LOUISIANA STATE UNIVERSITY SYSTEM
and
UNIVERSITY OF NEW ORLEANS

Financial Report

As of and for the Year Ended June 30, 2008

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Basic Financial Statements
and Independent Auditor's Report

As of and for the Year Ended June 30, 2008

Louisiana State University System
A Component Unit of the State of Louisiana

Financial Statement Audit
For the Year Ended June 30, 2008
Issued May 27, 2009

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

March 25, 2009

Independent Auditor's Report on the Financial Statements

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Louisiana State University (LSU) System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management of the LSU System. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries, the Eunice Student Housing Foundation, Inc., and the Health Care Services Foundation and its subsidiary, which are nonprofit corporations included as blended component units in the basic financial statements representing approximately 1.8% of total assets, 2.9% of total liabilities, 2.2% of total revenues, and 2.2% of total expenses of the LSU System. We also did not audit the financial statements of the LSU Foundation, the Tiger Athletic Foundation, the Pennington Medical Foundation, the Foundation for the LSU Health Sciences Center, and the University of New Orleans Research and Technology Foundation, which are all of the discretely presented component units presented in the basic financial statements of the LSU System. The financial statements of the blended and discretely presented component units were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these component units, are based 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 LSU Foundation, the Pennington Medical Foundation, and the Health Care Services Foundation and Subsidiary, which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the LSU System as of June 30, 2008, and the respective changes in its financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-B to the financial statements, the University of New Orleans (UNO) Foundation, a discretely presented component unit of the LSU System for the year ended June 30, 2007, is no longer included in the financial statements and related disclosures as a discretely presented component unit of the System as the assets of the foundation no longer meet the reporting threshold of 3% of total system assets. As discussed in note 18 to the financial statements, the effect of excluding the UNO Foundation is a decrease of $49,028,924 in beginning net assets for the discretely presented component units. This change affects the comparability of amounts reported for the year ended June 30, 2008, with the amounts reported for the year ended June 30, 2007.

As discussed in note 1-Q to the financial statements, the LSU System implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* and Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, for the year ended June 30, 2008.

As discussed in note 31 to the financial statements, during August and September 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. In addition, in September 2008, Hurricane Gustav struck Louisiana causing property damage at certain campuses within the LSU System as described in note 30 to the financial statements. Because of the severity of these events and the resulting damages sustained by the state and the LSU System, it is unknown exactly what economic impact recovery efforts will have on state and local government operations. Although the LSU System and the State of Louisiana are taking steps to address recovery, the long-term effects of these events on the LSU System cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2009, on our consideration of LSU System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 7 through 16 and the Schedule of Funding Progress for the Other Postemployment Benefits Plans on page 97 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LSU System's basic financial statements. The accompanying supplementary information schedules including the Combining Schedule of Net Assets; the Combining Schedule of Revenues, Expenses, and Changes in Net Assets; and the Combining Schedule of Cash Flows on pages 100 through 111 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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INTRODUCTION

The following discussion and analysis has been prepared by management and is written to provide an overview of the financial position and activities of the Louisiana State University System (the System) for the year ended June 30, 2008. It should be read in conjunction with the financial statements and the notes thereto which follow this section.

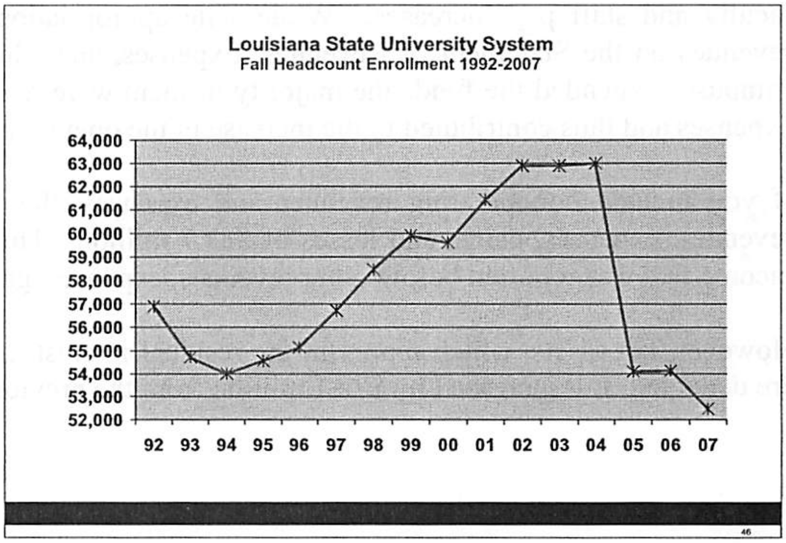
The annual report consists of a series of financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38.

Effective for the year ended June 30, 2004, the System implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement addresses which support organizations, such as foundations, should be included as component units and how these component units should be presented in the financial statements. The State of Louisiana has set a threshold for including component units if their total assets equal 3% or more of the assets of the university system they support. Once a component unit is selected for inclusion, it must be reported in the System's financial statements for at least three years, even if it falls below the threshold the following year.

The System has five foundations that will be discretely presented in its financial statements. These are the LSU Foundation, the Tiger Athletic Foundation, the Pennington Medical Foundation, the University of New Orleans Research and Technology Foundation, and the Foundation for the LSU Health Sciences Center. The financial data of each of these foundations are presented separately in the Statement of Financial Position and Statement of Activities. Additional information about the foundations is contained in the notes to the financial statements.

BACKGROUND

The System is the state's flagship system. It is also one of the most diverse and comprehensive higher education systems in the country. Headcount enrollment during the fall 2007 semester was 52,468, down 3.1% from the 54,131 reported in the previous year, and still significantly down from the pre-Katrina levels.



Degrees conferred by System campuses range from associate degree to doctor of philosophy. In addition, professional degrees in law, veterinary medicine, medicine, dentistry, and the complete spectrum of allied health professions are conferred.

The System also includes such dedicated centers as the Pennington Biomedical Research Center, which specializes in nutrition research and preventive medicine, and the LSU Agricultural Center, which plays an integral role in supporting agricultural industries, sustaining rural areas, and encouraging efficient use of resources through research and educational programs conducted by its 20 experiment stations and extension service.

Moreover, the System is charged with the responsibility of administering 10 public hospitals. These hospitals are the primary source of health care services for the indigent population of the state and account for over one million in-patient and out-patient visits each year. In addition, these hospitals are used by the LSU Health Sciences Centers as teaching hospitals wherein the medical and dental faculty and medical education students are used to provide the necessary medical care to patients.

FINANCIAL HIGHLIGHTS

Total operating revenues increased from the prior fiscal year by $248.4 million, while operating expenses increased by $481.6 million. Overall, the System has an operating loss of $984.6 million at June 30, 2008, with the operating loss increasing by $233.2 million from the previous fiscal year.

The change in the operating loss can be attributed primarily to the implementation of GASB Statement No. 45, which requires an accompanying operating expense for the Other Postemployment Benefits liability that must be recorded effective with fiscal year 2007-08. This liability (and accompanying expense) amounted to $176 million.

In addition, campuses received a state appropriation of $32.8 million to either bring them to full formula funding (for those subject to formula funding) or provide a 3% increase for those campuses that were in excess of full funding. Moreover, the state appropriated $23.8 million for faculty and staff pay increases. While state appropriations are reported under nonoperating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA), as campuses expended the funds the majority of them were recorded on the SRECNA as operating expenses and thus contributed to the increase in the operating loss.

If you include nonoperating revenues and expenses, the System shows a loss before other revenues, expenses, gains, and losses of $69.7 million. This is in contrast to the $77.5 million income that was reported before other revenues, expenses, gains, and losses in the previous year.

However, net assets, which represent the residual interest in the System's assets after liabilities are deducted, still increased by $72.1 million from the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The System's financial report consists of three sections: Management's Discussion and Analysis (this section), the basic financial statements including the notes to the financial statements, and supplementary information. The basic financial statements are the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows, as well as the financial statements related to the discrete component units.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the System as a whole. The Statement of Net Assets presents the financial position of the System at the end of the fiscal year and includes all assets and liabilities of the System. The difference between total assets and total liabilities is one way to measure the System's financial health or position, while the change in net assets is a useful indicator of whether the financial condition of the System is improving or deteriorating. Over time, increases or decreases in the System's net assets can be useful in assessing whether its financial health is improving. Other non-financial factors such as the trend in enrollment and the condition of the physical plant are also useful in evaluating the overall financial health of the System. Finally, the Statement of Cash Flows presents the significant sources and uses of cash.

STATEMENT OF NET ASSETS

Net assets are divided into three major categories.

> Invested in capital assets, net of related debt provides the institution's equity in property, plant and equipment owned by the System.
>
> Restricted net assets represent those assets that are available for spending only as legally or contractually obligated by legislative requirements, donor agreements, and grant requirements.
>
> Unrestricted net assets represent those assets that are available to the System for any lawful purpose.

From the data presented, readers of the Statement of Net Assets are able to determine the following:

- The assets available to continue the operations of the System
- The liabilities of the System that include the amount owed vendors and lending institutions
- The net assets and their availability for expenditure by the System

Current assets total $1.1 billion and consist primarily of cash and cash equivalents, net receivables, investments, amounts due from state treasury, and inventories. Current liabilities total $556.4 million and consist primarily of accounts payable and accrued liabilities, deferred revenues, notes payable, bonds payable, capital lease obligations, and a contingent amount for uncompensated absences.

Noncurrent assets total $2.0 billion and include capital assets of $1.5 billion. Other noncurrent assets include cash and investments that are externally restricted to make debt service payments or to maintain sinking or reserve funds and total $430.6 million.

Noncurrent liabilities total $781.2 million and include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other postemployment benefit liabilities that will not be paid within the next fiscal year; and (3) other liabilities that while scheduled to be paid within one year are to be paid from funds classified as noncurrent assets.

Restricted nonexpendable net assets total $174.2 million and consist of endowment and similar type funds, which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained intact and invested for the purpose of producing income that may either be expended or added to principal.

Restricted expendable net assets total $272.2 million and include resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. A summarized listing of the System's assets, liabilities, and net assets at June 30, 2008, and June 30, 2007, is shown below.

Statement of Net Assets

	As of			
	June 30, 2008	June 30, 2007 (Restated)	Change	Percentage Change
Assets:				
Current assets	$1,060,584,268	$895,492,583	$165,091,685	18.4%
Capital assets	1,548,105,709	1,359,474,700	188,631,009	13.9%
Other assets	430,600,699	393,402,348	37,198,351	9.5%
Total Assets	3,039,290,676	2,648,369,631	390,921,045	14.8%
Liabilities:				
Current liabilities	556,360,370	533,149,006	23,211,364	4.4%
Noncurrent liabilities	781,219,943	485,654,705	295,565,238	60.9%
Total Liabilities	1,337,580,313	1,018,803,711	318,776,602	31.3%
Net Assets:				
Invested in capital assets, net of related debt	1,174,592,579	1,076,653,095	97,939,484	9.1%
Restricted - nonexpendable	174,224,464	166,505,076	7,719,388	4.6%
Restricted - expendable	272,163,878	229,827,598	42,336,280	18.4%
Unrestricted	80,729,442	156,580,151	(75,850,709)	-48.4%
Total Net Assets	$1,701,710,363	$1,629,565,920	$72,144,443	4.4%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The SRECNA displays information on how the System's assets changed as a result of current year operations. This statement presents the revenues received by the System, both operating and nonoperating, and the expenses paid by the System, both operating and nonoperating.

Generally, operating revenues are received for providing goods and services to various customers and constituencies of the System. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the System. Nonoperating revenues are revenues received for which goods and services are not provided as an exchange transaction. For example, state appropriations are nonoperating because they are provided by the legislature to the System without the legislature directly receiving commensurate goods and services for those revenues.

The consolidated SRECNA at June 30, 2008, for the System indicates a net operating loss of $984.6 million determined without including state appropriations, gifts, or investment earnings and before subtracting interest expenses on debt. As mentioned earlier, the net operating loss increased from the prior year by $233.2 million.

While operating revenues increased by $248.4 million, operating expenses increased even more, by $481.6 million. This larger growth in operating expenses is the primary factor in the change in the operating loss. Explanations for the major changes in operating revenues and operating expenses are provided in the paragraphs that follow.

After including nonoperating revenues such as state appropriations ($845.7 million), gifts ($30.5 million), investment income ($43.5 million), and after subtracting interest expense ($19.3 million), and including other nonoperating revenues and expenses, the System had a loss before other revenues, expenses, gains, or losses of $69.7 million.

The following summarizes the SRECNA.

Statement of Revenues, Expenses, and Changes in Net Assets

	As of			
	June 30, 2008	June 30, 2007 (Restated)	Change	Percentage Change
Operating revenues	$2,290,605,423	$2,042,206,021	$248,399,402	12.2%
Operating expenses	3,275,207,054	2,793,611,893	481,595,161	17.2%
Operating loss	(984,601,631)	(751,405,872)	(233,195,759)	31.0%
Nonoperating revenues (expenses)	914,876,592	828,941,001	85,935,591	10.4%
Income (loss) before other revenues, expenses, gains, and losses	(69,725,039)	77,535,129	(147,260,168)	-189.9%
Other revenues, expenses, gains, and losses	141,869,482	96,450,264	45,419,218	47.1%
Increase in net assets	72,144,443	173,985,393	(101,840,950)	-58.5%
Net assets at beginning of year - restated	1,629,565,920	1,455,580,527	173,985,393	12.0%
Net assets at end of year	$1,701,710,363	$1,629,565,920	72,144,443	

Operating Revenues

Operating revenues for the System totaled nearly $2.3 billion at June 30, 2008. Major components of operating revenues are hospital income, representing 53.7% of the total; grants and contracts, 19.8% of the total; and net tuition and fees, 10.2% of the total.

Hospital income increased by $227 million of which $156 million was associated with the continued restoration of services of the Medical Center of Louisiana at New Orleans and increased services at other Health Care Services Division (HCSD) hospitals. Moreover, HCSD patient admissions increased by 20% from fiscal year 2007 to fiscal year 2008. The following table summarizes the System's operating revenue for the years ending June 30, 2008 and June 30, 2007.

Operating Revenues (in millions)

	As of			
	June 30, 2008	June 30, 2007 (Restated)	Change	Percentage Change
Tuition and fees, net	$234.2	$234.4	($0.2)	-0.1%
Federal appropriations	12.0	8.6	3.4	39.5%
Grants and contracts	453.0	446.0	7.0	1.6%
Sales and services of educational departments	186.3	185.9	0.4	0.2%
Auxiliary enterprises, net	160.3	149.5	10.8	7.2%
Hospital income	1,228.9	1,001.9	227.0	22.7%
Other	15.9	15.9		
Total operating revenues	$2,290.6	$2,042.2	$248.4	12.2%

Operating Expenses

Total operating expenses for the System amounted to almost $3.3 billion as of June 30, 2008. This is nearly $481.6 larger than the previous year. A major factor in this growth can be attributed to the $176 million that was associated with the recording of the initial other postemployment benefits liability as required by GASB Statement No. 45. In addition, state appropriations increased by some $84 million over the previous year and these funds were ultimately recorded as operating expenses.

Hospital expenses represented 38.8% of all operating expenses and represented the largest functional component. Other major components are instructional expenses, 18.2%; research expenses, 10.9%; and public service expenses, 10.4%. The large increase in funding for operation and maintenance of plant is attributable to increases at LSU, the University of New Orleans (UNO), and the Health Sciences Center New Orleans. Shown on the following page in tabular format is a summary of the System's operating expenses for the fiscal years ending June 30, 2008 and June 30, 2007.

Operating Expenses (in millions)

	As of June 30, 2008	June 30, 2007 (Restated)	Change	Percentage Change
Instruction	$596.0	$520.0	$76.0	14.6%
Research	355.5	322.7	32.8	10.2%
Public service	342.0	287.3	54.7	19.0%
Academic support	142.1	113.5	28.6	25.2%
Student services	39.5	32.6	6.9	21.2%
Institutional support	142.2	128.1	14.1	11.0%
Operation and maintenance of plant	196.1	166.1	30.0	18.1%
Scholarships and fellowships	41.8	42.6	(0.8)	-1.9%
Auxiliary enterprises	150.0	135.8	14.2	10.5%
Hospital	1,270.0	1,044.9	225.1	21.5%
Total operating expenses	$3,275.2	$2,793.6	$481.6	17.2%

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2008, the System has $1.5 billion (including $81.2 million in assets under capital leases) invested in a broad range of capital assets including land, buildings and improvements, equipment, and infrastructure, which is net of accumulated depreciation of $1.7 billion (see the following table).

Capital Asset Summary

	As of June 30, 2008	June 30, 2007 (Restated)	Change	Percentage Change
Capital assets not being depreciated	$297,750,810	$244,890,777	$52,860,033	21.6%
Other Capital Assets:				
Infrastructure	67,942,455	61,050,587	6,891,868	11.3%
Land improvements	71,778,045	68,362,988	3,415,057	5.0%
Buildings	1,738,560,808	1,584,665,344	153,895,464	9.7%
Equipment	880,232,922	841,424,510	38,808,412	4.6%
Library books	210,965,903	209,189,573	1,776,330	0.8%
Total Other Capital Assets	2,969,480,133	2,764,693,002	204,787,131	7.4%
Total cost of capital assets	3,267,230,943	3,009,583,779	257,647,164	8.6%
Less accumulated depreciation	(1,719,125,234)	(1,650,109,079)	(69,016,155)	(4.2%)
Capital assets, net	$1,548,105,709	$1,359,474,700	$188,631,009	13.9%

Capital assets not being depreciated total $297.8 million. This represents land, capitalized collections, and construction-in-progress.

Capital additions at the Health Sciences Center New Orleans include $25 million for the continued restoration of facilities damaged during Hurricane Katrina and mobile clinics at the Medical Center of Louisiana at New Orleans, and $603,000 for a campus-wide presentation system.

Major capital expenditures at the HCSD include $25 million for the continued restoration of facilities damaged during Hurricane Katrina and mobile clinics at the Medical Center of Louisiana at New Orleans; $17.9 million for purchase of an outpatient surgical center and $4.2 million for the construction of an outpatient clinic at the Earl K. Long Medical Center; $17.5 in bonds were issued for the Bogalusa Community Medical Center renovations and construction projects at the Washington St. Tammany Regional Medical Center; $4.8 million in renovations and construction were incurred in fiscal year 2008. Also, $16.5 million for the purchases of pharmacy, radiology and cardiac cath lab equipment which includes $2.6 million for Computerized Radiology Readers as part of the LSU System-wide Electronic Medical Record project.

At UNO, major capital additions totaled $16.7 million and included repairs to Kirschman Hall, the UNO Arena, the Recreation and Fitness Center, the Liberal Arts Building, and the library. Other capital additions reflected improvements to the main campus roadway and to the utility trunkline.

At LSU, major capital expenditures that were recorded in fiscal year 2008 were $15.9 million associated with the new Alex Box Baseball Stadium, $6.4 million for renovations associated with the Residential College, $5.8 million for Music and Dramatic Arts building renovation, $13.6 million renovations occurring at the Student Union, $6.0 million for the Women's Softball Complex, and $3.9 million for Blake Hall renovations. In addition, capital expenditures of $18.5 million were made for the donation of the football operations center by the Tiger Athletic Foundation and $3.7 million for the donation of the LSU mascot's habitat.

At June 30, 2008, the System has $393.9 million in bonds outstanding, $23.1 million in notes payable outstanding, and $93.1 million in capital lease obligations outstanding.

ECONOMIC OUTLOOK

At present, Louisiana's economy is relatively strong and a new administration is committed to making the state's economy more diverse. The increased economic activity driven by rebuilding efforts in New Orleans is beginning to slow and this likely will impact revenues at the state level. It is also uncertain what effect, if any, the current financial crisis encompassing Wall Street will have on Louisiana and, by corollary, the LSU System.

During the 2008 legislative session, elected officials passed legislation providing for tuition increases under certain conditions for the next four years. This increase will help mitigate any reduction in state appropriations that may occur during that time period.

Enrollment at UNO continues to lag behind expectations. Pre-Katrina enrollment was just over 17,300 and is expected to be near 11,800 for the 2008 fall semester. The LSU Health Sciences Center's Dental School has returned to New Orleans following a stint in Baton Rouge while Hurricane Katrina's damage to its facility was being repaired. Also, the plan to rebuild the public hospital in New Orleans in partnership with the U.S. Veterans Administration and to construct a replacement facility for the public hospital in Baton Rouge remains on track.

A large fund-raising campaign is in progress at the main campus in Baton Rouge with the goal to significantly increase the institution's endowment.

CONTACTING THE LOUISIANA STATE UNIVERSITY SYSTEM'S MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the LSU System's finances and to show the LSU System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Assistant Vice President for Budget and Finance and Comptroller at 3810 West Lakeshore Drive, Baton Rouge, Louisiana 70808.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Assets, June 30, 2008

ASSETS	
Current Assets:	
Cash and cash equivalents (note 2)	$460,905,875
Investments (note 3)	208,821,949
Receivables, net (note 4)	294,546,781
Due from state treasury, net (note 16)	43,035,059
Inventories	40,235,161
Deferred charges and prepaid expenses	5,262,255
Notes receivable	5,942,641
Other current assets	1,834,547
Total current assets	1,060,584,268
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents (note 2)	79,506,361
Investments (note 3)	291,162,402
Receivables, net (note 4)	16,000
Notes receivable	21,671,581
Other restricted assets	22,432,077
Investments (note 3)	4,401,600
Notes receivable	4,523,891
Other noncurrent assets	6,886,787
Capital assets, net (note 5)	1,548,105,709
Total noncurrent assets	1,978,706,408
Total assets	3,039,290,676
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities (note 7)	432,766,883
Deferred revenues	79,066,168
Amounts held in custody for others (note 14)	5,081,750
Compensated absences (note 11)	10,503,345
Capital lease obligations (note 14)	3,136,025
Notes payable (note 14)	7,011,236
Bonds payable (note 14)	16,960,417
Other current liabilities	1,834,546
Total current liabilities	556,360,370

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 30, 2008

LIABILITIES (CONT.)	
Noncurrent Liabilities:	
Compensated absences (note 11)	$120,956,506
Capital lease obligations (note 14)	89,964,103
Notes payable (note 14)	16,066,121
Other postemployment benefits payable (note 9)	176,000,063
Bonds payable (note 14)	376,967,916
Other noncurrent liabilities	1,265,234
Total noncurrent liabilities	781,219,943
Total liabilities	1,337,580,313
NET ASSETS	
Investment in capital assets, net of related debt	1,174,592,579
Restricted for:	
Nonexpendable (note 17)	174,224,464
Expendable (note 17)	272,163,878
Unrestricted	80,729,442
Total net assets	$1,701,710,363

(Concluded)

The accompanying notes are an integral part of this statement.

