

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



FINANCIAL STATEMENT AUDIT  
FOR THE YEAR ENDED JUNE 30, 2010  
ISSUED JANUARY 26, 2011

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

December 22, 2010

Independent Auditor's Report

**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 unit of the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2010, 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 26.0% of total assets, 53.2% of total liabilities, 0.6% of net assets, and 4.1% of total revenues. We also did not audit the financial statements of the University of Louisiana at Lafayette Foundation, Inc., a discretely presented component unit included 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 provides 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 the business-type activities and the discretely presented component unit of the University of Louisiana System as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010, 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 5 through 11 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on pages 69 through 71 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 72 through 85, 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,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

CLM:CGEW:EFS:THC:dl

## 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, 2010. Please read this section in conjunction with the System's financial statements, which follow 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 \$859,552,076 (restated) to \$856,638,662, a 0.3% decrease from June 30, 2009, to June 30, 2010. The overall reason for this change was due to the increase in the noncurrent liability for other postemployment benefits (OPEB) and the decrease in state appropriations offset by decreases in operating expenses, increases in investment income, and increases in federal grants. This is the third year that the System has recognized a significant liability for the unfunded cost of these employee benefits recognized in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45.

Enrollment changed from approximately 80,845 to approximately 81,380 from June 30, 2009, to June 30, 2010, an overall increase of 0.7%.

The System's operating revenues increased by approximately 2.9% to \$528,902,231 from June 30, 2009, to June 30, 2010, because of tuition increases. Operating expenses decreased by 4.3% to \$1,082,489,816 for the year ended June 30, 2010. The primary reason for this change is the cost-savings measures enacted by the universities as a result of the decrease in state appropriations offset by increases in federal grants, investment income, and other nonoperating revenues.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating appropriations, interest earnings/expense, and other nonoperating revenue. The change to \$492,514,697 in 2010 from \$511,049,031 in 2009 is primarily attributed to the reduction in state appropriations.

## **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 13-14) 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 17-18) 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 21-22) 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 one foundation that is discretely presented in its basic financial statements, the University of Louisiana at Lafayette Foundation, Inc. The financial data of the foundation is presented separately in a Statement of Financial Position (page 15) and a Statement of Activities (page 19). Additional information about the foundation is contained in the notes to the financial statements.

## FINANCIAL ANALYSIS

### Net Assets

The System's total net assets at June 30, 2010, changed by approximately \$1 million, a 0.1% increase over June 30, 2009 (see Table A-1). Total assets increased 3.5% to \$1.7 billion, and total liabilities increased 7.9% to \$837 million.

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

	2010	2009 (Restated)	Variance	Percent Variance
Current and other assets	\$670	\$650	\$20	3.1%
Capital assets	1,024	986	38	3.9%
Total assets	<u>1,694</u>	<u>1,636</u>	<u>58</u>	3.5%
Current liabilities	90	89	1	1.1%
Noncurrent liabilities	747	687	60	8.7%
Total liabilities	<u>837</u>	<u>776</u>	<u>61</u>	7.9%
Net assets:				
Invested in capital assets, net of debt	632	588	44	7.5%
Restricted	340	345	(5)	(1.4%)
Unrestricted	<u>(115)</u>	<u>(73)</u>	<u>(42)</u>	57.5%
Total net assets	<u>\$857</u>	<u>\$860</u>	<u>(\$3)</u>	(0.3%)

This schedule is prepared from the System's statement of net assets as shown on pages 13-14, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Significant statement of net asset changes from 2009 includes the following:

- Current assets increased from increases in accounts receivables and the fair market value of investments.
- Capital asset increases reflect current year additions and improvements.
- Noncurrent liabilities increased from the increase in the OPEB payable.
- Invested in capital assets, net of related debt, increased from current year capital asset additions.

- Restricted net assets decreased from a classification error for Southeastern Louisiana University that occurred in fiscal year 2009 but was corrected in fiscal year 2010.
- Unrestricted net assets decreased from the addition to the 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. Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

### **Changes in Net Assets**

The change in net assets at June 30, 2010, is approximately \$3 million or 0.3% less than at June 30, 2009. 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 2.9% to approximately \$529 million, and total operating expenses increased 4.3% to approximately \$1.082 billion. Operating revenues increased because of tuition increases. Operating expenses decreased because of cost savings measures enacted by universities as a result of decreases in state appropriations.

Nonoperating revenues, net, decreased by 3.5% to \$493 million, which is primarily attributable to the reduction to state appropriations offset by increases in federal grants, increases in investment income, and increases in other nonoperating revenues. Capital appropriations, capital grants and gifts, additions to permanent endowments, and other revenues/expenses increased by 41.6% to \$58 million as a result of an increase in capital appropriations.

Total education and general expenses changed from \$970 million in 2009 to \$938 million in 2010. The change is primarily attributable to current year additions to the OPEB liability offset by decreases in operating expense categories from cost savings measures due to budget reductions.

Depreciation expense increased by 3.8% to \$54 million from depreciable capital assets placed in service and acquisitions during fiscal year 2010.

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

	2010	2009 (Restated)	Variance
Operating revenues:			
Student tuition and fees, net	\$264	\$242	\$22
Auxiliary	113	112	1
Other	152	160	(8)
Total operating revenues	<u>529</u>	<u>514</u>	<u>15</u>
Operating expenses:			
Education and general	938	970	(32)
Other	144	157	(13)
Total operating expenses	<u>1,082</u>	<u>1,127</u>	<u>(45)</u>
Operating loss	<u>(553)</u>	<u>(613)</u>	<u>60</u>
Nonoperating revenues (expenses):			
State appropriations	315	453	(138)
Gifts	7	9	(2)
Other	171	49	122
Total nonoperating revenues	<u>493</u>	<u>511</u>	<u>(18)</u>
Capital appropriations	45	34	11
Capital grants and gifts	7	9	(2)
Additions to permanent endowments	7	1	6
Other expenses, net	<u>(2)</u>	<u>(3)</u>	<u>1</u>
Change in net assets	(3)	(61)	58
Net assets, beginning of the year (restated)	<u>860</u>	<u>921</u>	<u>(61)</u>
Total net assets	<u><u>\$857</u></u>	<u><u>\$860</u></u>	<u><u>(\$3)</u></u>

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

	2010	2009	Variance	Percent Variance
Instruction	\$345	\$373	(\$28)	(7.5%)
Research	87	87		
Public service	26	27	(1)	(3.7%)
Academic support	80	91	(11)	(12.1%)
Student services	69	66	3	4.5%
Institutional support	107	123	(16)	(13.0%)
Operations and plant maintenance	87	88	(1)	(1.1%)
Depreciation	54	52	2	3.8%
Scholarships and fellowships	83	63	20	31.7%
Total	<u>\$938</u>	<u>\$970</u>	<u>(\$32)</u>	<u>(3.3%)</u>

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2010 and 2009, the System's cost of capital assets totaled approximately \$1.9 billion and \$1.8 billion, respectively. Net of accumulated depreciation, the System's capital assets at June 30, 2010, total approximately \$1.024 billion. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$38 million or 3.9% over June 30, 2009. The increases were primarily in buildings and equipment financed through long-term obligations.

### Debt Administration

During fiscal year 2010, McNeese State University issued bonds totaling \$6,000,000 for the renovation and expansion of the university's athletic field house. The System has \$453,974,855 in bonds and notes outstanding at June 30, 2010, compared to \$457,403,026 at June 30, 2009, net of unamortized bond discounts and premiums.

Under the terms of its capital leases, the System will make annual minimum lease payments in 2011 of approximately \$362,695, 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 current enrollment
- Changes in tuition and fees
- Changes in state appropriations
- Changes in federal grant programs
- Significant new or additional capital appropriations
- 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, 2010**

**ASSETS**

Current assets:

Cash and cash equivalents (note 2)	\$195,621,040
Investments (note 3)	15,872,291
Receivables, net (note 4)	52,718,212
Due from state treasury	1,348,543
Due from federal government (note 4)	12,247,365
Inventories	6,936,829
Deferred charges and prepaid expenses	9,760,954
Notes receivable, net	4,046,825
Other current assets	2,960,411
Total current assets	<u>301,512,470</u>

Noncurrent assets:

Restricted:

Cash and cash equivalents (notes 2 and 3)	139,086,265
Investments (note 3)	182,668,347
Receivables, net (note 4)	4,241,357
Notes receivable, net	26,627,164
Other	164,236
Notes receivable	10,027
Capital assets (net) (note 5)	1,024,302,327
Other noncurrent assets	15,562,436
Total noncurrent assets	<u>1,392,662,159</u>
Total assets	<u>1,694,174,629</u>

**LIABILITIES**

Current liabilities:

Accounts payable and accruals (note 6)	37,922,431
Due to state treasury	1,331
Deferred revenues	26,812,242

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM**  
**STATE OF LOUISIANA**  
**Statement of Net Assets, June 2010**

**LIABILITIES (CONT.)**

## Current liabilities: (Cont.)

Compensated absences payable (note 10)	\$3,875,567
Capital lease obligations (note 11)	337,551
Amounts held in custody for others	4,362,542
Notes payable (note 12)	378,029
Pollution remediation obligation (note 24)	51,229
Reimbursement contracts payable (note 12)	245,000
Bonds payable (note 12)	7,427,759
Other current liabilities	9,101,099
Total current liabilities	<u>90,514,780</u>

## Noncurrent liabilities:

Compensated absences payable (note 10)	33,535,949
Capital lease obligations (note 11)	339,854
Notes payable (note 12)	2,015,179
Reimbursement contracts payable (note 12)	325,000
Bonds payable (note 12)	444,153,888
Other postemployment benefits payable (notes 9 and 12)	261,952,789
Other noncurrent liabilities	4,698,528
Total noncurrent liabilities	<u>747,021,187</u>
Total liabilities	<u>837,535,967</u>

**NET ASSETS**

Invested in capital assets, net of related debt	631,578,951
Restricted:	
Nonexpendable (note 16)	153,407,525
Expendable (note 16)	186,848,422
Unrestricted	<u>(115,196,236)</u>
<b>Total net assets</b>	<u><u>\$856,638,662</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**COMPONENT UNIT - UNIVERSITY OF LOUISIANA  
AT LAFAYETTE FOUNDATION, INC.  
Statement of Financial Position, June 30, 2010**

**ASSETS**

Cash and cash equivalents (note 2)	\$7,400,023
Investments (note 3)	97,547,585
Pledges receivable	2,592,978
Fixed assets, net (note 5)	11,232,618
Other assets	<u>726,349</u>
<b>Total assets</b>	<b><u><u>\$119,499,553</u></u></b>

**LIABILITIES**

Endowment funds held in custody	\$22,637,702
Bonds payable (note 12)	1,500,000
Other liabilities	<u>242,167</u>
Total liabilities	<u><u>24,379,869</u></u>

**NET ASSETS**

Unrestricted	4,329,582
Temporarily restricted	30,434,195
Permanently restricted	<u>60,355,907</u>
Total net assets	<u><u>95,119,684</u></u>
<b>Total liabilities and net assets</b>	<b><u><u>\$119,499,553</u></u></b>

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, 2010**

**OPERATING REVENUES**

Student tuition and fees (net of scholarship allowances of \$88,788,690)	\$263,448,097
Federal grants and contracts	60,122,664
State and local grants and contracts	39,322,940
Nongovernmental grants and contracts	18,374,408
Sales and services of educational departments	5,106,196
Auxiliary enterprise revenues (net of scholarship allowances of \$11,816,510, including revenues used as security for revenue bonds)	113,395,235
Other operating revenues	29,132,691
Total operating revenues	<u>528,902,231</u>

