LOUISIANA STATE UNIVERSITY SYSTEM
and
UNIVERSITY OF NEW ORLEANS

Financial Report

As of and for the Year Ended June 30, 2007

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Basic Financial Statements
and Independent Auditor's Report

As of and for the Year Ended June 30, 2007

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

Financial Statement Audit
For the Year Ended June 30, 2007
Issued April 30, 2008

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

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Seven copies of this public document were produced at an approximate cost of $41.70. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.lla.state.la.us. When contacting the office, you may refer to Agency ID No. 3474 or Report ID No. 80070022 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225-339-3800.

LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

March 3, 2008

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, 2007, 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 and the Eunice Student Housing Foundation, Inc., which are nonprofit corporations included as blended component units in the basic financial statements representing approximately 1% of total assets, 1.7% of total liabilities, 2.1% of total revenues, and 2.3% 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, the University of New Orleans Foundation, 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 and the Pennington Medical Foundation 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 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.

1600 NORTH THIRD STREET · POST OFFICE BOX 94397 · BATON ROUGE, LOUISIANA 70804-9397
WWW.LLA.LA.GOV · PHONE: 225-339-3800 · FAX: 225-339-3870

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, 2007, 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 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. 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 3, 2008, 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 5 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 94 through 105 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

ETM:ES:PEP:dl

LSU07

INTRODUCTION

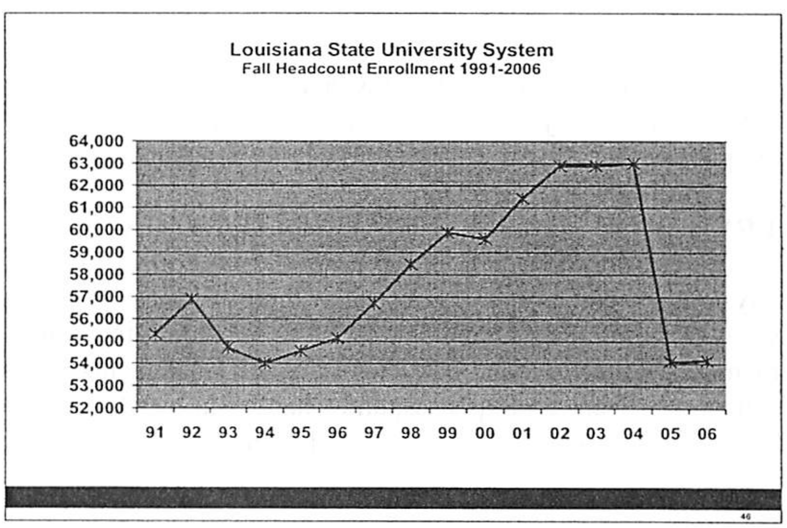
The following discussion and analysis has been prepared by management and is written to provide an overview of the financial position and activities of the Louisiana State University System (System) for the year ended June 30, 2007. It should be read in conjunction with the financial statements and the notes thereto which follows 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 six 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 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. Enrollment during the fall 2006 semester was approximately 54,131, up slightly from the 54,120 reported in the previous year, but 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 $75.5 million, while operating expenses increased by $159.2 million. Overall, the System has an operating loss of $737.9 million at June 30, 2007. The operating loss increased by $83.7 million from the previous fiscal year.

The change in the operating loss can be attributed primarily to a large increase in state appropriations ($126.9 million) from the previous year. While state appropriations are reported under nonoperating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets, a large portion of the expenses associated with them are reported as operating expenses and thus affect the operating income or loss that is reported.

If you include nonoperating revenues and expenses, the System shows income before other revenues, expenses, gains, and losses of $91.4 million, an improvement of $21 million over last year.

Net assets, which represent the residual interest in the System's assets after liabilities are deducted, increased by $186.7 million (13%) from the prior fiscal year to $1.63 billion. This can be compared to fiscal year 2006 where the net assets increased by $170.6 million (13.4%).

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 nonfinancial 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 $886.5 million and consist primarily of cash and cash equivalents, net receivables, investments, amounts due from state treasury, and inventories. Current liabilities total $506.7 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 $1.7 billion and include capital assets of $1.3 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 $385 million.

Noncurrent liabilities total $481.4 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 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 $166.5 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 $226.7 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, 2007, and June 30, 2006, is shown below.

Statement of Net Assets

	As of			
	June 30, 2007	June 30, 2006 (Restated)	Change	Percentage Change
Assets:				
Current assets	$886,540,714	$746,517,265	$140,023,449	18.8%
Capital assets	1,338,023,557	1,269,467,295	68,556,262	5.4%
Other assets	393,172,102	296,831,189	96,340,913	32.5%
Total Assets	2,617,736,373	2,312,815,749	304,920,624	13.2%
Liabilities:				
Current liabilities	506,656,086	462,572,224	44,083,862	9.5%
Noncurrent liabilities	481,430,504	407,247,636	74,182,868	18.2%
Total Liabilities	988,086,590	869,819,860	118,266,730	13.6%
Net Assets:				
Invested in capital assets, net of related debt	1,059,430,524	990,023,492	69,407,032	7.0%
Restricted - nonexpendable	166,505,076	144,253,939	22,251,137	15.4%
Restricted - expendable	226,691,762	169,113,075	57,578,687	34.0%
Unrestricted	177,022,421	139,605,383	37,417,038	26.8%
Total Net Assets	$1,629,649,783	$1,442,995,889	$186,653,894	12.9%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets (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, 2007, for the System indicates a net operating loss of $737.8 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 $83.7 million.

While operating revenues increased by $75.5 million, operating expenses increased even more, by $159.2 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 below.

After including nonoperating revenues such as state appropriations ($762,487,944), gifts ($27,937,551), investment income ($48,648,007), and after subtracting interest expense ($17,231,576), and including other nonoperating revenues and expenses, the System had income before other revenues, expenses, gains, or losses of $91,390,318.

The following summarizes the SRECNA.

Statement of Revenues, Expenses, and Changes in Net Assets

	As of			
	June 30, 2007	June 30, 2006 (Restated)	Change	Percentage Change
Operating revenues	$2,057,809,939	$1,982,306,042	$75,503,897	3.8%
Operating expenses	2,795,672,220	2,636,459,020	159,213,200	6.0%
Operating loss	(737,862,281)	(654,152,978)	(83,709,303)	-12.8%
Nonoperating revenues	829,252,599	724,564,862	104,687,737	14.4%
Income before other revenues, expenses, gains and losses	91,390,318	70,411,884	20,978,434	29.8%
Other revenues, expenses, gains and losses	95,263,576	95,229,003	34,573	
Increase in net assets	186,653,894	165,640,887	21,013,007	12.7%
Net assets at beginning of year - restated	1,442,995,889	1,277,355,002	165,640,887	13.0%
Net assets at end of year	$1,629,649,783	$1,442,995,889	186,653,894	12.9%

Operating Revenues

Operating revenues for the System total nearly $2.1 billion at June 30, 2007. Major components of operating revenues are hospital income, representing 49.5% of the total; grants and contracts, 21.6% of the total; and net tuition and fees, 11.4% of the total. Hospital income at the Health Care Services Division (HCSD) increased by $34.2 million, primarily because of partial restoration of temporary services of the Medical Center of Louisiana at New Orleans that had been limited after Hurricane Katrina and increased services at other HCSD hospitals. The increase in grant and contract income is mainly attributable to additional grant and contract revenues resulting from the reopening of various Health Sciences Center New Orleans' facilities subsequent to the storm. The following table summarizes the System's operating revenue for the year ending June 30, 2007.

Operating Revenues (in millions)

	As of			Percentage
	June 30, 2007	June 30, 2006	Change	Change
Tuition and fees, net	$234.4	$237.7	($3.3)	-1.39%
Federal appropriations	8.6	9.6	(1.0)	-10.42%
Grants and contracts	445.4	418.1	27.3	6.53%
Sales and services of educational departments	185.9	178.0	7.9	4.44%
Hospital income	1,018.1	983.9	34.2	3.48%
Auxiliary enterprises, net	149.5	140.9	8.6	6.10%
Other	15.9	14.1	1.8	12.77%
Total operating revenues	$2,057.8	$1,982.3	$75.5	3.81%

Operating Expenses

Total operating expenses for the System amounted to almost $2.8 billion as of June 30, 2007. Hospital expenses represented 37.5% of all operating expenses and are the largest functional component of them. Other major components are instructional expenses, 18.6%; research expenses, 11.6%; and public service expenses, 10.3%. Shown in the following table is a summary of the System's operating expenses for the fiscal year ending June 30, 2007.

Operating Expenses (in millions)

	As of			
	June 30, 2007	June 30, 2006 (Restated)	Change	Percentage Change
Instruction	$520.0	$494.8	$25.2	5.1%
Research	323.1	302.0	21.1	7.0%
Public service	287.3	286.9	0.4	0.1%
Academic support	113.6	103.7	9.9	9.5%
Student services	32.6	32.1	0.5	1.6%
Institutional support	128.1	127.3	0.8	0.6%
Operation and maintenance of plant	164.4	140.1	24.3	17.3%
Scholarships and fellowships	42.5	40.8	1.7	4.2%
Auxiliary enterprises	135.8	135.6	0.2	0.1%
Hospital	1,048.3	973.2	75.1	7.7%
Total operating expenses	$2,795.7	$2,636.5	$159.2	6.0%

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2007, the System has $1.3 billion (including $47.1 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 $1.65 billion (see the following table).

Capital Asset Summary

	As of			
	June 30, 2007	June 30, 2006 (Restated)	Change	Percentage Change
Capital assets not being depreciated	$242,326,041	$199,141,906	$43,184,135	21.7%
Other Capital Assets:				
Infrastructure	61,050,587	56,878,739	4,171,848	7.3%
Land improvements	71,958,150	67,832,341	4,125,809	6.1%
Buildings	1,588,973,992	1,554,695,949	34,278,043	2.2%
Equipment	811,591,582	776,746,055	34,845,527	4.5%
Library books	209,189,573	203,409,254	5,780,319	2.8%
Total Other Capital Assets	2,742,763,884	2,659,562,338	83,201,546	3.1%
Total cost of capital assets	2,985,089,925	2,858,704,244	126,385,681	4.4%
Less accumulated depreciation	(1,647,066,368)	(1,589,236,954)	(57,829,414)	-3.6%
Capital assets, net	$1,338,023,557	$1,269,467,290	$68,556,267	5.4%

Capital assets not being depreciated total $242.3 million. This represents land and construction-in-progress.

Capital additions at the Health Sciences Center New Orleans include a $1.7 million restoration of the Medical Education Building, $1.6 million of capital repairs performed by the Office of Facility Planning associated with Hurricane Katrina, and a $0.6 million X-ray diffraction system.

Major capital expenditures at the HCSD included $27.8 million for restoration of temporary facilities at the Medical Center of Louisiana at New Orleans (MCLNO) after Hurricane Katrina, $8 million for replacement of equipment and/or new equipment for temporary facilities, and $5.6 million for replacement of radiology equipment.

At the University of New Orleans, major capital additions totaled $2.2 million and included land improvements (parking), repairs to Kirschman Hall, the Jefferson Center, Bienville Hall, and the Center for Energy Resources Management.

At LSU, major capital expenditures that were recorded in fiscal year 2007 were $12.3 million for renovations associated with the Residential College, $5.4 million for Music and Dramatic Arts building renovation, $7.9 million renovations occurring at the Student Union, and $5.9 million for Blake Hall renovations.

For LSU at Alexandria, $1.2 million in capital expenditures for the Science Building was recorded.

At June 30, 2007, the System has $305.4 million in bonds outstanding, $30.5 million in notes payable outstanding, and $58.2 million in capital lease obligations outstanding.

ECONOMIC OUTLOOK

At present, Louisiana's economy is relatively strong and is becoming more diverse. The increased economic activity driven by rebuilding efforts in New Orleans continues to generate substantial additional revenues at the state level. It is uncertain when this will begin to taper off, but robust growth is expected through fiscal year 2008. Total state appropriations to the LSU System for fiscal year 2008 are substantially above that provided in fiscal year 2007.

Enrollment at the University of New Orleans continues to lag behind expectations. Pre-Katrina enrollment was just over 17,300 and is expected to be near 11,384 for the 2007 fall semester. The LSU Health Sciences Center's Dental School has returned to New Orleans following a one year's relocation to Baton Rouge while the storm 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 remains on track.

Increased research activity as evidenced by the large growth in grants and contracts from fiscal year 2006 to fiscal year 2007 is expected to continue into fiscal year 2008 and beyond and is driven by efforts at LSU, the LSU Agricultural Center, the LSU Pennington Biomedical Research Center, and the two LSU Health Sciences Centers.

It should also be noted that a significant amount of revenue flows from the federal government into Louisiana's public postsecondary institutions. A change in policy at the federal level can have dramatic effects on postsecondary education including student financial aid, research and experimentation, telecommunications (distance learning), and related programs.

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 Louisiana State University System's finances and to show the Louisiana State University 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 at (225) 578-6935.

This page is intentionally blank.

Statement A

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Assets, June 30, 2007

ASSETS	
Current Assets:	
Cash and cash equivalents (note 2)	$391,492,214
Investments (note 3)	163,548,422
Receivables, net (note 4)	231,988,213
Due from state treasury, net (note 16)	51,199,264
Inventories	36,004,218
Deferred charges and prepaid expenses	3,765,907
Notes receivable	6,725,214
Other current assets	1,817,262
Total current assets	886,540,714
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents (note 2)	64,386,076
Investments (note 3)	276,441,742
Receivables, net (note 4)	16,000
Notes receivable	25,222,717
Other restricted assets	18,928,704
Investments (note 3)	3,867,131
Other noncurrent assets	4,309,732
Capital assets, net (note 5)	1,338,023,557
Total noncurrent assets	1,731,195,659
Total assets	2,617,736,373
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities (note 7)	391,827,088
Deferred revenues	69,716,947
Amounts held in custody for others (note 14)	5,322,543
Compensated absences (note 11)	10,678,814
Capital lease obligations (note 14)	3,875,460
Claims and litigation payable (note 10)	464,108
Notes payable (note 14)	11,363,864
Bonds payable (note 14)	11,590,000
Other current liabilities	1,817,262
Total current liabilities	506,656,086

(Continued)

The accompanying notes are an integral part of this statement.

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

LIABILITIES (CONT.)	
Noncurrent Liabilities:	
Compensated absences (note 11)	$112,961,564
Capital lease obligations (note 14)	54,278,772
Notes payable (note 14)	19,183,148
Bonds payable (note 14)	293,778,862
Other noncurrent liabilities	1,228,158
Total noncurrent liabilities	481,430,504
Total liabilities	988,086,590
NET ASSETS	
Investment in capital assets, net of related debt	1,059,430,524
Restricted for:	
Nonexpendable (note 17)	166,505,076
Expendable (note 17)	226,691,762
Unrestricted	177,022,421
Total net assets	$1,629,649,783

(Concluded)

The accompanying notes are an integral part of this statement.

