LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

ACCOUNTANT'S REVIEW REPORT
ISSUED JULY 21, 2010

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

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 and at the office of the parish clerk of court.

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. Five copies of this public document were produced at an approximate cost of $18.70. 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.lla.la.gov. When contacting the office, you may refer to Agency ID No. 3476 or Report ID No. 80090067 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, Administration Manager, at 225-339-3800.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 17, 2010

Accountant's Review Report

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Ruston, Louisiana

We have reviewed the accompanying basic financial statements as listed in the table of contents of Louisiana Tech University, a university within the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2009, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Louisiana Tech University. We did not review the financial statements of the Innovative Student Facilities, Inc., a blended component unit of the university, whose statements reflect total assets, liabilities, and revenues of 32%, 62%, and 3%, respectively, of the related university totals. These component unit financial statements were audited by another auditor whose report thereon has been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for this component unit, are based solely upon the report of the other auditor.

A review consists principally of inquiries of Louisiana Tech University personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted 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, the objective of which is the expression of an opinion regarding the basic financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in note 1-C to the basic financial statements, the accompanying financial statements of Louisiana Tech University are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the University of Louisiana System that is attributable to the transactions of Louisiana Tech University. They do not purport to, and do not, present fairly the financial position of the University of Louisiana System or the State of Louisiana as of June 30, 2009, and the changes in its financial position and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Based on our review and the report of the other auditor discussed previously, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress for the Other Postemployment Benefits Plan (Schedule 1) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements but was compiled from the information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Management has not presented the management's discussion and analysis information that GASB has determined is required to supplement, although not to be part of, the basic financial statements.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KJV:WJR:BQD:THC:dl

LTU09

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Net Assets
June 30, 2009

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$10,539,045
Receivables, net (note 4)	11,222,024
Inventories	2,224,768
Deferred charges and prepaid expenses	1,394,060
Notes receivable, net (note 5)	1,185,184
Other current assets	127,428
Total current assets	26,692,509
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (note 2)	30,582,412
Investments (note 3)	27,663,708
Notes receivable, net (note 5)	6,005,368
Capital assets, net (note 6)	147,142,102
Other noncurrent assets	2,395,097
Total noncurrent assets	213,788,687
Total assets	240,481,196
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities (note 7)	5,266,647
Deferred revenues (note 8)	5,122,772
Compensated absences payable (notes 12 and 15)	423,461
Capital lease obligations (notes 14 and 15)	439,013
Amounts held in custody for others	764,231
Bonds payable (notes 15 and 16)	1,390,000
Other current liabilities	1,940,193
Total current liabilities	15,346,317
Noncurrent liabilities:	
Compensated absences payable (notes 12 and 15)	3,607,065
Capital lease obligations (notes 14 and 15)	662,682
Bonds payable (notes 15 and 16)	77,310,000
Other postemployment benefits payable (notes 9 and 15)	23,113,373
Total noncurrent liabilities	104,693,120
Total liabilities	120,039,437

(Continued)

See accompanying notes and accountant's review report.

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Net Assets
June 30, 2009

NET ASSETS	
Invested in capital assets, net of related debt	$91,013,523
Restricted for:	
Nonexpendable (note 19)	29,197,532
Expendable (note 19)	15,306,517
Unrestricted	(15,075,813)
Total net assets	$120,441,759

(Concluded)

See accompanying notes and accountant's review report.

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $11,449,180)	$37,446,504
Federal grants and contracts	11,097,903
State and local grants and contracts	3,585,682
Nongovernmental grants and contracts	586,436
Sales and services of educational departments	720,620
Auxiliary enterprise revenues (net of scholarship allowances of $1,617,677)	23,722,207
Other operating revenues	1,352,830
Total operating revenues	78,512,182
OPERATING EXPENSES	
Education and general:	
Instruction	47,403,606
Research	20,634,178
Public service	756,513
Academic support	12,774,911
Student services	5,979,307
Institutional support	10,421,824
Operations and maintenance of plant	11,218,418
Depreciation	7,373,589
Scholarships and fellowships	5,503,810
Auxiliary enterprises	36,199,253
Other operating expenses	583,984
Total operating expenses	158,849,393
OPERATING LOSS	(80,337,211)
NONOPERATING REVENUES (Expenses)	
State appropriations	60,131,777
Gifts	5,382,669
Federal nonoperating revenues	6,586,773
Net investment income	404,725
Interest expense	(1,443,326)
Other nonoperating revenues	1,134,188
Net nonoperating revenues	72,196,806

(Continued)

See accompanying notes and accountant's review report.

