Louisiana Tech University
University of Louisiana System
State of Louisiana

Accountant's Review Report
Issued January 30, 2008

LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

December 13, 2007

Accountant's Review Report

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

We have reviewed the accompanying basic financial statements as listed in the table of contents of Louisiana Tech University, a university within the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2007, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of Louisiana Tech University. We did not review the financial statements of the Louisiana Tech University Foundation, Inc., a component unit of the university, whose financial activity is discretely presented in these basic financial statements. We also did not review the financial statements of Innovative Student Facilities Inc., a blended component unit of the university, whose statements reflect total assets and revenues of 11.5% and 1.8%, respectively, of the related university totals. These component unit financial statements were audited by other auditors whose report thereon has been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for these component units, is based solely upon the report of the other auditors.

A review consists principally of inquiries of Louisiana Tech University personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we do not express such an opinion.

As discussed in note 1-C to the basic financial statements, the accompanying financial statements of Louisiana Tech University are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the University of Louisiana System that is attributable to the transactions of Louisiana Tech University. They do not purport to, and do not, present fairly the financial position of the University of Louisiana System or the State of Louisiana as of June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Management's discussion and analysis on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

BE:WJR:THC:dl

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This section of Louisiana Tech University's (University) annual financial report presents a discussion and analysis of the financial performance and a narrative overview of the University's financial activities during the fiscal year ended June 30, 2007. Please read this document in conjunction with the University's financial statements, which follows this section.

For compliance with Statement Number 39 of the Governmental Accounting Standards Board (GASB), this report includes the audited financial statements and accompanying notes of the Louisiana Tech University Foundation for the fiscal year ended June 30, 2007. The Foundation is a 501 (c) (3) corporation organized to solicit, receive, hold, invest, and transfer funds for the benefit of the University.

FINANCIAL HIGHLIGHTS

The University's net assets overall changed from $126,401,980 to $134,952,105 or 6.8% from June 30, 2006 to June 30, 2007. The overall reasons for this change included the following:

- Completion of the new Biomedical Engineering Building and renovations to Wyly Tower
- Increase in state appropriations
- Addition of new endowed professorships
- Acquisition of new instructional and research equipment

Enrollment decreased from 11,611 to 11,232 from June 30, 2006 to June 30, 2007, a change of 3.3%. The reason for this change is attributed to:

- Continued impact of increased undergraduate admissions criteria upon the University.
- Continued impact of Hurricane Katrina on new and continuing students. Of the 289 displaced students enrolled in fall 2005-06, only 34 students returned in fall 2006-07. Hurricane Katrina has also affected new student enrollment because of the decrease in college-bound students within the state.
- Decrease in enrollment at the University's Barksdale campus because of military deployments.

The University's operating revenues changed from $80,754,797 to $80,209,579, a 0.7% decrease from July 1, 2006 to June 30, 2007. Operating expenses, however, increased by 5.6% to $133,645,793 for the year ended June 30, 2007. The change in enrollment, a decrease in grant and contract revenues, and an increase in net auxiliary revenues, along with risk management insurance premium increases, salaries increases because of merit raises and filling critical positions, and acquisition of instructional and research equipment, are the primary reasons for this change.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations. The change to $52,747,725 in 2007 from $46,954,588 in 2006 is attributed to increases in state appropriations, gifts, and investment income.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following illustrates the minimum requirements for Special-Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

The basic financial statements present information for the University 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 13-14) 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 University is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 17-18) presents information showing how the University'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 21-22) presents information showing how the University'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 financial statements provide both long-term and short-term information about the University's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The University's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 University are included in the Statement of Net Assets.

FINANCIAL ANALYSIS

Statement of Net Assets
As of June 30, 2007, and June 30, 2006
(in thousands)

	Total	
	2007	2006
Current and others assets	$70,862	$66,612
Capital assets	112,317	109,317
Total assets	183,179	175,929
Other liabilities	13,386	12,863
Long-term debt outstanding	34,841	36,664
Total liabilities	48,227	49,527
Net assets:		
Invested in capital assets, net of debt	80,307	75,190
Restricted	45,296	41,974
Unrestricted	9,349	9,238
Total net assets	$134,952	$126,402

This schedule is prepared from the University's Statement of Net Assets as shown on pages 13 and 14, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Significant Statement of Net Assets changes from 2007 include:

- An increase in investments of $3,894,160 for Endowed Chairs and Professorships.
- An increase in net capital assets of $3,000,001. A $3.6 million increase in instruction and research equipment and library materials, an $11.7 million increase in buildings, and a $0.9 million increase in improvements were offset by a $5.7 million net decrease in construction-in-progress and depreciation totaling approximately $7.5 million. The changes to buildings and construction in progress are attributable to the completion of the new $9.1 million Biomedical Engineering building and Wyly Tower renovations totaling $1.7 million.
- A decrease in long-term debt of $1,647,655 from annual bond repayments.

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 represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on the purposes for which these amounts may be used.

Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2007, and June 30, 2006
(in thousands)

	2007	2006
Operating revenues:		
Student tuition and fees, net	$36,575	$37,618
Grants and contracts	18,058	18,743
Auxiliary	23,579	22,259
Other	1,998	2,135
Total operating revenues	80,210	80,755
Operating expenses:		
Education and general:		
Instruction	39,848	37,474
Research	13,471	13,894
Public service	1,162	1,225
Academic support	7,880	7,041
Student services	5,707	5,320
Institutional support	9,704	9,530
Operations and maintenance of plant	10,829	9,141
Depreciation	7,454	7,439
Scholarships and fellowships	5,097	4,968
Auxiliary enterprises	32,494	30,518
Total operating expenses	133,646	126,550
Operating income (loss)	(53,436)	(45,795)
Nonoperating revenues:		
State appropriations	48,521	43,774
Gifts	3,691	3,004
Other nonoperating revenues	536	177
Net nonoperating revenues	52,748	46,955
Income (loss) before other revenues, expenses, and gains and losses	(688)	1,160
Capital appropriations	5,431	3,001
Capital grants and gifts	2,194	128
Additions to permanent endowments	3,894	2,204
Other additions, net	(2,281)	(716)
Change in Net Assets	8,550	5,777
Net assets at the beginning of the year	126,402	120,625
Net assets at the end of the year	$134,952	$126,402

Nonoperating revenues increased by 12.3% to $52,747,725 primarily attributable to a $4.7 million increase in state appropriations and increases in gifts and investment income. In fiscal year 2006, the University experienced a $1.6 million state appropriation reduction because of a statewide budget cut in the aftermath of hurricanes Katrina and Rita.