This page is intentionally blank.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

COMPONENT UNITS
Statement of Financial Position, June 30, 2007

	LSU Foundation	Tiger Athletic Foundation*	Pennington Medical Foundation*	Foundation for the LSU Health Sciences Center
ASSETS				
Current Assets:				
Cash and cash equivalents (note 2)	$13,462,777	$1,000,662	$65,124	$1,431,982
Restricted cash (note 2)		36,800,430		101,855
Investments (note 3)	86,589,981		98,580,736	5,916,186
Accrued interest receivable	2,194,561	30,243	197,961	160,776
Accounts receivable, net	996,285	1,199,182	18,562	
Unconditional promises to give, net (note 28)	7,099,141	2,618,281		315,608
Inventories				
Deferred charges and prepaid expenses	8,800	571,030	61,084	
Notes receivable, net				314,197
Other current assets		11,223,287	19,539	3,607,639
Total current assets	110,351,545	53,443,115	98,943,006	11,848,243
Noncurrent Assets:				
Restricted assets:				
Cash and cash equivalents (note 2)		1,039,357	4,959,272	
Investments (note 3)	354,434,992			
Investments (note 3)				85,607,086
Unconditional promises to give, net (note 28)	25,849,717	4,650,803		796,329
Property and equipment, net (note 5)	8,937,096	153,540,160	42,581,839	1,389,340
Other noncurrent assets	331,395	15,645,670	607,513	
Total noncurrent assets	389,553,200	174,875,990	48,148,624	87,792,755
Total assets	$499,904,745	$228,319,105	$147,091,630	$99,640,998
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	$1,432,331	$4,652,686	$1,850,904	$1,405,947
Deferred revenues		11,551,358		
Amounts held in custody for others (note 26)	1,667,215	1,175,680		
Compensated absences payable	158,725			
Capital lease obligations (note 14)				
Current portion of notes payable (note 14)		1,329,000	1,640,100	
Current portion of bonds payable (note 14)	628,395	2,745,000	90,000	75,000
Other current liabilities	161,300	512,050		1,650
Total current liabilities	4,047,966	21,965,774	3,581,004	1,482,597

(Continued)

The accompanying notes are an integral part of this statement.

	University of New Orleans Foundation	University of New Orleans Research and Technology Foundation	Total Foundations
ASSETS			
Current Assets:			
Cash and cash equivalents (note 2)	$1,182,415	$548,446	$17,691,406
Restricted cash (note 2)			36,902,285
Investments (note 3)		22,365,159	213,452,062
Accrued interest receivable			2,583,541
Accounts receivable, net	1,025,620	809,447	4,049,096
Unconditional promises to give, net (note 28)	320,354		10,353,384
Inventories	12,669		12,669
Deferred charges and prepaid expenses	40,129		681,043
Notes receivable, net			314,197
Other current assets	1,060	1,500	14,853,025
Total current assets	2,582,247	23,724,552	300,892,708
Noncurrent Assets:			
Restricted assets:			
Cash and cash equivalents (note 2)			5,998,629
Investments (note 3)	55,686,762		410,121,754
Investments (note 3)		1,514,947	87,122,033
Unconditional promises to give, net (note 28)	610,578		31,907,427
Property and equipment, net (note 5)	12,661,919	85,871,564	304,981,918
Other noncurrent assets	116,611	1,097,243	17,798,432
Total noncurrent assets	69,075,870	88,483,754	857,930,193
Total assets	$71,658,117	$112,208,306	$1,158,822,901
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	$578,510	$758,981	$10,679,359
Deferred revenues		3,070	11,554,428
Amounts held in custody for others (note 26)	766,988	58,154	3,668,037
Compensated absences payable			158,725
Capital lease obligations (note 14)	37,505		37,505
Current portion of notes payable (note 14)	2,928,169	166,368	6,063,637
Current portion of bonds payable (note 14)	118,000		3,656,395
Other current liabilities	391,340	1,157,038	2,223,378
Total current liabilities	4,820,512	2,143,611	38,041,464

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Financial Position, June 30, 2007

	LSU Foundation	Tiger Athletic Foundation*	Pennington Medical Foundation*	Foundation for the LSU Health Sciences Center
LIABILITIES (CONT.)				
Noncurrent Liabilities:				
Amounts held in custody for others (note 26)	$73,827,179			$18,026,584
Capital lease obligations (note 14)				
Notes payable (note 14)		$407,336		
Bonds payable (note 14)	11,311,605	129,830,000	$46,300,277	1,722,954
Other noncurrent liabilities	2,017,280	15,496,882		11,288
Total noncurrent liabilities	87,156,064	145,734,218	46,300,277	19,760,826
Total liabilities	91,204,030	167,699,992	49,881,281	21,243,423
NET ASSETS				
Unrestricted	30,500,838	48,006,698	97,210,349	1,701,604
Temporarily restricted (note 17)	205,113,224	11,191,066		20,421,764
Permanently restricted (note 17)	173,086,653	1,421,349		56,274,207
Total net assets	408,700,715	60,619,113	97,210,349	78,397,575
Total liabilities and net assets	$499,904,745	$228,319,105	$147,091,630	$99,640,998

*As of December 31, 2006

(Concluded)

The accompanying notes are an integral part of this statement.

	University of New Orleans Foundation	University of New Orleans Research and Technology Foundation	Total Foundations
LIABILITIES			
Noncurrent Liabilities:			
Amounts held in custody for others (note 26)	$15,737,464		$107,591,227
Capital lease obligations (note 14)	682,217		682,217
Notes payable (note 14)		$7,316,169	7,723,505
Bonds payable (note 14)	1,389,000	39,900,442	230,454,278
Other noncurrent liabilities			17,525,450
Total noncurrent liabilities	17,808,681	47,216,611	363,976,677
Total liabilities	22,629,193	49,360,222	402,018,141
NET ASSETS			
Unrestricted	3,342,266	62,848,084	243,609,839
Temporarily restricted (note 17)	10,205,404		246,931,458
Permanently restricted (note 17)	35,481,254		266,263,463
Total net assets	49,028,924	62,848,084	756,804,760
Total liabilities and net assets	$71,658,117	$112,208,306	$1,158,822,901

This page is intentionally blank.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

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

OPERATING REVENUES	
Student tuition and fees	$279,166,747
Less scholarship allowances	(44,749,989)
Net student tuition and fees	234,416,758
Federal appropriations	8,604,816
Federal grants and contracts	235,998,529
State and local grants and contracts	111,745,367
Nongovernmental grants and contracts	97,631,235
Sales and services of educational departments	185,931,352
Hospital income	1,018,066,052
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 24)	155,284,308
Less scholarship allowances	(5,758,601)
Net auxiliary revenues	149,525,707
Other operating revenues	15,890,123
Total operating revenues	2,057,809,939
OPERATING EXPENSES	
Educational and general:	
Instruction	519,994,903
Research	323,114,996
Public service	287,270,039
Academic support	113,565,160
Student services	32,594,826
Institutional support	128,071,553
Operation and maintenance of plant	164,412,243
Scholarships and fellowships	42,562,487
Auxiliary enterprises	135,800,925
Hospital	1,048,285,088
Total operating expenses	2,795,672,220
Operating Loss	(737,862,281)

(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, 2007

NONOPERATING REVENUES (Expenses)	
State appropriations	$762,487,944
Gifts	27,937,551
Net investment income	48,648,007
Interest expense	(17,231,576)
Other nonoperating revenues	3,089,690
Other nonoperating revenues - FEMA	30,731,397
Other nonoperating expenses - FEMA	(26,410,414)
Net nonoperating revenues	829,252,599
Income Before Other Revenues, Expenses, Gains, and Losses	91,390,318
Capital appropriations	57,794,665
Capital gifts and grants	14,219,273
Additions to permanent endowments	18,428,548
Other additions, net	4,821,090
Increase in Net Assets	186,653,894
Net Assets at Beginning of Year, Restated (note 18)	1,442,995,889
Net Assets at End of Year	$1,629,649,783

(Concluded)

The accompanying notes are an integral part of this statement.

This page is intentionally blank.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2007

	LSU Foundation	Tiger Athletic Foundation*	Pennington Medical Foundation*	Foundation for the LSU Health Sciences Center
Changes in unrestricted net assets:				
Contributions	$727,996	$16,620,940		$39,163
Investment earnings	7,252,984	960,263	$14,264,947	1,900,360
Service fees				
Grants and contracts				
Other revenues		6,457,852	175,603	6,883
Total unrestricted revenues	7,980,980	24,039,055	14,440,550	1,946,406
Net assets released from restrictions - satisfaction of program expenses	21,780,569	10,685,083		7,046,481
Total unrestricted revenues and other support	29,761,549	34,724,138	14,440,550	8,992,887
Expenses:				
Amounts paid to benefit Louisiana State University for:				
Projects specified by donors	21,350,992			6,252,137
Projects specified by the Board of Directors	1,292,235	7,869,235	2,945,640	
Other:				
Grants and contracts				
Property operations				
Other		10,119,317		
Total program expenses	22,643,227	17,988,552	2,945,640	6,252,137
Supporting services:				
Salaries and benefits	4,285,448	1,265,717	32,301	784,786
Occupancy	118,476	151,402		13,762
Office operations	513,240	137,743	277,632	97,313
Travel	207,327			31,131
Professional services	378,715	65,513	695,901	229,780
Dues and subscriptions	48,522	22,890		13,969
Meetings and development	290,376	1,329,931	11,786	30,333
Depreciation	658,091		1,508,903	10,274
Other		584,739	2,416,432	253,529
Total supporting services	6,500,195	3,557,935	4,942,955	1,464,877
Total expenses	29,143,422	21,546,487	7,888,595	7,717,014
Increase (decrease) in unrestricted net assets	618,127	13,177,651	6,551,955	1,275,873

(Continued)

The accompanying notes are an integral part of this statement.

	University of New Orleans Foundation	University of New Orleans Research and Technology Foundation	Total Foundations
Changes in unrestricted net assets:			
Contributions	$123,947	$15,000	$17,527,046
Investment earnings	804,634	1,481,215	26,664,403
Service fees	1,087,318		1,087,318
Grants and contracts		2,826,462	2,826,462
Other revenues	1,162,824	6,266,242	14,069,404
Total unrestricted revenues	3,178,723	10,588,919	62,174,633
Net assets released from restrictions - satisfaction of program expenses	4,347,825		43,859,958
Total unrestricted revenues and other support	7,526,548	10,588,919	106,034,591
Expenses:			
Amounts paid to benefit Louisiana State University for:			
Projects specified by donors			27,603,129
Projects specified by the Board of Directors			12,107,110
Other:			
Grants and contracts		2,378,551	2,378,551
Property operations	498,236	3,948,307	4,446,543
Other	4,501,678	2,784,207	17,405,202
Total program expenses	4,999,914	9,111,065	63,940,535
Supporting services:			
Salaries and benefits	913,998	152,876	7,435,126
Occupancy	110,387		394,027
Office operations	15,676		1,041,604
Travel	1,795	4,815	245,068
Professional services	1,994,912	588,640	3,953,461
Dues and subscriptions	11,123		96,504
Meetings and development	29,494		1,691,920
Depreciation	248,765	2,145,118	4,571,151
Other	256,471	296,551	3,807,722
Total supporting services	3,582,621	3,188,000	23,236,583
Total expenses	8,582,535	12,299,065	87,177,118
Increase (decrease) in unrestricted net assets	(1,055,987)	(1,710,146)	18,857,473

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Activities, June 30, 2007

	LSU Foundation	Tiger Athletic Foundation*	Pennington Medical Foundation*	Foundation for the LSU Health Sciences Center
Changes in temporarily restricted net assets:				
Contributions	$47,007,836	$5,000,859		$5,808,160
Investment earnings	43,346,262			4,394,313
Other	(952,656)			(704)
Total temporarily restricted revenues	89,401,442	5,000,859	NONE	10,201,769
Net assets released from restrictions - satisfaction of program expenses	(21,780,569)	(10,685,083)	NONE	(7,046,481)
Increase (decrease) in temporarily restricted net assets	67,620,873	(5,684,224)	NONE	3,155,288
Changes in permanently restricted net assets:				
Contributions	11,632,027	529,372		4,011,002
Investment earnings	173,895	31,715		4,947,104
Other				(247,273)
Increase in permanently restricted net assets	11,805,922	561,087	NONE	8,710,833
Increase (decrease) in net assets	80,044,922	8,054,514	$6,551,955	13,141,994
Net assets at beginning of year	328,655,793	52,564,599	90,658,394	65,255,581
Net assets at end of year	$408,700,715	$60,619,113	$97,210,349	$78,397,575

*For the period ending December 31, 2006

(Concluded)

The accompanying notes are an integral part of this statement.

