University of Louisiana at Lafayette
University of Louisiana System
State of Louisiana

Accountant's Review Report
For the Year Ended June 30, 2009
Issued October 14, 2009

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.

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

September 24, 2009

Accountant's Review Report

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana

We have reviewed the accompanying basic financial statements as listed in the table of contents of the University of Louisiana at Lafayette, 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 the University of Louisiana at Lafayette. We did not review the financial statements of the Ragin' Cajun Facilities Corporation, a blended component unit of the university, whose statements reflect total assets and liabilities of 8% and 33%, respectively, of the related university totals. We also did not review the financial statements of the University of Louisiana at Lafayette Foundation, Inc., a component unit of the university, whose financial activity is discretely presented in the university's basic financial statements. Those component units' financial statements were audited by other auditors whose reports thereon have been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for those component units, are based solely upon the reports of the other auditors.

A review consists principally of inquiries of the University of Louisiana at Lafayette 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-B to the basic financial statements, the accompanying financial statements of the University of Louisiana at Lafayette 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 the University of Louisiana at Lafayette. 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 reports of the other auditors 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.

During August and September of 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 exactly what economic impact recovery efforts will have on state and local governmental operations in Louisiana. The long-term effects of these events directly on the university cannot be determined at this time.

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 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's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by GASB. However, the University of Louisiana at Lafayette's management did not include this information in its financial statements for fiscal year ended June 30, 2009.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

LBL:BH:EFS:PEP:dl

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UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Net Assets, June 30, 2009

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$67,805,450
Receivables (note 4)	11,033,570
Inventories	1,720,547
Deferred charges and prepaid expenses	2,602,511
Notes receivable (note 5)	986,903
Total current assets	84,148,981
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (note 2)	46,937,961
Investments (note 3)	54,213,335
Notes receivable (note 5)	9,166,858
Capital assets, net (note 6)	172,115,190
Other noncurrent assets	1,460,076
Total noncurrent assets	283,893,420
Total assets	368,042,401
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities (note 7)	6,347,743
Deferred revenues (note 8)	3,096,395
Compensated absences payable (notes 11 and 13)	492,980
Amounts held in custody for others (note 13)	1,530,776
Notes payable (notes 13 and 14)	10,689
Bonds payable (notes 13 and 14)	395,000
Total current liabilities	11,873,583
Noncurrent liabilities:	
Compensated absences payable (notes 11 and 13)	8,916,186
Other postemployment benefits payable (notes 10 and 13)	42,649,598
Bonds payable (notes 13 and 14)	29,710,000
Total noncurrent liabilities	81,275,784
Total liabilities	93,149,367
NET ASSETS	
Invested in capital assets, net of related debt	154,833,080
Restricted for:	
Nonexpendable (note 15)	50,668,750
Expendable (note 15)	60,499,007
Unrestricted	8,892,197
Total net assets	$274,893,034

See accompanying notes and accountant's review report

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UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

University of Louisiana at Lafayette Foundation, Inc.
Statement of Financial Position
June 30, 2009

ASSETS	
Cash and cash equivalents (note 2)	$8,087,224
Due from state government (note 13)	240,000
Contributions receivable, net (note 4)	2,388,125
Investments, at market value (note 3)	91,278,388
Property and equipment, net (note 6)	9,118,445
Artworks (note 6)	2,365,803
Accrued interest receivable	389,004
Other assets	381,413
Total assets	$114,248,402
LIABILITIES AND NET ASSETS	
Liabilities:	
Funds held in custody (note 13)	$21,610,777
Bonds payable (note 13)	1,500,000
Other liabilities	114,660
Total liabilities	23,225,437
Net Assets:	
Unrestricted	5,011,538
Temporarily restricted (note 15)	31,284,240
Permanently restricted (note 15)	54,727,187
Total net assets	91,022,965
Total liabilities and net assets	$114,248,402

See accompanying notes and accountant's review report.

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Statement C

UNIVERSITY OF LOUISIANA AT LAFAYETTE
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 $15,341,164)	$49,412,793
Federal grants and contracts	19,345,312
State and local grants and contracts	5,564,011
Nongovernmental grants and contracts	16,098,230
Sales and services of educational departments	601,052
Auxiliary enterprise revenues (net of scholarship allowances of $1,945,278)	17,150,849
Other operating revenues	5,019,827
Total operating revenues	113,192,074
OPERATING EXPENSES	
Education and general:	
Instruction	67,809,920
Research	50,522,118
Public service	3,141,394
Academic support	14,696,052
Student services	15,347,697
Institutional support	27,997,573
Operations and maintenance of plant	17,352,821
Depreciation	9,930,133
Scholarships and fellowships	3,575,367
Auxiliary enterprises	25,993,043
Other operating expenses	854,628
Total operating expenses	237,220,746
OPERATING LOSS	(124,028,672)
NONOPERATING REVENUES (Expenses)	
State appropriations	96,724,188
Gifts	745,617
Federal nonoperating revenues	13,970,188
Net investment loss	(4,965,378)
Interest expense	(901,356)
Other nonoperating revenues	1,812,368
Net nonoperating revenues	107,385,627
Loss before other revenues	(16,643,045)
Capital appropriations	4,585,875
Capital grants and gifts	136,660
Additions to permanent endowments	2,200,000
DECREASE IN NET ASSETS	(9,720,510)
NET ASSETS - BEGINNING OF YEAR	284,613,544
NET ASSETS - END OF YEAR	$274,893,034

See accompanying notes and accountant's review report.