**OPERATING EXPENSES**

Educational and general:	
Instruction	344,705,955
Research	87,692,384
Public service	25,738,924
Academic support	80,008,752
Student services	68,818,020
Institutional support	107,271,325
Operations and maintenance of plant	87,014,928
Depreciation	53,864,974
Scholarships and fellowships	82,974,234
Auxiliary enterprises	137,822,135
Other operating expenses	6,578,185
Total operating expenses	<u>1,082,489,816</u>

**OPERATING LOSS** (553,587,585)

(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 2010**

<b>NONOPERATING REVENUES (Expenses)</b>	
State appropriations	\$314,698,892
Gifts	7,154,176
Federal nonoperating revenues (expenses)	113,098,161
Federal - American Recovery and Reinvestment Act	60,208,852
Investment income, net	10,580,445
Interest expense	(17,891,529)
Payments to or on behalf of the university	47,933
Other nonoperating expenses, net	4,617,767
Net nonoperating revenues	<u>492,514,697</u>
<b>LOSS BEFORE OTHER REVENUES AND EXPENSES</b>	(61,072,888)
Capital appropriations	44,537,358
Capital grants and gifts	7,391,600
Additions to permanent endowments	7,725,790
Other expenses, net	<u>(1,495,274)</u>
<b>CHANGE IN NET ASSETS</b>	(2,913,414)
<b>NET ASSETS - BEGINNING OF YEAR, Restated (note 15)</b>	<u>859,552,076</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$856,638,662</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**COMPONENT UNIT - UNIVERSITY OF LOUISIANA  
AT LAFAYETTE FOUNDATION, INC.**

**Statement of Activities**

**For the Year Ended June 30, 2010**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>Changes in unrestricted net assets:</b>				
Contributions and contributed services	\$185,975	\$3,976,523	\$1,444,212	\$5,606,710
Interest and dividends	42,043	2,436,489		2,478,532
Gains on investments:				
Realized		994,543		994,543
Unrealized		1,370,758		1,370,758
Other income	339,703	504,390	1,727	845,820
Net assets released from restrictions -				
Satisfaction of purpose restrictions	6,281,828	(6,281,828)		
Transfers among net asset classifications	(331,861)	(3,850,920)	4,182,781	
Total revenues, gains, losses, and other support	<u>6,517,688</u>	<u>(850,045)</u>	<u>5,628,720</u>	<u>11,296,363</u>
Expenses - amounts paid to benefit				
University of Louisiana System for:				
Projects specified by donors	5,221,795			5,221,795
Fund raising	279,222			279,222
Supporting services:				
Salaries and benefits	175,397			175,397
Insurance	56,063			56,063
Office operations	45,851			45,851
Travel	11,214			11,214
Professional services	523,527			523,527
Dues and subscriptions	1,715			1,715
Meetings and development	1,838			1,838
Investment management fee	323,793			323,793
Interest	67,500			67,500
Depreciation and amortization	308,193			308,193
Bad debt recoveries	183,536			183,536
Total expenses	<u>7,199,644</u>	<u>NONE</u>	<u>NONE</u>	<u>7,199,644</u>
<b>Change in net assets</b>	(681,956)	(850,045)	5,628,720	4,096,719
<b>Net assets at beginning of year</b>	<u>5,011,538</u>	<u>31,284,240</u>	<u>54,727,187</u>	<u>91,022,965</u>
<b>Net assets at end of year</b>	<u>\$4,329,582</u>	<u>\$30,434,195</u>	<u>\$60,355,907</u>	<u>\$95,119,684</u>

The accompanying notes are an integral part of this statement.

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**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Tuition and fees	\$274,111,574
Grants and contracts	115,282,509
Sales and services of educational departments	4,939,010
Auxiliary enterprise receipts	107,382,340
Payments for employee compensation	(484,749,265)
Payments for benefits	(114,288,582)
Payments for utilities	(31,901,652)
Payments for supplies and services	(228,593,693)
Payments for scholarships and fellowships	(98,942,148)
Loans issued to students and employees	(5,646,839)
Collection of loans to students and employees	5,451,684
Other receipts	20,690,589
Net cash used by operating activities	<u>(436,264,473)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

State appropriations	313,460,558
Gifts and grants for other than capital purposes	119,334,386
Private gifts for endowment purposes	3,890,000
TOPS receipts	59,725,663
TOPS disbursements	(59,261,724)
Federal - American Recovery and Reinvestment Act	59,521,214
Direct lending receipts	2,627,281
Direct lending disbursements	(2,665,377)
Federal Family Education Loan program receipts	254,562,911
Federal Family Education Loan program disbursements	(254,554,956)
Other receipts (disbursements)	9,622,508
Net cash provided by noncapital financing sources	<u>506,262,464</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:**

Proceeds from capital debt	7,013,842
Capital appropriations received	31,695,615
Capital grants and gifts received	6,462,353
Purchases of capital assets	(80,429,808)
Principal paid on capital debt and leases	(11,691,461)
Interest paid on capital debt and leases	(17,240,224)
Deposit with trustees	(219,104)
Other uses	(1,345,504)
Net cash used by capital financing activities	<u>(65,754,291)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from sales and maturities of investments	40,278,648
Interest received on investments	5,355,954
Purchase of investments	(48,231,574)
Net cash used by investing activities	<u>(2,596,972)</u>

(Continued)

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, 2010**

NET INCREASE IN CASH AND CASH EQUIVALENTS	\$1,646,728
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Restated)	<u>333,060,577</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$334,707,305</u></u>

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

Operating loss	(\$553,587,585)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	53,864,973
Amortization of bond issuance costs	188,252
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(3,644,910)
Decrease in inventories	821,226
(Increase) in deferred charges and prepaid expenses	(809,273)
Decrease in notes receivable, net	67,976
(Increase) in other assets	(749,055)
(Decrease) in accounts payable and accrued liabilities	(1,997,996)
Increase in deferred revenue	546,721
(Decrease) in amounts held in custody for others	(58,491)
Increase in compensated absences	376,627
Increase in other postemployment benefits payable	65,933,929
Increase in other liabilities	<u>2,783,133</u>
Net cash used by operating activities	<u><u>(\$436,264,473)</u></u>

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

Cash and cash equivalents classified as current assets	\$195,621,040
Cash and cash equivalents classified as noncurrent assets	<u>139,086,265</u>
Total Cash and Cash Equivalents	<u><u>\$334,707,305</u></u>

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

Capital assets appropriated	\$12,805,623
Disposition of capital assets	466,910
Increase in fair market value of assets	4,153,802
Capital gifts and grants	929,247
Other	3,898,292

(Concluded)

The accompanying notes are an integral part of this statement.

## **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 81,380 students enrolled during the fall semester of the 2009/2010 academic year and employed approximately 9,313 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) the state issues bonds to finance certain construction; and (4) 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 3178, 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 Unit**

The University of Louisiana at Lafayette Foundation, Inc., a legally separate, tax-exempt organization is reported within the System as a discrete component unit. This foundation acts primarily as a fund-raising organization to supplement the resources that are available to the university in support of its programs. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources or income that the foundation holds and invests is restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by or for the benefit of the university, the foundation is considered a component unit of the university and is discretely presented in the financial statements.

During the year ended June 30, 2010, the foundation made distributions of \$5,221,795 to or on behalf of the university for both restricted and unrestricted purposes.

To obtain the foundation's latest audit report, write to:

- 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

The 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 unit is 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. The University of Louisiana at Lafayette Foundation continues to meet the criteria for presentation in 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 Unit**

The component unit follows 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 includes 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, three to 10 years for most movable property, three years for software with an acquisition cost of \$1,000,000 or more, and three to 10 years for internally generated software with development costs of \$1,000,000 or more.

**I. 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 AND EXPENSES**

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.
- (c) Operating expenses generally include transactions resulting from providing goods or services, such as (1) payment to vendors for goods or services; (2) payments to employees for services; and (3) payments for employee benefits.
- (d) Nonoperating expenses include transactions resulting from financing activities, capital acquisitions, and investing activities.

**N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES**

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net 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, 2010, the System implemented the following accounting standards:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Statement No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The intangible assets should be recognized in the Statement of Net Assets only if it is considered identifiable. The implementation of Statement No. 51 resulted in reclassifications of capital assets. However, these reclassifications were not material to the financial statements.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Statement No. 53 requires the recognition, measurement, and disclosure of information regarding derivative instruments. The implementation of Statement No. 53 had no impact on the financial statements or notes.
- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The implementation of Statement No. 58 had no impact on the financial statements or notes.

**P. USE OF ESTIMATES**

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

**2. CASH AND CASH EQUIVALENTS**

At June 30, 2010, the System has cash and cash equivalents (book balances) of \$334,707,305 as follows:

Petty cash	\$464,658
Demand deposits	229,918,606
Certificates of deposit	72,542,550
Money market funds	29,748,423
Short-term investments	1,719,864
Cash with state treasurer	245,204
Cash with Office of Facility Planning	68,000
	<hr/>
Total	<u>\$334,707,305</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.

Cash and cash equivalents of the component unit totaling \$7,400,023, 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*.

### **3. INVESTMENTS**

At June 30, 2010, the System has investments totaling \$200,260,502, which includes \$1,719,864 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:			
Federal Home Loan Mortgage Corporation <sup>2</sup>	0.96%	AAA	\$1,915,879
Federal National Mortgage Association <sup>2</sup>	0.48%	AAA	954,175
Federal Home Loan Bank <sup>2</sup>	0.14%	AAA	269,973
Federal Farm Credit Bank <sup>3</sup>	0.36%	AAA	724,216
Mutual funds:			
Money market mutual funds	4.50%		9,010,630
Vanguard Inflation - Protected Securities Fund <sup>2</sup>	0.37%	Aaa	750,039
Vanguard Federal Money Market Fund <sup>2</sup>	1.02%	Aaa	2,047,745
Vanguard Wellington Fund <sup>2</sup>	1.17%	Aa3	2,335,676
Vanguard Total Bond Market Index Fund <sup>5</sup>	0.95%	Aa1/Aa2	1,901,961
Vanguard Mid-Cap Index Fund <sup>5</sup>	0.08%		160,233
Vanguard REIT Index Fund <sup>5</sup>	0.07%		141,982
Vanguard Small-Cap Index Fund <sup>5</sup>	0.08%		167,103
Vanguard Total International Stock Fund <sup>5</sup>	0.07%		146,919
Vanguard Prime Money Market	0.16%		317,792
Other money market funds <sup>5</sup>	1.76%		3,526,254
Common and preferred stock <sup>4</sup>	2.12%		4,244,653
Corporate bonds and bond funds	2.96%		5,918,304
Mutual funds - Putnam <sup>6</sup>	0.01%	3 Stars	11,038
Louisiana Asset Management Pool <sup>3</sup>	0.86%	AAAm	1,719,864
Investments held by foundations (component units)	61.77%		123,709,485
Other	0.00%		8,239
Held by blended component units:			
Black and Gold Facilities, Inc. <sup>5</sup>	10.03%		20,092,911
NSU Facilities Corporation (Nicholls) <sup>5</sup>	3.88%		7,769,259
University Facilities, Inc. <sup>5</sup>	6.20%		12,416,172
	<u>100.00%</u>		<u>\$200,260,502</u>

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

<sup>2</sup>Credit quality ratings obtained from Moody's Investor Service.

<sup>3</sup>Credit quality ratings obtained from Standard and Poor's.

<sup>4</sup>Credit quality ratings not required for these investments.

<sup>5</sup>Credit quality ratings not available.

<sup>6</sup>Credit quality ratings obtained from Morning Star.