	University of New Orleans Foundation	University of New Orleans Research and Technology Foundation	Total Foundations
Changes in temporarily restricted net assets: (Cont.)			
Contributions	$2,443,969		$60,260,824
Investment earnings	4,991,960		52,732,535
Other	674,820		(278,540)
Total temporarily restricted revenues	8,110,749	NONE	112,714,819
Net assets released from restrictions - satisfaction of program expenses	(6,426,888)		(45,939,021)
Increase (decrease) in temporarily restricted net assets	1,683,861	NONE	66,775,798
Changes in permanently restricted net assets:			
Contributions	1,862,550		18,034,951
Investment earnings	7,483		5,160,197
Other	2,083,939		1,836,666
Increase in permanently restricted net assets	3,953,972	NONE	25,031,814
Increase (decrease) in net assets	4,581,846	($1,710,146)	110,665,085
Net assets at beginning of year	44,447,078	64,558,230	646,139,675
Net assets at end of year	$49,028,924	$62,848,084	$756,804,760

This page is intentionally blank.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

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

Cash flows from operating activities	
Student tuition and fees	$239,415,330
Federal appropriations	8,170,620
Grants and contracts	459,866,785
Sales and services of educational departments	197,167,018
Hospital income	1,015,135,562
Auxiliary enterprise receipts	149,246,238
Payments for employee compensation	(1,324,132,900)
Payments for benefits	(310,052,755)
Payments for utilities	(59,499,768)
Payments for supplies and services	(918,467,509)
Payments for scholarships and fellowships	(42,535,040)
Loans to students	(8,456,812)
Collection of loans to students	6,906,321
Other receipts	15,318,238
Net cash used by operating activities	(571,918,672)
Cash flows from noncapital financing activities	
State appropriations	723,372,572
Gifts and grants for other than capital purposes	28,027,942
Private gifts for endowment purposes	10,784,059
TOPS receipts	55,735,660
TOPS disbursements	(55,118,363)
FEMA receipts	21,180,461
FEMA disbursements	(20,129,780)
Other receipts	9,167,639
Net cash provided by noncapital financing sources	773,020,190
Cash flows from capital financing activities	
Proceeds from capital debt	97,095,000
Capital appropriations received	21,063,428
Capital gifts and grants received	13,493,860
Purchase of capital assets	(164,004,902)
Principal paid on capital debt and leases	(29,192,092)
Interest paid on capital debt and leases	(17,235,411)
Other uses	4,841,041
Net cash used by capital financing activities	(73,939,076)
Cash flows from investing activities	
Proceeds from sales and maturities of investments	56,010,912
Interest received on investments	44,682,772
Purchase of investments	(172,913,257)
Net cash used by investing activities	(72,219,573)

(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, 2007

Net increase in cash and cash equivalents	$54,942,869
Cash and cash equivalents at the beginning of the year	400,935,421
Cash and cash equivalents at the end of the year	$455,878,290
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	($737,862,281)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	117,949,873
Changes in assets and liabilities:	
Increase in accounts receivable	(14,946,064)
Increase in inventories	(5,107,246)
Increase in deferred charges and prepaid expenses	(318,746)
Increase in notes receivable	(1,405,514)
Increase in other assets	(2,560,257)
Increase in accounts payable and accrued liabilities	76,411,629
Increase in deferred revenue	6,771,277
Decrease in amounts held in custody for others	(1,401,663)
Increase in compensated absences	4,342,891
Decrease in other liabilities	(13,792,571)
Net cash used by operating activities	($571,918,672)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:	
Cash and cash equivalents classified as current assets	$391,492,214
Cash and cash equivalents classified as noncurrent assets	64,386,076
Cash and cash equivalents at the end of the year	$455,878,290
Schedule of Noncash Investing, Capital and Financing Activities -	
Capital assets appropriated by State of Louisiana	$35,829,549

(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 the 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 and Monroe. Student enrollment as of the fourteenth class day for the university system for the 2006 fall semester totaled approximately 54,155. As of November 1, 2006, the university system had approximately 5,238 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 eight 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, Huey P. Long Medical Center in Pineville, 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, the University of New Orleans Foundation, 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 Louisiana State University 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 of the significance of its operational and financial relationships with 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.

Discretely Presented Component Units

The LSU Foundation, the Tiger Athletic Foundation, the Pennington Medical Foundation, the Foundation for the LSU Health Sciences Center, the University of New Orleans Foundation, 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, the University of New Orleans 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, 2006, and the LSU Foundation, the University of New Orleans 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, 2007.

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, 2007, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for $22,643,227. 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, 2006, TAF made distributions to or on behalf of the university for both restricted and unrestricted purposes for $7,869,235.

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 $2,822,976. Complete financial statements for the foundation can be obtained from Mr. Brad Jewel, CPA, 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, 2007, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for $6,252,137. 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 Foundation supports the University of New Orleans. During the year ended June 30, 2007, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for $4,999,914. Complete financial statements for the foundation can be obtained at 2021 Lakeshore Drive, Suite 307, New Orleans, Louisiana 70122, or from the foundation's Web site at www.unofoundation.org.

The University of New Orleans Research and Technology Foundation supports the University of New Orleans. During the year ended June 30, 2007, the foundation made distributions to or on behalf of the university for either restricted or unrestricted purposes for $4,351,741. Complete financial statements for the foundation can be obtained at 2000 Lakeshore Drive, New Orleans, Louisiana 70148.

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 six 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 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	$1,445,872,312
Increases (decreases):	
State General Fund	68,270,138
Self-generated	1,224,257
Federal funds	1,479,783
Interagency transfers	(3,590,372)
Final budget	$1,513,256,118

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. The university system's investments 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 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.

2. CASH AND CASH EQUIVALENTS

At June 30, 2007, the university system has cash and cash equivalents (book balances) of $455,878,290 as follows:

Petty cash	$1,582,309
Demand deposits	317,567,961
Certificates of deposit	106,868,600
Money market funds	1,621,407
Open-end mutual fund	28,238,013
Total	$455,878,290

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, 2007, $7,355,730 of the system's bank balance of $514,339,836 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 $60,592,320, 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 these financial institutions. Cash at the institutions exceeded federal insured limits. The amount in excess of the FDIC limit totaled approximately $38,472,458 as of December 31, 2006. Restricted cash and cash equivalents are available for the following purposes:

	December 31, 2006
Bond Restrictions:	
Maintenance reserve and escrow accounts	$9,649,300
Tiger Den Suites tower account	1,446,299
West Side Upper Deck - Stadium Club deposits	1,249,886
West Side Upper Deck - Capital One construction account	3,977,181
Academic Center Trust Funds	51,096
Board designated	14,746,078
Donor restrictions	4,504,910
Amounts held in custody for others	1,175,680
Endowment funds	1,039,357
Total	$37,839,787

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, 2006, the Pennington Medical Foundation's deposits exceeded the insured limit by $71,951.

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 $101,855.

The UNO Research and Technology Foundation maintains cash balances at several banks. Accounts at each institution are insured by FDIC up to $100,000. Balances in excess of FDIC insurance at June 30, 2007, are $462,890.

3. INVESTMENTS

At June 30, 2007, the system has investments totaling $443,857,295.

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.

This page is intentionally blank.

A summary of the system's investments follows:

	Percentage of Investments	Credit Quality Rating*	Fair Value
Type of Investment:			
Repurchase agreements[4]	12.85%		$57,050,518
U.S. government securities:			
Bonds and Notes:			
Federal Home Loan Mortgage Corporation	8.18%	Aaa	36,318,433
Federal Home Loan Mortgage Corporation	0.89%	Aa	3,952,520
Federal National Mortgage Association	7.49%	Aaa	33,238,671
Federal Home Loan Bank	15.17%	Aaa	67,329,634
Federal Farm Credit Bank	3.49%	Aaa	15,486,545
Collateralized Mortgage Obligations:			
Federal National Mortgage Association[2]	0.71%		3,147,583
Federal Home Loan Banks	2.30%	Aaa	10,189,470
Federal Home Loan Banks	0.51%	AAA[6]	2,279,971
Federal Home Loan Mortgage Corporation[2]	3.28%		14,541,903
Mortgage Backed Securities:			
Federal National Mortgage Association[2]	3.82%		16,966,608
Federal Home Loan Mortgage Corporation[2]	2.29%		10,155,129
Government National Mortgage Association[1]	0.34%		1,516,290
Mutual Funds:			
Blackrock Mutual Fund[5]			16,405
Money market mutual funds	12.21%	Aaa	54,189,625
Other:			
Investments held by foundations[5]	24.47%		
U.S. Agency Securities:			
Bonds and notes			32,606,737
Collateralized Mortgage Obligations			16,234,400
Mortgage Backed Securities			2,129,861
Mutual funds			25,679,992
Common and preferred stock			14,594,107
Municipal obligations			6,400,332
Corporate obligations			6,086,010
U.S. Treasury Securities			2,454,354
Other			2,460,464
Common and preferred stock[3]	0.95%		4,197,231
Realty investments[3]	0.11%		495,407
Certificates of deposit[7]	0.25%		1,100,000
Louisiana Public Facilities Authority[3]	0.01%		30,946
Interest receivable[3]	0.54%		2,377,607
LSUE Housing Foundation[3]	0.08%		355,542
New Orleans Regional Physician Hospital Organization[3]	0.06%		275,000
Total investments	100.00%		$443,857,295

* 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]	$57,050,518				
U.S. government securities:					
Bonds and Notes:					
Federal Home Loan Mortgage Corporation	2,154,523	$22,603,870	$11,560,040		
Federal Home Loan Mortgage Corporation		3,952,520			
Federal National Mortgage Association	5,704,619	14,822,509	12,711,543		
Federal Home Loan Bank	4,782,689	41,241,991	21,304,954		
Federal Farm Credit Bank	248,380	7,894,110	7,344,055		
Collateralized Mortgage Obligations:					
Federal National Mortgage Association[2]		1,061,972	2,085,611		
Federal Home Loan Banks		2,608,197	7,581,273		
Federal Home Loan Banks[6]		2,279,971			
Federal Home Loan Mortgage Corporation[2]		4,212,824	10,329,079		
Mortgage Backed Securities:					
Federal National Mortgage Association[2]		8,203,462	8,763,146		
Federal Home Loan Mortgage Corporation[2]		7,064,329	2,448,635	$642,165	
Government National Mortgage Association[1]		21,146	1,436,937	27,681	$30,526
Mutual Funds:					
Blackrock Mutual Fund[5]		16,405			
Money market mutual funds	54,189,625				
Other:					
Investments held by foundations[5]					
U.S. Agency Securities:					
Bonds and notes	718,442	8,322,240	13,719,334	9,846,721	
Collateralized Mortgage Obligations		14,325	173,854	7,610,477	8,435,744
Mortgage Backed Securities	182,355		49,621	1,371,168	526,717
Mutual funds	25,679,992				
Common and preferred stock					
Municipal obligations		163,698	3,617,198	1,611,002	1,008,434
Corporate obligations	1,116,031	1,883,758	342,164	2,559,171	184,886
U.S. Treasury Securities	476,047	1,301,897	676,410		
Other	81,902				
Common and preferred stock[5]					
Realty investments[5]					
Certificates of deposit[7]	1,100,000				
Louisiana Public Facilities Authority[5]					
Interest receivable[5]					
LSUE Housing Foundation[5]					
New Orleans Regional Physician Hospital Organization[5]					
Total investments	$153,485,123	$127,669,224	$104,143,854	$23,668,385	$10,186,307

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 $443,857,295 in total investments, $57,071,664 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 does not have policies to limit concentration of credit risk or interest rate risk.

The open-end mutual fund amount of $28,238,013, included in cash and cash equivalents, consists of $10,450,000 invested in the Federated Investors Government Obligations Fund; $328,613 invested in Federated Prime Obligations Fund; $374,149 invested in Fidelity Treasury Money Market; $1,097,251 invested in JPMorgan U.S. Government Money Market Fund; and $15,988,000 invested in JPMorgan U.S. Treasury Plus Money Market Fund. These funds are each rated Aaa by Moody's Investors Service. 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 $710,695,849, 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, 2007, follows:

Type of Investment	LSU Foundation	Pennington Medical Foundation*	Foundation for the LSU Health Sciences Center
Money markets/certificates of deposit	$395,000	$914,569	$4,150,387
Government obligations	103,621,507		5,826,477
Corporate obligations	12,582,722		
Corporate stocks, common stocks, and indexed mutual funds	210,225,775		
Mortgage-backed securities and CMOs	52,793,505		3,775,665
Shaw Center for the Performing Arts	19,962,538		
Land	522,652		
Royalty interest	148,501		
Equities		86,830,036	
Meridian Diversified Fund		9,857,809	
Mineral interests		888,978	
Corporate bonds and notes			3,134,715
Mutual funds			70,949,493
Louisiana Fund I		89,344	
Deposit with bond trustee			
Short-term investments			
Private equity	4,027,042		
Hedged funds	31,038,964		3,686,535
Venture capital	221,849		
Insurance contracts			
Emerging market	5,484,918		
Total investments	$441,024,973	$98,580,736	$91,523,272

*As of December 31, 2006

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 $19,962,538 at June 30, 2007, 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	$39,996,011
Total liabilities	$70,935
Net income	($1,060,150)

Type of Investment	UNO Foundation	UNO Research and Technology Foundation	Total Investments
Money markets/certificates of deposit	$2,907,312	$1,514,947	$9,882,215
Government obligations	11,315,215		120,763,199
Corporate obligations			12,582,722
Corporate stocks, common stocks, and indexed mutual funds	22,374,470		232,600,245
Mortgage-backed securities and CMOs			56,569,170
Shaw Center for the Performing Arts			19,962,538
Land			522,652
Royalty interest			148,501
Equities			86,830,036
Meridian Diversified Fund			9,857,809
Mineral interests			888,978
Corporate bonds and notes	4,049,827		7,184,542
Mutual funds	12,123,421		83,072,914
Louisiana Fund I			89,344
Deposit with bond trustee		18,639,013	18,639,013
Short-term investments		3,726,146	3,726,146
Private equity			4,027,042
Hedged funds			34,725,499
Venture capital			221,849
Insurance contracts	2,916,517		2,916,517
Emerging market			5,484,918
Total investments	$55,686,762	$23,880,106	$710,695,849

The Pennington Medical Foundation's investments are secured by 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.

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	$14,122,833	$111,392	$14,011,441
Auxiliary enterprises	6,942,748	18,428	6,924,320
Contributions and gifts	1,346,531		1,346,531
Federal, state, and private grants and contracts	95,095,336	2,352,284	92,743,052
Federal appropriations	261,471		261,471
Sales and services/other	7,896,831	1,539	7,895,292
Clinics	49,009,609	34,325,830	14,683,779
Federal Emergency Management Agency	8,865,627		8,865,627
Hospital	419,267,674	333,994,974	85,272,700
Other - UCC	(187,640,560)	(187,640,560)	
Total	$415,168,100	$183,163,887	$232,004,213

Accounts receivable and doubtful accounts include $70,513,237 for fiscal year 2004 and $117,127,323 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.

This page is intentionally blank.

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

LSU SYSTEM

	Balance June 30, 2006	Prior Period Adjustment	Restated Balance June 30, 2006
Capital assets not being depreciated:			
Land	$112,694,963		$112,694,963
Construction-in-progress	86,446,943		86,446,943
Total capital assets not being depreciated	$199,141,906	NONE	$199,141,906
Other capital assets:			
Infrastructure	$56,878,739		$56,878,739
Less accumulated depreciation	(21,732,975)		(21,732,975)
Total infrastructure	35,145,764	NONE	35,145,764
Land improvements	67,832,341		67,832,341
Less accumulated depreciation	(44,548,570)		(44,548,570)
Total land improvements	23,283,771	NONE	23,283,771
Buildings	1,551,813,353	$2,882,596	1,554,695,949
Less accumulated depreciation	(808,282,451)	(2,926,482)	(811,208,933)
Total buildings	743,530,902	(43,886)	743,487,016
Equipment	777,024,531	(278,476)	776,746,055
Less accumulated depreciation	(525,645,738)	(684,930)	(526,330,668)
Total equipment	251,378,793	(963,406)	250,415,387
Library books	203,409,254		203,409,254
Less accumulated depreciation	(185,415,807)	(1)	(185,415,808)
Total library books	17,993,447	(1)	17,993,446
Total other capital assets	$1,071,332,677	($1,007,293)	$1,070,325,384
Capital asset summary:			
Capital assets not being depreciated	$199,141,906		$199,141,906
Other capital assets, at cost	2,656,958,218	$2,604,120	2,659,562,338
Total cost of capital assets	2,856,100,124	2,604,120	2,858,704,244
Less accumulated depreciation	(1,585,625,541)	(3,611,413)	(1,589,236,954)
Capital assets, net	$1,270,474,583	($1,007,293)	$1,269,467,290

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.

