

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
ISSUED APRIL 19, 2006

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

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March 31, 2006

Independent Auditor's Report
on the Financial Statements

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management of the University of Louisiana System. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ragin' Cajun Facilities, Inc.; University Facilities, Inc.; Innovative Student Facilities, Inc.; University of Louisiana at Monroe Facilities, Inc.; and Cowboy Facilities, Inc., which are nonprofit corporations included as blended component units in the basic financial statements representing approximately 18% of total assets, 65% of total liabilities, 0.8% of net assets, and 1.7% of total revenues of the University of Louisiana System. We also did not audit the financial statements of the Louisiana Tech University Foundation, Inc.; the McNeese State University Foundation; the University of Louisiana at Lafayette Foundation, Inc.; and the University of Louisiana at Monroe Foundation, which are all of the discretely presented component units in the basic financial statements of the University of Louisiana System. The financial statements of the blended and discretely presented component units were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts reported for these component units, are based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the McNeese State University Foundation, the University of Louisiana at Monroe Foundation, the University of Louisiana at Monroe Facilities, Inc., and the University Facilities, Inc., which were audited by other auditors upon whose reports we are relying, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the University of Louisiana System as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 will have on state and local governmental operations in Louisiana, and the long-term effects of these events directly on the University of Louisiana System cannot be determined at this time.

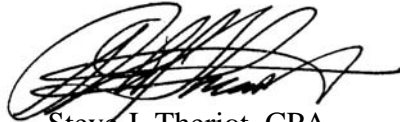
In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2006, on our consideration of the University of Louisiana System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

INDEPENDENT AUDITOR'S REPORT

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Louisiana System's basic financial statements. The accompanying supplemental information schedules on pages 72 through 83 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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INTRODUCTION

This section of the University of Louisiana System's (System) annual financial report presents a discussion and analysis of the System's financial performance during the fiscal year that ended June 30, 2005. Please read this section in conjunction with the System's financial statements, which follows this section. The System is comprised of the following entities:

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

FINANCIAL HIGHLIGHTS

The System's net assets overall changed from \$813,505,916 (restated) to \$842,500,689, a 3.6% increase from June 30, 2004, to June 30, 2005. The overall reasons for this change included:

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

Enrollment changed from approximately 83,000 to approximately 84,400 from June 30, 2004, to June 30, 2005, an overall increase of 1.7%. The System's operating revenues increased by approximately 6% to \$517,595,353 from June 30, 2004, to June 30, 2005, because of tuition/fee increases and various grant/contract programs. Operating expenses increased by 5.1% to \$822,539,174 for the year ended June 30, 2005. The primary reasons for this change include faculty salary increases, institutional support increases, and general increases in operations.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations. The change to \$315,452,953 in 2005 from \$318,469,940 in 2004 is primarily attributed to a decrease in gifts and other nonoperating revenues. Gifts decreased by \$1,369,413; interest expense increased by \$999,296; and other nonoperating revenues decreased by \$4,581,896, which was the result of completion of construction projects at various universities.

State appropriations increased by \$3,226,480, which along with the decreases mentioned previously attribute to the overall decrease.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

FINANCIAL ANALYSIS

Net Assets

The System's total net assets at June 30, 2005, changed by approximately \$29 million, a 3.6% increase over June 30, 2004 (see Table A-1). Total assets increased 12.8% to \$1,178 million, and total liabilities increased 44.8% to \$336 million as a result of the issuance of new bonds.

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

	2005	2004	Variance	Percent Variance
Current and other assets	\$464	\$417	\$47	11.3%
Capital assets	714	628	86	13.7%
Total assets	1,178	1,045	133	12.7%
Current liabilities	65	57	8	14.0%
Noncurrent liabilities	271	175	96	54.9%
Total liabilities	336	232	104	44.8%
Net assets:				
Invested in capital assets, net of debt	511	518	(7)	(1.4%)
Restricted	258	236	22	9.3%
Unrestricted	73	59	14	23.7%
Total net assets	\$842	\$813	\$29	3.6%

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

Significant statement of net asset changes from 2004 include the following:

- Current assets increased because of an increase in cash from grants and contracts, auxiliary receipts, and increased tuition and fees.
- Restricted assets increased because of increased endowments.
- Current liabilities increased because of an increase in accounts payable and deferred revenue.

- Long-term liabilities increased primarily because of an increase in bonds payable.
- Invested in capital assets, net of related debt, decreased because of an increase in current year capital asset additions and an increase in indebtedness attributable to the acquisition, construction, or improvement of those assets.
- Unrestricted net assets increased primarily because of an increase of the net assets of auxiliary enterprises.

Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets. Restricted net assets increased by 9.3% from 2004 because of increases in expendable net assets restricted for plant projects (as a result of bonds payable) and grants, contracts, and student fees.

Changes in Net Assets

The change in net assets at June 30, 2005, is approximately \$29 million or 3.6% more than at June 30, 2004. The changes in net assets are detailed in Table A-2; education and general expenses are detailed in Table A-3.

The System's total operating revenues increased by 5.9% to approximately \$518 million, and total operating expenses increased 5.4% to approximately \$822 million. These changes are the result of several factors, including the following:

- Operating revenues increased because of increases in student tuition and fees, auxiliary revenues, and federal grants and contracts.
- Operating expenses increased primarily because of increases from faculty salary adjustments, auxiliary expenses, and increases in general operations of the system.

Nonoperating revenues and expenses decreased by 0.9% to \$315 million, which is primarily attributable to decreased gifts, investment income, and other nonoperating revenue. Capital and operating state appropriations remained unchanged.

Total education and general expenses changed from \$666 in 2004 to \$701 in 2005. The change is primarily attributable to the following:

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

Depreciation expense was consistent with the prior year.

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

	2005	2004	Variance	Percent Variance
Operating revenues:				
Student tuition and fees, net	\$225	\$205	\$20	9.8%
Auxiliary	92	84	8	9.5%
Other	201	200	1	0.5%
Total operating revenues	518	489	29	5.9%
Operating expenses:				
Education and general	701	666	35	5.3%
Other	121	114	7	6.1%
Total operating expenses	822	780	42	5.4%
Operating loss	(304)	(291)	(13)	4.5%
Nonoperating revenues (expenses):				
State appropriations	303	300	3	1.0%
Gifts	7	8	(1)	(12.5%)
Other	5	10	(5)	(50.0%)
Total nonoperating revenues	315	318	(3)	(0.9%)
Capital appropriation	18	21	(3)	(14.3%)
Capital grants and gifts	1	3	(2)	(66.7%)
Additions to permanent endowments	2	4	(2)	(50.0%)
Other expenses, net	(3)	(6)	3	(50.0%)
Change in net assets	29	49	(20)	(40.8%)
Net assets, beginning of the year (restated)	813	764	49	6.4%
Total net assets	\$842	\$813	\$29	3.6%

The amounts shown previously for fiscal year 2004 were restated for prior period adjustments. These adjustments affected beginning net assets.

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

	<u>2005</u>	2004 <u>(Restated)</u>	<u>Variance</u>	Percent <u>Variance</u>
Instruction	\$264	\$250	\$14	5.6%
Research	69	65	4	6.2%
Public service	18	17	1	5.9%
Academic support	60	59	1	1.7%
Student services	53	48	5	10.4%
Institutional support	77	76	1	1.3%
Operations and plant maintenance	65	56	9	16.1%
Depreciation	39	38	1	2.6%
Scholarships and fellowships	<u>56</u>	<u>57</u>	<u>(1)</u>	<u>(1.8%)</u>
Total	<u><u>\$701</u></u>	<u><u>\$666</u></u>	<u><u>\$35</u></u>	<u>5.3%</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2005 and 2004, the System's cost of capital assets totaled approximately \$1.4 billion. Net of accumulated depreciation, the System's capital assets at June 30, 2005, total approximately \$714 million. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$86 million or 13.7% over June 30, 2004. The increases were primarily in buildings and equipment financed through long-term obligations.

Debt Administration

Under the terms of its capital leases, the System will make annual minimum lease payments in 2006 of approximately \$459,000 including principal and interest. All lease covenants have been met. See notes 13 and 14 to the financial statements for details relating to changes in and the composition of capital leases and long-term liabilities.

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

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

- Changes in tuition or fees
- Changes in state appropriations
- Changes in federal grant programs
- Significant new or additional capital appropriations
- New revenue bonds
- Renovations and new construction to facilities
- Impact of hurricanes Katrina and Rita

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

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

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**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Net Assets
June 30, 2005**

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$115,283,080
Investments (note 3)	34,577,281
Receivables, net (note 4)	40,528,763
Due from state treasury	2,468,037
Due from federal government	343,194
Inventories	6,745,048
Deferred charges and prepaid expenses	4,932,238
Notes receivable, net (note 5)	3,872,094
Other current assets	4,570,149
Total current assets	<u>213,319,884</u>

Noncurrent assets:

Restricted:

Cash and cash equivalents (notes 2 and 3)	87,131,714
Investments (note 3)	128,910,406
Receivables, net (note 4)	632,077
Notes receivable, net (note 5)	25,433,891
Investments	1,328,105
Notes receivable	23,078
Capital assets (net) (note 6)	714,896,578
Other noncurrent assets	6,404,240
Total noncurrent assets	<u>964,760,089</u>
Total assets	<u>1,178,079,973</u>

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 10)	33,781,455
Due to state treasury	3,324
Deferred revenues (note 11)	19,313,153

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 2005**

LIABILITIES (CONT.)

Current liabilities: (Cont.)	
Compensated absences payable (note 12)	\$2,465,455
Capital lease obligations (note 13)	376,527
Amounts held in custody for others (note 14)	3,790,056
Notes payable (note 14)	734,327
Reimbursement contracts payable (note 14)	20,000
Contracts payable	185,153
Bonds payable (note 14)	3,825,000
Other current liabilities	399,262
Total current liabilities	<u>64,893,712</u>
Noncurrent liabilities:	
Compensated absences payable (note 12)	26,479,455
Capital lease obligations (note 13)	1,502,977
Notes payable (note 14)	3,303,953
Reimbursement contracts payable (note 14)	230,000
Bonds payable (note 14)	237,676,000
Other noncurrent liabilities	1,493,187
Total noncurrent liabilities	<u>270,685,572</u>
Total liabilities	<u>335,579,284</u>

NET ASSETS

Invested in capital assets, net of related debt	510,920,109
Restricted:	
Nonexpendable (note 16)	118,201,275
Expendable (note 16)	140,244,754
Unrestricted	<u>73,134,551</u>
Total net assets	<u><u>\$842,500,689</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

COMPONENT UNITS

Statement of Financial Position, June 30, 2005

	LOUISIANA TECH UNIVERSITY FOUNDATION, INC.	MCNEESE STATE UNIVERSITY FOUNDATION	UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.	UNIVERSITY OF LOUISIANA AT MONROE FOUNDATION	TOTAL COMPONENT UNITS
ASSETS					
Cash and cash equivalents (note 2)	\$3,690,687	\$2,073,515	\$6,805,048	\$3,460,472	\$16,029,722
Investments (note 3)	16,546,352	35,983,405	87,180,108	31,124,981	170,834,846
Restricted assets - investments (note 3)	24,403,725				24,403,725
Accounts receivable, net	996,718				996,718
Due from state government			1,840,000		1,840,000
Contributions receivable, net	247,002		4,466,919	906,715	5,620,636
Unconditional promises to give		170,690			170,690
Pledges receivable				87,281	87,281
Accrued interest receivable	77,997				77,997
Notes receivable				2,977	2,977
Fixed assets, net (note 6)	4,646,488	470,000	12,266,701	6,970,697	24,353,886
Other assets	74,901		757,895	33,137	865,933
Total assets	\$50,683,870	\$38,697,610	\$113,316,671	\$42,586,260	\$245,284,411
LIABILITIES					
Accounts payable	\$462,884	\$41,553		\$113,713	\$618,150
Accrued interest payable	17,952				17,952
Amounts held in custody for others (note 25)	24,226,665	2,928,802	\$21,547,365	19,945,267	68,648,099
Deferred revenue	711,672				711,672
Notes payable (note 14)	1,125,000			314,467	1,439,467
Bonds payable (note 14)	2,254,899		8,240,000		10,494,899
Other liabilities			165,610	301,860	467,470
Total liabilities	28,799,072	2,970,355	29,952,975	20,675,307	82,397,709
NET ASSETS					
Unrestricted	4,338,801	4,180,028	3,635,346	4,732,640	16,886,815
Temporarily restricted	5,127,252	8,376,344	32,621,743	3,484,723	49,610,062
Permanently restricted	12,418,745	23,170,883	47,106,607	13,693,590	96,389,825
Total net assets	21,884,798	35,727,255	83,363,696	21,910,953	162,886,702
Total liabilities and net assets	\$50,683,870	\$38,697,610	\$113,316,671	\$42,586,260	\$245,284,411

The accompanying notes are an integral part of this statement.