# UNIVERSITY OF LOUISIANA SYSTEM

<u>Type of Investment</u>	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:						
Federal Home Loan Mortgage Corporation	\$1,915,879	\$31,103	\$850,859	\$380,685	\$122,353	\$530,879
Federal National Mortgage Association	954,175	41,580	422,032	487,367	3,196	
Federal Home Loan Bank	269,973		100,022	33,427	136,524	
Federal Farm Credit Bank	724,216		530,772	193,444		
Mutual funds:						
Money market mutual funds	9,010,630	7,405,425				
Vanguard Inflation - Protected Securities Fund	750,039			750,039		
Vanguard Federal Money Market Fund	2,047,745	2,047,745				
Vanguard Wellington Fund	2,335,676			2,335,676		
Vanguard Total Bond Market Index Fund	1,901,961			1,901,961		
Vanguard Mid-Cap Index Fund	160,233	160,233				
Vanguard REIT Index Fund	141,982	141,982				
Vanguard Small Cap-Index Fund	167,103	167,103				
Vanguard Total International Stock Fund	146,919	146,919				
Vanguard Prime Money Market	317,792	317,792				
Other money market funds	3,526,254	362,083	413			
Common and preferred stock	4,244,653					
Corporate bonds and bond funds	5,918,304	179,360	110,655	1,145,685	730,523	
Mutual funds - Putnam	11,038					
Louisiana Asset Management Pool	1,719,864					
Other	8,239					
Investments held by foundations:						
Common and preferred stock	37,514,327					
U.S. Treasury Notes	7,727,336		2,775,608	3,754,778	1,153,890	43,060
Federal Home Loan Mortgage Corporation	3,796,506	206,303	1,229,076	1,522,289	689,033	149,805
Federal National Mortgage Association	4,494,099		1,365,813	1,673,595	1,220,365	234,326
Government National Mortgage Association	767,018					767,018
Federal Home Loan Bank	936,007		355,689	580,318		
Federal Farm Credit Bank	412,352		185,852	226,500		
Mutual funds	43,045,132					
Money market accounts	2,848,439					
Corporate bonds/obligations	13,831,376	635,147	5,644,624	5,041,242	2,412,440	97,923
Certificates of deposit	166,666					
Other	8,170,227		102,524	25,078		
Held by blended component units:						
Other - Black and Gold Facilities, Inc.	20,092,911					
Other - NSU Facilities Corporation (Nicholls)	7,769,259					
Other - University Facilities, Inc.	12,416,172					
Total	\$200,260,502	\$11,842,775	\$13,673,939	\$20,052,084	\$6,468,324	\$1,823,011

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 \$123,709,485 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 \$123,709,485 reported as investments held by foundations, the amounts held by its discretely presented component unit total \$58,492,832.

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, 2010, investments held by blended component units totaling \$40,278,342 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**

The component unit's investments totaling \$97,547,585, 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 unit at June 30, 2010, follows:

<u>Type of Investment</u>	<u>University of Louisiana at Lafayette Foundation</u>
Certificates of deposit	\$4,340,573
Stocks and mutual funds	56,965,518
Bonds	<u>36,241,494</u>
Total	<u><u>\$97,547,585</u></u>

#### 4. RECEIVABLES

Receivables are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2010. 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>Restricted Noncurrent Portion</u>
Student tuition and fees	\$30,489,244	(\$15,171,100)	\$15,318,144	\$563,990
Auxiliary enterprises	7,191,589	(853,719)	6,337,870	161,044
Contributions and gifts	495,898		495,898	
Federal, state, and private grants and contracts	30,723,260		30,723,260	
Insurance recoveries	6,438,081	(19,302)	6,418,779	
American Recovery and Reinvestment Act	611,179		611,179	
Other	<u>9,649,463</u>	<u>(347,659)</u>	<u>9,301,804</u>	<u>3,516,323</u>
Total	<u><u>\$85,598,714</u></u>	<u><u>(\$16,391,780)</u></u>	<u><u>\$69,206,934</u></u>	<u><u>\$4,241,357</u></u>

**5. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ended June 30, 2010, follows:

**University of Louisiana System**

	Balance July 1, 2009	Prior Period Adjustment	Restated Balance July 1, 2009	Additions	Transfers	Retirements	Balance June 30, 2010
Capital assets not being depreciated:							
Land	\$44,023,737	(\$958,131)	\$43,065,606	\$2,795,560			\$45,861,166
Land improvements	5,828,837	958,131	6,786,968				6,786,968
Capitalized collections	205,002		205,002		\$109,619		314,621
Livestock	49,465		49,465	6,200		(\$4,965)	50,700
Construction-in-progress	82,925,293	171,900	83,097,193	57,706,010	(43,419,642)		97,383,561
Total assets not being depreciated	133,032,334	171,900	133,204,234	60,507,770	(43,310,023)	(4,965)	150,397,016
Capital assets being depreciated:							
Infrastructure	5,860,442		5,860,442				5,860,442
Land improvements	30,447,493	236,954	30,684,447	1,511,952			32,196,399
Buildings	1,312,185,200	2,966,620	1,315,151,820	15,703,369	42,527,636	(4,157,805)	1,369,225,020
Equipment	159,403,916	(273,251)	159,130,665	15,937,699		(5,611,898)	169,456,466
Library books	142,198,296		142,198,296	1,440,641		(198,170)	143,440,767
Software (internally generated and purchased)		2,458,405	2,458,405				2,458,405
Total capital assets being depreciated	1,650,095,347	5,388,728	1,655,484,075	34,593,661	42,527,636	(9,967,873)	1,722,637,499
Less accumulated depreciation:							
Infrastructure	(3,034,459)		(3,034,459)	(183,878)			(3,218,337)
Land improvements	(12,345,540)	(77,727)	(12,423,267)	(1,555,608)			(13,978,875)
Buildings	(546,627,413)	(233,543)	(546,860,956)	(32,557,765)		2,519,154	(576,899,567)
Equipment	(105,942,832)	131,578	(105,811,254)	(20,658,863)		5,193,766	(121,276,351)
Library books	(129,219,821)		(129,219,821)	(1,694,812)		13,980	(130,900,653)
Software (internally generated and purchased)		(1,994,351)	(1,994,351)	(464,054)			(2,458,405)
Total accumulated depreciation	(797,170,065)	(2,174,043)	(799,344,108)	(57,114,980)	NONE	7,726,900	(848,732,188)
Total capital assets, net	\$985,957,616	\$3,386,585	\$989,344,201	\$37,986,451	(\$782,387)	(\$2,245,938)	\$1,024,302,327

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 Unit**

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
Capital assets not being depreciated:				
Real estate	\$420,241			\$420,241
Art and collectibles	2,365,803		\$55,500	2,421,303
Total assets not being depreciated	2,786,044	NONE	55,500	2,841,544
Capital assets being depreciated:				
Buildings	10,023,266			10,023,266
Vehicles, furniture, and equipment	534,995	\$1,064	(9,608)	526,451
Total assets being depreciated	10,558,261	1,064	(9,608)	10,549,717
Less accumulated depreciation	(1,860,057)	(308,194)	9,608	(2,158,643)
Total capital assets, net	\$11,484,248	(\$307,130)	\$55,500	\$11,232,618

The capital asset disclosure for the discretely presented component unit has been adjusted to reflect the classifications of the assets as presented in the audited financial statements of the discretely presented component unit. Its 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: (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, 2010:

<u>Account Name</u>	
Vendor payables	\$9,865,799
Accrued salaries and payroll deductions	24,154,041
Accrued interest	1,552,883
Other	2,349,708
	<hr/>
Total payables	<u><u>\$37,922,431</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 15.5% of covered salaries to TRSL, 18.6% of covered salaries to LASERS, and 17.6% of covered salaries to LSERS for fiscal year 2010. 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, 2010, 2009, and 2008 were \$24,531,226; \$24,929,584; and \$24,572,565, respectively, to LASERS for the years ended June 30, 2010, 2009, and 2008 were \$17,792,849; \$18,189,203; and \$19,281,491, respectively, and to LSERS for the years ended June 30, 2010, 2009, and 2008 were \$26,802; \$30,155; and \$29,781, 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 five or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

Total contributions by the System are 15.5% of the covered payroll for fiscal year 2010. 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 \$25,701,501 and \$13,247,470, respectively, for the year ended June 30, 2010.

## **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 postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan. R.S. 42:801-883 provide the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report; however, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's Web site at [www.doa.la.gov/osrap](http://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 healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers 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. In addition, all plan members are offered the Medical Home HMO plan. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans--three HMO plans and two private fee-for-service (PFFS) plans, which are based on a calendar year. The three HMO plans are Humana Regional HMO Plan, Peoples Health Regional HMO POS Plan, and Vantage HMO-POS Plan. The two PFFS plans are Humana PFFS Plan and Secure Horizons Medicare Direct PFFS Plan.

Employees hired before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). Total annual per capita medical contribution rates for 2009-2010 are shown in the Premium Rates table that follows.

Employees hired on or after January 1, 2002, pay a percentage of the total contribution rate upon retirement based on the following schedule:

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

Total premium rates effective July 1, 2009, for the PPO, EPO, and HMO plans and effective September 1, 2009, for the Medical Home Health Plan are as follows:

	<u>PPO</u>	<u>EPO</u>	<u>HMO</u>	<u>Medical Home Health Plan</u>
<u>Active</u>				
Single	\$558.64	\$581.04	\$536.36	\$532.00
With Spouse	1,186.56	1,234.04	1,139.12	1,129.96
With Children	681.32	708.60	654.12	649.04
Family	1,251.40	1,301.44	1,201.36	1,191.68
<u>Retired No Medicare &amp; Re-employed Retiree</u>				
Single	1,039.28	1,080.80	997.72	989.52
With Spouse	1,835.20	1,908.56	1,761.72	1,747.60
With Children	1,157.64	1,203.92	1,111.40	1,102.28
Family	1,826.32	1,899.36	1,753.28	1,739.12
<u>*Retired with 1 Medicare</u>				
Single	337.96	351.48	324.44	321.84
With Spouse	1,248.72	1,298.64	1,198.68	1,189.00
With Children	584.96	608.36	561.60	557.00
Family	1,663.80	1,730.32	1,597.20	1,584.28
<u>*Retired with 2 Medicare</u>				
With Spouse	607.48	631.72	583.16	578.28
Family	752.16	782.24	722.08	716.08

\*All members who retire on or after July 1, 1997, must have Medicare Parts A and B to qualify for the reduced premium rates.

<u>Medicare Supplemental Rates</u>	<u>Calendar Year 2010</u>		<u>Calendar Year 2009</u>	
	<u>Retired with</u>		<u>Retired with</u>	
	<u>1 Medicare</u>	<u>2 Medicare</u>	<u>1 Medicare</u>	<u>2 Medicare</u>
Humana PFFS	\$149.00	\$298.00	\$137.00	\$274.00
Humana HMO	165.00	330.00	174.00	348.00
People's Health	142.00	284.00	142.00	284.00
Secure Horizons	198.50	397.00	269.64	539.26
Vantage	198.00	396.00	178.00	356.00

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 fifty cents for employees and twelve cents for spouses. 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. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year, open amortization period has been used. The total ARC for fiscal year 2010 is \$86,633,900.

The following schedule presents the System's OPEB obligation for fiscal year 2010:

Beginning net OPEB obligations at July 1, 2009	<u>\$196,018,860</u>
Annual required contribution	86,633,900
Interest on net OPEB obligation	7,840,700
ARC adjustment	<u>(7,490,200)</u>
OPEB cost	86,984,400
Contributions made - current year retiree premiums	<u>(21,050,471)</u>
Increase in net OPEB obligation	<u>65,933,929</u>
Ending net OPEB obligation at June 30, 2010	<u><u>\$261,952,789</u></u>

The System's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2010, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$118,614,400	16.9%	\$98,552,007
June 30, 2009	117,671,700	17.3%	196,018,860
June 30, 2010	86,984,400	24.2%	261,952,789

*Funded Status and Funding Progress.* During fiscal year 2010, 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 \$1,046,763,700 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2009, was as follows:

Actuarial accrued liability (AAL)	\$1,046,763,700
Actuarial value of plan assets	NONE
UAAL	<u>\$1,046,763,700</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	\$328,881,302
UAAL as percentage of covered payroll	318.28%

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the 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, 2009, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 8.5% and 9.6% 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 over an open amortization period of 30 years. The remaining amortization period at June 30, 2010, is 27 years. Annual per capita medical claims costs were updated to reflect an additional year of actual experience.

