 |
| Additions to permanent endowments | 1,095,419 | (29,069) | 1,200,000 | 160,000 |
| Other | | (2,177,882) | | 57,559 |
| CHANGE IN NET ASSETS | (7,218,530) | (10,213,788) | (7,002,280) | (3,446,121) |
| NET ASSETS - BEGINNING OF YEAR (Restated) | <u>96,686,489</u> | <u>134,952,105</u> | <u>81,100,439</u> | <u>60,868,958</u> |
| NET ASSETS - END OF YEAR | <u><u>\$89,467,959</u></u> | <u><u>\$124,738,317</u></u> | <u><u>\$74,098,159</u></u> | <u><u>\$57,422,837</u></u> |

(Concluded)

Schedule 3

| NORTHWESTERN STATE UNIVERSITY | SOUTHEASTERN LOUISIANA UNIVERSITY | UNIVERSITY OF LOUISIANA AT LAFAYETTE | UNIVERSITY OF LOUISIANA AT MONROE | BOARD | TOTAL SYSTEM |
|-------------------------------------|---|--|---|--------------------|----------------------|
| (\$7,937,714) | (\$9,538,813) | (\$17,429,931) | (\$15,225,477) | (\$400,957) | (\$98,671,059) |
| | 1,761,302 | 4,489,238 | 3,784,160 | 49,631 | 25,236,622 |
| 3,974,598 | | | 1,564,119 | | 10,337,847 |
| 400,000 | 460,000 | 2,200,000 | | | 5,486,350 |
| | | | | | (2,120,323) |
| (3,563,116) | (7,317,511) | (10,740,693) | (9,877,198) | (351,326) | (59,730,563) |
| 76,364,028 | 114,943,524 | 295,354,237 | 119,382,148 | (447,966) | 979,203,962 |
| <u>\$72,800,912</u> | <u>\$107,626,013</u> | <u>\$284,613,544</u> | <u>\$109,504,950</u> | <u>(\$799,292)</u> | <u>\$919,473,399</u> |

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2008**

| | GRAMBLING STATE UNIVERSITY | LOUISIANA TECH UNIVERSITY | MCNEESE STATE UNIVERSITY | NICHOLLS STATE UNIVERSITY |
|---|----------------------------------|---------------------------------|--------------------------------|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Tuition and fees | \$27,868,026 | \$36,046,652 | \$21,376,666 | \$21,403,477 |
| Grants and contracts | 21,197,213 | 20,128,235 | 17,418,319 | 15,344,050 |
| Sales and services of educational departments | (13,850) | 713,635 | 155,296 | 741,995 |
| Auxiliary enterprise receipts | 14,062,896 | 23,156,792 | 11,419,125 | 7,500,130 |
| Payments for employee compensation | (41,308,627) | (68,575,890) | (41,555,258) | (37,025,505) |
| Payments for benefits | (11,307,843) | (18,393,169) | (11,609,390) | (11,598,822) |
| Payments for utilities | (2,774,640) | (10,150,556) | (3,135,526) | (2,901,392) |
| Payments for supplies and services | (29,984,451) | (33,979,342) | (22,452,263) | (15,952,870) |
| Payments for scholarships and fellowships | (19,960,829) | (6,546,297) | (8,117,203) | (5,674,095) |
| Loans to students | | (1,588,891) | | |
| Collection of loans to students | | 888,699 | (65,021) | |
| Other receipts (payments) | 5,477,717 | 1,372,067 | 563,504 | (1,794,040) |
| Net cash used by operating activities | <u>(36,744,388)</u> | <u>(56,928,065)</u> | <u>(36,001,751)</u> | <u>(29,957,072)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| State appropriations | 31,339,845 | 60,022,664 | 43,247,275 | 35,821,191 |
| Gifts and grants for other than capital purposes | 794,034 | 3,879,837 | 2,091,405 | 602,320 |
| Private gifts for endowment purposes | 1,095,419 | (29,069) | 1,200,000 | 160,000 |
| TOPS receipts | 501,025 | 9,348,430 | 4,875,501 | 5,530,748 |
| TOPS disbursements | (501,025) | (9,362,953) | (4,875,501) | (5,530,748) |
| Federal Family Education Loan program receipts | 32,807,333 | 23,173,821 | 19,034,124 | 15,439,598 |
| Federal Family Education Loan program disbursements | (32,807,333) | (23,186,692) | (19,034,124) | (15,439,598) |
| Other payments | | 971,843 | (1,891,105) | (1,447,063) |
| Net cash provided by noncapital financing sources | <u>33,229,298</u> | <u>64,817,881</u> | <u>44,647,575</u> | <u>35,136,448</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | | | |
| Proceeds from capital debt | 41,772,325 | 51,669,999 | | 50,709,828 |
| Capital appropriations received | 6,466,835 | 1,482,331 | 2,260,890 | 4,942,235 |
| Capital grants and gifts received | | 2,806,187 | 889,502 | 1,152,190 |
| Proceeds from sale of capital assets | | 292,767 | | |
| Purchases of capital assets | (38,251,696) | (19,226,531) | (8,078,063) | (43,050,807) |
| Principal paid on capital debt and leases | (296,055) | (2,224,193) | (1,295,000) | (277,025) |
| Interest paid on capital debt and leases | (4,729,250) | (3,609,719) | (1,224,371) | (1,682,616) |
| Deposit with trustees | | 30,925 | | |
| Other sources (payments) | (194,826) | (2,177,881) | | |
| Net cash provided (used) by capital financing activities | <u>4,767,333</u> | <u>29,043,885</u> | <u>(7,447,042)</u> | <u>11,793,805</u> |

