

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



FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
ISSUED MAY 14, 2008

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

LEGISLATIVE AUDIT ADVISORY COUNCIL
REPRESENTATIVE NOBLE E. ELLINGTON, CHAIRMAN

SENATOR NICHOLAS “NICK” GAUTREAUX
SENATOR WILLIE L. MOUNT
SENATOR EDWIN R. MURRAY
SENATOR BEN W. NEVERS, SR.
REPRESENTATIVE NEIL C. ABRAMSON
REPRESENTATIVE CHARLES E. “CHUCK” KLECKLEY
REPRESENTATIVE ANTHONY V. LIGI, JR.
REPRESENTATIVE CEDRIC RICHMOND

LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Eight copies of this public document were produced at an approximate cost of \$41.68. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor’s Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 7176 or Report ID No. 80070012 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne “Skip” Irwin, Director of Administration, at 225-339-3800.

	Page
Independent Auditor's Report on the Financial Statements	3
Management's Discussion and Analysis	7

Statement

Basic Financial Statements:

University of Louisiana System Statement of Net Assets	A15
Component Units Statement of Financial Position	B17
University of Louisiana System Statement of Revenues, Expenses, and Changes in Net Assets	C19
Component Units Statement of Activities	D21
University of Louisiana System Statement of Cash Flows.....	E23
Notes to the Financial Statements	27

Schedule

Supplemental Information Schedules:

Combining Schedule of Net Assets, by University	1.....66
Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by University	2.....70
Combining Schedule of Cash Flows, by University	3.....74

Exhibit

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A
--	---

Appendix

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



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

March 12, 2008

Independent Auditor's Report
on the Financial Statements

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2007, 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 Ragin' Cajun Facilities, Inc.; University Facilities, Inc.; Innovative Student Facilities, Inc.; University of Louisiana at Monroe Facilities, Inc.; Cowboy Facilities, Inc.; Black and Gold Facilities, Inc.; and Nicholls State University Facilities Corporation, which are nonprofit corporations included as blended component units in the basic financial statements representing approximately 21.4% of total assets, 72.1% of total liabilities, 1% of net assets, and 2.8% of total revenues of the University of Louisiana System. We also did not audit the financial statements of the Louisiana Tech University Foundation, Inc.; the McNeese State University Foundation; and the University of Louisiana at Lafayette Foundation, Inc., which are all of the discretely presented component units in the basic financial statements of the University of Louisiana System. The financial statements of the blended and discretely presented component units were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts reported for these component units, are based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University Facilities, Inc.; the University of Louisiana at Monroe Facilities, Inc.; the Black and Gold Facilities, Inc.; and the Nicholls State University Facilities Corporation, which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. An audit

includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the University of Louisiana System as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Black and Gold Facilities, Inc., a blended component unit of the University of Louisiana System, began activities on October 1, 2006, and its financial activities are included in the University of Louisiana System's financial statements. In addition, as discussed in note 1 to the financial statements, the University of Louisiana at Monroe Foundation, a discretely presented component unit in the University of Louisiana System's financial statements for the year ended June 30, 2006, has been excluded from the financial statements for the year ended June 30, 2007, since the entity no longer met reporting requirements for inclusion. As discussed in note 14 to the financial statements, the effect of excluding the University of Louisiana at Monroe Foundation is a decrease of \$23,056,425 in beginning net assets for the discretely presented component units. These changes affect the comparability of amounts reported for the year ended June 30, 2007, with amounts reported for the year ended June 30, 2006.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2008, on our consideration of the University of Louisiana System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 7 through 13 is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Louisiana System's basic financial statements. The accompanying supplemental information schedules, including the combining schedule of net assets; the combining schedule of revenues, expenses, and changes in net assets; and the combining schedule of cash flows, on pages 66 through 79, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

BC:CGEW:THC:dl

ULS07

This page is intentionally blank.

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, 2007. Please read this section in conjunction with the System's financial statements, which follows this section. The System is comprised of the following entities:

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

FINANCIAL HIGHLIGHTS

The System's net assets overall changed from \$925,422,021 (restated) to \$977,539,434, a 6% increase from June 30, 2006, to June 30, 2007. The overall reasons for this change included:

- Increases in state funding
- Increases in fees and tuition
- Increases in capital appropriations
- Increases in endowment gifts

Enrollment changed from approximately 85,550 to approximately 80,793 from June 30, 2006, to June 30, 2007, an overall decrease of 5.6%. The System's operating revenues increased by approximately 0.4% to \$547,485,765 from June 30, 2006, to June 30, 2007, because of tuition/fee increases and various grant/contract programs. Operating expenses increased by 5.5% to \$892,217,994 for the year ended June 30, 2007. The primary reasons for this change include faculty salary increases, student service increases, and general increases in operations.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating appropriations, interest earnings/expense, and other nonoperating revenue. The change to \$368,802,026 in 2007 from \$331,515,625 in 2006 is primarily attributed to an increase in state

appropriations and interest earnings with decreases in other nonoperating income. State appropriations increased by \$46,198,205 and interest earnings increased \$8,129,143, which along with the decrease in insurance recoveries, gifts, and other nonoperating revenues of \$17,040,947, attribute to the overall increase.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements. The basic financial statements present information for the System as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (pages 15-16) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

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

The Statement of Cash Flows (pages 23-25) presents information showing how the System's cash changed as a result of current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

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

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

FINANCIAL ANALYSIS**Net Assets**

The System's total net assets at June 30, 2007, changed by approximately \$53 million, a 5.7% increase over June 30, 2006 (see Table A-1). Total assets increased 11% to \$1,405 billion, and total liabilities increased 25.1% to \$428 million.

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

	<u>2007</u>	<u>2006</u> <u>(Restated)</u>	<u>Variance</u>	<u>Percent</u> <u>Variance</u>
Current and other assets	\$581	\$508	\$73	14.4%
Capital assets	824	758	66	8.7%
Total assets	<u>1,405</u>	<u>1,266</u>	<u>139</u>	11.0%
Current liabilities	84	70	14	20.0%
Noncurrent liabilities	344	272	72	26.5%
Total liabilities	<u>428</u>	<u>342</u>	<u>86</u>	25.1%
Net assets:				
Invested in capital assets, net of debt	540	530	10	1.9%
Restricted	333	285	48	16.8%
Unrestricted	<u>105</u>	<u>110</u>	<u>(5)</u>	(4.5%)
Total net assets	<u>\$978</u>	<u>\$925</u>	<u>\$53</u>	5.7%

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

Significant statement of net asset changes from 2006 include the following:

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

- Current liabilities increased because of an increase in accounts payable, and an increase in amounts due within one year for bonds payable.
- Long-term liabilities increased from the long-term portion of bonds payable resulting from the issuance of bonds for construction by three facilities corporations, which are blended component units.
- Invested in capital assets, net of related debt, increased from current year capital asset additions.
- Restricted net assets increased from increased endowment gifts and earnings on endowments.
- Unrestricted net assets decreased from the write-off of receivables for non-recurring revenues recognized in the prior year from insurance recoveries as a result of damages from Hurricane Rita.

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

Changes in Net Assets

The change in net assets at June 30, 2007, is approximately \$53 million or 5.7% more than at June 30, 2006. 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 0.4% to approximately \$547 million and total operating expenses increased 5.5% to approximately \$892 million. These changes are the result of several factors, including the following:

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

Nonoperating revenues, net, increased by 11.1% to \$368 million, which is primarily attributable to increased state appropriations, gifts, and investment income. Capital appropriations, capital grants and gifts, additions to permanent endowments, and other revenues/expenses decreased by 35.1% to \$52 million as a result of a reduction in capital appropriations, additions to endowments, and an \$11 million extraordinary gain recognized in 2006 compared to no extraordinary items recognized in 2007.

Total education and general expenses changed from \$718 in 2006 to \$757 in 2007. The change is primarily attributable to the following:

- Faculty and staff salary increases
- Group insurance increases
- General increases in operating the university system

Depreciation expense increased by 4.9% to \$44 million from depreciable capital assets placed in service during fiscal 2007.

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

	2007	2006 (Restated)	Variance	Percent Variance
Operating revenues:				
Student tuition and fees, net	\$242	\$243	(\$1)	(0.4%)
Auxiliary	103	95	8	8.4%
Other	203	207	(4)	(1.9%)
Total operating revenues	<u>548</u>	<u>545</u>	<u>3</u>	0.55%
Operating expenses:				
Education and general	757	718	39	5.4%
Other	135	127	8	6.3%
Total operating expenses	<u>892</u>	<u>845</u>	<u>47</u>	5.6%
Operating loss	<u>(344)</u>	<u>(300)</u>	<u>(44)</u>	14.7%
Nonoperating revenues (expenses):				
State appropriations	353	307	46	15.0%
Gifts	7	7		
Other	8	18	(10)	(55.6%)
Total nonoperating revenues	<u>368</u>	<u>332</u>	<u>36</u>	10.8%
Capital appropriations	16	25	(9)	(36.0%)
Capital grants and gifts	6	3	3	100.0%
Additions to permanent endowments	8	12	(4)	(33.3%)
Other expenses, net	(2)	(1)	(1)	100.0%
Extraordinary item - gain on impairment of capital assets		11	(11)	
Change in net assets	52	82	(30)	(36.6%)
Net assets, beginning of the year (restated)	<u>925</u>	<u>843</u>	<u>82</u>	9.7%
Total net assets	<u>\$977</u>	<u>\$925</u>	<u>\$53</u>	5.7%

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

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>Percent Variance</u>
Instruction	\$285	\$271	\$14	5.2%
Research	69	69		
Public service	23	21	2	9.5%
Academic support	64	60	4	6.7%
Student services	57	54	3	5.6%
Institutional support	85	79	7	8.9%
Operations and plant maintenance	76	66	9	13.6%
Depreciation	44	42	2	4.8%
Scholarships and fellowships	54	56	(2)	(3.6%)
Total	<u>\$757</u>	<u>\$718</u>	<u>\$39</u>	5.4%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007 and 2006, the System's cost of capital assets totaled approximately \$1.6 billion and \$1.5 billion, respectively. Net of accumulated depreciation, the System's capital assets at June 30, 2007, total approximately \$824 million. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$66 million or 8.7% over June 30, 2006. The increases were primarily in buildings and equipment financed through long-term obligations.

Debt Administration

During fiscal 2007, three facilities corporations, which are blended component units of System universities, issued bonds totaling \$74,535,000 for the improvement and construction of streets and parking facilities and the construction of new student residential facilities.

Under the terms of its capital leases, the System will make annual minimum lease payments in 2008 of approximately \$391,350 including principal and interest. All lease covenants have been met. See notes 11 and 12 to the financial statements for details relating to changes in and the composition of capital leases and long-term liabilities.

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

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

- Changes in state appropriations
- Changes in federal grant programs
- Significant new or additional capital appropriations
- New revenue bonds issued by blended component units
- Renovations and new construction to facilities

**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 Facilities and Operations at (225) 342-6950.

This page is intentionally blank.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Net Assets
June 30, 2007**

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$177,947,524
Investments (note 3)	16,351,599
Receivables, net (note 4)	55,520,196
Due from state treasury	1,808,749
Due from federal government (note 4)	2,132,777
Inventories	6,953,327
Deferred charges and prepaid expenses	6,723,598
Notes receivable, net	4,465,110
Other current assets	5,778,972
Total current assets	<u>277,681,852</u>

Noncurrent assets:

Restricted:

Cash and cash equivalents (notes 2 and 3)	66,314,651
Investments (note 3)	202,126,954
Receivables, net (note 4)	602,017
Notes receivable, net	23,973,225
Other	7,267
Notes receivable	17,010
Capital assets (net) (note 5)	824,417,282
Other noncurrent assets	10,149,681
Total noncurrent assets	<u>1,127,608,087</u>
Total assets	<u>1,405,289,939</u>

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 6)	45,657,299
Due to state treasury	7,758
Deferred revenues	21,110,129

(Continued)

The accompanying notes are an integral part of this statement.

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 2007

LIABILITIES (CONT.)

Current liabilities: (Cont.)