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009

LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	($8,140,405)
Capital appropriations	8,176,381
Capital grants and gifts	1,154,271
Additions to permanent endowments	(2,458,945)
Other additions, net	(3,027,860)
Decrease in Net Assets	(4,296,558)
Net Assets at Beginning of Year	124,738,317
Net Assets at End of Year	$120,441,759

(Concluded)

See accompanying notes and accountant's review report.

Statement C

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

Cash flows from operating activities:	
Tuition and fees	$37,464,033
Grants and contracts	14,179,025
Sales and services of educational departments	725,756
Auxiliary enterprise receipts	24,113,572
Payments for employee compensation	(70,336,976)
Payments for benefits	(18,768,523)
Payments for utilities	(9,483,224)
Payments for supplies and services	(34,118,296)
Payments for scholarships and fellowships	(6,914,346)
Loans to students	(633,445)
Collections of loans to students	721,166
Other receipts	1,340,993
Net cash used by operating activities	(61,710,265)
Cash flows from noncapital financing activities:	
State appropriations	59,974,520
Gifts and grants for other than capital purposes	11,194,763
Private gifts for endowment purposes	(2,458,945)
TOPS receipts	7,036,641
TOPS disbursements	(9,534,615)
Federal Family Education Loan Program receipts	25,616,369
Federal Family Education Loan Program disbursements	(25,604,869)
Other receipts	1,339,181
Net cash provided by noncapital financing sources	67,563,045
Cash flows from capital financing activities:	
Capital appropriations received	580,069
Capital grants and gifts received	1,040,922
Purchases of capital assets	(20,803,537)
Principal paid on capital debt and leases	(5,670,572)
Interest paid on capital debt and leases	(1,355,915)
Other sources	(3,027,860)
Net cash used by capital financing activities	(29,236,893)
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	2,458,944
Interest received on investments	411,404
Net cash provided by investing activities	2,870,348
Net decrease in cash and cash equivalents	(20,513,765)
Cash at beginning of year	61,635,222
Cash at end of year	$41,121,457

(Continued)

See accompanying notes and accountant's review report.

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	($80,337,211)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	7,373,589
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(759,485)
(Increase) in inventories	(218,432)
(Increase) in deferred charges and prepaid expenses	(79,952)
Decrease in notes receivable	379,391
Decrease in other assets	143,787
(Decrease) in accounts payable and accrued liabilities	(66,521)
Increase in deferred revenue	17,950
Increase in amounts held in custody for others	72,973
Increase in compensated absences	250,576
Increase in other postemployment benefits payable	11,469,023
Increase in other liabilities	44,047
Net cash used by operating activities	($61,710,265)

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital appropriations	$7,585,512
Retirement of capital assets	842,455
Purchase of capital assets	62,440
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS	
Cash and cash equivalents classified as current assets	10,539,045
Cash and cash equivalents classified as noncurrent assets	30,582,412
Total cash and cash equivalents	$41,121,457

(Concluded)

See accompanying notes and accountant's review report.

INTRODUCTION

Louisiana Tech University (the university) is a publicly supported institution of higher education. The university is a part of the University of Louisiana System, which is a component unit of the State of Louisiana, within the executive branch of government. The university is under the management and supervision of the University of Louisiana System Board of Supervisors; however, certain items like the annual budget of the university and changes to the degree programs and departments of instruction require the approval of the Board of Regents for Higher Education. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

The university is located in Ruston, Louisiana. The university offers associate, baccalaureate, and selected masters, specialists, and doctorate degrees in various academic areas. Net enrollment at the university was 3,866; 10,924; 8,907; and 8,522, respectively, during the summer, fall, winter, and spring quarters of fiscal year 2009. At June 30, 2009, the university has approximately 1,222 full-time faculty and staff members.

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. Louisiana Tech University is part of the University of Louisiana System (ULS), which 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) a majority of the members of the governing boards 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 university.

Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements within the ULS amounts. The Louisiana Legislative Auditor audits the basic financial statements of the system.

