

UNIVERSITY OF LOUISIANA SYSTEM  
A COMPONENT OF THE  
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT  
FOR THE YEAR ENDED JUNE 30, 2013  
ISSUED DECEMBER 18, 2013

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

December 3, 2013

## Independent Auditor's Report

**UNIVERSITY OF LOUISIANA SYSTEM**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the University of Louisiana System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Black and Gold Facilities, Inc.; Innovative Student Facilities, Inc.; Cowboy Facilities, Inc.; Nicholls State University Facilities Corporation; University Facilities, Inc.; Ragin' Cajun Facilities, Inc.; University of Louisiana at Monroe Facilities, Inc.; and University of New Orleans Research and Technology Foundation Inc., which are nonprofit corporations included as blended component units in the basic financial statements representing approximately 33.2% of total assets, 52.4% of total liabilities, 10.2% of net position, and 6.4% of total revenues. We also did not audit the financial statements of the University of Louisiana at Lafayette Foundation, Inc., and the University of New Orleans Foundation, which are discretely presented component units included in the basic financial statements of the System. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts reported for these component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Nicholls State University Facilities Corporation; University Facilities, Inc.; and University of Louisiana at Monroe Facilities, Inc., which were audited by other auditors, were audited in accordance with auditing standards generally accepted in the United States of America but not in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the System as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in note 1-B to the basic financial statements, the System implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and 34*, for the fiscal year ended June 30, 2013. Accordingly, the System has determined the University of New Orleans Research and Technology Foundation (Foundation) meets the criteria in GASB Statement No. 61 for inclusion as a blended component unit of the System. The Foundation has been removed as a discretely presented component unit and has been included as a blended component unit of the System. As discussed in note 16 to the basic financial statements, the effect of this change is an increase of \$71,843,174 in beginning net position for the System and a corresponding decrease of \$71,843,174 in beginning net assets for the discretely presented component units. These

changes affect the comparability of amounts reported for the year ended June 30, 2013, with amounts reported for the year ended June 30, 2012. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 12 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

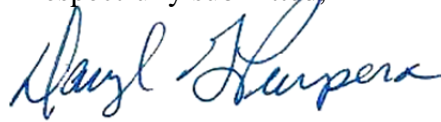
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying supplemental information schedules, including the Combining Schedule of Net Position; the Combining Schedule of Revenues, Expenses, and Changes in Net Position; and the Combining Schedule of Cash Flows, on pages 83 through 96, are presented for the purposes of additional analysis and are not required parts of the basic financial statements.

These schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Report Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## INTRODUCTION

This section of the University of Louisiana System's (System) annual financial report presents a discussion and analysis of the System's financial performance during the fiscal year that ended June 30, 2013. Please read this section in conjunction with the System's financial statements, which follows this section. The System is comprised of the following entities:

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

## FINANCIAL HIGHLIGHTS

The System's net position overall changed from \$1,105,957,088 (restated) to \$1,059,380,804, a 4.4% decrease from June 30, 2012, to June 30, 2013. The primary reason for this change is the increase in liabilities for Other Postemployment Benefits (OPEB) payable.

The System's operating revenues increased by approximately 6.7% to \$734,428,014 from June 30, 2012, to June 30, 2013, primarily from increases in revenues from tuition and fees and auxiliary enterprises. Operating expenses decreased by 1.4% to \$1,239,779,209 for the year ended June 30, 2013. The primary reason for this change is the continuation of cost-savings measures.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating appropriations, interest earnings/expense, and other nonoperating revenue. The change to \$438,060,364 in 2013 from \$464,338,694 in 2012 is primarily attributed to reductions in state



appropriations and increases in interest expense offset by increases in gifts, Pell Grant receipts, and investment income.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The Statement of Net Position (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 position and may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (pages 16-17) presents information showing how the System's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position 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 20-21) presents information showing how the System's cash changed as a result of current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by Governmental Accounting Standards Board Statement No. 34.

The System's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. 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 Position. All assets and liabilities associated with the operation of the System are included in the Statement of Net Position.

The System has two foundations that are discretely presented in its basic financial statements. The foundations reported are the (1) University of Louisiana at Lafayette Foundation, Inc., and (2) University of New Orleans Foundation. The financial data of each of these foundations are presented separately in the Statement of Financial Position (page 15) and the Statement of Activities (pages 18-19). Additional information about the foundations is contained in the notes to the financial statements.

**FINANCIAL ANALYSIS****Net Position**

The System's total net position at June 30, 2013, changed by approximately \$47 million, a 4.2% decrease over June 30, 2012, as restated (see Table A-1). Total assets decreased 1.2% to \$2.3 billion and total liabilities increased 1.4% to \$1.3 billion.

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

	2013	2012 (Restated)	Variance	Percent Variance
Current and other assets	\$843	\$897	\$54	(6.0%)
Capital assets	1,481	1,456	25	1.7%
Total assets	<u>2,324</u>	<u>2,353</u>	<u>(29)</u>	(1.2%)
Current liabilities	130	134	(4)	(3.0%)
Noncurrent liabilities	1,135	1,113	22	2.0%
Total liabilities	<u>1,265</u>	<u>1,247</u>	<u>18</u>	1.4%
Net position:				
Net investment in capital assets	923	905	18	2.0%
Restricted	384	386	(2)	(0.5%)
Unrestricted	<u>(248)</u>	<u>(185)</u>	<u>(63)</u>	34.1%
Total net position	<u><u>\$1,059</u></u>	<u><u>\$1,106</u></u>	<u><u>(\$47)</u></u>	(4.2%)

This schedule is prepared from the System's Statement of Net Position as shown on pages 13-14, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Significant statement of net position changes from 2012 include the following:

- Capital asset increased from current year additions and improvements offset by current year depreciation.
- Noncurrent liabilities increased from an increase in the OPEB payable.
- Net investment in capital assets increased from current year capital asset additions offset by increases in long-term debt associated with the acquisition of capital

assets and from reclassification adjustments between investment in capital assets and unrestricted net position.

- Unrestricted net position decreased from the increase in OPEB payable.

Net investment in capital assets consists 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 position represents those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net position represents assets that do not have any limitations on how these amounts may be spent.

### **Changes in Net Position**

The change in net position at June 30, 2013, is approximately \$47 million or 30.9% lower than at June 30, 2012, as restated. The changes in net position are detailed in Table A-2; education and general expenses are detailed in Table A-3.

The System's total operating revenues increased by 5.6% to approximately \$734 million and total operating expenses decreased 1.9% to approximately \$1.240 billion. These changes are the result of several factors, including the following:

- Increases in net tuition and fees
- Continuation of cost-savings measures

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

	2013	2012 (Restated)	Variance	Percent Variance
<b>Operating revenues:</b>				
Student tuition and fees, net	\$397	\$366	\$31	8.5%
Auxiliary	150	142	8	5.6%
Other	187	187	0	0.0%
<b>Total operating revenues</b>	<u>734</u>	<u>695</u>	<u>39</u>	5.6%
<b>Nonoperating revenues:</b>				
State appropriations	287	329	(42)	(12.8%)
Gifts	16	11	5	45.5%
Other	163	145	18	12.4%
<b>Total nonoperating revenues</b>	<u>466</u>	<u>485</u>	<u>(19)</u>	(3.9%)
<b>Total revenues</b>	<u>1,200</u>	<u>1,180</u>	<u>20</u>	1.7%
<b>Operating expenses:</b>				
Education and general	1,055	1,087	(32)	(2.9%)
Other	185	177	8	4.5%
<b>Total operating expenses</b>	<u>1,240</u>	<u>1,264</u>	<u>(24)</u>	(1.9%)
<b>Other nonoperating expenses, net</b>	<u>40</u>	<u>28</u>	<u>12</u>	42.9%
<b>Total expenses</b>	<u>1,280</u>	<u>1,292</u>	<u>(12)</u>	(0.9%)
<b>Income (loss) before other revenues</b>	(80)	(112)	32	(28.6%)
<b>Other revenues:</b>				
Capital appropriations	16	35	(19)	(54.3%)
Capital grants and gifts	13	7	6	85.7%
Additions to permanent endowments	4	2	2	100.0%
<b>Change in net position</b>	(47)	(68)	21	(30.9%)
<b>Net position, beginning of the year (restated)</b>	<u>1,106</u>	<u>1,174</u>	<u>(68)</u>	(5.8%)
<b>Total net position</b>	<u>\$1,059</u>	<u>\$1,106</u>	<u>(\$47)</u>	(4.2%)

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

	2013	2012	Variance	Percent Variance
Instruction	\$373	\$390	(\$17)	(4.4%)
Research	106	105	1	1.0%
Public service	31	35	(4)	(11.4%)
Academic support	85	89	(4)	(4.5%)
Student services	75	77	(2)	(2.6%)
Institutional support	121	123	(2)	(1.6%)
Operations and plant maintenance	100	103	(3)	(2.9%)
Depreciation	77	70	7	10.0%
Scholarships and fellowships	87	95	(8)	(8.4%)
<b>Total</b>	<b>\$1,055</b>	<b>\$1,087</b>	<b>(\$32)</b>	<b>(2.9%)</b>

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2013 and 2012, the System's cost of capital assets totaled approximately \$2.8 billion and \$2.7 billion, respectively, as restated. Net of accumulated depreciation, the System's capital assets at June 30, 2013, total approximately \$1.5 billion. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$25 million or 1.7% over June 30, 2012. The increases were primarily in construction of buildings financed through long-term obligations, purchases of equipment, and current year depreciation.

### Debt Administration

The System had outstanding bonds totaling \$657,155,000, exclusive of bond discounts and premiums at June 30, 2013, compared to \$672,750,000 at June 30, 2012, as restated.

Bond activity during the fiscal year ended June 30, 2013, follows:

- Louisiana Tech University issued bonds totaling \$3,975,000 and \$19,065,000 to refund the Series 2002 power plant revenue bonds and the Series 2003 Louisiana Local Government Environmental Facilities and Community Development Authority revenue bonds, respectively.

- The University of Louisiana at Lafayette, Ragin' Cajun Facilities, Inc., issued bonds totaling \$14,740,000 to refund the Series 2002 Lafayette Public Trust Financing Authority student housing and child care facilities bonds.
- The University of New Orleans (UNO), UNO Research and Technology Foundation issued bonds totaling \$9,700,000 to partially refund the Series 1998 revenue bonds.
- Principal payments totaled \$15,595,000.

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

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

- Changes in current enrollment
- Changes in tuition and fees
- Changes in state appropriations
- Significant new or additional capital appropriations

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

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

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Statement of Net Position  
June 30, 2013**

**ASSETS**

Current assets:

Cash and cash equivalents (note 2)	\$237,011,626
Investments (note 3)	36,736,089
Receivables, net (note 4)	73,732,898
Due from state treasury	719,731
Due from federal government (note 4)	12,259,646
Inventories	5,679,464
Deferred charges and prepaid expenses	5,886,873
Notes receivable, net	4,130,394
Other current assets	2,618,296
Total current assets	<u>378,775,017</u>

Noncurrent assets:

Restricted:

Cash and cash equivalents (notes 2 and 3)	142,603,869
Investments (note 3)	270,151,247
Receivables, net (note 4)	2,064,761
Notes receivable, net	28,102,869
Other	85,354
Investments (note 3)	668,569
Capital assets (net) (note 5)	1,481,305,094
Other noncurrent assets	20,187,308
Total noncurrent assets	<u>1,945,169,071</u>
Total assets	<u>2,323,944,088</u>

**LIABILITIES**

Current liabilities:

Accounts payable and accruals (note 6)	52,442,039
Deferred revenues	36,873,913
Compensated absences payable (notes 10 and 12)	4,573,360
Capital lease obligations (notes 11 and 12)	1,405,239

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM**  
**STATE OF LOUISIANA**  
**Statement of Net Position, June 2013**

**LIABILITIES (CONT.)**

## Current liabilities: (Cont.)

Amounts held in custody for others	\$6,071,615
Notes payable (note 12)	602,440
Contracts payable	302,259
Reimbursement contracts payable (note 12)	35,000
Bonds payable (note 12)	14,199,053
Other current liabilities	13,281,867
Total current liabilities	<u>129,786,785</u>

## Noncurrent liabilities:

Compensated absences payable (notes 10 and 12)	40,142,896
Capital lease obligations (notes 11 and 12)	8,801,066
Notes payable (note 12)	8,892,471
Other postemployment benefits payable (note 9)	434,743,186
Bonds payable (note 12)	641,807,640
Other noncurrent liabilities	389,240
Total noncurrent liabilities	<u>1,134,776,499</u>
Total liabilities	<u>1,264,563,284</u>

**NET POSITION**

Net investment in capital assets	923,188,725
Restricted:	
Nonexpendable (note 17)	183,022,469
Expendable (note 17)	201,509,841
Unrestricted	<u>(248,340,231)</u>
<b>Total net position</b>	<u><u>\$1,059,380,804</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.



**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**COMPONENT UNITS**

**Statement of Financial Position, June 30, 2013**

	University of Louisiana at Lafayette Foundation, Inc.	University of New Orleans Foundation*	Total Foundations
<b>ASSETS</b>			
Cash and cash equivalents (note 2)	\$10,813,746	\$6,608,959	\$17,422,705
Investments (note 3)	132,812,394	63,148,346	195,960,740
Receivables	1,140,898	507,256	1,648,154
Pledges receivable	3,474,811	5,063,009	8,537,820
Fixed assets, net (note 5)	11,390,892	11,877,864	23,268,756
Other assets	611,750	352,072	963,822
	<u>\$160,244,491</u>	<u>\$87,557,506</u>	<u>\$247,801,997</u>
<b>LIABILITIES</b>			
Accounts payable	\$431,639	\$2,231,745	\$2,663,384
Compensated absences payable		157,761	157,761
Amounts held in custody for others (note 12)	30,756,810	18,837,240	49,594,050
Bonds payable (note 12)	1,500,000	698,000	2,198,000
Notes payable (note 12)	467,421		467,421
Capital lease obligations (note 12)		475,441	475,441
Other liabilities	111,685	297,339	409,024
Total liabilities	<u>33,267,555</u>	<u>22,697,526</u>	<u>55,965,081</u>
<b>NET ASSETS</b>			
Unrestricted	3,205,179	13,383,400	16,588,579
Temporarily restricted (note 17)	43,361,066	22,318,821	65,679,887
Permanently restricted (note 17)	80,410,691	29,157,759	109,568,450
Total net assets	<u>126,976,936</u>	<u>64,859,980</u>	<u>191,836,916</u>
<b>Total liabilities and net assets</b>	<u>\$160,244,491</u>	<u>\$87,557,506</u>	<u>\$247,801,997</u>

\* As of December 31, 2012

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and  
Changes in Net Position  
For the Fiscal Year Ended June 30, 2013**

**OPERATING REVENUES**

Student tuition and fees (net of scholarship allowances of \$131,597,914)	\$397,683,014
Federal grants and contracts	69,022,555
State and local grants and contracts	42,215,646
Nongovernmental grants and contracts	30,115,133
Sales and services of educational departments	4,583,390
Auxiliary enterprise revenues (net of scholarship allowances of \$16,055,642 including revenues used as security for revenue bonds)	149,999,846
Other operating revenues	40,808,430
Total operating revenues	<u>734,428,014</u>

**OPERATING EXPENSES**

Educational and general:	
Instruction	373,222,112
Research	105,507,813
Public service	31,317,422
Academic support	84,815,486
Student services	75,035,526
Institutional support	121,472,246
Operations and maintenance of plant	99,748,337
Depreciation	77,114,915
Scholarships and fellowships	86,530,386
Auxiliary enterprises	171,331,285
Other operating expenses	13,683,681
Total operating expenses	<u>1,239,779,209</u>

**OPERATING LOSS** (505,351,195)

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Statement of Revenues, Expenses, and  
Changes in Net Position, June 2013**

<b>NONOPERATING REVENUES (Expenses)</b>	
State appropriations	\$286,948,153
Gifts	16,418,025
Federal nonoperating revenue	127,109,984
Federal - American Recovery and Reinvestment Act	343,479
Investment income, net	12,440,713
Interest expense	(28,032,715)
Payments to or on behalf of the university	12,000
Gain on sale/exchange of land	6,599,200
Other nonoperating revenues, net	16,221,525
Net nonoperating revenues	<u>438,060,364</u>
<b>LOSS BEFORE OTHER REVENUES AND EXPENSES</b>	<b>(67,290,831)</b>
Capital appropriations	15,956,052
Capital grants and gifts	12,813,870
Additions to permanent endowments	3,740,000
Other expenses, net	<u>(11,795,375)</u>
<b>CHANGE IN NET POSITION</b>	<b>(46,576,284)</b>
<b>NET POSITION - BEGINNING OF YEAR, Restated (note 16)</b>	<b><u>1,105,957,088</u></b>
<b>NET POSITION - END OF YEAR</b>	<b><u><u>\$1,059,380,804</u></u></b>

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**COMPONENT UNITS  
Statement of Activities  
For the Year Ended June 30, 2013**

	University of Louisiana at Lafayette Foundation, Inc.	University of New Orleans Foundation*	Total Foundations
<b>Changes in unrestricted net assets:</b>			
Contributions and contributed services	\$148,336	\$1,494,176	\$1,642,512
Grants		308,367	308,367
Interest and dividends	2,376		2,376
Realized (loss) on investments	(17,563)		(17,563)
Investment income		831,985	831,985
Service fees		2,070,206	2,070,206
Other income	551,460	703,540	1,255,000
Net assets released from restrictions:			
Satisfaction of purpose restrictions	9,487,449	4,261,033	13,748,482
Transfers between net asset classifications	(279,473)	(6,100)	(285,573)
Total unrestricted revenues and other support	<u>9,892,585</u>	<u>9,663,207</u>	<u>19,555,792</u>
Expenses - amounts paid to benefit			
University of Louisiana System for:			
Projects specified by donors	8,131,115		8,131,115
Fundraising	507,077		507,077
Program operations/services		4,975,302	4,975,302
Property operations		548,669	548,669
Total program expenses	<u>8,638,192</u>	<u>5,523,971</u>	<u>14,162,163</u>
Supporting services:			
Salaries and benefits	163,582	1,302,688	1,466,270
Insurance	78,948		78,948
Office operations	134,588	31,959	166,547
Travel	8,108	8,192	16,300
Professional services	174,533	544,032	718,565
Dues and subscriptions	1,711	32,794	34,505
Meetings and development	7,918	19,447	27,365
Investment management fee	354,495		354,495
Interest	92,301		92,301
Depreciation and amortization	278,211	460,114	738,325
Impairment loss		1,594,891	1,594,891

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
COMPONENT UNITS  
Statement of Activities, June 30, 2013**

	University of Louisiana at Lafayette Foundation, Inc.	University of New Orleans Foundation*	Total Foundations
Supporting services: (Cont.)			
Other	\$88,495	\$255,138	\$343,633
Total supporting services	<u>1,382,890</u>	<u>4,249,255</u>	<u>5,632,145</u>
 Total expenses	 <u>10,021,082</u>	 <u>9,773,226</u>	 <u>19,794,308</u>
 <b>Decrease in unrestricted net assets</b>	 <u>(128,497)</u>	 <u>(110,019)</u>	 <u>(238,516)</u>
 <b>Changes in temporarily restricted net assets:</b>			
Contributions	7,830,434	5,915,961	13,746,395
Investment earnings	2,123,450	3,798,572	5,922,022
Realized gain on investments	1,145,093		1,145,093
Unrealized gain on investments	7,519,798		7,519,798
Service fees		317,025	317,025
Other	570,975	14,460	585,435
Total temporarily restricted revenues	<u>19,189,750</u>	<u>10,046,018</u>	<u>29,235,768</u>
Net assets released from restrictions:			
Satisfaction of purpose restrictions	(9,487,449)	(4,261,033)	(13,748,482)
Transfers between net asset classifications	<u>(11,818,970)</u>	<u>488,100</u>	<u>(11,330,870)</u>
 <b>Increase (decrease) in temporarily restricted net assets</b>	 <u>(2,116,669)</u>	 <u>6,273,085</u>	 <u>4,156,416</u>
 <b>Changes in permanently restricted net assets:</b>			
Contributions	1,516,406	231,507	1,747,913
Investment earnings		5,204	5,204
Service fees		10,785	10,785
Other income	9,474		9,474
Net assets released from restrictions:			
Transfers between net asset classifications	<u>12,098,443</u>	<u>(482,000)</u>	<u>11,616,443</u>
 <b>Increase (decrease) in permanently restricted net assets</b>	 <u>13,624,323</u>	 <u>(234,504)</u>	 <u>13,389,819</u>
 <b>Increase in net assets</b>	 <u>11,379,157</u>	 <u>5,928,562</u>	 <u>17,307,719</u>
<b>Net assets at beginning of year, restated (note 16)</b>	<u>115,597,779</u>	<u>58,931,418</u>	<u>174,529,197</u>
 <b>Net assets at end of year</b>	 <u><u>\$126,976,936</u></u>	 <u><u>\$64,859,980</u></u>	 <u><u>\$191,836,916</u></u>