State appropriations changed by 10.8% from $43,774,066 to $48,521,166. Capital appropriations increased by 81.0% from $3,001,377 to $5,431,219 because of construction of the new Biomedical Engineering building.

The University's operating revenues decreased by $545,218 or 0.7%, while the University's total revenues (operating and nonoperating) increased by 8.6%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007, the University had invested $112,316,885 in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of $3,000,001 or 2.7% over the previous fiscal year. More detailed information about the University's capital assets is presented in note 6 to the financial statements.

Capital Assets at Year-end
(Net of Depreciation, in thousands)

	2007	2006
Land	$6,006	$6,005
Land improvements	1,783	1,071
Construction-in-progress	62	5,814
Buildings	92,077	84,304
Equipment	10,121	9,880
Library materials	2,268	2,243
Total	$112,317	$109,317

This year's major additions included:

- Addition of $11,657,065 to buildings, including completion of the new Biomedical Engineering building and renovation of three floors of Wyly Tower, offset by a $5,752,063 decrease in construction-in-progress

- $3,644,502 in equipment and library acquisitions

Debt

The University had $33,609,497 in bonds and notes outstanding at year-end, compared to $35,364,369 last year, a decrease of 5.0% as shown in the table below.

Outstanding Debt at Year-end
(in thousands)

	2007	2006
General obligation bonds	$1,875	$2,125
Revenue bonds and notes	31,734	33,239
Total	$33,609	$35,364

No new bonds were issued in 2006-07. The reduction in bonds and notes payable resulted from debt repayments.

See note 14 for details relating to changes in and the composition of long-term liabilities and capital leases.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

- The University's base state appropriation for fiscal year 2007-08 will increase to $59,840,859. Most of the additional funding is dedicated to increasing faculty salaries, filling critical vacant positions, and providing additional funds for library materials, University operations, and replacement of academic and research equipment. Self-generated funds are projected to remain approximately the same as the previous year. Tuition and fees are expected to increase by $25 per student per quarter because of a student-assessed recreational fee increase (see below). The energy surcharge will increase by $5 per credit hour and dorm and meal rates will increase approximately 2.4%. Enrollment for the upcoming year is projected to remain stable.

- In September 2007, the University through Innovative Student Facilities, Inc. (ISF), a 501c(3) corporation, is planning to issue thirty-year Residential Housing and Recreational Facilities Bonds of approximately $53.6 million as part of Phase Two of the new residential housing and an expansion of the University's recreational facilities. The proposed housing units, expected to be completed in June 2009, will consist of about 500 beds constructed at a cost of approximately $30 million. The Maxie Lambright Sports Center constructed in 1980 will gain new swimming, diving, and recreation pools, a wellness center, and other recreational amenities for students at a cost of approximately $15 million. These recreational improvements will be funded from student recreational fees.

- The University will use approximately $3.2 million of its Auxiliary Fund balance to defease the last three years of its 2004 Revenue Refunding Bonds (2010, 2011, and 2012) in connection with the issuance of its 2007 Residential Housing and Recreational Facilities Bonds. The Auxiliary Fund balance at June 30, 2007 is $8,484,273. In addition, the University will receive $2.1 million as a Renovation and Replacement Fund as part of the sale of the 2007 bonds to be used for improvements to other existing auxiliary facilities.

- The University has received funding for its Research Park, a master-planned development with leading-edge infrastructure, facilities, and staff to support the recruitment, retention, and expansion of high-growth, technology-based businesses that attract highly skilled, innovative employees. Tenant companies will have formal and informal relationships with the research and development, technology transfer, and education activities of the University. The University will provide tenant companies with linkages to its comprehensive set of business development and support resources including entrepreneurial development, venture startup, incubation, growth and expansion. The Research Park will include potential sites for several multi-tenant buildings, single tenant buildings, and government and academic research facilities. The state has appropriated $25 million for real estate acquisition, planning, and construction. The University is currently working to acquire land, develop infrastructure, and construct a facility as quickly as possible.

- The University has been appropriated $9.6 million for the replacement of the University's College of Business building because of structural deficiencies in the current building. The University is currently planning the new structure and requesting the appointment of a designer for the new facility.

CONTACTING THE UNIVERSITY'S MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the University's finances and to show the University's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Comptroller's Office at the University at (318) 257-4325.

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LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Net Assets
June 30, 2007

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$15,960,936
Receivables, net (note 4)	6,935,728
Inventories	2,051,923
Deferred charges and prepaid expenses	1,372,254
Notes receivable, net (note 5)	1,512,425
Other current assets	124,469
Total current assets	27,957,735
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (note 2)	6,947,746
Investments (note 3)	30,167,539
Accounts receivable, net (note 4)	18
Notes receivable, net (note 5)	5,613,607
Capital assets, net (note 6)	112,316,885
Other noncurrent assets	175,344
Total noncurrent assets	155,221,139
Total assets	183,178,874
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities (note 10)	4,928,264
Deferred revenues (note 11)	4,337,943
Compensated absences payable (note 12)	341,008
Capital lease obligations (note 13)	327,920
Amounts held in custody for others	592,946
Notes payable (note 14)	38,953
Bonds payable (note 14)	1,992,498
Other current liabilities	33,050
Total current liabilities	12,592,582

(Continued)

See accompanying notes and accountant's report.

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 30, 2007

LIABILITIES (CONT.)	
Noncurrent liabilities:	
Compensated absences payable (note 12)	$3,117,828
Capital lease obligations (note 13)	903,378
Notes payable (note 14)	37,650
Bonds payable (note 14)	31,540,396
Other noncurrent liabilities	34,935
Total noncurrent liabilities	35,634,187
Total liabilities	48,226,769
NET ASSETS	
Invested in capital assets, net of related debt	80,306,796
Restricted for:	
Nonexpendable (note 15)	32,171,403
Expendable (note 15)	13,125,250
Unrestricted	9,348,656
Total net assets	$134,952,105

(Concluded)

See accompanying notes and accountant's report.