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**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and
Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2005**

OPERATING REVENUES

Student tuition and fees (net of scholarship allowances of \$68,161,670)	\$225,312,281
Federal appropriations	141,718
Federal grants and contracts	135,210,228
State and local grants and contracts	29,964,672
Nongovernmental grants and contracts	15,926,976
Sales and services of educational departments	3,775,690
Auxiliary enterprise revenues (net of scholarship allowances of \$6,296,828, including revenues used as security for revenue bonds)	91,497,170
Other operating revenues	15,766,618
Total operating revenues	<u>517,595,353</u>

OPERATING EXPENSES

Educational and general:	
Instruction	264,380,078
Research	68,638,060
Public service	18,255,763
Academic services	59,713,982
Student services	53,236,628
Institutional support	76,819,861
Operations and maintenance of plant	65,040,567
Depreciation	39,225,574
Scholarships and fellowships	55,477,132
Auxiliary enterprises	118,349,221
Other operating expenses	3,402,308
Total operating expenses	<u>822,539,174</u>

OPERATING LOSS (304,943,821)

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and
Changes in Fund Net Assets, June 2005**

NONOPERATING REVENUES (Expenses)	
State appropriations	\$302,944,487
Gifts	6,602,204
Investment income, net	8,652,476
Interest expense	(4,144,784)
Payments to or on behalf of the university	18,882
Other nonoperating revenues	1,379,688
Net nonoperating revenues	<u>315,452,953</u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	10,509,132
Capital appropriations	17,935,802
Capital grants and gifts	904,851
Additions to permanent endowments	2,232,936
Other expenses, net	<u>(2,587,948)</u>
CHANGE IN NET ASSETS	28,994,773
NET ASSETS - BEGINNING OF YEAR, Restated (note 17)	<u>813,505,916</u>
NET ASSETS - END OF YEAR	<u><u>\$842,500,689</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2005**

	LOUISIANA TECH UNIVERSITY FOUNDATION, INC.	MCNEESE STATE UNIVERSITY FOUNDATION	UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.	UNIVERSITY OF LOUISIANA AT MONROE FOUNDATION	TOTAL COMPONENT UNITS
Changes in unrestricted net assets:					
Contributions and contributed services	\$1,129,483	\$25,993	\$167,625	\$222,965	\$1,546,066
Investment earnings			96,287		96,287
Management and service fees	663,490		748,414	153,118	1,565,022
Rental income		13,200			13,200
Interest, dividends, royalties, and lease income	76,658			403,674	480,332
Realized and unrealized gain (loss) on investments and marketable securities, net	(41,596)			63,684	22,088
Change in value of split-interest agreements				8,436	8,436
Fund raising		27,400			27,400
Other	88,351	7,511	89,728	55,310	240,900
Total unrestricted revenues	1,916,386	74,104	1,102,054	907,187	3,999,731
Net assets released from restrictions - satisfaction of program expenses	4,148,301	1,800,450	3,037,322	1,352,478	10,338,551
Total unrestricted revenues and other support	6,064,687	1,874,554	4,139,376	2,259,665	14,338,282
Expenses - amounts paid to benefit University of Louisiana System for:					
Projects specified by donors		1,223,910	3,037,322		4,261,232
Scholarships and awards	144,159	467,799		382,543	994,501
Instructional, academic, institutional, and other support	2,482,634			202,482	2,685,116
Student services	67,710				67,710
Auxiliary	934,574				934,574
Departmental expenses				771,596	771,596
Endowment distributions		3,490			3,490
Total program expenses	3,629,077	1,695,199	3,037,322	1,356,621	9,718,219
Supporting services:					
Management and general	893,787	89,013	48,450	553,500	1,584,750
Fund raising	909,931	64,349	335,888	142,201	1,452,369
Insurance			40,527		40,527
Office operations			47,497		47,497
Travel			7,107		7,107
Professional services			33,428		33,428
Dues and subscriptions			162		162
Meetings and development			562		562
Depreciation			303,398		303,398
Investment management fee			348,932		348,932
Interest			386,682		386,682
Other			2,639	41,377	44,016
Total supporting services	1,803,718	153,362	1,555,272	737,078	4,249,430
Total expenses	5,432,795	1,848,561	4,592,594	2,093,699	13,967,649
Increase in unrestricted net assets	\$631,892	\$25,993	(\$453,218)	\$165,966	\$370,633

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2005**

	LOUISIANA TECH UNIVERSITY FOUNDATION, INC.	MCNEESE STATE UNIVERSITY FOUNDATION	UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.	UNIVERSITY OF LOUISIANA AT MONROE FOUNDATION	TOTAL COMPONENT UNITS
Changes in temporarily restricted net assets:					
Contributions	\$3,324,391	\$1,208,569	\$1,729,593	\$1,205,980	\$7,468,533
Investment earnings		2,292,325	1,118,102		3,410,427
Interest, dividends, and lease income	585,721				585,721
Realized and unrealized gain (loss) on investments and marketable securities, net	365,274		1,936,008	(8)	2,301,274
Change in value of split-interest agreements				33,917	33,917
Other	767,427		897,226	102,690	1,767,343
Total temporarily restricted revenues	5,042,813	3,500,894	5,680,929	1,342,579	15,567,215
Net assets released from restrictions - satisfaction of program expenses	(4,092,123)	(1,800,450)	(3,037,322)	(949,929)	(9,879,824)
Assets dedicated to universities	(741)				(741)
Increase/(decrease) in temporarily restricted net assets	\$949,949	\$1,700,444	\$2,643,607	\$392,650	\$5,686,650
Changes in permanently restricted net assets:					
Contributions	\$894,590	\$722,058	\$917,550	\$157,276	\$2,691,474
Investment earnings		519,852	3,250		523,102
Interest, dividends, and lease income	91			147,654	147,745
Realized and unrealized gains on investments, net	11,040			576,842	587,882
Other				1,516	1,516
Net assets released from restrictions	(56,178)			(402,549)	(458,727)
Increase in permanently restricted net assets	\$849,543	\$1,241,910	\$920,800	\$480,739	\$3,492,992
Increase in net assets	\$2,431,384	\$2,968,347	\$3,111,189	\$1,039,355	\$9,550,275
Net assets at beginning of year, restated (note 17)	19,453,414	32,758,908	80,252,507	20,871,598	153,336,427
Net assets at end of year	\$21,884,798	\$35,727,255	\$83,363,696	\$21,910,953	\$162,886,702

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005**

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$235,956,185
Federal appropriations	50,292
Grants and contracts	179,654,318
Sales and services of educational departments	3,761,907
Auxiliary enterprise receipts	72,609,603
Payments for employee compensation	(396,056,622)
Payments for benefits	(94,062,756)
Payments for utilities	(31,759,818)
Payments for supplies and services	(145,013,890)
Payments for scholarships and fellowships	(76,088,221)
Loans issued to students and employees	(6,822,473)
Collection of loans to students and employees	6,912,301
Other payments	(8,568,844)
Net cash used by operating activities	<u>(259,428,018)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	304,403,001
Gifts and grants for other than capital purposes	6,288,286
Private gifts for endowment purposes	2,232,936
TOPS receipts	46,560,906
TOPS disbursements	(46,401,582)
Federal Family Education Loan program receipts	224,453,572
Federal Family Education Loan program disbursements	(224,827,477)
Other receipts	948,093
Net cash provided by noncapital financing sources	<u>313,657,735</u>

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2005**

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Proceeds from capital debt	\$120,352,333
Capital appropriations received	14,928,551
Capital grants and gifts received	791,502
Proceeds from sale of capital assets	253,537
Purchases of capital assets	(117,499,931)
Principal paid on capital debt and leases	(25,932,501)
Interest paid on capital debt and leases	(3,922,863)
Deposit with trustees	2,777
Other payments	(4,808,231)
Net cash used by capital financing activities	(15,834,826)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales and maturities of investments	92,707,080
Interest received on investments	9,644,664
Purchase of investments	(126,811,812)
Net cash used by investing activities	(24,460,068)

NET INCREASE IN CASH AND CASH EQUIVALENTS 13,934,823

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 188,479,971

CASH AND CASH EQUIVALENTS AT END OF YEAR \$202,414,794

RECONCILIATION OF OPERATING LOSS TO

NET CASH USED BY OPERATING ACTIVITIES:

Operating loss	(\$304,943,821)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	39,225,574

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2005**

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

Adjustments to reconcile operating loss to net cash used by operating activities: (Cont.)	
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(\$2,631,739)
Decrease in inventories	148,285
Decrease in deferred charges and prepaid expenses	2,759,115
Decrease in notes receivable, net	270,289
(Increase) in other assets	(798,700)
Increase in accounts payable and accrued liabilities	6,270,078
Increase in deferred revenue	1,925,769
Increase in amounts held in custody for others	297,054
Increase in compensated absences	979,564
(Decrease) in other liabilities	<u>(2,929,486)</u>
 Net cash used by operating activities	 <u><u>(\$259,428,018)</u></u>

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

Capital assets donated to Nicholls State University	\$6,822
Capital assets appropriated by the state to Nicholls and the Board	\$272,064

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

Cash and cash equivalents classified as current assets	\$115,283,080
Cash and cash equivalents classified as noncurrent assets	<u>87,131,714</u>
	 <u><u>\$202,414,794</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

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INTRODUCTION

The University of Louisiana System is a publicly supported institution of higher education. The system is a component unit of the State of Louisiana, within the executive branch of government. The universities that comprise the system are under the management and supervision of the University of Louisiana System Board of Supervisors; however, the annual budget of the system and changes to the degree programs, departments of instruction, et cetera, of the individual institutions require the approval of the Board of Regents for Higher Education. The board of supervisors is comprised of 15 members appointed for staggered six-year terms by the governor, with the consent of the Senate, and one student member appointed for a one-year term by a council composed of the student body presidents of the universities within the system. As state universities, operations of the universities' instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the system is the president.

The system is comprised of eight universities in eight cities, which include Grambling State University at Grambling, Louisiana Tech University at Ruston, McNeese State University at Lake Charles, Nicholls State University at Thibodaux, Northwestern State University of Louisiana at Natchitoches, Southeastern Louisiana University at Hammond, University of Louisiana at Lafayette, and University of Louisiana at Monroe. The universities had approximately 84,400 students enrolled during the 2004 fall semester and employed approximately 9,666 employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The University of Louisiana System is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the majority of the members of the governing 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 of Louisiana System as authorized by Louisiana statutes and administrative regulations.

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

Blended Component Units

Ragin' Cajun Facilities, Inc., at the University of Louisiana at Lafayette; University Facilities, Inc., at Southeastern Louisiana University; Innovative Student Facilities, Inc., at Louisiana Tech University; University of Louisiana at Monroe Facilities Inc., at the University of Louisiana at Monroe; and Cowboy Facilities, Inc., at McNeese State University are Louisiana nonprofit corporations and are considered blended component units of three of the universities included in the system. These component units are included in the reporting entity because they are fiscally dependent on the universities. The purpose of these organizations is to promote, assist, and benefit the mission of the universities through the acquisition, construction, development, management, leasing or otherwise assisting in the acquisition, construction, development, management or leasing of student housing or other facilities on behalf of the universities. Although these facility corporations are legally separate, they are reported as a part of the University of Louisiana System because the majority of their revenue comes from the leasing of facilities to the university.

Other external auditors audited Ragin' Cajun Facilities, Inc.; University Facilities, Inc.; Innovative Student Facilities, Inc.; the University of Louisiana at Monroe Facilities, Inc.; and Cowboy Facilities, Inc., which are included in the University of Louisiana System's basic financial statements for the year ended June 30, 2005. To obtain the corporations' latest audit reports, write to:

- Ragin' Cajun Facilities, Inc., c/o Mr. Ronald P. Lajaunie, University of Louisiana at Lafayette, P.O. Box 42651, Lafayette, Louisiana 70504
- University Facilities, Inc., c/o Mr. Stephen Smith, Southeastern Louisiana University, P.O. Box 10709, Hammond, Louisiana 70402
- Innovative Student Facilities, Inc., c/o Mr. Joseph Thomas, Louisiana Tech University, P.O. Box 3178, Ruston, Louisiana 71272
- University of Louisiana at Monroe Facilities, Inc., c/o Mr. Dave Nicklas, 700 University Avenue, Monroe, Louisiana 71209

- Cowboy Facilities, Inc., c/o Mr. Eddie Meche, McNeese State University, 4205 Royal Street, Lake Charles, Louisiana 70609

Discretely Presented Component Units

The following legally separate, tax-exempt organizations are reported within the system as discrete component units: the Louisiana Tech University Foundation, Inc.; the McNeese State University Foundation; the University of Louisiana at Lafayette Foundation, Inc.; and the University of Louisiana at Monroe Foundation. These foundations act primarily as fund-raising organizations to supplement the resources that are available to the universities 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 foundations hold and invest are restricted to the activities of the university by the donors. Because these restricted resources held by the foundations can only be used by or for the benefit of the universities, the foundations are considered component units of the universities and are discretely presented in the financial statements.

During the year ended June 30, 2005, the foundations made distributions of \$7,647,191 to or on behalf of the universities for both restricted and unrestricted purposes.

Other external auditors audited the University of Louisiana at Lafayette Foundation, Inc.; the Louisiana Tech University Foundation, Inc.; the University of Louisiana at Monroe Foundation; and the McNeese State University Foundation. To obtain the foundations' latest audit reports, write to:

- University of Louisiana at Lafayette Foundation, Inc., c/o Mr. Ronald P. Lajaunie, University of Louisiana at Lafayette, P.O. Box 42651, Lafayette, Louisiana 70504
- Louisiana Tech University Foundation, Inc., c/o Mr. Joseph Thomas, Louisiana Tech University, P.O. Box 3178, Ruston, Louisiana 71272
- University of Louisiana at Monroe Foundation, c/o Mr. Dave Nicklas, 700 University Avenue, Monroe, Louisiana 71209
- McNeese State University Foundation, c/o Mr. Eddie Meche, McNeese State University, 4205 Royal Street, Lake Charles, Louisiana 70609

These blended and discretely presented component units are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria, presentation,

and disclosure requirements are different from GASB revenue recognition criteria and presentation features. With the exception of presentation adjustments, no modifications have been made to these component units' financial information in the University of Louisiana System's report for these differences. Accordingly, the financial data of the discretely presented component units are shown on a statement of financial position and a statement of activities.

C. BASIS OF ACCOUNTING

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

Discrete Component Units

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

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

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

D. BUDGET PRACTICES

The State of Louisiana's appropriation is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive branches of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) inventories are recorded as expenditures at the time of purchase.

**E. CASH AND CASH EQUIVALENTS
AND INVESTMENTS**

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

In accordance with Louisiana Revised Statute (R.S.) 49:327, the system is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. Investments are maintained in investment accounts in external foundations as authorized by policies and procedures established by the Board of Regents and are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. For purposes of the Statement of Cash Flows, the system considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. INVENTORIES

Inventories are valued at the lower of cost or market. The system uses periodic and perpetual inventory systems and values its various other inventories using the first-in, first-out and weighted-average valuation methods. Adjustments are made at fiscal year-end to account for inventories using the consumption method.

G. NONCURRENT RESTRICTED ASSETS

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

H. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the system's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and three to 10 years for most movable property.

I. DEFERRED REVENUES

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

J. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having 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.