The AAL decreased \$313,837,600 or 23.1% from the prior year. Items affecting the valuation identified by the actuary were decreases in estimates of per capita costs based on claims experience from July 1, 2007, through June 30, 2009; updates to the age morbidity factors; updates to demographic assumptions (e.g., retirement, turnover, and mortality rates); changes in a LASERS eligibility rule; and changes in the method of estimating service for retirement.

## 10. COMPENSATED ABSENCES

At June 30, 2010, employees of the System have accumulated and vested annual, sick, and compensatory leave of \$21,994,910; \$14,533,126; and \$883,480, respectively. These balances were 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, 2010, the total rental expense for all operating leases is \$2,349,699. The following is a schedule by years of future minimum annual rental payments required under operating leases:

<u>Fiscal Year Ending June 30</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Land</u>	<u>Other</u>	<u>Total Minimum Payments Required</u>
2011	\$982,120	\$433,669	\$60,481	\$627,797	\$2,104,067
2012	473,663	361,743	18,865	627,375	1,481,646
2013	325,521	361,743	9,103	625,125	1,321,492
2014	232,027	13,743	4,717	620,300	870,787
2015	232,027	13,743	4,769	621,200	871,739
2016-2020	1,160,135	68,715	24,642	3,103,017	4,356,509
2021-2025	1,160,135	68,715	26,027	930,863	2,185,740
2026-2030	10		27,491		27,501
2031-2035	10		29,036		29,046
2036-2040	10		171,584		171,594
Total	<u>\$4,565,658</u>	<u>\$1,322,071</u>	<u>\$376,715</u>	<u>\$7,155,677</u>	<u>\$13,420,121</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, 2010, 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	\$31,063	\$171,705
Equipment	2,652,422	18,784	505,700
	<u>\$3,032,693</u>	<u>\$49,847</u>	<u>\$677,405</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, 2010:

Fiscal Year Ending June 30:	
2011	\$362,695
2012	176,568
2013	137,297
2014	50,692
Total minimum lease payments	<u>727,252</u>
Less - amount representing executory costs	NONE
Net minimum lease payments	<u>727,252</u>
Less - amount representing interest	<u>(49,847)</u>
Present value of net minimum lease payments	<u>\$677,405</u>

The System's component unit foundation did not have any capital leases at June 30, 2010.

**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, 2010:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	\$27,743,770	(\$11,546,516)	\$16,197,254
Buildings	3,077,163	(1,840,994)	1,236,169
Equipment	241,752	(99,993)	141,759
Land	190,096		190,096
Total	<u>\$31,252,781</u>	<u>(\$13,487,503)</u>	<u>\$17,765,278</u>

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2010:

	<u>Office Space</u>	<u>Buildings</u>	<u>Other</u>	<u>Total</u>
Fiscal Year Ending June 30:				
2011	\$2,236,398	\$614,041	\$420,000	\$3,270,439
2012	2,063,183	550,000	420,000	3,033,183
2013	2,023,600		420,000	2,443,600
2014	1,748,600		420,000	2,168,600
2015	1,995,000		420,000	2,415,000
2016-2020	9,275,000		1,050,000	10,325,000
2021-2025	4,930,000			4,930,000
Total minimum future rentals	<u>\$24,271,781</u>	<u>\$1,164,041</u>	<u>\$3,150,000</u>	<u>\$28,585,822</u>

Minimum future rentals do not include contingent rentals that may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume or customer usage of services provided. Contingent rentals received from operating leases of office space and buildings for the year ended June 30, 2010, were \$586,249 and \$440,459, respectively.

## 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, 2010:

### University of Louisiana System

	Balance June 30, 2009	Adjustments	Balance June 30, 2009 Restated	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
<b>Bonds and notes payable:</b>							
Bonds payable	\$455,465,000	(\$920,417)	\$454,544,583	\$6,000,000	(\$8,962,936)	\$451,581,647	\$7,427,759
Notes payable	2,858,443		2,858,443		(465,235)	2,393,208	378,029
Total bonds and notes payable	<u>458,323,443</u>	<u>(920,417)</u>	<u>457,403,026</u>	<u>6,000,000</u>	<u>(9,428,171)</u>	<u>453,974,855</u>	<u>7,805,788</u>
<b>Other liabilities:</b>							
Accrued compensated absences payable (note 10)	37,034,889		37,034,889	9,818,415	(9,441,788)	37,411,516	3,875,567
Capital lease obligations (note 11)	1,118,822		1,118,822	15,500	(456,917)	677,405	337,551
Reimbursement contracts payable	805,000		805,000		(235,000)	570,000	245,000
OPEB payable (note 9)	196,018,860		196,018,860	77,470,555	(11,536,626)	261,952,789	
Total other liabilities	<u>234,977,571</u>	<u>NONE</u>	<u>234,977,571</u>	<u>87,304,470</u>	<u>(21,670,331)</u>	<u>300,611,710</u>	<u>4,458,118</u>
Total	<u>\$693,301,014</u>	<u>(\$920,417)</u>	<u>\$692,380,597</u>	<u>\$93,304,470</u>	<u>(\$31,098,502)</u>	<u>\$754,586,565</u>	<u>\$12,263,906</u>

### Component Units

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
<b>Bonds, notes, and capital leases payable:</b>					
Bonds payable	\$1,500,000			\$1,500,000	
Notes payable					
Subtotal	<u>1,500,000</u>	<u>NONE</u>	<u>NONE</u>	<u>1,500,000</u>	<u>NONE</u>
Other liabilities - amounts held in custody for others	<u>21,610,777</u>	<u>\$1,026,925</u>		<u>22,637,702</u>	<u>NONE</u>
Total	<u>\$23,110,777</u>	<u>\$1,026,925</u>	<u>NONE</u>	<u>\$24,137,702</u>	<u>NONE</u>

Details of all debt outstanding at June 30, 2010, follow.

### Bonds Payable - University of Louisiana System

Issue	Date of Issue	Original Issue	Outstanding June 30, 2009	Issued (Redeemed)	Outstanding June 30, 2010	Maturities	Interest Rates	Interest Outstanding June 30, 2010
<b>Grambling State University</b>								
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%	\$48,516,350
Series 2006 B	October 24, 2006	3,595,000	3,595,000	(\$850,000)	2,745,000	2032	5.35%	222,616
Series 2006 C	December 28, 2006	5,700,000	5,585,000	(80,000)	5,505,000	2038	5.8%	5,747,223
Series 2007 A	December 5, 2007	39,330,000	39,330,000		39,330,000	2040	4%-4.25%	39,386,463
Series 2007 B	December 5, 2007	2,595,000	2,595,000		2,595,000	2016	5.72%	480,908
<b>Louisiana Tech University</b>								
Academic Facilities Extension								
Use Fee Revenue Bonds - Series 1972 B	July 1, 1972	4,750,000	1,325,000	(300,000)	1,025,000	2013	5.9%-6.25%	98,906
Revenue Bonds - Power Plant								
2002 Series	July 1, 2002	5,920,000	4,680,000	(275,000)	4,405,000	2022	3.5%-4.9%	1,484,794
Innovative Student Facilities, Inc. (blended component unit):								
Louisiana Local Government Environmental Facilities and Community Development Authority - Revenue Bonds - 2003 Series								
Student Housing and Recreational Facilities - 2007 Series	July 1, 2003	21,840,000	21,025,000	(330,000)	20,695,000	2034	2.25%-4.5%	13,429,119
September 26, 2007	51,670,000	51,670,000	(485,000)	51,185,000	2034	2.25%-4.5%	41,522,150	
<b>McNeese State University</b>								
Parking Lot - Series 1997								
February 12, 1997	1,500,000	420,000	(130,000)	290,000	2012	6.25%	18,437	
Field House-Series 2009								
August 6, 2009	6,000,000		6,000,000	6,000,000	2029	3.93%	2,656,680	
Cowboy Facilities, Inc. (blended component unit):								
Calcasieu Parish Trust Authority:								
University Student Lease Revenue Bonds - Series 2001								
May 31, 2001	21,120,000	18,930,000	(420,000)	18,510,000	2033	5.4%	13,800,249	
University Stadium Parking Revenue Bonds - Series 2004								
February 20, 2004	820,000	450,000	(450,000)			4.73%		
University Scoreboard Project Bonds - Series 2005								
April 1, 2005	1,900,000	1,280,000	(180,000)	1,100,000	2015	6.5%	223,275	
<b>Nicholls State University</b>								
NSU Facilities Corporation (blended component unit):								
Louisiana Community Development Authority:								
Streets and Parking Revenue Bonds - Series 2006 A								
May 1, 2006	3,320,000	2,970,000	(120,000)	2,850,000	2026	4.8%	1,294,600	
Cafeteria & Student Union Revenue Bonds - Series 2006 B								
May 11, 2006	5,000,000	4,690,000	(105,000)	4,585,000	2031	6.69%	4,097,020	
Student Revenue Housing - Series 2007A								
August 23, 2007	17,680,000	17,495,000	(505,000)	16,990,000	2024	4.4%	6,414,738	
Student Revenue Housing - Series 2007B								
August 23, 2007	32,380,000	32,380,000		32,380,000	2039	4.5%	34,170,692	
<b>Northwestern State University</b>								
Wellness, Recreation, and Activity Center Bonds - Series 1999								
April 1, 1999	6,850,000	4,980,000	(235,000)	4,745,000	2024	4.45%-5.1%	1,995,343	
<b>Southeastern Louisiana University</b>								
Student Recreation and Activity Center Revenue Bonds - Series 1998								
June 30, 1998	7,690,000	4,795,000	(340,000)	4,455,000	2035	3.75%-5%	1,313,800	
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	74,790,000	(1,170,000)	73,620,000	2037	3%-5%	52,273,360	
Intermodal parking - Series 2007(A)								
March 14, 2007	5,545,000	5,235,000	(150,000)	5,085,000	2031	4.2%-4.25%	2,669,560	
Intermodal parking - Series 2007(B)								
March 14, 2007	2,490,000	2,490,000	(2,160,000)	330,000	2037	4.375%	355,469	
<b>University of Louisiana at Lafayette</b>								
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	17,605,000	(395,000)	17,210,000	2033	3.75%-5.0%	11,729,353	
Lafayette Public Trust Financing Authority - Student Housing Series 2009								
April 14, 2009	12,500,000	12,500,000		12,500,000	2039	3.5%-6.0%	13,957,479	

## NOTES TO THE FINANCIAL STATEMENTS

Issue	Date of Issue	Original Issue	Outstanding June 30, 2009	Issued (Redeemed)	June 30, 2010	Maturities	Interest Rates	Outstanding June 30, 2010
<b>University of Louisiana at Monroe</b>								
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	\$33,365,000		\$33,365,000	2034	Variable	\$12,330,821
Revenue Bonds Series 2004 C & D	December 8, 2004	33,680,000	32,330,000	(\$90,000)	32,240,000	2035	Variable	11,883,983
Intermodal Transit Facility and Parking Revenue Bonds Series 2006	November 7, 2006	1,500,000	1,260,000	(130,000)	1,130,000	2016	5.06%	210,747
Clarke Williams Student Center Renovation - Renovation Project - Series 2007	October 25, 2007	2,045,000	1,990,000	(65,000)	1,925,000	2027	5.40%	1,079,595
Total			455,465,000	(2,965,000)	452,500,000			\$323,363,730
Premiums/discounts, net as restated			(920,417)	2,064	(918,353)			
			\$454,544,583	(\$2,962,936)	\$451,581,647			

On August 6, 2009, McNeese State University entered into a loan agreement with the Bank of New York Mellon Trust Company to issue \$6,000,000 of Revenue Bonds, Series 2009 for the renovation and expansion of the university's athletic field house.