\*For the year ended December 31, 2012

(Concluded)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Tuition and fees	\$403,292,260
Grants and contracts	141,416,198
Sales and services of educational departments	5,038,336
Auxiliary enterprise receipts	146,115,312
Payments for employee compensation	(527,384,824)
Payments for benefits	(186,624,575)
Payments for utilities	(39,342,769)
Payments for supplies and services	(276,143,121)
Payments for scholarships and fellowships	(103,254,634)
Loans issued to students and employees	(6,510,602)
Collection of loans to students and employees	7,571,112
Other receipts	37,794,977
Net cash used by operating activities	<u>(398,032,330)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

State appropriations	302,719,736
Gifts and grants for other than capital purposes	18,588,826
Pell Grant receipts	126,240,544
Private gifts for endowment purposes	2,620,000
Taylor Opportunity Program for Students receipts	94,957,076
Taylor Opportunity Program for Students disbursements	(94,950,319)
Federal Emergency Management Agency receipts	652,022
Federal Emergency Management Agency disbursements	(674,840)
American Recovery and Reinvestment Act receipts	449,372
Direct lending receipts	328,426,450
Direct lending disbursements	(327,208,626)
Other receipts	7,005,215
Net cash provided by noncapital financing sources	<u>458,825,456</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:**

Proceeds from capital debt	48,161,949
Capital appropriations received	314,208
Capital grants and gifts received	5,358,121
Proceeds from the sale of capital assets	6,489,000
Purchases of capital assets	(84,193,431)
Principal paid on capital debt and leases	(49,735,484)
Interest paid on capital debt and leases	(28,348,821)
Deposit with trustees	(15,746,580)
Construction settlement	7,053,300
Other uses	(1,481,482)
Net cash used by capital financing activities	<u>(112,129,220)</u>

(Continued)

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA SYSTEM**  
**STATE OF LOUISIANA**  
**Statement of Cash Flows, 2013**

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from sales and maturities of investments	\$30,574,300
Interest received on investments	8,748,436
Purchase of investments	(16,456,823)
Net cash provided by investing activities	<u>22,865,913</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (28,470,181)

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, restated** 408,085,676

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$379,615,495

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:**

Operating loss	(\$505,351,195)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	77,114,915
Amortization of bond issuance costs	424,494
Loss on impairment	387,062
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(9,384,337)
Decrease in inventories	864,256
(Increase) in deferred charges and prepaid expenses	(244,289)
Decrease in notes receivable, net	1,525,943
Decrease in other assets	324,817
(Decrease) in accounts payable and accrued liabilities	(381,615)
(Decrease) in deferred revenue	(991,031)
Increase in amounts held in custody for others	326,140
(Decrease) in compensated absences	(323,364)
Increase in other postemployment benefits payable	38,443,308
(Decrease) in other liabilities	(767,434)
Net cash used by operating activities	<u><u>(\$398,032,330)</u></u>

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

Cash and cash equivalents classified as current assets	\$237,011,626
Cash and cash equivalents classified as noncurrent assets	<u>142,603,869</u>
Total cash and cash equivalents	<u><u>\$379,615,495</u></u>

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

Capital appropriations	\$15,645,434
Increase in fair market value of assets	5,135,711
Capital gifts and grants	7,455,749
Capital assets acquired through capital leases	645,897
Disposition of capital assets	(9,629,442)
Other	5,445,073

(Concluded)

The accompanying notes are an integral part of this statement.

# NOTES TO THE FINANCIAL STATEMENTS

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## INTRODUCTION

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

The System is comprised of nine universities in nine cities, which include Grambling State University at Grambling, Louisiana Tech University at Ruston, McNeese State University at Lake Charles, Nicholls State University at Thibodaux, Northwestern State University at Natchitoches, Southeastern Louisiana University at Hammond, University of Louisiana at Lafayette, University of Louisiana at Monroe, and University of New Orleans. The universities had approximately 92,189 students enrolled during the fall semester of the 2012/2013 academic year and employed approximately 9,694 employees.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. BASIS OF PRESENTATION

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

### B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The System is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters;



(3) the state issues bonds to finance certain construction; and (4) the universities within the System primarily serve state residents. The accompanying financial statements present information only as to the transactions of the programs of the System as authorized by Louisiana statutes and administrative regulations.

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

### **Blended Component Units**

The following are Louisiana nonprofit corporations that are considered blended component units of eight of the universities included in the System:

- Black and Gold Facilities, Inc., at Grambling State University
- Innovative Student Facilities, Inc., at Louisiana Tech University
- Cowboy Facilities, Inc., at McNeese State University
- NSU Facilities Corporation at Nicholls State University
- University Facilities, Inc., at Southeastern Louisiana University
- Ragin' Cajun Facilities, Inc., at the University of Louisiana at Lafayette
- University of Louisiana at Monroe Facilities, Inc., at the University of Louisiana at Monroe
- University of New Orleans Research and Technology Foundation, Inc., at the University of New Orleans

These component units are included in the reporting entity because they are fiscally dependent on the universities. The purpose of these organizations is to promote, assist, and benefit the mission of the universities through the acquisition, construction, development, management, leasing or otherwise assisting in the acquisition, construction, development, management, or leasing of student housing or other facilities on behalf of the universities. Although these facility corporations are legally separate, they are reported as a part of the System because the majority of their revenue comes from the leasing of facilities to the university.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and 34*, requires that if a component unit's total outstanding debt, including leases, is expected to be repaid entirely or almost entirely with the resources of its primary government, then that component unit shall be blended with its primary government. The University of New Orleans Research and Technology Foundation, Inc., which was a discretely

presented component of the System for the fiscal year ended June 30, 2012, meets the criteria established in GASB Statement No. 61 and has been blended with the System financial statements for the fiscal year ended June 30, 2013.

To obtain the corporations' latest audit reports, write to:

- Black and Gold Facilities, Inc., c/o Mr. Leon Sanders, Grambling State University, P.O. Box 605, Grambling, Louisiana 71245
- Innovative Student Facilities, Inc., c/o Mr. Joseph Thomas, Louisiana Tech University, P.O. Box 3178, Ruston, Louisiana 71209
- Cowboy Facilities, Inc., c/o Mr. Eddie Meche, McNeese State University, 4205 Ryan Street, Lake Charles, Louisiana 70609
- NSU Facilities Corporation, c/o Mr. Mike Naquin, Nicholls State University, P.O. Box 2003, Thibodaux, Louisiana 70310
- University Facilities, Inc., c/o Mr. Sam Domiano, Southeastern Louisiana University, SLU Box 10709, Hammond, Louisiana 70402
- Ragin' Cajun Facilities, Inc., c/o Mrs. Debbie Calais, University of Louisiana at Lafayette, P.O. Box 42651, Lafayette, Louisiana 70504
- University of Louisiana at Monroe Facilities, Inc., c/o Dr. William Graves, University of Louisiana at Monroe, 700 University Avenue, Monroe, Louisiana 71209
- University of New Orleans Research and Technology Foundation, Inc., c/o Dr. Gregg Lassen, University of New Orleans, 2000 Lakeshore Drive, New Orleans, Louisiana 70148

#### **Discretely Presented Component Units**

The following legally separate, tax-exempt organizations are reported within the System as discrete component units:

- University of Louisiana at Lafayette Foundation, Inc. (ULL Foundation)
- University of New Orleans Foundation (UNO Foundation)

These foundations act primarily as fund-raising organizations to supplement the resources that are available to their respective universities in support of their programs. Although the universities do not control the timing or amount of

receipts from their respective foundations, the majority of resources or income that the foundations hold and invest are restricted to the activities of the university by the donors. Because these restricted resources held by the foundations can only be used by or for the benefit of the universities, the foundations are considered component units of their respective universities and are discretely presented in the financial statements.

During the year ended June 30, 2013, the ULL Foundation and the UNO Foundation made distributions of \$8,131,115 and \$4,975,302, respectively, on behalf of their respective universities for unrestricted purposes.

To obtain the foundations' latest audit reports, write to:

- University of Louisiana at Lafayette Foundation, Inc., c/o Mrs. Debbie Calais, University of Louisiana at Lafayette, P.O. Box 42651, Lafayette, Louisiana 70504
- University of New Orleans Foundation, c/o Dr. Gregg Lassen, University of New Orleans, 2000 Lakeshore Drive, New Orleans, Louisiana 70148

The blended and discretely presented component units are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Accounting Standards Codification (ASC) §958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria, presentation, and disclosure requirements are different from GASB revenue recognition criteria and presentation features. With the exception of presentation adjustments, no modifications have been made to these component units' financial information in the System's report for these differences. Accordingly, the financial data of the discretely presented component units are shown on a statement of financial position and a statement of activities.

Every three years, in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14, the System evaluates whether discretely presented component units reported in prior financial statements continue to meet the Division of Administration, Office of Statewide Reporting and Accounting Policy's guidelines requiring their presentation in the System's financial statements. The University of Louisiana at Lafayette Foundation, Inc., and the University of New Orleans Foundation continue to meet the criteria for presentation in the System's financial statements.

### **C. BASIS OF ACCOUNTING**

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities. All activities of the System are accounted for within a single proprietary (enterprise) fund. Accordingly, the System's financial

statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-system transactions have been eliminated.

### **Discrete Component Unit**

The component units follow the provisions of FASB ASC §958 *Not-for-Profit Entities*, which establishes external financial reporting for not-for-profit organizations, and includes the financial statements and the classifications of resources into three separate classes of net assets as follows:

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

## **D. BUDGET PRACTICES**

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

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

Cash includes cash on hand (petty cash), demand deposits, and interest-bearing demand deposits. Cash equivalents include certificates of deposit and all highly liquid investments with a maturity of three months or less when purchased. Under state law, the System may deposit funds within a fiscal agent bank organized under the laws of the

State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the System may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash equivalents reported on the Statement of Net Position include all negotiable certificates of deposit, regardless of maturity.

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

#### **F. INVENTORIES**

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

#### **G. NONCURRENT RESTRICTED ASSETS**

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

#### **H. CAPITAL ASSETS**

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

for software with an acquisition cost of \$1,000,000 or more, and three to 10 years for internally generated software with development costs of \$1,000,000 or more.

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

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the classified employee's hourly rate of pay at termination or transfer.

#### **K. NONCURRENT LIABILITIES**

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

**L. NET POSITION**

The System's net position is classified as follows:

(1) Net Investment in Capital Assets

This represents the System's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to acquisition, construction, or improvement of those capital assets.

(2) Restricted Net Position - Expendable

Restricted expendable net position includes resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(3) Restricted Net Position - Nonexpendable

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

(4) Unrestricted Net Position

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

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

**M. CLASSIFICATION OF REVENUES AND EXPENSES**

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

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

- (b) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.
- (c) Operating expenses generally include transactions resulting from providing goods or services, such as (1) payment to vendors for goods or services; (2) payments to employees for services; and (3) payments for employee benefits.
- (d) Nonoperating expenses include transactions resulting from financing activities, capital acquisitions, and investing activities.

#### **N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES**

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

#### **O. USE OF ESTIMATES**

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

#### **P. ADOPTION OF NEW ACCOUNTING PRINCIPLES**

For the year ended June 30, 2013, the System implemented the following accounting standards:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, addresses issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of Statement No. 60 had no impact on the financial statements.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements 14 and 34*, modifies certain requirements for inclusion of component units in a government's financial statements. In addition, Statement No. 61 amends the requirement in GASB Statement No. 14 for determining and reporting major component units; clarifies the reporting of equity interests in legally separate organizations; and expands



note disclosures explaining the rationale for the classification of each component unit. The implementation of Statement No. 61 resulted in the reclassification of the University of New Orleans Research and Technology Foundation from a discretely presented component unit to a blended component unit and represents a change in the reporting entity.

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, codifies certain accounting and financial reporting guidance included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures that were issued on or before November 30, 1989, and do not conflict with current GASB pronouncements. The implementation of Statement No. 62 had no significant impact on the financial statements.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The implementation of Statement No. 63 primarily affected the replacement of the term "net assets" with "net position."

## 2. CASH AND CASH EQUIVALENTS

At June 30, 2013, the System has cash and cash equivalents (book balances) of \$379,615,495 as follows:

Petty cash	\$516,065
Demand deposits	281,113,625
Certificates of deposit	48,584,137
Money market funds	19,436,463
Short-term investments	3,711,392
Cash held in trustee accounts	23,378,901
Cash held in state treasury	<u>2,874,912</u>
Total	<u><u>\$379,615,495</u></u>

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

are held in the name of the System or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2013, \$70,161 of the System's bank balance of \$391,673,564 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Cash and cash equivalents of the component units totaling \$17,422,705, as shown on the Statement of Financial Position, are reported under FASB ASC §958, which does not require the disclosures of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

### **3. INVESTMENTS**

At June 30, 2013, the System has investments totaling \$309,282,744, which includes \$1,726,839 of short-term investments reported on the Statement of Net Position as restricted cash equivalents. Each university within the System follows state law (R.S. 49:327) as applicable to institutions of higher education in establishing investment policy. State law authorizes the System universities to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds. A summary of the System's investments follows:

<u>Type of Investment</u>	<u>Percentage of Investments</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
U.S. government securities:			
U.S. Treasury Notes <sup>4</sup>	0.10%		\$315,475
Federal Home Loan Mortgage Corporation <sup>1</sup>	0.26%	AA+	801,004
Federal National Mortgage Association <sup>1</sup>	0.03%	AA+	99,220
Federal Home Loan Bank <sup>1</sup>	0.05%	AA+	158,488
Federal Farm Credit Bank <sup>2</sup>	0.05%	AA+	143,536
Mutual funds:			
Money market mutual funds <sup>4</sup>	0.00%		2,112
Common and preferred stock <sup>3</sup>	2.05%		6,353,336
Corporate bonds and bond funds	0.24%	A1	749,458
Mutual funds <sup>4</sup>	3.41%		10,530,943
Louisiana Asset Management Pool <sup>2</sup>	0.56%	AAAm	1,726,839
Investments held by foundations (component units) <sup>3</sup>	65.07%		201,257,175
Other <sup>6</sup>	0.00%		8,239
Held by blended component units: <sup>3</sup>			
Black and Gold Facilities, Inc.	6.43%		19,888,323
NSU Facilities Corporation (Nicholls)	2.24%		6,936,868
University Facilities, Inc.	12.05%		37,255,639
Ragin' Cajun Facilities, Inc.	6.14%		18,991,677
UNO Research and Technology Foundation	1.32%		4,064,412
	<u>100.00%</u>		<u>\$309,282,744</u>

<sup>1</sup>Credit quality ratings obtained from Moody's Investor Service.

<sup>2</sup>Credit quality ratings obtained from Standard and Poor's.

<sup>3</sup>Credit quality ratings not required for these investments.

<sup>4</sup>Credit quality ratings not available.

<sup>5</sup>Credit quality ratings obtained from Morning Star.

<sup>6</sup>Not rated.

Type of Investment	Investment Maturities in Years					
	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	11-20 Years	Over 20 Years
U.S. government securities:						
U.S. Treasury Notes	\$315,475		\$315,475			
Federal Home Loan Mortgage Corporation	801,004	\$243,294	456,268	\$54,962	\$46,280	
Federal National Mortgage Association	99,220		97,524	1,065	631	
Federal Home Loan Bank	158,488			158,488		
Federal Farm Credit Bank	143,536			143,536		
Money market mutual funds	2,112					
Common and preferred stock	6,353,336					
Corporate bonds and bond funds	749,458	25,543	97,495	609,148	17,272	
Mutual funds	10,530,943					
Louisiana Asset Management Pool	1,726,839					
Other	8,239					
Investments held by foundations:						
Common and preferred stock	36,867,185					
U.S. Treasury Notes	8,739,858	236,439	4,011,132	4,264,889	135,997	\$91,400
Federal Home Loan Mortgage Corporation	4,557,775	357,032	1,177,002	650,994	1,829,307	543,441
Federal National Mortgage Association	5,708,006	20,957	1,616,896	1,080,928	1,549,801	1,417,656
Government National Mortgage Association	1,460,777		59,358	90,790	379,287	930,343
Federal Home Loan Bank	1,188,209	40,080	628,769	519,360		
Federal Farm Credit Bank	923,301		539,320	383,981		
Mutual funds	84,011,968	14,161,905				
Money market accounts	1,795,994	791,667				
Equity funds	12,448,234	10,092,859				
Corporate bonds/obligations	10,315,616	683,555	5,535,108	3,226,017	232,411	637,985
Certificates of deposit	3,736,012	3,906,012	642,087			
Fixed income securities	2,179,245	21,687	99,989	1,026,786	1,030,783	
Other	27,324,995	5,544,326	2,627,932	6,915	6,927	
Held by blended component units:						
Black and Gold Facilities, Inc.	19,888,323					
NSU Facilities Corporation (Nicholls)	6,936,868					
Ragin' Cajun Facilities, Inc.	37,255,639					
University Facilities, Inc.	18,991,677					
UNO Research and Technology Foundation	4,064,412					
Total	<u>\$309,282,744</u>	<u>\$36,125,356</u>	<u>\$17,904,355</u>	<u>\$12,217,859</u>	<u>\$5,228,696</u>	<u>\$3,620,825</u>

Investments held by private foundations in external investment pools are managed in accordance with the terms outlined in management agreements executed between the System universities and their respective foundations. The System universities are voluntary participants. This investment totaling \$201,257,175 has no credit quality rating. The foundations hold and manage funds received by the university as state matching funds for the Endowed Chairs and Endowed Professorship programs. Of the \$201,257,175 reported as investments held by foundations, the amounts held by its discretely presented component units total \$92,641,748.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the System's investments to U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds,

and money market funds. Individual System universities do not have policies to further limit credit risk.

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

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

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

#### **INVESTMENTS - COMPONENT UNITS**

The component units' investments totaling \$195,960,740, as shown on the Statement of Financial Position, are reported under FASB ASC §958, which does not require the disclosures of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The fair values of investments held by the component units at June 30, 2013, follow:

<u>Type of Investment</u>	University of Louisiana at Lafayette Foundation	University of New Orleans Foundation	Total Investments
Certificates of deposit	\$3,683,097		\$3,683,097
U.S. Treasury and agency bonds	8,305,354		8,305,354
Municipal and other government agency bonds	96,409		96,409
Fixed income bonds		\$13,859,282	13,859,282
Asset-backed securities	7,559,217		7,559,217
Commerical bonds	2,971,917		2,971,917
Stocks and equities	7,444,098	10,029,581	17,473,679
International stocks		2,495,063	2,495,063
Mutual and exchange traded funds	69,227,293	30,113,231	99,340,524
Real estate investment trusts		1,547,135	1,547,135
Hedge funds and alternative investments	33,525,009	5,104,054	38,629,063
Total	<u>\$132,812,394</u>	<u>\$63,148,346</u>	<u>\$195,960,740</u>

#### 4. RECEIVABLES

Receivables are shown on the Statement of Net Position, net of an allowance for doubtful accounts, at June 30, 2013. These receivables are composed of the following:

<u>Type</u>	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable	Restricted Noncurrent Portion
Student tuition and fees	\$40,023,455	(\$10,381,463)	\$29,641,992	\$571,727
Auxiliary enterprises	13,454,437	(1,765,912)	11,688,525	173,034
Contributions and gifts	2,832,656		2,832,656	1,320,000
Federal, state, and private grants and contracts	31,169,815	(395,747)	30,774,068	
Insurance recoveries	3,010,989		3,010,989	
American Recovery and Reinvestment Act	40,903		40,903	
Other	10,447,931	(379,759)	10,068,172	
Total	<u>\$100,980,186</u>	<u>(\$12,922,881)</u>	<u>\$88,057,305</u>	<u>\$2,064,761</u>

## 5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2013, follows:

### University of Louisiana System

	Balance July 1, 2012	Prior Period Adjustment	Restated Balance July 1, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Capital assets not being depreciated:							
Land	\$92,213,961		\$92,213,961	\$2,131,636		(\$44,892)	\$94,300,705
Land improvements	6,894,366	\$258,573	7,152,939				7,152,939
Capitalized collections	314,621		314,621				314,621
Livestock	52,650		52,650	5,150		(4,700)	53,100
Software development in progress	3,213,948		3,213,948	497,101			3,711,049
Construction-in-progress	95,374,912	2,312,019	97,686,931	61,003,942	(\$50,063,544)		108,627,329
Total assets not being depreciated	198,064,458	2,570,592	200,635,050	63,637,829	(50,063,544)	(49,592)	214,159,743
Capital assets being depreciated:							
Infrastructure	29,181,659		29,181,659				29,181,659
Land improvements	60,461,564	763,997	61,225,561	2,994,177	3,724,588		67,944,326
Buildings	1,846,917,263	92,944,825	1,939,862,088	27,198,730	45,464,554	(8,323,406)	2,004,201,966
Equipment (including library books)	443,388,192	16,844,668	460,232,860	18,281,022	874,402	(31,060,143)	448,328,141
Software (internally generated and purchased)	2,458,405		2,458,405				2,458,405
Total capital assets being depreciated	2,382,407,083	110,553,490	2,492,960,573	48,473,929	50,063,544	(39,383,549)	2,552,114,497
Less accumulated depreciation:							
Infrastructure	(8,186,679)		(8,186,679)	(710,227)			(8,896,906)
Land improvements	(31,299,441)	(204,062)	(31,503,503)	(2,706,149)			(34,209,652)
Buildings	(794,755,070)	(23,855,823)	(818,610,893)	(51,547,283)		7,199,498	(862,958,678)
Equipment	(359,914,505)	(15,920,587)	(375,835,092)	(22,275,143)		21,664,730	(376,445,505)
Software (internally generated and purchased)	(2,458,405)		(2,458,405)				(2,458,405)
Total accumulated depreciation	(1,196,614,100)	(39,980,472)	(1,236,594,572)	(77,238,802)	NONE	28,864,228	(1,284,969,146)
Total capital assets, net	\$1,383,857,441	\$73,143,610	\$1,457,001,051	\$34,872,956	NONE	(\$10,568,913)	\$1,481,305,094

The prior period adjustments represent the effects of the reclassification of the University of New Orleans Research and Technology Foundation, Inc., from a discretely presented component unit to a blended component unit and of corrections of errors in recorded capital assets from prior years as shown in note 16.