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

L. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

M. NET ASSETS

The university system's net assets are classified as follows:

- (1) Invested in Capital Assets, Net of Related Debt
This represents the university system's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to acquisition, construction, or improvement of those capital assets.
- (2) Restricted Net Assets - Expendable
Restricted expendable net assets include resources that the university system is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (3) Restricted Net Assets - Nonexpendable
Restricted nonexpendable net assets consist of endowment and similar type funds that donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

(4) Unrestricted Net Assets

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

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

N. CLASSIFICATION OF REVENUES

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

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

O. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

2. CASH AND CASH EQUIVALENTS

At June 30, 2005, the system has cash and cash equivalents (book balances) of \$202,414,794 as follows:

Petty cash	\$354,060
Demand deposits	124,243,178
Certificates of deposit	65,198,154
Cash with state treasurer	245,204
Money market funds	5,287,956
Cash in trustee accounts	2,613,974
Cash equivalents (note 3)	<u>4,472,268</u>
Total	<u><u>\$202,414,794</u></u>

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

As of June 30, 2005, \$6,529,012 of the system’s bank balance of \$217,724,729 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging institution	\$1,977,541
Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the system's name	<u>4,551,471</u>
Total	<u><u>\$6,529,012</u></u>

Cash and cash equivalents of the component units totaling \$16,029,722, as shown on the Statement of Net Assets, are reported under FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*, which does not require the disclosures of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

3. INVESTMENTS

At June 30, 2005, the system has investments totaling \$169,288,060, which includes \$4,472,268 of short-term investments reported on the Statement of Net Assets as restricted cash equivalents. Each university within the system follows state law (R.S. 49:327) as applicable to institutions of higher education in establishing investment policy. State law authorizes the system universities

to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds. A summary of the system's investments follows:

	<u>Percentage of Investments</u>	<u>Credit Quality Rating*</u>	<u>Fair Value</u>
Type of Investment:			
Repurchase agreements ⁴	0.24%		\$402,373
U.S. government securities:			
U.S. Treasury Notes ¹	3.31%		5,609,433
Federal Home Loan Mortgage Corporation ²	1.33%		2,248,422
Federal National Mortgage Association ²	11.63%		19,682,200
Federal Home Loan Bank	0.03%	Aaa	44,951
Mutual Funds:			
Money market mutual funds ⁴	3.17%		5,358,952
Vanguard Inflation - Protected Securities Fund	0.35%	Aaa	595,959
Vanguard Federal Money Market Fund	0.45%	Aaa	756,768
Vanguard Wellesley Fund	1.34%	Aa3	2,274,156
Vanguard Wellington Fund	1.14%	Aa2	1,934,665
Other: ³			
Investments held by foundations	54.85%		92,858,075
Common and preferred stock	4.27%		7,227,490
Certificates of deposit	0.51%		867,000
Guaranteed investment contracts	13.66%		23,129,611
Held by University Facilities, Inc.	0.84%		1,415,612
Other	2.88%		4,882,393
	<u>100.00%</u>		<u>\$169,288,060</u>

* Credit quality ratings obtained from Moody's Investors Service.

¹ Credit quality ratings are not required for U.S. government and agency securities that are explicitly guaranteed by the U.S. government.

² Securites are implicitly guaranteed by the U.S. government but are not rated by Moody's Investors Service.

³ Credit quality ratings are not required for these investments, which with the exception of "Other," do not have specified maturities.

⁴ Credit quality rating not available.

NOTES TO THE FINANCIAL STATEMENTS

	Investment Maturities in Years					Percentage of Investments
	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	11-20 Years	
Type of investment:						
Repurchase agreements	\$402,373	\$402,373				0.24%
U.S. government securities						
U.S. Treasury Notes	5,609,435	25,232	\$1,533,012	\$4,043,551	\$7,640	3.31%
Federal Home Loan Mortgage Corporation	2,248,422	1,989,882	184,409	74,131		1.33%
Federal National Mortgage Association	19,682,200	19,235,387	374,468	72,345		11.63%
Federal Home Loan Bank	44,951		44,951			0.03%
Mutual Funds:						
Money market mutual funds	5,358,952	5,358,952				3.17%
Vanguard Inflation-Protected Securities Fund	595,959	595,959				0.35%
Vanguard Federal Money Market Fund	756,768	756,768				0.45%
Vanguard Wellesley Fund	2,274,156	2,274,156				1.34%
Vanguard Wellington Fund	1,934,665	1,934,665				1.14%
Other:						
Investments held by foundations	100,178,725					59.18%
Common and preferred stock	51,398	51,398				0.03%
Certificates of deposit	867,000	260,000	510,000	97,000		0.51%
Guaranteed investment contracts	24,545,223		19,239,892	5,305,331		14.50%
Other	4,737,833	9,596	4,687,830	32,168		2.80%
Total investments	\$169,288,060	\$32,894,368	\$26,574,562	\$9,624,526	\$7,640	100.00%

Investments held by private foundations in external investment pools are managed in accordance with the terms outlined in management agreements executed between the system universities and their respective foundations. The system universities are voluntary participants. This investment totaling \$100,178,725 has no credit quality rating. The foundations hold and manage funds received by the university as state matching funds for the Eminent Scholars Endowed Chairs and Endowed Professorship Programs. Of the \$100,178,125 reported as investments held by foundations, the amounts held by its discretely presented component units total \$94,527,102.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the system's investments to U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds. Individual system universities do not have policies to further limit credit risk.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the system's \$402,373 in investment in repurchase agreements, \$402,373 of underlying securities are held by the investment's counterparty, not in the name of the system. For U.S. Treasury obligations and U.S. government agency obligations, the system universities' investment policies generally require that issuers must provide the universities with safekeeping receipts, collateral agreements, and custodial agreements.

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

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

INVESTMENTS - COMPONENT UNITS

Component units' investments totaling \$195,238,571, as shown on the Statement of Net Assets, are reported under FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*, which does not require the disclosures of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The fair value of investments held by the component units at June 30, 2005, follows:

<u>Type of Investment</u>	<u>Louisiana Tech University Foundation</u>	<u>McNeese State University Foundation</u>	<u>University of Louisiana at Lafayette Foundation</u>	<u>University of Louisiana at Monroe Foundation</u>	<u>Total</u>
Cash and cash equivalents	\$3,315,341				\$3,315,341
Certificates of deposit	285,000	\$77,073	\$3,487,862		3,849,935
Mutual funds	11,039,127	20,801,080		\$31,124,981	62,965,188
Government obligations and corporate bonds	13,024,593				13,024,593
U.S. government obligations			20,605,065		20,605,065
Corporate obligations			11,703,343		11,703,343
Common stocks	11,170,409	15,082,211	51,383,838		77,636,458
Real estate	2,115,607				2,115,607
Other		23,041			23,041
Total	<u>\$40,950,077</u>	<u>\$35,983,405</u>	<u>\$87,180,108</u>	<u>\$31,124,981</u>	<u>\$195,238,571</u>

4. RECEIVABLES

Receivables are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2005. These receivables are composed of the following:

<u>Type</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Accounts Receivable</u>	<u>Noncurrent Portion</u>
Student tuition and fees	\$20,907,509	(\$8,680,332)	\$12,227,177	\$219,024
Auxiliary enterprises	6,635,278	(704,654)	5,930,624	302,934
Private foundations	1,066,074		1,066,074	
Contributions and gifts	37,866		37,866	
Federal, state, and private grants and contracts	17,729,644	(30,340)	17,699,304	
Other	4,221,131	(21,336)	4,199,795	110,119
Total	<u>\$50,597,502</u>	<u>(\$9,436,662)</u>	<u>\$41,160,840</u>	<u>\$632,077</u>

5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan, Health Profession Loan, Nursing Student Loan, and short-term student loan programs. The university administers the Perkins, Health Profession, and Nursing Student Loan programs. Restricted federal and state contributions and interest on the loans provide the funding for the Perkins and Health Profession Loan programs. The Perkins 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. Health Profession (Pharmacy) loans are awarded to students enrolled in the pharmacy curriculum. There are no qualifying cancellation entitlements and loans determined to be uncollectible may be requested for write-off approval through the U.S. Department of Health and Human Services. Loans are no longer issued under the Nursing Student Loan program, but collections are still made on outstanding loans. Short-term student loans are funded from self-assessed student fees and are available to qualified students for limited personal and emergency financial needs. The sorority promissory notes represent promissory notes of sororities to construct buildings on certain campuses.

Notes receivable are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2005. These receivables are composed of the following:

<u>Type</u>	<u>Notes Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Notes Receivable (Net)</u>	<u>Noncurrent Portion</u>
Federal Perkins Loan	\$28,757,399	(\$1,066,757)	\$27,690,642	\$18,370,734
Health Profession (Pharmacy) Loan	1,418,113	(119,888)	1,298,225	6,932,492
Nursing Student Loan	147,723	(44,217)	103,506	60,486
Short-term student loans	178,841	(35,408)	143,433	
Sorority promissory notes	92,947		92,947	92,947
Other	310		310	310
Total	<u>\$30,595,333</u>	<u>(\$1,266,270)</u>	<u>\$29,329,063</u>	<u>\$25,456,969</u>

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2005, follows:

University of Louisiana System

	Balance July 1, 2004	Prior Period Adjustment	Adjusted Balance July 1, 2004
Capital assets not being depreciated:			
Land	\$30,882,787		\$30,882,787
Capitalized collections	205,002		205,002
Livestock	29,075		29,075
Construction-in-progress	53,736,113		53,736,113
	<u>\$84,852,977</u>	<u>NONE</u>	<u>\$84,852,977</u>
Total capital assets not being depreciated			
Other capital assets:			
Infrastructure	\$4,643,069		\$4,643,069
Less accumulated depreciation	(2,321,535)		(2,321,535)
Total infrastructure	<u>2,321,534</u>	<u>NONE</u>	<u>2,321,534</u>
Land improvements	13,142,043		13,142,043
Less accumulated depreciation	(7,903,161)	\$90,280	(7,812,881)
Total land improvements	<u>5,238,882</u>	<u>90,280</u>	<u>5,329,162</u>
Buildings	930,363,939	1,279,716	931,643,655
Less accumulated depreciation	(445,818,508)	(273,109)	(446,091,617)
Total buildings	<u>484,545,431</u>	<u>1,006,607</u>	<u>485,552,038</u>
Equipment	113,524,448	(648,605)	112,875,843
Less accumulated depreciation	(79,000,926)	1,999,977	(77,000,949)
Total equipment	<u>34,523,522</u>	<u>1,351,372</u>	<u>35,874,894</u>
Library books	118,849,262		118,849,262
Less accumulated depreciation	(104,273,025)	(112,750)	(104,385,775)
Total library books	<u>14,576,237</u>	<u>(112,750)</u>	<u>14,463,487</u>
	<u>\$541,205,606</u>	<u>\$2,335,509</u>	<u>\$543,541,115</u>
Total other capital assets			
Capital Asset Summary:			
Capital assets not being depreciated	\$84,852,977		\$84,852,977
Other capital assets, at cost	1,180,522,761	\$631,111	1,181,153,872
Total cost of capital assets	<u>1,265,375,738</u>	<u>631,111</u>	<u>1,266,006,849</u>
Less accumulated depreciation	(639,317,155)	1,704,398	(637,612,757)
	<u>\$626,058,583</u>	<u>\$2,335,509</u>	<u>\$628,394,092</u>
Capital assets, net			

NOTES TO THE FINANCIAL STATEMENTS

Additions	Transfers	Retirements	Balance June 30, 2005
\$840,720	\$951,774	(\$191,779)	\$32,483,502
			205,002
12,950		(6,400)	35,625
84,430,527	(47,570,718)	(14,201)	90,581,721
<u>\$85,284,197</u>	<u>(\$46,618,944)</u>	<u>(\$212,380)</u>	<u>\$123,305,850</u>
			\$4,643,069
(\$116,077)			(2,437,612)
(116,077)	NONE	NONE	2,205,457
1,205,810	\$355,616		14,703,469
(568,024)			(8,380,905)
637,786	355,616	NONE	6,322,564
22,830,903	43,797,519	(\$5,372,068)	992,900,009
(22,668,673)		5,182,982	(463,577,308)
162,230	43,797,519	(189,086)	529,322,701
9,825,546	2,461,385	(4,800,942)	120,361,832
(9,350,791)		4,697,617	(81,654,123)
474,755	2,461,385	(103,325)	38,707,709
7,097,086		(1,484,059)	124,462,289
(6,520,093)		1,475,876	(109,429,992)
576,993	NONE	(8,183)	15,032,297
<u>\$1,735,687</u>	<u>\$46,614,520</u>	<u>(\$300,594)</u>	<u>\$591,590,728</u>
\$85,284,197	(\$46,618,944)	(\$212,380)	\$123,305,850
40,959,345	46,614,520	(11,657,069)	1,257,070,668
126,243,542	(4,424)	(11,869,449)	1,380,376,518
(39,223,658)	NONE	11,356,475	(665,479,940)
<u>\$87,019,884</u>	<u>(\$4,424)</u>	<u>(\$512,974)</u>	<u>\$714,896,578</u>

Component Units

	Balance July 1, 2004	Prior Period Adjustment	Adjusted Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
Capital assets not being depreciated:						
Real estate	\$7,521,859	\$14,881	\$7,536,740	\$10,623	(\$296,370)	\$7,250,993
Land improvements	2,060,980	(2,060,980)				
Art and collectibles	254,438	1,794,108	2,048,546		(3,030)	2,045,516
Construction-in-progress				40,113		40,113
Total capital assets not being depreciated	\$9,837,277	(\$251,991)	\$9,585,286	\$50,736	(\$299,400)	\$9,336,622
Depreciable capital assets:						
Buildings	\$15,587,673		\$15,587,673	\$115,377	(\$311,087)	\$15,391,963
Vehicles, furniture, and equipment	2,178,076	\$251,991	2,430,067	594,847	(16,240)	3,008,674
Total depreciable capital assets	17,765,749	251,991	18,017,740	710,224	(327,327)	18,400,637
Less accumulated depreciation	(2,367,892)		(2,367,892)	(1,121,144)	105,663	(3,383,373)
Total depreciable capital assets, net	15,397,857	251,991	15,649,848	(410,920)	(221,664)	15,017,264
Total capital assets, net	\$25,235,134	NONE	\$25,235,134	(\$360,184)	(\$521,064)	\$24,353,886

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.

The system does not capitalize collections. These collections include the following: the Louisiana Room, the Rare Book Room, and the Southwestern Archives and Manuscripts Collection at the University of Louisiana at Lafayette; the Thomas Gilhula War Collection, the Friends of the Library of Louisiana Collection, the James A. Noe Collection, the Otto E. Pressman Collection, an African Artifacts Collection, a geosciences collection, an herbarium collection, and artifacts in the Natural History Museum at the University of Louisiana at Monroe; and various works of art and artifacts at Southeastern Louisiana University.

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

7. PENSION PLANS

Plan Description. Substantially all employees of the system are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). TRS 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. Both plans are administered by separate boards of trustees. TRS 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 retirement systems; employee benefits vest with TRS 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 retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information for the retirement systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123 or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804 or by calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the system are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8.0% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 15.5% of covered salaries to TRS and 17.8% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to the system, funds the system's employer contribution. The system's employer contributions to TRS for the years ended June 30, 2005, 2004, and 2003 were \$18,576,348, \$16,194,689, and \$13,953,178, respectively, and to LASERS for the years ended June 30, 2005, 2004, and 2003 were \$14,856,635, \$12,923,954, and \$11,863,861, respectively, equal to the required contributions for each year.