(Continued)

Schedule 4

| NORTHWESTERN STATE UNIVERSITY | SOUTHEASTERN LOUISIANA UNIVERSITY | UNIVERSITY OF LOUISIANA AT LAFAYETTE | UNIVERSITY OF LOUISIANA AT MONROE | BOARD | TOTAL SYSTEM |
|-------------------------------------|---|--|---|--------------------|----------------------|
| \$27,434,980 | \$45,363,949 | \$45,298,862 | \$28,365,198 | | \$253,157,810 |
| 17,273,178 | 26,746,789 | 59,780,964 | 27,843,534 | | 205,732,282 |
| 1,279,794 | 959,703 | 642,750 | 348,043 | | 4,827,366 |
| (3,708,861) | 15,904,619 | 16,825,107 | 14,949,479 | | 100,109,287 |
| (47,330,992) | (76,211,219) | (103,781,209) | (54,330,745) | (\$2,451,713) | (472,571,158) |
| (3,197,498) | (21,764,950) | (14,733,933) | (16,166,661) | (583,044) | (109,355,310) |
| (3,561,127) | (6,864,084) | (8,110,495) | (3,070,866) | | (40,568,686) |
| (22,584,616) | (33,071,966) | (67,904,037) | (34,158,650) | (1,369,303) | (261,457,498) |
| (9,744,089) | (9,066,640) | (4,651,136) | (7,672,812) | | (71,433,101) |
| (478,000) | (749,337) | (2,259,105) | (1,046,121) | | (6,121,454) |
| 181,451 | 280,122 | 2,381,534 | 1,056,961 | | 4,723,746 |
| 2,541,279 | 3,779,958 | 4,268,633 | (537,131) | 66,748 | 15,738,735 |
| <u>(41,894,501)</u> | <u>(54,693,056)</u> | <u>(72,242,065)</u> | <u>(44,419,771)</u> | <u>(4,337,312)</u> | <u>(377,217,981)</u> |
| 50,112,713 | 74,000,335 | 87,555,903 | 57,182,526 | 3,473,692 | 442,756,144 |
| | | 368,954 | | | 7,736,550 |
| 400,000 | 460,000 | 2,200,000 | | | 5,486,350 |
| 4,552,723 | 9,677,902 | 12,305,817 | 5,762,339 | | 52,554,485 |
| (4,552,723) | (9,592,005) | (12,305,817) | (5,762,339) | | (52,483,111) |
| 27,496,865 | 39,496,208 | 29,437,876 | 25,327,557 | | 212,213,382 |
| (27,496,865) | (39,475,154) | (29,437,876) | (25,327,557) | | (212,205,199) |
| (532,645) | (1,401,855) | 1,166,604 | (1,666,216) | 36,000 | (4,764,437) |
| <u>49,980,068</u> | <u>73,165,431</u> | <u>91,291,461</u> | <u>55,516,310</u> | <u>3,509,692</u> | <u>451,294,164</u> |
| | | | 2,079,306 | | 146,231,458 |
| | 1,761,302 | | 3,784,160 | 49,631 | 20,747,384 |
| 3,974,598 | | | 1,564,119 | | 10,386,596 |
| | | | | | 292,767 |
| (9,248,606) | (13,749,599) | (6,499,763) | (11,779,428) | (17,907) | (149,902,400) |
| (240,000) | (1,486,630) | (386,531) | (926,619) | | (7,132,053) |
| (278,429) | (3,384,034) | (914,156) | (2,482,650) | | (18,305,225) |
| | | | | | 30,925 |
| | 85,509 | | | | (2,287,198) |
| <u>(5,792,437)</u> | <u>(16,773,452)</u> | <u>(7,800,450)</u> | <u>(7,761,112)</u> | <u>31,724</u> | <u>62,254</u> |

