

LEGISLATIVE AUDITOR
STATE OF LOUISIANA



UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
ISSUED JANUARY 19, 2005

**LEGISLATIVE AUDITOR
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BATON ROUGE, LOUISIANA 70804-9397**

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December 8, 2004

Independent Auditor's Report
on the Financial Statements

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the University of Louisiana System, a component unit of the State of Louisiana, and its aggregate discretely presented component units as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the University of Louisiana System's management. 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., all Louisiana nonprofit corporations which are blended component units. These corporations represent 10.72%, 2.41%, and .49% of the University of Louisiana System's total assets, net assets, and revenues, respectively. We also did not audit the financial statements of the University of Louisiana at Lafayette Foundation, Inc.; the Louisiana Tech University Foundation, Inc.; the University of Louisiana at Monroe Foundation, Inc.; and the McNeese State University Foundation, Inc., which represent 100% of the total assets, net assets, and revenues of the discretely presented component units. Those blended and discretely presented component unit financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these blended and discretely presented component units, is 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University of Louisiana at Monroe Foundation, Inc., and the McNeese State University Foundation, 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

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 financial position of the University of Louisiana System and its aggregate discretely presented component units as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-B to the basic financial statements, the Ragin' Cajun Facilities, Inc.; University Facilities, Inc.; Innovative Student Facilities, Inc.; University of Louisiana at Monroe Facilities, Inc.; and Cowboy Facilities, Inc., have been blended into the University of Louisiana System's basic financial statements for the year ended June 30, 2004.

Also as discussed in note 1-B to the basic financial statements, the University of Louisiana System has implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*. Accordingly, the University of Louisiana System has discretely presented the financial statements and other required disclosures for the University of Louisiana at Lafayette Foundation, Inc.; the Louisiana Tech University Foundation, Inc.; the University of Louisiana at Monroe Foundation, Inc.; and the McNeese State University Foundation, Inc., which are component units of the system, as of June 30, 2004.

As discussed in note 1-P to the basic financial statements, the University of Louisiana System implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*, for the year ended June 30, 2004.

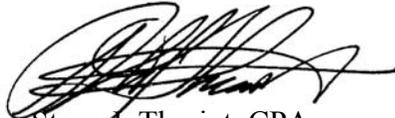
In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2004, on our consideration of the University of Louisiana System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 7 through 14 is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the 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 supplementary information schedules on pages 66 through 73 are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the University of Louisiana System. These schedules have been subjected to the auditing procedures applied 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

BB:STD:THC:dl

[ULS04]

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, 2004. Please read this section in conjunction with the System's financial statements, which follow this section. The System is comprised of the following entities:

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

FINANCIAL HIGHLIGHTS

The System's net assets overall changed from \$763,671,059 (restated) to \$811,168,434, a 6.2% increase from June 30, 2003, to June 30, 2004. The overall reasons for this change included:

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

Enrollment changed from approximately 81,000 to approximately 83,000 from June 30, 2003, to June 30, 2004, an overall increase of 2.5%. The System's operating revenues increased by approximately 9.2% to \$488,709,261 from June 30, 2003, to June 30, 2004, because of tuition/fee increases and various grant/contract programs. Operating expenses increased by 4.5% to \$782,221,996 for the year ended June 30, 2004. 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 \$318,469,940 in 2004 from \$297,144,020 in 2003 is primarily attributed to an increase in state appropriations, gifts, and other nonoperating revenues. State appropriations increased by \$8,533,650, gifts increased by \$4,130,382, and other nonoperating revenues increased by \$5,288,752, which was the result of an increase in endowments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 17-18) presents information showing how the System's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 19-20) 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 Net Assets. All assets and liabilities associated with the operation of the System are included in the Statement of Net Assets.

FINANCIAL ANALYSIS

Net Assets

The System's total net assets at June 30, 2004, changed by approximately \$47 million, a 6.2% increase over June 30, 2003 (see Table A-1). Total assets increased 10.5% to \$1,043 million, and total liabilities increased 28.9% to \$232.1 million because of the issuance of new bonds payable.

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

	2004	2003 (Restated)	Variance	Percent Variance
Current and other assets	\$417	\$353	\$64	18.1%
Capital assets	626	591	35	5.9%
Total assets	<u>1,043</u>	<u>944</u>	<u>99</u>	10.5%
Current liabilities	57	59	(2)	-3.4%
Noncurrent liabilities	175	121	54	44.6%
Total liabilities	<u>232</u>	<u>180</u>	<u>52</u>	28.9%
Net assets:				
Invested in capital assets, net of debt	516	491	25	5.1%
Restricted	236	232	4	1.7%
Unrestricted	<u>59</u>	<u>41</u>	<u>18</u>	43.9%
Total net assets	<u>\$811</u>	<u>\$764</u>	<u>\$47</u>	6.2%

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 2003 include the following:

- Current assets increased as a result of an increase in cash from grants and contracts, auxiliary receipts and increased tuition and fees.
- Restricted assets increased as a result of increased endowments.
- Other assets decreased as a result of the decrease in notes payable.
- 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, increased because of an increase in capital asset additions.
- Unrestricted net assets increased primarily as a result 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 1.7% from 2003 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, 2004, is approximately \$47 million or 74.1% more than at June 30, 2003. 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 9.2% to approximately \$489 million, and total operating expenses increased 4.5% to approximately \$782 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 because of increases primarily from faculty salary adjustments, auxiliary expenses, and increases in general operations of the system.

Nonoperating revenues and expenses increased by 7.1% to \$318 million, which is primarily attributable to increased state appropriations, gifts, investment income, and other nonoperating revenue. Capital and operating state appropriations changed from \$318 million to \$321 million because of an increase in appropriations.

Total education and general expenses changed from \$640 in 2003 to \$668 in 2004. The change is primarily attributable to:

- 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)

	2004	2003 (Restated)	Variance	Percent Variance
Operating revenues:				
Student tuition and fees, net	\$205	\$171	\$34	19.9%
Auxiliary	84	82	2	2.4%
Other	200	195	5	2.6%
Total operating revenues	<u>489</u>	<u>448</u>	<u>41</u>	9.2%
Operating expenses:				
Education and general	668	640	28	4.4%
Other	114	108	6	5.6%
Total operating expenses	<u>782</u>	<u>748</u>	<u>34</u>	4.5%
Operating loss	<u>(293)</u>	<u>(300)</u>	<u>7</u>	-2.3%
Nonoperating revenues (expenses):				
State appropriations	300	291	9	3.1%
Gifts	8	4	4	100.0%
Other	10	2	8	400.0%
Total nonoperating revenues	<u>318</u>	<u>297</u>	<u>21</u>	7.1%
Capital appropriation	21	27	(6)	-22.2%
Capital grants and gifts	3	6	(3)	-50.0%
Additions to permanent endowments	4	2	2	100.0%
Other additions, net	<u>(6)</u>	<u>(5)</u>	<u>(1)</u>	20.0%
Change in net assets	47	27	20	74.1%
Net assets, beginning of the year (restated)	<u>764</u>	<u>737</u>	<u>27</u>	3.7%
Total net assets	<u>\$811</u>	<u>\$764</u>	<u>\$47</u>	6.2%

The amounts shown previously for fiscal year 2003 were restated for prior period adjustments. These adjustments affected net assets invested in capital assets, net of debt; other operating expenses; and beginning net assets.

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

	2004	2003 (Restated)	Variance	Percent Variance
Instruction	\$250	\$244	\$6	2.5%
Research	65	64	1	1.6%
Public service	17	15	2	13.3%
Academic support	59	55	4	7.3%
Student services	48	39	9	23.1%
Institutional support	76	72	4	5.6%
Operations and plant maintenance	58	56	2	3.6%
Depreciation	38	38		
Scholarships and fellowships	57	57		
Total	<u>\$668</u>	<u>\$640</u>	<u>\$28</u>	4.4%

Statement of Cash Flows

Another way to assess the financial health of the System is to look at the Statement of Cash Flows. The Statement of Cash Flows assists users of this statement to assess:

- The ability to generate future cash flows
- The ability to meet obligations as they come due
- A need for external financing

As summarized in Table A-4, major sources of funds in operating activities include tuition and fees of \$214,305,007, auxiliary enterprises of \$65,065,886, and grants and contracts of \$183,459,469.

Table A-4
University of Louisiana System
Statement of Cash Flows
(in millions of dollars)

	2004	2003	Variance	Percent Variance
Cash and cash equivalents provided (used) by:				
Operating activities	(\$252)	(\$262)	\$10	-3.8%
Noncapital financing activities	316	294	22	7.5%
Capital financing activities	(16)	(6)	(10)	166.7%
Investing activities	(26)	8	(34)	-425.0%
Net increase in cash and cash equivalents	22	34	(12)	-35.3%
Cash and cash equivalents:				
Beginning of year	166	132	34	25.8%
End of year	\$188	\$166	\$22	13.3%

The largest source of cash flows from noncapital financing activities is from state appropriations of \$301,671,678. The increase in cash flow from appropriations in 2004 was also increased by approximately \$12.5 million in the cash flow from private gifts received for endowment purposes and gifts and grants for other than capital purposes.

Cash flows used in capital financing activities primarily result from capital appropriations of \$16,013,612, capital grants and gifts of \$3,303,090, purchases of capital assets of (\$76,070,999), and principal and interest payments of (\$10,334,995). Cash used in capital financing activities increased in 2004 over 2003 primarily because of an increase in capital debt by the System and/or its universities totaling \$56,353,688.