**Component Unit**

	Balance July 1, 2012	Prior Period Adjustment	Restated Balance July 1, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Capital assets not being depreciated:							
Real estate	\$2,681,135	(\$258,573)	\$2,422,562	\$167,800		(\$88,000)	\$2,502,362
Art and collectibles	2,824,598		2,824,598	89,022			2,913,620
Construction-in-progress	2,089,570	(1,927,818)	161,752	373,577	(\$19,654)		515,675
Total assets not being depreciated	7,595,303	(2,186,391)	5,408,912	630,399	(19,654)	(88,000)	5,931,657
Capital assets being depreciated:							
Buildings	118,408,442	(93,475,170)	24,933,272	476,859	19,654	(3,091,359)	22,338,426
Vehicles, furniture, and equipment	18,806,772	(17,119,358)	1,687,414	54,831		(504,749)	1,237,496
Total assets being depreciated	137,215,214	(110,594,528)	26,620,686	531,690	19,654	(3,596,108)	23,575,922
Less accumulated depreciation	(48,180,835)	40,676,441	(7,504,394)	(735,646)	NONE	2,001,217	(6,238,823)
Total capital assets, net	\$96,629,682	(\$72,104,478)	\$24,525,204	\$426,443	NONE	(\$1,682,891)	\$23,268,756

The capital asset disclosure for the discretely presented component units has been adjusted to reflect the classifications of the assets as presented in the audited financial statements of the discretely presented component units. Their financial statements have been prepared in accordance with FASB ASC §958. The disclosure requirements of FASB ASC §958 differ from those required for financial statements prepared in accordance with GASB requirements.

The prior period adjustments represent the effects of the reclassification of the University of New Orleans Research and Technology Foundation, Inc., from a discretely presented component unit to a blended component unit and of corrections of errors in recorded capital assets from prior years as shown in note 16.

Southeastern Louisiana University is the only university within the System that capitalizes its collections, which include various works of art and historical items, including sculptures, statues, portraits, murals, book collections, war artifacts, and maps.

Although not capitalized, the University of Louisiana at Lafayette maintains the Louisiana Room, the Rare Book Room, the University Archives and Acadiana Manuscripts Collection, the Creole and Cajun Music Collection, the University Records Management Program, the Microforms Room, and the Ernest J. Gaines Center. In addition, the University of Louisiana at Monroe maintains the Thomas Gilhula War Collection, the Friends of the Library of Louisiana Collection of parish histories, the James A. Noe Collection, the Otto E. Pressman Collection, an African Artifacts collection, a geosciences collection, an herbarium collection, and various artifacts in the Natural History Museum.

The System universities generally do not capitalize collections of works of art or historical treasures either because they do not have any or because they meet the following criteria for exclusion from capitalization in accordance with the requirements of GASB Statement No. 34:



(1) held for public exhibition, education, or research in furtherance of public service rather than financial gain; (2) protected, kept unencumbered, cared for, or preserved; and (3) subject to an organizational policy that requires the proceeds from sales of the items to be used to acquire other items for the collection.

## 6. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2013:

<u>Account Name</u>	
Vendor payables	\$20,925,918
Accrued salaries and payroll deductions	25,420,449
Accrued interest	2,664,629
Other	<u>3,431,043</u>
Total payables	<u><u>\$52,442,039</u></u>

## 7. PENSION PLANS

*Plan Description* - Substantially all employees of the System are members of three statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), classified/unclassified state employees are members of the Louisiana State Employees' Retirement System (LASERS), and the Louisiana School Employees' Retirement System (LSERS) includes noninstructional personnel of the Louisiana Public School System. TRSL and LSERS are cost-sharing, multiple-employer defined benefit pension plans, and LASERS is considered a single-employer defined benefit pension plan because the material portion of its activity is with one employer--the State of Louisiana. All three plans are administered by separate boards of trustees. 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 retirement systems; employee benefits vest with TRSL after five years of service and with LASERS and LSERS after 10 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information for the retirement systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446; the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600; and/or the Louisiana School Employees' Retirement System, Post Office Box 44516, Baton Rouge, Louisiana 70804-4516.

*Funding Policy* - The contribution requirements of plan members and the System are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in

R.S. 11:102. Employees contribute 8.0% (TRSL) and 7.5% (LASERS and LSERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, and July 1, 2010, contribute 8.0% to LASERS and LSERS, respectively. The state is required to contribute 24.4% of covered salaries to TRSL, 29.1% of covered salaries to LASERS, and 30.8% of covered salaries to LSERS for fiscal year 2013. The State of Louisiana, through the annual appropriation to the System, funds the System's employer contribution. The System's employer contributions to TRSL for the years ended June 30, 2013, 2012, and 2011 were \$41,789,347; \$41,590,024; and \$30,640,774, respectively, to LASERS for the years ended June 30, 2013, 2012, and 2011 were \$25,387,860; \$24,227,400; and \$19,868,818, respectively, and to LSERS for the years ended June 30, 2013, 2012, and 2011 were \$71,102; \$72,436; and \$32,830, 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 TRSL for five or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

Total contributions by the System are 24.4% of the covered payroll for fiscal year 2013. The participant's contribution (8.0%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the System. Benefits payable to participants are not the obligations of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled \$45,279,347 and \$14,389,930, respectively, for the year ended June 30, 2013.

## **9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The System provides certain continuing health care and life insurance benefits for its retired employees. Substantially, all System employees become eligible for these benefits if they reach normal retirement age while working for the System.

The System offers its employees the opportunity to participate in one of two medical coverage plans. One plan is from the state's Office of Group Benefits (OGB), which offers a life insurance plan, and the other plan is with the Louisiana State University (LSU) System Health Plan, which originally began as a pilot program within OGB. The LSU System Health Plan is offered only to employees at the University of New Orleans. GASB Statement No. 45 promulgates the accounting and financial reporting requirement by employers that offer other postemployment benefits (OPEB) besides pensions. Both of the medical coverage plans and the life insurance plan available would be subject to the provisions of this statement. Information about these two plans is presented below.

### **Plan Descriptions**

#### State OGB Plan

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

#### LSU System Health Plan

The System offers eligible University of New Orleans (UNO) employees and UNO retirees and their beneficiaries the opportunity to participate in comprehensive health and preventive care coverage under the LSU Health System Plan, which is administered by the LSU System, that gives members a unique, consumer-driven health care approach to pay routine health expenses and provides coverage for major health care expenses. Within the Health Plan, members have a choice of selecting Option 1 or Option 2. The LSU System Health Plan is defined as a single-employer defined benefit health care plan that is not administered as a trust or equivalent arrangement.

The LSU System selects claim and pharmaceutical administrators to administer the program through a formal request for proposal process.

The Health Plan does not issue a publicly available financial report, but it is included in the LSU System's audited financial statements.

## **Funding Policy**

### State OGB Plan

The contribution requirements of plan members and the System are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree health care based on a service schedule. Contribution amounts vary depending on what health care provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) Plan, and the Medical Home HMO Plan. OGB also offers the Consumer Driven Health Plan with a Health Savings Account option (CDHP-HSA) to active employees. OGB also offered the Regional HMO Plan for the first part of the fiscal year which ended December 31, 2012. Retired employees who have Medicare Part A and Part B coverage also have access to three OGB Medicare Advantage plans: the Peoples Health HMO-POS Plan, the Vantage HMO-POS Plan, and the Vantage Zero-Premium HMO-POS Plan. There is also a Health Exchange Plan which is not an OGB plan; however, OGB is partnering with Extend Health to offer access to multiple Medicare plans. There are no premiums to the state for the Vantage Zero-Premium HMO-POS Plan or the Health Exchange Plan. During calendar year 2012, OGB offered five Medicare Advantage plans: Humana HMO Plan, Peoples Health HMO-POS Plan, Vantage HMO-POS Plan, Humana PPO Plan, and United Healthcare PPO Plan.

Employees hired before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). Total annual per capita medical contribution rates for 2012-2013 are shown in the Premium Rates table that follows.

Employees hired on or after January 1, 2002, pay a percentage of the total contribution rate upon retirement based on the following schedule:

<u>Service</u>	<u>Employer Contribution Percentage</u>	<u>Employee Contribution Percentage</u>
Under 10 years	19%	81%
10 - 14 years	38%	62%
15 - 19 years	56%	44%
20+ years	75%	25%

LSU System Health Plan

While actuarially determined, the plan rates must be approved by OGB under R.S 42:851(B). Plan rates are in effect for one year and members have the opportunity to switch providers during the open enrollment period.

The plan is financed on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits. This expense includes all expected claims and related expenses and is offset by retiree contributions.

The following table shows the rates in effect at June 30, 2013.

	<u>LSU System Health Plan</u>		<u>State OGB Plans</u>			
	<u>Option 1</u>	<u>Option 2</u>	<u>PPO</u>	<u>HMO</u>	<u>Medical Home HMO Plan</u>	<u>CDHP Plan</u>
<u>Active</u>						
Single	\$575.92	\$505.10	\$575.92	\$544.12	\$536.28	\$447.08
With Spouse	1,105.76	964.74	1,223.28	1,155.56	1,122.20	949.56
With Children	702.40	640.44	702.40	663.56	650.96	545.44
Family	1,267.02	1,111.22	1,290.16	1,218.68	1,182.64	1,001.40
<u>Retired No Medicare and Re-employed Retiree</u>						
Single	\$1,071.48	\$1,013.88	\$1,071.48	\$1,015.48	\$984.56	N/A
With Spouse	1,833.28	1,780.46	1,892.04	1,793.08	1,727.36	N/A
With Children	1,193.48	1,124.36	1,193.48	1,131.20	1,095.08	N/A
Family	1,882.84	1,787.36	1,882.84	1,784.48	1,719.04	N/A
<u>*Retired with 1 Medicare</u>						
Single	\$340.00	\$293.96	\$348.44	\$335.96	\$330.36	N/A
With Spouse	1,207.00	1,043.56	1,287.40	1,227.80	1,180.04	N/A
With Children	603.08	581.26	603.08	577.92	560.76	N/A
Family	1,666.06	1,456.58	1,715.32	1,634.28	1,567.36	N/A
<u>*Retired with 2 Medicare</u>						
With Spouse	\$605.18	\$523.28	\$626.32	\$602.20	\$581.64	N/A
Family	775.48	704.38	775.48	745.60	716.64	N/A

\*All members who retire on or after July 1, 1997, must have Medicare Parts A and B to qualify for the reduced premium rates.

<u>Medicare Supplemental Rates</u>	<u>Calendar Year 2013</u>		<u>Calendar Year 2012</u>	
	<u>Retired with</u>		<u>Retired with</u>	
	<u>1 Medicare</u>	<u>2 Medicare</u>	<u>1 Medicare</u>	<u>2 Medicare</u>
Humana HMO			\$156.00	\$312.00
Humana PPO			150.00	300.00
People's Health HMO	\$234.00	\$468.00	167.00	334.00
Vantage HMO	184.48	368.96	279.02	558.02
United Healthcare PPO			213.78	427.54

OGB also provides eligible retirees and their spouses Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life, and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. Effective January 1, 2013, the total premium is approximately \$1 per thousand dollars of coverage of which the employer pays fifty percent for retirees. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and disability coverage ceasing at age 70 for retirees.

*Annual Other Postemployment Benefit Cost and Liability.* The System's annual required contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year, open amortization period has been used. The total ARC for fiscal year 2013 is \$64,188,636.

The following schedule presents the System's OPEB obligation for fiscal year 2013:

	State OGB Plan	LSU System Health Plan	Total
Beginning net OPEB obligations at July 1, 2012	\$388,108,706	\$8,191,173	\$396,299,879
Annual required contribution	60,545,700	3,642,936	64,188,636
Interest on net OPEB obligation	15,851,920	348,594	16,200,514
ARC adjustment	(15,143,100)	(295,061)	(15,438,161)
OPEB cost	61,254,520	3,696,469	64,950,989
Contributions made - current year retiree premiums	(25,745,422)	(762,260)	(26,507,682)
Increase in net OPEB obligation	35,509,098	2,934,209	38,443,307
Ending net OPEB obligation at June 30, 2013	\$423,617,804	\$11,125,382	\$434,743,186

The System's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2013, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$74,691,400	28.7%	\$315,195,625
June 30, 2012*	\$65,512,812	41.2%	\$396,299,879
June 30, 2013	\$64,950,989	40.8%	\$434,743,186

\* The fiscal year 2012 amounts include the costs and obligations related to employees of the University of New Orleans, which transferred to the University of Louisiana System in fiscal year 2012.

*Funded Status and Funding Progress.* During fiscal year 2013, neither the System nor the State of Louisiana made contributions to its postemployment benefits plan trust. A trust was established during fiscal year 2008, but was not funded at all, has no assets, and hence has a funded ratio of zero. Since the plan was not funded, the System's entire actuarial accrued liability of \$855,155,190 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2012, was as follows:

	State OGB Plan	LSU System Health Plan	Total
Actuarial accrued liability (AAL)	\$811,018,700	\$47,136,490	\$858,155,190
Actuarial value of plan assets	NONE	NONE	NONE
UAAL	<u>\$811,018,700</u>	<u>\$47,136,490</u>	<u>\$858,155,190</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%	0%
Covered payroll	\$325,761,902	\$19,443,326	\$345,205,228
UAAL as percentage of covered payroll	249%	242%	249%

### Actuarial Methods and Assumptions

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

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

The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's UAAL is being amortized as a level percentage of projected payroll over an open amortization period of 30 years. Annual per capita medical claims costs were updated to reflect an additional year of actual experience.

The OGB Plan AAL increased from the last actuarial valuation. Contributing to the increase were (1) a reduction in retiree contributions (the prior valuation anticipated an increase in retiree premiums); (2) election rates were applied for those expected to receive less than the full 75% subsidy from the state (the prior valuation assumed all employees with current medical coverage would elect to continue coverage when they retired - the current valuation assumes that retirees who are subsidized at lower levels will be less likely to elect postretirement medical coverage); (3) updates to trend rates; (4) updates to participant census information; (5) and improved Medicare eligibility tracking.

The LSU Health System Plan AAL increased since the last actuarial evaluation because of (1) additional benefit accrual by plan participants; (2) interest cost on the obligations; (3) payment of benefits to retired participants; and (4) updates to participant census information, Medicare eligibility updates, hospital transfers, and changes in actuarial valuation assumptions.

A summary of the actuarial assumptions is presented as follows:

	<u>State OGB Plan</u>	<u>LSU System Health Plan</u>
Actuarial valuation date	July 1, 2012	July 1, 2012
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level % of payroll	Level % of payroll
Amortization period	30 years, open	30 years, open
Asset valuation method	None	None
Actuarial assumptions:		
Discount rate	4%	4.25%
Projected salary increases	3%	4%
Health care inflation rate	6%-8%	8.5%
Health care inflation rate - ultimate	4.5%	5%

## 10. COMPENSATED ABSENCES

At June 30, 2013, employees of the System have accumulated and vested annual, sick, and compensatory leave of \$24,815,012; \$18,916,632; and \$984,612, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.



## 11. LEASE OBLIGATIONS

### Operating Leases

For the year ended June 30, 2013, the total rental expense for all operating leases is \$1,646,094. The following is a schedule by years of future minimum annual rental payments required under operating leases:

<u>Fiscal Year Ending June 30,</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Land</u>	<u>Other</u>	<u>Total Minimum Payments Required</u>
2014	\$869,305	\$479,374	\$13,226	\$173,209	\$1,535,114
2015	493,424	50,307	4,981	164,351	713,063
2016	407,780	41,112	5,070	166,686	620,648
2017	311,588	9,377	5,161	171,020	497,146
2018	251,022	9,377	5,254	175,571	441,224
2019-2023	1,167,455	46,885	27,725	473,333	1,715,398
2024-2028	1,167,455	46,885	30,312	400,000	1,644,652
2029-2033	10		33,140	400,000	433,150
2034-2038	10		36,232	400,000	436,242
2039-2043	10		39,612	400,000	439,622
Thereafter			164,457		164,457
Total	<u>\$4,668,059</u>	<u>\$683,317</u>	<u>\$365,170</u>	<u>\$2,924,170</u>	<u>\$8,640,716</u>

### Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. The System's capital leases at June 30, 2013, consist of various leases as follows:

<u>Nature of Lease</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Gross amount of leased assets (historical cost)	\$5,523,464	\$14,255,575	\$19,779,039
Remaining interest to end of lease	457,821	1,067,503	1,525,324
Remaining principal to end of lease	4,510,000	5,696,305	10,206,305

In accordance with GASB Statement No. 61, the UNO Research and Technology Foundation, Inc. (Foundation), which was a discretely presented component unit in the fiscal year ended June 30, 2012, has been classified as a blended component unit for the fiscal year ended June 30, 2013. In fiscal year 2012, the System's capital lease obligations included a facility lease between UNO and the Foundation for a Foundation constructed residence facility, Ponchartrain Hall. Because the Foundation has been blended for fiscal year 2013, the gross amount of the leased assets, remaining principal to the end of the lease, and remaining interest to the end of the lease totaling \$35,535,000; \$34,735,000; and \$32,813,900, respectively, have been eliminated.

The System's component unit foundations' capital leases at June 30, 2013, consist of:

<u>Nature of Lease</u>	<u>Equipment</u>
Gross amount of leased assets (historical cost)	\$963,388
Remaining interest to end of lease	73,744
Remaining principal to end of lease	475,441

The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments at June 30, 2013:

<u>Fiscal Year Ending June 30</u>	<u>System</u>	<u>Component Units</u>
2014	\$1,825,601	\$78,449
2015	1,825,418	78,449
2016	1,795,460	78,449
2017	1,768,952	78,449
2018	1,728,980	78,449
2019-2023	2,787,161	156,940
Total minimum lease payments	11,731,572	549,185
Less - amount representing executory costs	NONE	NONE
Net minimum lease payments	11,731,572	549,185
Less - amount representing interest	1,525,267	73,744
Present value of net minimum lease payments	<u>\$10,206,305</u>	<u>\$475,441</u>

### Lessor - Operating Leases

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

The following schedule provides an analysis of the System's investment in property on operating leases and property held for lease by major classes as of June 30, 2013:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	\$26,206,496	(\$13,860,680)	\$12,345,816
Buildings	21,310,202	(7,960,101)	13,350,101
Equipment	246,129	(62,339)	183,790
Land	3,647,177		3,647,177
Other	161,821	(122,348)	39,473
Total	<u>\$51,571,825</u>	<u>(\$22,005,468)</u>	<u>\$29,566,357</u>

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2013:

Fiscal Year Ending June 30	Office Space	Buildings	Land	Other	Total
2014	\$3,179,933	\$1,050,000	\$2,221	\$489,527	\$4,721,681
2015	2,301,294	950,000	2,221	420,000	3,673,515
2016	2,266,515	650,000	2,221	420,000	3,338,736
2017	2,288,562	650,000	2,221	420,000	3,360,783
2018	2,246,875	625,000		210,000	3,081,875
2019-2023	8,289,583	1,500,000			9,789,583
2024-2028	670,000	500,000			1,170,000
2029-2033		500,000			500,000
Thereafter		1,400,000			1,400,000
Total minimum future rentals	<u>\$21,242,762</u>	<u>\$7,825,000</u>	<u>\$8,884</u>	<u>\$1,959,527</u>	<u>\$31,036,173</u>

Minimum future rentals do not include contingent rentals that may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume or customer usage of services provided. Contingent rentals received from operating leases of office space and buildings for the year ended June 30, 2013, were \$765,129 and \$1,006,092, respectively.