Compensated absences payable (note 10)	\$3,546,101
Capital lease obligations (note 11)	327,920
Amounts held in custody for others (note 12)	4,910,672
Notes payable (note 12)	598,877
Contracts payable (note 12)	623,011
Reimbursement contracts payable (note 12)	25,000
Bonds payable (note 12)	5,795,000
Other current liabilities	1,707,254
Total current liabilities	<u>84,309,021</u>

Noncurrent liabilities:

Compensated absences payable (note 10)	28,491,338
Capital lease obligations (note 11)	903,378
Notes payable (note 12)	2,920,936
Reimbursement contracts payable (note 12)	180,000
Bonds payable (note 12)	309,735,000
Other noncurrent liabilities	1,210,832
Total noncurrent liabilities	<u>343,441,484</u>
Total liabilities	<u>427,750,505</u>

NET ASSETS

Invested in capital assets, net of related debt	540,299,001
Restricted:	
Nonexpendable (note 15)	145,138,586
Expendable (note 15)	187,438,421
Unrestricted	104,663,426
Total net assets	<u><u>\$977,539,434</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

COMPONENT UNITS

Statement of Financial Position, June 30, 2007

	LOUISIANA TECH UNIVERSITY FOUNDATION, INC.	MCNEESE STATE UNIVERSITY FOUNDATION	UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.	TOTAL COMPONENT UNITS
ASSETS				
Cash and cash equivalents (note 2)	\$3,874,667	\$4,569,346	\$8,635,117	\$17,079,130
Investments (note 3)	21,688,984		111,141,445	132,830,429
Restricted assets - investments (note 3)	31,429,020	45,195,631		76,624,651
Accounts receivable, net	1,463,465	520,000		1,983,465
Due from state government			840,000	840,000
Pledges receivable	482,827	357,962	3,157,106	3,997,895
Fixed assets, net (note 5)	6,398,476	520,525	11,684,861	18,603,862
Other assets	115,975		794,791	910,766
Total assets	\$65,453,414	\$51,163,464	\$136,253,320	\$252,870,198
LIABILITIES				
Accounts payable	\$626,731	\$83,696		\$710,427
Accrued interest payable	13,038			13,038
Gift annuity liability	189,454			189,454
Deferred compensation	167,968			167,968
Endowment funds held in custody	30,115,002	4,206,799	\$25,625,967	59,947,768
Deferred revenue	495,936			495,936
Notes payable (note 12)	1,050,000			1,050,000
Bonds payable (note 12)	1,473,828		6,900,000	8,373,828
Other liabilities			149,999	149,999
Total liabilities	34,131,957	4,290,495	32,675,966	71,098,418
NET ASSETS				
Unrestricted	4,472,023	4,832,962	4,971,515	14,276,500
Temporarily restricted	10,408,493	15,697,896	45,324,705	71,431,094
Permanently restricted	16,440,941	26,342,111	53,281,134	96,064,186
Total net assets	31,321,457	46,872,969	103,577,354	181,771,780
Total liabilities and net assets	\$65,453,414	\$51,163,464	\$136,253,320	\$252,870,198

The accompanying notes are an integral part of this statement.

This page is intentionally blank.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2007**

OPERATING REVENUES

Student tuition and fees (net of scholarship allowances of \$67,867,222)	\$242,216,024
Federal grants and contracts	128,782,118
State and local grants and contracts	34,530,286
Nongovernmental grants and contracts	19,191,628
Sales and services of educational departments	4,354,388
Auxiliary enterprise revenues (net of scholarship allowances of \$8,167,019, including revenues used as security for revenue bonds)	103,534,504
Other operating revenues	14,876,817
Total operating revenues	<u>547,485,765</u>

OPERATING EXPENSES

Educational and general:	
Instruction	284,536,392
Research	69,222,812
Public service	23,326,103
Academic support	63,957,559
Student services	56,729,886
Institutional support	85,245,220
Operations and maintenance of plant	75,529,597
Depreciation	44,145,097
Scholarships and fellowships	54,196,679
Auxiliary enterprises	129,092,554
Other operating expenses	5,736,095
Total operating expenses	<u>891,717,994</u>

OPERATING LOSS (344,232,229)

(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 2007**

NONOPERATING REVENUES (Expenses)	
State appropriations	\$353,343,575
Gifts	6,947,224
Investment income, net	24,364,557
Interest expense	(10,232,066)
Payments to or on behalf of the university	14,712
Other nonoperating expenses, net	(5,635,976)
Net nonoperating revenues	<u>368,802,026</u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	24,569,797
Capital appropriations	15,955,771
Capital grants and gifts	6,056,348
Additions to permanent endowments	8,186,161
Other expenses, net	<u>(2,650,664)</u>
CHANGE IN NET ASSETS	52,117,413
NET ASSETS - BEGINNING OF YEAR, Restated (note 14)	<u>925,422,021</u>
NET ASSETS - END OF YEAR	<u><u>\$977,539,434</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2007**

	LOUISIANA TECH UNIVERSITY FOUNDATION, INC.	MCNEESE STATE UNIVERSITY FOUNDATION	UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.	TOTAL COMPONENT UNITS
Changes in unrestricted net assets:				
Contributions and contributed services	\$835,604	\$58,504	\$74,456	\$968,564
Investment earnings			1,026,972	1,026,972
Management and service fees	781,240			781,240
Rental income		13,575		13,575
Interest, dividends, royalties, and lease income	240,067	450,715		690,782
Realized and unrealized gain on investments and marketable securities, net	176,142			176,142
Fund raising		8,000		8,000
Other	773,876	21,585	107,876	903,337
Total unrestricted revenues	2,806,929	552,379	1,209,304	4,568,612
Net assets released from restrictions - satisfaction of program expenses	6,618,101	2,618,390	4,532,196	13,768,687
Investment income and foundation funds added to endowment principal			(675,176)	(675,176)
Total unrestricted revenues and other support	9,425,030	3,170,769	5,066,324	17,662,123
Expenses - amounts paid to benefit University of Louisiana System for:				
Projects specified by donors		2,075,604	4,068,146	6,143,750
Scholarships and awards	470,440	526,013		996,453
Instructional, academic, institutional, and other support	3,283,971			3,283,971
Student services	130,718			130,718
Auxiliary	3,111,234			3,111,234
Departmental expenses		16,773		16,773
Total program expenses	6,996,363	2,618,390	4,068,146	13,682,899
Supporting services:				
Management and general	1,098,795	90,865	51,158	1,240,818
Fund raising	1,154,535	102,440	389,211	1,646,186
Insurance			55,205	55,205
Office operations			115,214	115,214
Travel			7,708	7,708
Professional services			49,101	49,101
Dues and subscriptions			310	310
Meetings and development			1,667	1,667
Investment management fee			349,985	349,985
Interest			337,989	337,989
Depreciation			287,754	287,754
Bad debt recoveries			(897,224)	(897,224)
Other			26,647	26,647
Total supporting services	2,253,330	193,305	774,725	3,221,360
Total expenses	9,249,693	2,811,695	4,842,871	16,904,259
Increase in unrestricted net assets	\$175,337	\$359,074	\$223,453	\$757,864

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2007**

	LOUISIANA TECH UNIVERSITY FOUNDATION, INC.	MCNEESE STATE UNIVERSITY FOUNDATION	UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.	TOTAL COMPONENT UNITS
Changes in temporarily restricted net assets:				
Contributions	\$3,519,217	\$2,608,232	\$2,784,722	\$8,912,171
Investment earnings		4,603,719	1,957,438	6,561,157
Management and service fees	13,831			13,831
Interest, dividends, and lease income	671,568			671,568
Realized and unrealized gain on investments and marketable securities, net	1,128,527		9,195,211	10,323,738
Other	1,862,357		1,389,632	3,251,989
Total temporarily restricted revenues	<u>7,195,500</u>	<u>7,211,951</u>	<u>15,327,003</u>	<u>29,734,454</u>
Net assets released from restrictions - satisfaction of program expenses	(6,474,587)	(2,618,390)	(4,532,196)	(13,625,173)
Investment income and foundation funds added to endowment principal			<u>(5,254,762)</u>	<u>(5,254,762)</u>
Increase in temporarily restricted net assets	<u><u>\$720,913</u></u>	<u><u>\$4,593,561</u></u>	<u><u>\$5,540,045</u></u>	<u><u>\$10,854,519</u></u>
Changes in permanently restricted net assets:				
Contributions	\$3,311,269	\$1,523,459	\$1,564,214	\$6,398,942
Investment earnings		671,978		671,978
Interest, dividends, and lease income	119			119
Realized and unrealized loss on investments, net	(9,087)			(9,087)
Other	111,065		59,903	170,968
Assets dedicated to universities	(29,522)			(29,522)
Total permanently restricted revenues	<u>3,383,844</u>	<u>2,195,437</u>	<u>1,624,117</u>	<u>7,203,398</u>
Net assets released from restrictions - satisfaction of program expenses	(143,514)			(143,514)
Investment income and foundation funds added to endowment principal			<u>5,929,938</u>	<u>5,929,938</u>
Increase in permanently restricted net assets	<u><u>\$3,240,330</u></u>	<u><u>\$2,195,437</u></u>	<u><u>\$7,554,055</u></u>	<u><u>\$12,989,822</u></u>
Increase in net assets	\$4,136,580	\$7,148,072	\$13,317,553	\$24,602,205
Net assets at beginning of year, restated (note 14)	<u>27,184,877</u>	<u>39,724,897</u>	<u>90,259,801</u>	<u>157,169,575</u>
Net assets at end of year	<u><u>\$31,321,457</u></u>	<u><u>\$46,872,969</u></u>	<u><u>\$103,577,354</u></u>	<u><u>\$181,771,780</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$252,446,493
Grants and contracts	189,540,468
Sales and services of educational departments	4,614,187
Auxiliary enterprise receipts	96,045,791
Payments for employee compensation	(417,152,952)
Payments for benefits	(105,231,125)
Payments for utilities	(36,140,800)
Payments for supplies and services	(203,190,296)
Payments for scholarships and fellowships	(68,973,292)
Loans issued to students and employees	(6,468,037)
Interest earned on loans to students and employees	156,249
Collection of loans to students and employees	6,961,269
Other receipts	6,288,392
Net cash used by operating activities	<u>(281,103,653)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	351,584,486
Gifts and grants for other than capital purposes	6,462,626
Private gifts for endowment purposes	8,186,161
TOPS receipts	48,859,175
TOPS disbursements	(48,839,835)
Federal Family Education Loan program receipts	216,628,924
Federal Family Education Loan program disbursements	(216,623,472)
Student organization agency transactions	(42,768)
Other payments	(8,824,015)
Net cash provided by noncapital financing sources	<u>357,391,282</u>

(Continued)

The accompanying notes are an integral part of this statement.

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2007

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Proceeds from capital debt	\$75,778,894
Capital appropriations received	13,227,409
Capital grants and gifts received	5,995,999
Proceeds from sale of capital assets	43,320
Purchases of capital assets	(105,784,478)
Principal paid on capital debt and leases	(5,763,819)
Interest paid on capital debt and leases	(10,234,808)
Deposit with trustees	(19,845)
Other uses	(2,979,098)
Net cash used by capital financing activities	<u>(29,736,426)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales and maturities of investments	216,642,085
Interest received on investments	26,754,536
Purchase of investments	(262,175,142)
Net cash used by investing activities	<u>(18,778,521)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 27,772,682

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 216,489,493

CASH AND CASH EQUIVALENTS AT END OF YEAR \$244,262,175

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

Operating loss	(\$344,232,229)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	44,145,097
Loss on impairment	299,582

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2007**

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

Adjustments to reconcile operating loss to net cash used by operating activities: (Cont.)	
Changes in assets and liabilities:	
Decrease in accounts receivable, net	\$7,824,523
Decrease in due from federal government, net	135,660
Decrease in inventories	363,578
(Increase) in deferred charges and prepaid expenses	(322,670)
Decrease in notes receivable, net	466,884
(Increase) in other assets	(4,150,246)
Increase in accounts payable and accrued liabilities	11,777,599
(Decrease) in deferred revenue	(283,833)
Increase in amounts held in custody for others	1,020,340
Increase in compensated absences	2,710,351
(Decrease) in other liabilities	(858,289)
	<hr/>
Net cash used by operating activities	<u><u>(\$281,103,653)</u></u>

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

Capital assets appropriated	\$2,768,932
Disposition of capital assets	(299,582)
Equipment	621,546
Capital lease	(240,000)
Buildings	829,193
Capital assets donated	518,600

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

Cash and cash equivalents classified as current assets	\$177,947,524
Cash and cash equivalents classified as noncurrent assets	66,314,651
	<hr/>
Total Cash and Cash Equivalents	<u><u>\$244,262,175</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

This page is intentionally blank.

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 80,793 students enrolled during the fall semester of the 2006/2007 academic year and employed approximately 10,374 employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The System is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the universities within the System primarily serve state residents. The accompanying financial statements present information only as to the transactions of the programs of the System as authorized by Louisiana statutes and administrative regulations.

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

Blended Component Units

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

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

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

- Black and Gold Facilities, Inc., c/o Mr. Leon Sanders, Grambling State University, P.O. Box 605, Grambling, Louisiana 71245
- Innovative Student Facilities, Inc., c/o Mr. Joseph Thomas, Louisiana Tech University, P.O. Box 3151, Ruston, Louisiana 71272
- 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

The Black and Gold Facilities, Inc., a blended component unit of the System, began activities on October 1, 2006, when it entered into a loan agreement with the Louisiana Public Facilities Authority to issue revenue bonds for financing, planning, designing, constructing, furnishing, and equipping residence facilities for use by Grambling State University. Therefore, its financial activities are included in the System's financial statements for the year ended June 30, 2007.

Discretely Presented Component Units

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

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

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

During the year ended June 30, 2007, the foundations made distributions of \$9,614,753 to or on behalf of the universities for both restricted and unrestricted purposes.