Statement B

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Louisiana Tech University Foundation, Inc.
Statement of Financial Position
June 30, 2007

ASSETS	
Cash and cash equivalents	$3,874,667
Accounts receivable	1,463,465
Contributions receivable	482,827
Accrued interest receivable	23,349
Investments (note 3)	21,688,984
Fixed assets, net (note 6)	6,398,476
Other assets	92,626
Restricted assets - investments (note 3)	31,429,020
Total assets	$65,453,414
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	$626,731
Accrued interest payable	13,038
Annuities liability	189,454
Deferred revenue	495,936
Deferred compensation	167,968
Notes payable (note 14)	1,050,000
Bonds payable (note 14)	1,473,828
Due to Louisiana Tech University (note 18)	30,115,002
Total liabilities	34,131,957
NET ASSETS	
Unrestricted:	
Undesignated	597,375
Invested in capital assets, net of related debt	3,874,648
Total unrestricted	4,472,023
Temporarily restricted - for specific purposes	10,408,493
Permanently restricted - endowment	16,440,941
Total net assets	31,321,457
Total liabilities and net assets	$65,453,414

See accompanying notes and accountant's report.

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LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

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

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $10,475,282)	$36,574,812
Federal grants and contracts	14,522,179
State and local grants and contracts	2,903,609
Nongovernmental grants and contracts	632,342
Sales and services of educational departments	666,327
Auxiliary enterprise revenues (net of scholarship allowances of $1,424,783)	23,579,223
Other operating revenues	1,331,087
Total operating revenues	80,209,579
OPERATING EXPENSES	
Education and general:	
Instruction	39,847,824
Research	13,471,047
Public service	1,161,855
Academic support	7,880,339
Student services	5,706,628
Institutional support	9,704,567
Operations and maintenance of plant	10,828,713
Depreciation	7,454,081
Scholarships and fellowships	5,096,673
Auxiliary enterprises	32,204,125
Other operating expenses	289,941
Total operating expenses	133,645,793
Operating loss	(53,436,214)

(Continued)

See accompanying notes and accountant's report.

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses,
and Changes in Net Assets, 2007

NONOPERATING REVENUES (Expenses)	
State appropriations	$48,521,166
Gifts	3,690,666
Net investment income	1,449,772
Interest expense	(1,597,693)
Other nonoperating revenues	683,814
Net nonoperating revenues	52,747,725
Loss before other revenues, expenses, gains and losses	(688,489)
Capital appropriations	5,431,219
Capital grants and gifts	2,194,460
Additions to permanent endowments	3,894,161
Other additions, net	(2,281,226)
Increase in Net Assets	8,550,125
Net Assets at the Beginning of Year	126,401,980
Net Assets at the End of Year	$134,952,105

(Concluded)

See accompanying notes and accountant's report.

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Louisiana Tech University Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2007

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenues, gains, and other support:				
Contributions	$184,803	$3,519,217	$3,311,269	$7,015,289
Contributed services	650,801			650,801
Interest and dividends income	240,067	518,885	119	759,071
Lease income		152,683		152,683
Service charges	781,240	13,831		795,071
Realized and unrealized gains (losses) on investments, net	176,142	1,128,527	(9,087)	1,295,582
Other	773,876	1,862,357	111,065	2,747,298
Total	2,806,929	7,195,500	3,413,366	13,415,795
Net assets released from restrictions	6,618,101	(6,474,587)	(143,514)	NONE
Total revenues, gains, and other support	9,425,030	720,913	3,269,852	13,415,795
Expenses:				
Instructional support	1,009,240			1,009,240
Academic support	46,789			46,789
Research	11,178			11,178
Institutional support	2,216,764			2,216,764
Student financial aid	470,440			470,440
Student services	130,718			130,718
Auxiliary	3,111,234			3,111,234
General administrative services	1,098,795			1,098,795
Fund raising	1,154,535			1,154,535
Total expenses	9,249,693	NONE	NONE	9,249,693
Assets dedicated to Louisiana Tech University, net	NONE	NONE	29,522	29,522
Change in net assets	175,337	720,913	3,240,330	4,136,580
Net assets at the beginning of year	4,296,686	9,687,580	13,200,611	27,184,877
Net assets at the end of year	$4,472,023	$10,408,493	$16,440,941	$31,321,457

See accompanying notes and accountant's report.

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LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

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

Cash flows from operating activities:	
Tuition and fees	$36,507,951
Grants and contracts	18,197,541
Sales and services of educational departments	662,792
Auxiliary enterprise receipts	23,514,515
Payments for employee compensation	(59,949,699)
Payments for benefits	(16,038,126)
Payments for utilities	(9,579,651)
Payments for supplies and services	(34,473,671)
Payments for scholarships and fellowships	(6,272,822)
Loans to students	(1,816,574)
Collections of loans to students	1,410,787
Other receipts	1,473,237
Net cash used by operating activities	(46,363,720)
Cash flows from noncapital financing activities:	
State appropriations	48,321,166
Gifts and grants for other than capital purposes	3,777,981
Private gifts for endowment purposes	3,894,161
TOPS receipts	6,536,200
TOPS disbursements	(6,524,972)
Federal Family Education Loan Program receipts	24,303,525
Federal Family Education Loan Program disbursements	(24,298,411)
Other receipts (disbursements)	679,382
Net cash provided by noncapital financing sources	56,689,032
Cash flows from capital financing activities:	
Capital appropriations received	5,431,219
Capital grants and gifts received	2,145,711
Proceeds from sale of capital assets	43,320
Purchases of capital assets	(10,556,984)
Principal paid on capital debt and leases	(2,042,902)
Interest paid on capital debt and leases	(1,597,848)
Deposit with trustees	(19,845)
Other sources	(2,281,226)
Net cash used by capital financing activities	(8,878,555)

(Continued)

See accompanying notes and accountant's report.

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

Cash flows from investing activities:	
Proceeds from sales and maturities of investments	$3,056
Interest received on investments	1,456,242
Purchase of investments	(3,905,139)
Net cash provided by investing activities	(2,445,841)
Net decrease in cash and cash equivalents	(999,084)
Cash at the beginning of year	23,907,766
Cash at the end of year	$22,908,682
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	($53,436,214)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	7,454,081
Loss on impairment	299,582
Changes in assets and liabilities:	
(Increase) in accounts receivables, net	(592,453)
(Increase) in inventories	(119,815)
(Increase) in deferred charges and prepaid expenses	(270,999)
(Increase) in notes receivable	(193,528)
(Increase) in other assets	(1,256)
(Decrease) in accounts payable and accrued liabilities	(274,967)
Increase in deferred revenue	590,290
Increase in amounts held in custody for others	111,811
Increase in compensated absences	67,322
Increase in other liabilities	2,426
Net Cash Used by Operating Activities	($46,363,720)

(Concluded)

See accompanying notes and accountant's report.