Cash flows from investing activities result primarily from interest received on investments of \$10,439,345, proceeds from sales and maturities of investments of \$86,643,430, and purchases of investments of (\$121,172,614). The decrease in cash flow from investing activities is a result of increased purchases of investments in 2004, offset by an increase in proceeds from sales and maturities of investments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2004 and 2003, the System's cost of capital assets exceeded \$1 billion. Net of accumulated depreciation, the System's net capital assets at June 30, 2004, total approximately \$626 million. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$33 million or 5.6% over June 30, 2003. 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 2005 of \$493,725 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 constructions to facilities

CONTACTING UNIVERSITY OF LOUISIANA SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our legislature, state officials, the Louisiana Legislative Auditor's Office, patrons, and other interested parties with a general overview of the 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.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Net Assets
June 30, 2004**

	<u>PRIMARY SYSTEM</u>	<u>COMPONENT UNITS</u>
ASSETS		
Current assets:		
Cash and cash equivalents (note 2)	\$103,686,139	\$11,012,413
Investments (note 3)	10,907,087	3,290,170
Receivables (net) (note 4)	35,333,431	288,630
Pledges receivable		786,696
Due from state treasury	764,952	
Due from federal government	551,450	
Inventories	6,893,333	
Deferred charges and prepaid expenses	16,730,846	
Notes receivable (net) (note 5)	3,734,718	
Other current assets	3,928,701	1,058,173
Total current assets	<u>182,530,657</u>	<u>16,436,082</u>
Noncurrent assets:		
Restricted:		
Cash and cash equivalents (notes 2 and 3)	84,793,832	3,343,265
Investments (note 3)	119,799,083	120,387,760
Receivables (net) (note 4)	651,432	6,547
Notes receivable (net) (note 5)	26,125,553	
Other	315,830	1,667,703
Investments		58,735,038
Pledges receivable		3,320,692
Capital assets (net) (note 6)	626,058,583	25,235,134
Other noncurrent assets	2,918,919	1,607,458
Total noncurrent assets	<u>860,663,232</u>	<u>214,303,597</u>
Total assets	<u>1,043,193,889</u>	<u>230,739,679</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accruals (note 10)	27,291,458	491,876
Due to state treasury	779	
Deferred revenues (note 11)	17,387,384	73,333
Compensated absences payable (note 12)	2,486,115	
Capital lease obligations (note 13)	401,543	
Amounts held in custody for others (note 14)	3,723,093	
Contracts payable		27,794

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 30, 2004**

	PRIMARY SYSTEM	COMPONENT UNITS
LIABILITIES (CONT.)		
Current liabilities: (Cont.)		
Notes payable (note 14)	\$669,776	\$109,558
Bonds payable (note 14)	4,009,696	413,605
Other current liabilities	373,738	196,091
Total current liabilities	56,343,582	1,312,257
Noncurrent liabilities:		
Compensated absences payable (note 12)	25,479,231	
Capital lease obligations (note 13)	1,604,165	
Amounts held in custody for others (note 14)		63,914,396
Notes payable (note 14)	3,479,519	1,439,467
Bonds payable (note 14)	142,596,000	10,994,899
Other noncurrent liabilities	2,522,958	
Total noncurrent liabilities	175,681,873	76,348,762
Total liabilities	232,025,455	77,661,019
NET ASSETS		
Invested in capital assets, net of related debt	516,360,568	8,401,620
Restricted:		
Nonexpendable (note 15)	109,120,271	90,418,763
Expendable (note 15)	126,884,854	45,903,717
Unrestricted	58,802,741	8,354,560
Total net assets	\$811,168,434	\$153,078,660

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2004**

	PRIMARY SYSTEM	COMPONENT UNITS
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of \$65,081,991)	\$205,468,153	
Gifts received by the foundations		\$7,400,458
Endowment income		684,112
Federal appropriations	194,001	
Federal grants and contracts	133,410,231	
State and local grants and contracts	29,710,111	
Nongovernmental grants and contracts	18,614,057	
Sales and services of educational departments	3,706,615	668,154
Auxiliary enterprise revenues (net of scholarship allowances of \$6,196,136; \$56,362,328 of revenues used as security for revenue bonds)	84,190,581	
Other operating revenues	13,415,512	3,787,726
Total operating revenues	<u>488,709,261</u>	<u>12,540,450</u>
OPERATING EXPENSES		
Educational and general:		
Instruction	249,805,130	
Research	64,647,185	
Public service	16,910,984	
Academic services	59,430,199	782,485
Student services	48,230,362	
Institutional support	76,386,334	
Operations and maintenance of plant	57,522,477	
Depreciation	38,340,857	82,476
Scholarships and fellowships	56,865,918	301,000
Auxiliary enterprises	109,131,066	
Other operating expenses	4,951,484	9,387,340
Total operating expenses	<u>782,221,996</u>	<u>10,553,301</u>
OPERATING INCOME (Loss)	<u>(293,512,735)</u>	<u>1,987,149</u>

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and
Changes in Net Assets, 2004**

	PRIMARY SYSTEM	COMPONENT UNITS
NONOPERATING REVENUES (Expenses)		
State appropriations	\$299,718,007	
Gifts	7,971,617	
Investment income, net	7,964,220	\$11,294,058
Interest expense	(3,145,488)	(17,431)
Payments to or on behalf of the university		(480,492)
Other nonoperating revenues	5,961,584	
Net nonoperating revenues	318,469,940	10,796,135
 INCOME BEFORE OTHER REVENUES AND EXPENSES	 24,957,205	 12,783,284
 Capital appropriations	 20,763,811	
Capital grants and gifts	3,303,090	
Additions to permanent endowments	4,481,679	4,265,465
Other expenses, net	(6,008,410)	(83,289)
 CHANGE IN NET ASSETS	 47,497,375	 16,965,460
 NET ASSETS - BEGINNING OF YEAR, Restated (note 16)	 763,671,059	 136,113,200
 NET ASSETS - END OF YEAR	 \$811,168,434	 \$153,078,660

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows - Primary System
For the Fiscal Year Ended June 30, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$214,305,007
Grants and contracts	183,459,469
Payments to suppliers	(137,685,513)
Payments for utilities	(29,831,616)
Payments to employees	(383,467,998)
Payments for benefits	(83,444,569)
Payments for scholarships and fellowships	(74,021,677)
Interest earned on loans to students	370,464
Loans issued to students and employees	(6,355,045)
Collection of loans to students and employees	5,050,217
Auxiliary enterprise charges	65,065,886
Sales and services of educational departments	3,671,893
Other payments	(8,757,154)
Net cash used by operating activities	<u>(251,640,636)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	301,671,678
Gifts and grants for other than capital purposes	8,018,201
Private gifts for endowment purposes	4,481,679
TOPS receipts	42,775,815
TOPS disbursements	(42,873,578)
Federal Family Education Loan program receipts	180,583,143
Federal Family Education Loan program disbursements	(180,603,405)
Student organization agency transactions	73,342
Other receipts	2,338,091
Net cash provided by noncapital financing sources	<u>316,464,966</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Proceeds from capital debt	56,353,688
Capital appropriations received	16,013,612
Capital grants and gifts received	3,303,090
Proceeds from sale of capital assets	2,538,811
Purchases of capital assets	(76,070,999)
Principal paid on capital debt and leases	(7,187,417)
Interest paid on capital debt and leases	(3,147,578)
Deposit with trustees	11,485
Other payments	(8,043,351)
Net cash used by capital financing activities	<u>(16,228,659)</u>

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows - Primary System, 2004**

CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	\$84,643,430
Interest received on investments	10,439,345
Purchase of investments	<u>(121,082,614)</u>
Net cash used by investing activities	<u>(25,999,839)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 22,595,832
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>165,884,139</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u><u>\$188,479,971</u></u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	(\$293,512,735)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	38,340,857
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(1,330,826)
Decrease in notes receivable, net	714,359
(Increase) in inventories	(430,069)
Decrease in prepaid expenses	3,531,772
(Increase) in other assets	(665,537)
Increase in accounts payable	326,391
Increase in deferred revenue	579,385
Increase in amounts held in custody for others	390,166
Increase in compensated absences	244,856
(Decrease) in loans to students and employees	(859,525)
Increase in other liabilities	<u>1,030,270</u>
 Net cash used by operating activities	 <u><u>(\$251,640,636)</u></u>
 SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Capital assets donated to Nicholls and McNeese	\$1,886,607

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Net Assets - Component Units
For the Year Ended June 30, 2004**

	LOUISIANA TECH UNIVERSITY FOUNDATION	MCNEESE STATE UNIVERSITY FOUNDATION	UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION	UNIVERSITY OF LOUISIANA AT MONROE FOUNDATION	TOTAL COMPONENT UNITS
ASSETS					
Current assets:					
Cash and cash equivalents	\$2,646,483	\$1,928,980	\$5,660,486	\$776,464	\$11,012,413
Investments			3,290,170		3,290,170
Receivables (net)	286,214			2,416	288,630
Pledges receivable	121,339	126,817	538,540		786,696
Other current assets	249,096	9,077	640,000	160,000	1,058,173
Total current assets	<u>3,303,132</u>	<u>2,064,874</u>	<u>10,129,196</u>	<u>938,880</u>	<u>16,436,082</u>
Noncurrent assets:					
Restricted:					
Cash and cash equivalents			1,468,305	1,874,960	3,343,265
Investments	22,755,833	32,728,927	35,389,442	29,513,558	120,387,760
Receivable, net				6,547	6,547
Other			1,667,703		1,667,703
Investments	16,419,439		42,315,599		58,735,038
Pledges receivable	104,425		3,177,035	39,232	3,320,692
Capital assets (net)	4,788,530	470,000	12,638,051	7,338,553	25,235,134
Other noncurrent assets			702,889	904,569	1,607,458
Total noncurrent assets	<u>44,068,227</u>	<u>33,198,927</u>	<u>97,359,024</u>	<u>39,677,419</u>	<u>214,303,597</u>
Total Assets	<u>47,371,359</u>	<u>35,263,801</u>	<u>107,488,220</u>	<u>40,616,299</u>	<u>230,739,679</u>
LIABILITIES					
Current Liabilities:					
Accounts payable and accruals	\$136,886	\$82,659	\$72,174	\$200,157	\$491,876
Deferred revenues	73,333				73,333
Contracts payable			27,794		27,794
Notes payable	75,000			34,558	109,558
Bonds payable	358,605		55,000		413,605
Other current payable	19,808		176,283		196,091
Total current liabilities	<u>663,632</u>	<u>82,659</u>	<u>331,251</u>	<u>234,715</u>	<u>1,312,257</u>
Noncurrent Liabilities:					
Amounts held in custody for others	23,874,414	2,680,000	18,164,462	19,195,520	63,914,396
Notes payable	1,125,000			314,467	1,439,467
Bonds payable	2,254,899		8,740,000		10,994,899
Total noncurrent liabilities	<u>27,254,313</u>	<u>2,680,000</u>	<u>26,904,462</u>	<u>19,509,987</u>	<u>76,348,762</u>
Total Liabilities	<u>27,917,945</u>	<u>2,762,659</u>	<u>27,235,713</u>	<u>19,744,702</u>	<u>77,661,019</u>
NET ASSETS					
Invested in capital assets, net of related debt	975,026		3,843,051	3,583,543	8,401,620
Restricted:					
Nonexpendable	11,569,202	22,315,622	43,321,088	13,212,851	90,418,763
Expendable	4,177,303	6,031,485	32,602,856	3,092,073	45,903,717
Unrestricted	2,731,883	4,154,035	485,512	983,130	8,354,560
Total Net Assets	<u>\$19,453,414</u>	<u>\$32,501,142</u>	<u>\$80,252,507</u>	<u>\$20,871,597</u>	<u>\$153,078,660</u>

The accompanying notes are an integral part of this statement.