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LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

COMPONENT UNITS
Statement of Financial Position, June 30, 2008

	LSU Foundation	Tiger Athletic Foundation*	Pennington Medical Foundation*
ASSETS			
Current Assets:			
Cash and cash equivalents (note 2)	$22,894,436	$40,741,922	$132,549
Restricted cash (note 2)			
Investments (note 3)	58,658,251		95,202,901
Accrued interest receivable	1,894,182		61,913
Accounts receivable, net	238,167	1,527,466	19,125
Unconditional promises to give, net (note 28)	11,006,637	3,233,091	
Deferred charges and prepaid expenses	8,800	577,208	63,169
Other current assets		7,216,250	36,390
Total current assets	94,700,473	53,295,937	95,516,047
Noncurrent Assets:			
Restricted assets:			
Cash and cash equivalents (note 2)		98,250	4,998,722
Investments (note 3)	374,105,719	3,631,307	
Investments (note 3)			
Unconditional promises to give, net (note 28)	28,959,126	5,396,129	
Property and equipment, net (note 5)	13,196,387	126,639,329	41,242,565
Other noncurrent assets	413,512	12,454,271	586,565
Total noncurrent assets	416,674,744	148,219,286	46,827,852
Total assets	$511,375,217	$201,515,223	$142,343,899
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	$2,198,193	$1,673,227	$2,023,019
Deferred revenues		7,397,560	
Amounts held in custody for others (note 26)	8,932,225	1,529,598	
Compensated absences payable (note 14)	233,157		
Current portion of notes payable (note 14)		868,168	850,100
Current portion of bonds payable (note 14)	628,395	2,390,000	241,907
Other current liabilities	200,177	2,481,849	
Total current liabilities	12,192,147	16,340,402	3,115,026

(Continued)

The accompanying notes are an integral part of this statement.

	Foundation for the LSU Health Sciences Center	University of New Orleans Research and Technology Foundation	Total Foundations
ASSETS			
Current Assets:			
Cash and cash equivalents (note 2)	$535,064	$2,837,418	$67,141,389
Restricted cash (note 2)	98,505		98,505
Investments (note 3)	8,325,385	5,962,978	168,149,515
Accrued interest receivable	165,468		2,121,563
Accounts receivable, net		5,301,651	7,086,409
Unconditional promises to give, net (note 28)	84,600		14,324,328
Deferred charges and prepaid expenses			649,177
Other current assets	2,449,034	465,265	10,166,939
Total current assets	11,658,056	14,567,312	269,737,825
Noncurrent Assets:			
Restricted assets:			
Cash and cash equivalents (note 2)			5,096,972
Investments (note 3)			377,737,026
Investments (note 3)	87,467,059	3,140,808	90,607,867
Unconditional promises to give, net (note 28)	181,504		34,536,759
Property and equipment, net (note 5)	1,389,340	103,044,410	285,512,031
Other noncurrent assets		1,101,754	14,556,102
Total noncurrent assets	89,037,903	107,286,972	808,046,757
Total assets	$100,695,959	$121,854,284	$1,077,784,582
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	$470,077	$7,497,460	$13,861,976
Deferred revenues		3,070	7,400,630
Amounts held in custody for others (note 26)		42,717	10,504,540
Compensated absences payable (note 14)			233,157
Current portion of notes payable (note 14)		180,339	1,898,607
Current portion of bonds payable (note 14)	80,000	135,000	3,475,302
Other current liabilities	1,650	1,048,442	3,732,118
Total current liabilities	551,727	8,907,028	41,106,330

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Financial Position, June 30, 2008

	LSU Foundation	Tiger Athletic Foundation*	Pennington Medical Foundation*
LIABILITIES (CONT.)			
Noncurrent Liabilities:			
Amounts held in custody for others (note 26)	$73,009,214		
Notes payable (note 14)		$868,168	
Bonds payable (note 14)	8,156,605	128,885,000	$46,016,463
Other noncurrent liabilities	9,842,346	9,156,323	
Total noncurrent liabilities	91,008,165	138,909,491	46,016,463
Total liabilities	103,200,312	155,249,893	49,131,489
NET ASSETS			
Unrestricted	32,444,069	26,685,907	93,212,410
Temporarily restricted (note 17)	189,718,046	14,410,967	
Permanently restricted (note 17)	186,012,790	5,168,456	
Total net assets	408,174,905	46,265,330	93,212,410
Total liabilities and net assets	$511,375,217	$201,515,223	$142,343,899

*As of December 31, 2007

(Concluded)

The accompanying notes are an integral part of this statement.

	Foundation for the LSU Health Sciences Center	University of New Orleans Research and Technology Foundation	Total Foundations
LIABILITIES			
Noncurrent Liabilities:			
Amounts held in custody for others (note 26)	$20,290,402		$93,299,616
Notes payable (note 14)		$7,220,760	8,088,928
Bonds payable (note 14)	1,644,546	39,718,761	224,421,375
Other noncurrent liabilities	57,232		19,055,901
Total noncurrent liabilities	21,992,180	46,939,521	344,865,820
Total liabilities	22,543,907	55,846,549	385,972,150
NET ASSETS			
Unrestricted	1,506,625	66,007,735	219,856,746
Temporarily restricted (note 17)	22,533,627		226,662,640
Permanently restricted (note 17)	54,111,800		245,293,046
Total net assets	78,152,052	66,007,735	691,812,432
Total liabilities and net assets	$100,695,959	$121,854,284	$1,077,784,582

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LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2008

OPERATING REVENUES	
Student tuition and fees	$275,938,146
Less scholarship allowances	(41,766,246)
Net student tuition and fees	234,171,900
Federal appropriations	12,014,103
Federal grants and contracts	225,333,807
State and local grants and contracts	113,880,649
Nongovernmental grants and contracts	113,761,597
Sales and services of educational departments	186,305,691
Hospital income	1,228,942,771
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 24)	167,059,750
Less scholarship allowances	(6,806,883)
Net auxiliary revenues	160,252,867
Other operating revenues	15,942,038
Total operating revenues	2,290,605,423
OPERATING EXPENSES	
Educational and general:	
Instruction	596,008,115
Research	355,537,120
Public service	342,007,297
Academic support	142,079,133
Student services	39,457,461
Institutional support	142,192,115
Operation and maintenance of plant	196,064,280
Scholarships and fellowships	41,761,131
Auxiliary enterprises	149,994,941
Hospital	1,270,105,461
Total operating expenses	3,275,207,054
Operating Loss	(984,601,631)

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Assets, June 30, 2008

NONOPERATING REVENUES (Expenses)	
State appropriations	$845,668,469
Gifts	30,468,998
Net investment income	43,470,523
Interest expense	(19,287,445)
Other nonoperating revenues	413,875
Other nonoperating revenues - FEMA	27,679,691
Other nonoperating expenses - FEMA	(13,537,519)
Net nonoperating revenues	914,876,592
Loss Before Other Revenues, Expenses, Gains, and Losses	(69,725,039)
Capital appropriations	65,460,765
Capital gifts and grants	43,959,801
Additions to permanent endowments	13,254,059
Other additions, net	19,194,857
Increase in Net Assets	72,144,443
Net Assets at Beginning of Year, Restated (note 18)	1,629,565,920
Net Assets at End of Year	$1,701,710,363

(Concluded)

The accompanying notes are an integral part of this statement.

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LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2008

	LSU Foundation	Tiger Athletic Foundation*	Pennington Medical Foundation*
Changes in unrestricted net assets:			
Contributions	$723,949	$16,712,660	
Investment earnings (loss), net	7,425,837	320,404	$4,859,868
Grants and contracts			
Other revenues		6,581,580	169,689
Total unrestricted revenues	8,149,786	23,614,644	5,029,557
Net assets released from restrictions - satisfaction of program expenses	21,205,637	2,659,154	
Total unrestricted revenues and other support	29,355,423	26,273,798	5,029,557
Expenses:			
Amounts paid to benefit Louisiana State University for:			
Projects specified by donors	21,966,138		
Projects specified by the Board of Directors	1,419,907	34,145,272	3,980,528
Other:			
Grants and contracts			
Property operations			
Other		10,295,516	
Total program expenses	23,386,045	44,440,788	3,980,528
Supporting services:			
Salaries and benefits	5,188,998	1,408,751	33,744
Occupancy	137,049	166,118	
Office operations	569,237	118,688	25,675
Travel	194,522		
Professional services	554,815	73,816	901,774
Dues and subscriptions	69,829	27,887	
Meetings and development	403,054	661,790	9,291
Depreciation	134,315		1,560,827
Other		696,751	2,515,657
Total supporting services	7,251,819	3,153,801	5,046,968
Total expenses	30,637,864	47,594,589	9,027,496
Increase (decrease) in unrestricted net assets	(1,282,441)	(21,320,791)	(3,997,939)

(Continued)

The accompanying notes are an integral part of this statement.

	Foundation for the LSU Health Sciences Center	University of New Orleans Research and Technology Foundation	Total Foundations
Changes in unrestricted net assets:			
Contributions	$15,165		$17,451,774
Investment earnings (loss), net	(218,975)	$418,478	12,805,612
Grants and contracts		7,117,589	7,117,589
Other revenues	169,280	9,362,583	16,283,132
Total unrestricted revenues	(34,530)	16,898,650	53,658,107
Net assets released from restrictions - satisfaction of program expenses	6,891,237		30,756,028
Total unrestricted revenues and other support	6,856,707	16,898,650	84,414,135
Expenses:			
Amounts paid to benefit Louisiana State University for:			
Projects specified by donors	5,989,590		27,955,728
Projects specified by the Board of Directors			39,545,707
Other:			
Grants and contracts		3,540,541	3,540,541
Property operations		3,907,064	3,907,064
Other		2,521,577	12,817,093
Total program expenses	5,989,590	9,969,182	87,766,133
Supporting services:			
Salaries and benefits	569,019	143,118	7,343,630
Occupancy	7,089		310,256
Office operations	63,461		777,061
Travel	15,135	5,602	215,259
Professional services	115,068	472,800	2,118,273
Dues and subscriptions	12,982		110,698
Meetings and development	46,358		1,120,493
Depreciation	1,591	2,745,221	4,441,954
Other	231,393	403,076	3,846,877
Total supporting services	1,062,096	3,769,817	20,284,501
Total expenses	7,051,686	13,738,999	108,050,634
Increase (decrease) in unrestricted net assets	(194,979)	3,159,651	(23,636,499)

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Activities, June 30, 2008

	LSU Foundation	Tiger Athletic Foundation*	Pennington Medical Foundation*
Changes in temporarily restricted net assets:			
Contributions	$31,829,994	$5,879,055	
Investment earnings	(22,624,963)		
Other	(168,900)		
Total temporarily restricted revenues	9,036,131	5,879,055	NONE
Net assets released from restrictions - satisfaction of program expenses	(21,205,637)	(2,659,154)	NONE
Increase (decrease) in temporarily restricted net assets	(12,169,506)	3,219,901	NONE
Changes in permanently restricted net assets:			
Contributions	12,251,203	3,713,593	
Investment earnings	674,934	33,514	
Other			
Increase (decrease) in permanently restricted net assets	12,926,137	3,747,107	NONE
Increase (decrease) in net assets	(525,810)	(14,353,783)	($3,997,939)
Net assets at beginning of year, restated (note 18)	408,700,715	60,619,113	97,210,349
Net assets at end of year	$408,174,905	$46,265,330	$93,212,410

*For the period ending December 31, 2007

(Concluded)

The accompanying notes are an integral part of this statement.

	Foundation for the LSU Health Sciences Center	University of New Orleans Research and Technology Foundation	Total Foundations
Changes in temporarily restricted net assets: (Cont.)			
Contributions	$4,461,329		$42,170,378
Investment earnings	4,550,748		(18,074,215)
Other	(8,977)		(177,877)
Total temporarily restricted revenues	9,003,100	NONE	23,918,286
Net assets released from restrictions - satisfaction of program expenses	(6,891,237)		(30,756,028)
Increase (decrease) in temporarily restricted net assets	2,111,863	NONE	(6,837,742)
Changes in permanently restricted net assets:			
Contributions	1,785,571		17,750,367
Investment earnings	(3,124,160)		(2,415,712)
Other	(823,818)		(823,818)
Increase (decrease) in permanently restricted net assets	(2,162,407)	NONE	14,510,837
Increase (decrease) in net assets	(245,523)	$3,159,651	(15,963,404)
Net assets at beginning of year, restated (note 18)	78,397,575	62,848,084	707,775,836
Net assets at end of year	$78,152,052	$66,007,735	$691,812,432

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LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Year Ended June 30, 2008

Cash flows from operating activities	
Student tuition and fees	$234,855,537
Federal appropriations	11,442,907
Grants and contracts	481,442,274
Sales and services of educational departments	186,974,820
Hospital income	1,146,307,161
Auxiliary enterprise receipts	168,996,642
Payments for employee compensation	(1,488,943,173)
Payments for benefits	(374,005,557)
Payments for utilities	(68,383,365)
Payments for supplies and services	(1,008,182,066)
Payments for scholarships and fellowships	(42,541,886)
Loans to students	(5,431,219)
Collection of loans to students	4,914,465
Other receipts	15,280,895
Net cash used by operating activities	(737,272,565)
Cash flows from noncapital financing activities	
State appropriations	876,644,523
Gifts and grants for other than capital purposes	29,250,079
Private gifts for endowment purposes	7,936,904
TOPS receipts	52,357,620
TOPS disbursements	(52,230,439)
FEMA receipts	29,467,792
FEMA disbursements	(14,676,310)
Other disbursements	(479,938)
Net cash provided by noncapital financing sources	928,270,231
Cash flows from capital financing activities	
Proceeds from capital debt	128,145,000
Capital appropriations received	16,745,023
Capital gifts and grants received	40,015,353
Proceeds from sale of capital assets	112,948
Purchase of capital assets	(200,151,557)
Principal paid on capital debt and leases	(82,555,134)
Interest paid on capital debt and leases	(19,296,723)
Other sources	19,264,561
Net cash used by capital financing activities	(97,720,529)
Cash flows from investing activities	
Proceeds from sales and maturities of investments	181,289,173
Interest received on investments	43,143,329
Purchase of investments	(236,098,522)
Net cash used by investing activities	(11,666,020)

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2008

Net increase in cash and cash equivalents	$81,611,117
Cash and cash equivalents at the beginning of the year, restated	458,801,119
Cash and cash equivalents at the end of the year	$540,412,236
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	($984,601,631)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	121,827,051
Changes in assets and liabilities:	
Increase in accounts receivable	(79,206,690)
Increase in inventories	(4,230,944)
Increase in deferred charges and prepaid expenses	(2,097,048)
Increase in notes receivable	(190,182)
Increase in other assets	(1,214,031)
Increase in accounts payable and accrued liabilities	15,184,923
Increase in deferred revenue	10,989,319
Decrease in amounts held in custody for others	(240,794)
Increase in compensated absences	7,808,002
Increase in other postemployment benefits payable	176,000,063
Increase in other liabilities	2,699,397
Net cash used by operating activities	($737,272,565)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:	
Cash and cash equivalents classified as current assets	$460,905,875
Cash and cash equivalents classified as noncurrent assets	79,506,361
Cash and cash equivalents at the end of the year	$540,412,236
Schedule of Noncash Investing, Capital and Financing Activities:	
Capital appropriations	$62,721,046
Capital gifts and grants	4,362,978

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

The Louisiana State University (LSU) System is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana, within the executive branch of government. The system is under the management and supervision of the LSU Board of Supervisors; however, certain items such as the annual budgets of the universities and changes to the degree programs and departments of instruction require the approval of the Board of Regents for Higher Education. The Board of Supervisors is comprised of 15 members appointed for a six-year term by the governor, with the consent of the Senate, and one student member appointed for a one-year term by a council composed of the student body presidents of the universities. 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 university system is the president.

The university system is comprised of 11 campuses in five cities and 10 state hospitals. The system includes LSU and A&M College (LSU), the Paul M. Hebert Law Center, and the Pennington Biomedical Research Center, all in Baton Rouge; the LSU Agricultural Center (including the Louisiana Agricultural Experiment Station and the Louisiana Cooperative Extension Service) with headquarters in Baton Rouge; the University of New Orleans; LSU Shreveport; LSU Alexandria; LSU Eunice, a two-year institution; the LSU Health Sciences Center in New Orleans, which includes schools of Medicine, Dentistry, Nursing, and Allied Health Professions, and a Graduate School in New Orleans, the Louisiana State University School of Medicine in New Orleans Faculty Group Practice (a Louisiana nonprofit corporation doing business as LSU Healthcare Network), and the Health Care Services Division; and the LSU Health Sciences Center in Shreveport, which includes a School of Medicine in Shreveport with hospitals in Shreveport, Monroe, and Pineville. Student enrollment as of the fourteenth class day for the university system for the 2007 fall semester totaled approximately 52,468. As of November 1, 2007, the university system had approximately 5,323 full and part-time faculty members with the academic rank of instructor or above, including those positions with equivalent rank.

Louisiana Revised Statute 17:1519.1 provides for the operation of Louisiana's public hospitals by the LSU Health Sciences Center - Health Care Services Division, under the overall management of the LSU Board of Supervisors. The LSU Health Sciences Center - Health Care Services Division is comprised of seven hospitals throughout the state and a central administrative unit located in Baton Rouge. The state hospitals include Earl K. Long Medical Center in Baton Rouge, University Medical Center in Lafayette, W.O. Moss Regional Medical Center in Lake Charles, Lallie Kemp Regional Medical Center in Independence, Washington-St. Tammany Regional Medical Center in Bogalusa, Leonard J. Chabert Medical Center in Houma, and Medical Center of Louisiana at New Orleans.

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 discrete component unit foundations, which are the LSU Foundation, the Tiger Athletic Foundation, the Pennington Medical Foundation, the Foundation for the LSU Health Sciences Center, and the University of New Orleans Research and Technology Foundation, follow the provisions of the Financial Accounting Standards Board for not-for-profit organizations.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The university 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) a 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) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the university system primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the LSU System.

Blended Component Units

The LSU School of Medicine in New Orleans Faculty Group Practice (a Louisiana nonprofit corporation doing business as LSU Healthcare Network - LSUHN) is considered a blended component unit of the university system and is included in the financial statements. The component unit is included in the reporting entity because of the significance of its operational and financial relationships with the LSU System and the LSU Health Sciences Center in New Orleans. Although LSUHN is legally separate, it is reported as a part of the university system because its purpose is to assist the LSU Health Sciences Center in carrying out its medical, educational, and research functions.

The governing board of LSUHN was established in August 1995 and is comprised of 15 members, seven of whom are appointed by LSU and eight of whom are from the community and not members or employees of the LSU Board of Supervisors. LSUHN began operations in March 1997 providing health care to the general public.

A cooperative endeavor agreement, dated November 1, 2000, documents the relationship between the LSU Health Sciences Center and LSUHN. The agreement provides for the LSU Health Sciences Center and LSUHN to continue as autonomous organizations with separate but complimentary missions. The agreement establishes a relationship in which the LSU Health Sciences Center will lease certain faculty, staff, and specific office space and equipment to LSUHN as its part of the agreement. LSUHN will reimburse the LSU Health Sciences Center for the use of its employees, facilities, and equipment; provide support to the academic programs; and provide access to a patient base that would not otherwise be available, as its part of the agreement.

To obtain the latest audit report of the LSU Healthcare Network, write to the LSU Healthcare Network, 1340 Poydras Street, Suite 1600, New Orleans, Louisiana 70112.

The Eunice Student Housing Foundation, a nonprofit corporation with an August 31 fiscal year-end, is considered a blended component unit of the university system and is included in the basic financial statements. The component unit is included in the reporting entity because it is fiscally dependent on the LSU System and LSU Eunice. Although the Eunice Student Housing Foundation is a legally separate, not-for-profit organization as outlined in the Internal Revenue Code Section 501(c)(3), it is reported as a part of the university system because its purpose is to assist LSU Eunice in carrying out its educational functions.

The foundation constructed a student apartment complex, known as Bengal Village, on the LSU Eunice campus. Bengal Village consists of 58 units and is managed by Century Development Housing Management, L.P. (Century). The management agreement between the foundation and Century commenced August 1, 2002, and ends July 31, 2017. Thereafter, the agreement shall be automatically renewed for one-year periods unless terminated. All personnel employed in the leasing, management, maintenance, and operation of Bengal Village are employees of Century.

To obtain the latest audit report of the Eunice Student Housing Foundation, write to the Eunice Student Housing Foundation, 2048 Johnson Highway, Eunice, Louisiana 70535.

The Health Care Services Foundation (HCSF) and its subsidiary, Bogalusa Community Medical Center (BCMC), are blended component units of the university system and are included in the financial statements. The component units are included in the reporting entity because they are fiscally dependent on the LSU System and the LSU Health Care Services Division. HCSF is a nonprofit organization, incorporated in the State of Louisiana, that provides support and appropriate services to the Health Care Services Division, including purchasing, leasing, owning, operating, managing, and selling property and services to maximize healthcare capabilities in Louisiana. BCMC is a nonprofit, nonstock corporation, incorporated in Louisiana. On April 25, 2002, HCSF became the sole member of the BCMC, which leases the hospital's facilities to the Health Care Services Division. Although HCSF and BCMC are legally separate entities, they are reported as a part of the university system because their purposes are to assist the LSU Health Care Services Division in carrying out its medical, educational, and research functions.