8. OPTIONAL RETIREMENT SYSTEM

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

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

Total contributions by the system are 15.5% of the covered payroll. The participant's contribution (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 TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled \$20,212,097 and \$10,666,616 respectively, for the year ended June 30, 2005.

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The system provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the system's employees become eligible for these benefits if they reach normal retirement age while working for the system. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the system. The system recognizes the cost of providing these benefits to retirees (system's portion of premiums) as an expense when paid during the year. These retiree benefits, for 3,235 retirees, totaled \$16,615,254 for the year ended June 30, 2005.

10. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2005:

<u>Account Name</u>	
Vendor payables	\$13,691,490
Accrued salaries and payroll deductions	17,875,732
Accrued interest	225,123
Other	<u>1,989,110</u>
Total payables	<u>\$33,781,455</u>

11. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2005:

<u>Revenue Type</u>	
Prepaid tuition and fees	\$15,173,287
Prepaid athletic ticket sales	905,808
Grants and contracts	2,523,195
Other	<u>710,863</u>
Total deferred revenues	<u><u>\$19,313,153</u></u>

12. COMPENSATED ABSENCES

At June 30, 2005, employees of the system have accumulated and vested annual, sick, and compensatory leave of \$17,316,637, \$7,323,278, and \$4,304,995, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

13. LEASE OBLIGATIONS

Operating Leases

For the year ended June 30, 2005, the total rental expense for all operating leases is \$1,966,587. The following is a schedule by years of future minimum annual rental payments required under operating leases:

<u>Fiscal Year Ending June 30</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Land</u>	<u>Other</u>	<u>Total Minimum Payments Required</u>
2006	\$418,743	\$355,539	\$211,296	\$625,881	\$1,611,459
2007	252,182	325,960	211,377	624,481	1,414,000
2008	249,257	313,156	91,328	624,956	1,278,697
2009	248,282	302,275	7,382	623,680	1,181,619
2010	211,231	283,606		622,886	1,117,723
2011-2015	1,056,155	23,634		3,105,797	4,185,586
2016-2020	1,056,155			3,103,017	4,159,172
2021-2025	10			930,863	930,873
2026-2030	10				10
2031-2035	315,008				315,008
Total	<u>\$3,807,033</u>	<u>\$1,604,170</u>	<u>\$521,383</u>	<u>\$10,261,561</u>	<u>\$16,194,147</u>

Capital Leases

The system records items under capital leases as assets and obligations in the accompanying financial statements. The system's capital leases at June 30, 2005, consist of various equipment leases as follows:

<u>Nature of Lease</u>	<u>Date of Lease</u>	<u>Last Payment Date</u>	<u>Remaining Interest to End of Lease</u>	<u>Remaining Principal to End of Lease</u>
Office space	Various	Various	\$125,958	\$330,271
Equipment	Various	Various	166,643	1,366,191
Land	Various	Various	<u>6,597</u>	<u>183,042</u>
			<u>\$299,198</u>	<u>\$1,879,504</u>

The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments at June 30, 2005:

Fiscal Year Ending June 30:	
2006	\$458,738
2007	457,306
2008	429,939
2009	311,299
2010	239,840
2011-2014	<u>281,580</u>
Total minimum lease payments	2,178,702
Less - amount representing executory costs	<u>NONE</u>
Net minimum lease payments	2,178,702
Less - amount representing interest	<u>(299,198)</u>
Present value of net minimum lease payments	<u>\$1,879,504</u>

Lessor - Operating Lease

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

The following schedule provides an analysis of the system's investment in property on operating leases and property held for lease by major classes as of June 30, 2005:

NOTES TO THE FINANCIAL STATEMENTS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	\$11,348,257	(\$7,377,066)	\$3,971,191
Equipment	146,639	(22,859)	123,780
Land	195,701		195,701
	<u>\$11,690,597</u>	<u>(\$7,399,925)</u>	<u>\$4,290,672</u>

The following is a schedule by years of minimum future rentals of office space on noncancelable operating leases as of June 30, 2005:

Fiscal Year Ending June 30:	
2006	\$2,422,760
2007	1,038,780
2008	1,007,000
2009	882,000
2010	800,000
2011-2014	<u>1,875,000</u>
Total minimum future rentals	<u>\$8,025,540</u>

Minimum future rentals do not include contingent rentals that may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume or customer usage of services provided. Contingent rentals received from operating leases of office space for the year ended June 30, 2005, were \$274,301.

14. LONG-TERM LIABILITIES

The following is a summary of bond and other long-term debt transactions of the system for the year ended June 30, 2005:

University of Louisiana System

	Balance June 30, 2004 (As Restated)	Additions	Reductions	Balance June 30, 2005	Amounts Due Within One Year
Bonds, notes, and capital leases payable:					
Bonds payable	\$146,306,000	\$119,715,000	(\$24,520,000)	\$241,501,000	\$3,825,000
Notes payable	4,149,295	855,065	(966,080)	4,038,280	734,327
Capital lease obligations (note 13)	2,003,735	339,231	(463,462)	1,879,504	376,527
Subtotal	152,459,030	120,909,296	(25,949,542)	247,418,784	4,935,854
Other liabilities:					
Accrued compensated absences payable (note 12)	27,965,346	6,947,753	(5,968,189)	28,944,910	2,465,455
Amounts held in custody for others	3,723,093	62,541,769	(62,474,806)	3,790,056	3,790,056
Reimbursement contracts payable	299,696		(49,696)	250,000	20,000
Subtotal	31,988,135	69,489,522	(68,492,691)	32,984,966	6,275,511
Total	\$184,447,165	\$190,398,818	(\$94,442,233)	\$280,403,750	\$11,211,365

The amounts shown for fiscal year 2004 were restated to reclassify bonds payable of \$299,696 to reimbursement contracts and to reduce capital lease obligations for Southeastern Louisiana University by \$1,973.

Component Units

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Amounts Due Within One Year
Bonds, notes, and capital leases payable:					
Bonds payable	\$11,408,504		(\$913,605)	\$10,494,899	\$1,039,487
Notes payable	1,549,025		(109,558)	1,439,467	111,236
Subtotal	12,957,529	NONE	(1,023,163)	11,934,366	1,150,723
Other liabilities - amounts held in custody for others	63,914,396	\$4,733,703	NONE	68,648,099	NONE
Total	\$76,871,925	\$4,733,703	(\$1,023,163)	\$80,582,465	\$1,150,723

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UNIVERSITY OF LOUISIANA SYSTEM

Details of all debt outstanding at June 30, 2005, follow.

Bonds Payable - University of Louisiana System

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2004</u>
University of Louisiana at Lafayette			
Ragin' Cajun Facilities, Inc. (blended component unit) - Lafayette Public Trust Financing Authority	October 1, 2002	\$19,065,000	\$19,065,000
Southeastern Louisiana University			
University Facilities, Inc. (blended component unit):			
Louisiana Public Facilities Authorities Revenue Bonds - Series 2000	July 12, 2000	7,680,000	7,175,000
Louisiana Public Facilities Authorities Revenue Bonds - Series 2000	July 27, 2000	8,265,000	7,770,000
Parking Revenue Bonds, Series 1996	April 26, 1996	1,180,000	300,000
Student Recreation and Activity Center Revenue Bonds	June 30, 1998	7,690,000	6,280,000
Louisiana Public Facilities Authority Revenue Bonds - Series 2004	August 13, 2004	76,910,000	
Louisiana Tech University			
Academic Facilities Extension			
Use Revenue Bonds - Series B	July 1, 1972	4,750,000	2,580,000
Revenue Refunding Bonds:			
1995 Series	March 30, 1995	5,020,000	525,000
1999 Series	June 1, 1999	7,780,000	6,765,000
Revenue Bonds - 2002 Series	July 1, 2002	5,920,000	5,920,000
Revenue Bonds - 2003 Series	July 1, 2003	21,840,000	21,840,000
Revenue Bonds - 2004 Series	September 30, 2004	7,225,000	
University of Louisiana at Monroe			
Physical Education Complex -			
Series 1992-A	March 1, 1992	2,650,000	1,495,000
Revenue Bonds Series 2004 A&B	June 30, 2004	35,210,000	35,210,000
Revenue Bonds Series 2004 C&D	December 8, 2004	33,680,000	

NOTES TO THE FINANCIAL STATEMENTS

<u>Issued (Redeemed)</u>	<u>Outstanding June 30, 2005</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2005</u>
	\$19,065,000	2033	2.625%-5%	\$16,098,135
(\$7,175,000)				
(7,770,000)				
(145,000)	155,000	2006	6.50%	10,075
(270,000)	6,010,000	2020	4.25%-5%	2,644,300
76,910,000	76,910,000	2035	3%-5.25%	66,072,985
(220,000)	2,360,000	2013	6.125%-6.25%	637,880
(525,000)				
(6,765,000)				
(230,000)	5,690,000	2022	3.5%-4.9%	2,653,061
	21,840,000	2034	2%-4.5%	17,972,525
7,225,000	7,225,000	2012	1.6%-3.12%	715,788
(150,000)	1,345,000	2012	6%-8%	371,645
	35,210,000	2035	Variable	27,396,643
33,680,000	33,680,000	2036	Variable	25,957,239

Bonds Payable - University of Louisiana System (Cont.)

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2004</u>
Northwestern State University			
Wellness, Recreation, and Activity Center Bonds - Series 1999			
	April 1, 1999	\$6,850,000	\$6,010,000
McNeese State University			
Student Housing System Revenue			
Bonds - Refunding Bonds - Series 2001			
	May 30, 2001	2,110,000	1,445,000
Stadium Project - Series 1996			
	October 15, 1996	900,000	480,000
Parking Lot - Series 1997			
	February 12, 1997	1,500,000	970,000
Cowboy Facilities, Inc. (blended component unit) - University Student Lease Revenue			
Bond - Series 2001			
	May 31, 2001	21,120,000	20,795,000
University Stadium Parking Revenue Bonds - Series 2004			
	February 1, 2004	820,000	820,000
University Scoreboard Project Bonds - Series 2005			
	April 1, 2005	1,900,000	
Grambling State University			
Student Housing System Revenue Bonds:			
1965 - Series B			
	October 1, 1965	4,000,000	345,000
1968 - Series B			
	October 1, 1968	3,000,000	516,000
Total		<u>\$287,065,000</u>	<u>\$146,306,000</u>

All auxiliary enterprise revenues at the applicable universities are available as security for the outstanding revenue bonds at June 30, 2005.

NOTES TO THE FINANCIAL STATEMENTS

Issued (Redeemed)	Outstanding June 30, 2005	Maturities	Interest Rates	Interest Outstanding June 30, 2005
(\$190,000)	\$5,820,000	2024	4%-5.1%	\$3,330,255
(225,000)	1,220,000	2009	4.95%	139,343
(60,000)	420,000	2012	8%	66,444
(95,000)	875,000	2012	6.25%	204,531
(345,000)	20,450,000	2033	5.4%	18,861,194
(70,000)	750,000	2014	4.73%	186,599
1,900,000	1,900,000	2015	6.5%	739,501
(170,000)	175,000	2005	3.75%	2,625
(115,000)	401,000	2009	3%	20,505
<u>\$95,195,000</u>	<u>\$241,501,000</u>			<u>\$184,081,273</u>

UNIVERSITY OF LOUISIANA SYSTEM

Component Units

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2004</u>
University of Louisiana at Lafayette			
Lafayette Economic Development Authority	November 1, 1999	\$1,000,000	\$795,000
Lafayette Economic Development Authority	February 1, 2002	8,500,000	8,000,000
Louisiana Tech University			
Revenue Bonds - Series 2000	August 15, 2000	<u>3,791,183</u>	<u>2,613,504</u>
Total		<u>\$13,291,183</u>	<u>\$11,408,504</u>

Reimbursement Contracts Payable - University of Louisiana System

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2004</u>
Northwestern State University			
General Obligation Bonds - Series 1993-B	February 1, 1993	\$460,000	\$270,000
McNeese State University			
General Obligation Bonds - Series 1985-B	May 1, 1985	<u>300,000</u>	<u>29,696</u>
Total		<u>\$760,000</u>	<u>\$299,696</u>

NOTES TO THE FINANCIAL STATEMENTS

Issued (Redeemed)	Outstanding June 30, 2005	Maturities	Interest Rates	Interest Outstanding June 30, 2005
(\$55,000)	\$740,000	2016	4.6%	\$182,160
(500,000)	7,500,000	2017	4.5%	2,439,000
<u>(358,605)</u>	<u>2,254,899</u>	2011	5.37%	<u>370,102</u>
<u>(\$913,605)</u>	<u>\$10,494,899</u>			<u>\$2,991,262</u>

Issued (Redeemed)	Outstanding June 30, 2005	Maturities	Interest Rates	Interest Outstanding June 30, 2005
(\$20,000)	\$250,000	2014	4.5%-7%	\$68,396
<u>29,696</u>				
<u>\$9,696</u>	<u>\$250,000</u>			<u>\$68,396</u>

UNIVERSITY OF LOUISIANA SYSTEM

The annual requirements to amortize all university system bonds and reimbursement contracts outstanding at June 30, 2005, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$3,845,000	\$6,548,718	\$10,393,718
2007	4,620,000	9,858,589	14,478,589
2008	5,465,000	10,215,376	15,680,376
2009	5,882,000	9,780,294	15,662,294
2010	5,826,000	9,688,181	15,514,181
2011-2015	31,255,000	44,768,348	76,023,348
2016-2020	35,804,000	37,888,177	73,692,177
2021-2025	40,794,000	29,179,568	69,973,568
2026-2030	48,864,000	19,028,013	67,892,013
2031-2035	54,991,000	7,109,068	62,100,068
2036-2039	4,405,000	85,337	4,490,337
Total	<u>\$241,751,000</u>	<u>\$184,149,669</u>	<u>\$425,900,669</u>

The annual requirements to amortize all component unit bonds outstanding at June 30, 2005, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$439,487	\$490,673	\$930,160
2007	1,066,584	465,701	1,532,285
2008	1,089,969	412,326	1,502,295
2009	1,119,714	357,476	1,477,190
2010	1,245,901	301,069	1,546,970
2011-2015	5,533,244	964,017	6,497,261
Total	<u>\$10,494,899</u>	<u>\$2,991,262</u>	<u>\$13,486,161</u>

NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2005:

<u>Bond Issue</u>	<u>Reserves Available</u>	<u>Reserve Requirement</u>	<u>Excess</u>
Southeastern Louisiana University			
Student Recreation and Activity Center Revenue Bonds	\$5,305,331	\$5,265,837	\$39,494
University Facilities, Inc. (UFI) Revenue Bonds 2004	6,757,586	575,122	6,182,464
Louisiana Tech University			
Academic Facilities Bonds	476,341	389,650	86,691
Series 2003 Revenue Bonds - Intramural Complex	1,499,153	1,485,475	13,678
Series 2004 Revenue Refunding Bonds	722,500	722,500	
University of Louisiana at Monroe			
Physical Education Complex - Series 1992-A	245,204	245,204	
Northwestern State University			
General Obligation Bonds, Series 1993-B	38,250	38,250	
Grambling State University			
Student Housing System Repair and Replacement Account	1,121,717	600,000	521,717
Student Housing System Revenue Bonds	511,700	511,700	
U.S. Department of Education Note	423,000	423,000	
Total	<u>\$17,100,782</u>	<u>\$10,256,738</u>	<u>\$6,844,044</u>

Notes Payable - University of Louisiana System

<u>Note</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2004</u>
Southeastern Louisiana University			
UFI Construction Loan	October 10, 1999	\$2,300,000	\$795,788
Copiers	September 20, 2004	641,861	
Louisiana Tech University			
2001 Ford F450 Truck	February 16, 2001	46,430	9,676
Farm Equipment	August 6, 2004	200,824	
Cannon Color Copier	May 13, 2005	12,380	
Grambling State University			
U.S. Department of Education	May 1, 1993	3,500,000	2,609,836
Ford Motor Credit Company	August 30, 2001	1,165,931	733,995
Total		<u>\$7,867,426</u>	<u>\$4,149,295</u>

Notes Payable - Component Units

<u>Note</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2004</u>
Louisiana Tech University			
Athletic field house	March 1, 2002	\$1,500,000	\$1,200,000
University of Louisiana at Monroe			
Real estate mortgage	October 30, 2002	400,500	349,025
Total		<u>\$1,900,500</u>	<u>\$1,549,025</u>

NOTES TO THE FINANCIAL STATEMENTS

Issued (Redeemed)	Outstanding June 30, 2005	Maturities	Interest Rates	Interest Outstanding June 30, 2005
(\$527,087)	\$268,701	Variable	Variable	\$14,545
552,604	552,604	2006	3.51%	43,048
(9,676)		2005	4.04%	
130,087	130,087	2007	3.69%	7,244
8,151	8,151	2007	3.16%	388
(100,205)	2,509,631	2023	3%	778,817
(164,889)	569,106	2008	4.1%	38,810
<u>(\$111,015)</u>	<u>\$4,038,280</u>			<u>\$882,852</u>

Issued (Redeemed)	Outstanding June 30, 2005	Maturities	Interest Rates	Interest Outstanding June 30, 2005
(\$75,000)	\$1,125,000	2007	3.5%	\$76,126
(34,558)	314,467	2012	4.75%	59,249
<u>(\$109,558)</u>	<u>\$1,439,467</u>			<u>\$135,375</u>

UNIVERSITY OF LOUISIANA SYSTEM

The annual requirements to amortize all notes outstanding for the University of Louisiana System at June 30, 2005, including interest of \$882,852 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$734,327	\$131,735	\$866,062
2007	482,802	100,015	582,817
2008	427,685	82,196	509,881
2009	281,037	68,865	349,902
2010	151,126	61,666	212,792
2011-2015	636,357	252,413	888,770
2016-2020	738,517	150,252	888,769
2021-2023	<u>586,429</u>	<u>35,710</u>	<u>622,139</u>
Total	<u>\$4,038,280</u>	<u>\$882,852</u>	<u>\$4,921,132</u>

The annual requirements to amortize all notes outstanding for the component units at June 30, 2005, including interest of \$135,375, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$111,236	\$53,530	\$164,766
2007	1,087,995	49,145	1,137,140
2008	39,839	10,551	50,390
2009	41,773	8,617	50,390
2010	43,801	6,589	50,390
2011-2014	<u>114,823</u>	<u>6,943</u>	<u>121,766</u>
Total	<u>\$1,439,467</u>	<u>\$135,375</u>	<u>\$1,574,842</u>

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

15. REFUNDING OF BONDS

In September 2004, Louisiana Tech University, through the Board of Supervisors for the University of Louisiana System, issued \$7,255,000 in nontaxable Refunding Revenue Bonds, Series 2004. The purpose of the issue was to provide monies to refund all of the Revenue Fund Bonds, Series 1999, plus additional monies to cover the various costs of issuance. To refund the Series 1999 Bonds, \$7,029,722 was deposited in the refunding trust account together with interest earnings to pay the outstanding principal of \$6,765,000, outstanding interest of \$145,322, and a redemption premium of \$119,400. The refunding resulted in reducing the fiscal year 2005 debt service payments by \$968,201 and will subsequently result increased annual debt service payments for \$463,961 for the seven years thereafter, resulting in an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$249,904. Interest rates were lowered on the bonds and the refunding resulted in extending the term of the bonds by three years.

In prior years, the system defeased certain bond issues by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the system's financial statements. On June 30, 2005, a total of \$855,000 of the University of Louisiana at Monroe Series 1965 and Series 1966 bonds remain outstanding, which are considered defeased.

On August 13, 2004, University Facilities, Inc. (UFI), a blended component unit of Southeastern Louisiana University, issued \$76,910,000 in nontaxable and taxable bonds, Series 2004A, 2004B, and 2004C. Of the proceeds received by UFI from the sale of these bonds, \$15,077,449 was placed into a refunding account with the Bank of New York for the purpose of refunding the corporation's Louisiana Public Facilities Authority 2000 series bonds, which were issued on July 12, 2000, and July 27, 2000, in the original principal amounts of \$7,680,000 and \$8,265,000, respectively. The purpose of the August 2004 bonds is to construct new residential housing on Southeastern Louisiana University's campus and to consolidate all housing debt under one agreement.

16. RESTRICTED NET ASSETS

The system has the following restricted expendable net assets at June 30, 2005:

<u>Account Title</u>	<u>Amount</u>
Auxiliary and other	\$24,849,938
Grants, contracts, and student fees	23,460,213
Instruction, scholarships, fellowships, and other	6,619,383
Restricted for use by donors	4,188,115
Student loans	35,191,016
Plant projects	31,591,084
Debt service	6,810,904
Endowment earnings	<u>7,534,101</u>
Total expendable	<u><u>\$140,244,754</u></u>

The university system's restricted nonexpendable net assets of \$118,201,275 as of June 30, 2005, are comprised entirely of endowment funds.

RESTRICTED NET ASSETS - COMPONENT UNITS

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

	<u>Louisiana Tech Foundation</u>	<u>McNeese State Foundation</u>	<u>University of Louisiana at Lafayette Foundation</u>	<u>University of Louisiana at Monroe Foundation</u>
Temporarily restricted	<u>\$5,127,252</u>	<u>\$8,376,344</u>	<u>\$32,621,743</u>	<u>\$3,484,723</u>
Permanently restricted:				
Scholarships and fellowships		\$7,650,482		\$7,758,987
Academic support				2,739,286
Real estate				3,195,317
Restricted contributions receivable				
Endowments	\$12,418,745	4,393,203	\$47,106,607	
Other university projects		<u>11,127,198</u>		
Total permanently restricted net assets	<u>\$12,418,745</u>	<u>\$23,170,883</u>	<u>\$47,106,607</u>	<u>\$13,693,590</u>

17. RESTATEMENT OF BEGINNING NET ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS

	University	Component Units
Net assets at June 30, 2004	\$811,168,434	\$153,078,660
Capital asset adjustment to record correct beginning balances at McNeese State University	2,335,509	
Capital lease obligation not previously recorded at Southeastern Louisiana University	1,973	
Adjustment for unrecorded receivables at McNeese State University		160,000
Adjustment for overstatement of liabilities at McNeese State University		97,767
	\$813,505,916	\$153,336,427
Net assets at June 30, 2004, restated		

**18. 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. Grambling State University notified the U.S. Department of Education (DOE) of its intent to close out the Perkins Loan Program. The university may be liable for any non-performing loans not assigned to the DOE. The extent of the liability cannot be determined at this time. Loans not assigned to DOE total \$1,543. Therefore, the system, through its respective universities' legal advisors, estimates that potential claims not covered by insurance would not materially affect the financial statements. In addition, the system had not incurred any claims and/or litigation cost in the current year. Other losses of the system arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The Office of Risk Management insures all of these lawsuits.

19. FOUNDATIONS

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

- The University of Louisiana at Lafayette Alumni Foundation
- Southeastern Athletics Association
- Southeastern Development Foundation
- Southeastern Louisiana University Alumni Association
- Louisiana Tech University Alumni Association
- The University of Louisiana at Monroe Athletic Scholarship Foundation
- The University of Louisiana at Monroe Alumni Association
- Northwestern State University Alumni Association
- Northwestern State University Athletic Association
- Northwestern State University Foundation

McNeese State University Alumni Association
Nicholls State University Foundation
Nicholls Alumni Federation
Grambling University National Alumni Association
Grambling University Athletic Foundation
Grambling Black and Gold Foundation

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

Certain universities of the system have contracted with their respective foundations to invest the universities' Endowed Chairs for Eminent Scholars endowment funds and Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:3384. The Endowed Chairs for Eminent Scholars endowment funds are established for \$1,000,000 each, with \$600,000 of private contributions and \$400,000 of state matching portion allocated by the Board of Regents for Higher Education. The Endowed Professorship Program endowment funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. At June 30, 2005, the foundations hold in custody \$100,178,725 of Endowed Chairs for Eminent Scholars and Endowed Professorship Program funds. Amounts invested by private foundations for the system are included as investments held by private foundations in external investment pools in the disclosures in note 3.

20. ON-BEHALF PAYMENTS FOR SALARIES AND FRINGE BENEFITS

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

The amount of on-behalf payments for salaries and fringe benefits included in the accompanying financial statements for the fiscal year ended June 30, 2005, is \$1,084,583.

21. DEFERRED COMPENSATION PLAN

Certain employees of the system participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

22. ALTERNATIVE FINANCING AGREEMENTS

McNeese State University (McNeese)

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

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

On February 20, 2004, Cowboy Facilities, Inc., entered into a loan agreement with the Calcasieu Parish Public Trust Authority to obtain financing for the development of additional public parking on the McNeese campus. Financing for the project is through the issuance of \$820,000 of Revenue Bonds, Series 2004.

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

On April 1, 2005, Cowboy Facilities, Inc., entered into a loan agreement with the Calcasieu Parish Public Trust Authority to obtain financing for the purchase of scoreboards on the McNeese campus. Financing for the project is through the issuance of \$1,900,000 of Revenue Bonds, Series 2005.

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

Southeastern Louisiana University (SLU)

University Facilities, Inc., entered into a reimbursement agreement with Hibernia National Bank regarding borrowing funds from the Louisiana Public Facilities Authority (LPFA). On June 1, 2000, LPFA agreed to two issuances of its Equipment and Capital Facilities Pooled Loan Program Revenue Bonds, Series 2000 totaling \$16,330,000 for the purpose of financing the

acquisition of new equipment and the construction of new capital improvements for the Board of Supervisors of the University of Louisiana System at SLU.

Pursuant to the terms of the ground lease agreements, the corporation will lease the land from the board. 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 and equip student housing facilities and lease back the facilities to the board for use by students, faculty, and staff of SLU. The board's right to obtain title to the facilities is set forth in the facilities lease. The rental income derived from the facilities lease will be used to pay the bonds.

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

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

University of Louisiana at Lafayette (ULL)

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

Pursuant to the terms of the ground lease agreements, the corporation will lease the land from the board. 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 and equip student housing facilities and lease back the facilities to the board for use by students, faculty, and staff of ULL. The rental income derived from the facilities lease will be used to pay the bonds.

University of Louisiana at Monroe (ULM)

On June 1, 2004, the Louisiana Local Government Environmental Facilities and Community Development Authority agreed to issue revenue bonds totaling \$35,210,000 for the University of Louisiana Monroe Facilities, Inc., for the purpose of paying prior debt and the construction of

student housing, a student center, an infirmary, and other facilities for the Board of Supervisors of the University of Louisiana System.

Pursuant to the terms of the ground lease agreement, the corporation will lease the land from the board. 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, a student center, an infirmary, and other student facilities and lease back the facilities to the board for use by students, faculty, and staff of ULM. The rental income derived from the facilities lease will be used to pay the bonds.

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

Pursuant to the terms of the ground lease agreement, the corporation will lease the land from the board. 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 ULM. The rental income derived from the facilities lease will be used to pay the bonds.

Louisiana Tech University (LTU)

On July 1, 2004, 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 the purpose of 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 LTU. The rental income derived from the facilities lease will be used to pay the bonds.

23. REVENUE USED AS SECURITY FOR REVENUE BONDS

The revenues of certain auxiliary enterprises of the University of Louisiana System are restricted by terms in the covenants of certain debt instruments. The revenues reported on the Statement of Revenues, Expenses, and Changes in Fund Net Assets include all auxiliary enterprise revenues of all universities, but exclude sales to other University of Louisiana System departments, in accordance with accounting principles generally accepted in the United States of America. The following represents those restricted auxiliary enterprise revenues of certain auxiliary enterprises

within the University of Louisiana System that are used as security for revenue bonds; however, these amounts do include sales to other departments for the year ended June 30, 2005.

Auxiliary Enterprises

Athletics	\$4,313,342
Student union services, including bookstore	11,140,250
Residential life	6,935,594
Student health, physical education, and recreation	2,144,408
Miscellaneous auxiliary services	32,735,881
Contracted auxiliary services	<u>2,486,491</u>
 Total	 <u><u>\$59,755,966</u></u>

24. SUBSEQUENT EVENTS

During August and September 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact the recovery will have on state and local governmental operations in Louisiana. While some of the universities within the system did suffer major effects from these two hurricanes, most specifically McNeese State University, the long-term effects on the System cannot be determined at this time. Management at McNeese State University has estimated damages from Hurricane Rita to be approximately \$25,000,000, which includes \$7,000,000 of remediation.