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UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

University of Louisiana at Lafayette Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2009

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenue and support:				
Contributions	$111,649	$3,016,713	$1,453,845	$4,582,207
Contributions - artwork	588,500			588,500
Interest and dividends	55,891	2,732,477		2,788,368
Gains and losses on investments:				
Realized		(10,134,751)		(10,134,751)
Unrealized		(3,464,950)		(3,464,950)
Loss on sale of property		(151,000)		(151,000)
Other income	470,202	411,062	21,887	903,151
Net assets released from restrictions:				
Satisfaction of purpose restrictions	6,519,612	(6,519,612)		
Transfers between net asset classifications	(1,361,491)	1,388,477	(26,986)	
Total revenue and support	6,384,363	(12,721,584)	1,448,746	(4,888,475)
Expenses:				
Grants paid to benefit University of Louisiana at Lafayette for:				
Projects specified by donors	4,811,832			4,811,832
Fundraising	374,630			374,630
Supporting services:				
Salaries and benefits	120,570			120,570
Insurance	70,579			70,579
Office operations	44,480			44,480
Travel	7,545			7,545
Professional services	144,084			144,084
Dues and subscriptions	1,733			1,733
Meetings and development	3,153			3,153
Investment management fee	266,621			266,621
Interest	72,663			72,663
Depreciation and amortization	310,236			310,236
Bad debt expense	733,044			733,044
Total expenses	6,961,170	NONE	NONE	6,961,170
Change in net assets	(576,807)	(12,721,584)	1,448,746	(11,849,645)
Net assets at beginning of year	5,588,345	44,005,824	53,278,441	102,872,610
Net assets at end of year	$5,011,538	$31,284,240	$54,727,187	$91,022,965

See accompanying notes and accountant's review report.

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UNIVERSITY OF LOUISIANA AT LAFAYETTE
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	$49,271,022
Grants and contracts	40,492,558
Sales and services of educational departments	601,052
Auxiliary enterprise receipts	18,591,538
Payments for employee compensation	(110,924,663)
Payments for benefits	(15,071,444)
Payments for utilities	(8,188,038)
Payments for supplies and services	(65,863,583)
Payments for scholarships and fellowships	(4,277,493)
Loans to students	(2,531,878)
Collections of loans to students	2,149,843
Other receipts	5,101,649
Net cash used by operating activities	(90,649,437)
Cash flows from noncapital financing activities:	
State appropriations	96,512,153
Gifts and grants for other than capital purposes	13,970,188
Private gifts for endowment purposes	2,200,000
TOPS receipts	13,072,169
TOPS disbursements	(13,072,169)
Federal Family Education Loan Program receipts	29,079,359
Federal Family Education Loan Program disbursements	(29,079,359)
Other receipts (disbursements)	1,185,668
Net cash provided by noncapital financing activities	113,868,009
Cash flows from capital and related financing activities:	
Proceeds from capital debt	12,500,000
Purchases of capital assets	(5,946,418)
Principal paid on capital debt and leases	(397,688)
Interest paid on capital debt and leases	(762,396)
Net cash provided by capital and related financing activities	5,393,498
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	123,545,730
Interest received on investments	(4,525,014)
Purchase of investments	(94,844,472)
Net cash provided by investing activities	24,176,244

(Continued)

See accompanying notes and accountant's review report.

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, June 30, 2009

NET INCREASE IN CASH AND CASH EQUIVALENTS	$52,788,314
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	61,955,097
CASH AND CASH EQUIVALENTS AT END OF YEAR	$114,743,411
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	($124,028,672)
Adjustments to reconcile loss to net cash used by operating activities:	
Depreciation expense	9,930,133
Changes in assets and liabilities:	
Increase in accounts receivables, net	(618,147)
Decrease in inventories	82,847
Decrease in deferred charges and prepaid expenses	9,596
Increase in notes receivable	(382,035)
Increase in accounts payable and accrued liabilities	618,434
Increase in deferred revenue	1,480,462
Increase in amounts held in custody for others	3,430
Increase in compensated absences	887,841
Increase in other postemployment benefits payable	21,366,674
Net Cash Used by Operating Activities	($90,649,437)
Noncash Capital Financing Transactions	
Capital appropriations	$4,585,875
Capital gifts and grants	136,660
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets	
Cash and cash equivalents classified as current assets	$67,805,450
Cash and cash equivalents classified as noncurrent assets	46,937,961
Total cash and cash equivalents	$114,743,411

(Concluded)

See accompanying notes and accountant's review report.