To obtain the latest audit report of the HCSF and the BCMC, write to Health Care Services Foundation, Post Office Box 91308, Baton Rouge, Louisiana 70821-1308.

Discretely Presented Component Units

The LSU Foundation, the Tiger Athletic Foundation, the Pennington Medical Foundation, the Foundation for the LSU Health Sciences Center, and the University of New Orleans Research and Technology Foundation are included as discretely presented component units of the university system in the system's basic financial statements, in accordance with the criteria outlined in GASB Statement 14, as amended by GASB Statement 39. The foundations are legally separate, tax-exempt organizations supporting the university system. The foundations have been organized to solicit, receive, hold, invest, and transfer funds for the benefit of the university system. In addition, the foundations assist the university in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. The university and the LSU Foundation and the Foundation for the LSU Health Sciences Center are also in management agreements related to endowed chairs and professorships. These agreements are in compliance with Board of Regents policy and allow the foundations to manage funds on behalf of the university.

Other external auditors audited the Tiger Athletic Foundation and the Pennington Medical Foundation for the year ended December 31, 2007, and the LSU Foundation, the University of New Orleans Research and Technology Foundation, and the Foundation for the LSU Health Sciences Center for the year ended June 30, 2008.

Each of these foundations is a nonprofit organization that reports under the Financial Accounting Standards Board (FASB) standards, including FASB Statement 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundations' financial information in the university system's financial report for these differences.

Furthermore, each of these foundations is a legally separate, tax-exempt organization supporting the LSU System. They are included in the university's financial statements because their assets, individually, equaled 3% or more of the assets of the university system or the assets had equaled 3% or more of the assets of the university system in the past three years.

Each discretely presented component unit is described as follows:

> The LSU Foundation supports LSU A&M. During the year ended June 30, 2008, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for $23,386,045. Complete financial statements for the foundation can be obtained at 3838 West Lakeshore Drive, Baton Rouge, Louisiana 70808.
>
> The Tiger Athletic Foundation (TAF) supports LSU A&M. During the year ended December 31, 2007, TAF made distributions to or on behalf of the university for both restricted and unrestricted purposes for $34,145,272. Complete financial statements for TAF can be obtained from Post Office Box 711, Baton Rouge, Louisiana 70821, or from the foundation's Web site at www.lsutaf.org.
>
> The Pennington Medical Foundation supports the Pennington Biomedical Research Center. During the year ended December 31, 2006, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for $3,948,715. Complete financial statements for the foundation can be obtained from the Chief Financial Officer, 6400 Perkins Road, Baton Rouge, Louisiana 70808.
>
> The Foundation for the LSU Health Sciences Center supports the LSU Health Sciences Center in New Orleans. During the year ended June 30, 2008, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for $5,989,590. Complete financial statements for the foundation can be obtained at 450A S. Claiborne Avenue, New Orleans, Louisiana 70112, or from the foundation's Web site at www.foundation.lsuhsc.edu.
>
> The University of New Orleans Research and Technology Foundation supports the University of New Orleans. During the year ended June 30, 2008, the foundation made distributions to or on behalf of the university for either restricted or unrestricted purposes for $7,338,236. Complete financial statements for the foundation can be obtained at 2000 Lakeshore Drive, New Orleans, Louisiana 70148.

For fiscal year 2008, the UNO Foundation included in the prior year's report is no longer shown as a discretely presented component unit as it no longer meets the financial criteria of 3% or more of the assets held by the university system.

The LSU System is a component unit of the State of Louisiana. Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying financial statements. These financial statements are audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the university system is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the university 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-campus transactions have been eliminated.

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

Discrete Component Units

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

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

D. BUDGET PRACTICES

The appropriations made for the General Fund of the LSU System are annual lapsing appropriations established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government.

The Joint Legislative Committee on the Budget grants budget revisions. 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 and other postemployment benefits are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated, but are recognized in the succeeding year; and (4) inventories in the General Fund are recorded as expenditures at the time of purchase.

The original approved budgets and subsequent amendments approved are as follows:

Original approved budget	$1,553,579,735
Increases:	
State General Fund	41,143,048
Self-generated	5,703,136
Federal funds	8,927,417
Interagency transfers	30,238,362
Final budget	$1,639,591,698

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

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and money market funds. Under state law, the LSU 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.

The university system may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. In accordance with Louisiana Revised Statute (R.S.) 49:327, the university system is authorized to invest funds in direct U.S. government obligations, U.S. government agency obligations, mutual funds, direct security repurchase agreements, and time certificates of deposit. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. The majority of these investments are U.S. Treasury securities, mutual funds, and investments held by private foundations and are reported at fair value on the balance sheet. Changes in the carrying value of investments, resulting in unrealized gains or losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

In accordance with provisions of Article VII, Section 14 of the Louisiana Constitution and R. S. 49:327(C)(3)(b), the university may invest publicly funded permanently endowed funds in the stock of any corporation listed on the New York Stock Exchange, the American Stock Exchange, or authorized for quotations display on the National Association of Securities Dealers Automated Quotations System, provided that the total investment in such stocks at any one time shall not exceed 35% of the market value of all publicly endowed funds of the university. The university system's investment of endowed chairs and professorships funded by the Board of Regents and maintained by the foundations are authorized by policies and procedures established by the Board of Regents.

F. INVENTORIES

Inventories are valued at cost or replacement cost, except for livestock at LSU and the LSU Agricultural Center and the inventory of the Dental School of the LSU Health Sciences Center in New Orleans. These inventories are valued at current market prices. The university system uses periodic and perpetual inventory systems and values its various other inventories using the first-in, first-out and weighted-average valuation methods. The university system accounts for its inventories using the consumption method.

G. NONCURRENT RESTRICTED ASSETS

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

H. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the university 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 total $100,000 or more and significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. Depreciation expense is charged directly to the various functional categories of operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets. The LSU System uses the group or composite method for library book depreciation if the books are considered to have a useful life of greater than one year.

Hospitals and medical units within the LSU Health Sciences Centers are subject to federal cost reporting requirements and use capitalization and depreciation policies of the Centers for Medicare and Medicaid Services (CMS) to ensure compliance with federal regulations. These capitalization policies include capitalizing all assets above $5,000, depreciable lives greater than 40 years on some assets, and recognizing one-half year of depreciation in the year of acquisition and in the final year of useful life.

I. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities before the end of the fiscal year that 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. NONCURRENT LIABILITIES

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other postemployment benefit liabilities that will not be paid within the next fiscal year; and (3) other liabilities that will not be paid within the next fiscal year.

K. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. Faculty with 12-month appointments who have over 10 years of state service, non-classified employees with over 10 years of state service, and classified employees regardless of years of state service accumulate leave without limitation. According to the university system leave schedule, faculty with 12-month appointments who have less than 10 years of state service and non-classified employees with less than 10 years of state service can only accumulate 176 hours of annual leave; sick leave is accumulated without limitation. Effective January 1, 1994, academic and unclassified employees were given the opportunity to elect to remain under the university leave schedule or change to the Louisiana State Civil Service annual leave accrual schedule under which there is no limit on the accumulation of annual leave. Nine-month faculty members accrue sick leave but do not accrue annual leave; however, they are granted faculty leave during holiday periods when students are not in classes. Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

L. NET ASSETS

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

(1) Invested in Capital Assets, Net of Related Debt
This represents the university system's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to acquisition, construction, or improvement of those capital assets.

(2) Restricted Net Assets - Expendable
Restricted expendable net assets include resources that the university system is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

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

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

M. CLASSIFICATION OF REVENUES

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

(a) Operating Revenue - 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; (3) hospital income; and (4) most federal, state, and local grants and contracts and federal appropriations.

(b) Nonoperating Revenue - Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, investment income, and grants that do not have the characteristics of exchange transactions.

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

O. ELIMINATING INTERFUND ACTIVITY

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

P. 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.

Q. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2008, the LSU System implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Then Pensions*; Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*; and Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27.* Statement No. 50 had no impact on reporting for the LSU System.

2. CASH AND CASH EQUIVALENTS

At June 30, 2008, the university system has cash and cash equivalents (book balances) of $540,412,236 as follows:

Petty cash	$1,166,918
Demand deposits	347,987,637
Certificates of deposit	134,018,600
Money market funds	12,691,714
Open-end mutual fund	44,547,367
Total	$540,412,236

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

As of June 30, 2008, $6,364,794 of the system's bank balance of $607,138,348 was exposed to custodial credit risk as these balances were uninsured and uncollateralized.

Disclosures required for the open-end mutual fund reported above as cash equivalents are included in note 3.

CASH AND CASH EQUIVALENTS - COMPONENT UNITS

Cash and cash equivalents of the component units totaling $72,238,361, as shown on the Statement of Financial Position, are reported under FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*, which does not require the disclosures of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

The LSU Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Occasionally, the LSU Foundation has deposits in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The Foundation's management believes the credit risk associated with these deposits is minimal.

The Tiger Athletic Foundation (TAF) maintains several bank accounts at various financial institutions. Accounts at individual institutions are insured by FDIC up to $100,000. TAF's bond agreement requires certain funds to be maintained at the banks to act as the trustees for the bonds. Cash at the institutions exceeded federal insured limits. The amount in excess of the FDIC limit totaled approximately $41,034,000 as of December 31, 2007. Restricted cash and cash equivalents are available for the following purposes:

	December 31, 2007
Bond Restrictions:	
Maintenance reserve and escrow accounts	$11,597,887
Tiger Den Suites tower account	207,734
West Side Upper Deck - Stadium Club deposits	37,433
West Side Upper Deck - Capital One construction account	1,959,081
Academic Center Trust Funds	50,925
Board designated	16,438,556
Donor restrictions	7,367,480
Amounts held in custody for others	1,529,598
Endowment funds	98,250
Total	$39,286,944

The Pennington Medical Foundation maintains its cash in deposit accounts at a financial institution. The balances are insured by FDIC up to $100,000. The balances at times may exceed federally insured limits. At December 31, 2007, the Pennington Medical Foundation's deposits did exceed the insured limit by $34,168.

The Foundation for the LSU Health Sciences Center maintains its cash accounts in several financial institutions. Accounts are insured by FDIC and insured for greater amounts by agreement with some institutions. Cash restricted for debt service totaled $98,505.

3. INVESTMENTS

At June 30, 2008, the system has investments totaling $504,385,951.

The system's established investment policy follows state law (R.S. 49:327), which authorizes the system 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. In addition, 35% of the university's publicly funded permanent endowment funds may be invested in common stocks listed on the New York Stock Exchange, the American Stock Exchange, or authorized for quotations on the National Association of Securities Dealers Automated Quotations System.

A summary of the system's investments follows:

	Percentage of Investments	Credit Quality Rating*	Fair Value
Type of Investment:			
Repurchase agreements[4]	9.89%		$49,866,568
U.S. government securities:			
Bonds and Notes:			
Federal Home Loan Mortgage Corporation	5.00%	Aaa	25,213,723
Federal National Mortgage Association	7.74%	Aaa	39,028,036
Federal Home Loan Bank	13.89%	Aaa	70,053,297
Federal Farm Credit Bank	3.40%	Aaa	17,129,388
Collateralized Mortgage Obligations:			
Federal National Mortgage Association[2]	1.13%		5,691,673
Federal Home Loan Banks	2.53%	Aaa	12,736,680
Federal Home Loan Banks	0.41%	AAA[6]	2,055,029
Federal Home Loan Mortgage Corporation[2]	6.03%		30,401,208
Mortgage-backed Securities:			
Federal National Mortgage Association[2]	3.96%		19,970,381
Federal Home Loan Mortgage Corporation[2]	4.48%		22,578,323
Government National Mortgage Association[1]	0.22%		1,099,359
Mutual Funds:			
Blackrock Mutual Fund[5]			16,567
Money market mutual funds	17.27%	Aaa	87,092,094
Other:			
Investments held by foundations[5]	22.50%		
U.S. Agency Securities:			
Bonds and notes			11,217,504
Collateralized mortgage obligations			14,234,663
Mortgage-backed securities			2,165,925
Mutual funds			38,221,233
Common and preferred stock			10,247,955
Municipal obligations			6,351,091
Corporate obligations			14,890,771
U.S. Treasury securities			1,269,434
Other			14,912,593
Common and preferred stock[3]	0.61%		3,069,813
Realty investments[3]	0.10%		495,407
Certificates of deposit[7]	0.02%		100,000
Louisiana Public Facilities Authority[3]	0.01%		30,946
Interest receivable[3]	0.68%		3,404,763
LSUE Housing Foundation[3]	0.10%		510,314
New Orleans Regional Physician Hospital Organization[3]	0.07%		331,213
Total investments	100.00%		$504,385,951

* Credit quality ratings obtained from Moody's Investors Service, unless otherwise noted.
[1] Credit quality ratings are not required for U.S. government and agency securities that are explicitly guaranteed by the U.S. government.
[2] Securities are implicitly guaranteed by the U.S. government but are not rated by Moody's Investors Service.
[3] Credit quality ratings are not required for these investments, which do not have specified maturities.
[4] The investments and the underlying securities are not rated by Moody's Investors Service; however, the underlying securities are implicitly guaranteed by the U.S. government.
[5] The investment is not rated by Moody's Investors Service.
[6] The investment is not rated by Moody's Investors Service; however, it is rated by Standard and Poor's.
[7] Credit quality ratings are not required for certificates of deposit.

	Investment Maturities in Years				
	Less Than 1	1-5 Years	6-10	11-20	21-30
Type of Investment:					
Repurchase agreements[4]	$2,000,735	$47,865,833			
U.S. government securities:					
Bonds and Notes:					
Federal Home Loan Mortgage Corporation	2,485,672	12,687,271	$10,040,780		
Federal National Mortgage Association	6,949,576	15,875,515	16,202,945		
Federal Home Loan Bank	3,000,240	18,139,257	48,913,800		
Federal Farm Credit Bank		6,033,748	11,095,640		
Collateralized Mortgage Obligations:					
Federal National Mortgage Association[2]		3,779,759	1,911,914		
Federal Home Loan Banks		2,294,728	10,441,952		
Federal Home Loan Banks[6]		2,055,029			
Federal Home Loan Mortgage Corporation[2]		9,703,707	20,697,501		
Mortgage-backed Securities:					
Federal National Mortgage Association[2]	3,085,256	12,002,781	4,882,344		
Federal Home Loan Mortgage Corporation[2]	1,110,864	6,767,433	14,700,026		
Government National Mortgage Association[1]		606,233	445,037	$48,089	
Mutual Funds:					
Blackrock Mutual Fund[5]		16,567			
Money market mutual funds	87,092,094				
Other:					
Investments held by foundations[5]					
U.S. Agency Securities:					
Bonds and notes	230,414	3,042,494	3,763,162	4,181,434	
Collateralized mortgage obligations		1,047,452	96,816	6,048,862	$7,041,533
Mortgage-backed securities			40,682	1,771,229	354,014
Mutual funds	25,692,626	12,528,607			
Common and preferred stock					
Municipal obligations		77,536	5,170,071	114,104	989,380
Corporate obligations	478,818	4,228,334	5,137,464	4,402,180	643,975
U.S. Treasury securities	180,935	390,636	348,438	349,425	
Other	1,594,850	2,749,728			
Common and preferred stock[3]					
Realty investments[3]					
Certificates of deposit[7]	100,000				
Louisiana Public Facilities Authority[3]					
Interest receivable[3]					
LSUE Housing Foundation[3]					
New Orleans Regional Physician Hospital Organization[3]					
Total investments	$134,002,080	$161,892,648	$153,888,572	$16,915,323	$9,028,902

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 by type as described previously. The system does not have policies to further limit credit risk.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the system's $504,385,951 in total investments, $49,879,065 of underlying securities are held by counterparties, not in the name of the system. For U.S. Treasury obligations and U.S. government agency obligations, the system's 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. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to institutions of higher education does not address interest rate risk. The system has a policy to limit concentration of credit risk with regard to the investment of equities. However, it does not have a policy to limit interest rate risk.

The open-end mutual fund amount of $44,547,367, included in cash and cash equivalents, consists of $8,200,000 invested in the Federated Investors Government Obligations Fund; $230,178 invested in Federated Prime Obligations Fund; $248,679 invested in Fidelity Treasury Money Market; $1,620,579 invested in JPMorgan 100% U.S. Treasury Money Market Fund; $314,795 in Dreyfus Cash Management Fund; and $33,933,136 invested in JPMorgan U.S. Treasury Plus Money Market Fund. The holdings for the Federated Investors Government Obligations Fund, the Fidelity Treasury Money Market Fund, and the JPMorgan U.S. Government Money Market Fund consist primarily of short-term U.S. Treasury and U.S. government agency securities, including repurchase agreements collateralized fully by U.S. Treasury and government agency securities. The holdings for the Federated Prime Obligations Fund consist primarily of a portfolio of short-term, high quality, fixed income securities issued by banks, corporations, and the U.S. government. These funds all minimize interest rate risk with the purchase of short-term securities.

The investments in mortgage-backed securities are based on flows from payments on the underlying mortgages that contain prepayment options that cause them to be highly sensitive to changes in interest rates. Generally, when interest rates fall, obligees tend to prepay the assets, thus eliminating the stream of interest payments that would have been received under the original amortization schedule. This reduced cash flow diminishes the fair value of the asset-backed investment.

Investments held by private foundations in external investment pools are managed in accordance with the terms outlined in management agreements executed between the university and the foundations. Each university is a voluntary participant. The foundations hold and manage funds received by the university as state matching funds for the Eminent Scholars Endowed Chairs and Endowed Professorship Programs. All of these investments are held by the university's discretely presented component units.

INVESTMENTS - COMPONENT UNITS

Component units' investments totaling $636,494,408, as shown on the Statement of Financial Position, are reported under FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations,* which does not require the disclosures of GASB Statement No. 40. The fair value of investments held by the foundations at June 30, 2008, follows:

Type of Investment	LSU Foundation	Tiger Athletic Foundation*	Pennington Medical Foundation*	Foundation for the LSU Health Sciences Center	UNO Research and Technology Foundation	Total Investments
Money markets/certificates of deposit	$395,000		$3,818,842	$7,595,455	$1,559,092	$13,368,389
Government obligations	46,541,051			5,741,395		52,282,446
Corporate obligations	53,100,248					53,100,248
Corporate stocks, common stocks, and indexed mutual funds	172,915,575					172,915,575
Mortgage-backed securities and CMOs	45,521,816			4,100,997		49,622,813
Shaw Center for the Performing Arts	19,366,959					19,366,959
Land	522,652					522,652
Royalty interest	148,501					148,501
Equities			68,997,544			68,997,544
Meridian Diversified Fund			11,032,205			11,032,205
Mineral interests			236,909			236,909
Corporate bonds and notes				4,921,196		4,921,196
Mutual funds				63,735,476	3,140,808	63,735,476
Bond reserves						3,140,808
Split interest agreements	1,214,912					1,214,912
Louisiana Fund I			169,475			169,475
Themelios Fund		$3,631,307	98,235			98,235
LSU Foundation investment pool[1]						3,631,307
Fixed Income - International Fund			10,849,691		4,403,886	10,849,691
Short-term investments						4,403,886
Private equity	8,321,969					8,321,969
Hedged funds	60,399,607			9,697,925		70,097,532
Venture capital	457,434					457,434
Real estate investment trusts	17,092,221					17,092,221
Emerging market	6,766,025					6,766,025
Total investments	$432,763,970	$3,631,307	$95,202,901	$95,792,444	$9,103,786	$636,494,408

*As of December 31, 2007
[1]Investments consist primarily of equity funds, corporate bonds, collateralized mortgage obligations and government agency securities.

The LSU Foundation is a 50% investor in the Shaw Center for the Arts, LLC. The investment recorded on the Statement of Financial Position for $19,366,959 at June 30, 2008, is accounted for by the equity method. The summarized unaudited financial information of the Shaw Center for the Arts, LLC is as follows:

Total assets	$38,810,138
Total liabilities	$76,220
Net income (loss)	($1,159,353)

The LSU Foundation serves as trustee for various charitable remainder trusts for which the Foundation is not the irrevocable beneficiary. The funds are held and administered by a third-party financial institution as an agent of the Foundation. The fair market value of the funds held is reported as an asset and corresponding liability in the statements of financial position. As of June 30, 2008, the fair market value of these charitable remainder trusts totaled $702,435.

The LSU Foundation is also the irrevocable beneficiary of two split-interest agreements for which the funds are held and administered by third parties. The Foundation's interest in the funds held by the third parties is measured at present value and reported as an asset in the statements of financial position. As of June 30, 2008, the fair market value of the beneficial interests totaled $512,477.

The Pennington Medical Foundation's investments are secured by the Securities Investor Protection Corporation (SIPC) for up to $60 million through insurance purchased by the investment company. However, the $60 million of protection and SIPC do not insure the quality of investments or protect the Foundation against losses from fluctuating market values.

The Foundation for the LSU Health Sciences Center has entered into two charitable gift annuity agreements that provide for the payment of distributions to the grantor or designated beneficiaries over the trust's term. In consideration of the contribution, the Foundation shall pay an annual annuity of $1,650 paid in quarterly installments to the donor so long as he/she is living. The Foundation's obligation will terminate upon the donor's death. The present value of the estimated future payments ($12,938 at June 30, 2006) is calculated using a discount rate of 6.0% and the applicable mortality rates. The Foundation made payments to the donor in the amount of $1,650 for the year ended June 30, 2008.

4. RECEIVABLES

Receivables, which are scheduled for collection within one year, are shown on Statement A net of an allowance for doubtful accounts as follows:

	Receivables	Doubtful Accounts	Net Receivables
Student tuition and fees	$13,230,562	$100,018	$13,130,544
Auxiliary enterprises	5,750,755	20,705	5,730,050
Contributions and gifts	2,289,788		2,289,788
Federal, state, and private grants and contracts	93,061,836	1,975,662	91,086,174
Federal appropriations	832,667		832,667
Sales and services/other	19,410,248	1,539	19,408,709
Clinics	56,485,789	41,859,507	14,626,282
Federal Emergency Management Agency	8,622,416		8,622,416
Hospital	523,175,852	384,339,701	138,836,151
Other - UCC	172,907,621	172,907,621	
Total	$895,767,534	$601,204,753	$294,562,781

Accounts receivable and doubtful accounts include $64,094,021 for fiscal year 2004 and $108,813,600 for fiscal year 2005 uncompensated care cost (disproportionate share) on the "Hospital" line that was earned by HCSD during fiscal years 2004 and 2005. Because of the federal cap and Medicaid State Plan ceiling, it has been determined that this amount is uncollectible and therefore an allowance for doubtful accounts should be established for the full amount included in Accounts Receivable and Doubtful Accounts. These amounts are eliminated on the "Other - UCC" line.