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**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and Changes
in Net Assets - Component Units
For the Year Ended June 30, 2004**

	LOUISIANA TECH UNIVERSITY FOUNDATION	MCNEESE STATE UNIVERSITY FOUNDATION	UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION	UNIVERSITY OF LOUISIANA AT MONROE FOUNDATION	TOTAL COMPONENT UNITS
OPERATING REVENUES					
Gifts received by foundation	\$1,989,137	\$1,401,656	\$3,093,285	\$916,380	\$7,400,458
Endowment income	503,909		3,476	176,727	684,112
Sales and services of educational departments	505,705			162,449	668,154
Other operating revenues	1,569,065	26,881	1,604,935	586,845	3,787,726
Total operating revenues	<u>4,567,816</u>	<u>1,428,537</u>	<u>4,701,696</u>	<u>1,842,401</u>	<u>12,540,450</u>
OPERATING EXPENSES					
Educational and general:					
Academic support				782,485	782,485
Depreciation				82,476	82,476
Scholarships and fellowships				301,000	301,000
Other operating expenses	3,841,263	1,828,913	3,143,641	573,523	9,387,340
Total operating expenses	<u>3,841,263</u>	<u>1,828,913</u>	<u>3,143,641</u>	<u>1,739,484</u>	<u>10,553,301</u>
OPERATING INCOME (Loss)	<u>726,553</u>	<u>(400,376)</u>	<u>1,558,055</u>	<u>102,917</u>	<u>1,987,149</u>
NONOPERATING REVENUES (Expenses)					
Net investment income	658,620	2,540,440	6,619,008	1,475,990	11,294,058
Interest expense				(17,431)	(17,431)
Payments to or on behalf of the university	(480,492)				(480,492)
Net nonoperating revenues	<u>178,128</u>	<u>2,540,440</u>	<u>6,619,008</u>	<u>1,458,559</u>	<u>10,796,135</u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	904,681	2,140,064	8,177,063	1,561,476	12,783,284
Additions to permanent endowment	1,454,122	1,676,056	807,944	327,343	4,265,465
Other expenses, net				(83,289)	(83,289)
INCREASE IN NET ASSETS	2,358,803	3,816,120	8,985,007	1,805,530	16,965,460
NET ASSETS - BEGINNING OF YEAR	17,094,611	28,685,022	71,267,500	19,066,067	136,113,200
NET ASSETS - END OF YEAR	<u>\$19,453,414</u>	<u>\$32,501,142</u>	<u>\$80,252,507</u>	<u>\$20,871,597</u>	<u>\$153,078,660</u>

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 term 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 includes 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 83,089 students enrolled during the 2004 spring semester and employ approximately 9,616 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

The Ragin' Cajun Facilities, Inc., at the University of Louisiana at Lafayette; the University Facilities, Inc., at Southeastern Louisiana University; the Innovative Student Facilities, Inc., at Louisiana Tech University; the University of Louisiana at Monroe Facilities Inc., at the University of Louisiana at Monroe; and the 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 the Ragin' Cajun Facilities, Inc.; University Facilities, Inc.; the 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, 2004. To obtain the corporations' latest audit report, write to:

- Ragin' Cajun Facilities, Inc., c/o Mr. Ronald P. Lajaunie, University of Louisiana at Lafayette, P.O. Box 42651, Lafayette, 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 Dr. Nick J. Bruno, 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

For fiscal year 2004, the University of Louisiana System implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement 14*. Accordingly, 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, Inc.; the University of Louisiana at Lafayette Foundation, Inc.; and the University of Louisiana at Monroe Foundation, Inc. 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, 2004, the foundations made distributions of \$7,627,791 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, Inc.; and the McNeese State University Foundation. To obtain the foundations' latest audit report, write to:

- University of Louisiana at Lafayette Foundation, Inc., c/o Mr. Ronald P. Lajaunie, University of Louisiana at Lafayette, P.O. Box 42651, Lafayette, Louisiana 70504
- 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, Inc., Dr. Nick J. Bruno, 700 University Avenue, Monroe, Louisiana 71209
- McNeese State University Foundation, Inc., 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 necessary presentation adjustments, no modifications have been made to these component units' financial information in the University of Louisiana System's report for these differences.

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.

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

F. INVENTORIES

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

G. NONCURRENT RESTRICTED ASSETS

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

H. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the system's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 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 (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year and (2) 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

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

- (a) Invested in capital assets, net of related debt, consists of the system's total investment in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted - nonexpendable consists of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- (c) Restricted - expendable consists of resources that the system is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (d) Unrestricted consists of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the system and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

N. CLASSIFICATION OF REVENUES

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

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

O. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

P. ADOPTION OF NEW ACCOUNTING STANDARD

For the year ended June 30, 2004, the University of Louisiana System implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*. The implementation of this new accounting standard required additional disclosures but had no impact on the reported amounts of investments, net assets, or changes in net assets.

2. CASH AND CASH EQUIVALENTS

At June 30, 2004, the system has cash and cash equivalents (book balances) of \$188,479,971 as follows:

Petty cash	\$428,279
Demand deposits	127,562,561
Certificates of deposit	48,231,439
Cash with fiscal agents	3,918,038
Cash with state treasurer	71,606
Cash in trustee accounts	2,783,510
Cash equivalents (note 3)	<u>5,484,538</u>
Total	<u><u>\$188,479,971</u></u>

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

Current assets	\$103,686,139
Noncurrent assets - restricted	<u>84,793,832</u>
Total	<u><u>\$188,479,971</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.

NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2004, \$2,283,309 of the system's bank balance of \$196,277,052 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging institution	\$1,661,585
Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the system's name	<u>621,724</u>
Total	<u><u>\$2,283,309</u></u>

Cash and cash equivalents of the component units totaling \$14,355,678, 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 provide disclosures required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

3. INVESTMENTS

At June 30, 2004, the system has investments totaling \$136,190,708, which includes \$5,484,538 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 United States Treasury obligations, United States 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:

	Investment Maturities in Years				Percentage of Investments
	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	
Type of investment:					
Repurchase agreements	\$9,874,094	\$9,874,094			7.25%
U.S. government securities	27,038,055	19,624,333	\$3,328,522	\$4,085,200	19.85%
Corporate bonds (rated AAA, Aa2, and Aa3)	1,605,188	154,428	686,262	764,498	1.18%
Money market mutual funds (rated A)	3,926,688	3,926,688			2.88%
Investments held by private foundations in external investment pools	<u>93,746,683</u>				<u>68.83%</u>
Total investments	<u>\$136,190,708</u>	<u>\$33,579,543</u>	<u>\$4,014,784</u>	<u>\$4,849,698</u>	<u>100.00%</u>

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 \$93,746,683 has no credit quality rating.

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 United States Treasury obligations, United States 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 \$9.8 million investment in repurchase agreements, \$9.5 million of underlying securities are held by the investment's counterparty, not in the name of the system. For United States Treasury obligations and United States 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 United States 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.

The primary system's investments reported on the Statement of Net Assets are as follows:

Current and noncurrent assets:	
Current investments	\$10,907,087
Restricted cash and cash equivalents	5,484,538
Restricted investments	<u>119,799,083</u>
Total	<u><u>\$136,190,708</u></u>

Component units' investments totaling \$182,412,968, 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 provide disclosures required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

4. RECEIVABLES

Receivables are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2004. These receivables are composed of the following:

NOTES TO THE FINANCIAL STATEMENTS

<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	\$18,831,420	(\$8,202,838)	\$10,628,582	\$343,159
Auxiliary enterprises	5,538,005	(585,941)	4,952,064	165,251
Contributions and gifts	64,280		64,280	
Federal, state, and private grants and contracts	17,834,641	(30,340)	17,804,301	106,203
Other	2,551,235	(15,599)	2,535,636	36,819
Total	<u>\$44,819,581</u>	<u>(\$8,834,718)</u>	<u>\$35,984,863</u>	<u>\$651,432</u>

5. NOTES RECEIVABLE

Notes receivables 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 the certain campuses.

Notes receivable are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2004. 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	\$31,201,119	(\$3,062,078)	\$28,139,041	\$24,806,218
Health Profession (Pharmacy) Loan	1,336,352	(23,520)	1,312,832	1,115,907
Nursing Student Loan	324,560	(180,938)	143,622	96,932
Short-term student loans	170,041	(11,761)	158,280	
Sorority promissory notes	106,496		106,496	106,496
Total	<u>\$33,138,568</u>	<u>(\$3,278,297)</u>	<u>\$29,860,271</u>	<u>\$26,125,553</u>

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal years ended June 30, 2004, follows:

University of Louisiana System

	Balance July 1, 2003	Prior Period Adjustment	Adjusted Balance July 1, 2003
Capital assets not being depreciated:			
Land	\$30,176,649		\$30,176,649
Capitalized collections	228,502		228,502
Livestock	24,735		24,735
Construction in progress	43,382,679		43,382,679
	<u>\$73,812,565</u>	NONE	<u>\$73,812,565</u>
Other capital assets:			
Infrastructure	\$4,643,069		\$4,643,069
Less accumulated depreciation	(2,205,458)		(2,205,458)
Total infrastructure	<u>2,437,611</u>	NONE	<u>2,437,611</u>
Land improvements	12,312,349		12,312,349
Less accumulated depreciation	(7,325,394)		(7,325,394)
Total land improvements	<u>4,986,955</u>	NONE	<u>4,986,955</u>
Buildings	898,363,219	(\$2,638,367)	895,724,852
Less accumulated depreciation	(432,071,258)	132,087	(431,939,171)
Total buildings	<u>466,291,961</u>	<u>(2,506,280)</u>	<u>463,785,681</u>
Equipment	112,188,580	769,289	112,957,869
Less accumulated depreciation	(79,833,771)	(1,325,223)	(81,158,994)
Total equipment	<u>32,354,809</u>	<u>(555,934)</u>	<u>31,798,875</u>
Library books	113,439,439		113,439,439
Less accumulated depreciation	(100,195,682)	891,464	(99,304,218)
Total library books	<u>13,243,757</u>	<u>891,464</u>	<u>14,135,221</u>
	<u>\$519,315,093</u>	<u>(\$2,170,750)</u>	<u>\$517,144,343</u>
Capital Asset Summary:			
Capital assets not being depreciated	\$73,812,565		\$73,812,565
Other capital assets, at cost	1,140,946,656	(\$1,869,078)	1,139,077,578
Total cost of capital assets	<u>1,214,759,221</u>	<u>(1,869,078)</u>	<u>1,212,890,143</u>
Less accumulated depreciation	(621,631,563)	(301,672)	(621,933,235)
	<u>\$593,127,658</u>	<u>(\$2,170,750)</u>	<u>\$590,956,908</u>