### Component Units

Issue	Date of Issue	Original Issue	Outstanding June 30, 2009	Issued (Redeemed)	Outstanding June 30, 2010	Maturities	Interest Rates	Interest Outstanding June 30, 2010
<b>University of Louisiana at Lafayette Foundation, Inc.</b>								
Lafayette Economic Development Authority	February 1, 2002	\$8,500,000	\$1,500,000	NONE	\$1,500,000	2017	4.50%	\$441,000

### Reimbursement Contracts Payable - University of Louisiana System

Issue	Date of Issue	Original Issue	Outstanding June 30, 2009	Issued (Redeemed)	Outstanding June 30, 2010	Maturities	Interest Rates	Interest Outstanding June 30, 2010
<b>Northwestern State University</b>								
General Obligation Bonds - Series 1993-B	February 1, 1993	\$460,000	\$155,000	(\$30,000)	\$125,000	2014	5.6%-5.625%	\$14,484
<b>University of Louisiana at Monroe</b>								
Physical Education Complex - Series 1992-A	March 1, 1992	2,650,000	650,000	(205,000)	445,000	2012	6.50%	43,875
		\$3,110,000	\$805,000	(\$235,000)	\$570,000			\$58,359

The annual requirements to amortize all System bonds and reimbursement contracts outstanding at June 30, 2010, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$7,705,000	\$21,629,610	\$29,334,610
2012	8,830,000	21,256,350	30,086,350
2013	9,460,000	19,544,525	29,004,525
2014	10,340,000	18,449,999	28,789,999
2015	11,275,000	18,009,420	29,284,420
2016-2020	66,325,000	82,261,939	148,586,939
2021-2025	79,860,000	66,396,529	146,256,529
2026-2030	97,195,000	46,873,065	144,068,065
2031-2035	109,185,000	23,825,963	133,010,963
2036-2040	<u>52,895,000</u>	<u>5,174,689</u>	<u>58,069,689</u>
Sub-total	453,070,000	323,422,089	776,492,089
Unamortized Discount/Premium	<u>(918,353)</u>	NONE	<u>(918,353)</u>
Total	<u>\$452,151,647</u>	<u>\$323,422,089</u>	<u>\$775,573,736</u>

The annual requirements to amortize all component unit bonds outstanding at June 30, 2010, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011		\$67,500	\$67,500
2012		67,500	67,500
2013		67,500	67,500
2014		67,500	67,500
2015		67,500	67,500
2016-2020	<u>\$1,500,000</u>	<u>103,500</u>	<u>1,603,500</u>
Total	<u>\$1,500,000</u>	<u>\$441,000</u>	<u>\$1,941,000</u>

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2010:

<u>Bond Issue</u>	<u>Reserves Available</u>	<u>Reserve Requirement</u>	<u>Excess</u>
<b>Grambling State University</b>			
U.S. Department of Education Note	\$583,787	\$528,000	\$55,787
Revenue Bonds - Debt Service	7,592,975	7,500,890	92,085
Revenue Bonds - Maintenance	6,531,295	5,370,766	1,160,529
<b>Louisiana Tech University</b>			
Academic Facilities Bonds	387,813	387,813	NONE
Innovative Student Facilities, Inc. Revenue Bonds 2003	1,485,475	1,485,475	NONE
Innovative Student Facilities, Inc. Revenue Bonds 2007	3,416,725	3,416,725	NONE
<b>McNeese State University</b>			
Cowboy Facilities, Inc. Student Lease Revenue Bonds 2001	1,410,813	1,410,813	NONE
McNeese State University Field House Project, Series 2009	442,658	442,658	NONE
<b>Nicholls State University</b>			
NSU Facilities Corporation Revenue Bonds 2006, Series A and B	677,170	677,170	NONE
NSU Facilities Corporation Revenue Bonds 2007, Series A and B	3,275,947	3,275,945	2
<b>Northwestern State University</b>			
Reimbursement Contracts Payable - General Obligation Bonds, 1993-B	38,250	38,250	NONE
<b>Southeastern Louisiana University</b>			
Student Recreation and Activity Center Revenue Bonds	627,094	578,750	48,344
University Facilities, Inc. (UFI) Revenue Bonds 2004	5,278,130	5,265,837	12,293
University Facilities, Inc. (UFI) Revenue Bonds 2007	482,986	482,969	17
<b>University of Louisiana at Lafayette</b>			
Ragin' Cajun Facilities, Inc. Student Housing and Child Care Facilities Revenue Bonds 2002	1,295,636	1,242,745	52,891
Ragin' Cajun Facilities, Inc. Project Series 2009	975,317	975,300	17
<b>University of Louisiana at Monroe</b>			
Physical Education Complex Bonds 1992-A	245,204	245,204	NONE
ULM Facilities, Inc. Student Housing and Student Center Revenue Bonds 2004 A & B	2,625,313	2,616,279	9,034
ULM Facilities, Inc. Student Housing and Student Center Revenue Bonds 2004 C & D	2,051,757	2,044,761	6,996
ULM Facilities, Inc. Intermodel Transit Facility and Parking Project Revenue Bonds 2006	150,009	150,000	9
Total	<u>\$39,574,354</u>	<u>\$38,136,350</u>	<u>\$1,438,004</u>

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, 2009	Issued (Redeemed)	Outstanding June 30, 2010	Maturities	Interest Rates	Interest Outstanding June 30, 2010
<b>Grambling State University</b>								
U.S. Department of Education	May 1, 1993	\$3,500,000	\$2,077,595	(\$116,291)	\$1,961,304	2023	3.0%	\$438,375
<b>Nicholls State University</b>								
Bus	September 11, 2007	219,016	146,372	(43,403)	102,969	2012	3.25%	3,954
Banner Conversion Equipment	February 20, 2008	430,812	242,602	(144,617)	97,985	2011	2.00%	725
<b>Southeastern Louisiana University</b>								
Copiers	September 20, 2004	641,861	34,835	(34,835)				
<b>University of Louisiana at Lafayette</b>								
Sigma Nu Fraternity House	June 6, 1984	66,485	10,689	(10,689)				
<b>University of Louisiana at Monroe</b>								
Regions Bank	April 17, 2007	577,150	346,350	(115,400)	230,950	2012	6.0%	17,588
Total		<u>\$5,435,324</u>	<u>\$2,858,443</u>	<u>(\$465,235)</u>	<u>\$2,393,208</u>			<u>\$460,642</u>

The System’s component unit foundations did not have any outstanding notes payable at June 30, 2010.

The annual requirements to amortize all notes outstanding for the System at June 30, 2010, including interest of \$460,642, are as follows:

	Principal	Interest	Total
2011	\$378,029	\$73,656	\$451,685
2012	285,295	60,819	346,114
2013	138,974	50,660	189,634
2014	131,002	46,752	177,754
2015	134,961	42,793	177,754
2016-2020	738,518	150,252	888,770
2021-2025	586,429	35,710	622,139
Total	<u>\$2,393,208</u>	<u>\$460,642</u>	<u>\$2,853,850</u>

### 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 Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

#### **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 2007B 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 of the Master Agreement, 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 (SIFMA), 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 variable rate equal to SIFMA through and excluding July 1, 2010, and 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, 2010, which is not reported in the financial statements, was \$8,015,000 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, 2010, 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 rate risk associated with the underlying variable rate bonds.

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

On October 31, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority (Authority) and Regions Bank entered into two interest rate swap agreements (Swap Agreements) on its Series 2004A and Series 2004C bonds. During the year ended June 30, 2010, the Authority and Regions Bank terminated the existing Swap Agreements and entered into four new Swap Agreements. The Swap Agreements are fixed rate swaps that are used to mitigate or eliminate the interest rate exposure of the variable rate bonds. The intention of the Swap Agreements is to effectively change the ULM Facilities variable interest rate on the bonds to a synthetic fixed rate. The notional amount, the fixed rate, and the floating rate option of each Swap Agreement are as follows:

<u>Bond</u>	<u>Notional Amount</u>	<u>Fixed Rate</u>	<u>Floating Rate Option</u>
Series 2004A Bonds	\$30,000,000	3.3440%	59.80% of LIBOR
Series 2004A-T Bonds	1,065,000	3.9150%	LIBOR
Series 2004C Bonds	30,000,000	3.2440%	59.80% of LIBOR
Series 2004C-T Bonds	2,240,000	4.1600%	LIBOR

Generally accepted accounting principles require derivative instruments, such as interest rate swap agreements, to be recognized at fair value as either assets or liabilities in the statement of financial position. Accordingly, the negative \$4,227,098 total value of the Swap Agreements at June 30, 2010, is reported as a liability in the statement of net assets. This reflects a \$509,786 increase in the liability (i.e., decrease in value of the swap) since the prior fiscal year. The decrease in value is reported in the statement of revenues, expenses, and changes in net assets. The fair values at June 30, 2010 and 2009 use significant unobservable inputs (Level 3) based on the expected cash flows over the life of the trade as calculated by Regions Bank. The expected cash flows are determined by evaluating transactions with a pricing model using the closing midmarket market rate/price environment of June 30, 2010 and June 30, 2009, as applicable. There have been no changes in valuation techniques and related inputs.

#### **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.

##### **Louisiana Tech University**

###### Revenue Bonds Series 2002

Revenue pledged for this bond includes all auxiliary fund revenues. The original issue of the bonds was \$5,920,000 and these bonds were issued for the installation of a turbine generation system. The debt secured by the pledge is \$4,405,000. The approximate remaining amount of the pledge is \$5,889,704. The term of commitment is July 1, 2002, through April 1, 2022. For the year ended June 30, 2010, the requirements for principal and interest were \$275,000 and \$214,639, respectively. The amount of pledged revenues recognized for fiscal year 2010 was \$5,093,600.

###### Academic Facilities Extension Use Fee Revenue Bonds

The revenue pledged for this bond includes student building use fees. The original issue of the bonds was \$4,750,000 and these bonds were issued for the construction and maintenance of facilities on campus. The debt secured by the pledge is \$1,025,000. The approximate remaining amount of the pledge is \$1,123,906. The term of commitment is July 1, 1972, through July 1, 2012. For the year ended June 30, 2010, the requirements for principal and interest were \$300,000 and \$73,438, respectively. The amount of pledged revenues recognized for fiscal year 2010 was \$448,499.

### **McNeese State University**

The pledged revenues for the Board of Supervisors for the University of Louisiana System Revenue Bonds (McNeese State University Field House Project) Revenue Bonds Series 2009 include (1) a university student self-assessed fee in the amount of \$10 per semester obligated and dedicated to the Field House Project and the maintenance and operations; (2) the entirety of the university's portion of the monies in the Calcasieu Parish Higher Education Improvement fund from the 1% hotel motel occupancy tax; (3) revenues received by the university's athletic department budget from a \$2 increase in ticket sales beginning with the 2008 football season, the total dedication not to exceed \$100,000 annually from the university's budget; and (4) all funds and accounts held pursuant to the Bond Resolution, except any fund created to hold monies pending rebate to the United States for payment of costs of issuance of bonds. Pledged revenues shall not include funds appropriated to the board or the university by the legislature of the state from time to time. The bonds were originally issued for \$6,000,000. As of June 30, 2010, the principal and interest outstanding totaled \$6,000,000 and \$2,656,680 respectively. The revenues are pledged for the period July 2009 through June 2030.