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

LSU SYSTEM

	Balance June 30, 2007	Prior Period Adjustment	Restated Balance June 30, 2007
Capital assets not being depreciated:			
Land	$112,694,963	$1,517,056	$114,212,019
Capitalized collections		713,300	713,300
Construction-in-progress	129,631,078	334,380	129,965,458
Total capital assets not being depreciated	$242,326,041	$2,564,736	$244,890,777
Other capital assets:			
Infrastructure	$61,050,587		$61,050,587
Less accumulated depreciation	(23,120,315)		(23,120,315)
Total infrastructure	37,930,272	NONE	37,930,272
Land improvements	71,958,150	($3,595,162)	68,362,988
Less accumulated depreciation	(46,378,087)	640,840	(45,737,247)
Total land improvements	25,580,063	(2,954,322)	22,625,741
Buildings	1,588,973,992	(4,308,648)	1,584,665,344
Less accumulated depreciation	(842,062,995)	8,725,655	(833,337,340)
Total buildings	746,910,997	4,417,007	751,328,004
Equipment	811,591,582	29,832,928	841,424,510
Less accumulated depreciation	(541,819,739)	(12,409,206)	(554,228,945)
Total equipment	269,771,843	17,423,722	287,195,565
Library books	209,189,573		209,189,573
Less accumulated depreciation	(193,685,232)		(193,685,232)
Total library books	15,504,341	NONE	15,504,341
Total other capital assets	$1,095,697,516	$18,886,407	$1,114,583,923
Capital asset summary:			
Capital assets not being depreciated	$242,326,041	$2,564,736	$244,890,777
Other capital assets, at cost	2,742,763,884	21,929,118	2,764,693,002
Total cost of capital assets	2,985,089,925	24,493,854	3,009,583,779
Less accumulated depreciation	(1,647,066,368)	(3,042,711)	(1,650,109,079)
Capital assets, net	$1,338,023,557	$21,451,143	$1,359,474,700

	Additions	Transfers	Retirements	Balance June 30, 2008
Capital assets not being depreciated:				
Land	$5,423,171		($112,948)	$119,522,242
Capitalized collections	2,098,833			2,812,133
Construction-in-progress	87,315,949	($41,680,799)	(184,173)	175,416,435
Total capital assets not being depreciated	$94,837,953	($41,680,799)	($297,121)	$297,750,810
Other capital assets:				
Infrastructure	$6,891,868			$67,942,455
Less accumulated depreciation	(1,607,794)			(24,728,109)
Total infrastructure	5,284,074	NONE	NONE	43,214,346
Land improvements	3,287,086	$175,042	($47,071)	71,778,045
Less accumulated depreciation	(1,826,845)		47,071	(47,517,021)
Total land improvements	1,460,241	175,042	0	24,261,024
Buildings	110,525,366	44,428,249	(1,058,151)	1,738,560,808
Less accumulated depreciation	(43,914,893)	(2,553,670)	1,010,259	(878,795,644)
Total buildings	66,610,473	41,874,579	(47,892)	859,765,164
Equipment	114,388,731	(2,922,492)	(72,657,827)	880,232,922
Less accumulated depreciation	(71,682,798)	2,553,670	51,537,393	(571,820,680)
Total equipment	42,705,933	(368,822)	(21,120,434)	308,412,242
Library books	6,771,104		(4,994,774)	210,965,903
Less accumulated depreciation	(4,285,308)		1,706,760	(196,263,780)
Total library books	2,485,796	NONE	(3,288,014)	14,702,123
Total other capital assets	$118,546,517	$41,680,799	($24,456,340)	$1,250,354,899
Capital asset summary:				
Capital assets not being depreciated	$94,837,953	($41,680,799)	($297,121)	$297,750,810
Other capital assets, at cost	241,864,155	41,680,799	(78,757,823)	2,969,480,133
Total cost of capital assets	336,702,108	NONE	(79,054,944)	3,267,230,943
Less accumulated depreciation	(123,317,638)	NONE	54,301,483	(1,719,125,234)
Capital assets, net	$213,384,470	NONE	($24,753,461)	$1,548,105,709

The prior period adjustments represent corrections of errors in recorded capital assets from prior years. As discussed in note 6, certain capital assets were idle at year-end.

COMPONENT UNITS

	Balance June 30, 2007	Prior Period Adjustment	Restated Balance June 30, 2007
Capital assets not being depreciated:			
Land	$7,345,596	($3,504,644)	$3,840,952
Capitalized collections	6,871,608		6,871,608
Livestock			
Construction-in-progress	48,532,149	(213,087)	48,319,062
Total capital assets not being depreciated	$62,749,353	($3,717,731)	$59,031,622
Other capital assets:			
Infrastructure	$304,410		$304,410
Less accumulated depreciation	(71,753)		(71,753)
Total infrastructure	232,657	NONE	232,657
Land improvements	1,830,487		1,830,487
Less accumulated depreciation	(312,588)		(312,588)
Total land improvements	1,517,899	NONE	1,517,899
Buildings	263,517,283	($10,758,692)	252,758,591
Less accumulated depreciation	(25,223,868)	2,193,071	(23,030,797)
Total buildings	238,293,415	(8,565,621)	229,727,794
Equipment	26,985,536	(1,190,667)	25,794,869
Less accumulated depreciation	(24,796,942)	812,100	(23,984,842)
Total equipment	2,188,594	(378,567)	1,810,027
Total other capital assets	$242,232,565	($8,944,188)	$233,288,377
Capital asset summary:			
Capital assets not being depreciated	$62,749,353	($3,717,731)	$59,031,622
Other capital assets, at cost	292,637,716	(11,949,359)	280,688,357
Total cost of capital assets	355,387,069	(15,667,090)	339,719,979
Less accumulated depreciation	(50,405,151)	3,005,171	(47,399,980)
Capital assets, net	$304,981,918	($12,661,919)	$292,319,999

The prior period adjustments represent corrections of errors in recorded capital assets from prior years and the removal of the UNO Foundation as described in note 1-B, which was previously reported as a discretely presented component unit.

COMPONENT UNITS

	Additions	Transfers	Retirements	Balance June 30, 2008
Capital assets not being depreciated:				
Land	$6,081,300		($19,812)	$9,902,440
Capitalized collections	1,240,573		(3,238,906)	4,873,275
Livestock	100,000			100,000
Construction-in-progress	20,802,429	($61,954,550)	(207,750)	6,959,191
Total capital assets not being depreciated	$28,224,302	($61,954,550)	($3,466,468)	$21,834,906
Other capital assets:				
Infrastructure				$304,410
Less accumulated depreciation	($37,584)			(109,337)
Total infrastructure	(37,584)	NONE	NONE	195,073
Land improvements	45,714	$7,651		1,883,852
Less accumulated depreciation	(112,024)			(424,612)
Total land improvements	(66,310)	7,651	NONE	1,459,240
Buildings	36,922,395			289,680,986
Less accumulated depreciation	(5,980,600)			(29,011,397)
Total buildings	30,941,795	NONE	NONE	260,669,589
Equipment	184,440		($320,109)	25,659,200
Less accumulated depreciation	(434,286)	(117,070)	230,221	(24,305,977)
Total equipment	(249,846)	(117,070)	(89,888)	1,353,223
Total other capital assets	$30,588,055	($109,419)	($89,888)	$263,677,125
Capital asset summary:				
Capital assets not being depreciated	$28,224,302	($61,954,550)	($3,466,468)	$21,834,906
Other capital assets, at cost	37,152,549	7,651	(320,109)	317,528,448
Total cost of capital assets	65,376,851	(61,946,899)	(3,786,577)	339,363,354
Less accumulated depreciation	(6,564,494)	(117,070)	230,221	(53,851,323)
Capital assets, net	$58,812,357	($62,063,969)	($3,556,356)	$285,512,031

6. IMPAIRMENT OF CAPITAL ASSETS

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. It establishes accounting and financial reporting standards for impairment of capital assets. It requires evaluation of prominent events or changes in circumstances to determine whether an impairment loss should be recorded and that any insurance recoveries be netted with the impairment loss.

A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset.

Hurricanes Katrina and Rita destroyed several buildings including the largest HCSD hospital (the Medical Center of Louisiana at New Orleans), which management believes cannot be repaired for use as a medical facility. Many of these buildings were old and largely depreciated.

Information about the carrying amount of impaired capital assets idle at year-end is disclosed, regardless of whether the impairment is considered permanent or temporary. The carrying value of impaired movable property assets for fiscal year 2008 is $517,705.

7. DISAGGREGATION OF ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, were as follows:

Activity	Amount
Vendors	$100,392,481
Salaries and benefits	80,941,317
Accrued interest	239,244
Uncompensated care payable	244,179,915
Other payables	7,013,926
Total	$432,766,883

8. PENSION PLANS

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

Funding Policy. The contribution requirements of employee plan members and the university 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% (TRSL) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. In fiscal year 2008, the state contributed 16.6% of covered salaries to TRSL and 20.4% of covered salaries to LASERS. The employer contribution is funded by the State of Louisiana through the annual appropriation to the university system. The employer contributions to TRSL for the years ended June 30, 2008, 2007, and 2006, were $38,961,184; $33,574,093; and $32,228,751, respectively, and to LASERS for the years ended June 30, 2008, 2007, and 2006, were $101,162,799; $82,094,484; and $80,129,472, respectively, equal to the required contributions for each year.

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 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 university system are 16.6% of the covered payroll. 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 $60,628,933 and $29,234,836, respectively, for the year ended June 30, 2008.

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

The System offers its employees the opportunity to participate in one of two medical coverage plans. One plan is from the State Office of Group Benefits (OGB) which also offers a life insurance plan, and the other plan is with the LSU System Health Plan. 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. GASB Statement No. 45 is being implemented prospectively such that there is zero net OPEB obligation at transition. Information about each of these two plans is presented below.

Plan Descriptions

LSU System Health Plan

The System offers eligible employees, retirees, and their beneficiaries the opportunity to participate in comprehensive health and preventive care coverage under its Health Plan that gives members a unique, consumer-driven health-care approach to pay routine health expenses and provides coverage for major healthcare expenses. Within the Health Plan, members have a choice of selecting Option 1 or Option 2. Option 1, shown in the schedule of total monthly premium rates on page 62, is more costly, but features both lower yearly deductibles and out-of-network coinsurance requirements.

Employees in a limited number of other state agencies may also participate but that participation is not material and, as such, the plan is identified as a single-employer defined benefit healthcare plan that is not administered as a trust or equivalent arrangement.

The System selects claim and pharmaceutical administrators to administer its program. Both claim and pharmacy administrators are selected through a formal Request for Proposals process followed by negotiations between the System and qualified vendors.

The LSU System Health Plan (formerly Definity Health Plan) originally began as a pilot program within OGB, the office that provides health benefits to state employees pursuant to the provisions of R.S. 42:851. The Health Plan does not issue a publicly available financial report, but required disclosures are included in the System's audited financial report.

State OGB Plan

System employees may also participate in the state's other OPEB Plan, an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees, and their beneficiaries. OGB administers the plan. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report of the OPEB Plan; however, it 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 Web site at www.doa.la.gov/osrap.

Funding Policy

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 which usually occurs in April.

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.

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 healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Exclusive Provider Organization (EPO) Plan, and the Health Maintenance Organization (HMO) Plan. Retired employees who have Medicare Part A and Part B coverage also have access to six OGB Medicare Advantage plans: three HMO plans and three private fee-for-service (PFFS) plans.

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

Employees hired before January 1, 2002, pay approximately 25% of cost of medical coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). For both plans, employees hired on or after January 1, 2002, pay a percentage of the total contribution rate based on the following schedule:

Service	Contribution Percentage
Under 10 years	81%
10 - 14 years	62%
15 - 19 years	44%
20+ years	25%

Shown below are the total monthly premium rates in effect for plan year 2007-08.

	LSU System Health Plan		State OGB Plans				
						Medicare Advantage Plans	
	Option 1	Option 2	PPO	EPO	HMO	Humana FFS	Humana HMO
Active							
Single	$512.60	$443.22	$523.00	$543.96	$502.12	N/A	N/A
With Spouse	914.55	790.75	1,110.88	1,155.32	1,066.44	N/A	N/A
With Children	628.95	562.00	637.88	663.40	612.36	N/A	N/A
Family	1,093.36	956.54	1,171.56	1,218.44	1,124.72	N/A	N/A
Retired, No Medicare and Re-employed Retiree							
Single	$973.00	$889.33	$973.00	$1,011.88	$934.08	N/A	N/A
With Spouse	1,718.12	1,570.36	1,718.12	1,786.84	1,649.36	N/A	N/A
With Children	1,083.80	986.25	1,083.80	1,127.12	1,040.48	N/A	N/A
Family	1,709.84	1,558.52	1,709.84	1,778.24	1,641.44	N/A	N/A
Retired, with 1 Medicare							
Single	$298.23	$257.85	$316.40	$329.04	$303.72	$176.00	$138.00
With Spouse	1,029.97	890.57	1,169.04	1,215.80	1,122.24	N/A	N/A
With Children	566.51	509.85	547.64	569.56	525.76	N/A	N/A
Family	1,461.40	1,277.65	1,557.68	1,619.96	1,495.32	N/A	N/A
Retired, with 2 Medicare							
With Spouse	$520.43	$450.00	$568.72	$591.44	$545.96	$352.00	$276.00
Family	706.69	617.84	704.16	732.32	676.00	N/A	N/A

Life Insurance Premiums

Retiree pays 50 cents for each $1,000 of life insurance.

Retiree pays 88 cents for each $1,000 of spouse life insurance.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the each plan's annual OPEB cost for the year ending June 30, 2008, the amount actually contributed to the plan, and changes in the plan's net OPEB obligation to the retiree health plan.

	LSU System Health Plan	State OGB Plan
Annual required contribution - annual OPEB cost (expense)	$49,787,000	$168,149,900
Employer contributions	10,140,635	31,796,202
Increase in net OPEB obligation	39,646,365	136,353,698
Net OPEB obligation - beginning of year	NONE	NONE
Net OPEB obligation - end of year	$39,646,365	$136,353,698
Percentage of OPEB cost contributed	20.4%	18.9%

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2007, was as follows:

	LSU System Health Plan	State OGB Plan
Actuarial accrued liability (AAL)	$470,940,000	$1,930,040,000
Actuarial value of plan assets	NONE	NONE
Unfunded actuarial accrued liability (UAAL)	$470,940,000	$1,930,040,000
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Annual covered payroll (active plan members)	$551,739,992	$410,372,403
UAAL as a percentage of covered payroll	85.4%	470.3%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Furthermore, actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability 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 benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A summary of the actuarial assumptions are presented as follows:

	LSU System Health Plan	State OGB Plan
Actuarial valuation date	July 1, 2007	July 1, 2007
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period	30 years	30 years
Asset valuation method	None	None
Actuarial assumptions:		
Investment rate of return	5% annual rate	4% annual rate
Projected salary increases	4% per annum	5% per annum
Healthcare inflation rate	11.0% initial	9.5% - 10.6% initial
	6.0% ultimate	5.0% ultimate

10. CONTINGENT LIABILITIES, RISK MANAGEMENT, AND CLAIMS LIABILITY

Losses arising from judgments, claims, and similar contingencies are paid by either private insurance companies or 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 General Fund appropriation. The university system is involved in eight lawsuits that are handled by contract attorneys at June 30, 2008. The attorneys have estimated a possible liability of $2,831,250 relating to two of the lawsuits. All other lawsuits are handled by either the Office of Risk Management or the Attorney General's Office.

In addition, the university is exposed to various risks of losses related to the self-insured and self-funded LSU System Health Plan (formerly Definity Health Plan), which provides health insurance benefits to active and retired university employees and which began as a pilot program for the fiscal year ended June 30, 2003. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. According to the requirements of GASB Statement No. 10, as amended by Statements 17 and 30, total claims expenditures were $82,990,970. Changes in the reported liability since June 30, 2005, resulted from the following:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Recoveries From Settled and Unsettled Claims	Balance at Fiscal Year-End
2005-06	$7,932,847	$60,932,795	$57,626,031	$2,539,611	$8,700,000
2006-07	8,700,000	81,369,101	75,473,574	4,295,527	10,300,000
2007-08	10,300,000	86,236,899	82,990,970	6,264,929	7,281,000

CONTINGENCIES - COMPONENT UNITS

The city property tax assessor has assessed the UNO Research and Technology Foundation with real estate property taxes, interest, and penalties for certain buildings owned by the foundation in the total amount of $4,746,877 as of August 2004. The UNO Research and Technology Foundation believes that it is entitled to property tax exemptions under present law and jurisprudence because of its nonprofit status and because of the use of these buildings to further the nonprofit goals of the foundation. The foundation is engaged in ongoing discussions with the assessor. The foundation has begun litigation proceedings regarding this matter. Although the foundation believes that it has adequate defenses against the assessment, if not successful, the assessment, interest, and penalties may have a significant impact on the financial condition of the foundation. The foundation's counsel is unable to predict the eventual outcome of this matter or the potential loss contingencies, if any, to which the foundation may be subject. However, to begin litigation, the foundation has paid $98,025 in protest of the property tax assessment.

11. COMPENSATED ABSENCES

At June 30, 2008, employees of the university have accumulated and vested annual, sick, and compensatory leave benefits of $95,254,331; $27,914,580; and $8,290,940, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

12. OPERATING LEASES

For the year ended June 30, 2008, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed, is $13,434,087. The following is a schedule by years of future minimum annual rental payments required under operating leases that have initial or noncancelable lease terms in excess of one year as of June 30, 2008:

Nature of Operating Lease	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014-FY2018	FY2019-FY2023	Total Minimum Payments Required
Office space	$9,425,835	$8,792,261	$8,519,444	$8,096,767	$5,895,227	$7,659,976	$400,500	$48,790,010
Equipment	1,226,557	167,306	77,465	13,088	5,166			1,489,582
Land	40,606							40,606
Other	1,414,478	150,419	151,773	68,543	36,864	135,370		1,957,447
Total	$12,107,476	$9,109,986	$8,748,682	$8,178,398	$5,937,257	$7,795,346	$400,500	$52,277,645

The lease agreements have non-appropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period.

OPERATING LEASES - COMPONENT UNITS

Property, Facility and Equipment Lease Agreements -
UNO Research and Technology Foundation

UNO/Avondale Maritime Technology Center for Excellence - On May 16, 1997, the UNO Research and Technology Foundation and Avondale Industries, Inc., entered into a sub-lease agreement that provides for Avondale Industries, Inc., to lease from the Foundation, the land located in Jefferson Parish together with the facilities to be constructed on the land, the facility equipment and the right of uninterrupted access to and from all streets and roads adjoining the land.

The terms of the sub-lease agreement during the first 12 years (1997-2008) provides for Avondale Industries, Inc., to pay as rental the sum of $100,000 per year by September 1 of each year provided that the state has made the annual appropriation provided for in the Cooperative Endeavor Agreement (note 25). Beginning September 1, 2009, and for each year thereafter during the term of the sub-lease, rent for $100,000 is due and payable by September 1 of each year without regard to the state appropriation.

Naval Reserve Information System Office - On January 15, 1998, April 14, 1999, and July 3, 2000, the UNO Research and Technology Foundation entered into a sub-lease agreement and amended lease modifications, respectively, with the United States of America (the government) to lease from the Foundation, approximately 300,000 square feet of administrative space, 700 hard surface parking spaces, and 15.71 acres of land located at the UNO Research and Technology Park. The terms of the facility lease agreement provide that the government will have and hold the noted facility for the term beginning on the date of completion of the facility for an initial 10-year term with 15 individual one-year renewal terms with the annual rent for the premises and maintenance services of $1 and $2,253,360, respectively.

Pennington Medical Foundation

The Pennington Medical Foundation leases the Basic Science Building to the Pennington Biomedical Research Center under an operating lease which expires in 2036 or when the related debt for the building is paid in full. The lease requires an annual payment of $100 and monthly payments of $8,213.

13. LESSOR LEASES

The System's leasing operations consist primarily of leasing property for the purposes of providing food services to students; bookstore operations; land for fraternity and sorority houses and parking spaces to foundations; office space for postal services, banking services, and university affiliated organizations; space on rooftops for communication towers; and mineral leases.

The following schedule provides an analysis of the cost and carrying amount of the university system's investment in property on operating leases and property held for lease as of June 30, 2008:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	$13,082,123	($6,682,715)	$6,399,408
Land	6,324,221		6,324,221
Total	$19,406,344	($6,682,715)	$12,723,629

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2008:

	Nature of Lease			
Fiscal Year Ending June 30,	Office Space	Land	Other	Total
2009	$1,697,206	$285,931	$231,525	$2,214,662
2010	1,423,370	220,681	223,706	1,867,757
2011	247,163	270,267	198,759	716,189
2012	222,615	294,794	199,540	716,949
2013	116,300	294,786	154,593	565,679
2014-2018	530,000	1,480,714	181,185	2,191,899
2019-2023	530,000	1,519,744		2,049,744
2024-2028		868,315		868,315
2029-2033		812,710		812,710
2034-2038		812,710		812,710
2039-2043		812,710		812,710
2044-2048		809,343		809,343
2049-2053		803,720		803,720
2054-2058		647,986		647,986
2059-2063		32,350		32,350
2064-2068		32,350		32,350
2069-2073		32,320		32,320
2074-2078		32,300		32,300
2079-2083		32,300		32,300
2084-2088		32,300		32,300
2089-2093		9,310		9,310
Total	$4,766,654	$10,137,641	$1,189,308	$16,093,603

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume, customer usage of services provided, or the drilling operations on mineral leases. Contingent rentals amounted to $1,190,316 for the year ended June 30, 2008.