NOTES TO THE FINANCIAL STATEMENTS

Additions	Transfers	Retirements	Balance June 30, 2004
\$778,717		(\$72,579)	\$30,882,787
6,000		(29,500)	205,002
11,275		(6,935)	29,075
<u>53,740,465</u>	<u>(\$43,387,031)</u>		<u>53,736,113</u>
<u>\$54,536,457</u>	<u>(\$43,387,031)</u>	<u>(\$109,014)</u>	<u>\$84,852,977</u>
			\$4,643,069
(\$116,077)			(2,321,535)
<u>(116,077)</u>	<u>NONE</u>	<u>NONE</u>	<u>2,321,534</u>
829,694			13,142,043
(577,767)			(7,903,161)
<u>251,927</u>	<u>NONE</u>	<u>NONE</u>	<u>5,238,882</u>
23,426,603	\$19,312,589	(\$8,100,105)	930,363,939
<u>(21,823,212)</u>		<u>7,943,875</u>	<u>(445,818,508)</u>
1,603,391	19,312,589	(156,230)	484,545,431
12,575,320		(12,008,741)	113,524,448
(8,459,262)		10,617,330	(79,000,926)
4,116,058	NONE	(1,391,411)	34,523,522
6,940,593		(1,530,770)	118,849,262
<u>(6,255,262)</u>		<u>1,286,455</u>	<u>(104,273,025)</u>
685,331	NONE	(244,315)	14,576,237
<u>\$6,540,630</u>	<u>\$19,312,589</u>	<u>(\$1,791,956)</u>	<u>\$541,205,606</u>
\$54,536,457	(\$43,387,031)	(\$109,014)	\$84,852,977
<u>43,772,210</u>	<u>19,312,589</u>	<u>(21,639,616)</u>	<u>1,180,522,761</u>
98,308,667	(24,074,442)	(21,748,630)	1,265,375,738
<u>(37,231,580)</u>	<u>NONE</u>	<u>19,847,660</u>	<u>(639,317,155)</u>
<u>\$61,077,087</u>	<u>(\$24,074,442)</u>	<u>(\$1,900,970)</u>	<u>\$626,058,583</u>

Component Units

	Balance July 1, 2003	Prior Period Adjustment	Adjusted Balance July 1, 2003
	<u> </u>	<u> </u>	<u> </u>
Capital assets not being depreciated:			
Land	\$7,421,559		\$7,421,559
Land improvements	2,060,980		2,060,980
Capitalized collections	254,438		254,438
Livestock			
Construction in progress	9,563,620		9,563,620
	<u> </u>	<u> </u>	<u> </u>
Total capital assets not being depreciated	<u>\$19,300,597</u>	<u>NONE</u>	<u>\$19,300,597</u>
Other capital assets:			
Buildings	\$2,719,605		\$2,719,605
Less accumulated depreciation	(566,287)		(566,287)
Total buildings	<u>2,153,318</u>	<u>NONE</u>	<u>2,153,318</u>
Equipment	1,869,647		1,869,647
Less accumulated depreciation	(1,590,483)		(1,590,483)
Total equipment	<u>279,164</u>	<u>NONE</u>	<u>279,164</u>
	<u> </u>	<u> </u>	<u> </u>
Total other capital assets	<u>\$2,432,482</u>	<u>NONE</u>	<u>\$2,432,482</u>
Capital Asset Summary:			
Capital assets not being depreciated	\$19,300,597		\$19,300,597
Other capital assets, at cost	4,589,252		4,589,252
Total cost of capital assets	<u>23,889,849</u>	<u>NONE</u>	<u>23,889,849</u>
Less accumulated depreciation	<u>(2,156,770)</u>	<u>NONE</u>	<u>(2,156,770)</u>
	<u> </u>	<u> </u>	<u> </u>
Capital assets, net	<u>\$21,733,079</u>	<u>NONE</u>	<u>\$21,733,079</u>

NOTES TO THE FINANCIAL STATEMENTS

<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Balance June 30, 2004</u>
\$163,599		(\$63,299)	\$7,521,859
			2,060,980
			254,438
<u>131,851</u>	<u>(\$9,695,471)</u>		
<u>\$295,450</u>	<u>(\$9,695,471)</u>	<u>(\$63,299)</u>	<u>\$9,837,277</u>
\$3,172,597	\$9,695,471		\$15,587,673
(163,344)			(729,631)
<u>3,009,253</u>	<u>9,695,471</u>	<u>NONE</u>	<u>14,858,042</u>
332,951		(\$24,522)	2,178,076
(72,299)		24,521	(1,638,261)
<u>260,652</u>	<u>NONE</u>	<u>(1)</u>	<u>539,815</u>
<u>\$3,269,905</u>	<u>\$9,695,471</u>	<u>(\$1)</u>	<u>\$15,397,857</u>
\$295,450	(\$9,695,471)	(\$63,299)	\$9,837,277
3,505,548	9,695,471	(24,522)	17,765,749
3,800,998	NONE	(87,821)	27,603,026
(235,643)	NONE	24,521	(2,367,892)
<u>\$3,565,355</u>	<u>NONE</u>	<u>(\$63,300)</u>	<u>\$25,235,134</u>

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 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). Both plans are cost-sharing, multiple-employer defined benefit pension plans 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 13.8% of covered salaries to TRS and 15.8% 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, 2004, 2003, and 2002 were \$16,194,689, \$13,953,178, and \$14,581,132, respectively, and to LASERS for the years ended June 30, 2004, 2003, and 2002 were \$12,923,954, \$11,863,861, and \$9,928,679, 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 13.8% 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 \$16,801,888 and \$9,859,424, respectively, for the year ended June 30, 2004.

**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 3,156 retirees, totaled \$16,093,390 for the year ended June 30, 2004.

10. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2004:

<u>Account Name</u>	
Vendor payables	\$6,896,842
Accrued salaries and payroll deductions	19,443,042
Other	<u>951,574</u>
Total payables	<u><u>\$27,291,458</u></u>

11. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2004:

<u>Account Name</u>	
Prepaid tuition and fees	\$13,375,378
Prepaid athletic ticket sales	951,631
Grants and contracts	2,445,603
Other	<u>614,772</u>
Total deferred revenues	<u><u>\$17,387,384</u></u>

12. COMPENSATED ABSENCES

At June 30, 2004, employees of the system have accumulated and vested annual, sick, and compensatory leave of \$17,502,102, \$9,793,846, and \$669,398, 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, 2004, the total rental expense for all operating leases is \$1,637,443. The following is a schedule by years of future minimum annual rental payments required under operating leases:

NOTES TO THE FINANCIAL STATEMENTS

Nature of Operating Lease	2005	2006	2007	2008	2009	2010-2014	2015-2019	Total Minimum Payments Required
Office space	\$439,689	\$271,133	\$271,133	\$268,208	\$267,233	\$1,159,255	\$1,159,255	\$3,835,906
Equipment	493,401	378,976	310,187	307,899	302,275	307,240		2,099,978
Land	123,031	123,110	123,190	40,231	7,336	21,794	22,230	460,922
Other	621,406	621,081	619,681	620,156	622,080	3,107,483	3,103,488	9,315,375
Total	<u>\$1,677,527</u>	<u>\$1,394,300</u>	<u>\$1,324,191</u>	<u>\$1,236,494</u>	<u>\$1,198,924</u>	<u>\$4,595,772</u>	<u>\$4,284,973</u>	<u>\$15,712,181</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, 2004, consist of various equipment leases.

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, 2004:

Fiscal Year Ending June 30:	
2005	\$493,725
2006	479,124
2007	395,929
2008	379,247
2009	260,607
2010-2014	<u>258,283</u>
Total minimum lease payments	2,266,915
Less - amount representing executory costs	<u>NONE</u>
Net minimum lease payments	2,266,915
Less - amount representing interest	<u>(261,207)</u>
Present value of net minimum lease payments	<u><u>\$2,005,708</u></u>

Lessor - Operating Lease

The system's leasing operations consist primarily of the leasing of 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, 2004:

UNIVERSITY OF LOUISIANA SYSTEM

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	\$10,435,478	\$7,189,017	\$3,246,461
Equipment	144,961	21,359	123,602
Land	193,115		193,115
Total	<u>\$10,773,554</u>	<u>\$7,210,376</u>	<u>\$3,563,178</u>

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2004:

Nature of <u>Operating Lease</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010-2014</u>	<u>Total Minimum Future Rentals</u>
Office space	\$1,680,793	\$1,639,960	\$1,028,780	\$1,007,000	\$882,000	\$2,675,000	\$8,913,533
Other	375,000						375,000
Total	<u>\$2,055,793</u>	<u>\$1,639,960</u>	<u>\$1,028,780</u>	<u>\$1,007,000</u>	<u>\$882,000</u>	<u>\$2,675,000</u>	<u>\$9,288,533</u>

Minimum future rentals do not include contingent rentals which 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 for the year ended June 30, 2004, were \$377,180 for office space and \$73,743 for other.