INTRODUCTION

University of Louisiana at Lafayette is a publicly supported institution of higher education. The university is under the management and supervision of the University of Louisiana System Board of Supervisors, which is a component unit of the State of Louisiana; however, the annual budget of the university and changes to the degree programs, department of instruction, et cetera, 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.

University of Louisiana at Lafayette is located in Lafayette, Louisiana. The university is committed to serving as a gateway to diverse academic studies for residents living in southwestern Louisiana. The university offers a broad array of academic and professional programs through the doctoral degree. Complemented by research and service, these programs address the post-secondary educational needs of the area's residents, business and industry. Enrollment at the university was 5,139; 16,320; and 15,035, respectively, during the summer, fall, and spring semesters of fiscal year 2009. At June 30, 2009, the university has approximately 1,951 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. University of Louisiana at Lafayette is part of the University of Louisiana System, 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) the 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 as authorized by Louisiana statutes and administrative regulations.

Annually, the State of Louisiana issues a comprehensive annual financial report (CAFR), which includes the activity contained in the accompanying financial statements within the University of Louisiana System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the University of Louisiana System and the state's CAFR.

Blended Component Unit

Ragin Cajun Facilities, Inc., is a Louisiana nonprofit corporation and is considered a blended component unit of the university. The component unit is included in the reporting entity because it is fiscally dependent on the university. The purpose of this organization is to promote, assist, and benefit the mission of the university through the acquisition, construction, development, management, leasing or otherwise assisting in the acquisition, construction, development, management or leasing of student housing or other facilities on behalf of the university. Although this facility corporation is legally separate, it is reported as a part of the university because the majority of its revenue will come from the leasing of facilities to the university. To obtain the corporation's latest audit report, write to:

Ragin Cajun Facilities, Inc.
c/o Mr. Ronald P. Lajaunie
University of Louisiana at Lafayette
P.O. Box 42651
Lafayette, LA 70504

Discretely Presented Component Unit

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

University of Louisiana at Lafayette, Inc.
c/o Mr. Ronald P. Lajaunie
University of Louisiana at Lafayette
P.O. Box 42651
Lafayette, LA 70504

C. BASIS OF ACCOUNTING

For financial reporting purposes, the university is considered a special-purpose government engaged only in business-type activities (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 Financial Accounting Standards Board (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.

The blended and discretely presented component units are private nonprofit organizations that reports under 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 these component units' financial information for these differences in the university's report. The financial data of the discretely presented component unit is shown on the Statement of Financial Position (Statement B) and the Statement of Activities (Statement D).

D. BUDGET PRACTICES

The annual budget for the General Fund of the university is established by annual legislative action and by Title 39 of the Louisiana Revised Statutes. The submission of the budget for approval by the Board of Regents and the legislative budget process is required. Budgets of the university's/system's other funds, although subject to internal budgeting, are not required to be submitted for approval through the legislative budget process.

State law provides that appropriations lapse at the end of the fiscal year. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting with some exceptions. The following is a list of exceptions, but it is not all inclusive: (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) certain capital leases are not recorded.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand (petty cash), demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in certificates of deposit and all highly liquid investments with a maturity of three months or less when purchased. Under state law, the university may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the university may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the university is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. The majority of these investments are U.S. government agency obligations and are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains or 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 university considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. INVENTORIES

Inventories are valued at the lower of cost or market on the weighted-average basis. The university accounts for its inventories using the consumption method.

G. NONCURRENT RESTRICTED ASSETS

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the Statement of Net Assets.

H. CAPITAL ASSETS

Capital assets are reported at cost at the date of the acquisition or their estimated fair value at the date of donation. For movable property, the university's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. 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 3 to 10 years for most movable property. Library collections regardless of age with a total acquisition value of $5,000,000 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 unclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified 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 or may be paid at actuarially computed amounts.

Upon termination or transfer, an employee will be paid for any time 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 employee's hourly rate of pay at termination or transfer.

K. NONCURRENT LIABILITIES

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

L. NET ASSETS

The university's net assets are classified as follows:

(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 outstanding debt obligations related to the acquisition, construction, or improvement of those assets.

(b) Restricted net assets - nonexpendable consist of endowments 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.

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

(d) Unrestricted net assets consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and certain 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

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

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

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

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

(d) Nonoperating expenses include transactions resulting from financing 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 goods and services provided by the university and the amount that is paid by students and/or third parties making payments on the students' behalf.

O. USE OF ESTIMATES

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

P. ELIMINATING INTERFUND ACTIVITY

Activities between the university and the university's services units are eliminated for the purpose of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.

NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ORGANIZATION

The University of Louisiana at Lafayette Foundation, Inc. (foundation) is a nonprofit corporation organized to promote the educational, social, moral, and material welfare of the University of Louisiana at Lafayette (university) and to receive scholarships, gifts, donations, devices and bequests of money and real and personal properties to become a part thereof, and to invest, care for, manage and control all monies and properties so received, and to disburse the same, and the income there from, as the donors may direct, or if case specific directions are not given, then to such uses as the Board of Trustees of the foundation may determine, in aid of any of the activities, institutions, interests, purposes and objects of the university.

B. BASIS OF ACCOUNTING

The financial statements of the foundation have been prepared on the accrual basis of accounting.

C. CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specified purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of noncash assets including artworks are recognized at their estimated fair market values at the date of the donation within the statement of activities and capitalized within the statements of financial position. These contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. Substantially, all artworks are considered unrestricted by the foundation. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. INVESTMENTS

The foundation has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in temporarily restricted net assets. Financial instruments which subject the foundation to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments; equity holdings of domestic and international corporations; mutual funds which invest primarily in short-term governmental securities; and contributions receivable. The foundation typically maintains cash and cash equivalents and temporary investments in local banks which may, at times, exceed the Federal Deposit Insurance Corporation limits.

F. PROPERTY AND EQUIPMENT

Purchased property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Donations of property and equipment are recorded as support at their estimated fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. The foundation reports expirations of donor restrictions when the donated assets are placed in service as instructed by the donor. The foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Real estate is held for investment purposes and is recorded at fair market value on the date donated.

2. CASH AND CASH EQUIVALENTS

At June 30, 2009, the university has cash and cash equivalents (book balances) totaling $114,743,411 as follows:

Demand deposits:	
Interest-bearing	$71,090,312
Noninterest-bearing	311,848
Certificates of deposit	29,106,168
Money market accounts	13,970,367
Petty cash	264,716
Total	$114,743,411

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

Current assets	$67,805,450
Noncurrent assets (restricted)	46,937,961
Total	$114,743,411

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. At June 30, 2009, the college has $118,787,616 in deposits (collected bank balances), of which $104,997,249 is secured from risk by federal deposit insurance plus pledged securities. As of June 30, 2009, $13,970,367 of the university's total bank balance consists of money market accounts belonging to Ragin' Cajun Facilities, Inc., which was uninsured and collateralized with securities held by the pledging institutions, but not in the corporation's name, and therefore exposed to custodial credit risk.

CASH AND CASH EQUIVALENTS - FOUNDATION

Cash and cash equivalents represent demand deposits and certificates of deposit with original maturities of three months or less. Fair value approximates carrying amounts. Certain cash and cash equivalents are restricted as to use based on donor stipulations. Restricted cash amounted to $7,061,855 as of June 30, 2009.

3. INVESTMENTS

At June 30, 2009, the university has restricted investments totaling $54,213,335. The university's investment policy follows state law (R.S. 49:327), 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 Maturity (in years)				
Type of Investment	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10	Percentage of Investment
Investments held by foundation:						
U.S. government obligations	$5,715,832		$1,057,991	$4,253,477	$404,364	10.54%
U.S. agency obligations:						
Federal Home Loan Mortgage Corporation	1,852,054	$67,252	405,618	1,044,040	335,144	3.42%
Federal National Mortgage Association	3,592,306	103,003	899,163	1,671,375	918,765	6.62%
Government National Mortgage Association	17,325				17,325	0.03%
Federal Home Loan Bank	169,042	103,499	65,543			0.31%
Federal Farm Credit Bank	1,170,222	99,373	733,382	337,467		2.16%
Corporate bonds	15,281,518	435,060	6,138,651	6,019,722	2,688,085	28.19%
Common and preferred stock	16,896,997					31.17%
Mutual funds	6,684,078					12.33%
Money market accounts	1,288,687					2.38%
Other	1,545,274					2.85%
Total investments	$54,213,335	$808,187	$9,300,348	$13,326,081	$4,363,683	100.00%

Investments held by the private foundation in an external investment pool are managed in accordance with the terms outlined in a management agreement executed between the university and the university's discretely presented component unit, the University of Louisiana at Lafayette Foundation, Inc. The university is a voluntary participant. These investments totaling $54,213,335 have no credit quality rating. The foundation holds and manages funds received by the university as state matching funds for the Endowed Chairs and Endowed Professorship programs. Of the $54,213,335 reported as investments held by foundation, the entire amount is held by its discretely presented component unit.

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 policies to further limit credit risk.

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

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

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

INVESTMENTS - FOUNDATION

Investments are measured at fair value in the Statements of Financial Position. Investments consist of bonds, stocks, mutual funds, and certificates of deposit. Realized and unrealized gains and losses on investments, interest, and dividends are reflected in the Statement of Activities within the appropriate net asset category.