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Louisiana Tech University Foundation, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Change in net assets	$4,136,580
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,011,401
Transfer of fixed assets	78,050
Net unrealized (gain) on long-term investments	(978,662)
Realized (gain) on sale of investments	(316,919)
(Increase) decrease in assets:	
Accounts receivable	(477,764)
Contributions receivable, net	(147,934)
Accrued interest receivable	3,080
Other assets	(12,658)
Increase (decrease) in liabilities:	
Accounts payable	85,651
Accrued interest payable	(6,520)
Annuities liability	32,218
Deferred revenue	(106,903)
Deferred compensation	77,323
Contributions restricted for long-term investment	(3,311,269)
Net cash provided by operating activities	65,674
Cash flows from investing activities:	
Purchases of fixed assets	(1,677,663)
Purchases of investments	(4,610,702)
Proceeds on sale of fixed assets	91,017
Proceeds on sale of investments	1,217,210
Increase in due to Louisiana Tech University	625,463
Net cash used by investing activities	(4,354,675)

(Continued)

See accompanying notes and accountant's report.

LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Louisiana Tech University Foundation, Inc.
Statement of Cash Flows, 2007

Cash flows from financing activities:	
Contributions restricted for investment in endowment	$3,311,269
Payments of notes payable	(75,000)
Payments of bonds payable	(401,584)
Decrease in payable-land purchase	(920,000)
Net cash provided by financing activities	1,914,685
Decrease in cash and cash equivalents	(2,374,316)
Cash and cash equivalents - beginning of year	6,248,983
Cash and cash equivalents - end of year	$3,874,667

See accompanying notes and accountant's report.

INTRODUCTION

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

The university is located in Ruston, Louisiana. The university offers associate, baccalaureate, and selected masters, specialists, and doctorate degrees in various academic areas. Net enrollment at the university was 4,305; 11,203; 9,329; and 8,925, respectively, during the summer, fall, winter, and spring quarters of fiscal year 2007. At June 30, 2007, the university has approximately 1,258 full-time faculty and staff members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the Codification of Governmental Accounting and Financial Reporting Standards, published by the GASB. The accompanying financial statements have been prepared in accordance with such principles. The university has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board statements.

B. REPORTING ENTITY

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

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

The Innovative Student Facilities, Inc., is a Louisiana nonprofit corporation created on March 26, 2002. The purpose of the organization is to promote, assist, and benefit the mission of the university primarily through the development and construction of student housing facilities. Since its inception, the corporation developed plans, sold $21,840,000 of revenue bonds, and constructed 162 new student apartment style housing units. The proceeds from the student housing will be used to repay the bonds and maintain the facilities. Although the facility corporation is legally separate, it is considered a blended component unit of the university because it is fiscally dependent on the university.

Other external auditors audited the Innovative Student Facilities, Inc., for the years ended June 30, 2007 and 2006. To obtain a copy of the audit report, write to:

Innovative Student Facilities, Inc.,
c/o Dr. Jim King
Post Office Box 3164
Ruston, Louisiana 71272

The Louisiana Tech University Foundation, Inc., (Foundation) is being included as a discretely presented component unit of the university in the university's financial statements, in accordance with the criteria outlined in paragraph 40a of GASB Statement 14, as amended by GASB Statement 39. The Foundation is a legally separate, tax-exempt organization supporting the university. The Foundation was organized to solicit, receive, hold, invest, and transfer funds for the benefit of the university. In addition, the Foundation assists the university in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. The university and the Foundation are also in a management agreement related to endowed chairs and professorships. This agreement is in compliance with the Board of Regents policy and allows the Foundation to manage funds on behalf of the university.

Other external auditors audited the Louisiana Tech University Foundation, Inc., for the years ended June 30, 2007 and 2006. To obtain a copy of the audit reports, write to:

Louisiana Tech University Foundation, Inc.
Post Office Box 3183
Ruston, Louisiana 71272

C. BASIS OF ACCOUNTING

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

D. BUDGET PRACTICES

The appropriation made for the General Fund of the university is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. 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 in the General Fund are recorded as expenditures at the time of purchase.

The budget amounts for fiscal year 2007 include the original approved budget and subsequent amendments approved as follows:

Original approved budget	$87,807,674
Amendments:	
State General Fund	1,513,746
Self-generated	327,517
Final budget	$89,648,937

The other funds of the university, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and money market funds. Under state law, the university may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the university may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash equivalents reported on the Statement of Net Assets include all negotiable certificates of deposit, regardless of maturity.

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

F. INVENTORIES

Inventories are valued at cost or replacement cost. The university uses periodic and perpetual inventory systems and values its various inventories using the first-in, first-out and weighted-average valuation methods. The university accounts for its inventories using the consumption method.

G RESTRICTED CASH AND INVESTMENTS

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

H. CAPITAL ASSETS

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

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; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities of the plant fund whose liquidation is not expected to require the use of existing current assets.

L. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The university provides certain continuing health care and life insurance benefits for its retired employees. The university 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 university's total investment in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.

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

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

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

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

N. CLASSIFICATION OF REVENUES

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

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

(b) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, 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 goods and services provided by the university and the amount that is paid by students and/or third parties making payments on the student's behalf.

P. ELIMINATING INTERFUND ACTIVITY

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

Q. ADOPTION OF NEW ACCOUNTING PRINCIPLE

For the year ended June 30, 2007, the university implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* The implementation of this new accounting standard had no significant impact on the reported amounts of capital assets, net assets, or changes in net assets.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Foundation was organized to solicit, receive, hold, invest, and transfer funds for the benefit of the university. In addition, the Foundation assists the university in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. The university and the Foundation are also in a management agreement related to endowed chairs and professorships. This agreement is in compliance with the Board of Regents policy and allows the Foundation to manage funds on behalf of the university.

B. BASIS OF FINANCIAL STATEMENTS

The Foundation maintains its accounts in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets and revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. However, these assets may be designated by management for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time. This classification includes gifts, annuities, and unconditional promises to give for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all of, or part of, the income earned on the related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

C. NET ASSETS RELEASED FROM RESTRICTIONS

Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

D. CONTRIBUTIONS

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

E. INVESTMENT INCOME

Income and realized and unrealized net gains on investments of endowment and similar funds are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund

- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income

- Increases in unrestricted net assets in all other cases

F. TEMPORARILY RESTRICTED NET ASSETS

With respect to temporarily restricted net assets, the Foundation has adopted the following accounting policies:

Contributions with Restrictions Met in the Same Year - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of temporarily restricted net assets, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Release of Restrictions on Net Assets for Acquisition of Land, Building, and Equipment - Contributions of land, building, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, building, and equipment without such donor stipulations concerning the use of such long-lived assets are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

G. CASH AND CASH EQUIVALENTS

Cash and cash equivalents principally include cash and money market investments not held by trustees. For purposes of the cash flow statement, all highly liquid instruments with original maturities of three months or less are considered cash equivalents.