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University, 2008**

| | GRAMBLING STATE UNIVERSITY | LOUISIANA TECH UNIVERSITY | MCNEESE STATE UNIVERSITY | NICHOLLS STATE UNIVERSITY |
|--|----------------------------------|---------------------------------|--------------------------------|---------------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Proceeds from sales and maturities of investments | \$54,141,576 | \$29,069 | | |
| Interest received on investments | 251,474 | 1,763,770 | \$723,879 | \$1,206,654 |
| Purchase of investments | (60,587,317) | | (836,787) | (15,462,657) |
| Net cash provided (used) by investing activities | <u>(6,194,267)</u> | <u>1,792,839</u> | <u>(112,908)</u> | <u>(14,256,003)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| | (4,942,024) | 38,726,540 | 1,085,874 | 2,717,178 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | | | | |
| | <u>15,304,394</u> | <u>22,908,682</u> | <u>21,897,796</u> | <u>22,303,318</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | | | | |
| | <u>\$10,362,370</u> | <u>\$61,635,222</u> | <u>\$22,983,670</u> | <u>\$25,020,496</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: | | | | |
| Operating loss | (\$42,776,889) | (\$77,194,698) | (\$54,233,366) | (\$43,774,340) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | | | |
| Depreciation expense | 4,524,413 | 7,609,527 | 4,590,203 | 3,207,432 |
| Changes in assets and liabilities: | | | | |
| (Increase) Decrease in accounts receivable, net | (1,892,192) | (314,281) | 3,000,751 | 1,846,414 |
| (Increase) Decrease in inventories | (7,665) | 45,587 | 15,180 | 4,838 |
| (Increase) Decrease in deferred charges and prepaid expenses | (96,303) | 58,146 | 21,805 | (1,036,289) |
| (Increase) Decrease in notes receivable | 2,983 | (443,911) | (65,021) | |
| (Increase) Decrease in other assets | (1,934,238) | (10,660) | (14,804) | (1,980,679) |
| Increase (Decrease) in accounts payable and accrued liabilities | (4,024,724) | 398,073 | 925,804 | 1,138,739 |
| Increase (Decrease) in deferred revenue | (106,893) | 766,879 | 894,907 | 1,068,718 |
| Increase (Decrease) in amounts held in custody for others | (338,987) | 99,683 | 58,380 | 37,180 |
| Increase (Decrease) in compensated absences | 549,332 | 321,114 | 340,118 | 311,963 |
| Increase in other postemployment benefits payable | 7,803,612 | 11,644,350 | 8,464,292 | 9,218,644 |
| Increase (Decrease) in other liabilities | 1,553,163 | 92,126 | | 308 |
| Net cash used by operating activities | <u>(\$36,744,388)</u> | <u>(\$56,928,065)</u> | <u>(\$36,001,751)</u> | <u>(\$29,957,072)</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS: | | | | |
| Cash and cash equivalents classified as current assets | \$7,821,458 | \$14,314,807 | \$21,384,080 | \$20,530,899 |
| Cash and cash equivalents classified as noncurrent assets | <u>2,540,912</u> | <u>47,320,415</u> | <u>1,599,590</u> | <u>4,489,597</u> |
| Cash and cash equivalents at the end of the year | <u>\$10,362,370</u> | <u>\$61,635,222</u> | <u>\$22,983,670</u> | <u>\$25,020,496</u> |