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

- Louisiana Tech University Foundation, Inc., c/o Mr. Joseph Thomas, Louisiana Tech University, P.O. Box 3151, Ruston, Louisiana 71272
- McNeese State University Foundation, c/o Mr. Eddie Meche, McNeese State University, 4205 Ryan Street, Lake Charles, Louisiana 70609
- University of Louisiana at Lafayette Foundation, Inc., c/o Mr. Ronald P. Lajaunie, University of Louisiana at Lafayette, P.O. Box 42651, Lafayette, Louisiana 70504

These blended and discretely presented component units are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria, presentation, and disclosure requirements are different from GASB revenue recognition criteria and presentation features. With the exception of presentation adjustments, no modifications have been made to these component units' financial information in the System's report for these differences. Accordingly, the financial data of the discretely presented component units are shown on a statement of financial position and a statement of activities.

Every three years, in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14, the System evaluates whether discretely presented component units reported in prior financial statements continue to meet the Division of Administration, Office of Statewide Reporting and Accounting Policy's (OSRAP) guidelines requiring their presentation in the System's financial statements. For the year ended June 30, 2007, the University of Louisiana at Monroe Foundation, which was included in the System's financial statements for the year ended June 30, 2006, did not meet these guidelines; therefore, it has been excluded from the System's financial statements.

C. BASIS OF ACCOUNTING

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

Discrete Component Units

The component units follow the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, which establishes external financial reporting for not-for-profit organizations, and 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, and three to 10 years for most movable property.

I. DEFERRED REVENUES

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

J. COMPENSATED ABSENCES

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

Upon separation of employment, both classified and nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and nonclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave, which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

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

K. NONCURRENT LIABILITIES

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

**L. POSTEMPLOYMENT HEALTH CARE
 AND LIFE INSURANCE BENEFITS**

The System provides certain continuing health care and life insurance benefits for its retired employees. The System recognizes the cost of providing these retiree benefits as an expense when paid during the year.

M. 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.

N. CLASSIFICATION OF REVENUES

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

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

O. 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.

2. CASH AND CASH EQUIVALENTS

At June 30, 2007, the System has cash and cash equivalents (book balances) of \$244,262,175 as follows:

Petty cash	\$403,454
Demand deposits	145,709,355
Certificates of deposit	50,958,950
Cash with state treasurer	313,204
Money market funds	7,780,834
Cash in trustee accounts	2,053,962
Cash equivalents (note 3)	<u>37,042,416</u>
Total	<u><u>\$244,262,175</u></u>

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. Under state law, the System's deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the System or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2007, \$10,706,845 of the System's bank balance of \$225,340,711 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$1,307,401
Uninsured and collateralized with securities held by the pledging institution	2,554,752
Uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the System's name	<u>6,844,692</u>
Total	<u><u>\$10,706,845</u></u>

Cash and cash equivalents of the component units totaling \$17,079,130, as shown on the Statement of Net Assets, are reported under FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*, which does not require the disclosures of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

3. INVESTMENTS

At June 30, 2007, the System has' investments totaling \$255,520,969, which includes \$37,042,416 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:

<u>Type of Investment</u>	<u>Percentage of Investments</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
U.S. government securities:			
U.S. Treasury Notes ¹	8.73%		\$22,304,955
Federal Home Loan Mortgage Corporation ²	5.02%	Aaa	12,833,860
Federal National Mortgage Association ²	10.54%	Aaa	26,909,603
Federal Home Loan Bank ²	0.21%	Aaa	545,133
Federal Farm Credit Bank ³	0.77%	AAA	1,978,760
Mutual funds:			
Money market mutual funds ⁵			
AIG Financial Advisors	0.86%		2,205,844
A. G. Edwards	0.48%		1,232,326
Edward D. Jones	1.61%		4,123,120
Vanguard Inflation - Protected Securities Fund ²	0.24%	Aaa	608,814
Vanguard Federal Money Market Fund ²	0.46%	Aaa	1,173,206
Vanguard Wellington Fund ²	0.98%	Aa3	2,491,957
Vanguard Total Bond Market Index Fund ⁵	0.60%		1,524,853
Vanguard Mid-Cap Index Fund ⁵	0.08%		209,082
Vanguard REIT Index Fund ⁵	0.07%		184,204
Vanguard Small-Cap Index Fund ⁵	0.08%		209,471
Vanguard Total International Stock ⁵	0.08%		211,684
Other money market funds ⁵	0.37%		955,103
Investments held by foundations ⁴	54.05%		138,070,996
Common and preferred stock ⁴	0.18%		449,418
Certificates of deposit ⁴	0.31%		801,551
Corporate bonds and bond funds	3.16%		8,072,826
Louisiana Asset Management Pool ³	0.46%	AAAam	1,175,316
Held by blended component units:			
University Facilities, Inc. (Southeastern):			
Hypo Real Estate Bank International Fund ²	1.56%	A2	3,995,315
XL Asset Funding ⁵	2.06%		5,265,837
Fidelity Treasury Daily Master Note ⁵	4.17%		10,653,234
University of Louisiana at Monroe Facilities, Inc. ²	1.82%	Aa2	4,661,041
Cowboy Facilities, Inc. (McNeese) ⁵	0.55%		1,415,612
NSU Facilities Corporation (Nicholls) ⁵	0.49%		1,249,609
Other ⁴	0.01%		8,239
	<u>100.00%</u>		<u>\$255,520,969</u>

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

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

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

⁴Credit quality ratings are not required for these investments.

⁵Credit quality ratings are not available.

Type of Investment	Investment Maturities in Years						
	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	11-20 Years	21-30 Years	Over 30 Years
U.S. government securities:							
U.S. Treasury Notes	\$22,304,955	\$22,206,800	\$98,155				
Federal Home Loan Mortgage Corporation	12,833,860	9,970,000	142,164	\$2,721,696			
Federal National Mortgage Association	26,909,603	26,120,760	65,393	719,789	\$3,661		
Federal Home Loan Bank	545,133	29,504	379,342	136,287			
Federal Farm Credit Bank	1,978,760		1,978,760				
Mutual funds:							
AIG Financial Advisors	2,205,844	2,205,844					
A. G. Edwards	1,232,326	1,232,326					
Edward D. Jones	4,123,120	4,123,120					
Vanguard Federal Money Market	1,173,206	1,173,206					
Vanguard Wellington Fund	2,491,957			2,491,957			
Vanguard Inflation - Protected Fund	608,814			608,814			
Vanguard Total Bond Market Index Fund	1,524,853		1,524,853				
Vanguard Mid-Cap Index Fund	209,082	209,082					
Vanguard REIT Index Fund	184,204	184,204					
Vanguard Small Cap-Index Fund	209,471	209,471					
Vanguard Total International Stock	211,684	211,684					
Putnum High Yield Trust	12,317	12,317					
Guaranteed Investment Contracts:							
Hypo Real Estate Bank Fund	3,995,315	3,995,315					
XL Asset Funding	5,265,837	5,265,837					
Fidelity Treasury Daily Master Note	10,653,234	10,653,234					
Money market mutual funds	942,786	942,786					
Investments held by foundations:							
Common and preferred stock	64,042,186						
U.S. Treasury Notes	11,425,251	1,035,649	6,424,520	3,731,000	72,475	\$161,607	
U.S. Treasury Bonds	138,675			138,675			
Federal Home Loan Mortgage Corporation	6,934,630	663,011	1,642,535	2,675,360	803,212	995,073	\$155,439
Federal National Mortgage Association	9,850,283	1,172,573	1,352,460	1,986,112	1,851,867	841,229	2,646,042
Government National Mortgage Association	450,430	41,654		85,300		238,768	84,708
Federal Home Loan Bank	2,293,419	408,685	1,884,734				
Federal Farm Credit Bank	966,553		670,991	295,562			
Mutual funds	17,843,840	15,253,215					
Money market accounts	871,340	871,340					
Equity funds	624,075	624,075					
Corporation bonds/obligations	14,005,622	7,064,662	5,270,023	1,464,488	87,232	93,348	25,869
Certificates of deposit	1,236,656	1,236,656					
Other	7,388,036	4,223,670					
Common and preferred stock	449,418						
Certificates of deposit	801,551	216,725	495,264	89,562			
Corporate bonds	3,519,454	2,615,575	865,317	14,715		23,847	
Bond funds	4,553,372	4,553,372					
Promissory notes	4,661,041	2,616,279	2,044,762				
Louisiana Asset Management Pool, Inc.	1,175,316	1,175,316					
Other - NSU Facilities Corporation	1,249,609	1,249,609					
Other - Cowboy Facilities, Inc.	1,415,612						
Other - diamonds	8,239						
Total	\$255,520,969	\$133,767,556	\$24,839,273	\$17,159,317	\$2,818,447	\$2,353,872	\$2,912,058

Investments held by private foundations in external investment pools are managed in accordance with the terms outlined in management agreements executed between the System universities and their respective foundations. The System universities are voluntary participants. This investment totaling \$138,070,996 has no credit quality rating. The foundations hold and manage funds received by the university as state matching funds for the Endowed Chairs and Endowed Professorship programs. Of the \$138,070,996 reported as investments held by foundations, the amounts held by its discretely presented component units total \$101,446,465.

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, 2007, investments held by blended component units totaling \$9,261,152 were uninsured and unregistered and held by the counterparty and were, therefore, exposed to custodial credit risk.

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

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

INVESTMENTS - COMPONENT UNITS

Component units' investments totaling \$209,455,080, as shown on the Statement of Financial Position, are reported under FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*, which does not require the disclosures of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The fair value of investments held by the component units at June 30, 2007, follows:

<u>Type of Investment</u>	<u>Louisiana Tech University Foundation</u>	<u>McNeese State University Foundation</u>	<u>University of Louisiana at Lafayette Foundation</u>	<u>Total</u>
Cash and cash equivalents	\$2,704,152			\$2,704,152
Certificates of deposit	951,824	\$82,379	\$3,105,501	4,139,704
Mutual funds	19,350,911	13,793,407	71,485,088	104,629,406
Government obligations and corporate bonds	13,133,982		36,550,856	49,684,838
Corporate obligations		31,299,653		31,299,653
Common stocks	12,080,673			12,080,673
Real estate	4,848,892			4,848,892
Other	47,570	20,192		67,762
Total	<u>\$53,118,004</u>	<u>\$45,195,631</u>	<u>\$111,141,445</u>	<u>\$209,455,080</u>

4. RECEIVABLES

Receivables are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2007. These receivables are composed of the following:

<u>Type</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Accounts Receivable</u>	<u>Noncurrent Portion</u>
Student tuition and fees	\$24,578,426	(\$10,312,392)	\$14,266,034	\$337,945
Auxiliary enterprises	5,857,727	(692,808)	5,164,919	109,999
Contributions and gifts	853,673		853,673	
Federal, state, and private grants and contracts	23,980,711	(30,340)	23,950,371	
Insurance recoveries	9,385,209		9,385,209	
Other	4,652,364	(17,580)	4,634,784	154,073
Total	<u>\$69,308,110</u>	<u>(\$11,053,120)</u>	<u>\$58,254,990</u>	<u>\$602,017</u>

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2007, follows:

University of Louisiana System

	Balance July 1, 2006	Prior Period Adjustment	Restated Balance July 1, 2006	Additions	Transfers	Retirements	Balance June 30, 2007
Capital assets not being depreciated:							
Land	\$32,053,775		\$32,053,775	\$177,597		(\$11,369)	\$32,220,003
Non-depreciable land improvements	5,466,374		5,466,374	193,245			5,659,619
Capitalized collections	205,002		205,002				205,002
Livestock	33,370		33,370	7,000		(6,100)	34,270
Construction-in-progress	76,698,622		76,698,622	81,723,803	(\$86,403,655)		72,018,770
Total capital assets not being depreciated	\$114,457,143	NONE	\$114,457,143	\$82,101,645	(\$86,403,655)	(\$17,469)	\$110,137,664
Other capital assets:							
Infrastructure	\$4,643,069		\$4,643,069				\$4,643,069
Less accumulated depreciation	(2,553,689)		(2,553,689)	(\$116,077)			(2,669,766)
Total infrastructure	2,089,380	NONE	2,089,380	(116,077)	NONE	NONE	1,973,303
Land improvements	15,784,062	\$404,111	16,188,173	2,035,401	\$2,002,633		20,226,207
Less accumulated depreciation	(9,144,753)	(20,206)	(9,164,959)	(892,916)	(40,869)		(10,098,744)
Total land improvements	6,639,309	383,905	7,023,214	1,142,485	1,961,764	NONE	10,127,463
Buildings	1,065,955,322		1,065,955,322	9,339,447	84,372,575	(\$11,676,406)	1,147,990,938
Less accumulated depreciation	(485,824,016)		(485,824,016)	(26,431,584)	40,869	8,838,998	(503,375,733)
Total buildings	580,131,306	NONE	580,131,306	(17,092,137)	84,413,444	(2,837,408)	644,615,205
Equipment	129,940,319		129,940,319	13,780,533		(4,464,032)	139,256,820
Less accumulated depreciation	(88,837,734)		(88,837,734)	(10,211,297)		4,219,761	(94,829,270)
Total equipment	41,102,585	NONE	41,102,585	3,569,236	NONE	(244,271)	44,427,550
Library books	127,809,502	152,508	127,962,010	5,937,868		(1,534,914)	132,364,964
Less accumulated depreciation	(114,086,672)		(114,086,672)	(6,526,123)		1,383,928	(119,228,867)
Total library books	13,722,830	152,508	13,875,338	(588,255)	NONE	(150,986)	13,136,097
Total other capital assets	\$643,685,410	\$536,413	\$644,221,823	(\$13,084,748)	\$86,375,208	(\$3,232,665)	\$714,279,618
Capital Asset Summary:							
Capital assets not being depreciated	\$114,457,143		\$114,457,143	\$82,101,645	(\$86,403,655)	(\$17,469)	\$110,137,664
Other capital assets, at cost	1,344,132,274	\$556,619	1,344,688,893	31,093,249	86,375,208	(17,675,352)	1,444,481,998
Total cost of capital assets	1,458,589,417	556,619	1,459,146,036	113,194,894	(28,447)	(17,692,821)	1,554,619,662
Less accumulated depreciation	(700,446,864)	(20,206)	(700,467,070)	(44,177,997)	NONE	14,442,687	(730,202,380)
Capital assets, net	\$758,142,553	\$536,413	\$758,678,966	\$69,016,897	(\$28,447)	(\$3,250,134)	\$824,417,282

The prior period adjustments represent corrections of errors in recorded capital assets from prior years as shown in note 14 and adjustments to classifications of capital assets by category.