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, 2004:

University of Louisiana System

	<u>Balance June 30, 2003 (As Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Amounts Due Within One Year</u>
Bonds, notes, and capital leases payable:					
Bonds payable	\$95,534,917	\$57,870,000	(\$6,799,221)	\$146,605,696	\$4,009,696
Notes payable	4,830,528		(681,233)	4,149,295	669,776
Capital lease obligations (note 13)	1,269,240	948,688	(212,220)	2,005,708	401,543
Subtotal	<u>101,634,685</u>	<u>58,818,688</u>	<u>(7,692,674)</u>	<u>152,760,699</u>	<u>5,081,015</u>
Other liabilities:					
Accrued compensated absences payable (note 12)	27,720,488	6,145,335	(5,900,477)	27,965,346	2,486,115
Amounts held in custody for others	3,269,934	61,622,759	(61,169,600)	3,723,093	3,723,093
Other	114,898		(114,898)		
Subtotal	<u>31,105,320</u>	<u>67,768,094</u>	<u>(67,184,975)</u>	<u>31,688,439</u>	<u>6,209,208</u>
Total	<u>\$132,740,005</u>	<u>\$126,586,782</u>	<u>(\$74,877,649)</u>	<u>\$184,449,138</u>	<u>\$11,290,223</u>

NOTES TO THE FINANCIAL STATEMENTS

Component Units

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due Within One Year
Bonds, notes, and capital leases payable:					
Bonds payable	\$12,302,376		(\$893,872)	\$11,408,504	\$413,605
Notes payable	1,656,984		(107,959)	1,549,025	109,558
Subtotal	<u>13,959,360</u>	NONE	<u>(1,001,831)</u>	<u>12,957,529</u>	<u>523,163</u>
Other liabilities - amounts held in custody for others	<u>58,483,893</u>	<u>\$5,430,503</u>	NONE	<u>63,914,396</u>	NONE
Total	<u>\$72,443,253</u>	<u>\$5,430,503</u>	<u>(\$1,001,831)</u>	<u>\$76,871,925</u>	<u>\$523,163</u>

The amounts shown above for fiscal year 2003 were restated to include amounts held in custody for others of \$3,269,934, Southeastern Louisiana University capital lease obligations of \$123,804, and University of Louisiana at Monroe coupon bonds payable of \$114,898.

UNIVERSITY OF LOUISIANA SYSTEM

Details of all debt outstanding at June 30, 2004, follow:

Bonds Payable - University of Louisiana System

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2003</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	7,350,000
Louisiana Public Facilities Authorities Revenue Bonds - Series 2000	July 27, 2000	8,265,000	7,935,000
Revenue Refunding Bonds, Series 1998	March 12, 1998	2,400,000	575,000
Parking Revenue Bonds, Series 1996	April 26, 1996	1,180,000	435,000
Student Recreation and Activity Center Revenue Bonds	June 30, 1998	7,690,000	6,540,000
Louisiana Tech University			
Academic Facilities Extension			
Use Revenue Bonds - Series B	July 1, 1972	4,750,000	2,785,000
Intramural Complex General Obligation Bonds - Series C	September 1, 1978	450,000	32,927
Revenue Refunding Bonds:			
1995 Series	March 30, 1995	5,020,000	1,015,000
1996 Series	May 15, 1996	2,510,000	365,000
1999 Series	June 1, 1999	7,780,000	7,115,000
Revenue Bonds - 2002 Series	July 1, 2002	5,920,000	5,920,000
Revenue Bonds - 2003 Series	July 1, 2003	21,840,000	
University of Louisiana at Monroe			
Student Housing Facilities Bonds:			
Series 1964	April 1, 1964	1,800,000	90,000
Series 1965	April 1, 1965	3,000,000	285,000
Series 1966	April 1, 1966	3,700,000	1,030,000
Physical Education Complex -			
Series 1992-A	March 1, 1992	2,650,000	1,635,000
Revenue Bonds Series 2004 A&B	June 30, 2004	35,210,000	

NOTES TO THE FINANCIAL STATEMENTS

Issued (Redeemed)	Outstanding June 30, 2004	Maturities	Interest Rates	Interest Outstanding June 30, 2004
	\$19,065,000	2033	2.625-5.00%	\$16,998,628
(\$175,000)	7,175,000	2027	4.00%	3,882,617
(165,000)	7,770,000	2028	4.00%	4,611,463
(575,000)		2004	4.95%-6.75%	
(135,000)	300,000	2006	6.50%	29,575
(260,000)	6,280,000	2020	4.25-5.0%	2,949,422
(205,000)	2,580,000	2013	6.125%-6.25%	791,957
(32,927)		2004	5.125%-5.2%	
(490,000)	525,000	2005	4.75%-6.65%	34,913
(365,000)		2004	5.3%-6.2%	
(350,000)	6,765,000	2009	3.85%-4.5%	812,871
	5,920,000	2022	3.5%-4.9%	2,912,425
21,840,000	21,840,000	2034	2.0%-4.5%	18,890,963
(90,000)		2004	3.0%-5.0%	
(285,000)		2005	3.88%	
(1,030,000)		2006	4.9%-5.0%	
(140,000)	1,495,000	2012	6.0%-8.0 %	468,515
35,210,000	35,210,000	2035	Variable	28,284,192

NOTES TO THE FINANCIAL STATEMENTS

Issued (Redeemed)	Outstanding June 30, 2004	Maturities	Interest Rates	Interest Outstanding June 30, 2004
(\$20,000)	\$270,000	2014	4.5%-7.0%	\$83,390
(180,000)	6,010,000	2024	4.0%-5.1%	3,622,955
(210,000)	1,445,000	2009	4.95%	205,301
(27,294)	29,696	2005	9.25%-9.3%	2,761
(60,000)	480,000	2012	8.00%	86,784
(90,000)	970,000	2012	6.25%	262,188
(1,304,000)		2007	5.75%	
(325,000)	20,795,000	2033	5.40%	19,915,793
820,000	820,000	2014	4.73%	220,105
(170,000)	345,000	2005	3.75%	10,425
(115,000)	516,000	2009	3%	34,260
<u>\$51,070,779</u>	<u>\$146,605,696</u>			<u>\$105,111,503</u>

UNIVERSITY OF LOUISIANA SYSTEM

Component Units

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2003</u>
University of Louisiana at Lafayette			
Lafayette Economic Development Authority	November 1, 1999	\$1,000,000	\$850,000
Lafayette Economic Development Authority	February 1, 2002	8,500,000	8,500,000
Louisiana Tech University			
Revenue Bonds Series 2000	August 15, 2000	<u>3,791,183</u>	<u>2,952,376</u>
Total		<u>\$13,291,183</u>	<u>\$12,302,376</u>

The annual requirements to amortize all bonds outstanding at June 30, 2004, including interest of \$105,111,503 for the universities are as follows:

University of Louisiana System

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$4,009,696	\$6,020,098	\$10,029,794
2006	4,535,000	5,988,586	10,523,586
2007	4,865,000	5,784,938	10,649,938
2008	5,070,000	6,120,752	11,190,752
2009	5,402,000	5,558,608	10,960,608
2010-2014	18,835,000	25,336,216	44,171,216
2015-2019	22,342,000	21,153,682	43,495,682
2020-2024	25,657,000	15,609,382	41,266,382
2025-2029	25,667,000	9,599,956	35,266,956
2030-2034	25,983,000	3,857,135	29,840,135
2035-2039	<u>4,240,000</u>	<u>82,150</u>	<u>4,322,150</u>
Total	<u>\$146,605,696</u>	<u>\$105,111,503</u>	<u>\$251,717,199</u>

NOTES TO THE FINANCIAL STATEMENTS

<u>Issued (Redeemed)</u>	<u>Outstanding June 30, 2004</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2004</u>
(\$55,000)	\$795,000	2016	4.60%	\$217,465
(500,000)	8,000,000	2017	4.50%	2,862,276
<u>(338,872)</u>	<u>2,613,504</u>	2011	5.76%	<u>511,496</u>
<u>(\$893,872)</u>	<u>\$11,408,504</u>			<u>\$3,591,237</u>

UNIVERSITY OF LOUISIANA SYSTEM

The annual requirements to amortize all bonds outstanding at June 30, 2004, including interest of \$3,591,237 for the university foundations are as follows:

Component Units

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$413,605	\$541,700	\$955,305
2006	939,487	518,172	1,457,659
2007	1,066,584	470,389	1,536,973
2008	1,089,969	417,501	1,507,470
2009	1,119,714	361,414	1,481,128
2010-2014	4,449,145	1,076,561	5,525,706
2015-2019	2,330,000	205,500	2,535,500
	<u>\$11,408,504</u>	<u>\$3,591,237</u>	<u>\$14,999,741</u>

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2004:

<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	\$628,227	\$578,750	\$49,477
University Facilities, Inc. (UFI) Refunding Bonds - 2000	481,782	481,781	1
Louisiana Tech University			
Academic Facilities Bonds	722,326	389,650	332,676
Intramural Complex Bonds	1,488,720	1,485,475	3,245
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	
McNeese State University			
Expansion of Baseball Field	33,356	33,356	
Grambling State University			
Student Housing System Repair and Replacement Reserve Account	1,092,521	600,000	492,521
Student Housing System Revenue Bonds	511,700	511,700	
	<u>\$5,242,086</u>	<u>\$4,364,166</u>	<u>\$877,920</u>

NOTES TO THE FINANCIAL STATEMENTS

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, 2004, the following bonds remain outstanding, which are considered defeased:

<u>Bond Issue</u>	<u>Outstanding at June 30, 2004</u>
Southeastern Louisiana University - Home Mortgage Authority Revenue Bonds (UFI) - Series 1998	\$8,020,000
University of Louisiana at Monroe Series 1965 and Series 1966	855,000
McNeese State University - Housing System Revenue Bonds, Series 1961-B, Series 1965 and Series 1968	<u>1,655,000</u>
Total	<u><u>\$10,530,000</u></u>

Notes Payable - University of Louisiana System

<u>Note</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2003</u>
Southeastern Louisiana University			
UFI Construction Loan	October 10, 1999	\$2,300,000	\$1,212,188
Louisiana Tech University			
2001 Ford F450 Truck	February 16, 2001	46,430	18,981
Grambling State University			
U.S. Department of Education	May 1, 1993	3,500,000	2,707,102
Ford Motor Credit Company	August 30, 2001	<u>1,165,931</u>	<u>892,257</u>
Total		<u>\$7,012,361</u>	<u>\$4,830,528</u>

Notes Payable - Component Unit

<u>Note</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2003</u>
Louisiana Tech University			
Athletic field house	March 1, 2002	\$1,500,000	\$1,275,000
University of Louisiana at Monroe			
Real estate mortgage	October 30, 2002	<u>400,500</u>	<u>381,984</u>
Total		<u>\$1,900,500</u>	<u>\$1,656,984</u>