(Continued)

Schedule 4

| NORTHWESTERN STATE UNIVERSITY | SOUTHEASTERN LOUISIANA UNIVERSITY | UNIVERSITY OF LOUISIANA AT LAFAYETTE | UNIVERSITY OF LOUISIANA AT MONROE | BOARD | TOTAL SYSTEM |
|-------------------------------------|---|--|---|----------------------|------------------------|
| | \$16,365,699 | \$253,957,134 | \$2,825,970 | | \$327,319,448 |
| \$1,745,263 | 2,360,233 | (1,459,800) | (1,036,675) | \$894,368 | 6,449,166 |
| 78,053 | (10,276,806) | (275,533,690) | | | (362,619,204) |
| <u>1,823,316</u> | <u>8,449,126</u> | <u>(23,036,356)</u> | <u>1,789,295</u> | <u>894,368</u> | <u>(28,850,590)</u> |
| 4,116,446 | 10,148,049 | (11,787,410) | 5,124,722 | 98,472 | 45,287,847 |
| <u>25,741,160</u> | <u>30,576,920</u> | <u>73,742,507</u> | <u>31,712,661</u> | <u>74,737</u> | <u>244,262,175</u> |
| <u>\$29,857,606</u> | <u>\$40,724,969</u> | <u>\$61,955,097</u> | <u>\$36,837,383</u> | <u>\$173,209</u> | <u>\$289,550,022</u> |
| (\$58,204,616) | (\$81,102,316) | (\$104,262,203) | (\$67,222,462) | (\$4,805,017) | (\$533,575,907) |
| 4,287,269 | 7,245,696 | 11,076,646 | 6,677,197 | 12,427 | 49,230,810 |
| (39,396) | 1,379,513 | (1,653,339) | 2,389,455 | | 4,716,925 |
| (12,117) | 11,296 | (182,753) | 10,565 | | (115,069) |
| 56,119 | (35,028) | (64,969) | 37,751 | | (1,058,768) |
| (296,549) | (469,215) | 122,429 | 54,857 | | (1,094,427) |
| 77,867 | 602,951 | 69,024 | 362,525 | (524,891) | (3,352,905) |
| 1,512,745 | 1,373,421 | 742,123 | (911,877) | 549,265 | 1,703,569 |
| (1,124) | 827,279 | (573,742) | 24,611 | | 2,900,635 |
| 2,781 | (1,020,654) | 932 | 20,882 | | (1,139,803) |
| 371,286 | (698,798) | 1,200,863 | 155,670 | 118,144 | 2,669,692 |
| 10,360,144 | 17,192,799 | 21,282,924 | 12,370,954 | 214,288 | 98,552,007 |
| <u>(8,910)</u> | <u></u> | <u></u> | <u>1,610,101</u> | <u>98,472</u> | <u>3,345,260</u> |
| <u>(\$41,894,501)</u> | <u>(\$54,693,056)</u> | <u>(\$72,242,065)</u> | <u>(\$44,419,771)</u> | <u>(\$4,337,312)</u> | <u>(\$377,217,981)</u> |
| \$27,035,115 | \$28,754,047 | \$29,955,695 | \$25,629,440 | \$173,209 | \$175,598,750 |
| <u>2,822,491</u> | <u>11,970,922</u> | <u>31,999,402</u> | <u>11,207,943</u> | | <u>113,951,272</u> |
| <u>\$29,857,606</u> | <u>\$40,724,969</u> | <u>\$61,955,097</u> | <u>\$36,837,383</u> | <u>\$173,209</u> | <u>\$289,550,022</u> |