	Additions	Transfers	Retirements	Balance June 30, 2007
Capital assets not being depreciated:				
Land				$112,694,963
Construction-in-progress	$78,548,706	($35,364,571)		129,631,078
Total capital assets not being depreciated	$78,548,706	($35,364,571)	NONE	$242,326,041
Other capital assets:				
Infrastructure	$554,348	$3,617,500		$61,050,587
Less accumulated depreciation	(1,387,340)			(23,120,315)
Total infrastructure	(832,992)	3,617,500	NONE	37,930,272
Land improvements	1,887,977	2,292,446	($54,614)	71,958,150
Less accumulated depreciation	(1,858,652)		29,135	(46,378,087)
Total land improvements	29,325	2,292,446	(25,479)	25,580,063
Buildings	14,535,180	29,454,625	(9,711,762)	1,588,973,992
Less accumulated depreciation	(40,082,464)		9,228,402	(842,062,995)
Total buildings	(25,547,284)	29,454,625	(483,360)	746,910,997
Equipment	89,344,905	57,529	(54,556,907)	811,591,582
Less accumulated depreciation	(66,500,102)		51,011,031	(541,819,739)
Total equipment	22,844,803	57,529	(3,545,876)	269,771,843
Library books	8,775,430		(2,995,111)	209,189,573
Less accumulated depreciation	(8,642,334)		372,910	(193,685,232)
Total library books	133,096	NONE	(2,622,201)	15,504,341
Total other capital assets	($3,373,052)	$35,422,100	($6,676,916)	$1,095,697,516
Capital asset summary:				
Capital assets not being depreciated	$78,548,706	($35,364,571)		$242,326,041
Other capital assets, at cost	115,097,840	35,422,100	($67,318,394)	2,742,763,884
Total cost of capital assets	193,646,546	57,529	(67,318,394)	2,985,089,925
Less accumulated depreciation	(118,470,892)	NONE	60,641,478	(1,647,066,368)
Capital assets, net	$75,175,654	$57,529	($6,676,916)	$1,338,023,557

COMPONENT UNITS

	Balance June 30, 2006	Additions	Transfers	Retirements	Balance June 30, 2007
Capital assets not being depreciated:					
Land	$7,349,982	$100,850		($105,236)	$7,345,596
Capitalized collections	7,694,823	280,131		(1,103,346)	6,871,608
Construction-in-progress	27,504,757	23,385,104	($2,348,819)	(8,893)	48,532,149
Total capital assets not being depreciated	$42,549,562	$23,766,085	($2,348,819)	($1,217,475)	$62,749,353
Other capital assets:					
Infrastructure	$214,460	$89,950			$304,410
Less accumulated depreciation	(41,619)	(30,134)			(71,753)
Total infrastructure	172,841	59,816	NONE	NONE	232,657
Land improvements	1,776,638	53,849			1,830,487
Less accumulated depreciation	(232,435)	(80,153)			(312,588)
Total land improvements	1,544,203	(26,304)	NONE	NONE	1,517,899
Buildings	256,126,083	5,256,951	$2,234,430	($100,181)	263,517,283
Less accumulated depreciation	(19,819,458)	(5,404,410)			(25,223,868)
Total buildings	236,306,625	(147,459)	2,234,430	(100,181)	238,293,415
Equipment	25,910,676	1,131,340	114,389	(170,869)	26,985,536
Less accumulated depreciation	(23,622,422)	(1,221,081)		46,561	(24,796,942)
Total equipment	2,288,254	(89,741)	114,389	(124,308)	2,188,594
Total other capital assets	$240,311,923	($203,688)	$2,348,819	($224,489)	$242,232,565
Capital asset summary:					
Capital assets not being depreciated	$42,549,562	$23,766,085	($2,348,819)	($1,217,475)	$62,749,353
Other capital assets, at cost	284,027,857	6,532,090	2,348,819	(271,050)	292,637,716
Total cost of capital assets	326,577,419	30,298,175	NONE	(1,488,525)	355,387,069
Less accumulated depreciation	(43,715,934)	(6,735,778)	NONE	46,561	(50,405,151)
Capital assets, net	$282,861,485	$23,562,397	NONE	($1,441,964)	$304,981,918

REAL ESTATE HELD FOR INVESTMENT, DEVELOPMENT OR SALE - UNO FOUNDATION

In November 1993, the University of New Orleans (UNO) Foundation acquired by donation a 120,000 square foot office building located in downtown New Orleans originally valued at approximately $2.4 million and has a net book value of $2 million at June 30, 2007. The building was subsequently upgraded to house the UNO Technology Enterprise Center. Before Hurricane Katrina, which struck the metropolitan area in August 2005, the university and other state agencies occupied approximately 78% of the building, nonprofits occupied 3%, and small and/or minority businesses occupied the remaining 19% in a business incubator for new and growing businesses. As a result of hurricane-related damages, the building was vacant for fiscal years 2006 and 2007. All repairs are expected to be funded by insurance. The property is classified as held for sale at June 30, 2007. Management has evaluated this property for impairment and based on this evaluation believes that there is no impairment in the net book value at June 30, 2007.

On December 30, 1994, the UNO Foundation purchased a complex of buildings in the Lee Circle area of downtown New Orleans from a private company. The properties were purchased for $3.2 million, which was entirely financed by a local bank. The seller of the properties is leasing back a portion of the available space to use as corporate offices for $32,522 per month through 2019, periodically adjusted for increases or decreases in the prevailing rate of a five-year treasury note. Most of the remainder of the property will be used for the Ogden Museum of Southern Art (Museum) and to support the teaching mission of the UNO Fine Arts Department. A capital campaign is being conducted to raise the necessary funds to complete development of these properties by the Ogden Museum of Southern Art, Inc., a separate 501(c)3 corporation created to operate and support the Museum. During September 2004, the Foundation amended a lease agreement related to its Lee Circle properties and received an advance lease payment of $600,000 with the understanding that title to the property would transfer to the lessee at some time before 2014. As a result of the terms, the advance lease payment has been characterized as a sale for financial reporting purposes during the fiscal year ended June 30, 2005.

The Ogden Museum Project has been segregated into two phases: Goldring Hall and the Patrick F. Taylor Memorial Library, both of which will be used as art exhibition facilities. Goldring Hall was constructed using a combination of grants from the State of Louisiana and private funds. During 1999, the Foundation transferred to the university land held for the Ogden Museum development with a carrying value of $322,025 and funds of $2,418,000 representing amounts previously collected from donors to fund the Museum's development. Goldring Hall opened on August 23, 2003.

The Patrick F. Taylor Memorial Library (Taylor Library) phase of the Ogden Museum is being financed with private funds. Through June 30, 2003, the UNO Foundation had expended $3,582,170 in construction-related costs to renovate this historic building. Work on the renovation was suspended in 2003 to allow for securing additional private funding to complete the project. A separate board to govern the Ogden Museum (the Museum Board) is functioning and the Foundation is no longer funding or operating the Museum. The Foundation intends to make Taylor Library available to the Museum Board for completion of renovations by the Museum Board. As a result of delays in obtaining additional contributions to fund improvements and further delays because of Hurricane Katrina, which caused the Ogden Museum to suspend operations for approximately six months, no additional expenditures have been made on the Taylor Library since 2003, nor has it been placed in service on a full-time basis. The Taylor Library, however, partially opened to the public for exhibitions in fiscal year 2007. Despite its incomplete status, management of the Foundation believes there is no impairment in the carrying value of the Taylor Library.

In December 1996, an act of donation was executed whereby a collection of artwork was donated to the UNO Foundation contingent on completion of an appropriate museum structure to showcase the artwork. The donor is to maintain custody of the artwork until the Ogden Museum is completed. The donor agreed to maintain insurance against loss or damage of the artwork, designating the UNO Foundation as the named insured. A significant portion of the donor's artwork has been loaned to the Museum for display in the Goldring Hall portion of the Museum. In 2004, the UNO Foundation and the donor modified their understanding to clarify that the remainder of the artwork would be donated and title would be transferred by fiscal year 2007, assuming that the Taylor Library has been completed by that time and the tunnel connecting the Taylor Library to Goldring Hall was then operational. As of June 30, 2007, the fair value of the artwork has not been established and the Taylor Library remains incomplete. Because of the conditional nature of the gift, no amount has been recorded in the financial statements related to this gift.

During November 2003, the UNO Foundation entered into an agreement to lease certain real estate to a third party for no rent for ten years. The UNO Foundation intends to make this real estate available to the Museum Board so it can build a tunnel connecting the two exhibition facilities within the Ogden Museum: Goldring Hall and the Taylor Library. At the earlier of the tunnel being completed or the end of the lease term, the ownership of the real estate will be transferred to the third party at no cost to the third party. Work on the tunnel is expected to commence in fiscal year 2008. The UNO Foundation will retain and make available to the Musuem Board a right of access to the tunnel portion of the property. Since the UNO Foundation will receive no annual rent or cash proceeds for the real estate, the net book value of the real estate of $400,923 was written off at June 30, 2004.

In July 2001, the UNO Foundation purchased from a private company a 108,000 square foot building in support of the UNO film program and named the building the Robert E. Nims Center for the Entertainment Arts (the Nims Center) in honor of its primary benefactor. The property was purchased for approximately $1.8 million, which was entirely financed through the issuance of bonds. The UNO Foundation has entered into a cooperative endeavor agreement with the university, whereby the university reimburses the UNO Foundation approximately $200,000 annually for the use of the Nims Center.

In August 2005, the UNO Foundation acquired by donation a 73,152 square foot warehouse valued at approximately $1.5 million. The donor donated one-half of the building to the UNO Foundation and irrevocably pledged the transfer and donation of the other half of the building to the UNO Foundation at the end of the lease term, which is August 2010, or the passing of the donor, whichever is earlier. The UNO Foundation will lease from the donor one-half of the building from the donor for five years for a nominal amount. As of June 30, 2007, one-half of the donation was recorded as unrestricted contribution and the remaining half of the donation was recorded as a temporarily restricted contribution because of the donor-imposed stipulation that expires with the passage of time.

At June 30, 2007, real estate held for investment, development, or sale consists of the following:

Technology Enterprise Center	$2,953,950
Nims Center	4,746,777
Lee Circle Properties:	
Taylor Library - construction-in-progress	3,582,170
Land and commercial buildings	1,719,700
Total	13,002,597
Less accumulated depreciation	(1,939,161)
Total	$11,063,436

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.

The carrying amount of impaired capital assets idle at year-end is disclosed, regardless of whether the impairment is considered permanent or temporary. The following is the carrying value of capital assets idle at the end of the fiscal year.

Type of Asset	Carrying Value
Buildings	$4,498,025
Movable property	2,142,856
Total	$6,640,881

7. DISAGGREGATION OF ACCOUNTS PAYABLE

Accounts payable at June 30, 2007, are as follows:

Activity	Amount
Vendors	$91,588,926
Salaries and benefits	84,672,176
Accrued interest	151,548
Uncompensated care payable	206,516,859
Other payables	8,897,579
Total	$391,827,088

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 (TRSLA), and classified state employees are members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSLA is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer plan because the material portion of its activity is with one employer--the State of Louisiana. TRSLA 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 5 years of service for TRSLA and 10 years of service for LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446, and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of 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% (TRSLA) 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 2007, the state contributed 15.8% of covered salaries to TRSLA and 19.1% of covered salaries to LASERS. The employer contribution is funded by the State of Louisiana through the annual appropriation to the university system. The employer contributions to TRSLA for the years ended June 30, 2007, 2006, and 2005, were $33,574,093; $32,228,751; and

$31,683,189, respectively, and to LASERS for the years ended June 30, 2007, 2006, and 2005, were $82,094,484; $80,129,472; and $85,757,783, 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 TRSLA for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

Total contributions by the university system are 15.8% 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 TRSLA pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRSLA retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the TRSLA. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $53,410,949 and $27,045,349, respectively, for the year ended June 30, 2007.

9. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program, as well as the Definity Health Plan and various insurance companies whose monthly premiums are paid jointly by the employee and the university system. The university system recognizes the cost of providing these benefits to retirees (university's portion of premiums) as an expense when paid during the year. These retiree benefits for 6,946 retirees totaled $40,340,185 for the year ended June 30, 2007.

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 11 lawsuits that are handled by contract attorneys at June 30, 2007. The attorneys have estimated a possible liability of $3,395,358 relating to five of the lawsuits of which $464,108 has been accrued in the accompanying financial statements. The amount accrued relates to a lawsuit filed by a former employee against both the LSU Health Sciences Center in New Orleans and the Teachers' Retirement System of Louisiana seeking to have all supplemental compensation received by the employee be considered part of the average monthly compensation for purposes of retirement and other Deferred Retirement Option Program benefits. This case is under appeal. 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 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 $75,473,574. Changes in the reported liability since June 30, 2003, 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
2004-05	$5,134,090	$58,352,153	$52,129,483	$3,423,913	$7,932,847
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

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. If necessary, the foundation is prepared to litigate the issue. 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.

11. COMPENSATED ABSENCES

At June 30, 2007, employees of the university have accumulated and vested annual, sick, and compensatory leave benefits of $85,535,999; $31,676,148; and $6,428,231, 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, 2007, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed, is $13,915,405. 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, 2007:

Nature of Operating Lease	2008	2009	2010	2011	2012	2013-2017	2018-2022	Total Minimum Payments Required
Office space	$8,546,054	$8,206,620	$7,915,809	$7,686,712	$7,550,976	$8,077,340	$400,500	$48,384,011
Equipment	1,117,666	276,080	33,538	1,515				1,428,799
Other	1,920,013	1,622,091	747,739	747,739	689,783	1,318,838		7,046,203
Total	$11,583,733	$10,104,791	$8,697,086	$8,435,966	$8,240,759	$9,396,178	$400,500	$56,859,013

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 $2,203,259, respectively.