NOTES TO THE FINANCIAL STATEMENTS

Issued (Redeemed)	Outstanding June 30, 2004	Maturities	Interest Rates	Interest Outstanding June 30, 2004
(\$416,400)	\$795,788	Variable	Variable	\$38,103
(9,305)	9,676	2005	4.04%	391
(97,266)	2,609,836	2023	3.00%	856,366
(158,262)	733,995	2008	4.10%	65,894
<u>(\$681,233)</u>	<u>\$4,149,295</u>			<u>\$960,754</u>

Issued (Redeemed)	Outstanding June 30, 2004	Maturities	Interest Rates	Interest Outstanding June 30, 2004
(\$75,000)	\$1,200,000	2007	3.50%	\$107,539
(32,959)	349,025	2012	4.75%	75,080
<u>(\$107,959)</u>	<u>\$1,549,025</u>			<u>\$182,619</u>

UNIVERSITY OF LOUISIANA SYSTEM

The annual requirements to amortize all notes outstanding for the University of Louisiana System at June 30, 2004, including interest of \$960,754, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$669,778	\$135,067	\$804,845
2006	667,624	102,603	770,227
2007	293,533	84,538	378,071
2008	296,055	73,672	369,727
2009	144,712	65,037	209,749
2010-2014	617,688	271,082	888,770
2015-2019	716,850	171,919	888,769
2020-2023	743,055	56,836	799,891
Total	<u>\$4,149,295</u>	<u>\$960,754</u>	<u>\$5,110,049</u>

The annual requirements to amortize all notes outstanding for the university foundations at June 30, 2004, including interest of \$182,619, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$109,558	\$47,244	\$156,802
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
2010-2014	158,624	13,532	172,156
Total	<u>\$1,549,025</u>	<u>\$182,619</u>	<u>\$1,731,644</u>

Grambling State University is required by the 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. At June 30, 2004, the reserve requirements of \$388,000 have been met.

15. RESTRICTED NET ASSETS

The system has the following restricted net assets at June 30, 2004:

Nonexpendable:	
Endowments	\$104,614,427
Student loans	<u>4,505,844</u>
Total nonexpendable	<u><u>\$109,120,271</u></u>
Expendable:	
Auxiliary and other	\$2,461,673
Grants, contracts, and student fees	28,148,299
Instruction, scholarships, fellowships, and other	5,556,718
Restricted for use by donors	21,722,334
Student loans	30,214,908
Plant projects	33,636,081
Debt service	<u>5,144,841</u>
Total expendable	<u><u>\$126,884,854</u></u>

16. RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets as reflected on Statement B:

Net assets at June 30, 2003	\$765,965,613
Capital lease obligation not previously recorded	(123,804)
Capital assets adjustments to remove assets recorded twice, remove assets and accumulated depreciation disposition of assets in prior years	216,144
Correct accumulated depreciation for library books at the University of Louisiana at Monroe	(57,880)
Capital assets for Cowboy Facilities, Inc. (a component unit) less than capitalization policy written off by McNeese State University	(1,094,473)
Capital asset adjustment to record correct beginning balance at McNeese State University	<u>(1,234,541)</u>
Net assets at June 30, 2003, restated	<u><u>\$763,671,059</u></u>

17. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies such as guarantor 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 \$695,864. Therefore, the system, through its respective universities' legal advisors, estimates that potential claims not covered by insurance would not materially affect the financial statements. In addition, the system had not incurred any claims and/or litigation cost in the current year. Other losses of the system arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The Office of Risk Management insures all of these lawsuits.

18. 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

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, 2004, the foundations hold in custody \$93,746,683 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.

19. 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, 2004, is \$541,639.

20. DEFERRED COMPENSATION PLAN

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

21. ALTERNATIVE FINANCING AGREEMENTS

McNeese State University (McNeese)

On May 31, 2001, Cowboy Facilities, Inc., a nonprofit organization, 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 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., a nonprofit organization, entered into a loan agreement with the Calcasieu Parish Public Trust Authority to obtain financing for the development of additional public parking on the campus of McNeese State University. 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.

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. On June 1, 2000, the Louisiana Public Facilities Authority 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.

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.

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.

22. SUBSEQUENT EVENTS

Southeastern Louisiana University

On August 13, 2004, University Facilities, Inc., entered into a loan reimbursement agreement with Louisiana Local Government Environmental Facilities and Community Development Authority totaling \$76,910,000. Of this total, \$60,985,000 principal amount of revenue bonds will be designated "Louisiana Authority Revenue Bonds (Southeastern Louisiana University/University Facilities, Inc. Project) Series 2004A," \$15,000,000 principal amount of revenue bonds to be designated "Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (Southeastern Louisiana University/University Facilities, Inc. Project) Series 2004B," and \$925,000 principal amount of revenue bonds to be designated "Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (Southeastern Louisiana University/University Facilities, Inc. Project) Series 2004C." These bonds were issued for the purpose of constructing new residential housing including all furniture and equipment and to renovate an existing student housing facility all located on the campus of Southeastern Louisiana

University, to provide working capital for marketing and operating the new and renovated facilities, to pay interest on the Series 2004 Bonds during construction and renovation of the facilities, to pay the cost of issuing the bonds, and to fund the Debt Service Reserve Fund on the bonds. Total cost of construction is estimated to be \$63,000,000. The anticipated completion date for the first phase is January 2005 with the second phase to be completed by August 2005.

Louisiana Tech University

Louisiana Tech University refinanced the outstanding balance of \$6,765,000 of Revenue Refunding Bonds, Series 1999, on September 30, 2004, by issuing Revenue Refunding Bonds, Series 2004, in the amount of \$7,225,000. These new bonds are for a term of seven years and have a final maturity on October 1, 2011. The interest rates vary between 2.25% and 3.00%.

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, 2004**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY	NORTHWESTERN STATE UNIVERSITY
ASSETS					
Current assets:					
Cash and cash equivalents	\$9,242,260	\$14,766,235	\$12,302,539	\$12,106,223	\$14,581,392
Investments					
Receivables (net)	2,471,609	4,916,363	4,461,663	1,770,069	4,705,710
Due from state treasury	232,352			239,408	293,192
Due from federal government					
Inventories	434,811	1,886,905	1,345,344	138,369	653,708
Deferred charges and prepaid expenses	10,730	870,544	448,019	154,782	2,808,461
Notes receivable (net)	30,429	1,045,978	307,413		83,967
Other current assets		124,461			256,761
Total current assets	<u>12,422,191</u>	<u>23,610,486</u>	<u>18,864,978</u>	<u>14,408,851</u>	<u>23,383,191</u>
Noncurrent assets:					
Restricted:					
Cash and cash equivalents	2,910,379	6,601,282	3,620,769	7,337,515	3,204,047
Investments	3,366,224	32,504,676	8,275,972	5,728,760	4,019,859
Receivables (net)		19,198		57,691	82,328
Notes receivable (net)	159,255	5,959,806	2,012,471		1,951,490
Other		52,217	18,409		
Notes receivable (net)				23,170	
Capital assets (net)	63,488,794	102,843,081	54,185,012	32,507,574	46,089,300
Other noncurrent assets		421,840	1,627,460		
Total noncurrent assets	<u>69,924,652</u>	<u>148,402,100</u>	<u>69,740,093</u>	<u>45,654,710</u>	<u>55,347,024</u>
Total assets	<u>82,346,843</u>	<u>172,012,586</u>	<u>88,605,071</u>	<u>60,063,561</u>	<u>78,730,215</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	3,314,295	5,455,768	3,349,222	2,121,842	2,166,512
Due to state treasury	779				
Deferred revenues	1,051,857	3,815,481	1,039,203	1,112,273	2,447,840
Compensated absences payable	191,586	280,407	193,474	201,415	203,359
Capital lease obligations		226,126			
Amounts held in custody for others	463,913	508,091	317,838	139,609	21,349
Notes payable	265,094	9,676			
Bonds payable	285,000	1,770,000	824,696		210,000
Other current liabilities	57,316	25,563	285,271		
Total current liabilities	<u>5,629,840</u>	<u>12,091,112</u>	<u>6,009,704</u>	<u>3,575,139</u>	<u>5,049,060</u>
Noncurrent liabilities:					
Compensated absences payable	2,254,548	3,145,512	2,401,896	2,394,144	1,806,533
Capital lease obligations		1,233,332			
Notes payable	3,078,737				
Bonds payable	576,000	35,860,000	23,715,000		6,070,000
Other noncurrent liabilities		2,264,714			23,121
Total noncurrent liabilities	<u>5,909,285</u>	<u>42,503,558</u>	<u>26,116,896</u>	<u>2,394,144</u>	<u>7,899,654</u>
Total liabilities	<u>11,539,125</u>	<u>54,594,670</u>	<u>32,126,600</u>	<u>5,969,283</u>	<u>12,948,714</u>
NET ASSETS					
Invested in capital assets, net of related debt	59,284,097	73,320,487	31,398,001	32,507,574	39,809,300
Restricted for:					
Nonexpendable	6,567,343	24,276,339	7,500,585	10,575,618	4,513,389
Expendable	4,606,157	12,395,218	11,453,143	7,085,376	12,350,708
Unrestricted	<u>350,121</u>	<u>7,425,872</u>	<u>6,126,742</u>	<u>3,925,710</u>	<u>9,108,104</u>
Total net assets	<u>\$70,807,718</u>	<u>\$117,417,916</u>	<u>\$56,478,471</u>	<u>\$54,094,278</u>	<u>\$65,781,501</u>

SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	SYSTEM ELIMINATION ENTRIES	TOTAL PRIMARY SYSTEM
\$7,421,799	\$19,699,317	\$10,007,009	\$3,559,365		\$103,686,139
	10,907,087				10,907,087
7,302,704	7,688,400	5,576,278		(\$3,559,365)	35,333,431
	551,450				764,952
529,221	1,734,714	170,261			551,450
552,673	11,428,076	457,561			6,893,333
302,222	1,153,082	811,627			16,730,846
2,529,243		870,287	147,949		3,734,718
18,637,862	53,162,126	17,893,023	3,707,314	(3,559,365)	3,928,701
					182,530,657
7,401,957	21,518,278	32,199,605			84,793,832
6,203,735	41,090,244	18,609,613			119,799,083
		492,215			651,432
1,809,143		4,599,220			16,491,385
		245,204			315,830
	9,610,998				9,634,168
107,532,785	147,837,863	71,570,938	3,236		626,058,583
	869,619				2,918,919
122,947,620	220,927,002	127,716,795	3,236	NONE	860,663,232
141,585,482	274,089,128	145,609,818	3,710,550	(3,559,365)	1,043,193,889
2,558,645	2,539,549	5,581,388	204,237		27,291,458
					779
2,728,141	2,702,521	2,490,068			17,387,384
445,170	348,968	489,796	131,940		2,486,115
27,293		148,124			401,543
679,202	678,477	914,614			3,723,093
395,006					669,776
770,000		150,000			4,009,696
5,588			3,559,365	(3,559,365)	373,738
7,609,045	6,269,515	9,773,990	3,895,542	(3,559,365)	56,343,582
4,648,309	5,356,325	3,333,560	138,404		25,479,231
33,699		337,134			1,604,165
400,782					3,479,519
20,755,000	19,065,000	36,555,000			142,596,000
	235,123				2,522,958
25,837,790	24,656,448	40,225,694	138,404	NONE	175,681,873
33,446,835	30,925,963	49,999,684	4,033,946	(3,559,365)	232,025,455
85,102,753	129,642,482	65,292,638	3,236		516,360,568
5,657,693	31,647,364	18,381,940			109,120,271
18,437,750	48,397,379	12,159,123			126,884,854
(1,059,549)	33,475,940	(223,567)	(326,632)		58,802,741
\$108,138,647	\$243,163,165	\$95,610,134	(\$323,396)	NONE	\$811,168,434

**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, 2004**

	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)	\$10,278,996	\$32,720,392	\$18,399,580	\$15,187,050
Federal appropriations		50,292		
Federal grants and contracts	18,127,803	14,766,116	9,248,213	8,847,895
State and local grants and contracts	2,499,414	3,372,741	1,998,818	2,387,230
Nongovernmental grants and contracts	243,778	867,234	787,311	1,120,267
Sales and services of educational departments	200,542	803,533	20,168	699,548
Auxiliary enterprise revenues (net of scholarship allowances of \$6,196,136; \$56,362,328 of revenues used as security for revenue bonds)	12,412,638	22,554,166	10,033,322	4,791,515
Other operating revenues	1,151,092	1,288,578	1,564,637	916,085
Total operating revenues	<u>44,914,263</u>	<u>76,423,052</u>	<u>42,052,049</u>	<u>33,949,590</u>
OPERATING EXPENSES				
Educational and general:				
Instruction	19,754,753	35,223,692	23,800,692	23,811,846
Research	269,710	14,059,940	1,663,708	1,137,232
Public service	52,413	1,104,961	1,166,937	848,100
Academic services	7,572,938	7,488,925	6,528,624	5,671,873
Student services	3,636,073	5,254,719	3,791,018	3,773,397
Institutional support	13,563,502	9,148,747	4,667,297	5,900,822
Operations and maintenance of plant	3,814,528	8,127,420	5,991,512	5,719,784
Depreciation	3,825,063	6,667,254	3,426,767	2,461,743
Scholarships and fellowships	6,567,409	5,776,924	5,783,943	1,825,783
Auxiliary enterprises	12,652,931	27,233,345	10,925,336	7,098,073
Other operating expenses	522,592	736,155	220,629	443,333
Total operating expenses	<u>72,231,912</u>	<u>120,822,082</u>	<u>67,966,463</u>	<u>58,691,986</u>
OPERATING LOSS	<u>(27,317,649)</u>	<u>(44,399,030)</u>	<u>(25,914,414)</u>	<u>(24,742,396)</u>
NONOPERATING REVENUES (Expenses)				
State appropriations	25,852,010	43,697,036	26,676,540	24,220,000
Gifts	800,420	1,207,497	960,840	382,668
Investment income	(42,711)	189,970	693,388	296,296
Interest expense	(144,494)	(876,441)	(1,198,390)	
Other nonoperating revenues		688,227		1,622,301
Net nonoperating revenues	<u>26,465,225</u>	<u>44,906,289</u>	<u>27,132,378</u>	<u>26,521,265</u>
INCOME (Loss) BEFORE OTHER REVENUES AND EXPENSES	<u>(852,424)</u>	<u>507,259</u>	<u>1,217,964</u>	<u>1,778,869</u>
Capital appropriations	3,794,735	10,967,487	553,983	(4,368,714)
Capital grants and gifts		144,343	32,272	1,459,000
Additions to permanent endowment	60,000	2,501,679	400,000	
Other		(7,015,543)		(90,031)
CHANGE IN NET ASSETS	<u>3,002,311</u>	<u>7,105,225</u>	<u>2,204,219</u>	<u>(1,220,876)</u>
NET ASSETS - BEGINNING OF YEAR (Restated)	<u>67,805,407</u>	<u>110,312,691</u>	<u>54,274,252</u>	<u>55,315,154</u>
NET ASSETS - END OF YEAR	<u>\$70,807,718</u>	<u>\$117,417,916</u>	<u>\$56,478,471</u>	<u>\$54,094,278</u>

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL PRIMARY SYSTEM
\$25,820,498	\$40,086,718	\$39,474,984	\$23,499,935		\$205,468,153
			143,709		194,001
15,987,427	25,026,568	27,754,882	13,651,327		133,410,231
3,867,072	1,544,781	6,467,125	7,572,930		29,710,111
355,377	487,029	13,761,341	991,720		18,614,057
770,629	295,092	590,615	326,488		3,706,615
4,664,840	8,568,469	12,834,887	8,330,744		84,190,581
1,996,076	2,223,395	1,852,218	2,423,431		13,415,512
53,461,919	78,232,052	102,736,052	56,940,284	NONE	488,709,261
28,676,667	45,754,900	42,439,379	30,343,201		249,805,130
1,488,901	1,952,830	36,196,833	7,878,031		64,647,185
2,114,502	3,111,611	1,823,101	6,689,359		16,910,984
5,690,934	9,914,741	10,129,800	6,432,364		59,430,199
6,450,496	7,795,058	12,101,114	5,428,487		48,230,362
8,417,776	10,873,906	12,135,953	9,965,429	\$1,712,902	76,386,334
6,350,638	10,925,746	10,295,242	6,297,607		57,522,477
3,774,735	6,017,651	7,930,159	4,233,668	3,817	38,340,857
10,887,544	12,454,275	5,755,089	7,814,951		56,865,918
8,200,475	13,408,696	19,607,080	10,005,130		109,131,066
485,901	742,299	(74,191)	1,548,134	326,632	4,951,484
82,538,569	122,951,713	158,339,559	96,636,361	2,043,351	782,221,996
(29,076,650)	(44,719,661)	(55,603,507)	(39,696,077)	(2,043,351)	(293,512,735)
28,889,247	44,867,304	60,310,909	43,287,349	1,917,612	299,718,007
		4,620,192			7,971,617
711,929	472,175	5,405,737	141,940	95,496	7,964,220
(316,119)	(424,939)		(185,105)		(3,145,488)
(203,880)	482,568	221,900	3,150,468		5,961,584
29,081,177	45,397,108	70,558,738	46,394,652	2,013,108	318,469,940
4,527	677,447	14,955,231	6,698,575	(30,243)	24,957,205
	3,609,459	4,750,199	1,449,609	7,053	20,763,811
1,305,405			362,070		3,303,090
1,200,000	120,000	200,000			4,481,679
1,097,164					(6,008,410)
3,607,096	4,406,906	19,905,430	8,510,254	(23,190)	47,497,375
62,174,405	103,731,741	223,257,735	87,099,880	(300,206)	763,671,059
\$65,781,501	\$108,138,647	\$243,163,165	\$95,610,134	(\$323,396)	\$811,168,434

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Cash Flows - by University
For the Fiscal Year Ended June 30, 2004**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
CASH FLOWS FROM OPERATING ACTIVITIES:				
Tuition and fees	\$18,632,152	\$32,977,905	\$18,297,031	\$15,369,898
Grants and contracts	21,390,860	19,356,515	11,391,900	12,563,799
Payments to suppliers	(15,864,239)	(30,092,707)	(13,405,888)	(11,507,068)
Payments for utilities	(2,342,784)	(7,581,211)	(2,597,207)	(2,196,275)
Payments to employees	(34,611,543)	(56,685,154)	(31,706,767)	(31,317,740)
Payments for benefits	(9,141,480)	(12,703,296)	(7,284,023)	(7,735,684)
Payments for scholarships and fellowships	(16,469,009)	(6,519,535)	(6,998,243)	(2,866,063)
Interest earned on loans to students				
Loans issued to students and employees		(1,552,083)		(5,000)
Collection of loans to students and employees		1,103,100	(116,626)	(22,293)
Auxiliary enterprise charges	12,865,934	21,858,460	9,822,469	4,650,071
Sales and services of educational departments	200,542	802,516	(5,694)	691,705
Other receipts (payments)	1,491,052	1,252,594	(901,916)	877,588
Net cash provided (used) by operating activities	<u>(23,848,515)</u>	<u>(37,782,896)</u>	<u>(23,504,964)</u>	<u>(21,497,062)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	28,060,019	44,134,485	26,676,540	24,220,000
Gifts and grants for other than capital purposes	800,420	1,254,081	960,840	382,668
Private gifts for endowment purposes	60,000	2,501,679	400,000	
TOPS receipts		9,914,417	4,390,903	3,650,494
TOPS disbursements		(9,912,201)	(4,390,903)	(3,650,494)
Federal Family Education Loan program receipt:		21,475,551	17,293,650	13,448,982
Federal Family Education Loan program disbursement:		(21,472,426)	(17,293,650)	(13,448,982)
Student organization agency transactions				
Other payments		737,500	7,868	1,649,483
Net cash provided by noncapital financing sources	<u>28,920,439</u>	<u>48,633,086</u>	<u>28,045,248</u>	<u>26,252,151</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Proceeds from capital debt		21,418,160	(274,472)	
Capital appropriations received	3,794,735	10,967,487	553,983	(4,368,714)
Capital grants and gifts received		144,343	32,272	1,459,000
Proceeds from sale of capital assets		26,783		
Purchases of capital assets	(4,995,624)	(23,235,604)	(1,794,260)	2,012,062
Principal paid on capital debt and leases	(540,528)	(1,581,641)	(2,016,294)	
Interest paid on capital debt and leases	(144,494)	(878,531)	(1,198,390)	
Deposit with trustees		15,353		
Other payments	(157,521)	(7,015,543)		
Net cash provided (used) by capital financing activities	<u>(2,043,432)</u>	<u>(139,193)</u>	<u>(4,697,161)</u>	<u>(897,652)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	8,231,421	16,893		
Interest received on investments	(42,711)	123,322	693,388	296,189
Purchase of investments	(9,174,611)	(12,029,360)	(583,270)	(2,605,140)
Net cash provided (used) by investing activities	<u>(985,901)</u>	<u>(11,889,145)</u>	<u>110,118</u>	<u>(2,308,951)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,042,591	(1,178,148)	(46,759)	1,548,486
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	10,110,048	22,545,665	15,970,067	17,895,252
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$12,152,639</u>	<u>\$21,367,517</u>	<u>\$15,923,308</u>	<u>\$19,443,738</u>