Investments are composed of the following at June 30, 2009:

	2009
Certificates of deposit	$4,238,356
Bonds	41,523,183
Stocks and mutual funds	45,516,849
Total	$91,278,388

4. RECEIVABLES

All receivables shown on the Statement of Net Assets at June 30, 2009, are expected to be collected. These receivables are composed of the following:

Type	Accounts Receivable
Student tuition and fees	$620,030
Federal, state, and private grants and contracts	8,339,761
Auxiliary enterprises	856,147
Contributions and gifts	745,617
State appropriations	212,035
Insurance recoveries	131,184
Other	128,796
Total	$11,033,570

PROMISES TO GIVE - FOUNDATION

The foundation has unconditional promises to give in the amount of $2,388,125 classified as contributions receivable net of allowance for doubtful accounts.

5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Nursing Student Loans and Federal Perkins Loan programs and payments due from sorority and fraternity houses. Repayments of principal and interest on the loans provide the funding for the Perkins Loan program. The Perkins Loan 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 United States Department of Education (USDOE). As of June 30, 2009, notes receivable totaling $10,153,761 are shown on the Statement of Net Assets and are expected to be collected.

Type	Notes Receivable	Noncurrent Portion
Nursing loans	$70,158	$65,771
Federal Perkins loans	9,971,855	9,093,377
Short-term student loans	88,593	
Sorority promissory notes	23,155	7,710
Total Notes Receivable	$10,153,761	$9,166,858

6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2009, follows:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Capital assets not being depreciated:				
Land	$7,849,185	$75,000		$7,924,185
Construction-in-progress	5,732,345	5,091,641		10,823,986
Total capital assets not being depreciated	$13,581,530	$5,166,641	NONE	$18,748,171
Other capital assets:				
Land improvements	$3,482,610			$3,482,610
Less accumulated depreciation	(3,003,190)	($37,492)		(3,040,682)
Total land improvements	479,420	(37,492)	NONE	441,928
Buildings	249,298,502	175,000		249,473,502
Less accumulated depreciation	(104,618,278)	(5,878,338)		(110,496,616)
Total buildings	144,680,224	(5,703,338)	NONE	138,976,886
Equipment	32,234,189	3,720,930	($1,212,231)	34,742,888
Less accumulated depreciation	(22,742,831)	(2,470,072)	1,212,231	(24,000,672)
Total equipment	9,491,358	1,250,858	NONE	10,742,216
Library books	40,530,213	1,606,382	(30,800)	42,105,795
Less accumulated depreciation	(37,386,375)	(1,544,231)	30,800	(38,899,806)
Total library books	3,143,838	62,151	NONE	3,205,989
Total other capital assets	$157,794,840	($4,427,821)	NONE	$153,367,019
Capital Asset Summary:				
Capital assets not being depreciated	$13,581,530	$5,166,641		$18,748,171
Other capital assets, at cost	325,545,514	5,502,312	($1,243,031)	329,804,795
Total cost of capital assets	339,127,044	10,668,953	(1,243,031)	348,552,966
Less accumulated depreciation	(167,750,674)	(9,930,133)	1,243,031	(176,437,776)
Capital assets, net	$171,376,370	$738,820	NONE	$172,115,190

CAPITAL ASSETS - FOUNDATION

	Balance June 30, 2008	Additions	Transfers	Retirements	Balance June 30, 2009
Capital assets not being depreciated:					
Land	$724,241			($304,000)	$420,241
Capitalized collections	1,777,303	$588,500			2,365,803
Total capital assets not being depreciated	$2,501,544	$588,500	NONE	($304,000)	$2,786,044
Other capital assets:					
Buildings	$10,057,924		($34,658)		$10,023,266
Less accumulated depreciation	(1,421,615)	($137,546)			(1,559,161)
Total buildings	8,636,309	(137,546)	(34,658)	NONE	8,464,105
Equipment	573,192	5,145	34,658	($78,000)	534,995
Less accumulated depreciation	(313,744)	(65,152)		78,000	(300,896)
Total equipment	259,448	(60,007)	34,658	NONE	234,099
Total other capital assets	$8,895,757	($197,553)	NONE	NONE	$8,698,204
Capital Asset Summary:					
Capital assets not being depreciated	$2,501,544	$588,500		($304,000)	$2,786,044
Other capital assets, at cost	10,631,116	5,145		(78,000)	10,558,261
Total cost of capital assets	13,132,660	593,645	NONE	(382,000)	13,344,305
Less accumulated depreciation	(1,735,359)	(202,698)	NONE	78,000	(1,860,057)
Capital assets, net	$11,397,301	$390,947	NONE	($304,000)	$11,484,248

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.

Although not capitalized, the University of Louisiana at Lafayette maintains the Louisiana Room, the Rare Book Room, the Southwestern Archives and Manuscripts Collection, the Creole and Cajun Music Collection, the University Records Management Program, and the Microforms Room. University of Louisiana at Lafayette generally does not capitalize collections of works of art or historical treasures either because the university does not have any or because it meets the following criteria for exclusion from capitalization in accordance with the requirements of GASB 34; 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.