H. IN-KIND GIFTS

Gifts of investments, real estate, and other property contributed to the Foundation are recorded at estimated fair value at date of contribution.

I ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from outside parties. Management evaluates the collectibility and aging of those accounts receivable in determining the need for an allowance for doubtful accounts.

J. INVESTMENTS

Investments in market securities with readily determinable fair values are stated at fair value. Realized gains or losses on sales of investment securities are based upon the cost of the specific security sold. Unrealized gains and losses are included in the changes in net assets.

K. DEPRECIATION

Depreciation is provided on the straight-line method based on the estimated useful lives of the depreciable assets which range from two to 30 years.

L. TAX STATUS

The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made; however, should the Foundation engage in activities unrelated to its exempt purpose, taxable income could result. The Foundation had no material unrelated business income for the fiscal year ended June 30, 2007.

M. FUNDS FUNCTIONING AS ENDOWMENT

The Foundation has designated funds for which the income earned is designated for specific uses. Because there is no donor-imposed restriction, these funds are classified as unrestricted net assets; however, the Foundation restricts the use of the funds in the same manner as a donor would by creating an endowment.

N. USE OF ESTIMATES

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

2. CASH AND CASH EQUIVALENTS

At June 30, 2007, the university has cash and cash equivalents (book balances) of $22,908,682 as follows:

Petty cash	$63,290
Demand deposits	80,332
Interest-bearing demand deposits	18,180,742
Money market accounts	4,579,379
Certificates of deposit	4,939
Total	$22,908,682

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

Current assets	$15,960,936
Noncurrent assets	6,947,746
Total	$22,908,682

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

As of June 30, 2007, $2,554,751 of the university's total bank balance of $24,660,494 was uninsured and collateralized with securities held by pledging institutions and therefore exposed to custodial credit risk. The $2,554,751 consists of money market funds belonging to Innovative Student Facilities, Inc.

3. INVESTMENTS

At June 30, 2007, the university has investments totaling $30,167,539.

The university follows state law (R.S. 49:327) as applicable to institutions of higher education in establishing investment policy. State law authorizes the university to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds.

A summary of the university's investments follows:

	Investment Maturities in Years				
	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Percentage of Investments
Type of investment:					
Common and preferred stock	$31,981	$31,981			0.10%
Money market mutual funds	12,316	12,316			0.04%
Diamonds	8,239				0.03%
Investments held by private foundations in external investment pools	30,115,003				99.83%
Total investments	$30,167,539	$44,297	NONE	NONE	100.00%

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to institutions of higher education does not address interest rate risk. The university does not have policies to limit concentration of credit risk or interest rate risk.

The university's investments are reported at fair value as required by GASB Statement No. 31. Investments held by the Foundation are in an external investment pool and managed in accordance with the terms outlined in management agreement executed between the university and the foundation. The university is a voluntary participant in the agreement. At June 30, 2007, external pool investments total $30,115,003 and are not categorized.

FOUNDATION INVESTMENTS

The Foundation's investments totaling $53,118,004, as shown on the Statement of Financial Position (Statement B), are reported under FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations,* which does not require the disclosures of GASB Statement No. 40.

A summary of the fair value of investments held by the Foundation at June 30, 2007, follows:

Held by investment custodians:	
Cash and cash equivalents	$2,704,152
Certificates of deposit	951,824
Mutual funds	19,350,911
Government obligations and corporate bonds	13,133,982
Common stocks	12,080,673
Real estate held by Foundation	4,848,892
Accrued interest included in restricted investments	47,570
Total investments	$53,118,004

4. ACCOUNTS RECEIVABLE

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

Type	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	$1,050,921	($139,594)	$911,327
Auxiliary enterprises	983,828	(38,006)	945,822
Contributions and gifts	333,673		333,673
Federal, state, and private grants and contracts	4,204,113		4,204,113
Federal and state appropriations	248,749		248,749
Other	292,062		292,062
Total	$7,113,346	($177,600)	$6,935,746

5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan Program. Restricted federal and state contributions and interest on the loans provide the funding for the Perkins Loan Program. This program provides for the cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. If loans are determined to be uncollectible and not eligible for reimbursement by the federal government, the loans can be written off and assigned to the U.S. Department of Education. These receivables are shown on the Statement of Net Assets, net of allowance for doubtful accounts. These receivables are composed of the following for the years ended June 30, 2007:

Type	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable (Net)	Noncurrent Portion
Federal Perkins Loans	$7,406,600	($280,568)	$7,126,032	$5,613,607

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2006	Transfers and Additions	Transfers and Retirements	Balance June 30, 2007
Capital assets not being depreciated:				
Land	$6,005,074	$12,528	($11,369)	$6,006,233
Construction-in-progress	5,813,823	5,110,843	(10,862,906)	61,760
Total capital assets not being depreciated	$11,818,897	$5,123,371	($10,874,275)	$6,067,993
Other capital assets:				
Land improvements	$2,555,330	$857,094		$3,412,424
Less accumulated depreciation	(1,484,469)	(145,067)		(1,629,536)
Total land improvements	1,070,861	712,027	NONE	1,782,888
Buildings	168,400,244	1,172,017	$10,485,048	180,057,309
Less accumulated depreciation	(84,095,803)	(3,961,230)	76,319	(87,980,714)
Total buildings	84,304,441	(2,789,213)	10,561,367	92,076,595
Equipment	29,716,259	2,487,229	(611,191)	31,592,297
Less accumulated depreciation	(19,836,476)	(2,215,889)	581,196	(21,471,169)
Total equipment	9,879,783	271,340	(29,995)	10,121,128
Library books	21,572,320	1,157,274	(14,115)	22,715,479
Less accumulated depreciation	(19,329,418)	(1,131,895)	14,115	(20,447,198)
Total library books	2,242,902	25,379	NONE	2,268,281
Total other capital assets	$97,497,987	($1,780,467)	$10,531,372	$106,248,892
Capital asset summary:				
Capital assets not being depreciated	$11,818,897	$5,123,371	($10,874,275)	$6,067,993
Other capital assets, at cost	222,244,153	5,673,614	9,859,742	237,777,509
Total cost of capital assets	234,063,050	10,796,985	(1,014,533)	243,845,502
Less accumulated depreciation	(124,746,166)	(7,454,081)	671,630	(131,528,617)
Capital assets, net	$109,316,884	$3,342,904	($342,903)	$112,316,885

FOUNDATION FIXED ASSETS

A summary of the Foundation's fixed assets at June 30, 2007, follows:

	Depreciable Lives	
Automobiles	2-3	$126,193
Furniture, fixtures, and equipment	3-10	4,058,549
Engineering equipment	3-10	666,682
Real estate and other		199,858
Leasehold improvements*	30	4,161,554
Construction-in-progress**		1,004,328
Subtotal		10,217,164
Less accumulated depreciation		(3,818,688)
Total		$6,398,476

Depreciation of $332,736 was recorded for the year ended June 30, 2007.