13. LESSOR LEASES

The university 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, 2007:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	$11,638,493	($6,339,630)	$5,298,863
Equipment	320,294	(100,288)	220,006
Land	6,324,221		6,324,221
Total	$18,283,008	($6,439,918)	$11,843,090

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2007:

	Nature of Lease				
Fiscal Year Ending June 30,	Office Space	Equipment	Land	Other	Total
2008	$2,300,578	$42,632	$157,480	$253,322	$2,754,012
2009	758,644		155,819	173,060	1,087,523
2010	496,434		90,569	164,505	751,508
2011	209,904		90,569	138,800	439,273
2012	110,874		90,469	113,800	315,143
2013-2017	541,850		450,344	54,400	1,046,594
2018-2022	541,850		368,455		910,305
2023-2027			221,945		221,945
2028-2032			166,840		166,840
2033-2037			166,840		166,840
2038-2042			166,840		166,840
Total	$4,960,134	$42,632	$2,126,170	$897,887	$8,026,823

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 as a result of the drilling operations on mineral leases. Contingent rentals amounted to $1,322,399 for the year ended June 30, 2007.

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, 2007:

University

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	$44,718,219	$1,446,287	$15,617,494	$30,547,012	$11,363,864
Bonds payable	218,570,000	97,095,000	10,296,138	305,368,862	11,590,000
Subtotal	263,288,219	98,541,287	25,913,632	335,915,874	22,953,864
Other liabilities:					
Compensated absences payable	119,326,077	21,786,989	17,472,688	123,640,378	10,678,814
Capital lease obligations	62,201,190	195,296	4,242,254	58,154,232	3,875,460
Claims and litigation payable	240,000	224,108		464,108	464,108
Amounts held in custody for others	6,724,295	42,874,266	44,276,018	5,322,543	5,322,543
Subtotal	188,491,562	65,080,659	65,990,960	187,581,261	20,340,925
Total long-term liabilities	$451,779,781	$163,621,946	$91,904,592	$523,497,135	$43,294,789

Component Units

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	$13,450,356	$2,471,646	$2,134,860	$13,787,142	$6,063,637
Bonds payable	196,618,000	86,290,719	48,771,000	234,137,719	3,656,395
Subtotal	210,068,356	88,762,365	50,905,860	247,924,861	9,720,032
Other liabilities:					
Compensated absences payable	141,406	17,319		158,725	158,725
Capital lease obligations	754,797		35,075	719,722	37,505
Amounts held in custody for others	99,301,272	13,452,225	1,494,233	111,259,264	3,668,037
Subtotal	100,197,475	13,469,544	1,529,308	112,137,711	3,864,267
Total long-term liabilities	$310,265,831	$102,231,909	$52,435,168	$360,062,572	$13,584,299

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 zero to 9.55%. The following is a summary of installment notes payable by the university for the year ended June 30, 2007:

Balance at July 1, 2007	$44,718,219
Installment purchases in 2007	1,446,287
Installment payments in 2007	(15,617,494)
Installment notes payable at June 30, 2007	$30,547,012

The following is a summary of future minimum installment payments as of June 30, 2007:

Fiscal Year Ending June 30:	
2008	$12,595,274
2009	8,166,197
2010	8,094,525
2011	2,523,143
2012	486,566
2013-2017	1,234,702
2018-2022	638,975
Total minimum installment payments	33,739,382
Less - amount representing interest	(3,192,370)
Total	$30,547,012

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.

Included in the installment purchase agreements, the university system has entered into loan agreements with the Louisiana Public Facilities Authority (LPFA) on October 31, 1988, and again on July 1, 1992. The LPFA loan agreement totaling $28,500,673 is for financing, refinancing, or reimbursing the cost of facilities; improvements and expansions of the LSU Athletic Department; construction of the Student Recreation Sports Center for LSU; improvements for parking and safety at LSU; improvements to residential life facilities ($26,200,673); additions to the parking garage at the LSU Health Sciences Center in New Orleans ($1,000,000); and building a child care center at UNO ($1,300,000). The loan repayments are payable from the fees, rates, rentals, charges, grants, or other receipts or income derived by or in connection with the facilities, equipment, and improvements. According to terms of the loan agreement, the university system is to repay principal and interest on the obligation on the 28th day of each month for 20 years commencing August 28, 1991. The university system made principal payments during the year totaling $2,055,417. At June 30, 2007, the outstanding balance is $7,737,083, which is included in installment notes payable.

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, 2007:

Component Unit	Principal Outstanding June 30, 2006	Issued	Redeemed	Principal Outstanding June 30, 2007
Tiger Athletic Foundation*	$2,975,336		($1,239,000)	$1,736,336
UNO Foundation	2,928,169			2,928,169
UNO Research and Technology Foundation	7,546,851		(64,314)	7,482,537
Pennington Medical Foundation*		$2,380,100	(740,000)	1,640,100
Total	$13,450,356	$2,380,100	($2,043,314)	$13,787,142

* For the year ended December 31, 2006

The unamortized discount relative to the note payable for the UNO Research and Technology Foundation totaled $454,396 at June 30, 2007, 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, 2007:

Fiscal Year Ending June 30:	
2008	$6,063,637
2009	587,675
2010	194,051
2011	208,803
2012	223,522
2013-2017	2,339,228
2018-2022	2,034,864
2023-2027	2,135,362
Total	$13,787,142

Line of Credit

On January 26, 2006, the Tiger Athletic Foundation established a $6,500,000 line of credit with Capital One for 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 July 2007. As of December 31, 2006, 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, 2007.

Bonds and Contracts Payable - System

Detailed summaries, by issues, of all bond and reimbursement contract debt outstanding at June 30, 2007, including future interest payments of $175,844,155 for LSU; $15,611,986 for the LSU Health Sciences Center in New Orleans; $15,100,709 for UNO; and $9,975,269 for LSU at Eunice follow:

This page is intentionally blank.

Bonds Payable

Issue	Date of Issue	Original Issue	Outstanding July 1, 2006	Issued
LSU				
Student Housing System Bonds - 1968 Series B	July 1, 1968	$1,275,000	$5,000	
2000 Auxiliary Revenue Bonds	June 28, 2000	27,000,000	24,800,000	
2002 Auxiliary Revenue Bonds	October 3, 2002	11,435,000	11,105,000	
2004 Auxiliary Revenue Refunding Bonds	April 6, 2004	16,035,000	14,730,000	
2004 Auxiliary Revenue Bonds - Series B	October 26, 2004	51,885,000	51,585,000	
2005 (Series A and B) Auxiliary Revenue Refunding Bonds	June 2, 2005	41,840,000	38,855,000	
2006 Auxiliary Revenue Bonds	August 9, 2006	97,095,000		$97,095,000
LSU Health Sciences Center				
New Orleans - Building Revenue Bonds - Series 2000	January 1, 2000	15,910,000	14,560,000	
Health Care Services Division - Revenue Bonds, Series 2002	December 1, 2002	36,600,000	24,050,000	
University of New Orleans				
Revenue Bonds of 1997 - Series A	January 15, 1997	5,965,000	145,000	
Revenue Bonds of 1998	August 15, 1998	15,915,000	14,675,000	
Revenue Bonds of 2004 - Series A	June 17, 2004	9,440,000	7,755,000	
Revenue Bonds of 2004 - Series B	October 19, 2004	8,480,000	8,130,000	
LSU at Eunice				
1998 Auxiliary Revenue Bonds	June 1, 1998	1,650,000	1,175,000	
2002 Auxiliary Revenue Bonds	January 17, 2002	7,000,000	7,000,000	
Total Bonds Payable		$347,525,000	$218,570,000	$97,095,000

LSU and A&M College issued $97,095,000 of its auxiliary revenue bonds (Series 2006) that were approved on July 14, 2006, for providing funds to finance the costs of the planning, acquisition, and construction of (a) renovations to and expansion of the student union; (b) a new men's baseball stadium; (c) a new women's softball stadium; (d) other athletic facilities and enhancements; and (e) surface and garage parking facilities.

Defeased Bonds

In prior years, the university advance refunded the 1997 Auxiliary Revenue Bonds. At June 30, 2007, outstanding 1997 Auxiliary Revenue Bonds of $4,415,000 are considered defeased in substance and not included in the financial statements.

Bonds Payable

Issue	Redeemed	Outstanding June 30, 2007	Maturities	Interest Rates	Future Interest Payments June 30, 2007
LSU					
Student Housing System Bonds - 1968 Series B	$5,000				
2000 Auxiliary Revenue Bonds	700,000	$24,100,000	2008-2030	Variable	$19,962,000
2002 Auxiliary Revenue Bonds	160,000	10,945,000	2008-2032	Variable	8,965,716
2004 Auxiliary Revenue Refunding Bonds	1,355,000	13,375,000	2008-2015	4.0% - 5.25%	3,264,242
2004 Auxiliary Revenue Bonds - Series B	240,000	51,345,000	2008-2030	2.0% - 5.25%	39,160,046
2005 (Series A and B) Auxiliary Revenue Refunding Bonds	1,405,000	37,450,000	2008-2034	3% - 5%	14,777,051
2006 Auxiliary Revenue Bonds	170,000	96,925,000	2008-2036	4% - 5%	89,715,100
LSU Health Sciences Center					
New Orleans - Building Revenue Bonds - Series 2000	265,000	14,295,000	2008-2031	5%	13,850,336
Health Care Services Division - Revenue Bonds, Series 2002	4,445,000	19,605,000	2008-2011	3.12%	1,761,650
University of New Orleans					
Revenue Bonds of 1997 - Series A	145,000				
Revenue Bonds of 1998	315,000	14,360,000	2008-2031	3.9% - 5%	10,223,677
Revenue Bonds of 2004 - Series A	855,000	6,900,000	2008-2014	3% - 4.125%	1,128,888
Revenue Bonds of 2004 - Series B	140,000	7,990,000	2008-2026	3% - 4.67%	3,748,144
LSU at Eunice					
1998 Auxiliary Revenue Bonds	81,138	1,093,862	2008-2018	5%	352,917
2002 Auxiliary Revenue Bonds	15,000	6,985,000	2008-2033	7.375%	9,622,352
Total Bonds Payable	$10,296,138	$305,368,862			$216,532,119

BONDS PAYABLE - COMPONENT UNITS

Issue	Date of Issue	Original Issue	Outstanding July 1, 2006	Issued
LSU Foundation				
Pooled Loan Program Revenue Bonds,				
Series 2003A	April 1, 2003	$12,725,000	$12,570,000	
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	1,900,000	
University of New Orleans Foundation				
Regions Bank Bonds	July 11, 2001	2,000,000	1,618,000	
UNO Research and Technology Foundation				
Louisiana Local Government Environmental Facilities				
and Community Development Authority	October 20, 1999	24,950,000	790,000	
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	2,800,000	
Revenue Bonds, Series 2004	March 23, 2004	90,000,000	88,535,000	
Pennington Medical Foundation*				
Series 2001 Bonds	April 1, 2001	40,815,000	39,485,000	
Series 2005 Bonds	July 1, 2005	5,345,000	5,345,000	
Series 2006 Bonds	April 1, 2006	45,175,000		45,175,000
Total Bonds Payable		$315,320,000	$196,618,000	$83,675,000

*As of December 31, 2006.

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. The bonds are subject to a remarketing agreement with an underlying letter of credit issued by Regions and Hancock Bank.

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.

BONDS PAYABLE - COMPONENT UNITS

Issue	Redeemed	Outstanding June 30, 2007	Maturities	Interest Rates	Future Interest Payments June 30, 2007
LSU Foundation					
Pooled Loan Program Revenue Bonds, Series 2003A	$630,000	$11,940,000	2008-2026	5.05%	$3,765,690
Foundation for the LSU Health Sciences Center					
Equipment and Capital Facilities Pooled Loan Program Revenue Bonds, Series 2002A	75,000	1,825,000	2008-2024	variable	
University of New Orleans Foundation					
Regions Bank Bonds	111,000	1,507,000	2008-2017	5.3%-7.5%	433,463
UNO Research and Technology Foundation					
Louisiana Local Government Environmental Facilities and Community Development Authority	790,000				
LPFA Revenue Bonds		38,500,000	2009-2037	3.75% - 5.25%	42,748,967
Tiger Athletic Foundation*					
Revenue Bonds, Series 1999		43,575,000	2010-2028	variable	
Revenue Bonds, Series 2001	800,000	2,000,000	2007-2011	variable	
Revenue Bonds, Series 2004	1,535,000	87,000,000	2007-2033	variable	
Pennington Medical Foundation*					
Series 2001 Bonds	39,485,000				
Series 2005 Bonds	5,345,000				
Series 2006 Bonds		45,175,000	2007-2034	4.92%	36,536,520
Total Bonds Payable	$48,771,000	$231,522,000			$83,484,640

*As of December 31, 2006.

The unamortized bond issuance costs for the Foundation for the LSU Health Sciences Center total $27,046 at June 30, 2007, 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, 2007, are held by the trustee in restricted cash accounts. Restricted cash at June 30, 2007, totals $101,855. Principal payments of $75,000 were made on the bond in the year ended June 30, 2007. Interest was paid on the bonds for $75,794 for the fiscal year ended June 30, 2007.

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 this fiscal year 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 $41,906.

On August 8, 2006, the LPFA issued $38,500,000 of LPFA Revenue Bonds (Series 2006) to the University of New Orleans 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 $18,639,003 have been deposited with the bond trustee at June 30, 2007. 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, 2007, totaled $23,406.

Bonds payable for all discrete component units 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 ($1,400,442 and $1,215,277, respectively), and unamortized bond issuance costs on the Foundation for the LSU Health Sciences Center Series 2002A Bonds ($27,046). Bonds payable totaling $234,110,673 for all discrete component units are reflected on Statement B.

The annual requirements to amortize all university bonds outstanding at June 30, 2007, are presented in the following schedule. The schedule uses rates as of June 30, 2007, 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	Interest Rate Swap (Note 15)	Principal	Interest	Total
2008	($41,375)	$11,590,000	$14,526,232	$26,074,857
2009	(41,375)	12,910,834	14,057,702	26,927,161
2010	(41,375)	13,485,417	13,484,433	26,928,475
2011	(41,375)	14,460,417	12,876,866	27,295,908
2012	(41,375)	9,795,417	12,360,288	22,114,330
2013-2017	(198,242)	48,147,085	54,666,361	102,615,204
2018-2022	(129,635)	48,274,692	43,778,971	91,924,028
2023-2027	(41,176)	57,870,000	30,898,296	88,727,120
2028-2032	(9,300)	56,665,000	16,192,203	72,847,903
2033-2037	(496)	32,170,000	3,690,767	35,860,271
Total	($585,724)	$305,368,862	$216,532,119	$521,315,257

The annual requirements to amortize all component unit bonds outstanding at June 30, 2007, are as follows:

Fiscal Year	Principal	Interest*	Total
2008	$3,656,395	$4,657,568	$8,313,963
2009	3,722,395	4,624,420	8,346,815
2010	3,874,395	4,582,213	8,456,608
2011	5,531,395	4,503,246	10,034,641
2012	5,803,395	4,421,279	10,224,674
2013-2017	33,817,975	20,534,246	54,352,221
2018-2022	42,291,975	17,293,292	59,585,267
2023-2027	53,169,075	12,980,623	66,149,698
2028-2032	54,185,000	7,598,926	61,783,926
2033-2037	25,470,000	2,288,827	27,758,827
Total	$231,522,000	$83,484,640	$315,006,640

*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, 2007:

Bond Issue	Cash/ Investment Reserves Available	Reserve Requirement	Excess
Auxiliary Plant:			
LSU	$1,200		$1,200
University of New Orleans	81,597		
Total	$82,797	NONE	$1,200
Educational Plant - LSU Health Sciences Center - Health Care Services Division	$3,660,000	$3,660,000	
Total	$3,660,000	$3,660,000	NONE

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 Auxiliary Revenue Bonds, Series 2000, 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 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, 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, 2007:

Fiscal Year Ending June 30:	
2008	$6,692,840
2009	5,590,269
2010	5,185,179
2011	5,063,616
2012	4,881,303
2013-2017	26,334,323
2018-2022	22,846,665
2023-2027	8,590,000
Total minimum lease payments	85,184,195
Less - amount representing interest	(27,029,963)
Present value of net minimum lease payments	$58,154,232

15. INTEREST RATE SWAP AGREEMENT

In fiscal year 2005, LSU entered into an interest rate swap agreement with Deutsche Bank to reduce the impact of changes in interest rates on its Series 2005B Variable Rate Auxiliary Revenue and Refunding Bonds.