Component Units

	Balance July 1, 2006	Prior Period Adjustment	Restated Balance July 1, 2006	Additions	Transfers	Retirements	Balance June 30, 2007
Capital assets not being depreciated:							
Real estate	\$7,256,066	(\$5,905,314)	\$1,350,752	\$176,372		(\$82,500)	\$1,444,624
Art and collectibles	2,045,516	(135,608)	1,909,908				1,909,908
Construction-in-progress				1,004,328			1,004,328
Total capital assets not being depreciated	\$9,301,582	(\$6,040,922)	\$3,260,660	\$1,180,700	NONE	(\$82,500)	\$4,358,860
Depreciable capital assets:							
Buildings	\$15,444,546	(\$1,225,068)	\$14,219,478				\$14,219,478
Vehicles, furniture, and equipment	5,158,467	(291,472)	4,866,995	527,534		(\$110,459)	5,284,070
Total depreciable capital assets	20,603,013	(1,516,540)	19,086,473	527,534	NONE	(110,459)	19,503,548
Less accumulated depreciation	(4,605,027)	613,226	(3,991,801)	(1,299,155)		32,410	(5,258,546)
Total depreciable capital assets, net	15,997,986	(903,314)	15,094,672	(771,621)	NONE	(78,049)	14,245,002
Total capital assets, net	\$25,299,568	(\$6,944,236)	\$18,355,332	\$409,079	NONE	(\$160,549)	\$18,603,862

The prior period adjustments for discretely presented component units represent the elimination of the University of Louisiana at Monroe Foundation as a discretely presented component unit of the System during the fiscal year ended June 30, 2007.

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

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

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

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

6. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2007:

<u>Account Name</u>	
Vendor payables	\$22,277,603
Accrued salaries and payroll deductions	19,577,195
Accrued interest	1,527,297
Other	<u>2,275,204</u>
Total payables	<u><u>\$45,657,299</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 Louisiana Teachers Retirement System (TRS), 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. TRS 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 TRS 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% (TRS) 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 15.8% of covered salaries to TRS, 19.1% of covered salaries to LASERS, and 19.6% of covered salaries to LSERS for fiscal year 2007. The State of Louisiana, through the annual appropriation to the System, funds the System's employer contribution. The System's employer contributions to TRS for the years ended June 30, 2007, 2006, and 2005 were \$20,426,117; \$19,439,549; and \$18,576,348, respectively, to LASERS for the years ended June 30, 2007, 2006, and 2005 were \$16,483,712; \$16,348,084; and \$14,856,635, respectively, and to LSERS for the years ended June 30, 2007 and 2006 were \$15,059 and \$16,275, respectively, equal to the required contributions for each year.

8. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

Total contributions by the System are 15.8% of the covered payroll for fiscal year 2007. 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 TRS 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 TRS 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 TRS. 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 \$22,266,926 and \$11,286,877, respectively, for the year ended June 30, 2007.

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The System provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the System's employees become eligible for these benefits if they reach normal retirement age while working for the System. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the System. The System recognizes the cost of providing these benefits to retirees (System's portion of premiums) as an expense when paid during the year. These retiree benefits, for 3,432 retirees, totaled \$18,809,409 for the year ended June 30, 2007.

10. COMPENSATED ABSENCES

At June 30, 2007, employees of the System have accumulated and vested annual, sick, and compensatory leave of \$19,669,205; \$11,614,414; and \$753,820, 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, 2007, the total rental expense for all operating leases is \$2,062,845. 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>
2008	\$480,945	\$711,459	\$78,773	\$624,956	\$1,896,133
2009	281,027	422,407	4,624	623,680	1,331,738
2010	249,861	283,606	1	622,886	1,156,354
2011	249,861	23,634	1	622,997	896,493
2012	249,861		1	622,575	872,437
2013-2017	1,220,777		5	3,103,125	4,323,907
2018-2022	1,219,275		5	2,790,980	4,010,260
2023-2027	10		5		15
2028-2032	10		5		15
2032-2036	10		5		15
Total	<u>\$3,951,637</u>	<u>\$1,441,106</u>	<u>\$83,425</u>	<u>\$9,011,199</u>	<u>\$14,487,367</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, 2007, 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	\$81,650	\$273,195
Equipment	2,460,310	93,871	958,103
	<u>\$2,840,581</u>	<u>\$175,521</u>	<u>\$1,231,298</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, 2007:

Fiscal Year Ending June 30:	
2008	\$391,350
2009	367,530
2010	296,070
2011	185,734
2012	64,750
2013-2017	101,385
Total minimum lease payments	1,406,819
Less - amount representing executory costs	NONE
Net minimum lease payments	1,406,819
Less - amount representing interest	(175,521)
Present value of net minimum lease payments	<u>\$1,231,298</u>

The System's component unit foundations did not have any capital leases at June 30, 2007.

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, 2007:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	\$14,731,728	(\$9,453,435)	\$5,278,293
Equipment	226,975	(31,794)	195,181
Land	188,673		188,673
Total	<u>\$15,147,376</u>	<u>(\$9,485,229)</u>	<u>\$5,662,147</u>

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2007:

Fiscal Year Ending June 30:	Office Space	Other
2008	\$1,737,193	\$750,000
2009	1,110,798	
2010	958,600	
2011	797,283	
2012	780,000	
2013-2017	275,000	
Total minimum future rentals	\$5,658,874	\$750,000

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 other for the year ended June 30, 2007, were \$349,779 and \$86,455, 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, 2007:

University of Louisiana System

	Balance June 30, 2006	Adjustments	Adjusted Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Bonds and notes payable:							
Bonds payable	\$245,996,000		\$245,996,000	\$74,535,000	(\$5,001,000)	\$315,530,000	\$5,795,000
Notes payable	3,478,582		3,478,582	577,150	(535,919)	3,519,813	598,877
Total bonds and notes payable	249,474,582	NONE	249,474,582	75,112,150	(5,536,919)	319,049,813	6,393,877
Other liabilities:							
Accrued compensated absences payable (note 10)	29,327,090		29,327,090	10,135,265	(7,424,916)	32,037,439	3,546,101
Capital lease obligations (note 11)	1,301,804		1,301,804	240,000	(310,506)	1,231,298	327,920
Amounts held in custody for others	4,028,251	\$96,370	4,124,621	68,693,439	(67,907,388)	4,910,672	4,910,672
Contracts payable		1,304,290	1,304,290		(681,279)	623,011	623,011
Reimbursement contracts payable	230,000		230,000		(25,000)	205,000	25,000
Total other liabilities	34,887,145	1,400,660	36,287,805	79,068,704	(76,349,089)	39,007,420	9,432,704
Total	\$284,361,727	\$1,400,660	\$285,762,387	\$154,180,854	(\$81,886,008)	\$358,057,233	\$15,826,581

Component Units

	Balance June 30, 2006	Adjustments	Adjusted Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Bonds, notes, and capital leases payable:							
Bonds payable	\$10,055,412		\$10,055,412		(\$1,681,584)	\$8,373,828	\$1,024,968
Notes payable	1,403,236	(\$278,236)	1,125,000		(75,000)	1,050,000	75,000
Subtotal	11,458,648	(278,236)	11,180,412	NONE	(1,756,584)	9,423,828	1,099,968
Other liabilities - amounts held in custody for others	77,921,340	(20,465,656)	57,455,684	\$8,269,766	(5,420,260)	60,305,190	NONE
Total	\$89,379,988	(\$20,743,892)	\$68,636,096	\$8,269,766	(\$7,176,844)	\$69,729,018	\$1,099,968

Details of all debt outstanding at June 30, 2007, follow.

Bonds Payable - University of Louisiana System

Issue	Date of Issue	Original Issue	Outstanding June 30, 2006	Issued (Redeemed)	Outstanding June 30, 2007	Maturities	Interest Rates	Interest Outstanding June 30, 2007
Grambling State University								
Student Housing System								
Revenue Bonds - 1968 Series B	October 1, 1968	\$3,000,000	\$286,000	(\$286,000)			3%	
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%	\$56,462,750
Series 2006 B	October 24, 2006	3,595,000		3,595,000	3,595,000	2013	5.35%	782,291
Series 2006 C	December 21, 2006	5,700,000		5,700,000	5,700,000	2038	5.15%	6,716,440
Louisiana Tech University								
Academic Facilities Extension								
Use Fee Revenue Bonds - Series 1972 B	July 1, 1972	4,750,000	2,125,000	(250,000)	1,875,000	2013	5.9%-6.25%	372,969
Revenue Bonds - Power Plant								
2002 Series	July 1, 2002	5,920,000	5,450,000	(250,000)	5,200,000	2022	3.5%-4.9%	2,158,834
Revenue Refunding Bonds:								
Revenue Bonds - 2004 Series	September 30, 2004	7,225,000	6,275,000	(975,000)	5,300,000	2012	2.25%-3.0%	371,212
Innovative Student Facilities, Inc. (blended component unit):								
Louisiana Local Government Environmental Facilities and Community Development Authority - Revenue Bonds - 2003 Series								
	July 1, 2003	21,840,000	21,840,000	(245,000)	21,595,000	2034	2.25%-4.5%	16,138,100
McNeese State University								
Student Housing System Revenue								
Bonds - Refunding Bonds - Series 2001	May 30, 2001	2,110,000	985,000	(245,000)	740,000	2009	4.95%	42,075
Stadium Project - Series 1996	October 15, 1996	900,000	360,000	(60,000)	300,000	2012	4.52%	33,900
Parking Lot - Series 1997	February 12, 1997	1,500,000	770,000	(110,000)	660,000	2012	6.25%	108,438
Cowboy Facilities, Inc. (blended component unit):								
Calcasieu Parish Trust Authority:								
University Student Lease Revenue								
Bonds - Series 2001	May 31, 2001	21,120,000	20,090,000	(370,000)	19,720,000	2033	5.4%	16,791,389
University Stadium Parking Revenue								
Bonds - Series 2004	February 20, 2004	820,000	680,000	(75,000)	605,000	2014	4.73%	118,960
University Scoreboard Project								
Bonds - Series 2005	April 1, 2005	1,900,000	1,760,000	(150,000)	1,610,000	2015	6.5%	505,375

Bonds Payable - University of Louisiana System (Concluded)

Issue	Date of Issue	Original Issue	Outstanding June 30, 2006	Issued (Redeemed)	Outstanding June 30, 2007	Maturities	Interest Rates	Interest Outstanding June 30, 2007
Nicholls State University								
NSU Facilities Corporation (blended component unit):								
Louisiana Community Development Authority:								
Streets and Parking Revenue Bonds - Series 2006 Cafeteria & Student Union Revenue Bonds - Series 2006 B	May 1, 2006	\$3,320,000	\$3,320,000	(\$125,000)	\$3,195,000	2026	4.76%	\$1,726,850
	May 11, 2006	5,000,000	5,000,000	(120,000)	4,880,000	2031	6.69%	5,044,542
Northwestern State University								
Wellness, Recreation, and Activity Center Bonds - Series 1999								
	April 1, 1999	6,850,000	5,625,000	(205,000)	5,420,000	2024	4.45%-5.1%	2,768,913
Southeastern Louisiana University								
Student Recreation and Activity Center Revenue Bonds - Series 1998								
University Facilities, Inc. (blended component unit):	June 30, 1998	7,690,000	5,725,000	(295,000)	5,430,000	2020	4.6%-5%	2,070,910
Louisiana Local Government Environmental Facilities and Community Development Authority:								
Student housing, intermodal parking and stadium - Series 2004								
	August 13, 2004	76,910,000	76,910,000	(225,000)	76,685,000	2035	3.5%-5.25%	62,593,735
Intermodal parking - Series 2007(A)	March 14, 2007	5,545,000		5,545,000	5,545,000	2031	4.2%-4.25%	3,321,442
Intermodal parking - Series 2007(B)	March 14, 2007	2,490,000		2,490,000	2,490,000	2031	4.375%	2,996,332
University of Louisiana at Lafayette								
Ragin' Cajun Facilities, Inc. (blended component unit):								
Lafayette Public Trust Financing Authority - Student Housing and Child Care Facilities - Series 2002								
	October 1, 2002	19,065,000	18,715,000	(360,000)	18,355,000	2033	3.15%-5.0%	14,316,108
University of Louisiana at Monroe								
Physical Education Complex - Series 1992 A								
ULM Facilities, Inc. (blended component unit):	March 1, 1992	2,650,000	1,190,000	(170,000)	1,020,000	2012	6.0%-8.0%	207,025
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	35,210,000	(225,000)	34,985,000	2034	Variable	25,278,973
Revenue Bonds Series 2004 C & D	Dec. 8, 2004	33,680,000	33,680,000	(260,000)	33,420,000	2035	Variable	23,819,354
Intermodal Transit Facility and Parking	Nov. 7, 2006	1,500,000		1,500,000	1,500,000	2016	5.06%	411,125
Total		<u>\$335,995,000</u>	<u>\$245,996,000</u>	<u>\$69,534,000</u>	<u>\$315,530,000</u>			<u>\$245,158,042</u>

On October 1, 2006, Black & Gold Facilities, Inc. (blended component unit of Grambling State University) entered into a loan agreement with the Louisiana Public Facilities Authority (LPFA) to issue \$65,000,000 of LPFA Revenue Bonds, Series 2006 A, B, and C. The proceeds of the bonds will be used for financing, planning, designing, constructing, furnishing, and equipping residence facilities for use by Grambling State University.