*Leasehold improvements consist of renovations to Tolliver Hall and the Ropp Center. Renovations were completed on April 1, 2004, and will be donated to the university at the time the bonds are paid. Amortization of leasehold improvements was $678,665 for the year ended June 30, 2007.

**Construction-in-progress consists of renovations to the CAB building and the engineering TTC building. Renovations should be completed in the fiscal year 2008.

7. PENSION PLANS

Plan Description. Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers Retirement System of Louisiana (TRSLA), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSLA is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer plan because the material portion of its activity is with one employer--the State of Louisiana. These plans provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after five years of service for TRSLA and 10 years of service for LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446, and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the university are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8.0% (TRSLA) and 7.5% (8.0% for LASERS employees hired after July 1, 2006) of covered salaries. In fiscal year 2007, the state contributed 15.8% of covered salaries to TRSLA and 19.1% of covered salaries to LASERS. The employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The employer contributions to TRSLA for the years ended June 30, 2007, 2006, and 2005 were $2,361,664; $2,227,990; and $2,237,193, respectively, and to LASERS for the years ended June 30, 2007, 2006, and 2005 were $2,347,917; $2,298,463; and $2,150,226, 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 TRSLA for ten 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 TRSLA and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the university are 15.8% of covered payroll for fiscal year 2007. The participant's contribution (8.0%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSLA pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSLA 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 TRSLA. 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 $3,476,796 and $1,773,166, respectively, for the year ended June 30, 2007.

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The university provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the university's employees become eligible for these benefits if they reach normal retirement age while working for the university. 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 university. The university recognizes the cost of providing these benefits to retirees (university's portion of premiums) as an expense when paid during the year. These retiree benefits for 583 retirees totaled $2,825,813 for the year ended June 30, 2007.

10. PAYABLES

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

Account Name	
Vendor payables	$1,909,384
Accrued salaries and payroll deductions	2,973,266
Other	45,614
Total	$4,928,264

11. DEFERRED REVENUES

The following is a summary of the deferred revenues:

Account Name	
Prepaid tuition and fees	$2,574,954
Prepaid athletic ticket sales	236,018
Grants and contracts	1,115,867
Other	411,104
Total	$4,337,943

12. COMPENSATED ABSENCES

At June 30, 2007, employees of the university have accumulated and vested annual and sick leave benefits of $2,674,596 and $784,240, respectively. These amounts were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

13. LEASE OBLIGATIONS

Operating Leases

The university's total rental expense for all operating leases is $517,380 for the year ended June 30, 2007.

The university's lease agreements have non-appropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period. Following are schedules by years of future minimum annual rental payments required under operating leases:

Nature of Operating Lease	2008	2009	2010	2011	2012	Total Minimum Payments Required
Equipment	$312,659	$302,275	$283,606	$23,634		$922,174
Land	78,772	4,623				83,395
Total	$391,431	$306,898	$283,606	$23,634	NONE	$1,005,569

Capital Leases

The university records items under capital leases as assets and obligations in the accompanying financial statements. The university's capital leases at June 30, 2007 consist of various equipment leases. The following are schedules of future minimum lease payments under these capital leases, together with the present value of minimum lease payments:

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

Lessor - Operating Lease

The leasing operations consist primarily of leasing property for the purposes of providing food services to students.

The following schedule provides an analysis of the university's investment in property on operating leases and property held for lease by major classes as of June 30, 2007:

	June 30, 2007		
	Cost	Accumulated Depreciation	Carrying Amount
Office space	$2,075,860	($1,200,813)	$875,047

The original lease agreement between Aramark and the university was amended effective July 1, 2005. The amended lease required Aramark to take responsibility for cleaning additional square footage in the food service area. In consideration for accepting the additional cleaning responsibilities Aramark's annual lease payment was reduced from $250,000 to $60,000. The following is a schedule by years of minimum future rentals on noncancelable operating lease as of June 30, 2007:

Nature of Operating Lease	2008	2009	Total Minimum Future Rentals
University - food service	$60,000	$60,000	$120,000

FOUNDATION LEASE OBLIGATIONS

Lease Agreement

During fiscal 2000, the university entered into a lease agreement with Aramark for Tolliver Hall and the Ropp Center in connection with providing food services on campus. As a condition of this agreement, the university required Aramark to enter into a sublease for the facilities with the Foundation. As a result, the Foundation entered into an agreement with Aramark to lease Tolliver Hall and the Ropp Center from Aramark for the purpose of renovating the structures. Upon completion, the sublease was terminated, and the improvements will be gifted back to the university by the Foundation once the bonds are paid in full. Notwithstanding the term of the lease agreement between the Foundation and Aramark, Aramark will pay the Foundation $500,000 per year for 10 years to defray the costs of constructing the improvements. No lease payments are required to be paid by the Foundation, but the Foundation is required to construct the improvements of Tolliver Hall and the Ropp Center in accordance with building standards satisfactory to Aramark and the university. For the year ended June 30, 2007, the annual payment of $500,000 has been recorded as temporarily restricted other revenue. Future minimum payments from Aramark are $500,000 annually for June 30, 2008, through June 30, 2009.