Objective of the interest rate swap: As a means to lower its borrowing costs, when compared against fixed-rate bonds, LSU entered into the interest rate swap agreement, the intention of which was to effectively change the variable interest rate on the bonds to a fixed rate of 3.52% for the duration of the agreement.

Terms: The bonds and the related swap agreement mature on July 1, 2034, and the swap's notional amount of $22,935,000 matches the principal amount of the variable-rate bonds. On June 2, 2005, the swap agreement was entered at the same time the bonds were issued. Starting in fiscal year 2016, the notional value of the swap and the principal amount of the associated debt decline. Under the swap, the university pays Deutsche Bank a fixed payment of 3.52% and receives a variable payment computed as 70% of the London Interbank Offered Rate (LIBOR) plus 20 basis points. Conversely, the university is required to pay the floating Bond Market Association Municipal Swap Index (BMA) rate on the variable-rate bonds.

Fair value: The fair value of the swap agreement as of June 30, 2007, which is not reported in the financial statements, was $1,221,974 in favor of LSU. The fair value was provided by Deutsche Bank.

Credit risk: Credit risk is the risk that a counterparty will not fulfill its obligations. At June 30, 2007, the university is exposed to credit risk in the amount of the derivative's fair value because the fair value of the swap was in the university's favor. However, should interest rates change and the fair value of the swap become in the bank's favor, the university would not be exposed to credit risk. Deutsche Bank was rated "Aa1" by Moody's Investors Service and "AA-" by Standard & Poor's as of June 30, 2007. To mitigate the potential for credit risk, the swap agreement includes provisions for collateral thresholds and transfer amounts that correspond to the credit rating of the swap counterparty's senior unsecured debt and rating.

Interest rate risk: Interest rate risk is the risk that an adverse change in variable interest rates will increase the overall cost of borrowing for the university. Interest rate swap agreements used to hedge variable rate demand bonds that extend through the maturity of the related debt effectively eliminate the interest rate risk, unless the swap agreement is terminated before maturity. The university fully intends to maintain this agreement until the maturity of the related variable-rate bonds.

Basis risk: Basis risk arises when variable interest rates on an interest rate swap and an associated bond are based on different indices. The university is exposed to basis risk because the interest rate on the bonds is based on the BMA rate while the interest rate received on the swap is based on LIBOR. This variance can adversely affect the university's payments and/or synthetic interest rates and anticipated cost savings might not be realized. To effectively minimize basis risk, LSU adds sufficient additional basis points to the model used to calculate the savings.

Termination risk: Termination risk is the risk that an unscheduled early termination of the swap agreement will affect the university's asset/liability strategy or will result in a significant unanticipated termination payment to the counterparty. The university or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may also be terminated by the university or the counterparty if the other party's credit quality rating falls below "Baa3" as issued by Moody's Investors Service or "BBB-" as issued by Standard & Poor's. If the swap is terminated, the variable-rate bond would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a fair value in favor of Deutsche Bank, the university would be liable to the counterparty for a payment equal to the swap's fair value.

16. DUE FROM STATE TREASURY

As shown on Statement A, the university system has a total of $51,199,264 (net) due from the state treasury at June 30, 2007. This amount consists of the following:

Description	Due (to)/from
State appropriations	$47,860,281
Tobacco Tax funds	4,216,463
Refund from prior year orders	(14,322)
Unclaimed property	(179,320)
Truancy Assessment Program	(339,585)
Unexpended appropriation - prior year	(134,886)
Recovery of accounts previously written off	(9,367)
Other - Overdrawn State Direct	(200,000)
Total	$51,199,264

17. RESTRICTED NET ASSETS

The university system's restricted nonexpendable net assets of $166,505,076 as of June 30, 2007, are comprised entirely of endowment funds.

The university system had the following restricted expendable net assets as of June 30, 2007:

Restricted Expendable Net Assets

Account Title	Amount
Student fees	$10,950,363
Grants and contracts	30,967,734
Gifts	13,067,816
Endowment earnings	26,547,298
Auxiliary enterprises	25,481,755
Student loan fund	38,287,449
Capital construction	38,601,190
Legislative restrictions	30,000,000
Debt service	672,009
Definity Health program	5,120,071
Indirect costs	4,982,507
Sponsored projects	1,073,811
Other	939,759
Total	$226,691,762

Of the total restricted net assets reported on Statement A for the year ended June 30, 2007, a total of $32,378,934 is restricted by enabling legislation.

RESTRICTED NET ASSETS - COMPONENT UNITS

Restricted net assets for the LSU Foundation, Tiger Athletic Foundation, and the UNO Foundation are as follows:

	LSU Foundation	Tiger Athletic Foundation*	UNO Foundation
Temporarily restricted:			
Chairs and professorships	$52,879,841		
Scholarships and fellowships	26,239,338		$1,294,476
Specific academic and research projects	42,000,907		
Academic support	28,484,008		3,336,184
Capital outlay and improvements	23,980,562		
Research support	5,620,226		616,778
Institutional support	25,908,342		
Faculty - salary supplements			90,140
Donor restrictions		$11,191,066	
Building funds			2,618,920
Educational Studies Program			2,248,906
Total temporarily restricted	$205,113,224	$11,191,066	$10,205,404

	LSU Foundation	Tiger Athletic Foundation*	UNO Foundation
Permanently restricted:			
Chairs and professorhips	$91,130,891		
Scholarships and fellowships	42,047,462		$3,063,224
Specific academic and research projects	23,296,998		
Academic support	11,887,880		1,633,110
Capital outlay and improvements	797,618		
Research support	1,604,564		13,225,406
Institutional support	2,321,240		
Endowment funds		$1,421,349	
Educational Studies Program			13,324,588
Faculty - salary supplements			4,234,926
Total permanently restricted	$173,086,653	$1,421,349	$35,481,254

*As of December 31, 2006

At December 31, 2006, the Pennington Medical Foundation reported no restricted net assets. At June 30, 2007, the UNO Research and Technology Foundation reports no restricted net assets.

At June 30, 2007, the Foundation for the LSU Health Sciences Center has $20,421,764 in temporarily restricted net assets and $56,274,207 in permanently 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, 2006	$1,447,977,954
Appreciation of stock - LSU System	901,964
Capital assets - LSU	(58,644)
Prior year depreciation - LSU	(4,844)
Capital assets - LSU and LSU Eunice	481,278
Adjustment to Social Services Block Grant - LSUHSC New Orleans	(893,812)
Adjustment to accounts receivable - LSUHSC New Orleans	560,869
Student loan fund liability - LSUHSC New Orleans	(1,571,492)
Investments/Capital assets - LSUHSC New Orleans	(3,911,239)
Adjustment to accounting system conversion - LSUHSC New Orleans	(10,780)
Prior year depreciation - UNO	(680,713)
Impairment loss - UNO	5,086
Misclassification error - LSUHSC New Orleans	200,262
Net assets at July 1, 2006, restated	$1,442,995,889

19. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

Function	Employee Compensation	Benefits	Utilities	Supplies and Services
Instruction	$350,075,456	$81,816,547	$143,641	$75,575,328
Research	168,166,184	41,961,326	2,185,255	94,978,231
Public service	155,555,518	25,422,478	1,092,726	104,290,894
Academic support	60,770,588	16,774,159	266,749	20,898,412
Student services	19,347,739	4,957,856	576,627	6,954,812
Institutional support	61,329,742	19,246,687	69,769	43,728,545
Operations and maintenance of plant	38,572,954	10,383,407	32,670,154	51,163,741
Scholarships and fellowships				
Auxiliary enterprises	44,635,543	11,004,058	8,390,372	69,832,312
Hospital	450,619,623	117,056,138	14,604,631	425,698,767
Total operating expenses	$1,349,073,347	$328,622,656	$59,999,924	$893,121,042

Function	Scholarships and Fellowships	Depreciation	Compensated Absences	Total
Instruction		$11,507,073	$876,858	$519,994,903
Research		15,274,520	549,480	323,114,996
Public service		3,201,245	(2,292,822)	287,270,039
Academic support		14,962,400	(107,148)	113,565,160
Student services		622,836	134,956	32,594,826
Institutional support		3,444,576	252,234	128,071,553
Operations and maintenance of plant		31,410,548	211,439	164,412,243
Scholarships and fellowships	$42,562,487			42,562,487
Auxiliary enterprises		1,822,545	116,095	135,800,925
Hospital		35,704,130	4,601,799	1,048,285,088
Total operating expenses	$42,562,487	$117,949,873	$4,342,891	$2,795,672,220

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
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
Health Care Services Foundation, Inc.
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.

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, 2007, was $80,777. 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 $40,000 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 in Eunice, the University of New Orleans, and the LSU Health Sciences Center are restricted by terms in the covenants of certain debt instruments. The revenues reported on the Statement of Revenues, Expenses, and Changes in Net Assets include all auxiliary enterprise revenues of all campuses, but exclude sales to other LSU departments or campuses, in accordance with accounting principles generally accepted in the United States of America. The following represents those restricted auxiliary enterprise revenues of certain auxiliary enterprises at LSU, LSU in Eunice, the University of New Orleans, and the LSU Health Sciences Center that are used as security for revenue bonds; however, these amounts do include sales to other LSU departments and campuses for the year ended June 30, 2007.

Auxiliary Enterprises	
Residential life	$28,256,242
Student union services, including bookstore	26,986,296
Student Health Center	7,034,105
Athletics	66,673,802
Golf course	1,226,083
Procurement auxiliary services	13,550,148
Contracted auxiliary services	1,749,410
Parking, traffic, and transportation	7,619,818
Health Sciences Center stores	11,632,697
LSU Press	1,917,585
Student media	1,771,922
Miscellaneous	2,367,124
Total	$170,785,232

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 the 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 the 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 10-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 rent 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/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 initially 12,000 square feet, which was increased to 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.

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 Foundation	UNO Research and Technology Foundation	Total
LSU at Alexandria Foundation	$9,206,744					$9,206,744
LSU at Eunice Foundation	1,283,249					1,283,249
State matching funds	60,616,410		$18,026,584	$15,737,464		94,380,458
Charitable remainder trusts	2,009,942					2,009,942
Tiger Athletic Foundation	2,378,049					2,378,049
Coaches' escrow accounts		$1,175,680				1,175,680
Various affiliated organizations				766,988		766,988
Building tenant security deposits					$58,154	58,154
Total temporarily restricted	$75,494,394	$1,175,680	$18,026,584	$16,504,452	$58,154	$111,259,264

*As of December 31, 2006.

27. RELATED PARTY TRANSACTIONS - COMPONENT UNIT

The Pennington Medical Foundation had architectural contracts for $396,808 with a trustee of the Foundation of which approximately $303,164 was incurred by December 31, 2006.

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	UNO Foundation
Promises to give expected to be collected in:				
Less than one year	$7,236,537	$2,618,281	$602,736	$330,854
One to five years	23,193,824		931,344	839,875
More than five years	9,442,800	7,129,779	429,443	100,000
Subtotal	39,873,161	9,748,060	1,963,523	1,270,729
Less discount on promises to give	(6,786,907)	(1,498,976)	(164,354)	(175,515)
Less allowance for uncollectible accounts	(137,396)	(980,000)	(687,232)	(164,282)
Subtotal	(6,924,303)	(2,478,976)	(851,586)	(339,797)
Net unconditional promises to give	$32,948,858	$7,269,084	$1,111,937	$930,932

*As of December 31, 2006

At December 31, 2006, and June 30, 2007, 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 $42,260,811 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 total $4.6 million at June 30, 2007. As of the year ended June 30, 2007, the LSU Foundation has received to date $2,017,280 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

Louisiana State University and A&M College issued $71,130,000 of its auxiliary revenue bonds (Series 2007) that were approved on December 11, 2007, for providing funds to finance the costs of planning, acquisition, construction and equipping of facilities; fund a capitalized interest fund; pay the premium for a reserve fund insurance policy for the Series 2007 Bonds; and pay costs of issuance related to the issuance of the Series 2007 Bonds, including the premium on the policy.

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.

HURRICANES KATRINA AND RITA - COMPONENT UNITS

UNO Foundation

On August 29, 2005, Hurricane Katrina struck the New Orleans metropolitan area causing unprecedented damages attributable to the storm and subsequent flooding because of the levee failures. The university curtailed operations at the beginning of the 2005 fall semester and reopened from remote locations during the fall semester. The university moved back to the main campus in January 2006 albeit with a smaller student body. The repopulation of the metropolitan area has progressed slowly with authorities estimating in June 2007 that population in the metropolitan area approximated 83% of pre-Katrina levels. As a result of the disruption caused by the hurricane, both in terms of the UNO Foundation staffing and activities as well as the university's traditional benefactors and alumni, the pace of fundraising and development activities continue to be severely impacted in fiscal year 2007.

Some of the UNO Foundation's properties were damaged as a result of the hurricane and related flooding. The properties are insured by the State of Louisiana Office of Risk Management and management expects to recover all cost of repairing the facilities. During the repair phase, no rents are being received on the properties and some tenants were ultimately lost to relocation. Most of the hurricane repairs to the Technology Enterprise Center building have been completed. Because of the relocation of former tenants, the UNO Foundation has listed the building for sale.

This page is intentionally blank.