25. AMOUNTS HELD IN CUSTODY FOR OTHERS - COMPONENT UNITS

The discretely presented component units reported amounts held in custody for others as follows:

<u>Entity</u>	<u>Louisiana Tech University Foundation</u>	<u>McNeese State University Foundation</u>	<u>University of Louisiana at Lafayette Foundation</u>	<u>University of Louisiana at Monroe Foundation</u>	<u>Total</u>
State matching funds managed for UL System	\$24,054,255	\$2,928,802	\$21,547,365	\$19,676,502	\$68,206,924
Gift annuity liability	143,777			268,765	412,542
Deferred compensation	28,633				28,633
 Total	 <u><u>\$24,226,665</u></u>	 <u><u>\$2,928,802</u></u>	 <u><u>\$21,547,365</u></u>	 <u><u>\$19,945,267</u></u>	 <u><u>\$68,648,099</u></u>

Combining Schedule of Net Assets, by University

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

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

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

Schedule of Cash Flows, by University

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

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**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Net Assets, by University
June 30, 2005**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
ASSETS				
Current assets:				
Cash and cash equivalents	\$10,834,146	\$12,143,930	\$15,481,316	\$14,025,324
Investments				
Receivables (net)	2,188,270	6,632,852	3,805,019	1,797,807
Due from state treasury	151,701			135,018
Due from federal government				
Inventories	327,368	1,974,022	1,280,178	128,985
Deferred charges and prepaid expenses	64,541	1,030,001	239,078	70,199
Notes receivable (net)	1,146	1,119,420	345,897	
Other current assets		195,032		
Total current assets	<u>13,567,172</u>	<u>23,095,257</u>	<u>21,151,488</u>	<u>16,157,333</u>
Noncurrent assets:				
Restricted:				
Cash and cash equivalents	2,499,324	6,992,593	4,449,606	7,628,070
Investments	3,887,623	24,471,647	9,542,323	6,450,536
Receivables (net)		113,401	7,267	62,186
Notes receivable (net)	15,402	5,843,066	2,018,357	
Investments	1,328,105			
Notes receivable (net)				23,078
Capital assets (net)	71,343,110	110,790,297	55,283,933	31,138,921
Other noncurrent assets		747,413	1,625,836	
Total noncurrent assets	<u>79,073,564</u>	<u>148,958,417</u>	<u>72,927,322</u>	<u>45,302,791</u>
Total assets	<u>92,640,736</u>	<u>172,053,674</u>	<u>94,078,810</u>	<u>61,460,124</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accruals	3,660,613	4,679,896	3,551,989	2,172,401
Due to state treasury	3,324			
Deferred revenues	1,130,438	3,470,490	929,191	1,257,626
Compensated absences payable	263,914	274,706	154,483	233,473
Capital lease obligations	4,592	264,275		
Amounts held in custody for others	589,747	481,293	348,288	183,314
Notes payable	275,030	67,877		
Reimbursement contracts payable				
Contracts payable				
Bonds payable	290,000	1,425,000	970,000	
Other current liabilities	3,320	22,786	117,343	
Total current liabilities	<u>6,220,978</u>	<u>10,686,323</u>	<u>6,071,294</u>	<u>3,846,814</u>

(Continued)

Schedule 1

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
\$17,040,125	\$12,775,659	\$21,351,662	\$11,380,248	\$250,670	\$115,283,080
	17,824,280	16,753,001			34,577,281
4,369,707	7,014,816	7,850,202	6,870,090		40,528,763
181,318		2,000,000			2,468,037
		343,194			343,194
654,081	614,394	1,559,862	206,158		6,745,048
395,702	64,471	2,449,822	618,424		4,932,238
101,907	325,745	1,149,218	828,761		3,872,094
220,179	2,238,303		1,680,416	236,219	4,570,149
<u>22,963,019</u>	<u>40,857,668</u>	<u>53,456,961</u>	<u>21,584,097</u>	<u>486,889</u>	<u>213,319,884</u>
2,716,972	7,045,721	22,141,176	33,658,252		87,131,714
4,488,017	12,207,064	43,490,529	24,372,667		128,910,406
79,396			369,827		632,077
1,759,690	1,791,397	9,309,665	4,696,314		25,433,891
					1,328,105
					23,078
48,500,933	143,287,484	157,660,563	96,871,440	19,897	714,896,578
	3,207,314	823,677			6,404,240
<u>57,545,008</u>	<u>167,538,980</u>	<u>233,425,610</u>	<u>159,968,500</u>	<u>19,897</u>	<u>964,760,089</u>
<u>80,508,027</u>	<u>208,396,648</u>	<u>286,882,571</u>	<u>181,552,597</u>	<u>506,786</u>	<u>1,178,079,973</u>
2,714,436	7,830,643	3,334,810	5,529,150	307,517	33,781,455
					3,324
2,562,012	4,066,102	2,596,530	3,300,764		19,313,153
252,910	298,473	348,558	488,999	149,939	2,465,455
	28,883		78,777		376,527
18,356	295,369	825,329	1,048,360		3,790,056
	391,420				734,327
20,000					20,000
		185,153			185,153
195,000	440,000	350,000	155,000		3,825,000
	5,143			250,670	399,262
<u>5,762,714</u>	<u>13,356,033</u>	<u>7,640,380</u>	<u>10,601,050</u>	<u>708,126</u>	<u>64,893,712</u>

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Combining Schedule of Net Assets, by University
June 30, 2005

	<u>GRAMBLING STATE UNIVERSITY</u>	<u>LOUISIANA TECH UNIVERSITY</u>	<u>MCNEESE STATE UNIVERSITY</u>	<u>NICHOLLS STATE UNIVERSITY</u>
LIABILITIES (CONT.)				
Noncurrent liabilities:				
Compensated absences payable	\$2,986,513	\$3,241,935	\$2,433,687	\$2,447,041
Capital lease obligations	2,527	1,299,328		
Notes payable	2,803,707	70,361		
Reimbursement contracts payable				
Bonds payable	286,000	35,690,000	24,645,000	
Other noncurrent liabilities		440,781		
Total noncurrent liabilities	<u>6,078,747</u>	<u>40,742,405</u>	<u>27,078,687</u>	<u>2,447,041</u>
Total liabilities	<u>12,299,725</u>	<u>51,428,728</u>	<u>33,149,981</u>	<u>6,293,855</u>
NET ASSETS				
Invested in capital assets, net of related debt	67,681,387	74,594,234	31,294,769	31,138,921
Restricted for:				
Nonexpendable	2,251,254	25,959,138	8,367,004	11,474,047
Expendable	8,522,779	11,523,930	12,327,147	8,059,115
Unrestricted	<u>1,885,591</u>	<u>8,547,644</u>	<u>8,939,909</u>	<u>4,494,186</u>
Total net assets	<u>\$80,341,011</u>	<u>\$120,624,946</u>	<u>\$60,928,829</u>	<u>\$55,166,269</u>

(Concluded)

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
\$1,742,245	\$3,935,949	\$6,283,024	\$3,266,667	\$142,394	\$26,479,455
	2,476		198,646		1,502,977
	429,885				3,303,953
230,000					230,000
5,625,000	82,635,000	18,715,000	70,080,000		237,676,000
120,898	487,263		444,245		1,493,187
<u>7,718,143</u>	<u>87,490,573</u>	<u>24,998,024</u>	<u>73,989,558</u>	<u>142,394</u>	<u>270,685,572</u>
<u>13,480,857</u>	<u>100,846,606</u>	<u>32,638,404</u>	<u>84,590,608</u>	<u>850,520</u>	<u>335,579,284</u>
42,430,933	60,492,543	139,194,117	64,073,308	19,897	510,920,109
4,980,796	5,764,328	40,549,268	18,855,440		118,201,275
10,086,933	41,439,053	36,231,363	12,054,434		140,244,754
9,528,508	(145,882)	38,269,419	1,978,807	(363,631)	73,134,551
<u>\$67,027,170</u>	<u>\$107,550,042</u>	<u>\$254,244,167</u>	<u>\$96,961,989</u>	<u>(\$343,734)</u>	<u>\$842,500,689</u>

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Revenues, Expenses,
and Changes in Net Assets, by University
For the Fiscal Year Ended June 30, 2005**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of \$65,081,991)	\$13,780,623	\$34,544,721	\$21,391,008	\$19,734,879
Federal appropriations		50,292		
Federal grants and contracts	17,245,797	14,738,665	9,718,479	9,712,717
State and local grants and contracts	2,298,131	3,170,045	1,431,283	2,015,241
Nongovernmental grants and contracts	261,825	661,852	840,609	1,019,256
Sales and services of educational departments	222,287	724,172	31,765	663,968
Auxiliary enterprise revenues (net of scholarship allowances of \$6,296,828; \$59,755,966 of revenues used as security for revenue bonds)	12,490,125	23,017,857	10,158,220	4,890,961
Other operating revenues	1,061,813	1,277,991	1,511,482	1,244,567
Total operating revenues	<u>47,360,601</u>	<u>78,185,595</u>	<u>45,082,846</u>	<u>39,281,589</u>
OPERATING EXPENSES				
Educational and general:				
Instruction	21,931,667	36,806,195	25,565,672	24,145,967
Research	827,765	14,783,590	1,357,409	1,952,526
Public service	57,920	1,241,280	1,216,260	946,826
Academic services	8,001,182	7,115,954	6,586,882	5,781,971
Student services	4,462,094	5,490,656	4,508,340	6,165,936
Institutional support	11,504,198	9,182,424	4,613,723	6,056,233
Operations and maintenance of plant	4,651,849	8,557,002	6,430,167	7,101,859
Depreciation	3,198,697	7,176,596	3,895,178	2,450,866
Scholarships and fellowships	7,014,277	5,249,884	6,170,874	2,033,715
Auxiliary enterprises	13,730,745	27,727,018	10,732,156	7,888,590
Other operating expenses		389,478	147,979	203,103
Total operating expenses	<u>75,380,394</u>	<u>123,720,077</u>	<u>71,224,640</u>	<u>64,727,592</u>
OPERATING LOSS	<u>(28,019,793)</u>	<u>(45,534,482)</u>	<u>(26,141,794)</u>	<u>(25,446,003)</u>
NONOPERATING REVENUES (Expenses)				
State appropriations	25,994,591	43,633,634	26,784,528	24,542,567
Gifts	707,959	3,347,225	956,222	321,393
Investment income	547,009	442,888	1,340,145	492,364
Interest expense	(127,330)	(687,774)	(1,083,669)	
Payments to or on behalf of the university				18,882
Other nonoperating revenues		647,162		850,989
Net nonoperating revenues	<u>27,122,229</u>	<u>47,383,135</u>	<u>27,997,226</u>	<u>26,226,195</u>

(Continued)

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
\$28,209,573	\$41,869,109	\$42,205,972	\$23,576,396		\$225,312,281
			91,426		141,718
16,030,907	25,062,466	27,769,456	14,931,741		135,210,228
3,619,092	1,277,411	7,462,290	8,691,179		29,964,672
394,916	403,770	11,586,724	758,024		15,926,976
818,098	290,054	662,692	362,654		3,775,690
4,434,420	12,360,350	14,407,149	9,738,088		91,497,170
2,081,248	2,208,668	3,578,329	2,802,520		15,766,618
55,588,254	83,471,828	107,672,612	60,952,028	NONE	517,595,353
30,686,603	48,069,030	45,179,136	31,995,808		264,380,078
1,613,482	2,148,961	37,764,021	8,190,306		68,638,060
2,262,326	3,182,576	1,425,438	7,923,137		18,255,763
5,835,291	10,530,785	10,411,336	5,450,581		59,713,982
6,379,146	8,040,917	12,504,664	5,684,875		53,236,628
8,268,600	11,058,033	13,271,972	11,003,322	\$1,861,356	76,819,861
8,187,209	10,979,668	11,607,564	7,525,249		65,040,567
3,395,968	6,436,655	8,585,264	4,081,077	5,273	39,225,574
10,853,412	12,262,528	3,166,985	8,725,457		55,477,132
8,155,755	17,662,997	20,871,655	11,580,305		118,349,221
232,478	(513,969)	918,098	1,661,510	363,631	3,402,308
85,870,270	129,858,181	165,706,133	103,821,627	2,230,260	822,539,174
(30,282,016)	(46,386,353)	(58,033,521)	(42,869,599)	(2,230,260)	(304,943,821)
29,528,746	45,635,214	61,097,183	43,837,272	1,890,752	302,944,487
	90,332	1,179,073			6,602,204
1,102,130	1,284,382	2,893,966	269,592	280,000	8,652,476
(307,694)	(884,011)	(936,435)	(117,871)		(4,144,784)
					18,882
500,000	(1,154,035)	1,173,485	(651,913)	14,000	1,379,688
30,823,182	44,971,882	65,407,272	43,337,080	2,184,752	315,452,953

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses,
and Changes in Net Assets, by University
For the Fiscal Year Ended June 30, 2005**

	<u>GRAMBLING STATE UNIVERSITY</u>	<u>LOUISIANA TECH UNIVERSITY</u>	<u>MCNEESE STATE UNIVERSITY</u>	<u>NICHOLLS STATE UNIVERSITY</u>
INCOME (Loss) BEFORE OTHER REVENUES AND EXPENSES	(\$897,564)	\$1,848,653	\$1,855,432	\$780,192
Capital appropriations	10,325,310	2,734,670	244,418	246,894
Capital grants and gifts		122,349	15,000	6,822
Additions to permanent endowment	105,547	1,087,389		40,000
Other		(2,586,031)		(1,917)
CHANGE IN NET ASSETS	<u>9,533,293</u>	<u>3,207,030</u>	<u>2,114,850</u>	<u>1,071,991</u>
NET ASSETS - BEGINNING OF YEAR (Restated)	<u>70,807,718</u>	<u>117,417,916</u>	<u>58,813,979</u>	<u>54,094,278</u>
NET ASSETS - END OF YEAR	<u><u>\$80,341,011</u></u>	<u><u>\$120,624,946</u></u>	<u><u>\$60,928,829</u></u>	<u><u>\$55,166,269</u></u>

(Concluded)

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
\$541,166	(\$1,414,471)	\$7,373,751	\$467,481	(\$45,508)	\$10,509,132
	623,892	3,007,251	728,197	25,170	17,935,802
604,503			156,177		904,851
100,000	200,000	700,000			2,232,936
					(2,587,948)
1,245,669	(590,579)	11,081,002	1,351,855	(20,338)	28,994,773
65,781,501	108,140,621	243,163,165	95,610,134	(323,396)	813,505,916
<u>\$67,027,170</u>	<u>\$107,550,042</u>	<u>\$254,244,167</u>	<u>\$96,961,989</u>	<u>(\$343,734)</u>	<u>\$842,500,689</u>