The debt secured by the revenues pledged was for renovation and expansion of the university's athletic field house including adding a second floor to the facility, funding a debt service reserve fund, funding a maintenance reserve fund and paying the costs of issuance of the bonds.

For the year ending June 30, 2010, interest requirements were \$114,625. There was no principal requirement for fiscal year 2010. Pledged revenues recognized for the period were \$712,922.

### **Northwestern State University**

Specific pledged revenue is student self-assessed fees approved for the project by the students of the Northwestern State University in the amount of \$75 per semester. The debt secured by the pledged revenue was \$6,850,000, the original bond issue. The approximate remaining amount of the pledge is \$6,740,343 at June 30, 2010, representing \$4,745,000 in principal and \$1,995,343 in interest. The term of commitment was 25 years beginning in October 1999 and ending in April 2024. The general purpose for the debt secured by the pledge was the planning, acquisition, construction, and equipping of the university's Student Wellness, Recreation, and Activity Center. The dedicated revenues are pledged 100% annually up to the current amount due for principal and interest. For the year ended June 30, 2010, the requirements for principal and interest were \$235,000 and \$247,918, respectively. The amount of pledged revenues recognized for fiscal year 2010 was \$945,366.

**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 Bonds

Revenue pledged for this bond includes all revenue related to the Student Recreation and Activity Center, including student fees, membership fees, and other miscellaneous revenue related to the Recreation Center. The bond was originally issued for \$7,690,000. As of June 30, 2010, principal and interest outstanding was \$4,455,000 and \$1,313,800, respectively. The revenue was pledged for the purpose of this bond for the period July 1995 through June 2020.

The debt secured by the revenue pledged was for the planning and construction of the recreation center, the funding of a reserve fund, and the funding of certain expenses related to the issuance of the bond. Pledged revenue related to this bond includes (1) all revenue from the pledged student fee; (2) any other student fees collected to pay for the recreation center; (3) membership fees imposed on users of the recreation center other than Southeastern students; and (4) 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. A self-assessed student fee consisting of a \$30 per student per regular semester (\$15 for summer) fee composed of, collectively, the pledged student fee and 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. The pledged student fee is equal to \$25 per student per regular semester (\$12.50 for summer) dedicated to the planning, construction, staffing, equipment, and operation of the recreation center.

For the year ending June 30, 2010, principal and interest requirements were \$340,000 and \$237,650, respectively. Pledged revenues recognized for the period were \$1,067,832.

**15. RESTATEMENT OF BEGINNING NET ASSETS**

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

	<u>University</u>
Net assets at June 30, 2009	\$856,004,696
Prior year bond transfer at Louisiana Tech University	330,000
Capital asset adjustments:	
McNeese State University	81,500
Nicholls State University	495,509
University of Louisiana at Lafayette	2,809,576
Other:	
Nicholls State University	(171,900)
University of Louisiana at Monroe	2,695
	<u>2,695</u>
Net assets at June 30, 2009, restated	<u><u>\$859,552,076</u></u>

## 16. RESTRICTED NET ASSETS

The System has the following restricted expendable net assets at June 30, 2010:

<u>Account Title</u>	<u>Amount</u>
Student fees	\$40,862,829
Grants and contracts	14,020,283
Gifts - restricted by donors	3,343,152
Endowment	13,732,122
Auxiliary enterprises	2,836,644
Student loan fund	35,995,850
Capital construction/plant projects	51,888,125
Debt service/retirement of indebtedness	13,865,324
WRAC Fund	1,624,484
Scholarships	1,165,485
University Lab School	104,345
Other	7,409,779
	<u>7,409,779</u>
Total expendable	<u><u>\$186,848,422</u></u>

The System's restricted nonexpendable net assets of \$153,407,525 as of June 30, 2010, were comprised entirely of endowment funds.

Of the total net assets reported on Statement A for the year ended June 30, 2010, \$30,164,029 was restricted by enabling legislation.

**RESTRICTED NET ASSETS - COMPONENT UNIT**

Restricted net assets for the University of Louisiana at Lafayette Foundation, Inc., are as follows:

Temporarily restricted:	
Donor-restricted endowment funds	\$24,061,416
Chair and professorship endowment funds	<u>6,372,779</u>
Total temporarily restricted net assets	<u><u>\$30,434,195</u></u>
Permanently restricted:	
Donor-restricted endowment funds	\$29,575,312
Chair and professorship endowment funds	<u>30,780,595</u>
Total permanently restricted net assets	<u><u>\$60,355,907</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, 2010, was \$1,379,291.

**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, 2010, net appreciation of donor restricted endowments is equal to \$13,204,918, 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 Foundation
- 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, 2010, the foundations held in custody \$123,709,485 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.la.gov](http://www.la.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**

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.

On August 15, 2009, the Lafayette Public Trust Financing Authority agreed to issue revenue bonds totaling \$12,500,000 for the Ragin' Cajun Facilities, Inc., for demolishing certain facilities and the development, design, construction, and equipping of a student parking complex, including parking and other infrastructure at ULL.

Pursuant to the terms of the ground lease agreement, the corporation will lease the land required for the project from the board. The new student parking complex will be leased back to the board by the corporation in accordance with the provisions of an agreement to lease (facilities lease). The income derived from parking fees 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., for demolishing 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. INSURANCE RECOVERIES**

The total amount of insurance recoveries received during fiscal year 2010 included \$673,142 for wind damage and \$5,118 for collision damage, for a total of \$678,260. This amount was recorded as nonoperating revenue.

### **24. POLLUTION REMEDIATION OBLIGATIONS**

A site assessment has been performed that revealed asbestos on Southeastern Louisiana University's property. Southeastern Louisiana University paid \$8,048 in remediation costs for fiscal year 2010 and reported no liability as of June 30, 2010. No further liability is expected as a result of the asbestos removal.

A preliminary site assessment has been done that revealed asbestos on the University of Louisiana at Lafayette's property. A possible explanation for this is the buildings were constructed before it was understood the harm asbestos caused. Further investigation to determine the full nature and extent of this contamination and required remediation has led to a potential liability of \$267,908. The university paid \$216,679 in remediation costs for fiscal year 2010 and reports a liability totaling \$51,229 at June 30, 2010.

### **25. EMPLOYEE TERMINATION BENEFITS**

Substantially all employees are eligible for termination benefits upon separation from the state. The System recognizes the cost of providing these benefits as expenditures when paid during the year. For the fiscal year ending June 30, 2010, the cost of providing those benefits for 26 voluntary terminations totaled \$852,773.

**26. SUBSEQUENT EVENTS**

On July 22, 2010, the State Bond Commission approved the issuance of bonds not exceeding \$27,000,000 by the Lafayette Public Trust Financing Authority for Ragin' Cajun Facilities. The bonds will be issued for the demolition of certain facilities on the University of Louisiana at Lafayette campus and to expand and renovate a new Student Union and other facilities.

On August 2, 2010, Louisiana Tech University leased its bookstore operation to Barnes and Noble College Booksellers, LLC.

On October 21, 2010, the State Bond Commission approved the issuance of bonds not exceeding \$125,000,000 by the Lafayette Public Trust Financing Authority for Ragin' Cajun Facilities. The bonds will be issued for the demolition of certain existing facilities and the acquisition, construction, and equipping of residence halls on the University of Louisiana at Lafayette campus.

On November 17, 2010, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$25,410,000 in tax-exempt Revenue Bonds and \$5,770,000 in taxable Revenue Bonds. The proceeds of the sale of these Series 2010 Bonds are to be loaned to the University Facilities, Inc., for the purpose of the demolition of certain existing facilities and the construction of the Student Union, the Center for Student Excellence, and other facilities on the campus of Southeastern Louisiana University.

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**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, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2007	NONE	\$1,330,462,600	\$1,330,462,600	0.0%	\$354,023,555	376%
July 1, 2008	NONE	1,360,601,300	1,360,601,300	0.0%	302,710,300	449%
July 1, 2009	NONE	1,046,763,700	1,046,763,700	0.0%	328,881,302	318%

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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, 2010**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$7,892,404	\$13,359,998	\$23,918,731	\$20,342,040
Investments	5,968,641			3,248,594
Receivables (net)	4,702,380	6,635,974	11,170,709	2,281,362
Due from state treasury		470,376	619,500	
Due from federal government	1,439,901	3,833,246	710,725	571,306
Inventories	218,685	2,011,489	1,558,975	117,955
Deferred charges and prepaid expenses	177,324	2,387,352	734,132	1,337,783
Notes receivable (net)		1,063,762	314,896	
Other current assets		183,412		
Total current assets	<u>20,399,335</u>	<u>29,945,609</u>	<u>39,027,668</u>	<u>27,899,040</u>
Noncurrent assets:				
Restricted:				
Cash and cash equivalents	2,685,931	24,578,174	9,683,051	4,882,978
Investments	19,334,120	31,499,992	12,720,545	16,283,412
Receivables (net)	3,505,058			
Notes receivable (net)		5,801,283	2,333,650	
Other				
Notes receivable (net)	1,122			8,905
Capital assets (net)	162,005,448	166,774,282	70,700,404	93,862,749
Other noncurrent assets	5,059,640	1,436,189	954,742	2,401,071
Total noncurrent assets	<u>192,591,319</u>	<u>230,089,920</u>	<u>96,392,392</u>	<u>117,439,115</u>
Total assets	<u>212,990,654</u>	<u>260,035,529</u>	<u>135,420,060</u>	<u>145,338,155</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accruals	2,305,038	5,116,421	4,032,829	4,172,904
Due to state treasury	570			
Deferred revenues	2,773,359	5,926,406	2,403,528	3,045,340
Compensated absences payable	444,656	419,807	209,347	265,620
Capital lease obligations		332,308		
Amounts held in custody for others	519,204	750,923	333,718	299,196
Notes payable	119,807			142,822
Pollution remediation obligation				
Reimbursement contracts payable				
Bonds payable	1,240,000	1,487,759	980,000	840,000
Other current liabilities	2,938,948	1,248,221	172,407	311,568
Total current liabilities	<u>10,341,582</u>	<u>15,281,845</u>	<u>8,131,829</u>	<u>9,077,450</u>

(Continued)

Schedule 2

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
\$32,791,041	\$22,130,706	\$49,646,021	\$23,556,932	\$1,983,167	\$195,621,040
	6,655,056				15,872,291
4,327,961	5,267,348	11,720,336	6,612,142		52,718,212
151,426		107,241			1,348,543
1,683,455	2,502,258		1,506,474		12,247,365
483,450	776,726	1,599,611	169,938		6,936,829
244,023	409,760	4,289,201	181,379		9,760,954
73,092	286,337	1,428,364	880,374		4,046,825
67,497	2,561,302			148,200	2,960,411
<u>39,821,945</u>	<u>40,589,493</u>	<u>68,790,774</u>	<u>32,907,239</u>	<u>2,131,367</u>	<u>301,512,470</u>
2,717,678	24,069,879	56,011,507	14,457,067		139,086,265
8,641,940	15,344,650	58,492,832	20,350,856		182,668,347
35,436			700,863		4,241,357
1,974,969	2,294,468	9,234,006	4,988,788		26,627,164
		164,236			164,236
					10,027
58,157,564	150,460,810	187,479,193	134,849,527	12,350	1,024,302,327
	3,135,181	986,283	1,589,330		15,562,436
<u>71,527,587</u>	<u>195,304,988</u>	<u>312,368,057</u>	<u>176,936,431</u>	<u>12,350</u>	<u>1,392,662,159</u>
<u>111,349,532</u>	<u>235,894,481</u>	<u>381,158,831</u>	<u>209,843,670</u>	<u>2,143,717</u>	<u>1,694,174,629</u>
3,834,044	4,425,845	6,521,946	7,213,860	299,544	37,922,431
	761				1,331
2,785,691	3,775,500	2,699,630	3,402,788		26,812,242
363,902	936,940	551,891	605,151	78,253	3,875,567
			5,243		337,551
31,336	399,636	1,472,834	555,695		4,362,542
			115,400		378,029
		51,229			51,229
30,000			215,000		245,000
245,000	1,835,000	410,000	390,000		7,427,759
	6,030	384,164	2,056,594	1,983,167	9,101,099
<u>7,289,973</u>	<u>11,379,712</u>	<u>12,091,694</u>	<u>14,559,731</u>	<u>2,360,964</u>	<u>90,514,780</u>