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 1 presents the current and long-term portions of assets and liabilities and net assets for each university within the LSU System. Included in Schedule 1 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 2 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 3 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, 2007

	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	$20,026,607	$8,869,839	$33,746,007	$709,425	$4,069,165	$1,889,205	$17,013,007
Investments	372,832	301,138	150,430,465	144,479	40,920	163,962	202,608
Receivables (net)	487,147	2,495,484	38,604,808	2,475,323	768,617	112,308	6,716,801
Due from other campuses			9,243				
Due from state treasury	30,000,000		72,389				373,305
Inventories		65,934	2,392,720		297,769		4,513,889
Deferred charges and prepaid expenses	765	13,637	2,204,772	2,541	3,904	17,526	71,214
Notes receivable (net)			3,829,023		70,229		
Other current assets			1,817,262				
Total current assets	50,887,351	11,746,032	233,106,689	3,331,768	5,250,604	2,183,001	28,890,824
Noncurrent assets:							
Restricted:							
Cash and cash equivalents		4,262	38,215,130	454,016	364,544	258,673	4,269,351
Investments		6,197,197	168,130,911	1,175,766	614,145	2,122,930	1,892,534
Receivables (net)			16,000				
Notes receivable (net)			10,639,101		500,143		
Other			18,229,817	175,749			523,138
Investments							
Other noncurrent assets							
Capital assets (net)	454,962	51,327,520	536,483,489	15,568,989	19,164,708	16,227,310	29,289,555
Total noncurrent assets	454,962	57,528,979	771,714,448	17,374,520	20,643,540	18,608,913	35,974,578
Total assets	51,342,313	69,275,011	1,004,821,137	20,706,288	25,894,144	20,791,914	64,865,402
LIABILITIES							
Current liabilities:							
Accounts payable and accruals	10,385,259	798,625	36,173,938	168,632	559,314	437,584	922,978
Due to other campuses			71,452,415				
Due to state treasury	539,585		13,854			468	
Deferred revenues	470,833	4,766,326	43,491,177	1,423,214	441,626	142,513	2,597,299
Amounts held in custody for others	110		3,039,418	75,551	60,767	114,482	32,898
Compensated absences payable	70,789	180,717	2,212,923	63,422	61,736	44,010	684,744
Capital lease obligations			767,379				
Claims and litigation payable							
Notes payable			2,635,096				
Bonds payable			5,075,000		105,000		
Other current liabilities			1,817,262				
Total current liabilities	11,466,576	5,745,668	166,678,462	1,730,819	1,228,443	739,057	4,237,919

(Continued)

Schedule 1

	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	$7,655,434	$5,637,926	$181,515,252	$110,360,347		$391,492,214
Investments		1,118,537	5,050,926	5,722,555		163,548,422
Receivables (net)	25,142,175	1,318,039	118,987,837	34,879,674		231,988,213
Due from other campuses			71,146,375	1,205,044	($72,360,662)	
Due from state treasury	4,560,627		2,767,074	14,303,349		52,076,744
Inventories	959,004	426,408	17,585,831	9,762,663		36,004,218
Deferred charges and prepaid expenses	413,936	575,479	262,612	199,521		3,765,907
Notes receivable (net)	880,893		1,639,905	305,164		6,725,214
Other current assets						1,817,262
Total current assets	39,612,069	9,076,389	398,955,812	176,738,317	(72,360,662)	887,418,194
Noncurrent assets:						
Restricted:						
Cash and cash equivalents	10,255,783	359,845	832,356	9,372,116		64,386,076
Investments	16,296,659		33,345,368	46,666,232		276,441,742
Receivables (net)						16,000
Notes receivable (net)	4,093,919		8,387,439	1,602,115		25,222,717
Other						18,928,704
Investments	16,818	3,575,313	275,000			3,867,131
Other noncurrent assets			4,309,732			4,309,732
Capital assets (net)	157,781,057	28,703,864	356,690,050	126,332,053		1,338,023,557
Total noncurrent assets	188,444,236	32,639,022	403,839,945	183,972,516	NONE	1,731,195,659
Total assets	228,056,305	41,715,411	802,795,757	360,710,833	(72,360,662)	2,618,613,853
LIABILITIES (CONT.)						
Current liabilities						
Accounts payable and accruals	10,240,222	2,104,859	305,859,044	24,176,633		391,827,088
Due to other campuses	9,243		622,035	276,969	(72,360,662)	
Due to state treasury		9,367	278,056	36,150		877,480
Deferred revenues	6,228,491	647,938	7,809,900	1,697,630		69,716,947
Amounts held in custody for others	306,150	242,537	1,411,756	38,874		5,322,543
Compensated absences payable	771,415	111,926	5,132,866	1,344,266		10,678,814
Capital lease obligations	593,750		57,702	2,456,629		3,875,460
Claims and litigation payable			464,108			464,108
Notes payable	99,629		8,062,663	566,476		11,363,864
Bonds payable	1,515,000		4,895,000			11,590,000
Other current liabilities						1,817,262
Total current liabilities	19,763,900	3,116,627	334,593,130	30,593,627	(72,360,662)	507,533,566

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Net Assets, by University
June 30, 2007

	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	$564,824	$1,901,565	$23,977,171	$659,381	$600,293	$963,716	$8,346,022
Capital lease obligations			37,144,866				
Notes payable			5,104,912				
Bonds payable			229,065,000		7,973,862		
Other noncurrent liabilities			964,985	36,251	(40,215)		25,690
Total noncurrent liabilities	564,824	1,901,565	296,256,934	695,632	8,533,940	963,716	8,371,712
Total liabilities	12,031,400	7,647,233	462,935,396	2,426,451	9,762,383	1,702,773	12,609,631
NET ASSETS							
Invested in capital assets, net of related debt	454,962	51,327,520	361,641,329	15,568,989	13,263,270	16,227,310	29,289,555
Restricted for:							
Nonexpendable		6,197,197	53,972,117	1,175,766	275,936	2,380,878	1,892,534
Expendable	35,503,723	2,756,708	101,045,966	1,111,623	2,479,689	356,522	6,437,683
Unrestricted	3,352,228	1,346,353	25,226,329	423,459	112,866	124,431	14,635,999
Total net assets	$39,310,913	$61,627,778	$541,885,741	$18,279,837	$16,131,761	$19,089,141	$52,255,771

(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	$6,723,686	$2,014,467	$44,257,901	$22,952,538		$112,961,564
Capital lease obligations	8,996,673		159,770	7,977,463		54,278,772
Notes payable	253,100		13,589,702	235,434		19,183,148
Bonds payable	27,735,000		29,005,000			293,778,862
Other noncurrent liabilities	241,447					1,228,158
Total noncurrent liabilities	43,949,906	2,014,467	87,012,373	31,165,435	NONE	481,430,504
Total liabilities	63,713,806	5,131,094	421,605,503	61,759,062	($72,360,662)	988,964,070
NET ASSETS						
Invested in capital assets, net of related debt	126,937,460	28,703,864	300,920,214	115,096,051		1,059,430,524
Restricted for:						
Nonexpendable	17,854,533	3,440,089	29,667,976	49,648,050		166,505,076
Expendable	18,819,042	2,064,641	34,660,896	21,455,269		226,691,762
Unrestricted	731,464	2,375,723	15,941,168	112,752,401		177,022,421
Total net assets	$164,342,499	$36,584,317	$381,190,254	$298,951,771	NONE	$1,629,649,783

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, 2007

	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			$171,323,371	$7,471,334	$4,978,221	$9,447,204	
Less scholarship allowances			(23,758,575)	(2,812,536)	(2,856,732)	(1,134,379)	
Net student tuition and fees	NONE	NONE	147,564,796	4,658,798	2,121,489	8,312,825	NONE
Federal appropriations							$8,604,816
Federal grants and contracts		$21,455,072	98,968,885	4,104,373	4,538,237	162,609	7,658,463
State and local grants and contracts	$119,167	991,602	35,649,015	669,955	527,231		10,200,342
Nongovernmental grants and contracts		5,330,904	11,380,658	2,982	10,669	89,003	4,744,335
Sales and services of educational departments		75,123	10,007,094	17,343	24,480	133,979	5,328,979
Hospital income							
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 24)			119,021,973	1,057,878	2,626,430		
Less scholarship allowances			(4,474,840)	(198,431)	(270,398)		
Net auxiliary revenues	NONE	NONE	114,547,133	859,447	2,356,032	NONE	NONE
Other operating revenues	1,316,266	193,871	6,461,398	39,827	92,418	3,765	4,781,268
Total operating revenues	1,435,433	28,046,572	424,578,979	10,352,725	9,670,556	8,702,181	41,318,203
OPERATING EXPENSES							
Educational and general:							
Instruction			213,258,053	9,470,322	7,424,275	8,624,605	
Research		30,243,328	112,643,006		12,675	660,865	61,017,937
Public service	25,000	259,169	33,627,637	176,070		76,461	44,484,987
Academic services		3,353,206	56,784,682	1,162,070	664,815	3,452,579	3,442,202
Student services			14,795,935	1,360,363	1,377,263	1,144,403	
Institutional support	5,976,123	4,119,223	26,136,884	2,848,467	2,366,005	2,391,089	10,919,131
Operations and maintenance of plant	186,630	7,097,083	74,068,027	3,070,629	3,210,535	2,320,490	4,625,109
Scholarships and fellowships	1,000		24,594,121	900,104	730,040	462,029	50,524
Auxiliary enterprises			102,178,759	878,404	2,034,643		
Hospital							
Total operating expenses	6,188,753	45,072,009	658,087,104	19,866,429	17,820,251	19,132,521	124,539,890
OPERATING LOSS	(4,753,320)	(17,025,437)	(233,508,125)	(9,513,704)	(8,149,695)	(10,430,340)	(83,221,687)
NONOPERATING REVENUES (Expenses)							
State appropriations	36,108,720	12,375,888	218,972,831	8,781,684	8,043,646	8,737,155	83,506,245
Gifts	86,541	2,896,018	11,565,470	330,723	65,658	525,514	2,512,700
Net investment income	(489,151)	891,873	18,827,084	225,815	147,065	322,186	1,361,648
Interest expense			(12,286,667)		(582,214)		
Other nonoperating revenues (expenses)			37,478				277,665
Other nonoperating revenues - FEMA			116,536				836,616
Other nonoperating expenses - FEMA							(836,616)
Net nonoperating revenues (expenses)	35,706,110	16,163,779	237,232,732	9,338,222	7,674,155	9,584,855	87,658,258

(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	$50,937,152	$11,062,672	$17,966,427	$5,980,366		$279,166,747
Less scholarship allowances	(8,953,789)	(2,138,589)	(2,963,194)	(132,195)		(44,749,989)
Net student tuition and fees	41,983,363	8,924,083	15,003,233	5,848,171	NONE	234,416,758
Federal appropriations						8,604,816
Federal grants and contracts	27,401,228	4,598,295	51,097,642	16,013,725		235,998,529
State and local grants and contracts	12,648,275	4,906,118	31,352,361	14,681,301		111,745,367
Nongovernmental grants and contracts	13,202,344	2,200,882	48,741,700	11,927,758		97,631,235
Sales and services of educational departments	109,076	27,180	71,600,578	98,607,520		185,931,352
Hospital income			658,490,907	359,575,145		1,018,066,052
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 24)	10,670,091	3,800,786	8,735,807	9,371,343		155,284,308
Less scholarship allowances	(531,602)	(283,330)				(5,758,601)
Net auxiliary revenues	10,138,489	3,517,456	8,735,807	9,371,343	NONE	149,525,707
Other operating revenues	1,695,512	126,675	759,668	419,455		15,890,123
Total operating revenues	107,178,287	24,300,689	885,781,896	516,444,418	NONE	2,057,809,939
OPERATING EXPENSES						
Educational and general:						
Instruction	65,920,081	14,375,605	144,293,367	56,628,595		519,994,903
Research	20,434,985	808,686	60,685,481	36,608,033		323,114,996
Public service	4,080,617	2,712,183	133,216,291	68,611,624		287,270,039
Academic services	15,706,474	4,053,431	19,285,086	5,660,615		113,565,160
Student services	7,552,167	1,896,197	3,372,563	1,095,935		32,594,826
Institutional support	19,491,603	5,067,786	30,824,382	20,750,792	(2,819,932)	128,071,553
Operations and maintenance of plant	25,648,612	3,988,843	28,608,808	11,587,477		164,412,243
Scholarships and fellowships	11,210,151	3,580,513	383,554	650,451		42,562,487
Auxiliary enterprises	10,835,134	3,852,941	7,491,080	8,529,964		135,800,925
Hospital			678,621,115	369,663,973		1,048,285,088
Total operating expenses	180,879,824	40,336,185	1,106,781,727	579,787,459	(2,819,932)	2,795,672,220
OPERATING LOSS	(73,701,537)	(16,035,496)	(220,999,831)	(63,343,041)	2,819,932	(737,862,281)
NONOPERATING REVENUES (Expenses)						
State appropriations	65,669,431	15,078,676	229,049,639	78,983,961	(2,819,932)	762,487,944
Gifts	337,742	132,125	9,347,485	137,575		27,937,551
Net investment income	2,843,854	875,821	13,372,116	10,269,696		48,648,007
Interest expense	(1,358,344)		(2,339,398)	(664,953)		(17,231,576)
Other nonoperating revenues (expenses)	4,413,610		(1,639,063)			3,089,690
Other nonoperating revenues - FEMA	3,064,937		26,713,308			30,731,397
Other nonoperating expenses - FEMA	(3,282,610)		(22,291,188)			(26,410,414)
Net nonoperating revenues (expenses)	71,688,620	16,086,622	252,212,899	88,726,279	(2,819,932)	829,252,599

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by University
June 30, 2007

	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	$30,952,790	($861,658)	$3,724,607	($175,482)	($475,540)	($845,485)	$4,436,571
Capital appropriations			8,357,955	1,597,567		66,786	116,627
Capital gifts and grants		208,412	11,165,795	64,669	127,316	1,105	196,656
Additions to permanent endowment		400,000	3,893,060	40,000		120,000	360,000
Other additions (deductions)	3,594,316	(26,393)	1,282,031	(7,629)	(1,596)	(13,226)	(11,909)
CHANGE IN NET ASSETS	34,547,106	(279,639)	28,423,448	1,519,125	(349,820)	(670,820)	5,097,945
NET ASSETS - BEGINNING OF YEAR (Restated)	4,763,807	61,907,417	513,462,293	16,760,712	16,481,581	19,759,961	47,157,826
NET ASSETS - END OF YEAR	$39,310,913	$61,627,778	$541,885,741	$18,279,837	$16,131,761	$19,089,141	$52,255,771