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

Blended Component Unit

The Innovative Student Facilities, Inc., is a Louisiana nonprofit corporation created on March 26, 2002. The purpose of the organization is to promote, assist, and benefit the mission of the university primarily through the development and construction of student housing facilities. Since its inception, the corporation developed plans, sold $73,510,000 of revenue bonds, and constructed 30 new student apartment-style housing units. The proceeds from the student housing will be used to repay the bonds and maintain the facilities. Although the facility corporation is legally separate, it is considered a blended component unit of the university because it is fiscally dependent on the university.

Other external auditors audited the Innovative Student Facilities, Inc., for the years ended June 30, 2009 and 2008. To obtain a copy of the audit report, write to:

Office of the Comptroller
Louisiana Tech University
Post Office Box 7924
Ruston, Louisiana 71272

This blended component unit is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB 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 this component unit's financial information in the university's report for these differences.

C. BASIS OF ACCOUNTING

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

The university has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The university has elected to not apply FASB pronouncements issued after the applicable date.

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 agencies of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated, but are recognized in the succeeding year; and (4) inventories in the General Fund are recorded as expenditures at the time of purchase.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and money market funds. Under state law, the university may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the university may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash equivalents reported on the Statement of Net Assets include all negotiable certificates of deposit, with a maturity of three months or less when purchased. These terms are also used in preparing the Statement of Cash Flows. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times be equal to or greater than the amount on deposit with the fiscal agent.

In accordance with Louisiana Revised Statute (R.S.) 49:327(c)(3), the university is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. In addition, 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 31. Changes in the carrying value of investments, resulting in unrealized gains or losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. Investments in repurchase agreements, common and preferred stocks, mutual funds, diamonds, and an external investment pool are reported by the university as investments on the Statement of Net Assets. For purposes of the Statement of Cash Flows, the university considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. INVENTORIES

Inventories are valued at average cost under a periodic inventory system except for the inventory of the bookstore. Bookstore inventory is valued at the lower of cost or market using the retail and first-in, first-out methods. The institution accounts for all other inventories using the consumption method.

G. RESTRICTED CASH AND INVESTMENTS

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

H. CAPITAL ASSETS

The university follows the capitalization policies established by the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy. Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. Construction-in-progress costs are capitalized during construction. For movable property, the university's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations to buildings 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, 20 years for depreciable land improvements, and three to 10 years for most movable property. Library collections regardless of age with a total acquisition value of $5 million or more will be capitalized and depreciated.

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 non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

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

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 and notes payable with maturities greater than one year, estimated amounts for accrued compensated absences, capital lease obligations with contractual maturities greater than one year, and other postemployment benefits that will not be paid within the next fiscal year.

L. NET ASSETS

Net assets comprise the various net earnings from operation, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

(a) *Invested in capital assets, net of related debt* consists of the university's total investment in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.

(b) *Restricted - nonexpendable* consists of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

(c) *Restricted - expendable* consists of resources that the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(d) *Unrestricted* consists of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the university and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the university's policy is to first apply the expense toward unrestricted resources, then toward restricted resources.

M. CLASSIFICATION OF REVENUES AND EXPENSES

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

(a) *Operating revenue* includes activities that have the characteristics of exchange transactions, such as (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.

(b) *Nonoperating revenue* includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, certain federal revenues (Pell), and investment income.

(c) *Operating expenses* generally include transactions resulting from providing goods or services, such as (1) payments to vendors for goods or services; (2) payments to employees for services; and (3) payments for employee benefits.

(d) *Nonoperating expenses* include transactions resulting from financing activities, capital acquisitions, and investing activities.

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for services (tuition and fees) provided by the university and the amount that is paid by students and/or third parties making payments on the student's behalf.

O. USE OF ESTIMATES

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

P. ELIMINATING INTERFUND ACTIVITY

All activities among departments, campuses and auxiliary units of the university are eliminated for purposes of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

2. CASH AND CASH EQUIVALENTS

At June 30, 2009, the university has cash and cash equivalents (book balances) of $41,121,457 as follows:

Petty cash	$75,328
Demand deposits	6,333,323
Money market accounts	34,707,729
Certificates of deposit	5,077
Total	$41,121,457

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

Current assets	$10,539,045
Noncurrent assets	30,582,412
Total	$41,121,457

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

As of June 30, 2009, $25,159,971 of the university's total bank balance of $42,213,413 was uninsured and collateralized with securities held by pledging institutions and therefore exposed to custodial credit risk. The $25,159,971 consists of money market funds belonging to Innovative Student Facilities, Inc.