14. LONG-TERM LIABILITIES

The following is a summary of bond and other long-term debt transactions of the university for the year ended June 30, 2008:

University

	Restated Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	$33,009,487	$10,513,639	$20,445,769	$23,077,357	$7,011,236
Bonds payable	307,448,862	145,645,000	59,165,529	393,928,333	16,960,417
Subtotal	340,458,349	156,158,639	79,611,298	417,005,690	23,971,653
Other liabilities:					
Compensated absences payable	123,640,378	25,060,462	17,240,989	131,459,851	10,503,345
Capital lease obligations	58,163,735	38,889,024	3,952,631	93,100,128	3,136,025
Claims and litigation payable	464,108		464,108		
OPEB payable		176,000,063		176,000,063	
Amounts held in custody for others	5,322,544	46,215,430	46,456,224	5,081,750	5,081,750
Subtotal	187,590,765	286,164,979	68,113,952	405,641,792	18,721,120
Total long-term liabilities	$528,049,114	$442,323,618	$147,725,250	$822,647,482	$42,692,773

Component Units

	Restated Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	$10,858,973	$84,951	$956,389	$9,987,535	$1,898,607
Bonds payable	230,015,000		4,620,000	225,395,000	3,475,302
Subtotal	240,873,973	84,951	5,576,389	235,382,535	5,373,909
Other liabilities:					
Compensated absences payable	158,725	74,432		233,157	233,157
Amounts held in custody for others	94,754,812	9,249,660	200,316	103,804,156	10,504,540
Subtotal	94,913,537	9,324,092	200,316	104,037,313	10,737,697
Total long-term liabilities	$335,787,510	$9,409,043	$5,776,705	$339,419,848	$16,111,606

Notes Payable

The university has entered into a number of installment purchase agreements for the purchase of computer equipment, copiers, vehicles, et cetera. These agreements require scheduled payments either on a monthly, semiannual, or annual basis and have interest rates ranging from 1.78% to 6.50%. The following is a summary of installment notes payable by the university for the year ended June 30, 2008:

Balance at June 30, 2007, restated	$33,009,487
Installment purchases in 2007-2008	10,513,639
Installment payments in 2007-2008	(20,445,769)
Installment notes payable at June 30, 2008	$23,077,357

The following is a summary of future minimum installment payments as of June 30, 2008:

Fiscal Year Ending June 30:	
2009	$7,770,369
2010	7,105,621
2011	4,814,539
2012	2,859,343
2013	1,024,068
2014-2018	1,200,794
2019-2023	403,771
Total minimum installment payments	25,178,505
Less - amount representing interest	(2,101,148)
Total	$23,077,357

The majority of the installment purchase agreements have non-appropriation exculpatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for its continuation during any future fiscal period.

NOTES PAYABLE - COMPONENT UNITS

The component units have entered into a number of notes payable agreements for various purposes. These agreements require scheduled payments either on a monthly, semiannual, or annual basis with interest rates ranging from zero to 8.25%. The following is a summary of notes payable by component unit as of June 30, 2008:

Component Unit	Principal Outstanding June 30, 2007	Issued	Redeemed	Principal Outstanding June 30, 2008
Tiger Athletic Foundation*	$1,736,336			$1,736,336
UNO Research and Technology Foundation	7,482,537	$84,951	($166,389)	7,401,099
Pennington Medical Foundation*	1,640,100		(790,000)	850,100
Total	$10,858,973	$84,951	($956,389)	$9,987,535

*For the year ended December 31, 2007

The unamortized discount relative to the note payable for the UNO Research and Technology Foundation totaled $369,445 at June 30, 2008, which is reported by the foundation as a reduction of the note payable.

The following is a summary of future minimum installment payments, net of unamortized discount for the component units as of June 30, 2008:

Fiscal Year Ending June 30:	
2009	$1,898,607
2010	1,062,219
2011	208,803
2012	223,522
2013	241,677
2014-2018	2,531,056
2019-2023	2,189,260
2024-2028	1,632,391
Total	$9,987,535

Line of Credit

In December 2007, the LSU Foundation entered into an agreement with a financial institution for an unsecured $10,000,000 revolving line of credit of which $3,918,700 was unused as of June 30, 2008. Interest payments are required annually. Any unpaid principal and accrued interest is due on June 20, 2010. The line of credit has a variable interest rate determined at the per annum LIBOR for United States Dollars established by the British Bankers Association for interest periods of thirty days plus 0.63%. The interest rate as of June 30, 2008 was 3.09%. Total interest expense incurred on the line of credit for the year ended June 30, 2008, was $125,966. As of June 30, 2008, the outstanding balance of $6,081,300 is included as other noncurrent liabilities on Statement B.

On January 26, 2006, the Tiger Athletic Foundation established a $6,500,000 line of credit with Capital One for the purpose of financing additional construction costs associated with the West Side stadium expansion above what was originally budgeted. The line of credit is secured by a pledge of all existing and future cash, current and future pledges and proceeds thereof in the Capital Programs Donor Restricted Fund and the University Club Reserve Account; accordingly, the cash and pledges in these funds must equal 100% of the commitment amount on the proposed facility at all times. The line of credit bears interest at 30-day LIBOR plus 110 basis points and expires in March 2008; however, the foundation has the intent to extend the line of credit until June 2008. As of December 31, 2007, there was no outstanding balance associated with this line of credit.

The Foundation for the LSU Health Sciences Center has a line of credit from a bank, totaling $2,600,000, at an interest rate calculated by adding 1.5% to the LIBOR rate as published. No advances were made during the year and no outstanding balance exists on the line of credit as of June 30, 2008.

The Pennington Medical Foundation has an uninsured $2,500,000 line of credit due on demand of which $850,100 was drawn as of December 31, 2007. The variable interest rate was 5.89% as of December 31, 2007.

Bonds and Contracts Payable - System

Detailed summaries, by issues, of all bond and reimbursement contract debt outstanding at June 30, 2008, including future interest payments of $226,756,637 for LSU; $24,465,396 for the LSU Health Sciences Center in New Orleans; $13,813,131 for the University of New Orleans; $3,620,801 for LSU at Alexandria; and $9,406,544 for LSU at Eunice follow:

Bonds Payable

Issue	Date of Issue	Original Issue	Restated Outstanding July 1, 2007	Issued
LSU				
2000 Auxiliary Revenue Bonds	June 28, 2000	$27,000,000	$24,100,000	
2002 Auxiliary Revenue Bonds	October 3, 2002	11,435,000	10,945,000	
2004 Auxiliary Revenue Refunding Bonds	April 6, 2004	16,035,000	13,375,000	
2004 Auxiliary Revenue Bonds - Series B	October 26, 2004	51,885,000	51,345,000	
2005 (Series A and B) Auxiliary Revenue Refunding Bonds	June 2, 2005	41,840,000	37,450,000	
2006 Auxiliary Revenue Bonds	August 9, 2006	97,095,000	96,925,000	
2007 Auxiliary Revenue Bonds	December 11, 2007	71,130,000		$71,130,000
2008 Auxiliary Revenue Refunding Bonds	June 27, 2008	52,815,000		52,815,000
LSU Health Sciences Center				
New Orleans - Building Revenue Bonds - Series 2000	January 1, 2000	15,910,000	14,295,000	
Health Care Services Division - Revenue Bonds, Series 2002	December 1, 2002	36,600,000	19,605,000	
Bogalusa Community Medical Center Project Series 2007 A & B	September 28, 2007	17,500,000		17,500,000
Health Care Services Mid-City Clinic Project Series 2003	December 1, 2003	2,500,000	2,080,000	
University of New Orleans				
Revenue Bonds of 1998	August 15, 1998	15,915,000	14,360,000	
Revenue Bonds of 2004 - Series A	June 17, 2004	9,440,000	6,900,000	
Revenue Bonds of 2004 - Series B	October 19, 2004	8,480,000	7,990,000	
LSU at Alexandria				
2008 Auxiliary Revenue Bonds	March 18, 2008	4,200,000		4,200,000
LSU at Eunice				
1998 Auxiliary Revenue Bonds	June 1, 1998	1,650,000	1,093,862	
2002 Auxiliary Revenue Bonds	January 17, 2002	7,000,000	6,985,000	
Total Bonds Payable		$488,430,000	$307,448,862	$145,645,000

LSU and A&M College issued $71,130,000 of its auxiliary revenue bonds (Series 2007) that were approved on October 5, 2007, for providing funds to finance the planning, acquisition, construction, and/or equipping of (a) renovations and additions to Laville Honors College, (b) parking facilities, (c) athletic facilities and enhancements, and (d) renovations and additions to the Student Union Theater.

LSU and A&M College issued $52,815,000 of its auxiliary revenue bonds (Series 2008) that were approved on June 5, 2008, for the purpose of providing funds to (i) refund in their entirety the Board's Auxiliary Revenue Bonds, Series 2000, the Board's Auxiliary Revenue and Refunding Bonds, Series 2005B, and the note of the Board issued in connection with the Louisiana Public Facilities Authority Loan Agreement dated October 1, 1988.

Bonds Payable

Issue	Redeemed	Outstanding June 30, 2008	Maturities	Interest Rates	Future Interest Payments June 30, 2008
LSU					
2000 Auxiliary Revenue Bonds	$24,100,000				
2002 Auxiliary Revenue Bonds	170,000	$10,775,000	2009-2032	Variable	$8,417,712
2004 Auxiliary Revenue Refunding Bonds	1,410,000	11,965,000	2009-2015	4.0% - 5.25%	2,595,504
2004 Auxiliary Revenue Bonds - Series B	1,125,000	50,220,000	2009-2030	2.0% - 5.25%	36,796,998
2005 (Series A and B) Auxiliary Revenue Refunding Bonds	24,395,000	13,055,000	2009-2034	3.0% - 5.0%	2,680,972
2006 Auxiliary Revenue Bonds	160,000	96,765,000	2009-2036	4.0% - 5.0%	85,104,569
2007 Auxiliary Revenue Bonds	215,000	70,915,000	2009-2034	4.0% - 5.0%	61,670,545
2008 Auxiliary Revenue Refunding Bonds	850,000	51,965,000	2009-2034	2.0% - 5.0%	29,490,337
LSU Health Sciences Center					
New Orleans - Building Revenue Bonds - Series 2000	280,000	14,015,000	2009-2031	5.25%	12,958,275
Health Care Services Division - Revenue Bonds, Series 2002	4,615,000	14,990,000	2009-2011	3.12%	1,018,750
Bogalusa Community Medical Center Project Series 2007 A & B		17,500,000	2009-2038	.2466% - 7.88%	10,425,617
Health Care Services Mid-City Clinic Project Series 2003	225,000	1,855,000	2009-2014	Variable	62,754
University of New Orleans					
Revenue Bonds of 1998	330,000	14,030,000	2009-2031	3.9% - 5.0%	9,520,623
Revenue Bonds of 2004 - Series A	885,000	6,015,000	2009-2014	3.0% - 4.125%	865,150
Revenue Bonds of 2004 - Series B	300,000	7,690,000	2009-2026	3.0% - 4.67%	3,427,358
LSU at Alexandria					
2008 Auxiliary Revenue Bonds		4,200,000	2009-2034	4.0% - 5.5%	3,620,801
LSU at Eunice					
1998 Auxiliary Revenue Bonds	75,529	1,018,333	2009-2018	5%	298,230
2002 Auxiliary Revenue Bonds	30,000	6,955,000	2009-2033	7.375%	9,108,314
Total Bonds Payable	$59,165,529	$393,928,333			$278,062,509

LSU at Alexandria issued $4,200,000 of its auxiliary revenue bonds (Series 2008) that were approved on December 7, 2007, for the purpose of providing funds to finance the costs of the construction of a baseball and softball complex and the renovation of and addition to the Student Center.

BONDS PAYABLE - COMPONENT UNITS

Issue	Date of Issue	Original Issue	Restated Outstanding July 1, 2007
LSU Foundation			
Pooled Loan Program Revenue Bonds, Series 2003A	April 1, 2003	$12,725,000	$11,940,000
The Foundation for the LSU Health Sciences Center			
Equipment and Capital Facilities Pooled Loan Program Revenue Bonds, Series 2002A	January 1, 2002	2,035,000	1,825,000
UNO Research and Technology Foundation			
LPFA Revenue Bonds, Series 2006	August 8, 2006	38,500,000	38,500,000
Tiger Athletic Foundation*			
Revenue Bonds, Series 1999	March 4, 1999	43,575,000	43,575,000
Revenue Bonds, Series 2001	July 26, 2001	10,200,000	2,000,000
Revenue Bonds, Series 2004	March 23, 2004	90,000,000	87,000,000
Pennington Medical Foundation*			
Series 2006 Bonds	April 1, 2006	45,175,000	45,175,000
Total Bonds Payable		$242,210,000	$230,015,000

*As of December 31, 2007

In March 2004, the Tiger Athletic Foundation issued Revenue Bonds Series 2004 for a principal amount of $90,000,000. The bonds are secured by the pledged revenues on a parity with the Series 1999 and 2001 bonds. The proceeds of the loan are being used to finance or reimburse a portion of the costs of the acquisition and construction of certain improvements and renovations to Tiger Stadium and a football operations center at LSU, including funding the interest and costs associated with the project. On March 15, 2007, an amendment was made to the original loan agreement which waived the principal due on September 1, 2007, and extended the payment schedule an additional year, through 2034, with the intent that the 2007 principal payment will be paid on September 1, 2034.

The Foundation for the LSU Health Sciences Center financed the renovation of a building (2000 Tulane Avenue) purchased on May 15, 2003, with bond proceeds of $2,035,000 over a 20-year period through the LPFA Capital Facilities Pool Program. The bond issue is supported by a bank letter of credit. The foundation's ability to service this debt will be based on its ability to raise funds and earn other revenue from lease payments from the occupants. The building was heavily damaged by Hurricane Katrina on August 29, 2005. The roof has been replaced and the building has been gutted. It remains unoccupied and the foundation has not yet determined when it will be renovated. The foundation has budgeted future reductions in certain expenditures and foundation management believes it will be able to meet this obligation even with the loss of the rental income from the building.

Issue	Redeemed	Outstanding June 30, 2008	Maturities	Interest Rates	Future Interest Payments June 30, 2008
LSU Foundation					
Pooled Loan Program Revenue Bonds, Series 2003A	$3,155,000	$8,785,000	2009-2022	Variable	$2,983,480
The Foundation for the LSU Health Sciences Center					
Equipment and Capital Facilities Pooled Loan Program Revenue Bonds, Series 2002A	75,000	1,750,000	2009-2024	Variable	
UNO Research and Technology Foundation					
LPFA Revenue Bonds, Series 2006		38,500,000	2009-2037	3.75% - 5.25%	40,786,118
Tiger Athletic Foundation*					
Revenue Bonds, Series 1999		43,575,000	2010-2028	Variable	
Revenue Bonds, Series 2001	1,300,000	700,000	2008-2011	Variable	
Revenue Bonds, Series 2004		87,000,000	2008-2034	Variable	
Pennington Medical Foundation*					
Series 2006 Bonds	90,000	45,085,000	2008-2034	4.92%	34,315,655
Total Bonds Payable	$4,620,000	$225,395,000			$78,085,253

The unamortized bond issuance costs for the Foundation for the LSU Health Sciences Center totals $25,454 at June 30, 2008, which is reported by the foundation as a reduction of the bonds payable. The bond proceeds were used to finance the renovation of the new building. Bond proceeds available at June 30, 2008, are held by the trustee in restricted cash accounts. Restricted cash at June 30, 2008, totaled $98,505. Principal payments of $75,000 were made on the bond in the year ended June 30, 2008. Interest was paid on the bonds for $64,211 for the fiscal year ended June 30, 2008.

The Pennington Medical Foundation paid its 2001 and 2005 Series bonds in full with the proceeds from its 2006 Series bonds of $45,175,000 and a line of credit. The bonds were issued with a premium of $1,257,183 and a fixed interest rate of 4.92%. The bonds are secured by a security interest in the foundation's assets. The unamortized bond issuance costs are reported as other assets on Statement B and are being amortized over the life of the bond. The bond issuance cost amortized in fiscal year 2008 was $20,949. Unamortized bond premium is included in bonds payable on Statement B and is being amortized over the life of the bond. The bond premium amortized this fiscal year was $41,907.

On August 8, 2006, the LPFA issued $38,500,000 of LPFA Revenue Bonds (Series 2006) to the UNO Research and Technology Foundation. The proceeds of the bonds are being used for the financing, planning, design, construction, furnishing and equipping of resident facilities for use by UNO, including all equipment, furnishings, fixtures and facilities incidental or necessary in connection therewith. The proceeds were also used to pay the costs associated with the issuance of the bonds. The bond agreement provides for interest on the outstanding bonds at rates ranging from 3.75% to 5.25% per annum. Bond funds totaling $4,934,861 have been deposited with the bond trustee at June 30, 2008. The bonds were issued at a premium, which totaled $1,423,848 at the bond issuance date. The premium will be amortized over the life of the bonds. The total amount of the premium amortized during the year ended June 30, 2008, totaled $46,681.

Bonds payable are reported net of unamortized bond premiums on the UNO Research and Technology Foundation LPFA Revenue Bonds and the Pennington Medical Foundation Series 2006 Bonds ($1,353,761 and $1,173,370, respectively), and unamortized bond issuance costs on the Foundation for the LSU Health Sciences Center Series 2002A Bonds ($25,454). Bonds payable totaling $227,896,677 for all discrete component units are reflected on Statement B.

The annual requirements to amortize all university bonds outstanding at June 30, 2008, are presented in the following schedule. The schedule uses rates as of June 30, 2008, for debt service requirements of the variable-rate bonds and interest rate swap payments, assuming current interest rates remain the same for their term. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year	Principal	Interest	Total
2009	$16,960,417	$17,861,292	$34,821,709
2010	18,115,417	17,060,893	35,176,310
2011	16,140,417	16,294,726	32,435,143
2012	11,540,417	15,737,032	27,277,449
2013	12,035,417	15,258,288	27,293,705
2014-2018	57,336,248	71,072,088	128,408,336
2019-2023	64,190,000	57,915,000	122,105,000
2024-2028	74,170,000	40,512,361	114,682,361
2029-2033	75,030,000	21,557,320	96,587,320
2034-2038	48,410,000	4,793,509	53,203,509
Total	$393,928,333	$278,062,509	$671,990,842

The annual requirements to amortize all component unit bonds outstanding at June 30, 2008, are as follows:

Fiscal Year	Principal	Interest*	Total
2009	$3,433,395	$4,217,084	$7,650,479
2010	3,743,395	4,588,292	8,331,687
2011	5,393,395	4,505,850	9,899,245
2012	5,658,395	4,420,109	10,078,504
2013	5,948,395	4,329,630	10,278,025
2014-2018	34,661,975	19,898,304	54,560,279
2019-2023	43,806,050	16,305,157	60,111,207
2024-2028	53,255,000	11,925,189	65,180,189
2029-2033	50,530,000	6,364,264	56,894,264
2034-2038	18,965,000	1,531,374	20,496,374
Total	$225,395,000	$78,085,253	$303,480,253

*Excludes floating interest rate amounts for Tiger Athletic Foundation Revenue Bond Series 1999, Series 2001, and Series 2004 as well as for the Foundation for the LSU Health Sciences Center Equipment and Capital Facilities Pooled Loan Program Revenue Bonds, Series 2002A.

The following is a summary of the system debt service reserve requirements of the various bond issues at June 30, 2008:

Bond Issue	Cash/ Investment Reserves Available	Reserve Requirement	Excess
Auxiliary Plant - LSU at Alexandria	$314,795	$313,050	$1,745
Total	$314,795	$313,050	$1,745
Educational Plant:			
LSU Health Sciences Center - New Orleans	$1,176,841	$1,176,841	
LSU Health Sciences Center - Health Care Services Division	4,322,368	4,322,368	
Total	$5,499,209	$5,499,209	NONE

As permitted by the Bond Resolution for the Auxiliary Bonds of 2008, LSU obtained a municipal bond debt service reserve fund policy as a substitute for the reserve requirement for the bonds. The municipal bond debt service reserve fund policy meets the definition as a "Reserve Fund Investment" and guarantees payment of an amount not to exceed $3,955,306 to fund the Reserve Requirement.

As permitted by the Bond Resolution for the Auxiliary Bonds of 2007, LSU obtained a municipal bond debt service reserve fund policy as a substitute for the reserve requirement for the bonds. The municipal bond debt service reserve fund policy meets the definition as a "Reserve Fund Investment" and guarantees payment of an amount not to exceed $4,590,705 to fund the Reserve Requirement.

As permitted by the Bond Resolution for the Auxiliary Revenue Bonds of 2006, LSU obtained a municipal bond debt service reserve fund policy as a substitute for the reserve requirement for the bonds. The municipal bond debt service reserve fund policy meets the definition as a "Reserve Fund Investment" and guarantees payment of an amount not to exceed $6,825,940 to fund the Reserve Requirement.

As permitted by the Bond Resolution for the Auxiliary Revenue Bonds of 2005, Series A and B, LSU obtained a surety bond issued by an insurance company as a substitute for the reserve requirement for the bonds. The surety bond meets the definition as a "Reserve Fund Investment" and guarantees payment of principal and interest on the bonds when they are due in the event of nonpayment.

As permitted by the Bond Resolution for the Revenue Bonds of 2004, Series B, the University of New Orleans obtained a Municipal Bond Debt Service Reserve Fund Policy issued by an insurance company as a substitute for the reserve requirement for the bonds. The insurance policy meets the definition as a "Reserve Fund Investment" and guarantees payment of principal and interest on the bonds when they are due in the event of nonpayment.

As permitted by the Bond Resolution for the Revenue Bonds of 2004, Series A, the University of New Orleans obtained a Municipal Bond Debt Service Reserve Fund Policy issued by an insurance company as a substitute for the reserve requirement for the bonds. The insurance policy meets the definition as a "Reserve Fund Investment" and guarantees payment of principal and interest on the bonds when they are due in the event of nonpayment.