## 12. LONG-TERM LIABILITIES

The following is a summary of bond and other long-term debt transactions of the System for the year ended June 30, 2013:

### University of Louisiana System

	Balance June 30, 2012	Adjustments	Balance June 30, 2012 Restated	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
<b>Bonds and notes payable:</b>							
Bonds payable	\$630,825,263	\$38,722,749	\$669,548,012	\$48,942,096	(\$62,483,415)	\$656,006,693	\$14,199,053
Notes payable	3,479,885	6,490,369	9,970,254		(475,343)	9,494,911	602,440
Total bonds and notes payable	<u>634,305,148</u>	<u>45,213,118</u>	<u>679,518,266</u>	<u>48,942,096</u>	<u>(62,958,758)</u>	<u>665,501,604</u>	<u>14,801,493</u>
<b>Other liabilities:</b>							
<b>Accrued compensated absences payable (note 10)</b>							
	45,039,620		45,039,620	10,818,299	(11,141,663)	44,716,256	4,573,360
Capital lease obligations (note 11)	46,043,753	(34,735,000)	11,308,753	345,138	(1,447,586)	10,206,305	1,405,239
Reimbursement contracts payable	65,000		65,000		(30,000)	35,000	35,000
OPEB payable (note 9)	396,299,879		396,299,879	64,950,989	(26,507,682)	434,743,186	
Total other liabilities	<u>487,448,252</u>	<u>(34,735,000)</u>	<u>452,713,252</u>	<u>76,114,426</u>	<u>(39,126,931)</u>	<u>489,700,747</u>	<u>6,013,599</u>
<b>Total</b>	<u>\$1,121,753,400</u>	<u>\$10,478,118</u>	<u>\$1,132,231,518</u>	<u>\$125,056,522</u>	<u>(\$102,085,689)</u>	<u>\$1,155,202,351</u>	<u>\$20,815,092</u>

### Component Units

	Balance June 30, 2012	Adjustments	Balance June 30, 2012 Restated	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
<b>Bonds and notes payable:</b>							
Bonds payable	\$41,512,865	(\$39,161,865)	\$2,351,000		(\$153,000)	\$2,198,000	\$161,000
Notes payable	6,973,848	(6,490,369)	483,479		(16,058)	467,421	18,217
Total bonds and notes payable	<u>48,486,713</u>	<u>(45,652,234)</u>	<u>2,834,479</u>	<u>NONE</u>	<u>(169,058)</u>	<u>2,665,421</u>	<u>179,217</u>
<b>Other liabilities:</b>							
<b>Accrued compensated absences payable (note 10)</b>							
	160,654	(160,654)					
Capital lease obligations (note 11)	524,833		524,833		(49,392)	475,441	54,801
<b>Amounts held in custody for others</b>							
	44,384,206	(65,912)	44,318,294	\$5,275,756		49,594,050	
Total other liabilities	<u>45,069,693</u>	<u>(226,566)</u>	<u>44,843,127</u>	<u>5,275,756</u>	<u>(49,392)</u>	<u>50,069,491</u>	<u>54,801</u>
<b>Total</b>	<u>\$93,556,406</u>	<u>(\$45,878,800)</u>	<u>\$47,677,606</u>	<u>\$5,275,756</u>	<u>(\$218,450)</u>	<u>\$52,734,912</u>	<u>\$234,018</u>

Details of all debt outstanding at June 30, 2013, are as follows:

**Bonds Payable - University of Louisiana System**

Issue	Date of Issue	Original Issue	Principal Outstanding June 30, 2012	Issued (Redeemed)	Principal Outstanding June 30, 2013	Maturities	Interest Rates	Interest Outstanding June 30, 2013
<b>Grambling State University</b>								
Black & Gold Facilities, Inc. (blended component unit):								
Louisiana Public Facilities Authority - Student Housing Revenue Bonds:								
Series 2006 A	October 24, 2006	\$55,705,000	\$55,705,000	(\$185,000)	\$55,520,000	2039	4%-5%	\$40,573,650
Series 2006 B	October 24, 2006	3,595,000	865,000	(865,000)				
Series 2006 C	December 28, 2006	5,700,000	5,330,000	(95,000)	5,235,000	2038	5.35%	4,753,480
Series 2007 A	December 5, 2007	39,330,000	39,330,000		39,330,000	2040	4%-4.25%	33,545,763
Series 2007 B	December 5, 2007	2,595,000	1,965,000	(445,000)	1,520,000	2016	5.72%	118,118
<b>Louisiana Tech University</b>								
Revenue Bonds - Power Plant Series 2002								
	July 1, 2002	5,920,000	3,820,000	(3,820,000)				
Revenue Refunding Bonds Series 2012 Innovative Student Facilities, Inc. (blended component unit):								
Louisiana Local Government Environmental Facilities and Community Development Authority:								
Student Housing and Related Facilities - Series 2003								
	July 1, 2003	21,840,000	19,945,000	(19,945,000)				
Student Housing and Recreational Facilities - Series 2007								
	September 26, 2007	51,670,000	50,020,000	(685,000)	49,335,000	2038	4.0%-5.25%	34,586,650
Student Housing and Related Refunding Bonds - Series 2013								
	June 6, 2013	19,065,000		19,065,000	19,065,000	2034	3.0%-5.0%	8,105,005
<b>McNeese State University</b>								
Field House - Series 2009								
	August 6, 2009	6,000,000	5,585,000	(220,000)	5,365,000	2029	3.93%	1,986,124
Cowboy Facilities, Inc. (blended component unit):								
Calcasieu Parish Trust Authority:								
University Scoreboard Project Bonds - Series 2005								
	April 1, 2005	1,900,000	700,000	(220,000)	480,000	2015	6.50%	47,450
University Student Lease Revenue Bonds - Series 2011								
	December 7, 2011	18,655,000	18,155,000	(595,000)	17,560,000	2033	2.0%-5.0%	9,389,925
Louisiana Local Government Environmental Facilities and Community Development Authority:								
University Student Parking Bonds - Series 2011								
	December 28, 2011	13,850,000	13,850,000	(150,000)	13,700,000	2042	2.0%-5.0%	11,725,560
<b>Nicholls State University</b>								
NSU Facilities Corporation (blended component unit):								
Louisiana Local Government Environmental Facilities and Community Development Authority:								
Streets and Parking Revenue Bonds - Series 2006 A								
	May 1, 2006	3,320,000	2,595,000	(135,000)	2,460,000	2026	4.76%	862,555
Cafeteria & Student Union Revenue Bonds - Series 2006 B								
	May 1, 2006	5,000,000	4,360,000	(120,000)	4,240,000	2031	6.69%	3,173,744
Student Revenue Housing - Series 2007A								
	August 23, 2007	17,680,000	15,665,000	(805,000)	14,860,000	2024	4.38%	4,073,884
Student Revenue Housing - Series 2007B								
	August 23, 2007	32,380,000	32,380,000		32,380,000	2039	4.49%	25,208,393
Student Self-Assessed Fees - Series 2010								
	December 1, 2010	10,860,000	10,860,000	(190,000)	10,670,000	2041	4.13%	9,129,099
<b>Northwestern State University</b>								
Wellness, Recreation, and Activity Center Bonds - Series 2011								
	October 25, 2011	4,500,000	4,230,000	(285,000)	3,945,000	2024	3.80%	955,130

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Issued (Redeemed)</u>	<u>Principal Outstanding June 30, 2013</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2013</u>
<b>Southeastern Louisiana University</b>								
Student Recreation and Activity Center Revenue Bonds - Series 2011 University Facilities, Inc. (blended component unit):	December 7, 2011	\$3,650,000	\$3,330,000	(\$380,000)	\$2,950,000	2020	2.0%-3.375%	\$375,711
Student Housing, Intermodal Parking and Stadium - Series 2004	August 13, 2004	76,910,000	70,795,000	(1,680,000)	69,115,000	2035	3.0%-5.0%	42,336,372
Intermodal Parking - Series 2007(A)	March 14, 2007	5,545,000	4,770,000	(170,000)	4,600,000	2031	4.2%-4.25%	2,048,248
Intermodal Parking - Series 2007(B)	March 14, 2007	2,490,000	330,000		330,000	2037	4.375%	312,156
Student Union - Series 2010	November 3, 2010	31,255,000	30,815,000	(600,000)	30,215,000	2041	0.80%-5.0%	23,945,851
<b>University of Louisiana at Lafayette</b>								
Ragin' Cajun Facilities, Inc. (blended component unit) - Lafayette Public Trust Financing Authority:								
Student Housing and Child Care Facilities - Series 2002	October 1, 2002	19,065,000	16,375,000	(16,375,000)				
Student Housing - Series 2009	April 14, 2009	12,500,000	12,440,000	(75,000)	12,365,000	2039	3.5%-6.0%	11,704,113
Student Union and University Facilities Project - Series 2010	November 15, 2010	22,200,000	21,850,000	(430,000)	21,420,000	2040	2.0%-5.0%	16,900,587
Housing and Parking Project - Series 2010	December 1, 2010	100,050,000	100,050,000		100,050,000	2041	2.0%-5.5%	96,338,758
Refunding Bonds Series 2012	October 30, 2012	14,740,000		14,740,000	14,740,000	2033	3.0%-5.0%	6,853,236
<b>University of Louisiana at Monroe</b>								
ULM Facilities, Inc. (blended component unit): Louisiana Local Government Environmental Facilities and Community Development Authority:								
Student Housing, Infirmary, and Student Center: Revenue Bonds Series 2004 A & A-T	June 30, 2004	35,210,000	33,365,000	(690,000)	32,675,000	2034	Variable	12,382,788
Revenue Bonds Series 2004 C & C-T	December 8, 2004	33,680,000	31,545,000	(1,755,000)	29,790,000	2035	Variable	12,478,870
Intermodal Transit Facility and Parking - Revenue Bonds Series 2006	November 7, 2006	1,500,000	845,000	(155,000)	690,000	2016	5.06%	71,851
Clarke Williams Student Center Renovation Project - Series 2007	October 25, 2007	2,045,000	1,790,000	(75,000)	1,715,000	2027	5.40%	784,215
<b>University of New Orleans</b>								
Housing Revenue Bonds of 1998	August 15, 1998	15,915,000	12,555,000	(9,730,000)	2,825,000	2031	3.9%-5%	2,335,375
Revenue Bonds of 2004 - Series A	June 17, 2004	9,440,000	2,160,000	(1,060,000)	1,100,000	2014	3%-4.125%	45,375
Revenue Bonds of 2004 - Series B	October 19, 2004	8,480,000	6,400,000	(350,000)	6,050,000	2026	3%-4.67%	1,988,838
Revenue Bonds - Series 2012	August 22, 2012	9,700,000		9,505,000	9,505,000	2028	3.0%	2,284,734
UNO Research and Technology Foundation*: Louisiana Public Facilities Authority Revenue Bonds Series 2006	August 6, 2006	38,500,000	37,975,000	(275,000)	37,700,000	2037	3.75%-5.25%	32,006,199
Total		766,415,000	672,750,000	(15,595,000)	657,155,000			\$453,812,387
Premiums/discounts, net			(3,949,737)	2,801,430	(1,148,307)			
Total		\$766,415,000	\$668,800,263	(\$12,793,570)	\$656,006,693			

\*Fiscal year ended December 31, 2012

## Component Units

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2012</u>	<u>Issued (Redeemed)</u>	<u>Outstanding June 30, 2013</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2013</u>
<b>University of Louisiana at Lafayette Foundation, Inc.</b>								
Lafayette Economic Development Authority	February 1, 2002	\$8,500,000	\$1,500,000		\$1,500,000	2016	4.50%	\$238,500
<b>University of New Orleans Foundation*</b>								
Film Studio Bond Debt - NIMS Center	August 1, 2001	2,000,000	851,000	(153,000)	698,000	2016	5.30%	37,464
Total		\$10,500,000	\$2,351,000	(\$153,000)	\$2,198,000			\$275,964

\*Fiscal year ended December 31, 2012

### Reimbursement Contracts Payable - University of Louisiana System

Issue	Date of Issue	Original Issue	Outstanding June 30, 2012	Issued (Redeemed)	Outstanding June 30, 2013	Maturities	Interest Rates	Interest Outstanding June 30, 2013
Northwestern State University General Obligation Bonds - Series 1993-B	February 1, 1993	\$460,000	\$65,000	(\$30,000)	\$35,000	2014	5.625%	\$984

The annual requirements to amortize all System bonds and reimbursement contracts outstanding at June 30, 2013, are as follows:

	Principal	Interest	Total
2014	\$14,250,000	\$28,625,084	\$42,875,084
2015	15,305,000	28,689,321	43,994,321
2016	16,880,000	28,095,713	44,975,713
2017	17,875,000	27,445,993	45,320,993
2018	18,610,000	26,772,505	45,382,505
2019-2023	106,650,000	121,332,206	227,982,206
2024-2028	126,965,000	95,779,895	222,744,895
2029-2033	152,600,000	63,880,317	216,480,317
2034-2038	135,770,000	28,960,119	164,730,119
2039-2043	52,285,000	4,232,218	56,517,218
Sub-total	657,190,000	453,813,371	1,111,003,371
Unamortized Discount/ Premium	(1,148,307)	NONE	(1,148,307)
Total	\$656,041,693	\$453,813,371	\$1,109,855,064

The annual requirements to amortize all component unit bonds outstanding at June 30, 2013, are as follows:

	Principal	Interest	Total
2014	\$161,000	\$82,109	\$243,109
2015	170,000	78,739	248,739
2016	879,000	75,181	954,181
2017	988,000	39,935	1,027,935
Total	\$2,198,000	\$275,964	\$2,473,964

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2013:

<u>Bond Issue</u>	<u>Reserves Available</u>	<u>Reserve Requirement</u>	<u>Excess/ (Deficiency)</u>
<b>Grambling State University</b>			
U.S. Department of Education Note	\$528,000	\$528,000	NONE
Revenue Bonds - Debt Service	7,233,451	7,136,785	\$96,666
Revenue Bonds - Maintenance	6,194,626	5,370,766	823,860
<b>Louisiana Tech University</b>			
Innovative Student Facilities, Inc., Revenue Bonds 2007	3,416,782	3,416,725	57
Innovative Student Facilities, Inc., Revenue Bonds 2013	684,484	684,484	NONE
<b>McNeese State University</b>			
McNeese State University Field House Project, Series 2009	442,621	437,286	5,335
Cowboy Facilities, Inc., Student Parking Bonds 2011	879,260	879,256	4
Cowboy Facilities, Inc., Student Lease Revenue Bonds 2011	1,356,535	1,356,513	22
<b>Nicholls State University</b>			
NSU Facilities, Inc., Revenue Bonds 2006, Series A and B	677,170	677,170	NONE
NSU Facilities, Inc., Revenue Bonds 2007, Series A and B	3,275,945	3,275,945	NONE
NSU Facilities, Inc., Revenue Bonds, Series 2010	689,750	689,750	NONE
<b>Northwestern State University</b>			
Reimbursement Contracts Payable - General Obligation Bonds, 1993-B	38,250	38,250	NONE
<b>Southeastern Louisiana University</b>			
University Facilities, Inc., (UFI) Revenue Bonds 2004	5,265,388	5,265,837	(449)
University Facilities, Inc., (UFI) Revenue Bonds 2007	482,969	482,969	NONE
University Facilities, Inc., (UFI) Revenue Bonds 2010A	1,579,096	1,578,569	527
University Facilities, Inc., (UFI) Revenue Bonds 2010B	358,660	358,540	120
<b>University of Louisiana at Lafayette</b>			
Ragin' Cajun Facilities, Inc., Project Series 2009	975,317	975,300	17
Ragin' Cajun Facilities, Inc., Student Union/University Facilities Project Series 2010	1,380,143	1,379,681	462
Ragin' Cajun Facilities, Inc., Housing and Parking Project Series 2010	6,846,914	6,845,625	1,289
<b>University of Louisiana at Monroe</b>			
ULM Facilities, Inc., Student Housing and Student Center Revenue Bonds 2004 A & B	1,120,610	1,120,465	145
ULM Facilities, Inc., Student Housing and Student Center Revenue Bonds 2004 C & C-T	1,021,652	1,021,535	117
ULM Facilities, Inc., Intermodel Transit Facility and Parking Project Revenue Bonds 2006	150,003	150,000	3
<b>University of New Orleans</b>			
UNO Research and Technology Foundation Student Housing Revenue Bonds - Series 2006	3,123,778	3,120,663	3,115
Total	<u>\$47,721,404</u>	<u>\$46,790,114</u>	<u>\$931,290</u>



## Notes Payable - University of Louisiana System

Note	Date of Issue	Original Issue	Outstanding June 30, 2012	Issued (Redeemed)	Outstanding June 30, 2013	Maturities	Interest Rates	Interest Outstanding June 30, 2013
<b>Grambling State University</b> U.S. Department of Education	May 1, 1993	\$3,500,000	\$1,718,069	(\$127,159)	\$1,590,910	2023	3.0%	\$275,507
<b>Nicholls State University</b> Bus	September 11, 2007	219,016	11,816	(11,816)				
<b>University of Louisiana at Monroe</b> Regions Bank - scoreboard	March 3, 2011	2,000,000	1,750,000	(200,000)	1,550,000	2016	4.6%	166,783
<b>University of New Orleans</b> UNO Research and Technology Foundation: LPFA	October 19, 1999	1,500,000	1,269,899	118,085	1,387,984	2014		
Whitney Bank	October 19, 1999	7,350,000	4,599,433	(198,585)	4,400,848	2016	6.5%	887,663
FNBC	December 23, 2009	1,162,521	621,037	(55,868)	565,169	2014	3.75%	38,715
Total		<u>\$15,731,537</u>	<u>\$9,970,254</u>	<u>(\$475,343)</u>	<u>\$9,494,911</u>			<u>\$1,368,668</u>

\*Fiscal year ended December 31, 2012

The System's component unit foundations had the following outstanding note payable at June 30, 2013.

Note	Date of Issue	Original Issue	Outstanding June 30, 2012	Issued (Redeemed)	Outstanding June 30, 2013	Maturities	Interest Rates	Interest Outstanding June 30, 2013
<b>University of Louisiana at Lafayette Foundation, Inc.</b> U.S. Department of Education	June 9, 2011	<u>\$500,000</u>	<u>\$483,479</u>	<u>(\$16,058)</u>	<u>\$467,421</u>	2016	4.75%	<u>\$61,191</u>

The annual requirements to amortize all notes outstanding for the System at June 30, 2013, including interest of \$1,368,668, are as follows:

	Principal	Interest	Total
2014	\$602,440	\$419,678	\$1,022,118
2015	2,457,857	389,651	2,847,508
2016	1,532,354	330,912	1,863,266
2017	3,859,597	115,689	3,975,286
2018	147,573	30,181	177,754
2019-2023	807,527	81,243	888,770
2024-2028	87,563	1,314	88,877
Total	<u>\$9,494,911</u>	<u>\$1,368,668</u>	<u>\$10,863,579</u>

The annual requirements to amortize notes outstanding for the component unit foundations at June 30, 2013, including interest of \$61,191, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$18,217	\$21,787	\$40,004
2015	17,760	20,960	38,720
2016	431,444	18,444	449,888
Total	<u>\$467,421</u>	<u>\$61,191</u>	<u>\$528,612</u>

### 13. REFUNDING OF BONDS

#### Louisiana Tech University

In October 2012, Louisiana Tech University issued \$3,975,000 Board of Supervisors for the University of Louisiana System Revenue Refunding Bonds Series 2012. The purpose of the issue was to refund the University Power Plant Series 2002 Revenue Bonds. Principal of the Series 2002 bonds on the refunding date totaled \$3,820,000 plus a redemption premium totaling \$38,200. The Series 2012 Bonds were issued under private placement for 10 years at a fixed rate of 2.05%. The difference between the cash flows required to service the Series 2002 bonds and the Series 2012 bonds over their 10-year life is a reduction of \$422,819, and the refunding resulted in an economic gain of \$385,463.