3. INVESTMENTS

At June 30, 2009, the university has investments totaling $27,663,708. The university's investment policy follows state law [R.S. 49:327(c)(3)], which authorizes the university to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds. A summary of the university's investments follows:

		Investment Maturities in Years				
	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Percentage of Investments
Type of investment:						
Common and preferred stock	$18,873	$18,873				0.07%
Money market mutual funds	9,607	9,607				0.03%
Diamonds	8,239	8,239				0.03%
Investments held by private foundations in external investment pools	27,626,989	24,172,312	$2,008,403	$801,734	$644,540	99.87%
Total investments	$27,663,708	$24,209,031	$2,088,403	$801,734	$644,540	100.00%

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the university's investments by type as described previously. The university does not have a policy to further limit credit risk.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The university's investment policy generally requires that issuers must provide the university with safekeeping receipts, collateral agreements, and custodial agreements.

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

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

Investments held by private foundations in an external investment pool are managed in accordance with the terms outlined in a management agreement executed between the university and the Louisiana Tech University Foundation, with the university being a voluntary participant. At June 30, 2009, these investments total $27,626,989 and are managed in accordance with the Board of Regents' guidelines for Investment of Endowed Chairs and Endowed Professorships. These funds are audited annually by an outside certified public accounting firm.

4. ACCOUNTS RECEIVABLE

Receivables as shown on the Statement of Net Assets, net of an allowance for doubtful accounts, are composed of the following:

Type	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	$991,654	$174,530	$817,124
Auxiliary enterprises	1,055,206	49,226	1,005,980
Contributions and gifts	1,048,727		1,048,727
Federal, state, and private grants and contracts	5,409,582		5,409,582
Federal and state appropriations	287,260		287,260
Other	2,653,351		2,653,351
Total	$11,445,780	$223,756	$11,222,024

5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan Program. Restricted federal and state contributions and interest on the loans provide the funding for the Perkins Loan Program. This program provides for the cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. If loans are determined to be uncollectible and not eligible for reimbursement by the federal government, the loans can be written off and assigned to the U.S. Department of Education. These receivables are shown on the Statement of Net Assets, net of allowance for doubtful accounts. These receivables are composed of the following for the year ended June 30, 2009:

Type	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable (Net)	Noncurrent Portion
Federal Perkins Loans	$7,475,963	$285,411	$7,190,552	$6,005,368

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2008	Additions	Transfers	Retirements	Balance June 30, 2009
Capital assets not being depreciated:					
Land	$8,106,233	$3,102,059			$11,208,292
Construction-in-progress	12,867,821	21,271,922	($233,357)		33,906,386
Total capital assets not being depreciated	$20,974,054	$24,373,981	($233,357)	NONE	$45,114,678
Other capital assets:					
Land improvements	$3,412,424	$233,357		($395,085)	$3,250,696
Less accumulated depreciation	(1,774,603)	(156,735)		395,085	(1,536,253)
Total land improvements	1,637,821	76,622	NONE	NONE	1,714,443
Buildings	180,779,373	2,542,464		(225,550)	183,096,287
Less accumulated depreciation	(91,664,806)	(3,880,508)		101,497	(95,443,817)
Total buildings	89,114,567	(1,338,044)	NONE	(124,053)	87,652,470
Equipment	33,816,377	2,181,790		(3,279,430)	32,718,737
Less accumulated depreciation	(22,736,117)	(2,184,423)		2,561,029	(22,359,511)
Total equipment	11,080,260	(2,633)	NONE	(718,401)	10,359,226
Library books	23,877,379	1,154,822		(15,020)	25,017,181
Less accumulated depreciation	(21,578,992)	(1,151,923)		15,019	(22,715,896)
Total library books	2,298,387	2,899	NONE	(1)	2,301,285
Total other capital assets	$104,131,035	($1,261,156)	NONE	($842,455)	$102,027,424
Capital asset summary:					
Capital assets not being depreciated	$20,974,054	$24,373,981	($233,357)		$45,114,678
Other capital assets, at cost	241,885,553	6,112,433		($3,915,085)	244,082,901
Total cost of capital assets	262,859,607	30,486,414	(233,357)	(3,915,085)	289,197,579
Less accumulated depreciation	(137,754,518)	(7,373,589)	NONE	3,072,630	(142,055,477)
Capital assets, net	$125,105,089	$23,112,825	($233,357)	($842,455)	$147,142,102

7. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2009:

Account Name	
Vendor payables	$1,802,437
Accrued salaries and payroll deductions	3,351,766
Other	112,444
Total	$5,266,647

8. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2009:

Prepaid tuition and fees	$2,483,723
Prepaid athletic ticket sales	338,187
Grants and contracts	1,875,799
Other	425,063
Total	$5,122,772

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Funding Policy - The contribution requirements of plan members and the university are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) plan, the Exclusive Provider Organization (EPO) plan, and the Health Maintenance Organization (HMO) plan. In addition, all plan members are offered the Medical Home HMO plan. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans--three HMO plans and two private fee-for-service (PFFS) plans. The three HMO plans are Humana Regional HMO Plan, Peoples Health Regional HMO-POS Plan, and Vantage HMO-POS Plan. The two PFFS plans are Humana PFFS Plan and SecureHorizons Medicare Direct PFFS Plan. Depending upon the plan selected, during fiscal year 2009, employee premiums for a single member receiving benefits range from $34 to $218 per month for retiree-only coverage with Medicare or from $130 to $176 per month for retiree-only coverage without Medicare. The fiscal year 2009 employee premiums for a retiree with spouse, children, or family coverage range from $69 to $468 per month for those with Medicare and from $187 to $514 per month for those without Medicare.

The plan is currently financed on a pay-as-you-go basis with the university contributing from $26 to $246 per month for retiree-only coverage with Medicare or from $838 to $873 per month for retiree-only coverage without Medicare during fiscal year 2009. Also, the university's contributions range from $52 to $1,212 per month for a retiree with spouse, children, or family coverage with Medicare or from $892 to $1,341 for retiree with spouse, children, or family coverage without Medicare.

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

Annual Other Postemployment Benefit Cost and Liability - The university's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year, open amortization period has been used. The total ARC for fiscal year 2009 is $14,708,000 as set forth below:

Normal cost	$7,269,200
30-year UAAL amortization amount	7,438,800
Annual required contribution (ARC)	$14,708,000

The following schedule presents the university's OPEB obligation for fiscal year 2009:

Beginning net OPEB obligation at July 1, 2008	$11,644,350
Annual required contribution	14,708,000
Interest on net OPEB obligation	465,772
ARC adjustment	(444,948)
OPEB cost	14,728,824
Contributions made - current year retiree premiums	(3,259,801)
Increase in net OPEB obligations	11,469,023
Ending net OPEB obligation at June 30, 2009	$23,113,373

Using the pay-as-you-go method, the university contributed 22.1% of the annual postemployment benefits cost during 2009. In 2008, the initial year of implementation of GASB 45, the university contributed 20.8% of the annual OPEB cost.

Funded Status and Funding Progress - During fiscal year 2009, neither the university nor the State of Louisiana made contributions to its postemployment benefits plan trust. A trust was established during fiscal year 2008 but was not funded at all, has no assets, and hence has a funded ratio of zero. Since the plan was not funded, the university's entire actuarial accrued liability of $179,865,500 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2008, was as follows:

Actuarial accrued liability (AAL)	$179,865,500
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability	$179,865,500
Funded Ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$39,866,700
UAAL as a percentage of covered payroll	451.17%

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

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

In the July 1, 2008, OGB actuarial valuation, the projected unit credit actuarial cost method, was used. The actuarial assumptions included a 4% investment rate of return and initial annual healthcare trend rate of 9.0% and 10.1% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over an open amortization period of 30 years. The remaining amortization period at June 30, 2009, was 28 years. Annual per capita medical claims costs were updated to reflect an additional year of actual experience. There were no other changes in assumptions.

10. PENSION PLANS

Plan Description. Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees and unclassified state employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified/ unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSL is a cost-sharing, multiple-employer defined benefit pension plan 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. Both 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 systems, with employee benefits vesting after five years of service for TRSL and 10 years of service with LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the 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, and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of employee plan members and the university 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% (TRSL) and 7.5% (8% for LASERS employees hired after July 1, 2006) of covered salaries. In fiscal year 2009, the state contributed 15.5% of covered salaries to TRSL and 18.5% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to each university, funds the employer contribution. The employer contributions to TRSL for the years ended June 30, 2009, 2008, and 2007 were $2,667,068, $2,791,293, and $2,361,664 respectively, and to LASERS for years ended June 30, 2009, 2008, and 2007 were $2,395,941, $2,669,801, and $2,347,917, respectively, equal to the required contributions for each year.