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

As permitted by the Bond Resolution for the Auxiliary Revenue Bonds, Series 2002, the university system obtained an irrevocable letter of credit issued by a bank as a substitute for the reserve requirement for the bonds. The letter of credit meets the definition as a "Reserve Fund Investment" and guarantees payment of an amount not to exceed $11,833,502 in the aggregate for the payment of principal and interest.

As permitted by the Bond Resolution for the Revenue Bonds, Series 2000, the LSU Health Sciences Center obtained a surety bond issued by an insurance company as a substitute for the reserve requirement for the bonds. The surety bond meets the definition as a "Reserve Fund Investment" and guarantees payment of an amount not to exceed $1,176,841 to fund the reserve requirement.

As permitted by the Bond Resolution for the Revenue and Refunding Bonds, (UNO Wellness Center Project) Series 1998, the university system obtained a surety bond issued by an insurance company as a substitute for the reserve requirement for the bonds. The surety bond meets the definition as a "Reserve Fund Investment" and guarantees payment of an amount not to exceed $1,041,250 to fund the reserve requirement.

As permitted by the Bond Resolution for the Auxiliary Revenue Bonds, Series 1998 (LSU at Eunice Project), the university system obtained a surety bond issued by an insurance company as a substitute for the reserve requirement for the bonds. The surety bond meets the definition as a "Reserve Fund Investment" and guarantees payment of an amount not to exceed $134,750 to fund the reserve requirement.

Capital Leases

The university system records items under capital leases as assets and obligations in the accompanying financial statements. Assets under capital lease are included as capital assets in note 5. The following is a schedule of future minimum lease payments under capital leases, together with the present value of minimum lease payments at June 30, 2008:

Fiscal Year Ending June 30:	
2009	$7,778,166
2010	7,406,501
2011	7,318,375
2012	7,188,001
2013	7,211,370
2014-2018	39,149,059
2019-2023	34,906,931
2024-2028	19,095,712
2029-2033	15,602,187
2034-2038	12,480,500
Total minimum lease payments	158,136,802
Less - amount representing interest	(65,036,674)
Present value of net minimum lease payments	$93,100,128

15. CURRENT REFUNDING OF BONDS

On June 27, 2008, LSU issued $52,815,000 of nontaxable auxiliary revenue bonds, Series 2008. The purpose of this borrowing was to currently refund all balances remaining outstanding on the Series 2000 and 2005B auxiliary revenue bonds and the loan agreement dated October 1, 1988, with the Louisiana Public Facilities Authority (LPFA). The LPFA loan was paid on the closing date of the Series 2008 bonds, and the remaining proceeds were held in a refunded bond account at the trustee bank, the Bank of New York Mellon, until the Series 2000 and 2005B bonds were called on July 1, 2008. Upon the deposit of the proceeds in the refunded bond account, the Series 2000 and 2005B bonds were deemed to be paid and the liability for those bonds was removed from the Statement of Net Assets.

The university completed the current refunding to reduce its estimated total debt service costs. The refunded debt had variable interest rates, and the Series 2008 bonds were issued at fixed rates of 2% - 5% with an all-in fixed rate of 4.8%. The refunded debt was originally scheduled to be amortized at between 2% - 3.5%; however, the actual interest rates paid by the university during the latter half of fiscal year 2008 were much higher and were expected to increase further due to market conditions and the recent downgrade of two of its bond insurers. Assuming an interest rate of 6% on the variable rate debt, the current refunding will reduce the university's estimated total debt service payments over the next 26 years by $9.3 million and will result in an economic gain (difference between the present values of the old and new debt service payments) of $6.3 million.

LSU terminated its only interest rate swap agreement with Deutsche Bank when the 2005B bonds were refunded. The university had entered into the agreement when the 2005B bonds were issued to reduce the impact of changes in interest rates on the variable rate bonds.

16. DUE FROM STATE TREASURY

As shown on Statement A, the university system has a total of $43,035,059 (net) due from the state treasury at June 30, 2008. This amount consists of the following:

Description	Due (to)/from
State appropriations	$38,845,934
Tobacco Tax funds	3,852,530
Refund from prior year orders	10,238
Unclaimed property	(111,467)
Unexpended appropriation - current year	(612,021)
Recovery of accounts previously written off	(11,700)
Facility Planning and Control	1,061,545
Total	$43,035,059

17. RESTRICTED NET ASSETS

The university system's restricted nonexpendable net assets of $174,224,464 as of June 30, 2008, are comprised entirely of endowment funds.

The university system had the following restricted expendable net assets as of June 30, 2008:

Restricted Expendable Net Assets

Account Title	Amount
Student fees	$10,918,033
Grants and contracts	41,570,578
Gifts	13,914,208
Endowment earnings	33,103,102
Auxiliary enterprises	20,301,409
Student loan fund	38,704,772
Capital construction	44,859,220
Legislative restrictions	32,737,420
Debt service	416,556
LSU System Health Plan	26,452,457
Indirect costs	4,982,508
Sponsored projects	4,203,615
Total	$272,163,878

Of the total restricted net assets reported on Statement A for the year ended June 30, 2008, a total of $2,528,354 is restricted by enabling legislation.

LSU Health Sciences Center in Shreveport has donor restricted endowments. If a donor has not provided specific instructions, state law permits the Board of Regents to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. The center's endowments are composed of approximately 85% private and 15% Board of Regents. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. At June 30, 2008, net appreciation of $2,072,739 is available to be spent and is restricted to specific purposes.

RESTRICTED NET ASSETS - COMPONENT UNITS

Restricted net assets for the LSU Foundation, Tiger Athletic Foundation, and the Foundation for the LSU Health Sciences Center are as follows:

	LSU Foundation	Tiger Athletic Foundation*	Foundation for the LSU Health Sciences Center
Temporarily restricted:			
Chairs and professorships	$49,030,124		$9,847,750
Scholarships and fellowships	26,038,331		
Specific academic and research projects	25,155,332		
Academic support	37,367,449		
Capital outlay and improvements	29,213,148		
Research support	4,478,512		
Institutional support	18,435,150		12,685,877
Donor restrictions		$14,410,967	
Total temporarily restricted	$189,718,046	$14,410,967	$22,533,627

	LSU Foundation	Tiger Athletic Foundation*	Foundation for the LSU Health Sciences Center
Permanently restricted:			
Chairs and professorhips	$93,120,684		$32,422,552
Scholarships and fellowships	44,537,533		
Specific academic and research projects	26,088,514		
Academic support	16,242,052		
Capital outlay and improvements	808,403		
Research support	1,727,565		
Institutional support	3,488,039		
Endowment funds		$5,168,456	21,689,248
Total permanently restricted	$186,012,790	$5,168,456	$54,111,800

*As of December 31, 2007

At December 31, 2007, the Pennington Medical Foundation reported no restricted net assets. At June 30, 2008, the UNO Research and Technology Foundation reports no restricted net assets.

18. RESTATEMENT OF BEGINNING NET ASSETS

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

Net assets at June 30, 2007	$1,629,649,783
Construction-in-progress - LSU & Related	(1,317,366)
Capitalized collections - LSU & Related	713,300
Other capital assets - LSU & Related	(1,024,748)
Prior year depreciation - LSU & Related	1,527,237
Prior year depreciation - LSUHSC Shreveport	5,323,999
Prior year Medicaid and UCC accruals - LSUHSC Shreveport	(21,356,028)
Adjustment to prior year revenues - LSUHSC New Orleans	563,243
Capital assets - LSUHSC New Orleans	5,218,191
Huey P. Long Medical Center residual cash balances in HCSD accounts	350,516
Blending of HCSD Foundation and Bogalusa Community Medical Center nonprofit corporations - LSUHSC New Orleans	7,217,793
Capital assets - LSUHSC New Orleans	2,700,000
Net assets at June 30, 2007, as restated	$1,629,565,920

RESTATEMENT OF BEGINNING NET ASSETS - COMPONENT UNITS

The beginning net assets as reflected on Statement D have been restated to remove the UNO Foundation as a discretely presented component unit of the LSU System. As described in note 1-B, the UNO Foundation no longer meets the financial criteria for inclusion as a discretely presented component unit of the university system.

Total Foundations net assets at June 30, 2007	$756,804,760
University of New Orleans Foundation net assets at June 30, 2007	(49,028,924)
Net assets at June 30, 2007, as restated	$707,775,836

19. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

Function	Employee Compensation	Benefits	Utilities	Supplies and Services
Instruction	$380,741,530	$91,914,773	$381,152	$68,057,254
Research	176,600,099	46,105,784	2,181,222	93,583,699
Public service	177,764,505	30,938,844	999,876	111,685,905
Academic support	66,397,783	19,066,446	299,530	34,225,818
Student services	21,468,567	5,584,511	684,366	8,263,451
Institutional support	70,116,856	19,732,217	88,180	39,313,638
Operations and maintenance of plant	43,749,133	13,346,335	37,289,393	65,023,881
Scholarships and fellowships				
Auxiliary enterprises	48,430,860	12,304,789	8,772,310	72,875,705
Hospital	534,878,518	139,222,667	17,481,442	468,768,189
Total operating expenses	$1,520,147,851	$378,216,366	$68,177,471	$961,797,540

20. FOUNDATIONS

The accompanying financial statements do not include the accounts of the following foundations, which do not meet the criteria for discretely presented component units as described in note 1-B:

LSU Alumni Association
Pennington Biomedical Research Foundation
LSU Medical Alumni Association
LSU School of Dentistry Alumni Association
LSU School of Nursing Alumni Association
LSU in Shreveport Foundation
LSU in Shreveport Alumni Association
LSU in Shreveport Realty, L.L.C.
LSU Health Sciences Center in Shreveport Foundation
University of New Orleans Foundation
UNO Alumni Association
Privateer Athletic Foundation
UNO Property and Housing Development Foundation
Medical Center of Louisiana Foundation
Louisiana State University at Alexandria Foundation
Louisiana State University at Eunice Foundation
Louisiana State University System Research and Technology Foundation
LSU Property Foundation
Biomedical Research Foundation of Northwest Louisiana

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

Function	Scholarships and Fellowships	Depreciation	Compensated Absences	OPEB Expense	Total
Instruction		$13,061,374	($1,464,877)	$43,316,909	$596,008,115
Research		15,340,906	225,861	21,499,549	355,537,120
Public service		3,375,644	571,968	16,670,555	342,007,297
Academic support		13,267,339	207,518	8,614,699	142,079,133
Student services		593,301	176,978	2,686,287	39,457,461
Institutional support		3,451,115	881,141	8,608,968	142,192,115
Operations and maintenance of plant		30,419,947	330,361	5,905,230	196,064,280
Scholarships and fellowships	$41,761,131				41,761,131
Auxiliary enterprises		1,636,814	270,524	5,703,939	149,994,941
Hospital		40,152,191	6,608,527	62,993,927	1,270,105,461
Total operating expenses	$41,761,131	$121,298,631	$7,808,001	$176,000,063	$3,275,207,054

21. DEFERRED COMPENSATION PLAN

Certain employees of the LSU System participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor's Web site at www.lla.la.gov.

22. ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. The amount of on-behalf payments for fringe benefits and salaries included in Statement C for fiscal year ended June 30, 2008, was $79,137. There were no on-behalf payments made as contributions to a pension plan for which the university is legally responsible.

23. IMPROVEMENTS TO PLANT ON BEHALF OF THE UNIVERSITY

Improvements at University of New Orleans

The UNO Research and Technology Foundation, a separate corporation created for or on behalf of the University of New Orleans, issued long-term debt instruments for research park improvements as follows:

Land improvements	$258,573
Building and Parking Garage - Navy Facilities	56,323,276
Building - Advanced Technology Center	9,004,555
Total	$65,586,404

The infrastructure improvements and the construction of facilities on land owned by the university and leased to the foundation were completely financed by the UNO Research and Technology Foundation through private lending and the sale of bonds through the LPFA, the Louisiana Local Government Environmental Facilities and Community Development Authority, and bank notes. The university leases the land to the UNO Research and Technology Foundation in accordance with terms outlined in the ground leases. The improvements are owned by the UNO Research and Technology Foundation but will revert to the university after 99 years, in November 2097, unless the ground lease is terminated earlier.

Expansion of Tiger Stadium

On December 21, 1998, LSU entered into a cooperative endeavor agreement with the Tiger Athletic Foundation (TAF) for an addition to the east side of Tiger Stadium. TAF agrees to lease a parcel of land located adjacent to Tiger Stadium for up to 50 years and to construct additional seats on the land as part of Tiger Stadium, including approximately 70 sky boxes. LSU will lease these stadium improvements from TAF for $2 million per year for a 35-year lease term or until TAF donates such improvements to LSU. The estimated value to LSU of this addition over the term of the agreement is approximately $49,000,000. The cooperative endeavor agreement will end on April 4, 2049.

On September 26, 2003, LSU entered into a cooperative endeavor agreement with TAF for the expansion and renovation of the west side of Tiger Stadium. TAF agrees to lease land and certain existing improvements for expanding and renovating facilities and to complete general stadium improvements. Effective September 1, 2005, LSU leased these improvements from TAF for $2.5 million per year for a 35-year lease term or until TAF donates such improvements to LSU. The estimated value to LSU of this addition over the term of the agreement is approximately $100,000,000. This agreement is scheduled to expire on March 31, 2041.

LSU Health Sciences Center - New Orleans
Cooperative Endeavor for District Energy Services

Effective November 1, 1998, the LSU Board of Supervisors on behalf of the LSU Health Sciences Center - New Orleans (LSUHSC) entered into a cooperative endeavor agreement with Entergy Thermal (Entergy), a division of Entergy Business Solutions, Inc., and New Orleans Medical Complex, Inc. (NORMC), a Louisiana private, nonprofit corporation. The term of the agreement ends September 30, 2020, with options to renew the lease for two 5-year periods.

Under the agreement, the LSUHSC leases to NORMC a parcel of land located in New Orleans at the northeastern corner of South Claiborne Avenue and Gravier Street. NORMC pays the LSU Health Sciences Center $45,080 annually for the lease, which may be adjusted every five years for inflation. NORMC is responsible for the construction of a combined use facility, which is comprised of its office, a multi-level parking garage, and a thermal energy production facility. For the period of the agreement, LSUHSC and NORMC entered into a reciprocal lease, which, in lieu of rent, gives each the right of occupancy of the combined use facility. Upon the expiration or sooner termination of the ground lease, the title to the combined use facility will automatically become vested in the LSU Board of Supervisors.

NORMC is subleasing the combined use facility to Entergy, who is responsible for constructing and financing the thermal energy production facility within the combined use facility. Under the terms of the reciprocal lease, Entergy is also responsible for the operations, repair, replacement, and maintenance of the central plants located at the Medical Center of Louisiana at New Orleans and LSUHSC (the central plants). For the term of the agreement, LSUHSC is obligated to purchase its thermal energy from Entergy. The LSUHSC total monetary obligation is not determinable since the obligation will be based on energy consumption.

During the term of the agreement, title to the thermal equipment within the combined use facility is vested in Entergy. Upon the expiration or termination of the agreement, Entergy will have the right, but not the obligation, to remove equipment it has installed provided that the removal of the equipment does not materially damage the thermal energy production facility space in the combined use facility. The LSU Board of Supervisors has the option to purchase the equipment upon expiration or termination of the agreement. The title to the thermal equipment installed within the central plants is vested in NORMC until the expiration or termination of the agreement, at which time title shall automatically pass to and become vested in the LSU Board of Supervisors.

24. REVENUE USED AS SECURITY FOR REVENUE BONDS

The revenues of certain auxiliary enterprises at LSU, LSU at Alexandria (LSUA), LSU at Eunice (LSUE), the University of New Orleans, and the LSU Health Sciences Center are restricted by terms in the covenants of certain debt instruments.

LSU, LSUA, and LSUE have pledged future auxiliary revenues of approximately $557,617,315 to secure outstanding debt of $317,833,333 in Auxiliary Revenue Bonds. Proceeds from the bonds provided for the financing of construction and renovation of various auxiliary facilities. All auxiliary revenues of LSU have been pledged to secure the debt, which is payable through 2036. Pledged auxiliary revenues recognized during the period were $151,166,065. All LSUA Union, Bookstore, and Athletic revenues, totaling $566,647 for the current period, are pledged to secure the debt of the 2008 bond, which matures in 2034. All LSUE Union and Bookstore revenues, totaling $1,906,307 for the current period, are pledged to secure the debt of the auxiliary revenues bonds payable through 2033. Required principal and interest payments for the current year on the bonds were $19,171,780.

LSU Health Sciences Center - New Orleans has pledged future auxiliary revenues, dedicated student fee revenues, and University Enterprise Revenues of approximately $26,973,275 to secure its 2000 Series Bond. Proceeds from the bonds provided for the planning, financing, design, construction, operation, maintenance, equipping, and renewal and replacement for the Wellness Center, Day Care Center, Campus Health Services, and Student Housing in the Old Charity Nursing School Building. The bonds are payable through 2031. Principal and interest paid and dedicated student fee and University Enterprise Revenues for the current year were $1,172,061 and $22,051,275, respectively.

UNO has pledged approximately $41,548,131 of its Student Housing, Student Union, Miscellaneous Auxiliaries/Student Recreation Center/Facility Use and Maintenance Fee revenues to secure the debt of its Series 1998, 2004A, and 2004B bonds. Proceeds from the bonds provided for the refunding of Bond Series 1996A and 1997A, construction of the student recreation center, and the renovation and maintenance of campus buildings. The bonds are payable through 2031. Student Housing, Student Union, Miscellaneous Auxiliaries/Student Recreation Center/Facility Use and Maintenance Fee revenues were $9,945,156 in the current period. Principal and interest payments for the current year were $2,802,579.

25. COOPERATIVE ENDEAVOR AGREEMENTS

On October 1, 2003, the LSUHSC-New Orleans entered into two cooperative endeavor agreements with the Louisiana Cancer Research Center of LSU Health Sciences Center in New Orleans/Tulane Health Sciences Center. These agreements are for research and smoking cessation programs.

The Louisiana Cancer Research Center of LSU Health Sciences Center in New Orleans/Tulane Health Sciences Center was authorized by Act 41 of the First Extraordinary Session of 2002. The funds that are passed through to the consortium are available as a result of an increase in tobacco taxes enacted into law via Act 19 of the Regular Session of 2002. Act 19 has specific provisions including:

> Subject to an annual appropriation by the legislature, 42.8% of the monies collected under authority of R.S. 47:841(B)(4) in the fund shall be used solely for the purpose of providing funding for the Louisiana Cancer Research Center of LSU Health Sciences Center in New Orleans/Tulane Health Sciences Center, and 29.2% of monies collected under authority of R.S. 47:841(B)(4) shall be used solely for the purposes of funding for the creation of smoking prevention mass media programs and evidence-based tobacco control programs within the public hospital system and the public school system and community development programs directed at cessation among children and pregnant women and the screening, prevention, and treatment of tobacco use and dependence among individuals with diseases caused or exacerbated by tobacco use.

The funds are budgeted in Other Charges for flow through to the Louisiana Cancer Research Center via cooperative endeavor agreement. The Louisiana Cancer Research Center is responsible for spending the funds in accordance with the General Appropriations Act, Act 19 of the 2002 Regular Session, Act 41 of the First Extraordinary Session of 2002, and the terms and conditions of the cooperative endeavor. The two cooperative endeavor agreements will expire on June 30, 2010.

COOPERATIVE ENDEAVOR AGREEMENTS - COMPONENT UNITS

Tiger Athletic Foundation

In 1999, the Tiger Athletic Foundation (TAF) entered into a cooperative endeavor agreement with LSU that obligated TAF to acquire, construct, and maintain new scoreboards in LSU athletic venues at a total cost of approximately $5.2 million. In return for its fulfillment of this obligation, TAF was given an eight-year license to solicit certain qualified corporate sponsorship contracts. In connection with its issuance of the Series 2004 Revenue Bonds, LSU extended TAF's rights to solicit qualified corporate sponsorship contracts for a period of approximately 35 years. Effective July 1, 2005, TAF, with approval of LSU, entered into a ten-year lease agreement with Viacom Outdoor Advertising, Inc., d/b/a LSU Sports Properties, whereby TAF leased its rights to the scoreboards to Viacom in return for an annual guaranteed rental payment. The rental payment, which was $1.4 million in year one and will increase by $25,000 annually each year during the life of the lease agreement, is due in two equal installments payable in July and October of each year.

University of New Orleans Research and Technology Foundation/University of New Orleans/Avondale Maritime Technology Center of Excellence

General

On May 16, 1997, the State of Louisiana (the State), the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College acting on behalf of UNO (the University), the UNO Research and Technology Foundation, Inc. (the Foundation), and Avondale Industries, Inc., entered into a Cooperative Endeavor Agreement (the Agreement) for an initial term of 15 years and from one-to-seven additional five-year periods.

The Agreement and related amendment provided for the use of annually appropriated state funds and the corporate guarantee by Avondale of certain financial obligations incurred by the Foundation for the purpose of enhancing or maintaining the economic well-being of the State. As a material inducement to the State to enter into the Agreement, Avondale represented that it was awarded a contract for the construction of certain U.S. Department of Navy vessels that will provide a substantial economic benefit to the State. The Foundation and Avondale represented that the economic benefit occurring as a result of the payment or performance of the State's obligation will equal or exceed the value of the State's obligations.

Obligations

Avondale donated certain property to UNO which is leased to the Foundation pursuant to the terms of a Ground Lease. A ship design facility including a laboratory and support area (the Facility) for the UNO School of Naval Architecture and Marine Engineering has been built on such property by the Foundation and is subleased to Avondale. Also, the UNO Research and Technology Foundation has equipped the facility and leased such equipment to Avondale.

Furthermore, Avondale agrees that it will provide support to the UNO School of Naval Architecture and Marine Engineering by providing the University a Right of Use of space constituting 21,000 square feet in the facility subleased by Avondale from the Foundation.