(Continued)

NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	BOARD	TOTAL
\$26,367,701	\$39,708,838	\$39,554,811	\$23,396,671		\$214,305,007
20,209,876	28,421,705	47,765,128	22,359,686		183,459,469
(6,547,915)	(5,713,598)	(41,882,585)	(11,960,408)	(\$711,105)	(137,685,513)
(2,967,194)	(3,625,044)	(6,325,221)	(2,196,680)		(29,831,616)
(37,927,648)	(61,366,569)	(83,790,880)	(45,094,340)	(967,357)	(383,467,998)
(9,085,820)	(14,699,509)	(9,200,081)	(13,260,030)	(334,646)	(83,444,569)
(10,887,544)	(12,454,275)	(10,012,057)	(7,814,951)		(74,021,677)
		271,221	99,243		370,464
66,195	(222,011)	(3,393,641)	(1,248,505)		(6,355,045)
14,002	441,974	2,650,742	979,318		5,050,217
(3,535,635)	8,644,672	12,434,301	(1,674,386)		65,065,886
770,629	295,092	590,615	326,488		3,671,893
1,399,884	(16,551,693)	(782,079)	1,055,000	3,402,416	(8,757,154)
<u>(22,123,469)</u>	<u>(37,120,418)</u>	<u>(52,119,726)</u>	<u>(35,032,894)</u>	<u>1,389,308</u>	<u>(251,640,636)</u>
28,746,865	43,346,070	61,282,738	43,287,349	1,917,612	301,671,678
		4,620,192			8,018,201
1,200,000	120,000	200,000			4,481,679
4,921,011	6,703,850	9,583,169	3,611,971		42,775,815
(4,921,011)	(6,803,829)	(9,583,169)	(3,611,971)		(42,873,578)
30,825,728	45,991,139	25,723,249	25,824,844		180,583,143
(30,825,728)	(46,014,526)	(25,723,249)	(25,824,844)		(180,603,405)
		73,342			73,342
	197,489	237,027	(491,276)		2,338,091
<u>29,946,865</u>	<u>43,540,193</u>	<u>66,413,299</u>	<u>42,796,073</u>	<u>1,917,612</u>	<u>316,464,966</u>
			35,210,000		56,353,688
	3,609,459		1,449,609	7,053	16,013,612
1,305,405			362,070		3,303,090
1,097,164	315,000		1,099,864		2,538,811
(7,118,140)	(6,504,441)	(26,493,936)	(7,941,056)		(76,070,999)
(200,000)	(1,789,212)		(1,059,742)		(7,187,417)
(316,119)	(424,939)		(185,105)		(3,147,578)
	(3,868)				11,485
			(870,287)		(8,043,351)
<u>(5,231,690)</u>	<u>(4,798,001)</u>	<u>(26,493,936)</u>	<u>28,065,353</u>	<u>7,053</u>	<u>(16,228,659)</u>
		78,803,777	(2,408,661)		84,643,430
711,929	472,175	5,405,737	2,683,820	95,496	10,439,345
(1,696,210)	(566,386)	(94,427,637)			(121,082,614)
<u>(984,281)</u>	<u>(94,211)</u>	<u>(10,218,123)</u>	<u>275,159</u>	<u>95,496</u>	<u>(25,999,839)</u>
1,607,425	1,527,563	(22,418,486)	36,103,691	3,409,469	22,595,832
16,178,014	13,296,193	63,636,081	6,102,923	149,896	165,884,139
<u>\$17,785,439</u>	<u>\$14,823,756</u>	<u>\$41,217,595</u>	<u>\$42,206,614</u>	<u>\$3,559,365</u>	<u>\$188,479,971</u>

**UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows - by University, 2004**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating loss	(\$27,317,649)	(\$44,399,030)	(\$25,914,414)	(\$24,742,396)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation expense	3,825,063	6,667,254	3,426,767	2,461,743
Changes in assets and liabilities:				
(Increase) Decrease in accounts receivable, net	(1,095,148)	1,105,563	(947,948)	41,872
(Increase) Decrease in notes receivable, net	656,930	(145,313)		
(Increase) Decrease in inventories	18,010	37,170	(350,875)	(1,907)
(Increase) Decrease in prepaid expenses	118,035	(86,827)	29,157	(44,430)
(Increase) Decrease in other assets		6,741		
Increase (Decrease) in accounts payable	184,001	136,445	321,118	322,769
Increase (Decrease) in deferred revenue	202,895	(980,938)	8,578	208,431
Increase (Decrease) in amounts held in custody for others	89,227	(95,638)	(42,336)	(8,335)
Increase (Decrease) in compensated absences	(437,143)	(55,419)	81,615	292,377
Increase (Decrease) in loans to students and employees			(116,626)	
Increase (Decrease) in other liabilities	(92,736)	27,096		(27,186)
Net cash used by operating activities	<u>(\$23,848,515)</u>	<u>(\$37,782,896)</u>	<u>(\$23,504,964)</u>	<u>(\$21,497,062)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Capital assets donated			\$427,607	\$1,459,000

(Concluded)

<u>NORTHWESTERN STATE UNIVERSITY</u>	<u>SOUTHEASTERN LOUISIANA UNIVERSITY</u>	<u>UNIVERSITY OF LOUISIANA AT LAFAYETTE</u>	<u>UNIVERSITY OF LOUISIANA AT MONROE</u>	<u>BOARD</u>	<u>TOTAL</u>
(\$29,076,650)	(\$44,719,661)	(\$55,603,507)	(\$39,696,077)	(\$2,043,351)	(\$293,512,735)
3,774,735	6,017,651	7,930,159	4,233,668	3,817	38,340,857
410,514	1,253,053	(1,138,223)	(960,509)		(1,330,826)
23,589	219,963		(40,810)		714,359
6,353	(29,896)	(150,124)	41,200		(430,069)
3,678,434	224,484	(157,074)	(230,007)		3,531,772
(9,587)	(605,594)			(57,097)	(665,537)
(1,014,258)	(46,701)	(412,156)	762,621	72,552	326,391
134,290	23,974	124,910	857,245		579,385
2,399	30,926	3,978	409,945		390,166
47,378	511,383	(82,070)	(117,183)	3,918	244,856
		(742,899)			(859,525)
(100,666)		(1,892,720)	(292,987)	3,409,469	1,030,270
<u>(\$22,123,469)</u>	<u>(\$37,120,418)</u>	<u>(\$52,119,726)</u>	<u>(\$35,032,894)</u>	<u>\$1,389,308</u>	<u>(\$251,640,636)</u>

\$1,886,607

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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 matters that would be material to the presented financial statements.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
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STATE OF LOUISIANA
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December 8, 2004

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

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the basic financial statements of the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 8, 2004. We did not audit a portion of the basic financial statements related to the operations of the Ragin' Cajun Facilities, Inc., at the University of Louisiana at Lafayette; University Facilities, Inc., at Southeastern 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. These are separate private nonprofit corporations that are considered blended component units of five of the universities included in the System. We also did not audit the discretely presented component unit financial statements of the University of Louisiana at Lafayette Foundation, Inc.; the Louisiana Tech University Foundation, Inc.; the University of Louisiana at Monroe Foundation, Inc.; and the McNeese State University Foundation, Inc. These blended and discretely presented component units were audited by other auditors whose reports have been furnished to us. This report, insofar as it relates to these blended and discretely presented component units, is 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 University of Louisiana at Monroe Foundation, Inc., and the McNeese State University Foundation, Inc., which were audited by other auditors upon whose reports we are relying, 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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of Louisiana System's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 Facilities, Inc.; the University of Louisiana at Monroe Facilities, Inc.; Cowboy Facilities, Inc.; the University of Louisiana at Lafayette Foundation, Inc.; the Louisiana Tech University Foundation, Inc.; the University of Louisiana at Monroe Foundation, Inc.; the McNeese State University Foundation Inc., which are included in the University of Louisiana System's financial statements for the year ended June 30, 2004. To obtain the corporations' latest audit report, write to:

- Ragin' Cajun Facilities, Inc., c/o Mr. Ronald P. Lajaunie, University of Louisiana at Lafayette, P.O. Box 42651, Lafayette, Louisiana 70504
- University Facilities, Inc., c/o Mr. Stephen Smith, Southeastern Louisiana University, P.O. Box 10709, Hammond, Louisiana 70402
- Innovative 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 Dr. Nick J. Bruno, 700 University Avenue, Monroe, Louisiana 71209
- Cowboy Facilities, Inc., c/o Mr. Eddie Meche, McNeese State University, 4205 Royal Street, Lake Charles, Louisiana 70609
- University of Louisiana at Lafayette Foundation, Inc., c/o Mr. Ronald P. Lajaunie, University of Louisiana at Lafayette, P.O. Box 42651, Lafayette, Louisiana 70504

- 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, Inc., c/o Dr. Nick J. Bruno, 700 University Avenue, Monroe, Louisiana 71209
- McNeese State University Foundation, Inc., c/o Mr. Eddie Meche, McNeese State University, 4205 Royal Street, Lake Charles, Louisiana 70609

As a part of our audit of the University of Louisiana System's financial statements for the year ended June 30, 2004, we performed certain procedures on campuses within the University of Louisiana System. Our reports on those procedures for those campuses are dated as follows:

University of Louisiana at Lafayette	November 17, 2004
Southeastern Louisiana University	October 16, 2004
Louisiana Tech University	October 6, 2004
University of Louisiana at Monroe	November 9, 2004
Nicholls State University	November 29, 2004
Grambling State University	Pending issuance

These reports contain compliance and internal control findings, if any, related to these campuses. 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.

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:STD:THC:dl

[ULS04]