11. OPTIONAL RETIREMENT SYSTEM

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

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

Total contributions by the university are 15.5% of the covered payroll for fiscal year 2009. The participant's contribution (8.0%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the university. Benefits payable to participants are not the obligations of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan were $4,328,358 and $2,233,991, respectively, for the fiscal year ended June 30, 2009.

12. COMPENSATED ABSENCES

At June 30, 2009, employees of the university have accumulated and vested annual and sick leave of $3,018,817 and $1,011,709, respectively. Employees had no payable accumulated compensatory leave at year-end. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

13. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are considered state liabilities and paid upon appropriation from the legislature and not the university. As of June 30, 2009, the university was involved as a defendant in one lawsuit which is being handled by contract attorneys. The attorneys have estimated a potential liability of $7,500 related to this lawsuit. This note does not include any lawsuits filed with the university system or the Office of Risk Management, the agency responsible for the state's risk management program.

14. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2009, total operating lease expenditures is $685,065. The following is a schedule by fiscal years of future minimum annual rental payments required under operating leases that have initial or noncancelable lease terms in excess of one year as of June 30, 2009:

	Fiscal Year								
	2010	2011	2012	2013	2014	2015-2019	2020-2024	2025-2039	Total
Nature of Lease:									
Equipment	$292,174	$27,918							$320,092
Land	18,765	10,603	$9,302	$5,049	$5,241	$29,349	$35,366	$155,848	269,523
Total	$310,939	$38,521	$9,302	$5,049	$5,241	$29,349	$35,366	$155,848	$589,615

The lease agreements have nonappropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period.

Capital Leases

The university records items under capital leases as assets and obligations in the accompanying financial statements. The following are schedules of future minimum lease payments under these capital leases, together with the present value of minimum lease payments:

Fiscal Year Ending June 30,	
2010	$482,244
2011	351,952
2012	170,853
2013	137,297
2014	50,692
2015-2019	NONE
Total minimum lease payments	1,193,038
Less - amount representing executory costs	NONE
Net minimum lease payments	1,193,038
Less - amount representing interest	(91,343)
Present value of net minimum lease payments	$1,101,695

The gross amount of assets held under capital leases as of June 30, 2009, totals $2,983,955, including equipment of $2,603,684 and office space of $380,271.

Lessor - Operating Lease

The leasing operations consist primarily of leasing property for the purposes of providing food services to students. The following schedule provides an analysis of the university's cost and carrying amount of the university's investment in property on operating leases and property held for lease as of June 30, 2009:

	Cost	Accumulated Depreciation	Carrying Amount
Office space	$2,075,860	($1,280,841)	$795,019

The following is a schedule by years of minimum future rentals on noncancelable operating lease as of June 30, 2009:

Nature of Operating Lease	2010	2011	2012	2013	2014	2015-2019	2020-2024	Total Minimum Future Rentals
University - food service	$170,000	$170,000	$170,000	$170,000	$170,000	$850,000	$850,000	$2,550,000

15. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the university for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds and notes payable:					
Bonds payable	$83,845,000		$5,145,000	$78,700,000	$1,390,000
Notes payable	37,650		37,650		
Subtotal	83,882,650	NONE	5,182,650	78,700,000	1,390,000
Other liabilities:					
Compensated absences payable	3,779,950	$1,974,324	1,723,748	4,030,526	423,461
Capital lease obligations	1,527,177	62,440	487,922	1,101,695	439,013
Amounts held in custody for others	679,758	84,473	764,231		
Other postemployment benefits payable	11,644,350	11,469,023		23,113,373	
Subtotal	17,631,235	13,590,260	2,975,901	28,245,594	862,474
Total	$101,513,885	$13,590,260	$8,158,551	$106,945,594	$2,252,474