In the event the costs of the project required to be expended by the Foundation in constructing the facility and acquiring the equipment exceed the amounts paid by the State, Avondale will pay to the Foundation the amounts required for the Foundation to fulfill the obligations to construct and equip the facility.

University of New Orleans Research and Technology Foundation/National Center for Advanced Manufacturing/ NASA Facilities Modifications and Equipment Acquisition

General

Effective July 15, 2007, the State of Louisiana (the State), the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (the University), the University of

New Orleans Research and Technology Foundation (the Foundation), and the National Aeronautics and Space Administration's George C. Marshall Space Flight Center (NASA) entered into a Cooperative Endeavor 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 approximately $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 the 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 structures 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 project).

Obligations

NASA will provide physical and operational access to MAF for use by NCAM and other users and 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 see 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 will arrange for the design and construction of the MAF facilities modifications to support the installation of the new equipment. The Foundation will also manage the use of the new equipment, and shall enter into agreements with other entities as necessary for the use of NCAM and the new equipment.

University of New Orleans Research and Technology Foundation/National Center for Advanced Manufacturing/ MAF Research and Development Administration Building

General

On December 18, 2007, the State of Louisiana, the University of New Orleans Research and Technology 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.

Obligations

The University of New Orleans Research and Technology 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.

26. AMOUNTS HELD IN CUSTODY FOR OTHERS - COMPONENT UNITS

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

Entity	LSU Foundation	Tiger Athletic Foundation*	Foundation for the LSU Health Sciences Center	UNO Research and Technology Foundation	Total
LSU at Alexandria Foundation	$11,901,134				$11,901,134
LSU at Eunice Foundation	1,662,790				1,662,790
State matching funds	62,317,428		$20,290,402		82,607,830
Charitable remainder trusts	1,835,922				1,835,922
Tiger Athletic Foundation	4,224,165				4,224,165
Coaches' escrow accounts		$1,529,598			1,529,598
Building tenant security deposits				$42,717	42,717
Total temporarily restricted	$81,941,439	$1,529,598	$20,290,402	$42,717	$103,804,156

*As of December 31, 2007

27. RELATED PARTY TRANSACTIONS - COMPONENT UNIT

The Pennington Medical Foundation paid architectural services in the amount of $200,000 to a trustee of the foundation for the year ended December 31, 2007.

The Pennington Medical Foundation paid Pennington Biomedical Research Foundation a monthly fee of $4,193 for accounting services and administrative support for the year ended December 31, 2007.

28. UNCONDITIONAL PROMISES TO GIVE - COMPONENT UNITS

The discretely presented component units reported unconditional promises to give as follows:

	LSU Foundation	Tiger Athletic Foundation*	Foundation for the LSU Health Sciences Center
Promises to give expected to be collected in:			
Less than one year	$14,678,864	$3,233,091	$84,600
One to five years	24,712,294		264,320
More than five years	9,309,010	7,593,450	156,086
Subtotal	48,700,168	10,826,541	505,006
Less discount on promises to give	(5,062,178)	(1,389,721)	(62,150)
Less allowance for uncollectible accounts	(3,672,227)	(807,600)	(176,752)
Subtotal	(8,734,405)	(2,197,321)	(238,902)
Net unconditional promises to give	$39,965,763	$8,629,220	$266,104

*As of December 31, 2007

At December 31, 2007, and June 30, 2008, respectively, the Pennington Medical Foundation and the UNO Research and Technology Foundation report no unconditional promises to give. Total unconditional promises to give (current and noncurrent) of $48,861,087 are reported on Statement B.

29. CONDITIONAL PROMISES TO GIVE - COMPONENT UNITS

The E. J. Ourso College of Business of Louisiana State University has embarked on a capital campaign for the construction of a new business education complex. The LSU Foundation has received conditional and unconditional pledges relating to this campaign. Pledges received, which are conditional on the construction of the complex totaled $5.3 million at June 30, 2008. As of the year ended June 30, 2008, the LSU Foundation has received payments of approximately $3,761,000 on these conditional pledges. Given these pledges do not meet the revenue recognition criteria under generally accepted accounting principles, they are not reflected as contributions in the statement of activity and the pledge payments received to date for these pledges are reflected as refundable advances until the condition of the pledge agreement is met.

30. SUBSEQUENT EVENTS

On September 1, 2008, Hurricane Gustav struck Louisiana. Property damage to the campuses and hospitals of the System totaled $26.8 million. Of this amount, $12.5 million occurred at the Leonard J. Chabert Medical Center in Houma, and $11.4 million occurred in Baton Rouge at the System's main campus, LSU and A & M College. In addition, $17.3 million in other expenses related to the hurricane were incurred by various campuses, hospitals, and medical centers. Units reporting significant outlays were the Interim LSU Hospital in New Orleans with $4.3 million; the LSU Health Sciences Center in New Orleans with $3.3 million; LSU and A & M College with $2.8 million; Leonard J. Chabert Medical Center with $3.2 million; and Earl K. Long Medical Center in Baton Rouge with $1.8 million.

Not insulated from the nation's declining economic condition, the State imposed a mid-year budget reduction in December 2008. An average 4.6% reduction was applied to the discretionary state funds of academic campuses of the System. The medical centers comprising the LSU Health Care Services Division and the LSU Pennington Biomedical Research Center were exempted from this budget cut. It is anticipated that additional, significant budget reductions will be applied to fiscal year 2009-2010.

31. HURRICANES KATRINA AND RITA

During August and September 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these events and the resulting damages sustained by the state and LSU System facilities, it is unknown exactly what economic impact recovery efforts will have on state and local government operations. The Medical Center of Louisiana in New Orleans reopened its university campus facility in November 2006; however, the primary hospital remains closed.

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

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

Schedule 1

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plans
Fiscal Year Ended June 30, 2008

LSU System Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/2007	NONE	$470,940,000	$470,940,000	0.0%	$551,739,992	85.4%

State Office of Group Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/2007	NONE	$1,930,040,000	$1,930,040,000	0.0%	$410,372,403	470.3%

Note to the Schedule:
GASB Statement No. 45 was implemented prospectively during the fiscal year ended June 30, 2008; therefore, only one year of information is presented.

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The material presented in this section is designed to provide the reader with additional information supporting the financial statements.

Combining Schedule of Net Assets, by University

Schedule 2 presents the current and long-term portions of assets and liabilities and net assets for each university within the LSU System. Included in Schedule 2 are amounts due to and due from the other campuses and the state treasury. While these due to and due from amounts have been reported at net or eliminated in the consolidated statements, they are shown when presenting individual campus financial information.

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

Schedule 3 presents information showing how the net 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.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Assets, by University
June 30, 2008

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
ASSETS							
Current assets:							
Cash and cash equivalents	$69,519,122	$9,258,351	$6,170,695	$1,066,307	$4,635,079	$1,503,806	$19,084,862
Investments	41,646	295,017	195,189,502	58,743	39,642	175,803	245,721
Receivables (net)	816,087	3,107,657	40,894,395	2,790,818	2,592,667	201,212	6,287,708
Due from other campuses	49,335		269,063				
Due from state treasury	3,000,000						326,326
Inventories		209,456	2,095,403		336,531		4,450,434
Deferred charges and prepaid expenses	8,269	11,208	2,632,418	3,978	5,655	165,435	89,252
Notes receivable (net)			3,512,958		67,068		
Other current assets			1,834,547				
Total current assets	73,434,459	12,881,689	252,598,981	3,919,846	7,676,642	2,046,256	30,484,303
Noncurrent assets:							
Restricted:							
Cash and cash equivalents		4,262	45,670,662	634,352	545,084	258,673	4,313,651
Investments		5,781,655	192,473,235	4,903,730	762,894	2,272,653	2,072,058
Receivables (net)			16,000				
Notes receivable (net)			11,794,858		505,530		
Other			22,254,083	97,307			80,687
Investments							
Notes receivable							
Other noncurrent assets							
Capital assets (net)	404,137	49,834,963	599,127,267	16,679,679	18,412,073	15,454,686	42,487,010
Total noncurrent assets	404,137	55,620,880	871,336,105	22,315,068	20,225,581	17,986,012	48,953,406
Total assets	73,838,596	68,502,569	1,123,935,086	26,234,914	27,902,223	20,032,268	79,437,709
LIABILITIES							
Current liabilities:							
Accounts payable and accruals	7,763,848	634,904	37,154,019	165,747	738,172	315,254	814,460
Due to other campuses			74,386,856				
Due to state treasury	601,783		25,075				
Deferred revenues	20,682	4,017,047	51,102,598	1,722,456	2,080,037	116,488	2,933,996
Amounts held in custody for others	110		3,530,123	106,683	62,375	126,182	50,298
Compensated absences payable	94,917	186,437	2,330,449	71,311	50,574	48,256	675,918
Capital lease obligations			877,217				
Claims and litigation payable							
Notes payable							
Bonds payable			9,900,000	50,000	130,417		
Other current liabilities			1,834,546				
Total current liabilities	8,481,340	4,838,388	181,140,883	2,116,197	3,061,575	606,180	4,474,672

(Continued)

Schedule 2

	University of New Orleans	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Sciences Center in Shreveport	Eliminations	Total
ASSETS						
Current assets:						
Cash and cash equivalents	$8,026,583	$6,930,634	$194,565,129	$140,145,307		$460,905,875
Investments		100,967	3,180,677	9,494,231		208,821,949
Receivables (net)	28,202,404	1,330,868	130,250,034	78,072,931		294,546,781
Due from other campuses			74,805,055	1,890,279	($77,013,732)	
Due from state treasury			23,602,992	16,855,766		43,785,084
Inventories	1,129,779	384,946	20,338,848	11,289,764		40,235,161
Deferred charges and prepaid expenses	524,481	613,917	903,088	304,554		5,262,255
Notes receivable (net)	742,072		1,349,624	270,919		5,942,641
Other current assets						1,834,547
Total current assets	38,625,319	9,361,332	448,995,447	258,323,751	(77,013,732)	1,061,334,293
Noncurrent assets:						
Restricted:						
Cash and cash equivalents	5,485,273	378,603	3,093,909	19,121,892		79,506,361
Investments	15,488,307		26,279,789	41,128,081		291,162,402
Receivables (net)						16,000
Notes receivable (net)			7,967,350	1,403,843		21,671,581
Other						22,432,077
Investments	14,535	4,055,852	331,213			4,401,600
Notes receivable	4,523,891					4,523,891
Other noncurrent assets			6,886,787			6,886,787
Capital assets (net)	209,843,409	28,046,751	435,975,081	131,840,653		1,548,105,709
Total noncurrent assets	235,355,415	32,481,206	480,534,129	193,494,469	NONE	1,978,706,408
Total assets	273,980,734	41,842,538	929,529,576	451,818,220	(77,013,732)	3,040,040,701
LIABILITIES						
Current liabilities:						
Accounts payable and accruals	11,726,964	2,286,126	295,825,772	75,341,617		432,766,883
Due to other campuses	269,063		1,939,614	418,199	(77,013,732)	
Due to state treasury		11,700	77,549	33,918		750,025
Deferred revenues	5,874,463	651,171	7,996,710	2,550,520		79,066,168
Amounts held in custody for others	456,765	316,672	394,970	37,572		5,081,750
Compensated absences payable	718,910	99,311	4,670,884	1,556,378		10,503,345
Capital lease obligations	766,011		108,821	1,383,976		3,136,025
Claims and litigation payable						
Notes payable			6,687,938	323,298		7,011,236
Bonds payable	1,565,000		5,315,000			16,960,417
Other current liabilities						1,834,546
Total current liabilities	21,377,176	3,364,980	323,017,258	81,645,478	(77,013,732)	557,110,395

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Net Assets, by University
June 30, 2008

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
LIABILITIES (CONT.)							
Noncurrent liabilities:							
Compensated absences payable	$891,382	$2,192,724	$25,632,738	$697,054	$691,150	$979,130	$9,157,627
Capital lease obligations			36,267,649				
Notes payable							
OPEB payable	98,982	2,936,394	42,791,470	2,759,469	816,904	1,271,594	12,360,237
Bonds payable			295,760,000	4,150,000	7,842,916		
Other noncurrent liabilities			751,554				32,686
Total noncurrent liabilities	990,364	5,129,118	401,203,411	7,606,523	9,350,970	2,250,724	21,550,550
Total liabilities	9,471,704	9,967,506	582,344,294	9,722,720	12,412,545	2,856,904	26,025,222
NET ASSETS							
Invested in capital assets, net of related debt	404,137	49,834,963	384,209,614	16,050,898	12,774,456	15,454,686	42,487,010
Restricted for:							
Nonexpendable		5,781,655	56,004,066	1,332,511	269,913	2,530,601	2,072,058
Expendable	59,242,344	4,006,739	111,893,129	1,830,538	2,790,520	343,426	6,566,686
Unrestricted	4,720,411	(1,088,294)	(10,516,017)	(2,701,753)	(345,211)	(1,153,349)	2,286,733
Total net assets	$64,366,892	$58,535,063	$541,590,792	$16,512,194	$15,489,678	$17,175,364	$53,412,487

(Concluded)

	University of New Orleans	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Sciences Center in Shreveport	Eliminations	Total System
LIABILITIES (CONT.)						
Noncurrent liabilities:						
Compensated absences payable	$6,947,350	$2,193,951	$47,515,046	$24,058,354		$120,956,506
Capital lease obligations	46,730,661		260,881	6,704,912		89,964,103
Notes payable			15,682,646	383,475		16,066,121
OPEB payable	12,818,487	2,172,875	58,936,517	39,037,134		176,000,063
Bonds payable	26,170,000		43,045,000			376,967,916
Other noncurrent liabilities	480,994					1,265,234
Total noncurrent liabilities	93,147,492	4,366,826	165,440,090	70,183,875	NONE	781,219,943
Total liabilities	114,524,668	7,731,806	488,457,348	151,829,353	($77,013,732)	1,338,330,338
NET ASSETS						
Invested in capital assets, net of related debt	137,410,276	28,046,751	364,874,795	123,044,993		1,174,592,579
Restricted for:						
Nonexpendable	17,585,241	3,899,435	31,257,201	53,491,783		174,224,464
Expendable	17,273,448	2,288,035	39,928,001	26,001,012		272,163,878
Unrestricted	(12,812,899)	(123,489)	5,012,231	97,451,079		80,729,442
Total net assets	$159,456,066	$34,110,732	$441,072,228	$299,988,867	NONE	$1,701,710,363

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by University
For the Fiscal Year Ended June 30, 2008

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
OPERATING REVENUES							
Student tuition and fees			$166,002,663	$7,114,275	$5,058,698	$9,321,654	
Less scholarship allowances			(22,896,884)	(1,241,528)	(2,421,951)	(1,149,919)	
Net student tuition and fees	NONE	NONE	143,105,779	5,872,747	2,636,747	8,171,735	NONE
Federal appropriations							$12,014,103
Federal grants and contracts		$20,401,618	96,197,549	4,081,019	4,449,828	134,965	6,709,799
State and local grants and contracts	$2,161,833	1,279,153	37,744,772	771,499	471,605		10,356,002
Nongovernmental grants and contracts		6,147,972	12,079,727	7,863	80,501		5,497,494
Sales and services of educational departments		79,797	11,694,924	19,064	36,019	160,883	5,479,804
Hospital income							
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 24)		154,612	129,789,314	1,101,304	3,066,027		
Less scholarship allowances			(5,582,647)	(94,606)	(271,401)		
Net auxiliary revenues	NONE	154,612	124,206,667	1,006,698	2,794,626	NONE	NONE
Other operating revenues	1,181,278	37,381	7,244,825	54,742	78,280	3,555	3,290,132
Total operating revenues	3,343,111	28,100,533	432,274,243	11,813,632	10,547,606	8,471,138	43,347,334
OPERATING EXPENSES							
Educational and general:							
Instruction	1,691,000		236,555,253	11,960,106	8,149,467	9,764,348	
Research		34,579,796	122,635,187	36,418	29,704	841,247	70,897,234
Public service		398,353	44,777,190	193,620		187,316	55,918,317
Academic support		4,618,769	69,583,091	1,546,503	736,877	3,647,848	4,182,988
Student services			17,042,115	1,875,666	1,635,376	1,268,279	
Institutional support	12,267,383	5,072,428	31,491,836	3,427,969	2,532,023	2,790,088	12,186,410
Operations and maintenance of plant	255,701	7,279,207	86,289,045	3,761,798	3,649,213	2,040,999	6,114,398
Scholarships and fellowships	500		22,189,142	2,725,115	1,138,982	713,543	48,612
Auxiliary enterprises		37,656	113,243,700	1,088,877	2,166,122		
Hospital							
Total operating expenses	14,214,584	51,986,209	743,806,559	26,616,072	20,037,764	21,253,668	149,347,959
OPERATING INCOME (Loss)	(10,871,473)	(23,885,676)	(311,532,316)	(14,802,440)	(9,490,158)	(12,782,530)	(106,000,625)
NONOPERATING REVENUES (Expenses)							
State appropriations	13,346,037	16,300,216	254,238,907	11,283,727	9,044,837	9,884,294	91,938,555
Gifts	170,116	4,601,398	13,036,301	262,940	54,879	561,704	2,710,664
Net investment income	1,078,913	(220,208)	20,728,104	96,131	184,428	197,960	1,358,691
Interest expense			(14,138,512)	(62,018)	(569,856)		
Other nonoperating revenues (expenses)			154,979				247,037
Other nonoperating revenues - FEMA							
Other nonoperating expenses - FEMA							
Net nonoperating revenues (expenses)	14,595,066	20,681,406	274,019,779	11,580,780	8,714,288	10,643,958	96,254,947

(Continued)

	University of New Orleans	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Sciences Center in Shreveport	Eliminations	Total
OPERATING REVENUES						
Student tuition and fees	$52,205,482	$10,500,519	$19,173,448	$6,561,407		$275,938,146
Less scholarship allowances	(8,458,962)	(2,400,744)	(3,001,050)	(195,208)		(41,766,246)
Net student tuition and fees	43,746,520	8,099,775	16,172,398	6,366,199	NONE	234,171,900
Federal appropriations						12,014,103
Federal grants and contracts	25,072,996	5,396,639	47,281,945	15,607,449		225,333,807
State and local grants and contracts	15,152,979	4,340,190	25,606,732	15,995,884		113,880,649
Nongovernmental grants and contracts	15,419,741	2,042,644	58,649,349	13,836,306		113,761,597
Sales and services of educational departments	143,661	26,065	79,702,564	88,962,910		186,305,691
Hospital income			770,948,383	458,256,968	($262,580)	1,228,942,771
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 24)	11,956,819	4,158,369	7,075,403	9,757,902		167,059,750
Less scholarship allowances	(476,181)	(382,048)				(6,806,883)
Net auxiliary revenues	11,480,638	3,776,321	7,075,403	9,757,902	NONE	160,252,867
Other operating revenues	2,944,237	194,333	493,469	419,806		15,942,038
Total operating revenues	113,960,772	23,875,967	1,005,930,243	609,203,424	(262,580)	2,290,605,423
OPERATING EXPENSES						
Educational and general:						
Instruction	75,618,914	16,994,376	168,523,163	66,751,488		596,008,115
Research	21,754,190	836,318	63,624,887	40,302,139		355,537,120
Public service	4,774,197	2,281,678	154,940,702	78,535,924		342,007,297
Academic support	19,829,693	4,567,937	26,950,197	6,415,230		142,079,133
Student services	9,468,646	2,363,639	4,501,462	1,302,278		39,457,461
Institutional support	22,177,668	5,722,018	30,562,043	18,769,761	(4,807,512)	142,192,115
Operations and maintenance of plant	32,081,275	4,307,311	42,144,284	8,141,049		196,064,280
Scholarships and fellowships	9,850,243	4,139,585	224,150	731,259		41,761,131
Auxiliary enterprises	13,596,827	4,432,159	6,637,821	8,791,779		149,994,941
Hospital			790,708,487	479,396,974		1,270,105,461
Total operating expenses	209,151,653	45,645,021	1,288,817,196	709,137,881	(4,807,512)	3,275,207,054
OPERATING INCOME (Loss)	(95,190,881)	(21,769,054)	(282,886,953)	(99,934,457)	4,544,932	(984,601,631)
NONOPERATING REVENUES (Expenses)						
State appropriations	73,837,826	18,261,837	243,703,639	108,373,526	(4,544,932)	845,668,469
Gifts	1,300,208	165,391	7,338,448	266,949		30,468,998
Net investment income	200,916	69,063	11,925,690	7,850,835		43,470,523
Interest expense	(1,302,314)		(2,670,420)	(544,325)		(19,287,445)
Other nonoperating revenues (expenses)	1,806,481		(1,803,583)	8,961		413,875
Other nonoperating revenues - FEMA			27,679,691			27,679,691
Other nonoperating expenses - FEMA			(13,537,519)			(13,537,519)
Net nonoperating revenues (expenses)	75,843,117	18,496,291	272,635,946	115,955,946	(4,544,932)	914,876,592

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by University
June 30, 2008

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
INCOME (Loss) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	$3,723,593	($3,204,270)	($37,512,537)	($3,221,660)	($775,870)	($2,138,572)	($9,745,678)
Capital appropriations			7,059,245	270,525	96,388		807,490
Capital gifts and grants		111,555	38,021,194	15,708	36,044	3,515	757,941
Additions to permanent endowment			3,507,132	200,449	1,355	221,280	245,856
Other additions (deductions)	21,332,386		(1,052,632)	(212,272)			54,940
CHANGE IN NET ASSETS	25,055,979	(3,092,715)	10,022,402	(2,947,250)	(642,083)	(1,913,777)	(7,879,451)
NET ASSETS - BEGINNING OF YEAR (Restated)	39,310,913	61,627,778	531,568,390	19,459,444	16,131,761	19,089,141	61,291,938
NET ASSETS - END OF YEAR	$64,366,892	$58,535,063	$541,590,792	$16,512,194	$15,489,678	$17,175,364	$53,412,487

(Concluded)