On March 14, 2007, University Facilities, Inc. (blended component unit of Southeastern Louisiana University) entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to issue \$8,035,000 of Revenue Bonds, Series 2007 A and B. The proceeds of the bonds will finance a portion of the cost of construction of a new intermodal parking facility located on the campus of Southeastern Louisiana University.

On November 7, 2006, University of Louisiana Monroe Facilities, Inc. (blended component unit of the University of Louisiana at Monroe) entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to issue \$1,500,000 of Revenue Bonds, Series 2007. The proceeds of the bonds will finance a portion of

the cost of construction of a new intermodal transit facility and parking project located on the campus of the University of Louisiana at Monroe.

Component Units

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2006</u>	<u>Issued (Redeemed)</u>	<u>Outstanding June 30, 2007</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2007</u>
Louisiana Tech University Foundation, Inc. Revenue Bonds - Series 2000	August 15, 2000	\$3,791,183	\$1,875,412	(\$401,584)	\$1,473,828	2011	5.7%	\$151,172
University of Louisiana at Lafayette Foundation, Inc. Lafayette Economic Development Authority	November 1, 1999	1,000,000	680,000	(680,000)				
Lafayette Economic Development Authority	February 1, 2002	8,500,000	7,500,000	(600,000)	6,900,000	2017	4.50%	1,764,000
Total		\$13,291,183	\$10,055,412	(\$1,681,584)	\$8,373,828			\$1,915,172

Reimbursement Contracts Payable - University of Louisiana System

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2006</u>	<u>Issued (Redeemed)</u>	<u>Outstanding June 30, 2007</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2007</u>
Northwestern State University General Obligation Bonds - Series 1993-B	February 1, 1993	\$460,000	\$230,000	(\$25,000)	\$205,000	2014	5.6%-5.625%	\$42,597

The annual requirements to amortize all System bonds and reimbursement contracts outstanding at June 30, 2007, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$5,820,000	\$13,838,745	\$19,658,745
2009	6,370,000	13,922,430	20,292,430
2010	7,240,000	13,764,484	21,004,484
2011	7,795,000	13,447,843	21,242,843
2012	8,480,000	13,096,588	21,576,588
2013-2017	40,840,000	60,115,826	100,955,826
2018-2022	49,450,000	49,907,872	99,357,872
2023-2027	56,940,000	37,412,534	94,352,534
2028-2032	70,165,000	22,618,907	92,783,907
2033-2037	55,240,000	6,734,207	61,974,207
Thereafter	7,395,000	341,203	7,736,203
Total	<u>\$315,735,000</u>	<u>\$245,200,639</u>	<u>\$560,935,639</u>

The annual requirements to amortize all component unit bonds outstanding at June 30, 2007, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$1,024,969	\$385,531	\$1,410,500
2009	1,049,714	333,786	1,383,500
2010	1,175,901	280,599	1,456,500
2011	823,244	226,756	1,050,000
2012	700,000	193,500	893,500
2013-2017	<u>3,600,000</u>	<u>495,000</u>	<u>4,095,000</u>
Total	<u>\$8,373,828</u>	<u>\$1,915,172</u>	<u>\$10,289,000</u>

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2007:

<u>Bond Issue</u>	<u>Reserves Available</u>	<u>Reserve Requirement</u>	<u>Excess</u>
Grambling State University			
U.S. Department of Education Note	\$493,000	\$493,000	
Louisiana Tech University			
Academic Facilities Bonds	478,662	389,650	\$89,012
Innovative Student Facilities, Inc. Revenue Bonds 2003	1,827,959	1,763,050	64,909
McNeese State University			
Student Housing System Revenue Refunding Bonds 2001	237,157	211,000	26,157
Cowboy Facilities, Inc. Student Lease Revenue Bonds 2001	1,415,613	1,409,558	6,055
Nicholls State University			
NSU Facilities Corporation Revenue Bonds 2006, Series A and B	711,029	677,566	33,463
Northwestern State University			
Reimbursement Contracts Payable - General Obligation Bonds, 1993-B	38,250	38,250	
Southeastern Louisiana University			
Student Recreation and Activity Center Revenue Bonds	618,796	578,750	40,046
University Facilities, Inc. (UFI) Revenue Bonds 2004	5,265,852	5,265,837	15
University Facilities, Inc. (UFI) Revenue Bonds 2007	487,876	482,969	4,907
University of Louisiana at Lafayette			
Ragin' Cajun Facilities, Inc. Student Housing and Child Care Facilities Revenue Bonds 2002	1,406,816	1,289,750	117,066
University of Louisiana at Monroe			
Physical Education Complex Bonds 1992-A	245,204	245,204	
ULM Facilities, Inc. Student Housing and Student Center Revenue Bonds 2004 A & B	2,729,639	2,616,279	113,360
ULM Facilities, Inc. Student Housing and Student Center Revenue Bonds 2004 C & D	2,142,041	2,044,761	97,280
ULM Facilities, Inc. Intermodel Transit Facility and Parking Project Revenue Bonds 2006	<u>153,337</u>	<u>150,000</u>	<u>3,337</u>
Total	<u>\$18,251,231</u>	<u>\$17,655,624</u>	<u>\$595,607</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, 2006	Issued (Redeemed)	Outstanding June 30, 2007	Maturities	Interest Rates	Interest Outstanding June 30, 2007
Grambling State University								
U.S. Department of Education	May 1, 1993	\$3,500,000	\$2,406,398	(\$106,355)	\$2,300,043	2023	3.0%	\$632,897
Ford Motor Credit Company	August 30, 2001	1,165,931	397,310	(178,990)	218,320	2008	4.1%	5,649
Louisiana Tech University								
Farm Equipment	August 6, 2004	200,824	66,225	(66,225)				
Canon Color Copier (LEAF program)	May 13, 2005	12,380	4,136	(4,136)				
Canon Color Copier #1	May 31, 2006	65,167	63,498	(20,635)	42,863	2009	5.5%	2,398
Canon Color Copier #2	May 31, 2006	51,274	49,962	(16,222)	33,740	2009	5.59%	1,919
Southeastern Louisiana University								
Copiers	September 20, 2004	641,861	429,885	(127,096)	302,789	2010	3.5%	12,556
University of Louisiana at Lafayette								
Sigma Nu Fraternity House	June 6, 1984	66,485	61,168	(16,260)	44,908	2010	3.5%	2,135
University of Louisiana at Monroe								
Regions Bank	April 17, 2007	577,150		577,150	577,150	2012	6.0%	96,501
Total		<u>\$6,281,072</u>	<u>\$3,478,582</u>	<u>\$41,231</u>	<u>\$3,519,813</u>			<u>\$754,055</u>

Notes Payable - Component Units

Note	Date of Issue	Original Issue	Outstanding June 30, 2006	Issued (Redeemed)	Outstanding June 30, 2007	Maturities	Interest Rates	Interest Outstanding June 30, 2007
Louisiana Tech University Foundation, Inc.								
Athletic field house	March 1, 2006	\$1,125,000	\$1,125,000	(\$75,000)	\$1,050,000	2021	Variable	\$538,311

The annual requirements to amortize all notes outstanding for the System at June 30, 2007, including interest of \$754,055 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$598,877	\$120,019	\$718,896
2009	451,523	96,960	548,483
2010	277,160	81,112	358,272
2011	235,207	70,246	305,453
2012	238,978	59,616	298,594
2013-2017	675,405	213,365	888,770
2018-2022	783,836	104,934	888,770
2023-2027	258,827	7,803	266,630
Total	<u>\$3,519,813</u>	<u>\$754,055</u>	<u>\$4,273,868</u>

The annual requirements to amortize all notes outstanding for the component units at June 30, 2007, including interest of \$538,311 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$75,000	\$76,125	\$151,125
2009	75,000	70,687	145,687
2010	75,000	65,250	140,250
2011	75,000	59,812	134,812
2012	75,000	54,375	129,375
2013-2017	375,000	190,312	565,312
2018-2022	300,000	21,750	321,750
Total	<u>\$1,050,000</u>	<u>\$538,311</u>	<u>\$1,588,311</u>

Grambling State University is required by a U.S. Department of Education note to establish a retirement of indebtedness account and make semiannual deposits of \$22,250 until \$178,000 has been reached. Once the debt service reserve account balance is satisfied, the university is to establish a repair and replacement reserve account and make annual deposits of \$35,000 until \$350,000 has been accumulated.

On April 17, 2007, the University of Louisiana at Monroe Facilities, Inc., entered into a \$577,150 loan agreement with Regions Bank for replacing the football field turf with an artificial surface. The first principal payment is due on October 15, 2007, and all subsequent principal payments are due on the same day of each half-year after that. In addition, the facilities corporation will pay regular semiannual payments of all accrued interest due as of each payment date beginning on October 15, 2007, with all subsequent interest payments to be due on the same day of each half-year after that. The loan is collateralized by the student athletic fees paid by each student at the University of Louisiana at Monroe.

13. REVENUE USED AS SECURITY FOR REVENUE BONDS

The revenues of certain auxiliary enterprises of the System are restricted by terms in the covenants of certain debt instruments. The revenues reported on the Statement of Revenues, Expenses, and Changes in Net Assets include all auxiliary enterprise revenues of all universities, but exclude sales to other System departments, in accordance with accounting principles generally accepted in the United States of America. The following represents those restricted auxiliary enterprise revenues of certain auxiliary enterprises within the System that are used as security for revenue bonds; however, these amounts do include sales to other departments for the year ended June 30, 2007.

<u>Auxiliary Enterprises</u>	
Athletics	\$13,716,489
Student union services, including bookstore	20,745,154
Residential life	33,635,886
Student health, physical education, and recreation	4,613,204
Intermodal/parking	<u>991,502</u>
Total	<u><u>\$73,702,235</u></u>

14. RESTATEMENT OF BEGINNING NET ASSETS

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

	<u>University</u>	<u>Component Units</u>
Net assets at June 30, 2006	\$923,721,269	\$174,709,740
Adjustment to record FEMA disaster receivables identified by the Division of Administration in 2006	243,035	
Adjustment to correct beginning net assets of blended component unit at McNeese State University	6,296	
Capital asset adjustment to record correct beginning balances at McNeese State University	536,413	
Adjustment to correct overstatement of prior year receivable from Office of Risk Management at University of Louisiana at Lafayette	(677,842)	
Adjustment to correct overstatement of prior year payables at University of Louisiana at Lafayette	818,922	
Adjustment to correct understatement of prior year prepaid expenses at University of Louisiana at Lafayette	773,928	
McNeese State University Foundation adjustment to prior year investment income		96,000
University of Louisiana at Lafayette Foundation, Inc., change in method of allocating income and expenses between the state and foundation portions of the endowed chair and professorship endowments		5,420,260
Removal of University of Louisiana at Monroe Foundation, which fell below the Division of Administration, Office of Statewide Reporting and Accounting Policy's threshold for inclusion per GASB Statement No. 39		<u>(23,056,425)</u>
Net assets at June 30, 2006, restated	<u><u>\$925,422,021</u></u>	<u><u>\$157,169,575</u></u>

15. RESTRICTED NET ASSETS

The System has the following restricted expendable net assets at June 30, 2007:

<u>Account Title</u>	<u>Amount</u>
Student fees	\$17,693,887
Grants and contracts	13,282,063
Restricted by donors	16,509,770
Endowments	4,042,040
Auxiliary enterprises	27,009,334
Student loans	36,341,105
Capital construction	39,659,769
Debt service	5,596,740
WRAC fund	1,797,291
Instructional department use	10,150,972
Other restricted funds	<u>14,927,300</u>
 Total expendable	 <u><u>\$187,438,421</u></u>

The System's restricted nonexpendable net assets of \$145,138,586 as of June 30, 2007, are comprised entirely of endowment funds.