#### University of New Orleans

In August 2012, the University of New Orleans issued \$9,700,000 Board of Supervisors for the University of Louisiana System Revenue Refunding Bonds Series 2012. The purpose of the issue was to partially refund the Housing Revenue Bonds Series 1998. Principal and interest payments due for fiscal years 2029 through 2031 remain outstanding. The difference between the cash flows required to service the Series 1998 bonds and the Series 2012 bonds is a reduction of \$1,544,174, and the refunding resulted in an economic gain of \$1,217,157.

#### Facility Corporations

During the fiscal year ended June 30, 2013, Innovative Student Facilities, Inc., at Louisiana Tech University; Ragin' Cajun Facilities, Inc., at the University of Louisiana at Lafayette; and the University of New Orleans Research and Technology Foundation, Inc., entered into transactions to refund certain bonds as described below. These corporations are reported under FASB accounting standards, the requirements of which differ from the requirements of GASB for disclosures related to advance refunding of bonds.

#### *Louisiana Tech University*

In June 2013, the Louisiana Local Government Environmental Facility and Community Development Authority, Innovative Student Facilities, Inc., (ISF) issued \$19,065,000 of Revenue

Refunding Bonds Series 2013 plus a reoffering premium totaling \$637,632. The purpose of the issue was to refund the ISF Student Housing and Related Facilities Bonds Series 2003. Principal outstanding on the refunding date totaled \$19,520,000 plus a redemption premium totaling \$190,600. Net proceeds and debt reserves totaling \$19,559,645 and \$1,485,475, respectively, were deposited in escrow with the trustee to pay principal, redemption premium, and interest and to pay issuance costs. In addition, a new debt service reserve fund totaling \$684,484 was established.

The Student Housing and Related Facilities Bonds Series 2003 were paid in full in July 2013 and are considered defeased, and the liability for the bonds has been removed from the financial statements. The refunding resulted in cost savings of \$2,359,786 (\$1,752,306 net present value benefit) over the 21-year life of the new Series 2013 bonds. Of the debt considered legally defeased, \$19,065,000 is outstanding as of June 30, 2013.

#### *University of Louisiana at Lafayette*

In October 2012, the Lafayette Public Trust Financing Authority, Ragin' Cajun Facilities, Inc., (the corporation) issued \$14,740,000 of non-taxable refunding revenue bonds. The purpose of the issue was to refund the Student Housing and Child Care Facilities Revenue Bonds Series 2002. The balance of the debt service reserve totaling \$1,289,767 was combined with the Refunding Bonds Series 2012 proceeds and deposited with into an escrow fund created pursuant to an escrow agreement dated October 30, 2012, between the corporation, the Lafayette Public Trust Financing Authority, and the escrow trustee. The balance of the escrow account and interest earnings were used to refund the Series 2002 bonds.

The Refunding Bonds Series 2012 bonds were issued at a premium of \$818,273, and bond issuance costs and the underwriter's discount and bond insurance premium totaling \$110,550 and \$233,595, respectively, were paid from the bond proceeds. Additional issuance costs totaling \$176,337 were paid by the corporation. The refunding resulted in a loss of \$939,313 and included the write-off of unamortized bond issuance costs totaling \$354,439 and unamortized original discount totaling \$202,322 at the date of the refunding. The refunding reduced the total debt service payments by \$3,637,311 and resulted in an economic gain of \$2,615,000.

#### **14. INTEREST RATE SWAP AGREEMENTS**

The NSU Facilities Corporation (Nicholls) and University of Louisiana Monroe Facilities, Inc., are reported under FASB accounting standards, the requirements of which differ from the requirements of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*.

#### **NSU Facilities Corporation (Nicholls)**

The Louisiana Local Government Environmental Facilities and Community Development Authority (Authority) issued its \$32,380,000 Revenue Bonds (Nicholls State University Student Housing/NSU Facilities Corporation Project) Series 2007B Bonds (Bonds), the proceeds of

which were loaned to the NSU Facilities Corporation (Corporation). The Bonds were issued as variable rate securities and bear interest at the variable rate in effect from time to time. On December 16, 2010, the Bonds were converted to a different variable rate mode, from auction rate to a variable rate demand bond secured by the existing Assured Guaranty bond insurance with liquidity provided by a Regions Bank stand-by bond purchase agreement confirmed by a Federal Home Loan Bank-Atlanta letter of credit.

*Objective of the interest rate swap:* On August 15, 2007, to hedge interest rate exposure on the bonds at the request of the Corporation, the Authority entered into an interest rate swap (Swap) with Morgan Keegan Financial Products, Inc. (Provider). The Swap was amended on June 20, 2008, as more fully described in the Master Agreement, Schedule of the Master Agreement, Replacement Transaction Agreement, and Confirmation dated August 15, 2007 (Swap Documents). The Corporation is liable to the Authority to make swap payments and bond payments pursuant to the terms of the bond documents. Capitalized terms used herein but not defined shall have the meaning set forth in the Swap Documents.

*Terms:* Under the terms of the Swap since July 1, 2010, the Authority pays a fixed rate of 4.122%, and the Provider pays a rate equal to 70% of the London Interbank Offered Rate (LIBOR) beginning July 1, 2010, through June 1, 2039, as more fully described in the Swap Documents.

*Fair Value:* The fair value of the swap agreement as of June 30, 2013, which is not reported in the financial statements, was \$8,833,000 in favor of the Provider. The fair value was provided by Sisung Securities Corporation.

*Credit Risk:* Credit risk is the risk that the counterparty will not fulfill its obligations. At June 30, 2013, the Authority is not exposed to credit risk because the swap has a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Authority would be exposed to credit risk in the amount of the swap's fair value.

*Basis Risk:* Basis risk is the risk that arises when variable rates on a swap and the associated debt are based on different indexes. The interest rates for the Swap are based on LIBOR, and the interest rates for the bonds are based on the Securities Industry and Financial Markets Association Swap Index (SIFMA); therefore, the Authority is subject to basis risk.

*Termination Risk:* The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap agreement may be terminated if either party fails to make payment, when due, under the swap agreement; breaches the agreement; made or repeated or deemed to have made or repeated a misrepresentation; bankrupts; or merges without assumption or commits an illegality. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

*Rollover Risk:* Rollover risk is the risk that the swap does not extend to the maturity of the associated debt. The Authority is not exposed to rollover risk because the swap terminates in

conjunction with the maturity of the associated bond. The swap terminates on June 1, 2039, and the bonds mature on June 1, 2039.

*Interest Rate Risk:* Interest rate risk is the risk that the interest rate will change over some interval while the bonds are outstanding. The Authority has entered into this fixed rate swap agreement to mitigate interest rate risk associated with the underlying variable rate bonds.

### **University of Louisiana Monroe Facilities, Inc. (ULM Facilities)**

On October 31, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority (Authority) and Regions Bank entered into two interest rate swap agreements (Swap Agreements) on its Series 2004A and Series 2004C bonds. During the year ended June 30, 2010, the Authority and Regions Bank terminated the existing Swap Agreements and entered into four new Swap Agreements. The Swap Agreements are fixed rate swaps that are used to mitigate or eliminate the interest rate exposure of the variable rate bonds. The intention of the Swap Agreements was to effectively change the ULM Facilities variable interest rate on the bonds to a synthetic fixed rate. Each of the SWAP Agreements terminated on November 1, 2012. As a result of the termination of the Swap Agreements and the refinancing and restructuring of the Series 2004 bonds, a realized gain totaling \$841,445 was recognized in fiscal year 2013.

## **15. REVENUE USED AS SECURITY FOR REVENUE BONDS**

Pledged revenues are specific revenues that have been formally committed to directly collateralize or secure debt of the pledging government, or directly or indirectly collateralize or secure debt of a component unit. Pledged revenues must be disclosed for each period in which the secured debt remains outstanding and for each secured debt issued.

### **Louisiana Tech University**

#### Refunding Revenue Bonds Series 2012

Revenue pledged for this bond includes all auxiliary fund revenues. The original issue of the bonds was \$3,975,000, and the bonds were issued to refund the University Power Plant Series 2002 Revenue Bonds. The debt secured by the pledge is \$3,655,000. The approximate remaining amount of the pledge is \$4,039,580. The term of commitment is October 24, 2012, through April 1, 2022. For the year ended June 30, 2013, the requirements for principal and interest were \$320,000 and \$35,538, respectively. The amount of pledged revenues recognized for fiscal year 2013 was \$5,325,113.

### **McNeese State University**

The pledged revenues for the Board of Supervisors for the University of Louisiana System Revenue Bonds (McNeese State University Field House Project) Revenue Bonds Series 2009 include (1) a university student self-assessed fee in the amount of \$10 per semester obligated and

dedicated to the Field House Project and the maintenance and operations; (2) the entirety of the university's portion of the monies in the Calcasieu Parish Higher Education Improvement Fund from the 1% hotel motel occupancy tax; (3) revenues received by the university's athletic department budget from a \$2 increase in ticket sales that began with the 2008 football season, the total dedication not to exceed \$100,000 annually from the university's budget; and (4) all funds and accounts held pursuant to the Bond Resolution, except any fund created to hold monies pending rebate to the United States for payment of costs of issuance of bonds. Pledged revenues shall not include funds appropriated to the board or the university by the legislature of the state from time to time. The bonds were originally issued for \$6,000,000. As of June 30, 2013, the principal and interest outstanding totaled \$5,365,000 and \$1,986,124, respectively. The revenues are pledged for the period July 2009 through June 2030.

The debt secured by the revenues pledged was for renovation and expansion of the university's athletic field house including adding a second floor to the facility, funding a debt service reserve fund, funding a maintenance reserve fund and paying the costs of issuance of the bonds.

For the year ending June 30, 2013, the requirements for principal and interest were \$220,000 and \$215,167, respectively. Pledged revenues recognized for the period were \$967,289.

### **Northwestern State University**

Specific pledged revenue is student self-assessed fees approved for the project by the students of the Northwestern State University in the amount of \$75 per semester. The debt secured by the pledged revenue was \$6,850,000, the original bond issue. The approximate remaining amount of the pledge is \$4,900,130 at June 30, 2013, representing \$3,945,000 in principal and \$955,130 in interest. The term of commitment was 25 years beginning in October 1999 and ending in April 2024. The general purpose for the debt secured by the pledge was the planning, acquisition, construction, and equipping of the university's Student Wellness, Recreation, and Activity Center. The dedicated revenues are pledged 100% annually up to the current amount due for principal and interest. For the year ended June 30, 2013, the requirements for principal and interest were \$285,000 and \$150,715, respectively. The amount of pledged revenues recognized for fiscal year 2013 was \$1,385,543.

### **Southeastern Louisiana University**

#### Board of Supervisors for the University of Louisiana System Revenue Refunding Bonds (Southeastern Louisiana University Student Recreation and Activity Center Project) Series 2011

Revenue pledged for this bond includes all revenue related to the Student Recreation and Activity Center, including student fees, membership fees, and other miscellaneous revenue related to the Recreation Center. The bond was originally issued for \$3,650,000. As of June 30, 2013, principal and interest outstanding was \$2,950,000 and \$375,711, respectively. The revenue was pledged for the purpose of this bond for the period July 1995 through June 2020.

The debt secured by the revenue pledged was for the purpose of providing funds to refund the \$4,100,000 outstanding Board of Trustees for State Colleges and Universities, State of Louisiana

Revenue Bonds (Southeastern Louisiana University Student Recreation and Activity Center Project), Series 1998; to fund a debt service reserve fund, if necessary; and to pay the costs of issuance of the bonds. Pledged revenue related to this bond includes all revenue derived by the university from the levy and collection of the pledged student fee; any other student fees levied and collected to pay for the Recreation Center pledged to the payment of bonds from time to time; and membership fees imposed by the university from time to time on Recreation Center users other than Southeastern Louisiana University students. The pledged student fee is equal to \$25 per student per regular semester and \$12.50 per student per summer semester.

For the year ending June 30, 2013, principal and interest requirements were \$380,000 and \$94,481, respectively. Pledged revenues recognized for the period were \$1,399,119.

### **University of New Orleans**

#### Revenue Bond Series 2004A

Revenues pledged for these bonds include facilities use and maintenance fees. The original issue of the bonds was \$9,440,000, and the bonds were issued for planning and constructing major repairs and other capital improvements. The debt secured by the pledge is \$9,440,000. The approximate remaining amount of the pledge is \$1,105,375. The term of commitment is June 2004 through May 2014. For the year ended June 30, 2013, the requirements for principal and interest were \$1,060,000 and \$87,775, respectively. The amount of pledged revenues recognized for the period was \$1,381,794.

#### Revenue Bonds Series 2004B

Revenue pledged for these bonds include student housing, food, and vending services, the student union, other miscellaneous auxiliaries, and designated student charges. The original issue of the bonds was \$8,480,000, and the bonds were issued to refund the Series 1996A and 1997A bonds. The debt secured by the pledge is \$8,480,000. The approximate remaining amount of the pledge is \$8,038,838. The term of commitment is October 2004 through May 2026. For the year ended June 30, 2013, the requirements for principal and interest were \$350,000 and \$264,950, respectively. The amount of pledged revenues recognized for the fiscal year 2013 was \$11,619,581.

#### Revenue Bonds Series 2012, Recreation/Wellness Center

Revenue pledged for these bonds include per semester student charges and other fees imposed on users of the fitness center. The original issue of the bonds was \$9,700,000, and the bonds were issued for refunding of Series 1998 bonds and the construction of the student fitness center. The debt secured by the pledge is \$9,700,000. The approximate remaining amount of the pledge is \$11,789,734. The term of commitment is August 2012 through October 2027. For the year ended June 30, 2013, the requirements for principal and interest were \$195,000 and \$173,250, respectively. The amount of pledged revenues recognized for the fiscal year 2013 was \$1,394,723.

**16. RESTATEMENT OF BEGINNING NET POSITION/NET ASSETS**

The beginning net position as reflected on Statement C and net assets on Statement D for the university and the component units, respectively, have been restated to reflect the following changes:

	<u>University</u>	<u>Component Units</u>
Net position/assets at June 30, 2012	\$1,032,335,504	\$246,372,371
Reclassification of the UNO Research and Technology Foundation from a discrete to a blended presentation	71,843,174	(71,843,174)
Investment - Grambling State University	725,094	
Capital Assets:		
Grambling State University	(485,476)	
McNeese State University	76,554	
Nicholls State University	1,069,757	
Southeastern Louisiana University	384,201	
University of Louisiana at Monroe	8,280	
Net position/assets at June 30, 2012, restated	<u>\$1,105,957,088</u>	<u>\$174,529,197</u>

**17. RESTRICTED NET POSITION**

The System has the following restricted expendable net position at June 30, 2013:

<u>Account Title</u>	<u>Amount</u>
Student fees	\$47,948,382
Grants and contracts	8,939,578
Gifts - restricted by donors	884,488
Endowment	46,764,945
Auxiliary enterprises	17,391,092
Student loan fund	39,849,415
Capital construction/plant projects	13,970,822
Debt service/retirement of indebtedness	15,261,266
WRAC Fund	1,840,713
Scholarships	4,943,009
Other	3,716,131
Total expendable	<u>\$201,509,841</u>

The System's restricted nonexpendable net position totaling \$183,022,469 as of June 30, 2013, was comprised entirely of endowment funds.



Of the total net position reported on Statement A for the year ended June 30, 2013, \$28,839,474 was restricted by enabling legislation.

### RESTRICTED NET ASSETS - COMPONENT UNITS

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

	University of Louisiana at Lafayette Foundation, Inc.	University of New Orleans Foundation
Temporarily restricted:		
Donor-restricted endowment funds	\$30,523,253	\$10,837,901
Chair and professorship endowment funds	12,837,813	
Other programs		11,480,920
	<u>\$43,361,066</u>	<u>\$22,318,821</u>
Total temporarily restricted net assets	<u>\$43,361,066</u>	<u>\$22,318,821</u>
Permanently restricted:		
Donor-restricted endowment funds	\$41,550,249	\$29,157,759
Chair and professorship endowment funds	38,860,442	
	<u>\$80,410,691</u>	<u>\$29,157,759</u>
Total permanently restricted net assets	<u>\$80,410,691</u>	<u>\$29,157,759</u>

## 18. CONDENSED FINANCIAL INFORMATION

Following is condensed financial information for the System's eight blended component units.

**Statement of Net Position**

	Black and Gold Facilities, Inc.	Innovative Student Facilities, Inc.	Cowboy Facilities, Inc.	NSU Facilities Corporation
<b>Assets:</b>				
Current assets	\$8,174,002	\$71,693	\$5,652,994	\$1,596,473
Capital assets	72,408,520	69,896,178	23,985,210	63,728,000
Other assets	17,922,960	8,920,602	917,264	7,727,485
<b>Total assets</b>	<b>\$98,505,482</b>	<b>\$78,888,473</b>	<b>\$30,555,468</b>	<b>\$73,051,958</b>
<b>Liabilities:</b>				
Current liabilities	\$4,827,808	\$2,627,859	\$1,978,823	\$9,339,024
Long-term liabilities	100,313,881	67,004,391	29,627,426	62,804,499
<b>Total liabilities</b>	<b>\$105,141,689</b>	<b>\$69,632,250</b>	<b>\$31,606,249</b>	<b>\$72,143,523</b>
<b>Net Position:</b>				
Net investment in capital assets	(\$5,281,490)	\$3,002,677	(\$5,819,952)	\$8,377,078
Restricted net position - expendable				
Unrestricted net position	(1,354,717)	6,253,546	4,769,171	(7,468,643)
<b>Total net position</b>	<b>(\$6,636,207)</b>	<b>\$9,256,223</b>	<b>(\$1,050,781)</b>	<b>\$908,435</b>
	University Facilities, Inc.	Ragin' Cajun Facilities, Inc.	University of Louisiana at Monroe Facilities, Inc.	University of New Orleans Research and Technology Foundation, Inc.
<b>Assets:</b>				
Current assets	\$42,643,240	\$467,488	\$5,267,980	\$12,885,357
Capital assets	78,449,571	121,400,348	50,991,683	72,796,237
Other assets	11,248,246	46,926,347	7,409,918	39,053,585
<b>Total assets</b>	<b>\$132,341,057</b>	<b>\$168,794,183</b>	<b>\$63,669,581</b>	<b>\$124,735,179</b>
<b>Liabilities:</b>				
Current liabilities	\$9,867,881	\$6,381,012	\$1,734,642	\$8,216,433
Long-term liabilities	101,572,799	145,262,291	65,895,000	44,581,966
<b>Total liabilities</b>	<b>\$111,440,680</b>	<b>\$151,643,303</b>	<b>\$67,629,642</b>	<b>\$52,798,399</b>
<b>Net Position:</b>				
Net investment in capital assets	\$10,107,786	\$7,576,559	(\$15,428,317)	\$66,384,877
Restricted net position - expendable	8,061,016	9,574,321		
Unrestricted net position	2,731,575		11,468,256	5,551,903
<b>Total net position</b>	<b>\$20,900,377</b>	<b>\$17,150,880</b>	<b>(\$3,960,061)</b>	<b>\$71,936,780</b>

**Statement of Revenues, Expenses, and Changes in Net Position**

	Black and Gold Facilities, Inc.	Innovative Student Facilities, Inc.	Cowboy Facilities, Inc.	NSU Facilities Corporation
Operating revenues	\$10,336,791	\$5,012,103	\$3,923,217	\$5,980,164
Operating expenses	(3,835,751)	(201,568)	(1,448,657)	
Depreciation expense	(2,641,260)	(2,057,746)	(927,585)	(2,653,165)
Net operating income	3,859,780	2,752,789	1,546,975	3,326,999
Nonoperating revenues (expenses):				
Investment income	1,908	429	513	126,018
Interest expense	(4,986,955)	(3,219,788)	(1,219,936)	(2,474,095)
Other (net)	(804,156)	(433,914)	(65,168)	(484,023)
Capital contributions/additions to permanent and term endowments				
Changes in net position	(1,929,423)	(900,484)	262,384	494,899
Net position beginning of the year	(4,706,784)	10,156,707	(1,313,165)	413,536
Net position end of the year	(\$6,636,207)	\$9,256,223	(\$1,050,781)	\$908,435
	University Facilities, Inc.	Ragin' Cajun Facilities, Inc.	University of Louisiana at Monroe Facilities, Inc.	University of New Orleans Research and Technology Foundation, Inc.
Operating revenues	\$14,119,706	\$6,881,291	\$8,713,187	\$11,915,101
Operating expenses	(6,420,816)	(111,072)	(2,910,494)	(10,520,052)
Depreciation expense	(1,974,697)	(3,976,732)	(2,212,354)	(3,128,310)
Net operating income	5,724,193	2,793,487	3,590,339	(1,733,261)
Nonoperating revenues (expenses):				
Investment income	19,516	133,936	846,777	49,157
Interest expense	(2,842,371)	(6,652,484)	(2,483,374)	
Other (net)	6,919,666	(939,313)	(1,141,795)	
Capital contributions/additions to permanent and term endowments		3,347,000		1,777,710
Changes in net position	9,821,004	(1,317,374)	811,947	93,606
Net position beginning of the year	11,079,373	18,468,257	(4,772,008)	71,843,174
Net position end of the year	\$20,900,377	\$17,150,883	(\$3,960,061)	\$71,936,780

**Statement of Cash Flows**

	Black and Gold Facilities, Inc.	Innovative Student Facilities, Inc.	Cowboy Facilities, Inc.	NSU Facilities Corporation
Net cash flows provided (used) by:				
Operating Activities	\$6,342,917	\$30,228	\$1,179,759	\$2,961,501
Noncapital financing		17,148		
Capital and related financing	(7,465,101)	(502,990)	(12,105,971)	(6,789,243)
Investing activities	1,122,051	429		3,827,742
Net increase (decrease) in cash	(133)	(455,185)	(10,926,212)	NONE
Cash, beginning of the year	1,401,487	7,761,179	16,579,206	NONE
Cash, end of the year	\$1,401,354	\$7,305,994	\$5,652,994	NONE

	University Facilities, Inc.	Ragin' Cajun Facilities, Inc.	University of Louisiana at Monroe Facilities, Inc.	University of New Orleans Research and Technology Foundation, Inc.
Net cash flows provided (used) by:				
Operating Activities	\$12,843,316	\$5,105,330	\$5,963,124	\$1,826,511
Noncapital financing			(1,015,725)	
Capital and related financing	(21,258,466)	(19,777,108)	(6,307,655)	(1,682,104)
Investing activities	8,457,499	5,432,007	5,332	443,307
Net increase (decrease) in cash	42,349	(9,239,771)	(1,354,924)	587,714
Cash, beginning of the year	173,609	32,618,672	12,137,677	7,770,012
Cash, end of the year	\$215,958	\$23,378,901	\$10,782,753	\$8,357,726

**19. CONTINGENT LIABILITIES AND RISK MANAGEMENT**

Losses arising from judgments, claims, and similar contingencies such as guaranty of mortgage loans on sorority and fraternity houses are considered state liabilities and paid upon appropriation by the legislature and not the university. Therefore, the System, through its respective universities' legal advisors, estimates that potential claims not covered by insurance would not materially affect the financial statements. In addition, the System had not incurred any claims and/or litigation cost in the current year. Other losses of the System arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The Office of Risk Management insures all of these lawsuits.