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2005**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
CASH FLOWS FROM OPERATING ACTIVITIES:				
Tuition and fees	\$22,968,085	\$34,628,881	\$21,043,446	\$19,949,320
Federal appropriations		50,292		
Grants and contracts	19,878,877	16,276,506	12,910,167	12,674,275
Sales and services of educational departments	209,402	716,383	61,720	640,904
Auxiliary enterprise receipts	13,303,496	22,935,271	10,133,113	5,038,233
Payments for employee compensation	(35,281,769)	(58,080,225)	(33,319,004)	(32,621,217)
Payments for benefits	(9,186,349)	(14,885,166)	(9,045,470)	(9,049,357)
Payments for utilities	(2,569,288)	(7,626,725)	(2,774,527)	(2,261,290)
Payments for supplies and services	(16,356,806)	(30,707,803)	(12,835,167)	(12,541,799)
Payments for scholarships and fellowships	(17,200,804)	(6,191,468)	(7,403,727)	(5,645,307)
Loans to students		(1,580,685)		(4,000)
Collection of loans to students		1,334,124	(44,370)	4,092
Other receipts (payments)	1,234,949	1,237,457	40,731	1,311,970
Net cash used by operating activities	<u>(23,000,207)</u>	<u>(41,893,158)</u>	<u>(21,233,088)</u>	<u>(22,504,176)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	26,075,242	43,862,988	26,784,528	24,542,567
Gifts and grants for other than capital purposes	707,959	3,373,639	956,222	71,393
Private gifts for endowment purposes	105,547	1,087,389		40,000
TOPS receipts	386,630	10,011,593	4,900,490	4,193,652
TOPS disbursements	(386,630)	(10,016,219)	(4,900,490)	(4,193,652)
Federal Family Education Loan program receipts	29,169,040	22,209,081	20,258,164	16,465,209
Federal Family Education Loan program disbursements	(29,169,040)	(22,202,474)	(20,258,164)	(16,465,209)
Other payments		596,572	(166,304)	869,871
Net cash provided by noncapital financing sources	<u>26,888,748</u>	<u>48,922,569</u>	<u>27,574,446</u>	<u>25,523,831</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Proceeds from capital debt		7,220,472	1,900,000	
Capital appropriations received	10,325,310	2,734,670	244,418	246,894
Capital grants and gifts received		9,000	15,000	6,822
Proceeds from sale of capital assets		3,537		250,000
Purchases of capital assets	(11,550,864)	(16,486,317)	(2,658,591)	(1,084,130)
Principal paid on capital debt and leases	(542,975)	(7,992,992)	(824,696)	
Interest paid on capital debt and leases	(127,330)	(690,976)	(1,083,669)	
Deposit with trustees		2,777		
Other payments	497,851	(2,586,031)		
Net cash provided (used) by capital financing activities	<u>(1,398,008)</u>	<u>(17,785,860)</u>	<u>(2,407,538)</u>	<u>(580,414)</u>

(Continued)

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
\$28,659,687	\$42,957,986	\$42,299,795	\$23,448,985		\$235,956,185
					50,292
20,044,915	26,649,319	46,747,889	24,472,370		179,654,318
818,098	290,054	662,692	362,654		3,761,907
(2,986,309)	11,811,330	14,216,686	(1,842,217)		72,609,603
(39,879,292)	(63,615,924)	(85,227,180)	(47,054,257)	(\$977,754)	(396,056,622)
(10,397,979)	(15,635,927)	(10,909,959)	(14,528,819)	(423,730)	(94,062,756)
(3,096,625)	(4,010,464)	(6,938,497)	(2,482,402)		(31,759,818)
(7,630,313)	(5,854,831)	(44,629,675)	(13,674,228)	(783,268)	(145,013,890)
(10,853,412)	(12,262,528)	(7,805,518)	(8,725,457)		(76,088,221)
58,260	(465,026)	(3,535,034)	(1,295,988)		(6,822,473)
210,442	459,249	3,840,231	1,108,533		6,912,301
1,870,386	(15,038,173)	3,453,928	631,839	(3,311,931)	(8,568,844)
(23,182,142)	(34,714,935)	(47,824,642)	(39,578,987)	(5,496,683)	(259,428,018)
29,640,620	46,905,166	61,097,183	43,603,955	1,890,752	304,403,001
		1,179,073			6,288,286
100,000	200,000	700,000			2,232,936
4,717,482	7,753,423	10,176,347	4,421,289		46,560,906
(4,717,482)	(7,589,473)	(10,176,347)	(4,421,289)		(46,401,582)
32,274,404	47,187,132	28,964,631	27,925,911		224,453,572
(32,274,404)	(47,567,644)	(28,964,631)	(27,925,911)		(224,827,477)
500,000	(867,658)	1,363,241	(1,361,629)	14,000	948,093
30,240,620	46,020,946	64,339,497	42,242,326	1,904,752	313,657,735
	77,551,861		33,680,000		120,352,333
	623,892		728,197	25,170	14,928,551
604,503			156,177		791,502
					253,537
(5,807,601)	(42,332,848)	(8,176,067)	(29,381,579)	(21,934)	(117,499,931)
(210,000)	(16,004,003)		(357,835)		(25,932,501)
(307,694)	(884,011)	(711,312)	(117,871)		(3,922,863)
					2,777
	(2,720,051)				(4,808,231)
(5,720,792)	16,234,840	(8,887,379)	4,707,089	3,236	(15,834,826)

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University, 2005**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	\$1,317,675	\$9,125,308		
Interest received on investments	539,802	487,536	\$1,340,145	\$492,191
Purchase of investments	(3,167,179)	(1,087,389)	(1,266,351)	(721,776)
Net cash provided (used) by investing activities	<u>(1,309,702)</u>	<u>8,525,455</u>	<u>73,794</u>	<u>(229,585)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,180,831	(2,230,994)	4,007,614	2,209,656
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>12,152,639</u>	<u>21,367,517</u>	<u>15,923,308</u>	<u>19,443,738</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$13,333,470</u>	<u>\$19,136,523</u>	<u>\$19,930,922</u>	<u>\$21,653,394</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating loss	(\$28,019,793)	(\$45,534,482)	(\$26,141,794)	(\$25,446,003)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation expense	3,198,697	7,176,596	3,895,178	2,450,866
Changes in assets and liabilities:				
(Increase) Decrease in accounts receivable, net	290,546	(1,897,895)	656,644	72,249
(Increase) Decrease in inventories	107,443	(87,117)	65,166	9,384
(Increase) Decrease in deferred charges and prepaid expenses	(53,811)	(159,457)	208,941	84,583
(Increase) Decrease in notes receivable	173,136	43,298		
(Increase) Decrease in other assets		(238,965)	11,142	
Increase (Decrease) in accounts payable and accrued liabilities	348,863	(772,768)	202,767	50,559
Increase (Decrease) in deferred revenue	78,581	(344,991)	(110,012)	145,353
Increase (Decrease) in amounts held in custody for others	125,834	(33,405)	30,450	43,705
Increase (Decrease) in compensated absences	804,293	90,722	(7,200)	84,955
Increase (Decrease) in other liabilities	(53,996)	(134,694)	(44,370)	173
Net cash used by operating activities	<u>(\$23,000,207)</u>	<u>(\$41,893,158)</u>	<u>(\$21,233,088)</u>	<u>(\$22,504,176)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:				
Cash and cash equivalents classified as current assets	\$10,834,146	\$12,143,930	\$15,481,316	\$14,025,324
Cash and cash equivalents classified as noncurrent assets	2,499,324	6,992,593	4,449,606	7,628,070
Cash and cash equivalents at the end of the year	<u>\$13,333,470</u>	<u>\$19,136,523</u>	<u>\$19,930,922</u>	<u>\$21,653,394</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Capital assets donated to Nicholls State				\$246,894
Capital assets appropriated by State of Louisiana				\$6,822

(Concluded)

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL SYSTEM
		\$82,264,097			\$92,707,080
\$1,102,130	\$1,284,382	2,893,966	\$1,224,512	\$280,000	9,644,664
(468,158)	(23,827,609)	(90,510,296)	(5,763,054)		(126,811,812)
<u>633,972</u>	<u>(22,543,227)</u>	<u>(5,352,233)</u>	<u>(4,538,542)</u>	<u>280,000</u>	<u>(24,460,068)</u>
1,971,658	4,997,624	2,275,243	2,831,886	(3,308,695)	13,934,823
17,785,439	14,823,756	41,217,595	42,206,614	3,559,365	188,479,971
<u>\$19,757,097</u>	<u>\$19,821,380</u>	<u>\$43,492,838</u>	<u>\$45,038,500</u>	<u>\$250,670</u>	<u>\$202,414,794</u>
(\$30,282,016)	(\$46,386,353)	(\$58,033,521)	(\$42,869,599)	(\$2,230,260)	(\$304,943,821)
3,395,968	6,436,655	8,585,264	4,081,077	5,273	39,225,574
338,935	(1,200,565)	46,454	(938,107)		(2,631,739)
(373)	(85,173)	174,852	(35,897)		148,285
2,412,759	488,202	(61,239)	(160,863)		2,759,115
173,860	(5,777)		(114,228)		270,289
36,582	290,940		(810,129)	(88,270)	(798,700)
547,924	5,271,553	570,138	(52,238)	103,280	6,270,078
114,172	1,337,961	(105,991)	810,696		1,925,769
(2,993)	(3,321)	3,038	133,746		297,054
(14,737)	(859,057)	926,289	(67,690)	21,989	979,564
97,777		70,074	444,245	(3,308,695)	(2,929,486)
<u>(\$23,182,142)</u>	<u>(\$34,714,935)</u>	<u>(\$47,824,642)</u>	<u>(\$39,578,987)</u>	<u>(\$5,496,683)</u>	<u>(\$259,428,018)</u>
\$17,040,125	\$12,775,659	\$21,351,662	\$11,380,248	\$250,670	\$115,283,080
2,716,972	7,045,721	22,141,176	33,658,252		87,131,714
<u>\$19,757,097</u>	<u>\$19,821,380</u>	<u>\$43,492,838</u>	<u>\$45,038,500</u>	<u>\$250,670</u>	<u>\$202,414,794</u>
				\$25,170	\$272,064
					\$6,822

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OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

March 31, 2006

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

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the financial statements of the business-type activities and discretely presented component units of the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the System's basic financial statements and have issued our report thereon dated March 31, 2006. We did not audit the operations or financial statements of Ragin' Cajun Facilities, Inc.; University Facilities, Inc.; Innovative Student Facilities, Inc.; University of Louisiana at Monroe Facilities, Inc.; and Cowboy Facilities, Inc., which are nonprofit corporations included as blended component units in the basic financial statements of the University of Louisiana System. We also did not audit the financial statements of the Louisiana Tech University Foundation, Inc.; the McNeese State University Foundation; the University of Louisiana at Lafayette Foundation, Inc.; and the University of Louisiana at Monroe Foundation, which are discretely presented component units in the basic financial statements of the University of Louisiana System. The financial statements of the blended and discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts reported for these blended and discretely presented component units, are based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the McNeese State University Foundation; the University of Louisiana at Monroe Foundation; University of Louisiana Monroe Facilities, Inc., and University Facilities, Inc.; were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University of Louisiana System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted the matter described below involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting

that, in our judgment, could adversely affect the University of Louisiana System’s ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Unlocated Movable Property

Six universities within the University of Louisiana System (ULS) identified significant amounts of unlocated movable property items totaling \$3,862,005 as a result of physical inventory procedures, and three of these universities have not reported movable property additions to the Louisiana Property Assistance Agency (LPAA) timely, in accordance with state movable regulations. Louisiana Revised Statute 39:325 requires entities to conduct an annual property inventory of movable property and report any unlocated movable property to LPAA. Louisiana Administrative Code (LAC) 34.VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance, and it requires that all acquisitions of qualified property be tagged and entered into the LPAA system within 60 days of receipt. In addition, good internal control dictates that assets be properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted.

During our audit, we identified the following dollar amounts of unlocated movable property reported by universities within ULS on their fiscal year 2005 annual certifications of inventory:

	Total Movable Property Reported	All Unlocated Property	Unlocated Computer Equipment	Property Permanently Deleted
University of Louisiana at Lafayette	\$46,286,426	\$941,000	\$699,117	\$176,283
Louisiana Tech University	41,580,332	701,845	497,751	169,726
Southeastern Louisiana University	31,550,503	574,023	263,735	84,771
Grambling State University	22,033,144	906,570	457,450	44,849
Northwestern State University	21,184,925	376,531	305,068	67,242
McNeese State University	14,737,115	362,036	240,216	67,044
Total	<u>\$177,372,445</u>	<u>\$3,862,005</u>	<u>\$2,463,337</u>	<u>\$609,915</u>

The amount of unlocated computers and computer-related equipment represents 63.78% of the unlocated property reported. In addition, our tests of acquisitions during the year disclosed the following:

- At McNeese State University, 200 computers were not tagged until 74 to 217 days after receipt.
- At Louisiana Tech University, 195 movable property items were not tagged until 62 to 315 days after receipt.
- At Northwestern State University, 23 movable property items were not tagged until 73 to 243 days after receipt.

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

Management of ULS should ensure that these universities strengthen their procedures for conducting the physical inventories of movable property and devote additional efforts to locating movable property reported as unlocated in previous years. In addition, ULS should ensure that controls at these universities are in place to tag movable property acquisitions timely in accordance with LAC. Management concurred with the finding and recommendations and agreed with the corrective action planned by each of the six universities (see Appendix A).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of Louisiana System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Other Reports

Other external auditors audited the Ragin' Cajun Facilities, Inc.; University Facilities, Inc.; Innovative Student Facilities, Inc.; the University of Louisiana at Monroe Facilities, Inc.; and Cowboy Facilities, Inc., which are blended component units included in the University of Louisiana System's basic financial statements for the year ended June 30, 2005. In addition, other external auditors audited the Louisiana Tech University Foundation, Inc.; the McNeese State University Foundation; the University of Louisiana at Lafayette Foundation, Inc.; and the University of Louisiana at Monroe Foundation, which are discretely presented component units included in the basic financial statements of the University of Louisiana System. To obtain copies of those reports, refer to note 1-B to the basic financial statements for mailing addresses.

UNIVERSITY OF LOUISIANA SYSTEM

As a part of our audit of the University of Louisiana System's basic financial statements for the year ended June 30, 2005, we performed certain procedures on campuses within the University of Louisiana System. Our reports on those procedures for those campuses are listed as follows:

	<u>Issue Date</u>
University of Louisiana at Lafayette	December 16, 2005
Southeastern Louisiana University	November 29, 2005
Louisiana Tech University	December 7, 2005
McNeese State University	March 8, 2006
Northwestern State University	December 2, 2005

Our audit report on Grambling State University was issued on March 13, 2006.