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University, 2008**

| | <u>GRAMBLING STATE UNIVERSITY</u> | <u>LOUISIANA TECH UNIVERSITY</u> | <u>MCNEESE STATE UNIVERSITY</u> | <u>NICHOLLS STATE UNIVERSITY</u> |
|--|---|--|---|--|
| SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES: | | | | |
| Capital assets appropriated | | \$656,120 | | \$4,942,235 |
| Equipment | | | \$889,502 | |
| Capital lease | | (656,120) | | |
| Buildings | | | 2,260,890 | |
| Capital assets donated | | | | 1,152,190 |

(Concluded)

Schedule 4

| <u>NORTHWESTERN STATE UNIVERSITY</u> | <u>SOUTHEASTERN LOUISIANA UNIVERSITY</u> | <u>UNIVERSITY OF LOUISIANA AT LAFAYETTE</u> | <u>UNIVERSITY OF LOUISIANA AT MONROE</u> | <u>BOARD</u> | <u>TOTAL SYSTEM</u> |
|--|--|---|--|--------------|-------------------------|
| | | \$4,489,238 | | \$49,631 | \$10,137,224 |
| | | | | | 889,502 |
| | | | | | (656,120) |
| | | | | | 2,260,890 |
| | | | | | 1,152,190 |

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OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on compliance with laws and regulations and on internal control 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 reportable conditions and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

February 26, 2009

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*

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the financial statements of the business-type activities and discretely presented component units of the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, which collectively comprise the System's basic financial statements and have issued our report thereon dated February 26, 2009. Our report was modified to include a reference to other auditors; an explanatory paragraph for the exclusion of Louisiana Tech University Foundation as a discretely presented component unit; an explanatory paragraph for the implementation of new reporting standards; and emphasis of a matter regarding the impact of hurricanes Katrina and Rita. We conducted our audit in accordance with 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. Other auditors audited the financial statements of the Black and Gold Facilities, Inc.; Innovative Student Facilities, Inc.; Cowboy Facilities, Inc.; Nicholls State University Facilities Corporation; University Facilities, Inc.; Ragin' Cajun Facilities, Inc.; and University of Louisiana at Monroe Facilities, Inc., which are nonprofit corporations included as blended component units in the basic financial statements of the University of Louisiana System. Other auditors also audited the financial statements of the McNeese State University Foundation and the University of Louisiana at Lafayette Foundation, Inc., which are discretely presented component units in the basic financial statements of the University of Louisiana System as described in our report on the University of Louisiana System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Black and Gold Facilities, Inc.; Nicholls State University Facilities Corporation; University Facilities, Inc.; and University of Louisiana at Monroe Facilities, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University of Louisiana System's internal control over financial reporting as a basis for designing our auditing procedures 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 University of Louisiana System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of Louisiana System's financial statements are free of 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*.

Other Reports

Other external auditors audited the Black and Gold Facilities, Inc.; Innovative Student Facilities, Inc.; Cowboy Facilities, Inc.; Nicholls State University Facilities Corporation; University Facilities, Inc.; Ragin' Cajun Facilities, Inc.; and University of Louisiana at Monroe Facilities, Inc., which are blended component units included in the University of Louisiana System's basic financial statements for the year ended June 30, 2008. In addition, other external auditors

audited the McNeese State University Foundation and the University of Louisiana at Lafayette Foundation, Inc., which are discretely presented component units included in the basic financial statements of the University of Louisiana System. To obtain copies of those reports, refer to note 1-B to the basic financial statements for mailing addresses.

As a part of our audit of the University of Louisiana System's basic financial statements for the year ended June 30, 2008, we performed certain procedures on campuses within the University of Louisiana System. Our reports on those procedures for those campuses are listed as follows:

| | <u>Issue Date</u> |
|-----------------------------------|-------------------|
| University of Louisiana at Monroe | October 15, 2008 |
| Southeastern Louisiana University | March 4, 2009 |

Our reports on the University of Louisiana at Lafayette, McNeese State University, and Grambling State University are currently pending.

These reports contain compliance and internal control findings, where applicable, relating to those facilities. Management's responses are also included in those reports. Copies of those reports are available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor and can also be found on the Internet at www.lla.la.gov.

This report is intended solely for the information and use of the University of Louisiana System, its management, the Board of Supervisors of the University of Louisiana System, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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