## **20. ON-BEHALF PAYMENTS FOR SALARIES AND FRINGE BENEFITS**

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

The amount of on-behalf payments for salaries and fringe benefits included in the accompanying financial statements for the fiscal year ended June 30, 2013, was \$2,280,004.

## **21. DONOR RESTRICTED ENDOWMENTS**

If a donor has not provided specific instructions, state law permits the University of Louisiana System Board of Supervisors to authorize expenditure of the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

At June 30, 2013, net appreciation of donor restricted endowments is equal to \$40,874,954, which is available to be spent for restricted purposes. The System limits endowment spending to the income earned in a given year for purposes specified by donors. The donated portion of the endowments is reported in restricted net position - nonexpendable in the Statement of Net Position; the endowment income is reported in restricted net position - expendable.

## **22. FOUNDATIONS**

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

- Grambling University Athletic Foundation
- Grambling Black & Gold Foundation
- Louisiana Tech University Foundation
- Louisiana Tech University Alumni Association
- McNeese State University Foundation
- McNeese State University Alumni Association
- Nicholls State University Foundation
- Nicholls Alumni Federation
- PRO NSU
- Northwestern State University Foundation
- Southeastern Athletic Association
- Southeastern Development Foundation
- Southeastern Louisiana University Alumni Association
- The University of Louisiana at Lafayette Alumni Association
- The University of Louisiana at Monroe Foundation
- The University of Louisiana at Monroe Athletic Scholarship Foundation

The University of Louisiana at Monroe Alumni Association  
University of New Orleans Alumni Association

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

Certain universities of the System have contracted with their respective foundations to invest the universities' Endowed Chair/Professorship Program endowment funds in accordance with the Board of Regents for Higher Education's investment policies. The Endowed Chair 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, 2013, the foundations held in custody \$201,257,175 of Endowed Chair and Endowed Professorship Program funds. Amounts invested by private foundations for the System are included as investments held by private foundations in external investment pools in the disclosures in note 3.

### **23. DEFERRED COMPENSATION PLAN**

Certain employees of the System participate in the Louisiana Public Employees' Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available on the Internet at [www.la.gov](http://www.la.gov).

### **24. ALTERNATIVE FINANCING AGREEMENTS**

#### **Grambling State University (Grambling)**

On October 1, 2006, Black and Gold Facilities, Inc., entered into a loan agreement with the Louisiana Public Facilities Authority (LPFA) to obtain financing for the demolition of existing residential facilities; the acquisition of existing apartments and related parking facilities; and the planning, designing, constructing, furnishing, and equipping of residence facilities for use by Grambling. The project also includes the conversion of an existing bookstore to a student food-service and conference facility. Financing for the project is through the issuance of \$65,000,000 of LPFA Revenue Bonds, Series 2006 A, B, and C.

Pursuant to the terms of the ground lease agreement, the corporation will lease land from the Board of Supervisors of the University of Louisiana System upon which the new student housing will be built and food service facilities that will be renovated. The corporation will contract with Ambling, Inc., to manage the residential facilities and with Aramark to manage the food services upon completion. The board's right to obtain title to the facilities is set forth in the facilities lease agreement. The rental income derived from the facilities lease will be used to pay the bonds.

On December 5, 2007, Black and Gold Facilities, Inc., entered into a loan agreement with the LPFA to obtain financing for the acquisition, design, development, equipping, renovation, reconstruction and/or construction of new residence hall facilities, related parking facilities, related sewer and water lines, and the demolition of existing facilities. Financing for the project is through the issuance of \$41,925,000 of LPFA Revenue Bonds, Series 2007 A and B.

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

### **Louisiana Tech University (Tech)**

On July 1, 2003, the Louisiana Local Government Environmental Facilities and Community Development Authority agreed to issue revenue bonds totaling \$21,840,000 for the Innovative Student Facilities Inc., a nonprofit corporation, for constructing student housing and related facilities for the Board of Supervisors of the University of Louisiana System. In June 2013, the corporation refunded the Series 2003 bonds and issued Refunding Revenue Bonds Series 2013 totaling \$19,065,000.

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

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

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

### **McNeese State University (McNeese)**

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

University Student Lease Revenue Bonds, Series 2001. On December 7, 2011, the Calcasieu Parish Trust Authority issued \$18,655,000 of nontaxable University Student Lease Revenue Refunding Bonds Series 2011. The purpose of this issue was to refund the University Student Lease Series 2001 Bonds.

Pursuant to the terms of the ground lease agreement, the corporation leases land from the Board of Supervisors of the University of Louisiana System upon which three residential facilities have been constructed. McNeese will lease the facilities from Cowboy Facilities, Inc. for 33 years, after which the facilities become McNeese's property (McNeese has contracted with Ambling, Inc. to manage the facilities). The board's right to obtain title to the facilities is set forth in the facilities lease agreement. The rental income derived from the facilities lease will be used to first pay the bonds, then to pay building maintenance, and then to pay management fees.

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

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

On December 7, 2011, Cowboy Facilities, Inc., entered into a loan agreement with the Calcasieu Parish Public Trust Authority to obtain financing for the construction of student housing on the McNeese campus. Financing for the project is through the issuance of \$18,655,000 of Revenue Bonds, Series 2011.

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

On December 28, 2011, Cowboy Facilities, Inc., entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain financing for the construction of a new parking garage. Financing of the project is through the issuance of \$13,850,000 of Revenue Bonds, Series 2011.

In April 2011, McNeese students approved a \$75 per semester self-assessed fee. The self-assessed fee will generate sufficient income to pay the annual principal and interest payments.



**Nicholls State University (Nicholls)**

On May 1, 2006, NSU Facilities Corporation entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain financing for street and parking lot improvements along with renovations to the cafeteria on the Nicholls campus. Financing for the project is through the issuance of \$8,320,000 of Series 2006 A tax exempt bonds and Series B taxable bonds.

Pursuant to the terms of a ground lease agreement, the corporation leases land from the Board of Supervisors of the University of Louisiana System on which the improvements to the streets, parking lots, and facilities will take place. In return, the university leases the facilities from the corporation for use by university students, faculty, and staff and others. The university has agreed to make lease payments to the corporation in amounts sufficient to allow the corporation to pay the debt service and related bond expenses.

On August 23, 2007, NSU Facilities Corporation entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain financing for the demolition of four existing housing facilities; the renovation of existing facilities; and the development and construction of new student housing, including parking improvements; and the construction of a convenience store. Financing for the project is through the issuance of \$50,060,000 of tax-exempt Series 2007 A and B bonds.

Pursuant to the terms of the ground lease agreement, the corporation leases land from the Board of Supervisors of the University of Louisiana System on which the additional facilities will be located, the existing facilities are located, and certain other land. In return, the university leases the facilities from the corporation for use by university students, faculty, and staff. Proceeds of the rental payments will be used to pay the debt service and related bond expenses.

On December 1, 2010, NSU Facilities Corporation entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain financing for the construction of a student recreation center. Financing for the project is through the issuance of \$10,860,000 of Series 2010 tax exempt bonds.

Pursuant to the terms of a ground lease agreement, the corporation leases land from the Board of Supervisors of the University of Louisiana System on which the construction will take place. In return, the university leases the facilities from the corporation for use by university students, faculty, and staff and other persons who are participants in any other activities related to the mission of the university. The university has agreed to make lease payments to the corporation in amounts sufficient to allow the corporation to pay the debt service and related bond expenses.

**Southeastern Louisiana University (SLU)**

On August 13, 2004, University Facilities, Inc. (UFI), entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain financing for the acquisition, construction, renovation, and furnishing of student housing and demolishing existing housing; to provide working capital; to fund interest on the

Series 2004 bonds; and to repay certain indebtedness of the corporation. Financing for the project is through the issuance of \$76,910,000 of Revenue Bonds, Series 2004(A), Series 2004(B), and Series 2004(C).

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

On March 14, 2007, UFI entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain financing of \$8,035,000 for a new intermodal transit facility to be located on the SLU campus. This project is a continuation of the improvements and construction on the SLU campus that were financed with Revenue Bonds, Series 2004.

Pursuant to the terms of the ground lease agreement, the corporation will lease the land from the board. The new parking facility will be leased back to and operated by the board in accordance with the provisions of an agreement to lease with option to purchase by and between the board and UFI. Revenues from auxiliary operations and student fees will be used to pay the bonds.

On November 3, 2010, UFI entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain financing of \$31,255,000 for demolishing certain existing facilities and renovating, developing, and constructing the Student Union, the Center for Student Excellence, Student Health Center, Food Services Areas, the Bookstore and other related facilities on the campus of Southeastern Louisiana University.

Pursuant to the terms of the ground lease agreement, the corporation will lease the land from the board. The student union and related facilities will be leased back to and operated by the board in accordance with the provisions of an agreement to lease with option to purchase by and between the board and UFI. Revenues derived from the facilities lease will be used to pay the bonds.

### **University of Louisiana at Lafayette (ULL)**

On October 1, 2002, the Lafayette Public Trust Financing Authority agreed to issue revenue bonds totaling \$19,065,000 for the Ragin' Cajun Facilities, Inc., for constructing a student apartment complex, food service facility, and child care facility including parking and other infrastructure on land owned by the Board of Supervisors of the University of Louisiana System on behalf of ULL. In October 2012, the Ragin' Cajun Facilities, Inc., issued \$14,070,000 of non-taxable refunding revenue bonds through the Lafayette Public Trust Financing Authority. The purpose of the issue was to refund the Series 2002 revenue bonds of the corporation.

Pursuant to the terms of the ground lease agreements, the corporation leases the land from the board. The new facilities are leased by the corporation to the board in accordance with the provisions of an agreement to lease (facilities lease). In accordance with the facilities lease, the corporation has constructed and equipped student housing facilities and leased the facilities back to the board for use by students, faculty, and staff of ULL. The rental income derived from the facilities lease will be used to pay the bonds.

On April 14, 2009, the Lafayette Public Trust Financing Authority agreed to issue revenue bonds totaling \$12,500,000 for the Ragin' Cajun Facilities, Inc., for demolishing certain facilities and the development, design, construction, and equipping of a student parking complex, including parking and other infrastructure at ULL.

Pursuant to the terms of the ground lease agreement, the corporation will lease the land required for the project from the board. The new student parking complex will be leased back to the board by the corporation in accordance with the provisions of an agreement to lease (facilities lease). The income derived from parking fees will be used to pay the bonds.

On November 15, 2010, the Lafayette Public Trust Financing Authority agreed to issue revenue bonds totaling \$22,200,000 for the Ragin' Cajun Facilities, Inc., for demolishing certain facilities and the development, design, expansion, and renovation of the existing ULL student union.

Pursuant to the terms of the ground lease agreement, the corporation will lease the land required for the project from the board. The new student union will be leased back to the board by the corporation in accordance with the provisions of an agreement to lease (facilities lease). The income derived from rental revenues will be used to pay the bonds.

On December 1, 2010, the Lafayette Public Trust Financing Authority agreed to issue revenue bonds totaling \$100,050,000 for the Ragin' Cajun Facilities, Inc., for demolishing certain facilities and the development, design, construction, and equipping of student housing facilities and certain other facilities at ULL.

Pursuant to the terms of the ground lease agreement, the corporation will lease the land required for the project from the board. The new student housing facilities will be leased back to the board by the corporation in accordance with the provisions of an agreement to lease (facilities lease). The income derived from rental income will be used to pay the bonds.

### **University of Louisiana at Monroe (ULM)**

On June 30, 2004, the Louisiana Local Government Environmental Facilities and Community Development Authority agreed to issue revenue bonds totaling \$35,210,000 for the University of Louisiana Monroe Facilities, Inc., for paying prior debt and constructing student housing, a student union, a student health center, and other facilities for the Board of Supervisors of the University of Louisiana System.

Pursuant to the terms of the ground lease agreement, the corporation leases the land from the board. The new facilities are leased by the corporation to the board in accordance with the

provisions of an agreement to lease (facilities lease). In accordance with the facilities lease, the corporation constructed student housing facilities, a student health center, and other student facilities and leased the facilities back to the board for use by students, faculty, and staff of ULM. The rental income derived from the facilities lease will be used to pay the bonds.

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

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

On November 7, 2006, the Louisiana Local Government Environmental Facilities and Community Development Authority agreed to issue revenue bonds totaling \$1,500,000 for the University of Louisiana Monroe Facilities, Inc. Bond proceeds will be used for constructing and equipping an intermodal transit facility and improving existing parking lots or constructing new parking lots for students, faculty, staff, and the public on the ULM campus.

Pursuant to the terms of the ground lease agreement, the corporation will lease the land required for the project from the board. The new facilities/parking lots will be leased back to the board by the corporation in accordance with the provisions of an agreement to lease with option to purchase (facilities lease). The income derived from parking fees will be used to pay the bonds.

On October 25, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority agreed to issue revenue bonds totaling \$2,045,000 for the University of Louisiana Monroe Facilities, Inc., for demolishing and renovating certain existing buildings and developing, constructing, and equipping a student learning enhancement facility and related facilities.

Pursuant to the terms of the loan and assignment agreement, the corporation transferred, assigned, and pledged to the Authority all right, title, and interest of the corporation in, to, and under the agreement to lease with option to purchase, and all rents, issues, receipts, and profits derived related to the learning center.

#### **University of New Orleans (UNO)**

On August 8, 2006, the University of New Orleans Research and Technology Foundation entered into a loan agreement with the Louisiana Public Facilities Authority (Authority) to obtain financing for financing, planning, designing, constructing, furnishing, and equipping residential

facilities for use by UNO. Financing for the project is through the issuance of \$38,500,000 of Authority Revenue Bonds, Series 2006.

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

## **25. IMPAIRMENT OF CAPITAL ASSETS**

GASB Statement No. 42 established accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. The Division of Administration, Office of Statewide Reporting and Accounting Policy, provides guidance on impairment test criteria by stating that the greater of the capitalization threshold, \$100,000 or 20% of the capitalized cost of the building impaired by physical damage be used as the test of whether the magnitude in the decline was significant. As of June 30, 2013, the System reported two buildings that were impaired. Louisiana Tech University reported one building impaired for disclosure prior to the end of its useful life and reported an impairment loss totaling \$387,062. The University of Louisiana at Monroe reported one building impaired from fire damage. The building had no carrying value.

The carrying amount of impaired capital assets that are idle at year-end is disclosed, regardless of whether the impairment is considered permanent or temporary. At June 30, 2013, McNeese reported one building, with no remaining life and no carrying value that was temporarily impaired.

## **26. INSURANCE RECOVERIES**

The total amount of insurance recoveries received during fiscal year 2013 related to impairment losses occurring in previous years and insurance recoveries received in fiscal year 2013 unrelated to impairment of assets. The total amount of insurance recoveries received in fiscal 2013 included \$209,124 for physical damage and mechanical failure and \$11,252 for collision damage, for a total of \$220,376. This amount was recorded as other nonoperating revenue.

**27. COOPERATIVE ENDEAVOR AGREEMENTS -  
UNIVERSITY OF NEW ORLEANS (UNO) RESEARCH  
AND TECHNOLOGY FOUNDATION**

**National Center for Advanced Manufacturing/NASA  
Facilities Modifications and Equipment Acquisitions**

General

Effective July 15, 2007, the State of Louisiana (the State), the University of New Orleans (the University), the University of New Orleans Research and Technology Foundation (the Foundation), and NASA's George C. Marshall Space Flight Center entered into a Cooperative Endeavor Agreement (Agreement) for an initial term of 10 years with options for four additional five-year periods.

The Agreement provides for the use of a state appropriation to fund an approximate \$20 million expansion of the University's National Center for Advanced Manufacturing (NCAM), located in NASA's Michoud Assembly Facility in New Orleans (MAF), to include the purchase of new equipment by the State and the completion of facilities modifications made by the Foundation to MAF to accommodate installation and operation of new equipment.

The NCAM collaboration was established to strengthen the competitiveness of the United States of America in aerospace and other commercial markets that require large structure manufacturing. NASA intends to implement programs at MAF that will result in the growth of jobs at MAF and the growth in the local and State economy resulting in an economic benefit exceeding the value of the State's obligations. The expanded use of MAF by NASA, its contractors, the University and the Foundation will further research and development initiatives, educational opportunities and production work on NASA's planned Orion Crew Exploration Vehicle, Ares Crew Launch Vehicle, and related projects (Orion projects).

Obligations

NASA provides physical and operational access to MAF for use by NCAM and others and will provide routine maintenance and repair of the MAF building and new equipment as necessary. NASA agrees to use reasonable efforts to perform substantial work at MAF on the Orion Project. In the event the costs of the project exceed the State appropriation, NASA agrees to use its reasonable efforts to obtain other funds as required to complete the project.

The University will accept title to the new equipment purchased by the State and seek cooperative opportunities with NASA and the private sector and coordinate education, research, skills training, and related activities for academic entities desiring to use NCAM and the new equipment.

The Foundation arranged for the design and construction of the MAF facilities modifications to support the installation of the new equipment. As of October 2011, NASA assumed management and leasing responsibilities for the use of the NCAM equipment.

The facilities and equipment are reported in UNO's Statement of Net Position with a book value totaling \$11,708,181 as of December 31, 2012.

### **National Center for Advanced Manufacturing/MAF Research and Development Administration Building**

#### General

On December 18, 2007, the State, the Foundation, and NASA entered into another Cooperative Endeavor Agreement for a period of 30 years.

The Agreement provides for the use of State funds to pay approximately \$40 million of project costs associated with the planning, design, construction, and equipping of a new NASA Research and Development Administration Building to be built at MAF. The building will be used collaboratively by the Foundation and NASA for research and development administration, production work on the Orion Project, education, training, and related matters for NASA, its contractors, the University, other federal and state agencies, other higher educational institutions, and private industry. The additional investment from this agreement will retain critical research and engineering skills and capacity in Louisiana necessary to support NASA's mission, attract high technology companies, and provide educational and training opportunities generally improving the State's economy and recovery of the New Orleans Metropolitan area from Hurricane Katrina.