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

To provide financial information required for upcoming reaccreditation by the Southern Association of Colleges and Schools, we issued our accountant's review report for Nicholls State University on October 22, 2005.

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

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

BB:CGEW:THC:dl

ULS05

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

UNIVERSITY OF LOUISIANA

S Y S T E M

Claiborne Building • 1201 North Third Street, Suite 7-300 • Baton Rouge, LA 70802 • 225-342-6950 • Fax 225-342-6473

www.uls.state.la.us

March 20, 2006

BOARD OF SUPERVISORS

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Student

Dr. Sally Clausen
President

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

RE: Audit Finding Response

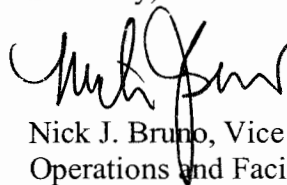
Dear Mr. Theriot:

The University of Louisiana System (ULS) concurs with the audit finding, Unlocated Movable Property. Six universities within the ULS identified amounts of unlocated movable property items as a result of physical inventory procedures, and three of these universities have not reported movable property additions to the Louisiana Property Assistance Agency (LPAA) timely, in accordance with state movable regulations.

Attached is the response from each of the six universities. The ULS agrees with the responses submitted and the corrective actions planned by the universities. In addition the ULS has reported the finding to the Audit Committee of the Board. The Committee has reinforced to the universities that it expects an improved inventory count of unlocated movable property sufficient to eliminate the finding for the fiscal year ending June 30, 2007. Internal Auditors on each campus will be utilized to monitor the progress of improvement in the inventory procedures. As stated in the university responses, each of the institutions has individuals who are assigned responsibility for overseeing the inventory process.

This response was prepared by the ULS Director of Internal Audit for the review and approval of the Vice President for Operations and Facilities.

Sincerely,

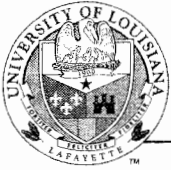


Nick J. Bruno, Vice President
Operations and Facilities

Attachment

NB:RT:grr

**College
Begins
In
Preschool**



University of Louisiana at Lafayette

Office of the President

October 13, 2005

P. O. Drawer 41008
Lafayette, LA 70504-1008
(337) 482-6203
Fax: (337) 482-5914
e-mail: president@louisiana.edu

Université des Acadiens

Mr. Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

The University does concur that the controls appear to not have been adhered to during the last moveable property inventory, but the University does have adequate controls over movable property. This can be attested to by the fact that for the previous six years there were no formal or informal discussions with the auditors of the Legislative Auditor's Office during the annual financial and compliance audit of the University concerning any problems or inconsistencies with the movable property inventory controls.

Also, the University is always aware of the sensitive information that may be located on computers and requests that faculty and staff maintain only minimum sensitive data that is required to perform their duties and responsibilities.

After the certification of the annual property inventory was submitted to State Property Control, internal concerns were expressed about the dollar value of the current discrepancies, \$330,070.

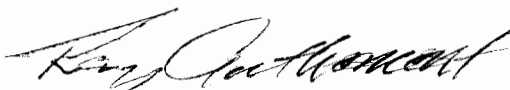
The first step was a review of portable equipment problems (e.g., laptop computers). A new policy was sent to deans, directors and department heads on July 25, 2005. The most significant part of this policy was, "That an employee who loses a piece of portable equipment through negligence must reimburse the University for the replacement value of the equipment up to \$1,000.00."

The next step will be taken during the next annual physical inventory of movable property, where the internal auditor of the University will be provided current information on the progress of the inventory. Inquiries will be made on an ongoing basis of movable property inventory that is reported as unlocated.

Due to the time required for completing the annual movable property inventory, the final analysis of problems incurred and any corrective action that may be needed will not be available until February 2006. The individual who will be overseeing the inventory will be Mr. Barton Broussard.

This response was prepared by the internal auditor of the University for the review and approval of the President of the University.

Sincerely,


Ray Authement
President

jl

C: Mr. Allan Duplantis



LOUISIANA TECH
UNIVERSITY

OFFICE OF THE PRESIDENT

September 23, 2005

Mr. Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
Baton Rouge, LA 70804-9397

RE: Movable Property Compliance

Dear Mr. Theriot:

In response to the Legislative Auditor finding regarding compliance with movable property regulations, the University agrees with the finding and has taken the necessary steps to ensure that unlocated property items are identified and counted. I feel it is imperative that the University be in full compliance with property regulations, however, it must be noted that over 70% of unlocated items as of June 30, 2005 appear to fall into the surplus, obsolete and unusable category. Additionally, effective July 1, 2005, property acquisitions are being manually entered into the State Protégé System in order to ensure meeting the State's reporting time frame. However, the Protégé System continues to suffer from a lack of acceptance of electronic updates and we feel that our method of tagging, updating, and reconciling property items is a superior control process.

Please be assured that Louisiana Tech University is committed to ensuring full compliance with all State regulations and policies and procedures including all State property regulations. Notification of the importance of our upcoming campus-wide inventory has been communicated to all campus departments who are responsible for conducting this annual review. I have also made all members of the Administrative Council aware of the need for accurate, timely reporting of all equipment with a special emphasis on locating missing items for each department. The University will continue to work with members of your staff to ensure compliance with these property regulations.

Sincerely,

A handwritten signature in cursive script that reads "Daniel D. Reneau".

Daniel D. Reneau
President

A MEMBER OF THE UNIVERSITY OF LOUISIANA SYSTEM

P.O. BOX 3168 • RUSTON, LA 71272-0001 • TEL: (318) 257-3785 • FAX: (318) 257-2928

AN EQUAL OPPORTUNITY UNIVERSITY



November 29, 2005

Mr. Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Legislative Audit Finding for 2004-05 Fiscal Year – Unlocated Movable Property

Dear Mr. Theriot:

The University is in receipt of a letter dated November 2, 2005 from Leah Falgout, Senior Auditor, indicating an audit finding regarding unlocated movable property on Southeastern's Campus. Her finding indicates Southeastern does not have adequate internal control over movable property and that Southeastern's management should strengthen its internal control including the procedures for securing its movable assets and conducting its physical inventories. The finding also indicates that Southeastern should devote additional efforts to locating movable property reported as unlocated in previous years. The University concurs in part with this finding.

The University has internal controls in place to assist in complying with the Louisiana Administrative Code and the Revised Statutes as directed by the Louisiana Property Assistance Agency (LPAA). To date, the University has consistently received letters acknowledging the receipt and approval of the Certification of Annual Property Inventory submitted to LPAA. It appears your office is now implementing a higher standard in order to evaluate the internal control methods over movable property. As you are aware, in implementing internal control procedures, there is always a cost benefit analysis to consider. This analysis is to determine if additional cost expended to control a specific item is worth the benefit of the additional controls.

At the current time, the President and the Vice Presidents receive an annual report of all unlocated movable property reported as not located during the current inventory period. As an additional step, a monthly report will be developed and submitted to the President and Vice President on all unlocated movable property by division. The Vice Presidents will work with each Department Head to develop an action plan to reduce the amount of unlocated property under their control. Failure of the Department Head to reduce the amount of unlocated property may result in reduced funding to that budget unit in the future.

The University will modify the annual internal audit plan to include a review of the movable property inventory.

The University is investigating alternative methods to track movable property on campus. This may include, but may not be limited to new technologies such as a radio frequency tracking system for certain types of movable property.

With Southeastern Louisiana University being one of the lowest funded universities in the state, the University endeavors to make every reasonable effort to account for and safeguard our resources.

If my staff or I can provide additional information on the above, please do not hesitate to call.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Smith". The signature is fluid and cursive, with the first name "Stephen" being larger and more prominent than the last name "Smith".

Stephen Smith
Vice President for Administration & Finance

SS:bn



Grambling State University

OFFICE OF THE PRESIDENT

Grambling, Louisiana 71245

P.O. DRAWER 607

(318) 274-6117

FAX: (318) 274-6172

October 26, 2005

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
State of Louisiana
1600 North Third
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

We concur in part with the comment that Grambling State University has not enforced and consistently applied its existing policies and procedures for tracking the movement of property across campus and conducting the annual inventory.

The amount reported in this finding represents cumulative movable equipment totaling \$861,721 including \$307,708, \$342,579 and \$211,434 for fiscal years 2002, 2003 and 2004, respectively. The total property is comprised of items purchased between 1969 through 2003 and represents 1.34%, 1.55%, and .99% of the total movable property for fiscal years 2002, 2003 and 2004, respectively. Louisiana Property Assistance Agency (LPAA) approved the Certification of Annual Property Inventory for fiscal years 2003 and 2004. Beginning with FY 2002, a full campus-wide inventory was conducted by the Finance staff. Consequently, the number of unlocated items increased and the certification was not approved. Shrinkage for all three years was below the four percent (4%) threshold of acceptance by LPAA.

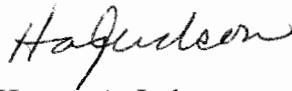
Under the directions of the Vice President for Finance and the Associate Vice President for Finance & Controller, the following steps were implemented in an effort to ensure compliance with state movable property laws:

1. The state's Property Assistance Manager conducted a workshop with faculty and staff members on state laws and regulations governing movable property. Management constantly reinforces the importance of adhering to the movable property policy.
2. The Property Officer, other finance staff members and other departments have assisted with additional searches for unlocated movable property in an effort to reduce the number of unlocated items.
3. The University purchased Protégé inventory scanners which are used to help input changes in location of property.

Mr. Steve J. Theriot, CPA
October 26, 2005
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Our efforts have reduced, but have not been successful in eliminating, unlocated items. The remedy of personal liability, deemed to have the greatest impact, has not been viewed favorably. Consequently, we continue to seek additional solutions to address this challenge while reiterating our current policies and procedures.

Sincerely,

A handwritten signature in cursive script that reads "H. Judson".

Horace A. Judson
President

HAJ:jj



October 12, 2005

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

RE: Auditing Finding Responses

Dear Mr. Theriot:

In response to the audit finding from the statewide audit relating to Unlocated Movable Property, the university concurs with the finding and submits the following:

Finding: Unlocated Movable Property

Northwestern State University concurs with the audit finding, Unlocated Movable Property. These items, totaling \$376,531.00, represent **four** years of inventories. The inventory for the 2004-05 certification year for unlocated movable property was \$135,517.00. To date, this amount has been reduced to \$89,338.00. The 2003-04 inventory identified a shortage of \$117,420.00. We have located much of this property, thus, the four year total of \$376,531.00 has been reduced to \$227,664.00. We continuously make efforts to locate movable property.

Northwestern State University concurs with the finding of twenty three items being reported late. Fourteen of the twenty three items were calves. In the past, NSU would tag calves at the end of the birthing season to ensure calves were healthy and alive prior to placing the calves on the state system. This has been corrected and now calves are tagged three to five days after birth.

The remaining nine items reported late were:

- Fume hood that took three months to install. The hood was tagged immediately after installation.
- Six items (switch network and server storage) received by the Telecommunication Department. The Telecommunications Department did not notify Central Receiving of these in a timely manner.
- Polycom system that consisted of several items valued at \$49,700.00. After many attempts to receive a price breakdown from the manufacturer to identify which items to tag, assistance was sought from LPAA. LPAA advised to select the items with the greatest value and tag the system as one.
- The remaining item was a breakdown in Plant Services. The item was received just prior to Christmas break and was not tagged until February 28, 2005.

Northwestern State University has taken several initiatives to address the loss/identification of movable property. Among these initiatives are:

- implementation of campus wide key policy in August 2004
- installation of cameras
- the arrest of an employee and students for theft of University property
- greater emphasis by senior administration to faculty/staff regarding the importance of maintaining good records and equipment
- tagging calves three to five days after birth
- improved communications between Plant Services and other departments that receive equipment

Corrective action plan: We feel no corrective action is necessary due to initiatives the University has already taken.

The contact person is:

John Dilworth
Northwestern State University
Infirmary Building
Natchitoches, LA. 71497
813-357-5701

Sincerely,



Randall J. Webb, President

RW/pw



January 17, 2006

Mr. Steve Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Weaknesses in Movable Property Controls

Dear Mr. Theriot:

McNeese State University concurs with the above referenced finding.

The university has adopted the following internal control procedures to ensure that acquisitions of qualified property are appropriately tagged and entered into the LPAA system within 60 days of receipt.

Copies of purchase orders for qualified movable property will be forwarded to the Property Coordinator. The Property Coordinator will prepare a data card and assign a tag number to each piece of qualified movable property in anticipation of the property's receipt. When the item is received, the Property Coordinator will stamp the date that is 60 days after the date of receipt. The data card, assigned tag, and purchase order will be placed in a file labeled "to be tagged," which will be maintained in date priority order. The Property Coordinator will monitor the file on a daily basis to ensure that all items are tagged and entered into the LPAA system within 60 days of receipt. These procedures are effective now.

The university has adopted the following internal control procedures to reduce the amount of unlocated movable property:

- The university will expand its use of a technology that will allow computers to function only in the buildings where they are assigned. This technology is being currently used in two academic buildings, and other university buildings are being scheduled for implementation.
- Prior to the 2006 physical inventory, the university will schedule training classes for all departments. These classes will entail reviewing university policies and procedures for property custodianship responsibilities and for conducting the annual physical inventory.
- Property Control will send out property policies and procedures to each department to remind the departments of the rules and regulations that must be followed. This action will occur by January 20, 2006.

Letter to Mr. Steve Theriot, CPA, Legislative Auditor

January 17, 2006

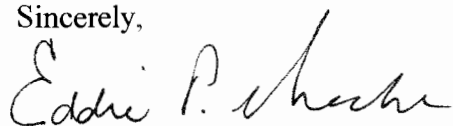
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- The university will implement a second search process for departments reporting items that cannot be located. The second search instructions will encourage departments to conduct an extensive search for the items that could not be found. This process will begin immediately in conjunction with the 2005 annual inventory.
- A campus wide search for unlocated items is currently being conducted by Property Department personnel. As of this date, Property Department personnel have located 39 items valued at \$62,183, of which \$40,722 is computer equipment. This search will be completed by March 1, 2006.

We feel that these additional procedures will ensure that movable property is tagged and entered into the LPAA system timely and that the level of unlocated movable property will be reduced.

Should you require additional information, please contact Pam Watkins, Property Control Manager at (337) 475-5883.

Sincerely,



Eddie P. Meche, CPA
Vice President for Business Affairs

CC: Dr. Robert Hebert, President
Pam Watkins, Purchasing & Property Control Director