Of the total net assets reported on Statement A for the year ended June 30, 2007, \$20,907,314 is restricted by enabling legislation.

RESTRICTED NET ASSETS - COMPONENT UNITS

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

	<u>Louisiana Tech Foundation</u>	<u>McNeese State Foundation</u>	<u>University of Louisiana at Lafayette Foundation</u>
Temporarily restricted	<u>\$10,408,493</u>	<u>\$15,697,896</u>	<u>\$45,324,705</u>
Permanently restricted:			
Scholarships and fellowships		\$6,310,199	
Endowments	\$16,440,941	9,494,310	\$53,281,134
Other university projects		<u>10,537,602</u>	
 Total permanently restricted net assets	 <u><u>\$16,440,941</u></u>	 <u><u>\$26,342,111</u></u>	 <u><u>\$53,281,134</u></u>

16. 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.

17. 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, 2007, is \$1,245,086; an additional \$70,127 that is not included in the accompanying financial statements was paid by an affiliated foundation.

18. 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, 2007, net appreciation of donor restricted endowments is equal to \$16,048,138, 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.

19. 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 Alumni Association
McNeese State University Alumni Association
Nicholls State University Foundation
Nicholls Alumni Federation
PRO NSU
Northwestern State University Foundation
Southeastern Athletic Association
Southeastern Development Foundation
Southeastern Louisiana University Alumni Association
The University of Louisiana at Lafayette Alumni Association
The University of Louisiana at Monroe Foundation
The University of Louisiana at Monroe Athletic Scholarship Foundation
The University of Louisiana at Monroe Alumni Association

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

Certain universities of the System have contracted with their respective foundations to invest the universities' Endowed Chair/Professorship Program endowment funds in accordance with the Board of Regents for Higher Education's investment policies. The Endowed Chair endowment funds are established for \$1,000,000 each, with \$600,000 of private contributions and \$400,000 of state matching portion allocated by the Board of Regents for Higher Education. The Endowed Professorship Program endowment funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. At June 30, 2007, the foundations held in custody \$138,070,996 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.

20. DEFERRED COMPENSATION PLAN

Certain employees of the System participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available on the Internet at www.la.gov.

21. 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 State University. 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.

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.

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.

Southeastern Louisiana University (SLU)

On August 13, 2004, University Facilities, Inc. (UFI), entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Authority to obtain financing for the acquisition, construction, renovation, and furnishing of student housing and demolishing existing housing; to provide working capital; to fund interest on the Series 2004 bonds; and to repay certain indebtedness of the corporation. Financing for the project is through the issuance of \$76,910,000 of Revenue Bonds, Series 2004(A), Series 2004(B), and Series 2004(C).

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

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

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

University of Louisiana at Lafayette (ULL)

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

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

University of Louisiana at Monroe (ULM)

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

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

On December 8, 2004, the Louisiana Local Government Environmental Facilities and Community Development Authority agreed to issue revenue bonds totaling \$33,680,000 for the University of Louisiana Monroe Facilities, Inc., 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.

22. IMPAIRMENT OF CAPITAL ASSETS

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

outside the normal life cycle of the capital asset. The state's Office of Statewide Reporting and Accounting Policy provides guidance on impairment test criteria by stating that the greater of the capitalization threshold, \$100,000 or 20% of the capitalized cost of the building impaired by physical damage be used as the test of whether the magnitude in the decline was significant. Louisiana Tech University recognized an impairment loss of \$299,582 during the fiscal year when the university closed a building before the end of its original useful life.

The carrying amount of impaired capital assets that are idle at year-end is disclosed, regardless of whether the impairment is considered permanent or temporary. System buildings with a carrying value of \$1,246,038 were idle at the end of the fiscal year.

23. INSURANCE RECOVERIES

In proprietary fund financial statements, the impairment loss should be reported net of the associated insurance recovery when the recovery and loss occur in the same years. Insurance recoveries should be recognized only when realized or realizable. At June 30, 2006, an accounts receivable of \$17,609,149 is recorded related to expected insurance recoveries for damages from hurricanes Katrina and Rita. The accounts receivable for insurance recoveries at June 30, 2007, is \$7,907,319.

24. SUBSEQUENT EVENTS

No events of a material nature have occurred subsequent to the Statement of Net Assets date that would require adjustment to, or disclosure in, the accompanying financial statement, except as noted below:

University of Louisiana at Lafayette (ULL)

In October 2007, a Baton Rouge jury awarded Jerry Baldwin, a former ULL football coach terminated by the university in 2001, \$2 million in his lawsuit against the university for claims including emotional distress, breach of contract, and discrimination. The university is planning to appeal the verdict.

On December 6, 2007, Dr. E. Joseph Savoie was selected as ULL president.

Louisiana Tech University (Tech)

On September 25, 2007, Innovative Student Facilities, Inc., issued residential housing and recreational facilities bonds totaling \$51,670,000 for Phase II of Tech's residential housing and expansion of the university's student recreational facilities, defeasance of the 2004 revenue refunding bonds, and improvements to other existing auxiliary facilities.

Grambling State University

On December 5, 2007, the Black and Gold Facilities, Inc., issued tax exempt revenue bonds totaling \$39,330,000 and taxable revenue bonds totaling \$2,595,000 through the

Louisiana Public Facilities Authority for Phase II of the university's housing redevelopment plan.

Nicholls State University's Issuance of
Series 2007 Series A and B Bonds

On August 23, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$17,680,000 in Tax-Exempt Fixed Rate Revenue Bonds and \$32,380,000 in Tax-Exempt Auction Rate Revenue Bonds. The proceeds of the sale of these Series 2007 Bonds are to be loaned to the NSU Facilities Corporation for the demolition of four existing housing facilities and a university police building; the renovation of La Maison du Bayou, Calecas Hall and Ellender Hall; the development and construction of approximately 606 new suite configuration on-campus student housing beds and related facilities; the acquisition by the Corporation of a leasehold interest in 408 existing apartment beds on campus; the defeasance of the prior bonds associated therewith; funding a deposit to the Debt Service Reserve Fund; paying capitalized interest on the Series 2007 Bonds; and paying cost of issuance of the Series 2007 Bonds. The existing facilities and the additional facilities will be owned by Nicholls State University. The Series 2007 Bonds will be paid from revenues generated by the facilities.

Interest Rate Swap Agreement

On August 23, 2007, Nicholls State University entered into an interest rate swap agreement with Morgan Keegan Financial Products, Inc., (MKFP) with respect to the Series 2007B Bonds totaling \$32,380,000. Under the terms of the swap agreement, the university will pay MKFP fixed interest payments of 4.49% and will receive a variable interest payment based on the average of the Bond Market Association (BMA) index. The objective of the swap agreement is to effectively change the university's exposure to variable interest rates on the bonds to a fixed interest rate of 4.49% for the duration of the agreement.

This page is intentionally blank.

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.

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, 2007**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
ASSETS				
Current assets:				
Cash and cash equivalents	\$10,788,354	\$15,960,936	\$21,203,765	\$16,639,454
Investments				2,190,927
Receivables (net)	2,667,711	6,672,848	16,902,012	3,631,626
Due from state treasury	780,000	248,749		
Due from federal government	1,216,334			
Inventories	264,623	2,051,923	1,527,425	140,809
Deferred charges and prepaid expenses	39,984	1,372,254	180,443	304,933
Notes receivable (net)		1,512,425	330,409	
Other current assets	77,430	244,368		40,748
Total current assets	<u>15,834,436</u>	<u>28,063,503</u>	<u>40,144,054</u>	<u>22,948,497</u>
Noncurrent assets:				
Restricted:				
Cash and cash equivalents	4,516,040	6,947,746	694,031	5,663,864
Investments	37,349,762	30,167,539	12,518,244	10,922,825
Receivables (net)	109,986	18		13
Notes receivable (net)		5,613,607	2,426,250	
Other			7,267	
Notes receivable (net)	4,643			12,367
Capital assets (net)	122,304,432	112,316,885	56,119,879	35,751,101
Other noncurrent assets	3,501,905	175,344	1,476,688	623,808
Total noncurrent assets	<u>167,786,768</u>	<u>155,221,139</u>	<u>73,242,359</u>	<u>52,973,978</u>
Total assets	<u>183,621,204</u>	<u>183,284,642</u>	<u>113,386,413</u>	<u>75,922,475</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accruals	11,992,846	4,850,834	4,169,236	2,538,791
Due to state treasury	7,758			
Deferred revenues	1,184,633	4,337,943	1,327,598	2,181,638
Compensated absences payable	666,955	341,008	230,817	254,036
Capital lease obligations		327,920		
Amounts held in custody for others	913,086	592,946	244,083	194,294
Notes payable	296,056	38,953		
Contracts payable				
Reimbursement contracts payable				
Bonds payable		1,795,000	1,055,000	200,000
Other current liabilities	1,396,313	22,452	209,332	
Total current liabilities	<u>16,457,647</u>	<u>12,307,056</u>	<u>7,236,066</u>	<u>5,368,759</u>

(Continued)

Schedule 1

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
\$22,685,570	\$21,131,359	\$49,643,358	\$19,819,991	\$74,737	\$177,947,524
	14,160,672				16,351,599
3,785,533	6,437,980	6,756,805	8,665,681		55,520,196
780,000					1,808,749
		916,443			2,132,777
619,079	531,487	1,620,641	197,340		6,953,327
288,344		3,829,217	708,423		6,723,598
98,432	565,163	1,187,759	770,922		4,465,110
174,347	3,122,624	69,024	1,938,579	111,852	5,778,972
<u>28,431,305</u>	<u>45,949,285</u>	<u>64,023,247</u>	<u>32,100,936</u>	<u>186,589</u>	<u>277,681,852</u>
3,055,590	9,445,561	24,099,149	11,892,670		66,314,651
8,255,364	13,875,456	61,338,037	27,699,727		202,126,954
53,129			438,871		602,017
1,390,874	1,467,539	8,706,396	4,368,559		23,973,225
					7,267
					17,010
48,127,988	149,121,930	170,178,864	130,464,479	31,724	824,417,282
	3,621,293	750,643			10,149,681
<u>60,882,945</u>	<u>177,531,779</u>	<u>265,073,089</u>	<u>174,864,306</u>	<u>31,724</u>	<u>1,127,608,087</u>
<u>89,314,250</u>	<u>223,481,064</u>	<u>329,096,336</u>	<u>206,965,242</u>	<u>218,313</u>	<u>1,405,289,939</u>
2,745,299	7,380,758	4,851,140	6,916,596	211,799	45,657,299
					7,758
2,355,005	4,299,420	2,189,675	3,234,217		21,110,129
368,294	595,653	419,549	484,912	184,877	3,546,101
					327,920
23,814	1,350,442	980,914	611,093		4,910,672
	131,630	16,838	115,400		598,877
			623,011		623,011
25,000					25,000
215,000	1,355,000	370,000	805,000		5,795,000
	4,420			74,737	1,707,254
<u>5,732,412</u>	<u>15,117,323</u>	<u>8,828,116</u>	<u>12,790,229</u>	<u>471,413</u>	<u>84,309,021</u>

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Combining Schedule of Net Assets, by University
June 30, 2007**

	<u>GRAMBLING STATE UNIVERSITY</u>	<u>LOUISIANA TECH UNIVERSITY</u>	<u>MCNEESE STATE UNIVERSITY</u>	<u>NICHOLLS STATE UNIVERSITY</u>
LIABILITIES (CONT.)				
Noncurrent liabilities:				
Compensated absences payable	\$2,572,917	\$3,117,828	\$2,469,908	\$2,636,029
Capital lease obligations		903,378		
Notes payable	2,222,307	37,650		
Reimbursement contracts payable				
Bonds payable	65,000,000	32,175,000	22,580,000	7,875,000
Other noncurrent liabilities	681,844	(314,143)		
Total noncurrent liabilities	<u>70,477,068</u>	<u>35,919,713</u>	<u>25,049,908</u>	<u>10,511,029</u>
Total liabilities	<u>86,934,715</u>	<u>48,226,769</u>	<u>32,285,974</u>	<u>15,879,788</u>
NET ASSETS				
Invested in capital assets, net of related debt	76,305,798	80,306,796	33,961,567	29,425,613
Restricted for:				
Nonexpendable	3,649,990	32,171,403	10,817,822	13,451,728
Expendable	8,151,378	13,231,018	14,425,209	12,797,647
Unrestricted	<u>8,579,323</u>	<u>9,348,656</u>	<u>21,895,841</u>	<u>4,367,699</u>
Total net assets	<u><u>\$96,686,489</u></u>	<u><u>\$135,057,873</u></u>	<u><u>\$81,100,439</u></u>	<u><u>\$60,042,687</u></u>

(Concluded)