7. PAYABLES

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

Account Name	
Accrued salaries and benefits	$4,455,786
Vendor payables	1,535,672
Accrued interest	356,285
Total payables	$6,347,743

8. DEFERRED REVENUES

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

Tuition and fees	$1,934,918
Auxiliary	1,014,830
Other	146,647
Total deferred revenues	$3,096,395

9. PENSION PLANS

Plan Description. Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified/unclassified state employees are 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 plan because the material portion of its activity is with one employer--the State of Louisiana. TRSL and LASERS 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; employee benefits vest with TRSL after five years of service and with LASERS 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 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 employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The employer contributions to TRSL for the years ended June 30, 2009, 2008, and 2007 were $4,655,522; $4,467,785; and $3,663,978, respectively, and to LASERS for the years ended June 30, 2009, 2008, and 2007 were $4,597,271; $4,736,603; and $4,127,120, respectively, equal to the required contributions for each year.

Optional Retirement System

TRSL administers an optional retirement plan, which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. This plan was designed to aid universities in recruiting employees who may not be expected to remain in TRSL for five or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

R.S. 11:927 sets the contribution requirements of the plan members and the system equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the university are 15.5% of covered payroll for fiscal year 2009. The participant's contribution of 8%, 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 an actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $5,812,017 and $2,999,765, respectively, for the year ended June 30, 2009.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - Employees of the University of Louisiana at Lafayette 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 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 post-employment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) plan, the Exclusive Provider Organization (EPO) plan, and the Health Maintenance Organization (HMO) plan. In addition, all plan members are offered the Medical Home HMO plan. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans--three HMO plans and two private fee-for-service (PFFS) plans. 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 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 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 had been used. The total ARC for fiscal year 2009 is $25,100,800 as set forth below:

Normal cost	$13,170,300
30-year UAAL amortization amount	11,930,500
Annual required contribution (ARC)	$25,100,800

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

Beginning net OPEB obligations at July 1, 2008	$21,282,924
Annual required contribution	25,100,800
Interest on net OPEB obligation	851,317
ARC adjustment	(813,257)
OPEB cost	25,138,860
Contributions made -	
current year retiree premiums	(3,772,186)
Increase in net OPEB obligation	21,366,674
Ending net OPEB obligation at June 30, 2009	$42,649,598

Using the pay-as-you-go method, the university contributed 15% of the annual postemployment benefits cost during 2009. In 2008, the initial year of implementation of GASB 45, the university contributed 15.1% 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 $286,949,500 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)	$286,949,500
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability	$286,949,500
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$62,732,700
UAAL as a percentage of covered payroll	457%

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 of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2008, actuarial valuation obtained by OGB, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and initial annual healthcare cost trend rate of 9.0% and 10.1% for pre-Medicare and Medicare eligible, 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, is 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.

11. COMPENSATED ABSENCES

At June 30, 2009, employees of the university have accumulated and vested annual, sick, and compensatory leave of $4,381,283; $4,889,628; and $138,255, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

12. OPERATING LEASES - LESSOR

The university's leasing operations consists of leasing property for providing food services to students and vending operations. The cost and carrying amount of property on lease for food services to students and the amount of accumulated depreciation as of June 30, 2009, are as follows:

	Cost	Accumulated Depreciation	Carrying Amount
Office space	$2,308,476	$1,312,541	$995,935

The following is a schedule of minimum future rentals on noncancellable operating leases as of June 30, 2009:

	Other
2010	$210,000
2011	420,000
2012	420,000
2013	420,000
2014	420,000
2015-2019	1,470,000
Total minimum future rentals	$3,360,000

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 for the year ended June 30, 2009, were $137,191.

13. LONG-TERM LIABILITIES

The following is a summary of long-term liability 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	$17,985,000	$12,500,000	($380,000)	$30,105,000	$395,000
Notes payable	28,377		(17,688)	10,689	10,689
Total bonds and notes payable	18,013,377	12,500,000	(397,688)	30,115,689	405,689
Other liabilities:					
Accrued compensated absences	8,521,325	1,455,874	(568,033)	9,409,166	492,980
Other postemployment benefits	21,282,924	25,138,860	(3,772,186)	42,649,598	
Amounts held in custody for others	1,274,014	256,762		1,530,776	1,530,776
Total other liabilities	31,078,263	26,851,496	(4,340,219)	53,589,540	2,023,756
Total	$49,091,640	$39,351,496	($4,737,907)	$83,705,229	$2,429,445

LONG-TERM LIABILITIES - FOUNDATION

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
Bonds payable	$2,200,000	NONE	($700,000)	$1,500,000
Other liabilities - amounts held in in custody for others	24,777,226	NONE	(3,166,449)	21,610,777
Total	$26,977,226	NONE	($3,866,449)	$23,110,777

The scheduled maturities of the foundation's bond issue as of June 30, 2009, are as follows:

Fiscal Year	Principal	Interest	Total
2010		$67,500	$67,500
2011		67,500	67,500
2012		67,500	67,500
2013		67,500	67,500
2014-2017	$1,500,000	175,500	1,675,500
Total	$1,500,000	$445,500	$1,945,500