At December 31, 2011, the agreement for this project was on hold until further notice.

#### Obligations

The Foundation will use the funds provided by the State for the planning, design, acquisition, construction, and equipping of the building. NASA will operate and maintain the building and use approximately 70% of the square footage for its programs. The Foundation will manage the use by the University and commercial entities of the remaining square footage of the building. Commercial users will pay their pro-rata share of the building maintenance and operating costs to NASA. The Foundation will retain title to the building, furniture, fixtures, and equipment during the term of the agreement.

The Foundation has incurred \$705,986 in construction as of December 31, 2012, related to the Agreement. Management will reassess the project annually to determine if such costs are impaired.

### **Memorandum of Understanding for the National Center for Advanced Manufacturing (NCAM)**

#### General

In a memorandum of understanding dated October 25, 2012, the Foundation agreed to receive a portion of the State of Louisiana's recovery costs associated with the NCAM consortium, subject

to an annual cap of \$30,000 for administrative costs associated with serving as fiscal agent for the University of New Orleans.

### Obligations

The Foundation shall seek support for NCAM activities from appropriate public and private sources and work with NASA to redevelop a long-term agreement for the NCAM/Michoud Assembly Facility to accommodate University of New Orleans access for NCAM education and outreach activities.

## **28. POLLUTION REMEDIATION OBLIGATIONS**

### McNeese State University

A preliminary site assessment revealed asbestos on McNeese State University's property. A possible explanation for this is the buildings were constructed before it was understood the harm asbestos caused. Further investigations to determine the full nature and extent of this contamination and required remediation has resulted in university remediation cost payments totaling \$8,626 for fiscal year 2013. The university reported no liability at June 30, 2013.

### Nicholls State University

The university paid remediation costs totaling \$29,987 in fiscal year 2013 for asbestos abatement and reported no liability at June 30, 2013.

### University of Louisiana at Lafayette

A preliminary site assessment revealed asbestos on the University of Louisiana at Lafayette's property. A possible explanation for this is buildings were constructed before it was understood the harm asbestos caused. Further investigation to determine the full nature and extent of the contamination and required remediation resulted in a potential liability at June 30, 2013. The university paid remediation costs totaling \$60,819 for fiscal year 2013. Currently, the complete cost of remediation cannot be estimated because of future remediation contracts, inflation, and the amount of time involved. As these costs become estimable and costs are incurred, the liability will be adjusted.

## **29. SUBSEQUENT EVENTS**

On July 15, 2013, the Office of the Commissioner notified Louisiana Tech University of the transfer of a certain tract of immovable property of approximately 150 acres to the University from the Louisiana Department of Health and Hospitals pursuant to Act 236 of 2012. This land transfer should be reflected on the State Land Office records during the 2014 fiscal year.

On August 20, 2013, the Board of Supervisors approved Louisiana Tech University's request to accept the bequest and complete the transfer of property of approximately 120 acres from Ms. Frances Baxter Mitchell. The bequest gives usufruct in favor of Neal Watts Gallien and



would place Louisiana Tech University in naked ownership of the property until the terms of the usufruct are fulfilled.

On November 13, 2013, Southeastern Louisiana University's University Facilities, Inc., refinanced the Series 2004 Revenue Bonds. Principal outstanding on the bonds at June 30, 2013, totaled \$69,115,000.

On November 21, 2013, the University of Louisiana at Lafayette's Ragin' Cajun Facilities, Inc., issued \$25,205,000 in revenue bonds to construct the Lewis Street Parking Garage, and on November 26, 2013, Ragin' Cajun Facilities, Inc., issued \$23,605,000 in revenue bonds to construct athletic facilities.

## REQUIRED SUPPLEMENTARY INFORMATION

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### **Schedule of Funding Progress for the Other Postemployment Benefits Plan**

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

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Schedule of Funding Progress for the  
Other Postemployment Benefits Plan  
Fiscal Year Ended June 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2010	NONE	\$908,192,900	\$908,192,900	0.0%	\$308,315,460	295%
July 1, 2011*	NONE	\$794,558,166	\$794,558,166	0.0%	\$337,942,506	235%
July 1, 2012	NONE	\$858,155,190	\$858,155,190	0.0%	\$345,205,228	249%

\*Amounts reported in the funding progress for fiscal year 2012 include employees of the University of New Orleans, as the university was transferred to the University of Louisiana System.

## SUPPLEMENTAL INFORMATION SCHEDULES

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### **Combining Schedule of Net Position, by University**

Schedule 2 presents the current and long-term portions of assets and liabilities and net position for each university.

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

Schedule 3 presents information showing how the assets of each university changed as a result of current year operations.

### **Combining Schedule of Cash Flows, by University**

Schedule 4 presents information showing how each university's cash changed as a result of current year operations.

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Net Position, by University  
June 30, 2013**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY	NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$7,462,537	\$20,608,842	\$29,372,119	\$11,575,608	\$31,652,372	\$33,384,093
Investments	6,868,016					29,569,526
Receivables (net)	6,265,826	3,777,129	5,632,131	4,507,353	8,337,468	7,969,796
Due from state treasury	41,625	81,465	65,925	46,127	108,613	82,978
Due from federal government	461,161	3,693,718	456,711	234,184	1,364,395	1,588,901
Inventories	164,506	467,224	1,537,152	110,963	388,476	659,178
Deferred charges and prepaid expenses	218,090	2,156,182	292,008	618,886	306,263	192,484
Notes receivable (net)		751,237	357,048		10,631	318,775
Other current assets		193,514			123,343	2,177,615
Total current assets	<u>21,481,761</u>	<u>31,729,311</u>	<u>37,713,094</u>	<u>17,093,121</u>	<u>42,291,561</u>	<u>75,943,346</u>
Noncurrent assets:						
Restricted:						
Cash and cash equivalents	1,897,416	15,164,635	7,880,097	6,578,983	2,672,605	23,749,355
Investments	23,546,343	38,518,204	16,113,720	21,392,310	11,295,988	20,164,733
Receivables (net)			200,000		47,030	
Notes receivable (net)	340	5,499,349	1,691,996		1,876,371	1,880,363
Other						
Investments						
Capital assets (net)	145,072,894	194,378,480	107,185,931	109,373,797	70,243,493	173,242,920
Other noncurrent assets	4,494,883	1,702,780	917,264	2,322,210		3,562,133
Total noncurrent assets	<u>175,011,876</u>	<u>255,263,448</u>	<u>133,989,008</u>	<u>139,667,300</u>	<u>86,135,487</u>	<u>222,599,504</u>
Total assets	<u>196,493,637</u>	<u>286,992,759</u>	<u>171,702,102</u>	<u>156,760,421</u>	<u>128,427,048</u>	<u>298,542,850</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accruals	4,325,279	4,650,719	5,362,387	3,041,974	4,603,290	8,946,358
Deferred revenues	1,138,227	6,345,510	2,609,018	2,121,010	3,362,928	4,996,539
Compensated absences payable	360,762	378,064	348,301	315,717	376,766	488,345
Capital lease obligations		89,774				460,000
Amounts held in custody for others	820,448	846,785	420,369	402,352	31,223	340,673
Notes payable	131,002					
Contracts payable						
Reimbursement contracts payable					35,000	
Bonds payable	1,750,000	1,977,668	1,320,000	1,366,385	295,000	3,060,000
Other current liabilities	3,456,095	1,200,440		258,286		4,757
Total current liabilities	<u>11,981,813</u>	<u>15,488,960</u>	<u>10,060,075</u>	<u>7,505,724</u>	<u>8,704,207</u>	<u>18,296,672</u>

(Continued)

	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	UNIVERSITY OF NEW ORLEANS	BOARD	TOTAL SYSTEM
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$51,517,660	\$29,104,328	\$21,691,811	\$642,256	\$237,011,626
Investments			298,547		36,736,089
Receivables (net)	17,451,656	5,958,509	13,825,280	7,750	73,732,898
Due from state treasury	109,842	77,741	105,415		719,731
Due from federal government		1,169,880	3,290,696		12,259,646
Inventories	1,952,008	139,665	260,292		5,679,464
Deferred charges and prepaid expenses	1,200,014	395,306	507,640		5,886,873
Notes receivable (net)	1,496,819	700,702	495,182		4,130,394
Other current assets	95,497		28,327		2,618,296
Total current assets	73,823,496	37,546,131	40,503,190	650,006	378,775,017
Noncurrent assets:					
Restricted:					
Cash and cash equivalents	68,965,542	12,832,232	2,863,004		142,603,869
Investments	93,361,411	23,938,730	21,819,808		270,151,247
Receivables (net)	1,120,000	697,731			2,064,761
Notes receivable (net)	9,208,149	3,970,647	3,975,654		28,102,869
Other	85,354				85,354
Investments			668,569		668,569
Capital assets (net)	296,009,652	124,716,977	261,067,798	13,152	1,481,305,094
Other noncurrent assets	4,620,760	1,674,558	892,720		20,187,308
Total noncurrent assets	473,370,868	167,830,875	291,287,553	13,152	1,945,169,071
Total assets	547,194,364	205,377,006	331,790,743	663,158	2,323,944,088
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	8,439,792	5,451,027	7,547,988	73,225	52,442,039
Deferred revenues	8,979,997	3,488,628	3,832,056		36,873,913
Compensated absences payable	723,537	815,792	725,320	40,756	4,573,360
Capital lease obligations			855,465		1,405,239
Amounts held in custody for others	1,578,436	291,928	764,489	574,912	6,071,615
Notes payable		200,000	271,438		602,440
Contracts payable		302,259			302,259
Reimbursement contracts payable					35,000
Bonds payable	1,795,000	325,000	2,310,000		14,199,053
Other current liabilities	1,872,339	1,131,801	5,358,149		13,281,867
Total current liabilities	23,389,101	12,006,435	21,664,905	688,893	129,786,785

**UNIVERSITY OF LOUISIANA SYSTEM**  
**STATE OF LOUISIANA**  
**Combining Schedule of Net Position, by University**  
**June 30, 2013**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY	NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY
<b>LIABILITIES (CONT.)</b>						
Noncurrent liabilities:						
Compensated absences payable	\$3,370,541	\$3,601,535	\$2,776,384	\$2,926,494	\$2,035,004	\$6,403,052
Capital lease obligations		186,543				4,050,000
Notes payable	1,459,908					
Other postemployment benefits payable	27,367,737	45,409,930	34,826,970	34,251,154	39,588,279	69,219,505
Bonds payable	100,323,216	70,284,391	34,767,426	62,833,114	3,650,000	104,132,799
Other noncurrent liabilities					17,715	
<b>Total noncurrent liabilities</b>	<u>132,521,402</u>	<u>119,482,399</u>	<u>72,370,780</u>	<u>100,010,762</u>	<u>45,290,998</u>	<u>183,805,356</u>
<b>Total liabilities</b>	<u>144,503,215</u>	<u>134,971,359</u>	<u>82,430,855</u>	<u>107,516,486</u>	<u>53,995,205</u>	<u>202,102,028</u>
<b>NET POSITION</b>						
Net investment in capital assets	65,791,974	123,633,502	75,537,364	54,433,376	66,263,493	100,721,519
Restricted for:						
Nonexpendable	10,845,884	30,097,285	11,900,000	15,725,591	12,385,236	10,599,183
Expendable	7,603,168	24,215,827	18,197,352	8,597,733	9,534,197	38,687,640
Unrestricted	<u>(32,250,604)</u>	<u>(25,925,214)</u>	<u>(16,363,469)</u>	<u>(29,512,765)</u>	<u>(13,751,083)</u>	<u>(53,567,520)</u>
<b>Total net position</b>	<u>\$51,990,422</u>	<u>\$152,021,400</u>	<u>\$89,271,247</u>	<u>\$49,243,935</u>	<u>\$74,431,843</u>	<u>\$96,440,822</u>

(Concluded)

	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	UNIVERSITY OF NEW ORLEANS	BOARD	TOTAL SYSTEM
<b>LIABILITIES (CONT.)</b>					
Noncurrent liabilities:					
Compensated absences payable	\$9,339,785	\$3,782,886	\$5,692,138	\$215,077	\$40,142,896
Capital lease obligations			4,564,523		8,801,066
Notes payable		1,350,000	6,082,563		8,892,471
Other postemployment benefits payable	83,341,482	45,724,766	54,104,555	908,808	434,743,186
Bonds payable	145,262,291	64,545,000	56,009,403		641,807,640
Other noncurrent liabilities			371,525		389,240
Total noncurrent liabilities	<u>237,943,558</u>	<u>115,402,652</u>	<u>126,824,707</u>	<u>1,123,885</u>	<u>1,134,776,499</u>
Total liabilities	<u>261,332,659</u>	<u>127,409,087</u>	<u>148,489,612</u>	<u>1,812,778</u>	<u>1,264,563,284</u>
<b>NET POSITION</b>					
Net investment in capital assets	182,185,863	58,296,977	196,311,505	13,152	923,188,725
Restricted for:					
Nonexpendable	48,715,000	22,076,791	20,677,499		183,022,469
Expendable	61,298,550	17,823,370	15,552,004		201,509,841
Unrestricted	<u>(6,337,708)</u>	<u>(20,229,219)</u>	<u>(49,239,877)</u>	<u>(1,162,772)</u>	<u>(248,340,231)</u>
<b>Total net position</b>	<u>\$285,861,705</u>	<u>\$77,967,919</u>	<u>\$183,301,131</u>	<u>(\$1,149,620)</u>	<u>\$1,059,380,804</u>

(Concluded)



**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Revenues, Expenses,  
and Changes in Net Position, by University  
For the Fiscal Year Ended June 30, 2013**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY	NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY
<b>OPERATING REVENUES</b>						
Student tuition and fees (net of scholarship allowances of \$131,597,914)	\$20,858,668	\$51,906,737	\$30,293,644	\$29,345,730	\$40,027,958	\$56,485,165
Federal grants and contracts	9,231,827	11,281,623	4,038,934	579,904	1,841,866	6,525,243
State and local grants and contracts	1,770,200	3,277,076	2,103,646	2,159,667	3,457,723	3,618,397
Nongovernmental grants and contracts	40,781	745,724	1,172,482	109,975	1,370,046	204,512
Sales and services of educational departments	1,230,699	332,548	311,204	181,895	1,590,805	488,097
Auxiliary enterprise revenues (net of scholarship allowances of \$16,055,642, including revenues used as security for revenue bonds)	14,136,292	21,598,684	12,373,349	16,431,105	3,707,635	19,129,712
Other operating revenues	11,594,245	1,076,468	2,414,785	1,283,070	2,346,512	3,109,442
Total operating revenues	<u>58,862,712</u>	<u>90,218,860</u>	<u>52,708,044</u>	<u>50,091,346</u>	<u>54,342,545</u>	<u>89,560,568</u>
<b>OPERATING EXPENSES</b>						
Educational and general:						
Instruction	23,993,027	45,464,171	30,842,877	26,763,572	34,975,828	60,646,664
Research	826,582	20,744,218	3,470,883	1,442,757	1,520,595	1,676,011
Public service	365	291,112	1,713,821	1,456,307	1,335,928	3,109,074
Academic support	6,816,138	10,725,130	7,872,361	6,961,001	7,783,027	12,725,469
Student services	6,132,377	5,207,969	5,478,973	6,144,057	7,008,537	10,065,384
Institutional support	13,063,567	10,129,846	8,466,225	7,890,263	9,551,215	12,167,247
Operations and maintenance of plant	7,775,580	9,071,976	7,651,283	7,087,685	7,704,348	13,609,235
Depreciation	8,737,898	9,901,913	4,762,647	5,344,682	4,452,608	7,090,963
Scholarships and fellowships	8,297,410	6,813,500	7,483,633	5,202,227	15,122,037	19,190,528
Auxiliary enterprises	17,014,342	31,294,818	14,610,188	14,214,339	12,097,498	13,647,712
Other operating expenses	3,835,751	175,487	95,582	153,170	138,711	451,282
Total operating expenses	<u>96,493,037</u>	<u>149,820,140</u>	<u>92,448,473</u>	<u>82,660,060</u>	<u>101,690,332</u>	<u>154,379,569</u>
<b>OPERATING LOSS</b>	<u>(37,630,325)</u>	<u>(59,601,280)</u>	<u>(39,740,429)</u>	<u>(32,568,714)</u>	<u>(47,347,787)</u>	<u>(64,819,001)</u>
<b>NONOPERATING REVENUES (Expenses)</b>						
State appropriations	16,072,982	37,309,487	23,089,170	18,299,046	26,115,237	39,214,499
Gifts	581,073	5,740,688	703,091	565,366		800,275
Federal nonoperating revenues	15,913,316	8,441,144	12,480,592	10,314,635	14,854,580	20,399,709
American Recovery and Reinvestment Act revenues		122,366				30,460
Investment income, net	489,612	1,274,858	1,051,326	856,426	1,406,529	517,931
Interest expense	(5,038,469)	(3,688,312)	(1,440,624)	(2,474,159)	(153,528)	(3,154,233)
Payments to or on behalf of the university				12,000		
Gain on sale/exchange of land						
Other nonoperating revenues (expenses)	733,770	1,246,912	1,616,530	790,905	33,676	7,196,233
Net nonoperating revenues	<u>28,752,284</u>	<u>50,447,143</u>	<u>37,500,085</u>	<u>28,364,219</u>	<u>42,256,494</u>	<u>65,004,874</u>

(Continued)

**Schedule 3**

	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	UNIVERSITY OF NEW ORLEANS	BOARD	TOTAL SYSTEM
<b>OPERATING REVENUES</b>					
Student tuition and fees (net of scholarship allowances of \$131,597,914)	\$73,571,573	\$37,444,738	\$57,748,801		\$397,683,014
Federal grants and contracts	18,013,243	6,497,779	11,012,136		69,022,555
State and local grants and contracts	6,044,293	9,102,267	10,682,377		42,215,646
Nongovernmental grants and contracts	16,208,954	474,762	9,787,897		30,115,133
Sales and services of educational departments	171,583	134,457	142,102		4,583,390
Auxiliary enterprise revenues (net of scholarship allowances of \$16,055,642, including revenues used as security for revenue bonds)	32,855,992	16,552,273	13,214,804		149,999,846
Other operating revenues	5,466,253	1,440,345	12,069,560	\$7,750	40,808,430
<b>Total operating revenues</b>	<b>152,331,891</b>	<b>71,646,621</b>	<b>114,657,677</b>	<b>7,750</b>	<b>734,428,014</b>
<b>OPERATING EXPENSES</b>					
Educational and general:					
Instruction	62,130,306	37,109,933	51,295,734		373,222,112
Research	51,802,623	4,809,262	19,214,882		105,507,813
Public service	4,851,375	9,244,428	9,315,012		31,317,422
Academic support	14,766,478	5,680,024	11,485,858		84,815,486
Student services	18,058,795	8,839,022	8,100,412		75,035,526
Institutional support	24,705,335	12,761,781	19,461,865	3,274,902	121,472,246
Operations and maintenance of plant	17,919,824	9,528,327	19,400,079		99,748,337
Depreciation	14,117,502	6,579,275	16,124,139	3,288	77,114,915
Scholarships and fellowships	5,295,935	8,727,564	10,397,552		86,530,386
Auxiliary enterprises	37,857,072	17,185,809	13,409,507		171,331,285
Other operating expenses	276,502	242,975	8,314,221		13,683,681
<b>Total operating expenses</b>	<b>251,781,747</b>	<b>120,708,400</b>	<b>186,519,261</b>	<b>3,278,190</b>	<b>1,239,779,209</b>
<b>OPERATING LOSS</b>	<b>(99,449,856)</b>	<b>(49,061,779)</b>	<b>(71,861,584)</b>	<b>(3,270,440)</b>	<b>(505,351,195)</b>
<b>NONOPERATING REVENUES (Expenses)</b>					
State appropriations	56,591,679	30,896,182	38,325,759	1,034,112	286,948,153
Gifts	3,061,287	257,387	4,708,858		16,418,025
Federal nonoperating revenues	22,042,808	12,119,741	10,543,459		127,109,984
American Recovery and Reinvestment Act revenues		97,703	92,950		343,479
Investment income, net	4,401,998	915,213	1,472,226	54,594	12,440,713
Interest expense	(6,485,716)	(2,483,374)	(3,114,300)		(28,032,715)
Payments to or on behalf of the university					12,000
Gain on sale/exchange of land	6,599,200				6,599,200
Other nonoperating revenues (expenses)	1,499,516	1,109,910	(165,333)	2,159,406	16,221,525
<b>Net nonoperating revenues</b>	<b>87,710,772</b>	<b>42,912,762</b>	<b>51,863,619</b>	<b>3,248,112</b>	<b>438,060,364</b>