	University of New Orleans	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Sciences Center in Shreveport	Eliminations	Total
INCOME (Loss) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES (CONT.)	($19,347,764)	($3,272,763)	($10,251,007)	$16,021,489		($69,725,039)
Capital appropriations	13,073,113		35,532,925	8,621,079		65,460,765
Capital gifts and grants	543,605		4,249,145	221,094		43,959,801
Additions to permanent endowment	803,000	800,000	1,567,487	5,907,500		13,254,059
Other additions (deductions)	41,613	(822)		(968,356)		19,194,857
CHANGE IN NET ASSETS	(4,886,433)	(2,473,585)	31,098,550	29,802,806	NONE	72,144,443
NET ASSETS - BEGINNING OF YEAR (Restated)	164,342,499	36,584,317	409,973,678	270,186,061	NONE	1,629,565,920
NET ASSETS - END OF YEAR	$159,456,066	$34,110,732	$441,072,228	$299,988,867	NONE	$1,701,710,363

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2008

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
CASH FLOWS FROM OPERATING ACTIVITIES:							
Tuition and fees			$145,495,633	$5,630,043	$2,413,273	$8,160,899	
Federal appropriations							$11,442,907
Grants and contracts	$1,709,962	$26,453,253	142,203,242	4,858,776	5,015,182	19,779	23,732,537
Sales and services of educational departments		83,887	11,545,487	19,070	36,026	182,792	5,311,331
Hospital income							
Auxiliary enterprise receipts		154,612	132,688,885	1,038,948	2,776,874		
Payments for employee compensation	(3,479,734)	(25,598,817)	(351,155,444)	(11,852,065)	(8,542,994)	(10,950,296)	(74,719,572)
Payments for benefits	(4,146,774)	(6,530,810)	(91,619,901)	(3,906,470)	(2,849,944)	(2,666,531)	(23,956,209)
Payments for utilities	(87,330)	(2,392,847)	(19,599,251)	(638,415)	(764,994)	(575,279)	(3,222,642)
Payments for supplies and services	(8,946,454)	(11,519,462)	(177,593,410)	(4,044,779)	(4,602,010)	(3,961,516)	(30,356,871)
Payments for scholarships and fellowships	(500)		(22,910,710)	(2,725,115)	(1,138,982)	(713,543)	(48,612)
Loans to students			(3,779,705)		(74,031)		
Collection of loans to students			2,633,997		51,248		
Other receipts (payments)	1,121,705	38,185	10,042,456	88,651	89,716	1,484	3,315,265
Net cash provided (used) by operating activities	(13,829,125)	(19,311,999)	(222,048,721)	(11,531,356)	(7,590,636)	(10,502,211)	(88,501,866)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
State appropriations	40,418,473	16,300,216	254,404,546	11,283,727	9,044,837	9,884,294	91,985,534
Gifts and grants for other than capital purposes	160,682	4,601,398	12,690,786	416,666	55,848	563,222	2,672,450
Private gifts for endowment purposes		415,542	10,863				(1)
TOPS receipts			42,427,624	702,439	674,174		
TOPS disbursements			(42,427,624)	(688,206)	(674,174)		
FEMA receipts							
FEMA disbursements							
Other receipts			154,979				247,037
Net cash provided (used) by noncapital financing sources	40,579,155	21,317,156	267,261,174	11,714,626	9,100,685	10,447,516	94,905,020
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:							
Proceeds from capital debt			123,945,000	4,200,000			
Capital appropriations received			129,976				
Capital gifts and grants received		111,555	38,196,022	45,733	88,576	3,515	1,109,262
Proceeds from sale of capital assets							112,948
Purchase of capital assets		(1,514,113)	(106,352,372)	(271,847)	(215,085)	(591,895)	(6,946,060)
Principal paid on capital debt and leases			(61,090,587)		(105,529)		
Interest paid on capital debt and leases			(14,147,093)	(62,018)	(569,856)		
Other sources	21,332,386		(1,222,475)	(212,272)			54,940
Net cash provided (used) by capital financing activities	21,332,386	(1,402,558)	(20,541,529)	3,699,596	(801,894)	(588,380)	(5,668,910)

(Continued)

	University of New Orleans	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Sciences Center in Shreveport	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Tuition and fees	$44,482,807	$8,273,119	$13,009,745	$7,390,018		$234,855,537
Federal appropriations						11,442,907
Grants and contracts	51,934,520	11,610,275	172,257,815	41,646,933		481,442,274
Sales and services of educational departments	251,586	26,065	79,481,798	90,036,778		186,974,820
Hospital income			727,275,041	419,032,120		1,146,307,161
Auxiliary enterprise receipts	11,701,132	3,762,579	7,118,959	9,754,653		168,996,642
Payments for employee compensation	(92,108,925)	(19,863,169)	(534,926,941)	(355,745,216)		(1,488,943,173)
Payments for benefits	(24,358,419)	(5,931,261)	(129,726,779)	(78,312,459)		(374,005,557)
Payments for utilities	(6,425,050)	(886,592)	(25,025,410)	(8,765,555)		(68,383,365)
Payments for supplies and services	(54,095,504)	(10,358,686)	(507,637,121)	(199,611,185)	$4,544,932	(1,008,182,066)
Payments for scholarships and fellowships	(9,899,637)	(4,139,585)	(233,943)	(731,259)		(42,541,886)
Loans to students	(909,994)		(655,069)	(12,420)		(5,431,219)
Collection of loans to students	618,844		1,365,439	244,937		4,914,465
Other receipts (payments)	3,094,853	335,511	(3,265,435)	418,504		15,280,895
Net cash provided (used) by operating activities	(75,713,787)	(17,171,744)	(200,961,901)	(74,654,151)	4,544,932	(737,272,565)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
State appropriations	78,398,453	18,261,837	243,796,960	107,410,578	(4,544,932)	876,644,523
Gifts and grants for other than capital purposes	432,072	165,391	7,224,615	266,949		29,250,079
Private gifts for endowment purposes	803,000	800,000		5,907,500		7,936,904
TOPS receipts	6,019,037	1,860,737	635,535	38,074		52,357,620
TOPS disbursements	(5,946,905)	(1,860,737)	(594,719)	(38,074)		(52,230,439)
FEMA receipts			29,467,792			29,467,792
FEMA disbursements			(14,676,310)			(14,676,310)
Other receipts	1,806,481		(2,697,396)	8,961		(479,938)
Net cash provided (used) by noncapital financing sources	81,512,138	19,227,228	263,156,477	113,593,988	(4,544,932)	928,270,231
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Proceeds from capital debt						128,145,000
Capital appropriations received	13,073,113		(5,079,145)	8,621,079		16,745,023
Capital gifts and grants received	239,596			221,094		40,015,353
Proceeds from sale of capital assets						112,948
Purchase of capital assets	(21,311,577)	(1,349,289)	(43,962,734)	(17,636,585)		(200,151,557)
Principal paid on capital debt and leases	(2,211,547)		(16,075,717)	(3,071,754)		(82,555,134)
Interest paid on capital debt and leases	(1,302,314)		(2,671,117)	(544,325)		(19,296,723)
Other sources	281,160	(822)		(968,356)		19,264,561
Net cash provided (used) by capital financing activities	(11,231,569)	(1,350,111)	(67,788,713)	(13,378,847)	NONE	(97,720,529)

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University
June 30, 2008

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from sales and maturities of investments			$108,135,531	$186,075	($154,772)		
Interest received on investments	$1,410,099	($214,087)	18,585,768	225,571	193,071	$257,676	$1,381,911
Purchase of investments			(171,512,003)	(3,757,294)			
Net cash provided (used) by investing activities	1,410,099	(214,087)	(44,790,704)	(3,345,648)	38,299	257,676	1,381,911
NET INCREASE (Decrease) IN CASH AND CASH EQUIVALENTS	49,492,515	388,512	(20,119,780)	537,218	746,454	(385,399)	2,116,155
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, RESTATED	20,026,607	8,874,101	71,961,137	1,163,441	4,433,709	2,147,878	21,282,358
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$69,519,122	$9,262,613	$51,841,357	$1,700,659	$5,180,163	$1,762,479	$23,398,513
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:							
Operating income (loss)	($10,871,473)	($23,885,676)	($311,532,316)	($14,802,440)	($9,490,158)	($12,782,530)	($106,000,625)
Adjustments to reconcile operating loss to net cash used by operating activities:							
Depreciation expense	50,825	2,925,607	35,686,145	689,731	1,051,172	1,335,483	3,996,798
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable, net	(319,506)	(602,770)	(1,735,097)	(483,454)	(1,825,007)	(90,422)	89,118
(Increase) decrease in inventories		(143,522)	297,317		(38,762)		63,455
(Increase) decrease in deferred charges and prepaid expenses	(7,504)	2,429	(574,397)	(1,437)	(1,751)	(147,909)	(18,038)
(Increase) decrease in notes receivable			(839,692)		(2,226)		
(Increase) in other assets	(49,335)		(277,103)				
Increase (decrease) in accounts payable and accrued liabilities	(2,621,411)	(92,061)	933,968	(2,885)	232,010	(93,294)	(183,551)
Increase (decrease) in deferred revenue	(450,151)	(749,279)	8,191,729	269,217	1,585,879	(26,025)	363,565
Increase (decrease) in amounts held in custody for others			490,705	31,132	1,608	11,700	17,400
Increase (decrease) in compensated absences	350,686	296,879	1,773,093	45,562	79,695	19,660	802,779
Increase in OPEB payable	98,982	2,936,394	42,791,470	2,759,469	816,904	1,271,594	12,360,237
Increase (decrease) in other liabilities	(10,238)		2,745,457	(36,251)		(468)	6,996
Net cash provided (used) by operating activities	($13,829,125)	($19,311,999)	($222,048,721)	($11,531,356)	($7,590,636)	($10,502,211)	($88,501,866)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:							
Cash and cash equivalents classified as current assets	$69,519,122	$9,258,351	$6,170,695	$1,066,307	$4,635,079	$1,503,806	$19,084,862
Cash and cash equivalents classified as noncurrent assets		4,262	45,670,662	634,352	545,084	258,673	4,313,651
Cash and cash equivalents at end of the year	$69,519,122	$9,262,613	$51,841,357	$1,700,659	$5,180,163	$1,762,479	$23,398,513
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:							
Capital appropriations			$6,935,989	$270,525	$96,388		$807,490
Capital gifts and grants							

(Concluded)

Schedule 4

	University of New Orleans	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Sciences Center in Shreveport	Eliminations	Total
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sales and maturities of investments				$73,122,339		$181,289,173
Interest received on investments	$1,033,857	$69,063	$12,203,476	7,996,924		43,143,329
Purchase of investments		537,030	10,158,886	(71,525,141)		(236,098,522)
Net cash provided (used) by investing activities	1,033,857	606,093	22,362,362	9,594,122	NONE	(11,666,020)
NET INCREASE (Decrease) IN CASH AND CASH EQUIVALENTS	(4,399,361)	1,311,466	16,768,225	35,155,112	NONE	81,611,117
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, RESTATED	17,911,217	5,997,771	180,890,813	124,112,087	NONE	458,801,119
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$13,511,856	$7,309,237	$197,659,038	$159,267,199	NONE	$540,412,236
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:						
Operating income (loss)	($95,190,881)	($21,769,054)	($282,886,953)	($99,934,457)	$4,544,932	($984,601,631)
Adjustments to reconcile operating loss to net cash used by operating activities:						
Depreciation expense	8,463,473	2,006,402	42,745,118	22,876,297		121,827,051
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable, net	(2,795,771)	(12,828)	(27,941,271)	(43,489,682)		(79,206,690)
(Increase) decrease in inventories	(170,775)	41,462	(3,727,213)	(552,906)		(4,230,944)
(Increase) decrease in deferred charges and prepaid expenses	(110,545)	(38,438)	(1,145,556)	(53,902)		(2,097,048)
(Increase) decrease in notes receivable	(291,151)		710,370	232,517		(190,182)
(Increase) in other assets			(887,593)			(1,214,031)
Increase (decrease) in accounts payable and accrued liabilities	1,086,390	181,267	9,029,280	6,715,210		15,184,923
Increase (decrease) in deferred revenue	155,212	3,233	793,049	852,890		10,989,319
Increase (decrease) in amounts held in custody for others	150,615	74,135	(1,016,787)	(1,302)		(240,794)
Increase (decrease) in compensated absences	171,159	166,869	4,437,570	(335,950)		7,808,002
Increase in OPEB payable	12,818,487	2,172,875	58,936,517	39,037,134		176,000,063
Increase (decrease) in other liabilities		2,333	(8,432)			2,699,397
Net cash provided (used) by operating activities	($75,713,787)	($17,171,744)	($200,961,901)	($74,654,151)	$4,544,932	($737,272,565)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:						
Cash and cash equivalents classified as current assets	$8,026,583	$6,930,634	$194,565,129	$140,145,307		$460,905,875
Cash and cash equivalents classified as noncurrent assets	5,485,273	378,603	3,093,909	19,121,892		79,506,361
Cash and cash equivalents at end of the year	$13,511,856	$7,309,237	$197,659,038	$159,267,199	NONE	$540,412,236
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital appropriations	$13,073,113		$41,537,541			$62,721,046
Capital gifts and grants			4,362,978			4,362,978

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OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

The following pages contain our 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 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.

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

March 25, 2009

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

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units, which collectively comprise the basic financial statements of the Louisiana State University (LSU) System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, and have issued our report thereon dated March 25, 2009. Our report was modified to include a reference to other auditors; an explanatory paragraph for the exclusion of the University of New Orleans Foundation as a discretely presented component unit; an explanatory paragraph for the implementation of new reporting standards; and an emphasis of a matter regarding the impact of hurricanes Katrina, Rita, and Gustav. We did not audit the financial statements of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries, the Eunice Student Housing Foundation, Inc., and the Health Care Services Foundation and its subsidiary, which are nonprofit corporations included as blended component units in the basic financial statements of the LSU System. We also did not audit the financial statements of the LSU Foundation, the Tiger Athletic Foundation, the Pennington Medical Foundation, the Foundation for the LSU Health Sciences Center, and the University of New Orleans Research and Technology Foundation, which are discretely presented component units presented in the basic financial statements. The financial statements of the blended and discretely presented component units were audited by other auditors whose reports have been furnished to us, and this report, insofar as it relates to the amounts reported for those component units, is based 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. The financial statements of the LSU Foundation, the Pennington Medical Foundation, and the Health Care Services Foundation and its Subsidiary were not audited in accordance with *Government Auditing Standards*. 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.

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Internal Control Over Financial Reporting

In planning and performing our audit, we considered the LSU System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LSU System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the LSU System's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LSU 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 the following instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Energy Efficiency Contract Contrary to State Law

Three campuses and two hospitals within the LSU System entered into performance-based energy efficiency contracts with Johnson Controls, Inc., (JCI) that include stipulated savings and therefore do not comply with state laws. Louisiana Revised Statute (R.S.) 39:1496.1(A) provides that a state agency may enter into a performance-based energy efficiency contract for services and equipment. R.S. 39:1484(A)(14) requires the payment obligation to be either a percentage of the annual energy cost savings attributable to the services or equipment under the contract or guaranteed by the company under contract to be less than the annual energy cost savings attributable to the services or equipment under the contract. R.S. 39:1496.1(D) requires the contract to contain a guarantee of energy savings to the university. The statute further provides that the annual calculation of the energy savings must include maintenance savings that result from operational expenses eliminated and future capital replacement expenditures avoided as a result of equipment installed or services performed by the contractor.

Attorney General Opinion 07-0002 provides, " . . . for the stipulated operational savings to be included in the total guaranteed savings, those savings must actually be guaranteed. In order for the operational savings to be guaranteed, the Contract would have to provide for some type of measurement and/or verification of the operational savings. . . . " Although the Attorney General Opinion was directed to local government, the same guarantee is required in state law.

The energy efficiency contracts between JCI and LSU and A&M College, the University of New Orleans (UNO), the LSU Health Sciences Center in Shreveport, and two hospitals within the Health Care Services Division (HCSD) provided that operational savings are agreed by the parties to be achieved and will not be additionally measured or monitored during the contract term. Therefore, the operational savings are not guaranteed because the contract does not provide for measurement and/or verification of the savings. In addition, these campuses and hospitals are at risk of making payments specified in the contract that are greater than the energy cost savings attributable to the services or equipment under the contract. A review of the energy efficiency contracts at the campuses and hospitals within the LSU System disclosed the following:

- LSU and A&M College's contract with JCI guaranteed a total of $3,427,380 in savings during the 15-year term of the contract, consisting of measurable savings of $2,614,658 and operational savings of $812,722. The contract specifies payments of approximatley $3.5 million over the life of the contract.

- UNO's original energy efficiency contract guaranteed a total of $29,572,695 in savings during the 19-year term of the contract. The savings consist of measurable savings of $18,742,695 and operational savings of $10,830,000. A contract amendment effective July 1, 2004, increased the guaranteed savings by $146,160. The total rental and service payments due to JCI are approximately $30.7 million over the life of the amended contract.

- The energy efficiency contract between the Health Sciences Center in Shreveport and JCI guaranteed a total of $15,493,562 in savings during the 17-year term of the contract, consisting of measurable utility savings of $8,926,000; measurable operational savings of $3,480,869; and stipulated operational savings of $3,086,693. Excluding the stipulated operational savings, the guaranteed savings over the life of the contract are only the measurable savings of $12,406,869. The total payments due to

JCI over the life of the contract are approximately $15.7 million. In addition, neither the measurable utility savings nor the measurable operational savings are being adequately measured or verified by the center.

- The University Medical Center contract, as amended, with JCI guaranteed a total of $4,762,185 in savings during the 20-year term of the contract, consisting of measurable savings of $1,943,165 and operational savings of $2,819,020. The total payments due to JCI over the life of the contract are approximately $4.7 million. In addition, the contract states that JCI may credit any excess savings, in whole or in part, toward the annual guaranteed savings in any future year of the term. R.S. 39:1496.1 requires the payment obligation for each year of the contract to be less than the annual energy cost savings; therefore, it is not appropriate to carry forward excess savings to future years.

- Lallie Kemp Regional Medical Center entered into an energy efficiency contract with JCI which guaranteed a total of $3,489,692 in savings during the 17-year term of the contract. The savings consist of measurable savings of $1,550,162 and operational savings of $1,939,530. The total rental and service payments due to JCI over the life of the contract are approximately $3.5 million.

At the signing date of the contracts, management believed that the contracts complied with state law. However, because the operational savings are stipulated and are not measurable and verifiable, the contracts are not in compliance with state law. In addition, for each contract noted above, the payment obligation exceeds the measurable cost savings.

Management should revise its energy efficiency contracts to ensure that savings components are verifiable and that the guaranteed savings have been realized. In addition, management should ensure that the payments required by the contract are not greater than the energy cost savings attributable to the services or equipment under the contract. LSU System management concurred with the finding and is in the process of extensively reviewing each contract to discover all facts relevant to the status of the contracts and further action required (see Appendix A).

Other Reports

Other external auditors audited the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries, the Eunice Student Housing Foundation, Inc., the Health Care Services Foundation and its subsidiary, which are blended component units included in the LSU System's basic financial statements for the year ended June 30, 2008. In addition, other auditors audited the LSU Foundation, the Tiger Athletic Foundation, the Pennington Medical Foundation, the Foundation for the LSU Health Sciences Center, and the University of New Orleans Research and Technology Foundation, which are discretely presented component units included in the basic financial statements. To obtain copies of those reports, refer to note 1-B of the basic financial statements for mailing addresses.

As a part of our audit of the LSU System's basic financial statements for the year ended June 30, 2008, we performed certain procedures on campuses and hospitals within the LSU System. Our reports on those procedures for those campuses and hospitals are listed as follows:

	Report Date
LSU and Related Campuses	March 25, 2009
LSU Health Sciences Center - New Orleans	March 30, 2009
Health Care Services Division	March 25, 2009
University of New Orleans	February 26, 2009

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

To provide financial information required for application for accreditation by the Southern Association of Colleges and Schools, our audit reports for the Paul M. Hebert Law Center and the LSU Health Sciences Center - Shreveport were dated February 11, 2009, and March 9, 2009, respectively.

LSU System's response to the finding identified previously is attached in Appendix A. We did not audit that response, and, accordingly, we offer no opinion on it.

This report is intended solely for the information and use of the LSU System and its management, others within the entity, the LSU Board of Supervisors, the Louisiana Board of Regents for Higher Education, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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

Louisiana State University System
3810 West Lakeshore Drive
Baton Rouge, Louisiana 70808

Office of the Executive Vice President

225 / 578-6935
225 / 578-5524 fax

February 19, 2009

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

Re: Audit Finding - Energy Efficiency Contract Contrary to State Law

Dear Mr. Theriot:

On Tuesday, February 17, 2009 the LSU System received final audit findings from your office relative to performance-based energy efficiency contracts that several LSU System Institutions have entered into with Johnson Controls, Inc. (JCI). Specifically, the University of New Orleans, Louisiana State University, Louisiana State University Health Sciences Center Shreveport, University Medical Center and Lallie Kemp Medical Center received audit findings related to contracts with JCI.

The findings state that the agreements "include stipulated savings and therefore do not comply with state laws" because the operational savings are not verified or measured, and, as such, the savings truly guaranteed under the contract are less than the cost of the contract.

In the findings for these facilities, it is stated that "management should revise its energy efficiency contracts to ensure that savings components are verifiable and that the guaranteed savings have been realized."

Your office has requested an official response to the audit findings. Based upon a review of available contract documents, the LSU System concurs with these findings in that it appears that the savings under these contracts are not truly guaranteed as required by Louisiana law. In response to these findings, the LSU System is fully investigating this matter. The LSU System institutions are unable to unilaterally revise or amend the contracts to comply with state law. As such, the LSU System is in the process of extensively reviewing each contract, discovering all facts relevant to the status of the contracts and preparing for litigation to remedy the situation by nullifying the agreements, forcing amendments to the agreements or recovering for breach of the agreements should this be determined to be the appropriate course of action.

We are unable to provide an anticipated completion date for the estimated resolution of these findings at this time as we are currently performing extensive reviews of the contracts and focusing ongoing efforts on determining the appropriate course of action.

Sincerely,

John Antolik
Assistant Vice President

cc: General Counsel P. Raymond Lamonica