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Net Assets, by University  
June 30, 2010**

	<u>GRAMBLING STATE UNIVERSITY</u>	<u>LOUISIANA TECH UNIVERSITY</u>	<u>MCNEESE STATE UNIVERSITY</u>	<u>NICHOLLS STATE UNIVERSITY</u>
<b>LIABILITIES (CONT.)</b>				
Noncurrent liabilities:				
Compensated absences payable	\$2,942,357	\$4,104,424	\$2,995,265	\$2,907,078
Capital lease obligations		339,854		
Notes payable	1,841,496			58,133
Reimbursement contracts payable				
Bonds payable	105,136,221	75,004,018	24,623,604	55,965,000
Other postemployment benefits payable	19,537,728	31,147,637	23,464,782	24,127,012
Other noncurrent liabilities	240,445			206,247
Total noncurrent liabilities	<u>129,698,247</u>	<u>110,595,933</u>	<u>51,083,651</u>	<u>83,263,470</u>
Total liabilities	<u>140,039,829</u>	<u>125,877,778</u>	<u>59,215,480</u>	<u>92,340,920</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	77,816,564	102,981,991	52,051,542	36,856,794
Restricted for:				
Nonexpendable	8,611,627	30,943,592	12,403,237	13,500,376
Expendable	8,337,857	17,301,328	16,399,812	21,709,652
Unrestricted	<u>(21,815,223)</u>	<u>(17,069,160)</u>	<u>(4,650,011)</u>	<u>(19,069,587)</u>
<b>Total net assets</b>	<u><u>\$72,950,825</u></u>	<u><u>\$134,157,751</u></u>	<u><u>\$76,204,580</u></u>	<u><u>\$52,997,235</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>
\$2,097,418	\$5,107,423	\$8,963,029	\$4,142,376	\$276,579	\$33,535,949
					339,854
			115,550		2,015,179
95,000			230,000		325,000
4,500,000	81,783,702	28,871,343	68,270,000		444,153,888
27,280,544	46,428,585	56,835,148	32,528,055	603,298	261,952,789
24,738			4,227,098		4,698,528
<u>33,997,700</u>	<u>133,319,710</u>	<u>94,669,520</u>	<u>109,513,079</u>	<u>879,877</u>	<u>747,021,187</u>
<u>41,287,673</u>	<u>144,699,422</u>	<u>106,761,214</u>	<u>124,072,810</u>	<u>3,240,841</u>	<u>837,535,967</u>
53,287,564	82,713,839	161,363,816	64,494,491	12,350	631,578,951
9,504,540	8,517,529	51,343,866	18,582,758		153,407,525
10,437,235	36,008,351	60,983,872	15,670,315		186,848,422
(3,167,480)	(36,044,660)	706,063	(12,976,704)	(1,109,474)	(115,196,236)
<u>\$70,061,859</u>	<u>\$91,195,059</u>	<u>\$274,397,617</u>	<u>\$85,770,860</u>	<u>(\$1,097,124)</u>	<u>\$856,638,662</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, 2010**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
<b>OPERATING REVENUES</b>				
Student tuition and fees (net of scholarship allowances of \$88,788,690)	\$15,513,336	\$39,620,390	\$23,344,768	\$22,162,410
Federal grants and contracts	7,262,238	13,318,984	2,913,119	1,957,297
State and local grants and contracts	2,021,927	4,006,181	2,275,123	4,559,955
Nongovernmental grants and contracts	171,865	452,189	860,348	350,445
Sales and services of educational departments	577,690	594,007	68,654	895,718
Auxiliary enterprise revenues (net of scholarship allowances of \$11,816,510, including revenues used as security for revenue bonds)	11,327,677	25,355,638	12,100,687	11,003,615
Other operating revenues	11,015,564	1,202,353	1,902,950	1,761,728
Total operating revenues	<u>47,890,297</u>	<u>84,549,742</u>	<u>43,465,649</u>	<u>42,691,168</u>
<b>OPERATING EXPENSES</b>				
Educational and general:				
Instruction	26,477,730	45,100,309	32,629,633	29,101,792
Research	226,472	21,560,637	3,953,317	2,191,331
Public service	54,767	364,009	1,328,210	2,800,400
Academic services	8,038,204	11,511,839	8,771,135	7,265,834
Student services	6,147,041	4,990,327	5,680,482	7,966,870
Institutional support	12,334,747	9,662,641	9,367,562	7,754,281
Operations and maintenance of plant	8,224,634	10,210,223	8,343,476	7,665,627
Depreciation	6,803,238	7,480,952	4,533,934	6,202,500
Scholarships and fellowships	9,442,263	6,785,233	9,325,312	4,339,124
Auxiliary enterprises	14,237,224	36,380,832	13,629,471	11,609,215
Other operating expenses	3,934,951	800,536	59,712	377,215
Total operating expenses	<u>95,921,271</u>	<u>154,847,538</u>	<u>97,622,244</u>	<u>87,274,189</u>
<b>OPERATING LOSS</b>	<u>(48,030,974)</u>	<u>(70,297,796)</u>	<u>(54,156,595)</u>	<u>(44,583,021)</u>
<b>NONOPERATING REVENUES (Expenses)</b>				
State appropriations	20,761,988	43,341,084	29,751,083	24,284,215
Gifts	179,266	3,757,258	1,522,461	501,670
Federal nonoperating revenues (expenses)	14,113,832	8,809,718	11,689,148	9,884,560
Federal - American Recovery and Reinvestment Act	4,070,342	8,211,521	5,749,198	4,613,718
Investment income	1,630,768	67,490	1,836,540	834,430
Interest expense	(5,260,976)	(1,312,806)	(1,230,996)	(2,609,133)
Payments to or on behalf of the university				47,933
Other nonoperating revenues (expenses)	(114,104)	1,583,230	(29,151)	584,082
Net nonoperating revenues	<u>35,381,116</u>	<u>64,457,495</u>	<u>49,288,283</u>	<u>38,141,475</u>

(Continued)

Schedule 3

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
\$32,082,467	\$43,870,617	\$57,567,252	\$29,286,857		\$263,448,097
2,655,903	7,356,645	18,724,935	5,933,543		60,122,664
4,161,074	4,135,563	6,037,566	12,125,551		39,322,940
851,949	196,402	14,597,544	893,666		18,374,408
1,226,445	1,032,260	577,517	133,905		5,106,196
2,945,942	17,023,671	17,630,674	16,007,331		113,395,235
2,595,107	2,418,319	7,037,998	1,198,672		29,132,691
46,518,887	76,033,477	122,173,486	65,579,525	NONE	528,902,231
40,119,487	65,546,296	63,391,524	42,339,184		344,705,955
1,895,083	2,177,470	49,078,767	6,609,307		87,692,384
2,190,376	3,710,891	4,432,060	10,858,211		25,738,924
8,366,972	13,439,855	15,295,645	7,319,268		80,008,752
7,863,887	10,839,427	15,857,889	9,472,097		68,818,020
11,264,323	15,340,225	25,544,340	14,040,755	\$1,962,451	107,271,325
8,721,926	14,795,304	19,868,127	9,185,611		87,014,928
4,626,460	7,082,162	10,255,594	6,867,707	12,427	53,864,974
13,368,874	19,321,287	10,564,247	9,827,894		82,974,234
7,707,220	12,578,794	25,507,903	16,171,476		137,822,135
163,775	682,746	123,625	(70,551)	506,176	6,578,185
106,288,383	165,514,457	239,919,721	132,620,959	2,481,054	1,082,489,816
(59,769,496)	(89,480,980)	(117,746,235)	(67,041,434)	(2,481,054)	(553,587,585)
33,571,370	53,482,495	69,185,887	38,052,601	2,268,169	314,698,892
	777,700	156,781	259,040		7,154,176
13,867,552	20,900,496	19,872,808	13,960,047		113,098,161
6,422,475	10,326,141	13,257,527	7,557,930		60,208,852
1,402,052	439,647	4,565,569	(391,723)	195,672	10,580,445
(255,792)	(3,083,973)	(879,757)	(3,258,096)		(17,891,529)
					47,933
180,489	(355,519)	1,812,435	956,305		4,617,767
55,188,146	82,486,987	107,971,250	57,136,104	2,463,841	492,514,697

**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, 2010**

	<u>GRAMBLING STATE UNIVERSITY</u>	<u>LOUISIANA TECH UNIVERSITY</u>	<u>MCNEESE STATE UNIVERSITY</u>	<u>NICHOLLS STATE UNIVERSITY</u>
<b>LOSS BEFORE OTHER REVENUES AND EXPENSES</b>	(\$12,649,858)	(\$5,840,301)	(\$4,868,312)	(\$6,441,546)
Capital appropriations	3,597,008	14,196,588	8,107,139	7,180,318
Capital grants and gifts		2,691,379	27,837	
Additions to permanent endowments	250,000	3,835,790	100,000	1,640,000
Other	2,190	(1,497,464)		
<b>CHANGE IN NET ASSETS</b>	(8,800,660)	13,385,992	3,366,664	2,378,772
<b>NET ASSETS - BEGINNING OF YEAR (Restated)</b>	<u>81,751,485</u>	<u>120,771,759</u>	<u>72,837,916</u>	<u>50,618,464</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$72,950,825</u></u>	<u><u>\$134,157,751</u></u>	<u><u>\$76,204,580</u></u>	<u><u>\$52,997,236</u></u>

(Concluded)

Schedule 3

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
(\$4,581,350)	(\$6,993,993)	(\$9,774,985)	(\$9,905,330)	(\$17,213)	(\$61,072,888)
	2,222,913	4,740,746	4,467,869	24,777	44,537,358
3,659,929		929,247	83,208		7,391,600
800,000	300,000	800,000			7,725,790
					(1,495,274)
(121,421)	(4,471,080)	(3,304,992)	(5,354,253)	7,564	(2,913,414)
70,183,280	95,666,138	277,702,609	91,125,113	(1,104,688)	859,552,076
\$70,061,859	\$91,195,058	\$274,397,617	\$85,770,860	(\$1,097,124)	\$856,638,662