16. BONDS PAYABLE

Bonds Payable, as of June 30, 2009

Issue	Date of Issue	Original Issue	Outstanding June 30, 2008	Issued (Redeemed)	Outstanding June 30, 2009	Maturities	Interest Rates	Interest Outstanding June 30, 2009
Academic Facilities Extension								
Use Revenue Bonds - Series B	7/1/1972	$4,750,000	$1,610,000	($285,000)	$1,325,000	2013	5.90%-6.25%	$172,344
Revenue Refunding Bonds:								
Revenue Bonds - 2002 Series	7/1/2002	5,920,000	4,945,000	(265,000)	4,680,000	2022	3.50%-4.90%	1,699,431
Innovative Student Facilities, Inc.:								
2003 Series Revenue Bonds	7/1/2003	21,840,000	21,325,000	(300,000)	21,025,000	2034	2.60%-4.50%	14,324,037
Revenue Refunding Bonds:								
2004 Series	9/30/2004	7,225,000	4,295,000	(4,295,000)				
Innovative Student Facilities, Inc.:								
2007 Series Revenue Bonds	9/26/2007	51,670,000	51,670,000		51,670,000	2038	4.00%-5.25%	43,878,950
Total		$91,405,000	$83,845,000	($5,145,000)	$78,700,000			$60,074,762

The annual requirements to amortize the university's bonds outstanding at June 30, 2009, including interest of $60,074,762 are as follows:

	June 30, 2009		
	Principal	Interest	Total
2010	$1,390,000	$3,539,795	$4,929,795
2011	1,520,000	3,478,820	4,998,820
2012	1,640,000	3,412,001	5,052,001
2013	1,785,000	3,339,070	5,124,070
2014	1,560,000	3,271,085	4,831,085
2015-2019	10,160,000	15,234,698	25,394,698
2020-2024	13,380,000	12,479,269	25,859,269
2025-2029	15,380,000	9,094,164	24,474,164
2030-2034	19,400,000	5,070,599	24,470,599
2035-2038	12,485,000	1,155,261	13,640,261
Total	$78,700,000	$60,074,762	$138,774,762

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2009:

Bond Issue	Reserves Available	Reserve Requirement	Excess
Academic Facilities Use Fee - 1972 Series B	$387,813	$387,813	NONE
Innovative Student Facilities - 2003 Series	1,491,992	1,485,475	$6,517
Innovative Student Facilities - 2007 Series	3,416,725	3,416,725	NONE
Total	$5,296,530	$5,290,013	$6,517

17. REVENUE USED AS SECURITY FOR REVENUE BONDS

Pledged revenues are specific revenues that have been formally committed to directly collateralize or secure debt of the pledging government or directly or indirectly collateralize or secure debt of a component unit. Pledged revenues must be disclosed for each period in which the secured debt remains outstanding and for each secured debt issued. The university has pledged revenues for the following revenue bond issues:

Revenue Bonds Series 2002

Revenue pledged for this bond includes all auxiliary fund revenues. The original issue of the bonds was $5,920,000 and these bonds were issued for the installation of a turbine generation system. The debt secured by the pledge is $4,680,000. The approximate remaining amount of the pledge is $6,379,431. The term of commitment is July 1, 2002, through April 1, 2022. For the year ended June 30, 2009, the requirements for principal and interest were $265,000 and

$225,239, respectively. The amount of pledged revenues recognized for fiscal year 2009 was $5,763,978.

Academic Facilities Extension Use Fee Revenue Bonds

The revenue pledged for this bond includes student building use fees. The original issue of the bonds was $4,750,000 and these bonds were issued for the construction and maintenance of facilities on campus. The debt secured by the pledge is $1,325,000. The approximate remaining amount of the pledge is $1,497,344. The term of commitment is July 1, 1972, through July 1, 2012. For the year ended June 30, 2009, the requirements for principal and interest were $285,000 and $91,719, respectively. The amount of pledged revenues recognized for fiscal year 2009 was $462,558.

18. ALTERNATIVE FINANCING AGREEMENTS

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 the university. The rental income derived from the facilities lease will be used to pay the bonds.

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

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

19. RESTRICTED NET ASSETS

The university has the following restricted net assets at June 30, 2009:

Nonexpendable - endowments	$29,197,532
Expendable:	
Restricted for use by donors	$2,255,113
Student loans	7,756,590
Endowments	497,070
Restricted by legislation	2,070,274
Acquisition of capital assets and retirement of indebtedness	2,727,470
Total expendable	$15,306,517

Of the total net assets reported in the Statement of Net Assets for the year ended June 30, 2009, $2,070,274 is restricted by Louisiana Revised Statute. Listed below are the net assets restricted by enabling legislation and the purpose of the restriction:

Student technology fee	$772,061
Vehicle registraton fee	212,318
Building use fees	1,085,895
Total restricted	$2,070,274

20. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Board of Regents to authorize expenditure of the net appreciation (realized and unrealized) of the investments of the 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, 2009, net appreciation of donor restricted endowments is equal to $497,070, which is available to be spent for restricted purposes.