Schedule 1

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
\$1,786,287	\$5,041,523	\$6,900,913	\$3,771,067	\$194,866	\$28,491,338
					903,378
	171,159	28,070	461,750		2,920,936
180,000					180,000
5,205,000	88,795,000	17,985,000	70,120,000		309,735,000
46,523	373,789		422,819		1,210,832
<u>7,217,810</u>	<u>94,381,471</u>	<u>24,913,983</u>	<u>74,775,636</u>	<u>194,866</u>	<u>343,441,484</u>
<u>12,950,222</u>	<u>109,498,794</u>	<u>33,742,099</u>	<u>87,565,865</u>	<u>666,279</u>	<u>427,750,505</u>
42,502,988	54,163,071	152,309,360	71,292,084	31,724	540,299,001
8,780,476	6,341,425	47,554,735	22,371,007		145,138,586
11,857,518	55,345,870	53,599,494	18,030,287		187,438,421
13,223,046	(1,868,096)	41,890,648	7,705,999	(479,690)	104,663,426
<u>\$76,364,028</u>	<u>\$113,982,270</u>	<u>\$295,354,237</u>	<u>\$119,399,377</u>	<u>(\$447,966)</u>	<u>\$977,539,434</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, 2007**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of \$67,867,222)	\$16,177,945	\$36,574,812	\$21,500,479	\$19,631,014
Federal grants and contracts	17,745,795	14,522,179	11,199,188	7,276,537
State and local grants and contracts	2,727,894	2,903,609	1,617,034	4,548,009
Nongovernmental grants and contracts	388,736	632,342	516,334	862,045
Sales and services of educational departments	446,837	666,327	52,312	748,052
Auxiliary enterprise revenues (net of scholarship allowances of \$8,167,019; \$73,702,235 of revenues used as security for revenue bonds)	14,653,665	23,579,223	11,038,811	5,292,646
Other operating revenues	1,100,886	1,331,087	1,797,909	1,453,480
Total operating revenues	<u>53,241,758</u>	<u>80,209,579</u>	<u>47,722,067</u>	<u>39,811,783</u>
OPERATING EXPENSES				
Educational and general:				
Instruction	23,732,378	39,847,824	28,509,334	25,128,300
Research	375,041	13,471,047	914,558	1,126,538
Public service	127,533	1,161,855	1,188,645	2,481,639
Academic services	8,903,011	7,880,339	6,824,199	5,619,817
Student services	5,204,773	5,706,628	4,484,814	6,013,463
Institutional support	11,217,622	9,704,567	6,431,803	6,888,821
Operations and maintenance of plant	6,651,891	10,828,713	7,566,565	8,073,150
Depreciation	3,766,583	7,454,081	4,336,170	2,507,902
Scholarships and fellowships	7,803,992	5,096,673	6,609,827	3,032,571
Auxiliary enterprises	15,304,541	32,204,125	10,990,262	8,818,590
Other operating expenses	54,007	289,941	140,967	213,693
Total operating expenses	<u>83,141,372</u>	<u>133,645,793</u>	<u>77,997,144</u>	<u>69,904,484</u>
OPERATING LOSS	<u>(29,899,614)</u>	<u>(53,436,214)</u>	<u>(30,275,077)</u>	<u>(30,092,701)</u>
NONOPERATING REVENUES (Expenses)				
State appropriations	29,436,963	48,521,166	32,606,269	30,743,734
Gifts	263,737	3,690,666	918,482	764,503
Investment income	2,639,781	1,449,772	2,352,599	1,212,734
Interest expense	(686,679)	(1,597,693)	(1,291,486)	
Payments to or on behalf of the university				14,712
Other nonoperating revenues (expenses)	483,088	683,814	(6,670,525)	310,638
Net nonoperating revenues	<u>32,136,890</u>	<u>52,747,725</u>	<u>27,915,339</u>	<u>33,046,321</u>

(Continued)

Schedule 2

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
\$29,201,596	\$44,340,933	\$48,133,538	\$26,655,707		\$242,216,024
13,222,179	21,617,961	30,228,739	12,969,540		128,782,118
3,396,946	3,143,446	5,744,742	10,448,606		34,530,286
852,788	143,667	14,911,287	884,429		19,191,628
1,253,037	297,968	504,265	385,590		4,354,388
4,544,574	13,165,686	17,327,053	13,932,846		103,534,504
2,110,054	2,312,152	1,783,174	2,988,075		14,876,817
54,581,174	85,021,813	118,632,798	68,264,793	NONE	547,485,765
32,594,154	51,590,033	47,263,904	35,870,465		284,536,392
1,292,889	1,886,574	42,868,622	7,287,543		69,222,812
2,188,637	3,101,283	2,587,582	10,488,929		23,326,103
6,829,910	11,111,039	10,983,095	5,806,149		63,957,559
6,767,367	8,364,259	13,843,225	6,345,357		56,729,886
8,537,692	12,751,224	15,424,686	11,402,119	\$2,886,686	85,245,220
8,753,399	12,654,047	12,760,631	8,241,201		75,529,597
3,550,890	7,082,239	9,198,697	6,239,689	8,846	44,145,097
10,135,703	10,994,170	3,510,151	7,013,592		54,196,679
8,686,794	14,792,611	24,565,428	13,730,203		129,092,554
637,968	1,537,345	594,039	1,788,445	479,690	5,736,095
89,975,403	135,864,824	183,600,060	114,213,692	3,375,222	891,717,994
(35,394,229)	(50,843,011)	(64,967,262)	(45,948,899)	(3,375,222)	(344,232,229)
35,006,513	52,794,476	68,654,544	52,774,760	2,805,150	353,343,575
	571,913	737,923			6,947,224
2,451,113	2,828,578	10,073,428	836,552	520,000	24,364,557
(288,734)	(3,383,988)	(921,992)	(2,061,494)		(10,232,066)
					14,712
(398,486)	(1,965,940)	801,737	1,083,698	36,000	(5,635,976)
36,770,406	50,845,039	79,345,640	52,633,516	3,361,150	368,802,026

**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, 2007**

	<u>GRAMBLING STATE UNIVERSITY</u>	<u>LOUISIANA TECH UNIVERSITY</u>	<u>MCNEESE STATE UNIVERSITY</u>	<u>NICHOLLS STATE UNIVERSITY</u>
INCOME (Loss) BEFORE OTHER REVENUES AND EXPENSES	\$2,237,276	(\$688,489)	(\$2,359,738)	\$2,953,620
Capital appropriations	2,616,592	5,431,219		
Capital grants and gifts		2,194,460	381,546	507,000
Additions to permanent endowments		3,894,161	1,300,000	
Other		<u>(2,281,226)</u>		<u>(369,438)</u>
CHANGE IN NET ASSETS	4,853,868	8,550,125	(678,192)	3,091,182
NET ASSETS - BEGINNING OF YEAR (Restated)	<u>91,832,621</u>	<u>126,507,748</u>	<u>81,778,631</u>	<u>56,951,505</u>
NET ASSETS - END OF YEAR	<u>\$96,686,489</u>	<u>\$135,057,873</u>	<u>\$81,100,439</u>	<u>\$60,042,687</u>

(Concluded)

Schedule 2

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
\$1,376,177	\$2,028	\$14,378,378	\$6,684,617	(\$14,072)	\$24,569,797
	3,332,711	2,728,362	1,806,317	40,570	15,955,771
788,438		11,600	2,173,304		6,056,348
1,500,000	192,000	1,300,000			8,186,161
					(2,650,664)
3,664,615	3,526,739	18,418,340	10,664,238	26,498	52,117,413
72,699,413	110,455,531	276,935,897	108,735,139	(474,464)	925,422,021
\$76,364,028	\$113,982,270	\$295,354,237	\$119,399,377	(\$447,966)	\$977,539,434

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2007**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
CASH FLOWS FROM OPERATING ACTIVITIES:				
Tuition and fees	\$25,515,569	\$36,507,951	\$20,910,791	\$17,841,805
Grants and contracts	20,526,272	18,197,541	20,265,637	13,148,824
Sales and services of educational departments	470,426	662,792	69,197	739,014
Auxiliary enterprise receipts	16,037,589	23,514,515	11,003,559	5,277,079
Payments for employee compensation	(38,791,257)	(59,949,699)	(34,885,651)	(33,393,289)
Payments for benefits	(10,340,258)	(16,038,126)	(9,781,757)	(10,683,417)
Payments for utilities	(2,948,901)	(9,579,651)	(3,090,246)	(2,566,051)
Payments for supplies and services	(11,945,882)	(34,473,671)	(16,284,920)	(14,954,247)
Payments for scholarships and fellowships	(18,156,291)	(6,272,822)	(8,053,108)	(5,625,259)
Loans to students		(1,816,574)		
Interest earned on student loans				
Collection of loans to students		1,410,787	(54,677)	
Other receipts (payments)	20,026	1,473,237	21,133	1,579,701
Net cash used by operating activities	<u>(19,612,707)</u>	<u>(46,363,720)</u>	<u>(19,880,042)</u>	<u>(28,635,840)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	28,657,874	48,321,166	32,606,269	30,743,734
Gifts and grants for other than capital purposes	263,737	3,777,981	918,482	764,503
Private gifts for endowment purposes		3,894,161	1,300,000	
TOPS receipts	482,905	6,536,200	5,355,879	4,557,391
TOPS disbursements	(482,905)	(6,524,972)	(5,355,879)	(4,557,391)
Federal Family Education Loan program receipts	31,029,855	24,303,525	18,960,283	15,180,389
Federal Family Education Loan program disbursements	(31,029,855)	(24,298,411)	(18,960,283)	(15,180,389)
Student organization agency transactions				
Other payments	575,342	679,382	(8,477,874)	325,350
Net cash provided by noncapital financing sources	<u>29,496,953</u>	<u>56,689,032</u>	<u>26,346,877</u>	<u>31,833,587</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Proceeds from capital debt	65,666,744			
Capital appropriations received	2,616,592	5,431,219		
Capital grants and gifts received		2,145,711	381,546	507,000
Proceeds from sale of capital assets		43,320		
Purchases of capital assets	(47,556,085)	(10,556,984)	(5,251,334)	(8,285,810)
Principal paid on capital debt and leases	(571,345)	(2,042,902)	(1,010,000)	(245,000)
Interest paid on capital debt and leases	(686,679)	(1,597,848)	(1,291,486)	
Deposit with trustees		(19,845)		
Other sources (payments)	(92,254)	(2,281,226)		
Net cash provided (used) by capital financing activities	<u>19,376,973</u>	<u>(8,878,555)</u>	<u>(7,171,274)</u>	<u>(8,023,810)</u>

(Continued)

Schedule 3

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
\$29,734,828	\$46,638,878	\$47,968,079	\$27,328,592		\$252,446,493
17,471,913	24,822,975	50,804,731	24,302,575		189,540,468
1,253,037	529,866	504,265	385,590		4,614,187
(4,142,220)	12,653,326	17,759,097	13,942,846		96,045,791
(41,091,468)	(66,711,858)	(91,045,437)	(49,538,880)	(\$1,745,413)	(417,152,952)
(11,608,513)	(18,468,849)	(12,442,584)	(15,310,389)	(557,232)	(105,231,125)
(3,397,589)	(4,028,807)	(7,650,224)	(2,879,331)		(36,140,800)
(10,573,384)	(26,340,110)	(56,941,442)	(30,618,135)	(1,058,505)	(203,190,296)
(10,135,703)	(8,688,656)	(5,027,861)	(7,013,592)		(68,973,292)
(503,760)	(635,802)	(2,505,651)	(1,006,250)		(6,468,037)
		156,249			156,249
908,802	488,477	2,611,393	1,596,487		6,961,269
1,699,722	1,042,228	1,660,881	(1,122,172)	(86,364)	6,288,392
(30,384,335)	(38,698,332)	(54,148,504)	(39,932,659)	(3,447,514)	(281,103,653)
34,226,513	52,794,476	68,654,544	52,774,760	2,805,150	351,584,486
		737,923			6,462,626
1,500,000	192,000	1,300,000			8,186,161
4,565,622	9,682,968	12,221,835	5,456,375		48,859,175
(4,565,622)	(9,674,856)	(12,221,835)	(5,456,375)		(48,839,835)
31,501,762	40,377,588	28,091,113	27,184,409		216,628,924
(31,501,762)	(40,377,250)	(28,091,113)	(27,184,409)		(216,623,472)
		(42,768)			(42,768)
(398,486)	(1,382,551)	1,330,834	(1,512,012)	36,000	(8,824,015)
35,328,027	51,612,375	71,980,533	51,262,748	2,841,150	357,391,282
	8,035,000		2,077,150		75,778,894
	3,332,711		1,806,317	40,570	13,227,409
788,438			2,173,304		5,995,999
					43,320
(2,162,283)	(9,701,675)	(11,196,028)	(11,048,331)	(25,948)	(105,784,478)
(230,000)	(649,572)	(360,000)	(655,000)		(5,763,819)
(288,734)	(3,383,988)	(924,579)	(2,061,494)		(10,234,808)
					(19,845)
	(605,618)				(2,979,098)
(1,892,579)	(2,973,142)	(12,480,607)	(7,708,054)	14,622	(29,736,426)