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Cash Flows, by University  
For the Fiscal Year Ended June 30, 2010**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Tuition and fees	\$28,180,574	\$39,701,813	\$23,102,395	\$22,171,839
Grants and contracts	9,866,044	17,840,197	6,637,605	6,978,751
Sales and services of educational departments	577,690	590,610	20,168	928,941
Auxiliary enterprise receipts	12,893,576	25,523,595	12,311,018	11,105,625
Payments for employee compensation	(39,696,639)	(69,070,720)	(43,066,236)	(36,552,903)
Payments for benefits	(10,214,278)	(18,792,233)	(12,281,151)	(11,579,627)
Payments for utilities	(2,403,083)	(8,617,306)	(2,251,813)	(2,375,067)
Payments for supplies and services	(19,814,698)	(33,844,477)	(15,959,394)	(16,630,570)
Payments for scholarships and fellowships	(21,822,302)	(8,260,915)	(10,969,646)	(8,232,754)
Loans to students		(713,483)	(203,302)	
Collection of loans to students		726,626	343,684	
Other receipts (payments)	7,806,513	1,217,894	(831,642)	1,681,096
Net cash used by operating activities	<u>(34,626,603)</u>	<u>(53,698,399)</u>	<u>(43,148,314)</u>	<u>(32,504,669)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
State appropriations	20,761,988	43,423,341	29,751,083	24,284,215
Gifts and grants for other than capital purposes	14,293,098	13,220,167	13,211,609	10,386,230
Private gifts for endowment purposes	250,000		100,000	1,640,000
TOPS receipts	462,600	10,033,961	5,453,509	6,870,408
TOPS disbursements	(462,600)	(9,793,190)	(5,453,509)	(6,870,408)
Federal - American Recovery and Reinvestment Act	3,459,163	8,135,062	5,749,198	4,613,718
Direct lending receipts			638,576	
Direct lending disbursements			(638,576)	
Federal Family Education Loan program receipts	40,357,753	27,843,065	27,424,818	18,648,553
Federal Family Education Loan program disbursements	(40,357,753)	(27,822,135)	(27,424,818)	(18,648,553)
Other receipts (payments)	(280,003)	1,583,230	330,252	625,149
Net cash provided by noncapital financing sources	<u>38,484,246</u>	<u>66,623,501</u>	<u>49,142,142</u>	<u>41,549,312</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Proceeds from capital debt			6,000,000	
Capital appropriations received		14,160,468	8,107,139	7,180,318
Capital grants and gifts received		2,691,379	27,837	
Purchases of capital assets	(560,801)	(28,677,437)	(10,819,599)	(9,632,758)
Principal paid on capital debt and leases	(1,046,292)	(1,864,104)	(1,476,396)	(918,020)
Interest paid on capital debt and leases	(5,295,174)	(640,193)	(1,230,996)	(2,612,861)
Deposit with trustees	(219,729)	625		
Other sources (payments)		(1,845,920)		420,011
Net cash provided (used) by capital financing activities	<u>(7,121,996)</u>	<u>(16,175,182)</u>	<u>607,985</u>	<u>(5,563,310)</u>

(Continued)

Schedule 4

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
\$31,687,824	\$43,123,436	\$57,381,802	\$28,761,891		\$274,111,574
6,331,262	10,926,301	37,726,592	18,975,757		115,282,509
1,226,445	883,734	577,517	133,905		4,939,010
(4,761,278)	17,232,433	17,577,752	15,499,619		107,382,340
(46,973,641)	(78,497,752)	(115,169,310)	(53,697,339)	(\$2,024,725)	(484,749,265)
(6,747,183)	(22,483,286)	(15,411,135)	(16,168,664)	(611,025)	(114,288,582)
(2,311,158)	(4,230,177)	(7,112,095)	(2,600,953)		(31,901,652)
(17,627,637)	(26,249,714)	(65,599,576)	(33,039,536)	171,909	(228,593,693)
(13,368,874)	(15,256,950)	(11,222,739)	(9,807,968)		(98,942,148)
(466,814)	(245,875)	(3,130,865)	(886,500)		(5,646,839)
338,619	379,017	2,622,256	1,041,482		5,451,684
2,329,187	103,246	6,922,620	(469,910)	1,931,585	20,690,589
<u>(50,343,248)</u>	<u>(74,315,587)</u>	<u>(94,837,181)</u>	<u>(52,258,216)</u>	<u>(532,256)</u>	<u>(436,264,473)</u>
33,523,820	52,104,660	69,290,681	38,052,601	2,268,169	313,460,558
13,867,552	19,599,588	20,618,425	14,137,717		119,334,386
800,000	300,000	800,000			3,890,000
5,037,916	11,656,304	14,136,270	6,074,695		59,725,663
(5,037,916)	(11,433,136)	(14,136,270)	(6,074,695)		(59,261,724)
6,422,475	10,326,141	13,257,527	7,557,930		59,521,214
1,119,770	132,961		735,974		2,627,281
(1,119,770)	(171,057)		(735,974)		(2,665,377)
31,702,224	44,415,618	32,765,236	31,405,644		254,562,911
(31,702,224)	(44,428,593)	(32,765,236)	(31,405,644)		(254,554,956)
180,489	2,827,866	1,916,763	2,438,762		9,622,508
<u>54,794,336</u>	<u>85,330,352</u>	<u>105,883,396</u>	<u>62,187,010</u>	<u>2,268,169</u>	<u>506,262,464</u>
			1,013,842		7,013,842
	2,222,913			24,777	31,695,615
3,659,929			83,208		6,462,353
(5,798,697)	(4,518,743)	(18,985,106)	(1,436,667)		(80,429,808)
(265,000)	(3,854,834)	(405,689)	(1,861,126)		(11,691,461)
(255,792)	(3,083,973)	(863,139)	(3,258,096)		(17,240,224)
					(219,104)
	80,405				(1,345,504)
<u>(2,659,560)</u>	<u>(9,154,232)</u>	<u>(20,253,934)</u>	<u>(5,458,839)</u>	<u>24,777</u>	<u>(65,754,291)</u>

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Cash Flows, by University, 2010**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from sales and maturities of investments	\$40,837,327	\$394		(\$1,084,107)
Interest received on investments	288,694	66,401	\$1,724,316	834,238
Purchase of investments	(37,400,277)		(2,080,104)	(2,629,086)
Net cash provided (used) by investing activities	<u>3,725,744</u>	<u>66,795</u>	<u>(355,788)</u>	<u>(2,878,955)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	461,391	(3,183,285)	6,246,025	602,378
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (Restated)</b>				
	<u>10,116,944</u>	<u>41,121,457</u>	<u>27,355,757</u>	<u>24,622,640</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>				
	<u>\$10,578,335</u>	<u>\$37,938,172</u>	<u>\$33,601,782</u>	<u>\$25,225,018</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>				
Operating loss	(\$48,030,974)	(\$70,297,796)	(\$54,156,595)	(\$44,583,021)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation expense	6,803,238	7,480,952	4,533,934	6,202,500
Amortization of bond issuance costs	188,252			
Changes in assets and liabilities:				
(Increase) Decrease in accounts receivable, net	1,349,346	(242,571)	442,555	14,552
(Increase) Decrease in inventories	28,170	213,279	307,085	22,469
(Increase) Decrease in deferred charges and prepaid expenses	36,576	(188,388)	(556,522)	(12,598)
(Increase) Decrease in notes receivable	(1,122)	325,507	140,382	
(Increase) Decrease in other assets		(2,387)	14,804	122,075
Increase (Decrease) in accounts payable and accrued liabilities	(1,296,954)	(176,000)	(166,176)	(4,771)
Increase (Decrease) in deferred revenue	1,006,471	803,634	(11,058)	18,279
Increase (Decrease) in amounts held in custody for others	(76,389)	1,552	76,990	46,262
Increase (Decrease) in compensated absences	13,123	493,705	(126,347)	(48,245)
Increase in other postemployment benefits payable	4,772,247	8,034,264	6,352,634	5,717,638
Increase (Decrease) in other liabilities	581,413	(144,150)		191
Net cash used by operating activities	<u>(\$34,626,603)</u>	<u>(\$53,698,399)</u>	<u>(\$43,148,314)</u>	<u>(\$32,504,669)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:</b>				
Cash and cash equivalents classified as current assets	\$7,892,404	\$13,359,998	\$23,918,731	\$20,342,040
Cash and cash equivalents classified as noncurrent assets	<u>2,685,931</u>	<u>24,578,174</u>	<u>9,683,051</u>	<u>4,882,978</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>\$10,578,335</u>	<u>\$37,938,172</u>	<u>\$33,601,782</u>	<u>\$25,225,018</u>

(Continued)

Schedule 4

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
	\$525,034				\$40,278,648
\$1,402,052	439,647	2,222,744	(\$1,817,810)	\$195,672	5,355,954
(1,222,133)	(1,330,491)	(2,100,908)	(1,468,575)		(48,231,574)
<u>179,919</u>	<u>(365,810)</u>	<u>121,836</u>	<u>(3,286,385)</u>	<u>195,672</u>	<u>(2,596,972)</u>
1,971,447	1,494,723	(9,085,883)	1,183,570	1,956,362	1,646,728
<u>33,537,272</u>	<u>44,705,862</u>	<u>114,743,411</u>	<u>36,830,429</u>	<u>26,805</u>	<u>333,060,577</u>
<u>\$35,508,719</u>	<u>\$46,200,585</u>	<u>\$105,657,528</u>	<u>\$38,013,999</u>	<u>\$1,983,167</u>	<u>\$334,707,305</u>
(\$59,769,496)	(\$89,480,980)	(\$117,746,235)	(\$67,041,434)	(\$2,481,054)	(\$553,587,585)
4,626,460	7,082,161	10,255,594	6,867,707	12,427	53,864,973
					188,252
(1,899,437)	(1,047,513)	(1,618,821)	(643,021)		(3,644,910)
94,830	21,821	120,936	12,636		821,226
10,423	(378,229)	155,315	124,150		(809,273)
(128,195)	133,142	(508,609)	106,871		67,976
(2,875)	(656,470)		(96,226)	(127,976)	(749,055)
(12,177)	(983,558)	530,488	(12,169)	123,321	(1,997,996)
167,130	(940,188)	(396,765)	(100,782)		546,721
	(100,709)	504	(4,714)	(1,987)	(58,491)
(124,949)	164,010	105,754	55,374	(155,798)	376,627
6,765,044	11,870,926	14,185,550	8,095,164	140,462	65,933,929
(70,006)		79,108	378,228	1,958,349	2,783,133
<u>(\$50,343,248)</u>	<u>(\$74,315,587)</u>	<u>(\$94,837,181)</u>	<u>(\$52,258,216)</u>	<u>(\$532,256)</u>	<u>(\$436,264,473)</u>
\$32,791,041	\$22,130,706	\$49,646,021	\$23,556,932	\$1,983,167	\$195,621,040
<u>2,717,678</u>	<u>24,069,879</u>	<u>56,011,507</u>	<u>14,457,067</u>		<u>139,086,265</u>
<u>\$35,508,719</u>	<u>\$46,200,585</u>	<u>\$105,657,528</u>	<u>\$38,013,999</u>	<u>\$1,983,167</u>	<u>\$334,707,305</u>

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Cash Flows, by University, 2010**

	<u>GRAMBLING STATE UNIVERSITY</u>	<u>LOUISIANA TECH UNIVERSITY</u>	<u>MCNEESE STATE UNIVERSITY</u>	<u>NICHOLLS STATE UNIVERSITY</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>				
Capital assets appropriated	\$3,597,008			
Disposition of capital assets	334,101	\$132,809		
Increase (decrease) in fair market value of assets	1,307,877	(888)	\$112,224	
Capital gifts and grants				
Other		3,850,545	27,837	

(Concluded)

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	TOTAL SYSTEM
		\$4,740,746	\$4,467,869	\$12,805,623
				466,910
	\$556,000	2,178,589		4,153,802
		929,247		929,247
	16,710		3,200	3,898,292

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**OTHER REPORT REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***

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





LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

December 22, 2010

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 unit of the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2010, which collectively comprise the System's basic financial statements and have issued our report thereon dated December 22, 2010. Our report includes a reference to 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. 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 University of Louisiana at Lafayette Foundation, Inc., which is a discretely presented component unit 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 University of Louisiana System's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 above.

### **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, 2010. In addition, other external auditors audited the University of Louisiana at Lafayette Foundation, Inc., which is a discretely presented component unit 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, 2010, 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>
Grambling State University	Pending
McNeese State University	Pending
Southeastern Louisiana University	December 15, 2010
University of Louisiana at Lafayette	Pending
University of Louisiana at Monroe	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 those reports can also be found on the Internet at [www.la.la.gov](http://www.la.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,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

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ULS 2010

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