University endowments are restricted as to use by the donor(s) and virtually all specify a spending purpose and reinvestment rate. The university is authorized to spend any amounts which are not required to be reinvested. The amount of these expenditures is determined yearly and is based on accumulated and projected earnings. Endowments (Chairs & Professorships) are managed by the Louisiana Tech University Foundation, Inc., in accordance with the spending policy set by the Louisiana Board of Regents. The policy, which was modified effective July 1, 2008, and terminates on June 30, 2010, allows annual spending of up to 5% of the market value of Program Assets averaged on a consistent basis for the five most recent trust fund years, provided that the market value of the Program Assets at the end of the most recent fiscal trust fund year exceeds the original corpus of the endowment by an amount at least equal to the amount to be spent in the next fiscal trust fund year for which a spending allocation is to be made. When the current market value of Program Assets is below the original corpus of the endowment, no spending is allowed.

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.

21. AFFILIATED ORGANIZATIONS

The accompanying financial statements do not include the accounts of the Louisiana Tech University Foundation, Inc. The foundation is not included in the university's financial statements as a component unit since they no longer meet the criteria for inclusion established by the Division of Administration, Office of Statewide Reporting and Accounting Policy. The foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants.

However, the accompanying financial statements do include the accounts of the Innovative Student Facilities, Inc. These accounts have been audited by an independent auditor.

22. 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 university.

The amount of on-behalf payments for salaries and fringe benefits included in the university's accompanying financial statements for the fiscal year ended June 30, 2009, totaled $418,814.

23. POLLUTION REMEDIATION OBLIGATIONS

The university had no active pollution remediation projects at June 30, 2009. Through Facility Planning and Control, two remediation projects with cost contracts totaling $41,377 are scheduled for completion by September 30, 2009. All remediation costs are to be paid directly by Facility Planning and Control and are not the financial responsibility of the university.

24. DEFERRED COMPENSATION PLAN

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

The foundation provides additional compensation to the president of the university. Pursuant to an agreement between the foundation and the president, such compensation is being deferred. The deferred compensation is deposited by the foundation in a trust for the president's benefit. At January 7, 2008, the balance of the deferred compensation is paid to the president according to the terms of the agreement, and a new agreement became effective with generally the same terms as the old agreement. Total deferred compensation at June 30, 2009, is $76,302.

This page is intentionally blank.

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

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

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan
Fiscal Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2007	NONE	$173,908,700	$173,908,700	0%	$47,653,657	365.0%
July 1, 2008	NONE	179,865,500	179,865,500	0%	39,866,700	451%

Note to the Schedule:

GASB Statement 45 was implemented prospectively during the fiscal year ended June 30, 2008; therefore, only two years of information is available to present.

See accountant's review report.

This page is intentionally blank.

Management Letter

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 17, 2010

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Ruston, Louisiana

We have reviewed the financial statements of Louisiana Tech University, as of and for the year ended June 30, 2009, and have issued our accountant's review report thereon dated June 17, 2010. Louisiana Tech University is a university within the University of Louisiana System, a component unit of the State of Louisiana. The university's accounts are an integral part of the University of Louisiana System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. A review is substantially less in scope than an audit conducted 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, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

We did not review the financial statements of the Innovative Student Facilities, Inc., a blended component unit of the university, which are included in the university's financial statements. The financial statements of this component unit were audited by another auditor whose report thereon has been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for that component unit, is based solely upon the report of the other auditor.

Our review of the financial statements did not disclose any transactions entered into by the university during the year that were both significant and unusual or transactions for which there is a lack of authoritative guidance.

For purposes of this letter, a disagreement with management is defined as a matter, whether or not resolved to our satisfaction, concerning a financial accounting or reporting matter that could be significant to the university's financial statements or the accountant's report. No such disagreements arose during our review procedures.

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting Louisiana Tech University's internal control, compliance with applicable laws and regulations, and operational efficiencies was not an objective of our procedures. Accordingly, our review procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist.

A separate audit report for the Innovative Student Facilities, Inc., is available at the address listed in note 1-B to the financial statements.

This management letter is intended for the information and use of Louisiana Tech University and its management, others within the university, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KJV:WJR:BQD:THC:dl

LTU 2009