The $8,500,000 foundation bond issue with an original issue date of February 1, 2002, was issued through the Lafayette Economic Development Authority (LEDA). The proceeds from this bond issue were used to construct an art museum at 101 Girard Park Drive. Collateral on these bonds are the land and building constructed with the bond proceeds, the existing art museum and land located at the corner of Girard Park Drive and St. Mary Boulevard, together with a collateral pledge of all earnings derived from donations to the foundation specifically for this project and, to the extent permitted by applicable law, 50% of the earnings and the matching principal, non-federal portion of two Title III Endowment Fund accounts maintained by the foundation. In addition, the mortgage note securing the bond issue is a non-recourse note in which the mortgage holder, in the event of default, agrees to look solely to the real estate mortgaged and the revenues pledged for payment of the amount due. The foundation shall not be held liable by reason of any default in the payment of the bonds or the performance of any other obligations under the mortgage agreement.

One of the foundation's primary objectives is to raise funds to provide endowed professorships and chairs to the university. The Louisiana Endowment Trust Fund for Eminent Scholars was created by the Louisiana Legislature in 1983 to provide state funds as a challenge grant to eligible public and private institutions which would be responsible for providing matching funds obtained from gifts. Endowed professorships are established at $100,000; endowed chairs at $1,000,000; and endowed superchairs at $2,000,000, with the state providing 40% of the funding once the foundation has acquired 60% of the principal through private gifts. The university is allowed to apply for the 40% match while maintaining the 60% private gift in the foundation. Funds are pooled for investment purposes in the foundation, but the state's 40% match, net of the proportionate share of income and expenses of the endowments, are recognized as a liability to the university under the caption “Funds Held in Custody.” The state matching funds managed for the university at June 30, 2009, are $21,610,777. As of June 30, 2009, the university had private gift donations meeting the state match requirements totaling $360,000, which had not been funded. As such, the total amount due from the state as of June 30, 2009, was $240,000.

14. REVENUE BONDS AND NOTES PAYABLE

Revenue bonds and notes payable consisted of the following:

	Date of Issue	Original Issue	Principal Outstanding June 30, 2008	Issued (Redeemed)	Principal Outstanding June 30, 2009	Maturities	Interest Rates	Interest Outstanding June 30, 2009
Revenue Bonds Payable								
Lafayette Public Trust								
Financing Authority:								
Student Housing and								
Child Care Facilities -								
Series 2002	10/1/02	$19,065,000	$17,985,000	($380,000)	$17,605,000	2033	3.7 - 5.0%	$12,578,235
Student Housing -								
Series 2009	4/15/09	12,500,000		12,500,000	12,500,000	2039	3.5 - 6.0%	14,625,528
		31,565,000	17,985,000	12,120,000	30,105,000			27,203,763
Notes Payable								
Sigma Nu House	6/6/1984	231,400	28,377	(17,688)	10,689	2010	7.5%	264
Total revenue bonds and notes payable		$31,796,400	$18,013,377	$12,102,312	$30,115,689			$27,204,027

The outstanding revenue bonds in the above schedule are related to the blended component unit identified in note 1-B and are not the direct responsibility of the university.

The scheduled maturities of revenue bonds and notes payable are as follows:

Fiscal Year	Bonds Payable Principal	Bonds Payable Interest	Notes Payable Principal	Notes Payable Interest	Total
2010	$395,000	$1,516,932	$10,689	$264	$1,922,885
2011	410,000	1,529,070			1,939,070
2012	485,000	1,512,360			1,997,360
2013	515,000	1,493,122			2,008,122
2014	570,000	1,471,669			2,041,669
2015-2019	3,965,000	6,864,191			10,829,191
2020-2024	5,245,000	5,739,741			10,984,741
2025-2029	6,770,000	4,214,003			10,984,003
2030-2034	7,550,000	2,201,475			9,751,475
2035-2039	4,200,000	661,200			4,861,200
Total	$30,105,000	$27,203,763	$10,689	$264	$57,319,716

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

	Reserves Available	Reserve Requirement	Excess
Lafayette Public Trust Financing Authority:			
Student Housing and Child Care Facilities - Series 2002	$1,474,474	$1,242,745	$231,729
Student Housing - Series 2009	975,300	975,300	
Total	$2,449,774	$2,218,045	$231,729

15. RESTRICTED NET ASSETS

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

Nonexpendable - endowments	$50,668,750
Expendable:	
Student fees	$12,465,226
Grants and contracts	11,158,334
Restricted for use by donors	14,607
Student loan funds	12,993,414
Plant projects	20,247,103
Chairs and professorships	3,559,585
Scholarships	60,738
Total	$60,499,007

Of the net assets reported in the Statement of Net Assets for the year ended June 30, 2009, a total of $8,562,899 is restricted by enabling legislation.