14. LONG-TERM LIABILITIES

The following is a summary of the university's bond and other long-term debt transactions for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Bonds, notes, and capital leases payable:					
Bonds payable	$35,180,548	$76,938	($1,724,592)	$33,532,894	$1,992,498
Notes payable	183,821		(107,218)	76,603	38,953
Capital lease obligations	1,299,328	240,000	(308,030)	1,231,298	327,920
Subtotal	36,663,697	316,938	(2,139,840)	34,840,795	2,359,371
Other liabilities - accrued					
Compensated absences payable	3,391,514	1,693,335	(1,626,013)	3,458,836	341,008
Amounts held in custody for others	476,021	116,925		592,946	
Subtotal	3,867,535	1,810,260	(1,626,013)	4,051,782	341,008
Total	$40,531,232	$2,127,198	($3,765,853)	$38,892,577	$2,700,379

Details of all debt outstanding for the year ending June 30, 2007, follows:

Bonds Payable, as of June 30, 2007

Issue	Date of Issue	Original Issue	Outstanding June 30, 2006	Issued (Redeemed)	Outstanding June 30, 2007	Maturities	Interest Rates	Interest Outstanding June 30, 2007
Academic Facilities Extension								
Use Revenue Bonds - Series B	July 1, 1972	$4,750,000	$2,125,000	($250,000)	$1,875,000	2012	5.9%-6.25%	$372,969
Revenue Refunding Bonds:								
Revenue Bonds - 2002 Series	July 1, 2002	5,920,000	5,450,000	(250,000)	5,200,000	2022	3.5%-4.9%	2,158,834
Innovative Student Facilities, Inc.:								
2003 Series Revenue Bonds	July 1, 2003	21,840,000	21,840,000	(245,000)	21,595,000	2034	2.00%-4.50%	16,138,100
Discount on 2003 Bonds amortize over life			(392,749)	14,547	(378,202)			
Revenue Refunding Bonds:								
2004 Series	September 30, 2004	7,225,000	6,275,000	(975,000)	5,300,000	2012	1.6%-3.12%	371,212
Premium on 2004 Bonds amortized over life			24,145	(4,592)	19,553			
Deferred Loss on Refunding of 1999 Bonds			(140,848)	62,391	(78,457)			
Total		$39,735,000	$35,180,548	($1,647,654)	$33,532,894			$19,041,115

Refunding of Bonds

In September 2004, the university, through the Board of Supervisors of the University of Louisiana System, issued $7,225,000 in non-taxable bonds. The purpose of the issue was to provide monies to refund all of the Revenue Fund Bonds, Series 1999, plus additional monies to cover the various costs of issuance including the cost of attorney fees, underwriter's discount, bond insurance premium, printing, and surety bond. To refund the Series 1999 Bonds, $7,029,722 was deposited into the refunding trust account along with interest earnings to pay the outstanding principal of $6,765,000; outstanding interest of $145,322; and a redemption premium of $119,400. The refunding resulted in extending the term of the bonds by three years, reducing the fiscal year 2005 debt service payments by $968,201, reduced the debt service payments by approximately $490,000 through fiscal year 2009, and achieved lower interest rates over the life of the issue. The outstanding principal and interest balance as of June 30, 2007, was $5,300,000 and $371,212, respectively.

The annual requirements to amortize the university's bonds outstanding at June 30, 2007, including interest of $19,041,115 are as follows:

	June 30, 2007		
	Principal	Interest	Total
2008	$1,795,000	$1,381,720	$3,176,720
2009	1,885,000	1,321,951	3,206,951
2010	1,965,000	1,259,533	3,224,533
2011	2,050,000	1,191,189	3,241,189
2012	2,145,000	1,116,026	3,261,026
2013	1,100,000	1,052,270	2,152,270
2014	785,000	1,013,485	1,798,485
2015-2019	4,765,000	4,520,698	9,285,698
2020-2025	6,510,000	3,815,218	10,325,218
2026-2030	5,545,000	1,866,938	7,411,938
2031-2034	5,425,000	502,087	5,927,087
Total	33,970,000	19,041,115	53,011,115
Unamortized discount	(378,202)		(378,202)
Unamortized premium	19,553		19,553
Unamortized deferred loss	(78,457)		(78,457)
Total	$33,532,894	$19,041,115	$52,574,009

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

Bond Issue	Reserves Available	Reserve Requirement	Excess
Academic Facilities Bonds	$478,662	$389,650	$89,012
Innovative Student Facilities Bonds	1,827,959	1,763,050	64,909
Revenue Refunding Bonds*	NONE	NONE	NONE
Total	$2,306,621	$2,152,700	$153,921

* As permitted by the Bond Resolution for the Revenue Refunding Bonds, Series 2004, the University of Louisiana System through Louisiana Tech University obtained a surety bond issued by an insurance company as a substitute for the reserve requirement for the bonds. The surety bond meets the definition as a “Reserve Fund Investment” and guarantees payment of principal and interest on the bonds when they are due in the event of nonpayment.

FOUNDATION BONDS PAYABLE

Bonds payable of the Foundation at June 30, 2007, are as follows:

Revenue bonds payable at 5.7%, due in quarterly installments through August 15, 2010	$1,473,828

In August 2000, the Foundation issued $3,791,183 in revenue bonds to fund renovations to Tolliver Hall and the Ropp Center as required under the lease agreement with Aramark described in note 13. The bonds were issued with a 10-year term at an interest rate of 5.7% and with payments of $125,000 due quarterly.

Maturities of the Foundation's revenue bonds, by year, at June 30, 2007, are as follows:

Year Ending June 30:	
2008	$424,969
2009	449,714
2010	475,901
2011	123,244
2012	NONE
Total	$1,473,828

Interest paid for the years ended June 30, 2007, on the revenue bond was $98,416. Amounts capitalized related to this interest for the year ended June 30, 2007, were $-0-.

Notes Payable as of June 30, 2007

Note	Date of Issue	Original Issue	Principal Outstanding June 30, 2007
Louisiana Tech University			
Canon IR 7105 Copier Machine (#1)	May 31, 2006	$65,167	$42,863
Canon IR 7105 Copier Machine (#2)	May 31, 2006	51,274	33,740
Total		$116,441	$76,603

The annual requirements to amortize the notes outstanding at June 30, 2007, are as follows:

	Principal	Interest	Total
Louisiana Tech University			
2008	$38,953	$3,266	$42,219
2009	37,650	1,051	38,701
Total	$76,603	$4,317	$80,920

FOUNDATION NOTES PAYABLE

Notes payable of the Foundation consist of the following at June 30, 2007:

Notes payable to bank at floating rate, secured by depository accounts, due March 2018	$1,050,000

Two notes payable to a bank originally issued for $750,000 each were issued to fund the improvements to the Louisiana Tech University Athletic Fieldhouse. These notes were refinanced in March of 2002, and again in March 2006. The interest rate for the new note is floating at 1% under the bank's Financial Corporation Commercial Base Rate - Daily (the Index). The rate for the note is 7.25% at June 30, 2007.