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University, 2007**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	\$6,413,789	\$3,056		
Interest received on investments	2,639,781	1,456,242	\$2,352,599	\$1,212,509
Purchase of investments	(33,181,438)	(3,905,139)	(2,316,414)	(1,278,326)
Net cash provided (used) by investing activities	<u>(24,127,868)</u>	<u>(2,445,841)</u>	<u>36,185</u>	<u>(65,817)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	5,133,351	(999,084)	(668,254)	(4,891,880)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR				
	<u>10,171,043</u>	<u>23,907,766</u>	<u>22,566,050</u>	<u>27,195,198</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR				
	<u><u>\$15,304,394</u></u>	<u><u>\$22,908,682</u></u>	<u><u>\$21,897,796</u></u>	<u><u>\$22,303,318</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating loss	(\$29,899,614)	(\$53,436,214)	(\$30,275,077)	(\$30,092,701)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation expense	3,766,583	7,454,081	4,336,170	2,507,902
Loss on impairment		299,582		
Changes in assets and liabilities:				
(Increase) Decrease in accounts receivable, net	(107,161)	(592,453)	6,551,862	(2,039,826)
Decrease in due from federal government, net	135,660			
(Increase) Decrease in inventories	306,542	(119,815)	(198,068)	(4,808)
(Increase) Decrease in deferred charges and prepaid expenses	(14,568)	(270,999)	39,511	28,458
(Increase) Decrease in notes receivable	8,199	(193,528)	(54,677)	
(Increase) Decrease in other assets	(3,501,905)	(1,256)		
Increase (Decrease) in accounts payable and accrued liabilities	8,426,018	(274,967)	(53,667)	142,028
Increase (Decrease) in deferred revenue	28,186	590,290	(181,119)	797,092
Increase (Decrease) in amounts held in custody for others	216,549	111,811	(45,716)	(15,024)
Increase (Decrease) in compensated absences	238,163	67,322	739	40,814
Increase (Decrease) in other liabilities	784,641	2,426		225
Net cash used by operating activities	<u><u>(\$19,612,707)</u></u>	<u><u>(\$46,363,720)</u></u>	<u><u>(\$19,880,042)</u></u>	<u><u>(\$28,635,840)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:				
Cash and cash equivalents classified as current assets	\$10,788,354	\$15,960,936	\$21,203,765	\$16,639,454
Cash and cash equivalents classified as noncurrent assets	<u>4,516,040</u>	<u>6,947,746</u>	<u>694,031</u>	<u>5,663,864</u>
Cash and cash equivalents at the end of the year	<u><u>\$15,304,394</u></u>	<u><u>\$22,908,682</u></u>	<u><u>\$21,897,796</u></u>	<u><u>\$22,303,318</u></u>

(Continued)

Schedule 3

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
	\$3,051,055	\$207,174,185			\$216,642,085
\$2,451,113	2,828,578	9,861,452	\$3,432,262	\$520,000	26,754,536
(2,379,718)	(11,626,662)	(205,071,227)	(2,416,218)		(262,175,142)
<u>71,395</u>	<u>(5,747,029)</u>	<u>11,964,410</u>	<u>1,016,044</u>	<u>520,000</u>	<u>(18,778,521)</u>
3,122,508	4,193,872	17,315,832	4,638,079	(71,742)	27,772,682
<u>22,618,652</u>	<u>26,383,048</u>	<u>56,426,675</u>	<u>27,074,582</u>	<u>146,479</u>	<u>216,489,493</u>
<u>\$25,741,160</u>	<u>\$30,576,920</u>	<u>\$73,742,507</u>	<u>\$31,712,661</u>	<u>\$74,737</u>	<u>\$244,262,175</u>
(35,394,229)	(50,843,011)	(64,967,262)	(45,948,899)	(3,375,222)	(344,232,229)
3,550,890	7,082,239	9,198,697	6,239,689	8,846	44,145,097 299,582
502,343	1,434,785	513,007	1,561,966		7,824,523 135,660
12,597	116,901	249,183	1,046		363,578
(60,150)	89,217	(78,266)	(55,873)		(322,670)
405,042	(147,325)	105,742	343,431		466,884
95,798	(1,289,469)		513,730	32,856	(4,150,246)
353,391	2,969,420	523,054	(274,834)	(32,844)	11,777,599
30,896	(364,951)	(295,146)	(889,081)		(283,833)
(7)	744,397	2,643	5,687		1,020,340
93,218	1,509,465	599,844	170,194	(9,408)	2,710,351
<u>25,876</u>			<u>(1,599,715)</u>	<u>(71,742)</u>	<u>(858,289)</u>
<u>(\$30,384,335)</u>	<u>(\$38,698,332)</u>	<u>(\$54,148,504)</u>	<u>(\$39,932,659)</u>	<u>(\$3,447,514)</u>	<u>(\$281,103,653)</u>
\$22,685,570	\$21,131,359	\$49,643,358	\$19,819,991	\$74,737	\$177,947,524
<u>3,055,590</u>	<u>9,445,561</u>	<u>24,099,149</u>	<u>11,892,670</u>		<u>66,314,651</u>
<u>\$25,741,160</u>	<u>\$30,576,920</u>	<u>\$73,742,507</u>	<u>\$31,712,661</u>	<u>\$74,737</u>	<u>\$244,262,175</u>

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University, 2007**

	<u>GRAMBLING STATE UNIVERSITY</u>	<u>LOUISIANA TECH UNIVERSITY</u>	<u>MCNEESE STATE UNIVERSITY</u>	<u>NICHOLLS STATE UNIVERSITY</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Capital appropriations				
Disposition of capital assets		(\$299,582)		
Equipment		240,000	\$381,546	
Capital Lease		(240,000)		
Buildings			829,193	
Capital assets donated				\$507,000

(Concluded)

Schedule 3

<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>
		\$2,728,362		\$40,570	\$2,768,932
					(299,582)
					621,546
					(240,000)
					829,193
		11,600			518,600

This page is intentionally blank.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any 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
STEVE J. THERIOT, CPA

March 12, 2008

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the financial statements of the business-type activities and discretely presented component units of the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2007, which collectively comprise the System's basic financial statements and have issued our report thereon dated March 12, 2008. Our report was modified to include a reference to other auditors and an emphasis of a matter regarding the impact of hurricanes Katrina and Rita. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Ragin' Cajun Facilities, Inc.; University Facilities, Inc.; Innovative Student Facilities, Inc.; University of Louisiana at Monroe Facilities, Inc.; Cowboy Facilities, Inc.; Black and Gold Facilities, Inc.; and Nicholls State University Facilities Corporation, 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 Louisiana Tech University Foundation, Inc.; the McNeese State University Foundation; and the University of Louisiana at Lafayette Foundation, Inc., which are discretely presented component units in the basic financial statements of the University of Louisiana System as described in our report on the University of Louisiana System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the University Facilities, Inc.; the University of Louisiana at Monroe Facilities, Inc.; the Black and Gold Facilities, Inc.; and the Nicholls State University Facilities Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University of Louisiana System's internal control over financial reporting as a basis for designing our auditing procedures for the

purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University of Louisiana System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting.

Unlocated Movable Property

For the third consecutive year, the University of Louisiana System (ULS) did not have adequate internal control over movable property at all universities within the system. Three universities within ULS identified significant amounts of unlocated movable property items totaling \$1,960,854 as a result of physical inventory procedures. Louisiana Revised Statute 39:325 requires entities to conduct an annual property inventory of movable property and report any unlocated movable property to the Louisiana Property Assistance Agency. In addition, good internal control dictates that assets be properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted.

During our audit, we identified the following dollar amounts of unlocated movable property reported by universities within ULS on their fiscal year 2007 annual certifications of inventory:

	Total Movable Property Reported	All Unlocated Property	Unlocated Computer Equipment	Property Permanently Deleted
University of Louisiana at Lafayette	\$50,131,784	\$643,083	\$413,966	\$9,471
Southeastern Louisiana University	31,970,817	610,986	244,267	141,053
Grambling State University	21,758,058	706,785	451,571	306,560
Total	<u>\$103,860,659</u>	<u>\$1,960,854</u>	<u>\$1,109,804</u>	<u>\$457,084</u>

The amount of unlocated computers and computer-related equipment represents 56.6% of the unlocated property reported.

Failure to establish adequate controls over movable property increases the risk of loss arising from unauthorized use of property and subjects ULS to noncompliance with state laws and regulations. Because of the nature of the services provided by the System, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

Management of ULS should ensure that these universities strengthen their procedures for conducting the physical inventories of movable property and devote additional efforts to locating movable property reported as unlocated in previous years. Management concurred with the finding and recommendation and outlined a plan of corrective action, citing improvements made in reducing the reported unlocated property (see Appendix A).

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described previously is a material weakness.

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*.

The University of Louisiana System's response to the finding identified previously is attached in Appendix A. We did not audit the System's response, and, accordingly, we express no opinion on it.

Other Reports

Other external auditors audited the Ragin' Cajun Facilities, Inc.; University Facilities, Inc.; Innovative Student Facilities, Inc.; University of Louisiana at Monroe Facilities, Inc.; Cowboy Facilities, Inc.; Black and Gold Facilities, Inc.; and Nicholls State University Facilities

Corporation, which are blended component units included in the University of Louisiana System's basic financial statements for the year ended June 30, 2007. In addition, other external auditors audited the Louisiana Tech University Foundation, Inc.; the McNeese State University Foundation; and the University of Louisiana at Lafayette Foundation, Inc., which are discretely presented component units included in the basic financial statements of the University of Louisiana System. To obtain copies of those reports, refer to note 1-B to the basic financial statements for mailing addresses.

As a part of our audit of the University of Louisiana System's basic financial statements for the year ended June 30, 2007, 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>
Southeastern Louisiana University	November 27, 2007
Northwestern State University	December 3, 2007
Louisiana Tech University	December 13, 2007
Nicholls State University	December 17, 2007
McNeese State University	December 18, 2007
University of Louisiana at Lafayette	February 7, 2008

Our audit report on Grambling State University is currently pending.

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

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

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

BC:CGEW:THC:dl

ULS07

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

UNIVERSITY OF LOUISIANA

S Y S T E M

Claiborne Building • 1201 North Third Street, Suite 7-300 • Baton Rouge, LA 70802 • 225-342-6950 • Fax 225-342-6473
www.uls.state.la.us

BOARD OF SUPERVISORS

Mrs. Elsie P. Burkhalter
Chair

Mr. Winfred F. Sibille
Vice Chair

Mr. D. Wayne Parker
Parliamentarian

Mr. Paul G. Aucoin

Mr. Victor Bussie

Mr. Andre G. Coudrain

Dr. Mildred Gallot

Mr. Robert T. Hale

Mr. Jeffrey S. Jenkins

Ms. Renee A. Lapeyrolerie

Mr. Jimmy D. Long, Sr.

Mr. Russell L. Mosely

Ms. Olinda Ricard
Student

Mrs. Consuelo Rougeau

Dr. Eunice W. Smith

Mr. Michael H. Woods

Dr. Sally Clausen
President

***College
Begins
In
Preschool***

February 14, 2008

Mr. Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Re: Audit Finding – Unlocated Movable Property

Dear Mr. Theriot:

The University of Louisiana System Board of Supervisors has been notified that an audit finding concerning unlocated movable property will be included in the System's audit report. We thank you for giving us the opportunity to comment on this issue.

The University of Louisiana System is comprised of an administrative office and eight university campuses. Each of those campuses is committed to safeguarding state assets but faces numerous challenges in doing so. To provide access to all educational opportunities, many campus facilities are open to students and the public; this includes athletic areas, libraries, computer labs, health and fitness areas, etc. This Board is proud of its students' many academic achievements but some of those accomplishments come at a cost, including the risk that state equipment will be stolen or misplaced due to the easy access to educational resources that are provided to the students and community.

The audit report for the fiscal year ended June 30, 2005, included a finding in which six of the six institutions reviewed that year resulted in unlocated property totaling 2.18% for those specific campuses or 3.2% of total System movable property. The June 30, 2007, audit includes reviews of seven of our eight universities, with only three campuses cited in the finding. Unlocated property is 1.8% for those specific campuses or 1.4% of total System movable property. Thus, System and university management has demonstrated its commitment by reducing both the number of campuses with significant movable property issues and by reducing the unlocated property accounted for by the entire System.

The Board acknowledges that this finding effectively discloses that our universities are addressing this issue and will continue to improve security of campus assets and enforce safeguarding controls. Examples of the System universities' efforts to improve controls include:

1. Increase the number of security cameras on campuses
2. Install tracking software in laptops to enable police to find lost or stolen computers
3. Emphasize to employees the importance of maintaining current and accurate property records
 - Hold periodic workshops on movable property policies and procedures
 - For increased accountability, notify Vice Presidents and Budget Unit Heads of unlocated property assigned to their departments
 - Identify designated users of equipment and hold them accountable for it; in some cases, lost equipment will not be replaced until punitive damages are collected from the designated employee
 - Increase staffing resources to locate missing equipment
 - Computerize forms used to update equipment transfers/theft/loss to make them readily available and user friendly
4. Utilize Internal Auditors to assess movable property procedures in various departments and assist those departments in locating missing equipment

I would like to acknowledge the professionalism of your staff in working with our universities. We appreciate the ongoing dialog that we have with them concerning operational improvements.

Sincerely,



Sally Clausen
President

SC:NB:dp