RESTRICTED NET ASSETS - FOUNDATION

Restricted net assets for the foundation are as follows:

	Amount
Donor Resticted Endownment Funds	$27,591,862
Chair and Professorship Endownment Funds	3,692,378
Temporarily restricted	$31,284,240
Donor Resticted Endownment Funds	$24,519,516
Chair and Professorship Endownment Funds	30,207,671
Permanently restricted	$54,727,187
Total restricted net assets	$86,011,427

Net assets were released from donor restrictions by incurring the following expenses which satisfy the restricted purposes or by occurrence of other events specified by the donors for the year ended June 30, 2009, as follows:

	Amount
Payments to benefit University of Louisiana at Lafayette	$4,795,732
Interest expense	72,663
Depreciation expense	253,310
Bad debt expense	733,044
Investment management fees	664,863
Total	$6,519,612

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. Other losses 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. During fiscal year 2009, no direct claims or litigation costs were incurred by the university.

17. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the University of Louisiana System Board 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, 2009, net appreciation of $3,574,192 is available to be spent and is restricted to specific purposes.

18. ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits and salaries 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 (such as University of Louisiana at Lafayette) may supplement salaries of certain university employees. Those payments constitute on-behalf payments for purposes of reporting by the university if they are made to the faculty members in their capacity as employees of the university.

The amount of on-behalf payments for salaries and fringe benefits included in the university's accompanying financial statements for fiscal year ended June 30, 2009, was $99,703.

19. AFFILIATED ORGANIZATIONS

The accompanying financial statements do not include the accounts of the University of Louisiana at Lafayette Alumni Association, which is an affiliated organization of the university. The affiliated organization is not included in the university's financial statements as a component unit because it does not meet the criteria for inclusion established by the Division of Administration, Office of Statewide Reporting and Accounting Policy. The organization is a separate corporation whose financial statements is subject to audit by independent certified public accountants.

The Ragin' Cajun Facilities, Inc., accounts are blended into the accompanying financial statements and the University of Louisiana at Lafayette Foundation accounts are discretely presented in the accompanying financial statements. These accounts are audited by independent auditors and the audited financial information has been included in the accompanying financial statements and notes of the university.

20. 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 on the Internet at www.lla.la.gov.

21. ALTERNATIVE FINANCING AGREEMENTS

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 (board) on behalf of the University of Louisiana at Lafayette.

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 the University of Louisiana at Lafayette. The rental income derived from the facilities lease will be used to pay the bonds.

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

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 will be demolishing certain facilities and constructing and equipping student housing facilities and leasing the facilities back to the board for use by students, faculty, and staff of the University of Louisiana at Lafayette. The rental income derived from the facilities lease will be used to pay the bonds.

22. INSURANCE RECOVERIES

No capital assets became permanently impaired in fiscal year 2009. There were no insurance recoveries received in fiscal year 2009 related to impairment losses occurring in previous years. At June 30, 2009, insurance recoveries, other than those related to impairment of capital assets, were received in the amount of $544,035. In addition, an accounts receivable of $131,184 was recorded related to expected insurance recoveries for damages from Hurricane Gustav.

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

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

UNIVERSITY OF LOUISIANA AT LAFAYETTE
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)	Fund Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2007	NONE	$277,150,000	$277,150,000	0.0%	$74,648,729	371.3%
July 1, 2008	NONE	286,949,500	286,949,500	0.0%	62,732,700	457.4%

Note to the Schedule:

GASB Statement 45 was implemented prospectively during fiscal year ended June 30, 2008; therefore, only two years of information are presented.

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Management Letter

LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

September 24, 2009

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana

We have reviewed the financial statements of the University of Louisiana at Lafayette, as of and for the year ended June 30, 2009, and have issued our accountant's review report thereon dated September 24, 2009. The University of Louisiana at Lafayette 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 Ragin' Cajun Facilities Corporation, a blended component unit of the university, or the University of Louisiana at Lafayette Foundation, Inc., a discretely presented component unit, both of which are included in the university's financial statements. The financial statements of these component units were audited by other auditors whose reports thereon have been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for those component units, is based solely upon the reports of the other auditors.

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.

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In our prior management letter on the University of Louisiana at Lafayette for the year ended June 30, 2008, we reported three findings relating to weakness in collection procedures over defaulted loans, failure to provide proper loan notice, and untimely and inaccurate federal reporting. As of the date of this report, management represented that these findings have been resolved.

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting the University of Louisiana at Lafayette'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. However, during our review procedures, we noted no significant matters requiring recommendations to management concerning internal control, compliance, or operational efficiencies.

Separate audit reports for the Ragin' Cajun Facilities Corporation and the University of Louisiana at Lafayette Foundation, Inc., are available at the address listed in note 1-B to the financial statements.

This management letter is intended for the information and use of the University of Louisiana at Lafayette and its management, others within the university, the University of Louisiana System, 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,

Steve J. Theriot, CPA
Legislative Auditor

LBL:BH:EFS:PEP:dl

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