Under the terms of the note, the Foundation is required to comply with restrictive covenants related to its financial records, financial statements, insurance, and additional information.

Aggregate principal payments required on the note payable are as follows:

Year Ending June 30:	
2008	$75,000
2009	75,000
2010	75,000
2011	75,000
2012	75,000
2013 and thereafter	675,000
Total	$1,050,000

Interest paid for the year ended June 30, 2007, was $81,139.

Capital Lease Obligations

The university's capital lease obligations at June 30, 2007, for $1,231,298 are detailed in note 13.

Accrued Compensated Absences Payable

The university's accrued compensated absences payable at June 30, 2007, totaling $3,458,836 are detailed in note 12.

15. RESTRICTED NET ASSETS

The university has the following restricted net assets:

Nonexpendable - endowments	$32,171,403
Expendable:	
Restricted for use by donors	$2,697,566
Student loans	7,755,304
Plant projects	2,672,380
Total expendable	$13,125,250

16. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

Of the total net assets reported in the Statement of Net Assets for the year ended June 30, 2007, $2,185,838 is restricted by Louisiana Revised Statute 17:3351.1. Listed below are the net assets restricted by enabling legislation and the purpose of the restriction:

Student Technology Fee	$685,443
Vehicle Registraton Fee	274,386
Building Use Fees	1,226,009
Total restricted	$2,185,838

17. CONTINGENT LIABILITIES

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The university is involved in two lawsuits at June 30, 2007. The attorneys have estimated a potential liability of $22,500 relating to those lawsuits. This amount is not included in the accompanying financial statements. Furthermore, this does not include any lawsuits filed with the university system or the Office of Risk Management, the agency responsible for the state's risk management program.

18. FOUNDATIONS

As indicated previously, the accompanying financial statements include the accounts of the Foundation and the Innovative Student Facilities, Inc. These organizations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

The university contracted with its Foundation to invest the university's 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, 2007, the Foundation held in custody Endowed Chairs for Eminent Scholars and Endowed Professorship Program funds, totaling $30,115,003.

FOUNDATION DISCLOSURE

Transactions With the University

The university provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel. In addition, the university provides, without cost, certain other operating services associated with the Foundation. These services are valued at their actual cost to the university. For the year ended June 30, 2007, contributed personnel costs and operating services were determined to be $648,274 and $2,527, respectively. The amounts for these services have been reflected as contributed services revenue and corresponding general administrative services and fund-raising expenses in the accompanying financial statements.

For the year ended June 30, 2007, expenses totaling approximately $3,451,666 were paid directly to or for the benefit of the university.

Funds administered by the Foundation on behalf of the university are not commingled with funds belonging to the Foundation. Classified as amounts due to the university at June 30, 2007, is $30,115,003 related to certain endowed chairs and professorships matched by the State of Louisiana. Initially, the donor portion of these funds is recorded as contributions to the Foundation. Once the state matching is received, the donor portion is deducted from the permanently restricted, temporarily restricted, and unrestricted net assets of the Foundation and reflected as due to the university.

The Foundation has leases with the university to provide parking for the campus. For the year ended June 30, 2007, total lease income of $152,683 was received by the Foundation. Future minimum payments due from the university are as follows:

Year Ending June 30:	
2008	$73,549
2009	5,400
2010	NONE
2011	NONE
2012	NONE
Thereafter	NONE

Various other services and facilities are contributed to the Foundation, the values of which are not readily determinable and, therefore, are not reflected as contributions or expenses in the accompanying financial statements.

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 university.

The amount of on-behalf payments for salaries and fringe benefits included in the university's accompanying financial statements for the fiscal year ended June 30, 2007, total $401,184.

20. DEFERRED COMPENSATION PLAN

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

FOUNDATION

The Foundation provides additional compensation to the president of the university. Pursuant to an agreement between the Foundation and the president, such compensation is being deferred. The deferred compensation is deposited by the Foundation in a trust for the president's benefit. At January 1, 2005, the balance of the deferred compensation is paid to the president according to the terms of the agreement, and a new agreement became effective with generally the same terms as the old agreement. Total deferred compensation at June 30, 2007, was $167,968.

21. SUBSEQUENT EVENTS

The university has undertaken several significant projects, received additional state funding for capital projects, issued additional bonds and received enhanced state funding in base appropriations for the operation of the university. The state has appropriated $25 million for real estate acquisition, planning, and construction of its Research Park. In addition, the university has been appropriated $9.6 million for the replacement of the university's College of Business building.

On September 25, 2007, the university through Innovative Student Facilities, Inc., issued 30-year Residential Housing and Recreational Facilities Bonds for $51.67 million in a public offering as part of Phase Two of new student residential housing and expansion of the university's student recreational facilities. The planned housing units that are expected to be completed in June 2009 will consist of about 508 beds constructed at cost of approximately $27 million.

The Maxie Lamright Sports Center, constructed in 1980, will gain new swimming, diving and recreation pools, a wellness center, and other recreational amenities for students at a cost of approximately $15 million. The university will use approximately $3.2 million of its Auxiliary Fund balance to defease the last three years of its 2004 Revenue Refunding Bonds in connection with issuing its 2007 Residential Housing and Recreational Facilities Bonds. In addition, the university will receive $2.1 million as a Renovation and Replacement Fund as part of the sale of the 2007 bonds to be used for improvements to other existing auxiliary facilities.

The enrollment for fiscal year 2008 is expected to decrease primarily because of the increased admission standards and a decrease in the pool of high school graduates within the state.

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

December 13, 2007

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

We have reviewed the financial statements of Louisiana Tech University, as of and for the year ending June 30, 2007, and have issued our accountant's review report thereon dated December 13, 2007. Louisiana Tech University is a university within the University of Louisiana System, a component unit of the State of Louisiana. The university's accounts are an integral part of the University of Louisiana System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

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

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

In our prior management letter on Louisiana Tech University for the year ended June 30, 2005, we reported a finding relating to unlocated movable property. That finding has been resolved by management.

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

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upon to disclose errors, fraud, or illegal acts that may exist. However, during our review procedures, we noted no significant matters requiring recommendations to management concerning internal control, compliance, or operational efficiencies.

This management letter is intended solely for the information and use of Louisiana Tech University and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under state law, this letter is a public record.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

GE:WJR:THC:dl

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