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Revenues, Expenses,  
and Changes in Net Position, by University  
For the Fiscal Year Ended June 30, 2013**

	<u>GRAMBLING STATE UNIVERSITY</u>	<u>LOUISIANA TECH UNIVERSITY</u>	<u>MCNEESE STATE UNIVERSITY</u>	<u>NICHOLLS STATE UNIVERSITY</u>	<u>NORTHWESTERN STATE UNIVERSITY</u>	<u>SOUTHEASTERN LOUISIANA UNIVERSITY</u>
<b>INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES</b>	(\$8,878,041)	(\$9,154,137)	(\$2,240,344)	(\$4,204,495)	(\$5,091,293)	\$185,873
Capital appropriations	509,508	2,606,246	3,174,751	541,683	3,651,969	706,477
Capital grants and gifts	2,263,664		1,045,752	2,300,000	63,236	10,375
Additions to permanent endowments			200,000		400,000	260,000
Other expenses, net		(2,212,797)				
<b>CHANGE IN NET POSITION</b>	(6,104,869)	(8,760,688)	2,180,159	(1,362,812)	(976,088)	1,162,725
<b>NET POSITION - BEGINNING OF YEAR (Restated)</b>	58,095,291	160,782,088	87,091,088	50,606,747	75,407,931	95,278,097
<b>NET POSITION - END OF YEAR</b>	<u>\$51,990,422</u>	<u>\$152,021,400</u>	<u>\$89,271,247</u>	<u>\$49,243,935</u>	<u>\$74,431,843</u>	<u>\$96,440,822</u>

(Concluded)

	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	UNIVERSITY OF NEW ORLEANS	BOARD	TOTAL SYSTEM
<b>LOSS BEFORE OTHER REVENUES AND EXPENSES</b>	(\$11,739,084)	(\$6,149,017)	(\$19,997,965)	(\$22,328)	(\$67,290,831)
Capital appropriations	885,198		3,880,220		15,956,052
Capital grants and gifts	610,902	3,831,195	2,688,746		12,813,870
Additions to permanent endowments	2,800,000		80,000		3,740,000
Other expenses, net			(9,582,578)		(11,795,375)
<b>CHANGE IN NET POSITION</b>	(7,442,984)	(2,317,822)	(22,931,577)	(22,328)	(46,576,284)
<b>NET POSITION - BEGINNING OF YEAR (Restated)</b>	293,304,689	80,285,741	206,232,708	(1,127,292)	1,105,957,088
<b>NET POSITION - END OF YEAR</b>	\$285,861,705	\$77,967,919	\$183,301,131	(\$1,149,620)	\$1,059,380,804

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Cash Flows, by University  
For the Fiscal Year Ended June 30, 2013**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY	NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Tuition and fees	\$28,775,279	\$52,116,919	\$30,190,302	\$28,494,323	\$37,399,241	\$55,755,827
Grants and contracts	11,027,625	14,379,955	6,928,263	2,961,277	7,920,721	10,296,803
Sales and services of educational departments	1,230,699	336,278	311,204	209,590	1,590,805	812,713
Auxiliary enterprise receipts	14,824,240	21,804,609	12,162,901	16,417,544	3,707,635	16,924,412
Payments for employee compensation	(38,391,028)	(66,063,975)	(39,689,489)	(33,721,777)	(39,745,558)	(70,535,825)
Payments for benefits	(10,848,893)	(23,133,969)	(14,981,836)	(13,590,793)	(11,834,100)	(27,399,345)
Payments for utilities	(4,214,153)	(6,302,509)	(2,538,216)	(2,644,105)	(2,477,043)	(4,186,614)
Payments for supplies and services	(20,697,231)	(30,862,443)	(16,706,928)	(17,889,271)	(23,015,700)	(23,173,784)
Payments for scholarships and fellowships	(20,896,641)	(9,180,325)	(9,837,076)	(7,980,301)	(15,122,037)	(13,716,699)
Loans to students		(928,822)	(201,174)		(140,988)	(255,997)
Collection of loans to students		727,309	194,887		316,782	343,999
Other receipts (payments)	9,013,172	1,021,064	2,381,844	1,347,857	2,142,894	3,873,900
Net cash used by operating activities	<u>(30,176,931)</u>	<u>(46,085,909)</u>	<u>(31,785,318)</u>	<u>(26,395,656)</u>	<u>(39,257,348)</u>	<u>(51,260,610)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
State appropriations	18,336,206	37,650,322	24,684,798	19,143,138	27,585,064	41,627,611
Gifts and grants for other than capital purposes	581,072	6,187,421	703,091	565,366		800,275
Pell grant receipts	15,913,316	8,196,405	12,480,592	10,314,635	14,854,580	20,186,030
Private gifts for endowment purposes			200,000		400,000	260,000
Taylor Opportunity Program for Students receipts	726,249	13,682,071	8,705,710	9,232,933	7,610,278	16,482,019
Taylor Opportunity Program for Students disbursements	(726,249)	(13,693,409)	(8,705,710)	(9,232,933)	(7,610,278)	(16,459,182)
Federal Emergency Management Agency receipts						
Federal Emergency Management Agency disbursements						
American Recovery and Reinvestment Act receipts		139,011				30,460
Direct lending receipts	52,064,317	27,768,291	27,394,623	25,436,451	39,924,227	44,755,928
Direct lending disbursements	(52,064,317)	(27,665,135)	(27,394,623)	(25,436,451)	(39,924,227)	(44,782,586)
Other receipts (payments)		1,292,009	1,004,819	802,905	33,676	887,460
Net cash provided by noncapital financing sources	<u>34,830,594</u>	<u>53,556,986</u>	<u>39,073,300</u>	<u>30,826,044</u>	<u>42,873,320</u>	<u>63,788,015</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>						
Proceeds from capital debt		23,040,000				6,191
Capital appropriations received		25,825				
Capital grants and gifts received	2,263,664			2,300,000		
Proceeds from capital debt			686,000			
Purchases of capital assets	(5,618,627)	(3,950,455)	(16,495,548)	(4,968,107)	(3,128,703)	(20,499,116)
Principal paid on capital debt and leases	(1,717,159)	(25,253,414)	(1,116,855)	(1,261,816)	(315,000)	(3,322,501)
Interest paid on capital debt and leases	(5,555,406)	(2,747,166)	(1,516,000)	(2,494,651)	(153,528)	(3,154,233)
Deposit with trustees	570,973					
Other receipts (payments)	(119,070)	(1,402,862)	23,971			7,218,471
Net cash used by capital financing activities	<u>(10,175,625)</u>	<u>(10,288,072)</u>	<u>(18,418,432)</u>	<u>(6,424,574)</u>	<u>(3,597,231)</u>	<u>(19,751,188)</u>

(Continued)

Schedule 4

	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	UNIVERSITY OF NEW ORLEANS	BOARD	TOTAL SYSTEM
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Tuition and fees	\$73,642,855	\$38,283,924	\$58,633,590		\$403,292,260
Grants and contracts	40,222,682	16,234,532	31,444,340		141,416,198
Sales and services of educational departments	171,583	190,551	184,913		5,038,336
Auxiliary enterprise receipts	31,031,731	16,384,359	12,857,881		146,115,312
Payments for employee compensation	(116,449,928)	(45,994,393)	(74,866,599)	(\$1,926,252)	(527,384,824)
Payments for benefits	(39,179,470)	(19,211,533)	(25,785,650)	(658,986)	(186,624,575)
Payments for utilities	(7,946,480)	(2,653,019)	(6,380,630)		(39,342,769)
Payments for supplies and services	(59,498,103)	(35,628,815)	(48,670,846)		(276,143,121)
Payments for scholarships and fellowships	(7,000,589)	(9,332,975)	(10,187,991)		(103,254,634)
Loans to students	(4,152,770)	(498,587)	(332,264)		(6,510,602)
Collection of loans to students	4,215,410	1,155,194	617,531		7,571,112
Other receipts (payments)	5,147,374	752,899	13,038,929	(924,956)	37,794,977
Net cash used by operating activities	(79,795,705)	(40,317,863)	(49,446,796)	(3,510,194)	(398,032,330)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
State appropriations	59,386,056	31,939,501	41,332,928	1,034,112	302,719,736
Gifts and grants for other than capital purposes	5,011,463	258,840	4,481,298		18,588,826
Pell grant receipts	21,702,217	12,049,310	10,543,459		126,240,544
Private gifts for endowment purposes	1,680,000		80,000		2,620,000
Taylor Opportunity Program for Students receipts	21,697,930	8,972,531	7,847,355		94,957,076
Taylor Opportunity Program for Students disbursements	(21,704,843)	(8,974,675)	(7,843,040)		(94,950,319)
Federal Emergency Management Agency receipts			652,022		652,022
Federal Emergency Management Agency disbursements			(674,840)		(674,840)
American Recovery and Reinvestment Act receipts		186,951	92,950		449,372
Direct lending receipts	44,210,533	33,775,237	33,096,843		328,426,450
Direct lending disbursements	(43,273,563)	(33,775,237)	(32,892,487)		(327,208,626)
Other receipts (payments)	824,940			2,159,406	7,005,215
Net cash provided by noncapital financing sources	89,534,733	44,432,458	56,716,488	3,193,518	458,825,456
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>					
Proceeds from capital debt	15,558,273		9,557,485		48,161,949
Capital appropriations received			288,383		314,208
Capital grants and gifts received		481,069	313,388		5,358,121
Proceeds from capital debt	5,803,000				6,489,000
Purchases of capital assets	(22,380,095)	(1,857,365)	(5,278,975)	(16,440)	(84,193,431)
Principal paid on capital debt and leases	(945,000)	(2,912,417)	(12,891,322)		(49,735,484)
Interest paid on capital debt and leases	(7,007,893)	(2,483,374)	(3,236,570)		(28,348,821)
Deposit with trustees	(16,317,553)				(15,746,580)
Other receipts (payments)	(696,814)		548,122		5,571,818
Net cash used by capital financing activities	(25,986,082)	(6,772,087)	(10,699,489)	(16,440)	(112,129,220)

**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Cash Flows, by University, 2013**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY	NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Proceeds from sales and maturities of investments	\$6,858,722		\$638,682	\$4,014,759		\$15,873,654
Interest received on investments	173,590	\$600	412,644	502,537	\$1,406,529	517,931
Purchase of investments	(5,740,358)		(596,969)	(339,945)	(1,150,007)	(6,890,690)
Net cash provided by investing activities	1,291,954	600	454,357	4,177,351	256,522	9,500,895
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
	(4,230,008)	(2,816,395)	(10,676,093)	2,183,165	275,263	2,277,112
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, restated</b>						
	13,589,961	38,589,872	47,928,309	15,971,426	34,049,714	54,856,336
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>						
	\$9,359,953	\$35,773,477	\$37,252,216	\$18,154,591	\$34,324,977	\$57,133,448
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>						
Operating loss	(\$37,630,325)	(\$59,601,280)	(\$39,740,429)	(\$32,568,714)	(\$47,347,787)	(\$64,819,001)
Adjustments to reconcile operating loss to net cash used by operating activities:						
Depreciation expense	8,737,898	9,901,913	4,762,647	5,344,682	4,452,608	7,090,963
Amortization of bond issuance costs	188,252			266,418		
Loss on impairment		387,062				
Changes in assets and liabilities:						
(Increase) Decrease in accounts receivable, net	(3,467,846)	115,097	(515,438)	(612,511)	(1,837,565)	(2,728,531)
(Increase) Decrease in inventories	(8,462)	41,889	139,519	(18,270)	(7,387)	305,322
(Increase) Decrease in deferred charges and prepaid expenses	(6,088)	(119,020)	(81,214)	(206,957)	(30,644)	66,666
Decrease in notes receivable	139	137,283	182,851		175,794	88,002
(Increase) Decrease in other assets		(830)		145,746	(22,712)	967,792
Increase (Decrease) in accounts payable and accrued liabilities	(200,103)	(256,909)	240,876	(1,341,287)	1,500,229	1,947,438
Increase (Decrease) in deferred revenue	(65,255)	(480,261)	175,673	(177,905)	459,934	(435,815)
Increase (Decrease) in amounts held in custody for others	98,997	43,040	11,821	70,105		44,790
Increase (Decrease) in compensated absences	139,492	(164,859)	(93,647)	(95,552)	(24,410)	(46,818)
Increase in other postemployment benefits payable	2,106,948	3,880,997	3,132,023	2,791,071	3,433,597	6,258,582
Increase (Decrease) in other liabilities	(70,578)	29,969		7,518	(9,005)	
Net cash used by operating activities	(\$30,176,931)	(\$46,085,909)	(\$31,785,318)	(\$26,395,656)	(\$39,257,348)	(\$51,260,610)
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:</b>						
Cash and cash equivalents classified as current assets	\$7,462,537	\$20,608,842	\$29,372,119	\$11,575,608	\$31,652,372	\$33,384,093
Cash and cash equivalents classified as noncurrent assets	1,897,416	15,164,635	7,880,097	6,578,983	2,672,605	23,749,355
<b>Cash and cash equivalents at the end of the year</b>	<b>\$9,359,953</b>	<b>\$35,773,477</b>	<b>\$37,252,216</b>	<b>\$18,154,591</b>	<b>\$34,324,977</b>	<b>\$57,133,448</b>

(Continued)

**Schedule 4**

	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	UNIVERSITY OF NEW ORLEANS	BOARD	TOTAL SYSTEM
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sales and maturities of investments	\$2,745,176		\$443,307		\$30,574,300
Interest received on investments	2,670,335	\$2,623,218	386,458	\$54,594	8,748,436
Purchase of investments		(1,738,854)			(16,456,823)
Net cash provided by investing activities	<u>5,415,511</u>	<u>884,364</u>	<u>829,765</u>	<u>54,594</u>	<u>22,865,913</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
	(10,831,543)	(1,773,128)	(2,600,032)	(278,522)	(28,470,181)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, restated</b>					
	<u>131,314,745</u>	<u>43,709,688</u>	<u>27,154,847</u>	<u>920,778</u>	<u>408,085,676</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>					
	<u>\$120,483,202</u>	<u>\$41,936,560</u>	<u>\$24,554,815</u>	<u>\$642,256</u>	<u>\$379,615,495</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>					
Operating loss	(\$99,449,856)	(\$49,061,779)	(\$71,861,584)	(\$3,270,440)	(\$505,351,195)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	14,117,502	6,579,275	16,124,139	3,288	77,114,915
Amortization of bond issuance costs			(30,176)		424,494
Loss on impairment					387,062
Changes in assets and liabilities:					
(Increase) Decrease in accounts receivable, net	(2,331,927)	515,868	1,478,516		(9,384,337)
(Increase) Decrease in inventories	(134,333)	43,335	502,643		864,256
(Increase) Decrease in deferred charges and prepaid expenses	104,581	(45,712)	74,099		(244,289)
Decrease in notes receivable		656,607	285,267		1,525,943
(Increase) Decrease in other assets		(760,095)		(5,084)	324,817
Increase (Decrease) in accounts payable and accrued liabilities	68,870	(1,064,272)	(1,228,430)	(48,027)	(381,615)
Increase (Decrease) in deferred revenue	213,867	(49,848)	(631,421)		(991,031)
Increase (Decrease) in amounts held in custody for others	2,394	(17,320)	344,384	(272,071)	326,140
Increase (Decrease) in compensated absences	249,566	275,100	(556,818)	(5,418)	(323,364)
Increase in other postemployment benefits payable	7,300,991	3,384,026	6,063,886	91,187	38,443,308
Increase (Decrease) in other liabilities	62,640	(773,048)	(11,301)	(3,629)	(767,434)
Net cash used by operating activities	<u>(\$79,795,705)</u>	<u>(\$40,317,863)</u>	<u>(\$49,446,796)</u>	<u>(\$3,510,194)</u>	<u>(\$398,032,330)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:</b>					
Cash and cash equivalents classified as current assets	\$51,517,660	\$29,104,328	\$21,691,811	\$642,256	\$237,011,626
Cash and cash equivalents classified as noncurrent assets	<u>68,965,542</u>	<u>12,832,232</u>	<u>2,863,004</u>		<u>142,603,869</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>\$120,483,202</u>	<u>\$41,936,560</u>	<u>\$24,554,815</u>	<u>\$642,256</u>	<u>\$379,615,495</u>



**UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Cash Flows, by University, 2013**

	GRAMBLING STATE UNIVERSITY	LOUISIANA TECH UNIVERSITY	MCNEESE STATE UNIVERSITY	NICHOLLS STATE UNIVERSITY	NORTHWESTERN STATE UNIVERSITY	SOUTHEASTERN LOUISIANA UNIVERSITY
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>						
Capital appropriations	\$509,508	\$2,584,011	\$3,174,751	\$541,683	\$3,651,969	\$706,477
Change in fair market value of assets	313,126	1,274,395	1,331,906	(103,494)		(774,629)
Capital gifts and grants			1,045,752		63,236	10,375
Capital assets acquired through capital leases		345,138				
Disposition of capital assets		(45,141)		(28,102)		
Other	(516,937)		5,676,617			

(Concluded)

	UNIVERSITY OF LOUISIANA AT LAFAYETTE	UNIVERSITY OF LOUISIANA AT MONROE	UNIVERSITY OF NEW ORLEANS	BOARD	TOTAL SYSTEM
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>					
Capital appropriations	\$885,198		\$3,591,837		\$15,645,434
Change in fair market value of assets	1,847,656	\$1,243,613	3,138		5,135,711
Capital gifts and grants	610,902	3,350,126	2,375,358		7,455,749
Capital assets acquired through capital leases		300,759			645,897
Disposition of capital assets	(484,428)		(9,071,771)		(9,629,442)
Other	796,200		(510,807)		5,445,073

OTHER REPORT REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*

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Exhibit A

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



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

December 3, 2013

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

Independent Auditor's Report

**UNIVERSITY OF LOUISIANA SYSTEM**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component units of the University of Louisiana System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University of Louisiana System's basic financial statements, and have issued our report thereon dated December 3, 2013. Our report was modified to include an emphasis of matter paragraph regarding financial statement comparability.

Our report includes a reference to other auditors who audited the financial statements of the Black and Gold Facilities, Inc.; Innovative Student Facilities, Inc.; Cowboy Facilities, Inc.; Nicholls State University Facilities Corporation; University Facilities, Inc.; Ragin' Cajun Facilities, Inc.; University of Louisiana at Monroe Facilities, Inc.; and University of New Orleans Research and Technology Foundation, Inc., which are nonprofit corporations included as blended component units in the basic financial statements of the System. Other auditors also audited the financial statements of the University of Louisiana at Lafayette Foundation, Inc., and University of New Orleans Foundation, which are discretely presented component units in the basic financial statements of the System as described in our report on the System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Nicholls State University Facilities Corporation; University Facilities, Inc.; and University of Louisiana at Monroe Facilities, Inc., which were audited by other auditors, were audited in accordance with auditing standards generally accepted in the United States of America but not in accordance with *Government Auditing Standards*.

## **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing opinions on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Other Reports**

Other external auditors audited the Black and Gold Facilities, Inc.; Innovative Student Facilities, Inc.; Cowboy Facilities, Inc.; Nicholls State University Facilities Corporation; University Facilities, Inc.; Ragin' Cajun Facilities, Inc.; University of Louisiana at Monroe Facilities, Inc., and University of New Orleans Research and Technology Foundation, Inc., which are blended component units included in the System's basic financial statements for the year ended June 30, 2013. In addition, other external auditors audited the University of Louisiana at Lafayette Foundation, Inc., and University of New Orleans Foundation, which are discretely presented component units included in the basic financial statements of the System. To obtain copies of those reports, refer to note 1-B to the basic financial statements for mailing addresses.

As a part of our audit of the System's basic financial statements for the year ended June 30, 2013, we performed certain procedures on campuses within the System. Our reports on those procedures for those campuses are listed as follows:

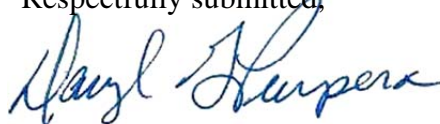
	<u>Issue Date</u>
Grambling State University	December 4, 2013
Louisiana Tech University	December 11, 2013
Nicholls State University	December 4, 2013
Northwestern State University	December 11, 2013
Southeastern Louisiana University	November 20, 2013
University of Louisiana at Lafayette	December 18, 2013
University of New Orleans	Pending

These reports contain compliance and internal control findings, where applicable, relating to those facilities. Management's responses are also included in those reports. Management's responses are not audited. Copies of those reports are available for public inspection at the Baton Rouge office of the Legislative Auditor, and those reports can also be found on the Internet at [www.lla.la.gov](http://www.lla.la.gov).

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

CGEW:EFS:THC:ch

ULS 2013