(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.)	($2,012,917)	$51,126	$31,213,068	$25,383,238		$91,390,318
Capital appropriations	1,422,910		35,825,413	10,407,407		57,794,665
Capital gifts and grants	661,014		970,157	824,149		14,219,273
Additions to permanent endowment	920,000	400,000	1,675,488	10,620,000		18,428,548
Other additions (deductions)	66,461	2,283		(63,248)		4,821,090
CHANGE IN NET ASSETS	1,057,468	453,409	69,684,126	47,171,546	NONE	186,653,894
NET ASSETS - BEGINNING OF YEAR (Restated)	163,285,031	36,130,908	311,506,128	251,780,225	NONE	1,442,995,889
NET ASSETS - END OF YEAR	$164,342,499	$36,584,317	$381,190,254	$298,951,771	NONE	$1,629,649,783

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2007

	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			$148,786,138	$4,213,795	$2,172,304	$8,330,465	
Federal appropriations							$8,170,620
Grants and contracts	$586,124	$29,440,503	146,891,809	4,680,533	5,238,465	325,891	21,838,412
Sales and services of educational departments		102,577	12,192,835	17,343	24,480	114,377	5,287,843
Hospital income							
Auxiliary enterprise receipts			114,640,385	993,695	2,399,102		
Payments for employee compensatior	(717,913)	(22,321,404)	(320,855,828)	(10,532,798)	(8,087,525)	(10,027,693)	(67,828,169)
Payments for benefits	1,728,458	(5,692,863)	(82,059,328)	(3,276,081)	(2,614,641)	(2,389,246)	(21,591,395)
Payments for utilities	(83,915)	(2,235,543)	(17,803,895)	(644,755)	(604,158)	(534,839)	(2,942,861)
Payments for supplies and services	(4,901,761)	(11,319,868)	(169,044,450)	(3,765,357)	(4,414,954)	(4,135,906)	(28,082,881)
Payments for scholarships and fellowships	(1,000)		(24,598,667)	(900,104)	(730,040)	(462,029)	(50,524)
Loans to students			(4,609,197)	1,870	(102,308)		
Collection of loans to students			3,792,407		60,899		
Other receipts (payments)	1,316,266	135,764	2,947,402	74,326	93,531	5,436	4,895,184
Net cash provided (used) by operating activities	(2,073,741)	(11,890,834)	(189,720,389)	(9,137,533)	(6,564,845)	(8,773,544)	(80,303,771)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
State appropriations	6,648,305	12,375,888	218,766,473	8,781,684	8,135,809	8,737,155	83,774,319
Gifts and grants for other than capital purposes	87,441	2,896,018	11,163,320	169,704	63,959	540,220	2,649,066
Private gifts for endowment purposes		(573,312)	303,014	7,627	1,595	13,225	11,910
TOPS receipts			45,084,987	690,724	703,226		
TOPS disbursements			(45,084,987)	(704,935)	(703,226)		
FEMA receipts							
FEMA disbursements							
Other receipts			154,014	12,518			277,665
Net cash provided (used) by noncapital financing sources	6,735,746	14,698,594	230,386,821	8,957,322	8,201,363	9,290,600	86,712,960
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:							
Proceeds from capital debt			97,095,000				
Capital appropriations received			2,580,480	30,081	16,188	63,359	1,022,324
Capital gifts and grants received		208,412	10,666,443	42,849	118,643	1,105	193,317
Purchase of capital assets		(1,643,257)	(73,383,104)	(882,188)	(501,842)	(875,704)	(4,720,075)
Principal paid on capital debt and leases			(7,344,213)		(96,138)		
Interest paid on capital debt and leases			(12,293,485)		(582,214)		
Other sources	3,594,316	(26,393)	1,355,896	(7,629)	(1,596)	(13,226)	(11,909)
Net cash provided (used) by capital financing activities	3,594,316	(1,461,238)	18,677,017	(816,887)	(1,046,959)	(824,466)	(3,516,343)

(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	$43,248,209	$9,008,441	$17,592,409	$6,063,569		$239,415,330
Federal appropriations						8,170,620
Grants and contracts	51,318,792	12,403,227	145,401,656	41,741,373		459,866,785
Sales and services of educational departments	147,679	27,180	80,782,071	98,470,633		197,167,018
Hospital income			664,684,160	350,451,402		1,015,135,562
Auxiliary enterprise receipts	9,494,532	3,515,990	8,830,753	9,371,781		149,246,238
Payments for employee compensation	(83,956,634)	(18,195,622)	(472,241,937)	(309,367,377)		(1,324,132,900)
Payments for benefits	(21,528,126)	(5,243,615)	(103,125,653)	(64,260,265)		(310,052,755)
Payments for utilities	(5,485,594)	(818,406)	(21,044,569)	(7,301,233)		(59,499,768)
Payments for supplies and services	(48,689,810)	(10,267,551)	(462,561,652)	(174,103,251)	$2,819,932	(918,467,509)
Payments for scholarships and fellowships	(11,178,158)	(3,580,513)	(383,554)	(650,451)		(42,535,040)
Loans to students	(1,376,064)		(2,076,346)	(294,767)		(8,456,812)
Collection of loans to students	1,107,945		1,639,905	305,165		6,906,321
Other receipts (payments)	(119,612)	214,229	5,336,739	418,973		15,318,238
Net cash provided (used) by operating activities	(67,016,841)	(12,936,640)	(137,166,018)	(49,154,448)	2,819,932	(571,918,672)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
State appropriations	61,108,804	15,078,676	236,997,106	65,788,285	(2,819,932)	723,372,572
Gifts and grants for other than capital purposes	841,029	132,125	9,347,485	137,575		28,027,942
Private gifts for endowment purposes		400,000		10,620,000		10,784,059
TOPS receipts	6,452,047	1,829,498	914,534	60,644		55,735,660
TOPS disbursements	(5,845,203)	(1,829,498)	(889,870)	(60,644)		(55,118,363)
FEMA receipts			21,180,461			21,180,461
FEMA disbursements			(20,129,780)			(20,129,780)
Other receipts	4,195,937		4,527,505			9,167,639
Net cash provided (used) by noncapital financing sources	66,752,614	15,610,801	251,947,441	76,545,860	(2,819,932)	773,020,190
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Proceeds from capital debt						97,095,000
Capital appropriations received	1,422,910		5,520,678	10,407,408		21,063,428
Capital gifts and grants received	468,785		970,157	824,149		13,493,860
Purchase of capital assets	(4,572,509)	(925,399)	(54,989,330)	(21,511,494)		(164,004,902)
Principal paid on capital debt and leases	(2,097,455)	(2,991)	(16,369,956)	(3,281,339)		(29,192,092)
Interest paid on capital debt and leases	(1,358,344)		(2,336,415)	(664,953)		(17,235,411)
Other sources	(227,997)	2,283		177,296		4,841,041
Net cash provided (used) by capital financing activities	(6,364,610)	(926,107)	(67,204,866)	(14,048,933)	NONE	(73,939,076)

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University
June 30, 2007

	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			$38,765,669		$166,646		
Interest received on investments	$116,220	$853,506	14,963,892	$167,110	136,171	$276,028	$1,285,855
Purchase of investments			(147,929,230)				
Net cash provided (used) by investing activities	116,220	853,506	(94,199,669)	167,110	302,817	276,028	1,285,855
NET INCREASE (Decrease) IN CASH AND CASH EQUIVALENTS	8,372,541	2,200,028	(34,856,220)	(829,988)	892,376	(31,382)	4,178,701
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	11,654,066	6,674,073	106,817,357	1,993,429	3,541,333	2,179,260	17,103,657
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$20,026,607	$8,874,101	$71,961,137	$1,163,441	$4,433,709	$2,147,878	$21,282,358
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:							
Operating income (loss)	($4,753,320)	($17,025,437)	($233,508,125)	($9,513,704)	($8,149,695)	($10,430,340)	($83,221,687)
Adjustments to reconcile operating loss to net cash used by operating activities:							
Depreciation expense	50,828	3,057,847	36,015,871	657,423	1,132,359	1,434,532	3,115,779
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable, net	725,142	(93,360)	4,330,885	(1,462,156)	305,100	78,152	(1,027,946)
(Increase) decrease in inventories		(9,088)	(176,108)		(30,941)		322,872
(Increase) decrease in deferred charges and prepaid expenses	(765)	(5,487)	(330,373)	10,180	(1,084)	(2,636)	4,613
(Increase) decrease in notes receivable			(687,412)	1,870	(25,810)		
(Increase) in other assets			(226,877)				
Increase (decrease) in accounts payable and accrued liabilities	1,455,490	230,167	7,969,725	(32,590)	133,318	104,636	359,905
Increase (decrease) in deferred revenue	470,833	1,769,948	3,882	1,055,943	27,589	2,908	(106,332)
Increase (decrease) in amounts held in custody for others		(24,068)	(445,003)	43,710	22,088	(7,525)	(3,313)
Increase (decrease) in compensated absences	(21,949)	208,644	911,029	65,540	22,231	45,574	306,872
Increase (decrease) in other liabilities			(3,577,883)	36,251		1,155	(54,534)
Net cash provided (used) by operating activities	(2,073,741)	(11,890,834)	(189,720,389)	(9,137,533)	(6,564,845)	(8,773,544)	(80,303,771)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:							
Cash and cash equivalents classified as current assets	20,026,607	8,869,839	33,746,007	709,425	4,069,165	1,889,205	17,013,007
Cash and cash equivalents classified as noncurrent assets		4,262	38,215,130	454,016	364,544	258,673	4,269,351
Cash and cash equivalents at end of the year	$20,026,607	$8,874,101	$71,961,137	$1,163,441	$4,433,709	$2,147,878	$21,282,358
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:							
Capital assets appropriated by State of Louisiana			$5,990,685	$1,595,077		$66,786	$94,477

(Concluded)

	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				$17,078,597		$56,010,912
Interest received on investments	$2,044,530	$875,821	$13,814,150	10,149,489		44,682,772
Purchase of investments		(1,750,977)	(736,029)	(22,497,021)		(172,913,257)
Net cash provided (used) by investing activities	2,044,530	(875,156)	13,078,121	4,731,065	NONE	(72,219,573)
NET INCREASE (Decrease) IN CASH AND CASH EQUIVALENTS	(4,584,307)	872,898	60,654,678	18,073,544	NONE	54,942,869
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	22,495,524	5,124,873	121,692,930	101,658,919	NONE	400,935,421
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$17,911,217	$5,997,771	$182,347,608	$119,732,463	NONE	$455,878,290
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:						
Operating income (loss)	($73,701,537)	($16,035,496)	($220,999,831)	($63,343,041)	$2,819,932	($737,862,281)
Adjustments to reconcile operating loss to net cash used by operating activities:						
Depreciation expense	10,834,023	1,949,421	36,214,206	23,487,584		117,949,873
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable, net	(50,505)	910,335	(5,090,326)	(13,571,385)		(14,946,064)
(Increase) decrease in inventories	167,125	78,390	(4,348,675)	(1,110,821)		(5,107,246)
(Increase) decrease in deferred charges and prepaid expenses	(146,522)	2,607	13,935	136,786		(318,746)
(Increase) decrease in notes receivable	(268,119)		(436,441)	10,398		(1,405,514)
(Increase) in other assets			(2,333,380)			(2,560,257)
Increase (decrease) in accounts payable and accrued liabilities	(851,133)	222,207	61,925,960	4,893,944		76,411,629
Increase (decrease) in deferred revenue	(1,224,075)	(129,511)	4,871,794	28,298		6,771,277
Increase (decrease) in amounts held in custody for others	(1,815,124)	80,872	747,182	(482)		(1,401,663)
Increase (decrease) in compensated absences	39,026	(22,147)	2,431,189	356,882		4,342,891
Increase (decrease) in other liabilities		6,682	(10,161,631)	(42,611)		(13,792,571)
Net cash provided (used) by operating activities	(67,016,841)	(12,936,640)	(137,166,018)	(49,154,448)	2,819,932	(571,918,672)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:						
Cash and cash equivalents classified as current assets	7,655,434	5,637,926	181,515,252	110,360,347		391,492,214
Cash and cash equivalents classified as noncurrent assets	10,255,783	359,845	832,356	9,372,116		64,386,076
Cash and cash equivalents at end of the year	$17,911,217	$5,997,771	$182,347,608	$119,732,463	NONE	$455,878,290
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital assets appropriated by State of Louisiana			$28,082,524			$35,829,549

This page is intentionally blank.

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.

LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

March 3, 2008

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, 2007, and have issued our report thereon dated March 3, 2008. Our report was modified to include a reference to other auditors and an emphasis of a matter regarding the impact of hurricanes Katrina and Rita. 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 and the Eunice Student Housing Foundation, Inc., 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, the University of New Orleans Foundation, 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 these 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 and the Pennington Medical Foundation were not audited in accordance with *Government Auditing Standards*.

1600 NORTH THIRD STREET · POST OFFICE BOX 94397 · BATON ROUGE, LOUISIANA 70804-9397
WWW.LLA.LA.GOV · PHONE: 225-339-3800 · FAX: 225-339-3870

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 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. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

Unlocated Movable Property

For the third consecutive year, the LSU System did not have adequate internal control over movable property at all campuses (including hospitals) within the LSU System. Certain campuses within the LSU System reported unlocated movable property items totaling $22,100,636 as a result of the property inventory certification or other procedures for the four-year period from fiscal year 2004 through 2007. Good internal control and the Louisiana Administrative Code prescribe that efforts should be made to locate all movable property items for which there are no explanations available for their disappearance. Assets should be adequately monitored to safeguard against loss or theft, and periodic counts of property inventory, as well as the search for missing items, should be thorough.

Various annual property certifications to the Louisiana Property Assistance Agency (LPAA) and other information for the LSU and A&M College, the LSU Health Sciences Center in Shreveport, the LSU Health Sciences Center in New Orleans, the University of New Orleans (UNO), and the Health Care Services Division (HCSD) disclosed the following:

- LSU and A&M College's inventory certification, which includes LSU, System Administration, Agriculture Center, and Alexandria and Eunice campuses, reported unlocated movable property items totaling $4,978,420. Of that amount, items totaling $1,116,141 were removed from the property records because they had not been located for three consecutive years. Of the unlocated total, the amount of unlocated computers and computer-related equipment totaled $3,023,285. The certification of property inventory disclosed $338,124,909 in total movable property administered by these campuses.

- The LSU Health Sciences Center in Shreveport's inventory certification disclosed unlocated movable property items totaling $3,099,697. Of that amount, items totaling $345,706 were removed from the property records because they had not been located for three consecutive years. Of the unlocated total, the amount of unlocated medical and related equipment totaled $1,523,795 and the amount of computers and computer-related equipment totaled $1,396,518. The certification of property inventory disclosed $128,776,602 in total movable property administered by the LSU Health Sciences Center in Shreveport.

- The LSU Health Sciences Center in New Orleans' inventory certification submitted December 15, 2006, disclosed unlocated movable property items totaling $4,849,657, as reported in the prior year. Of that amount, items totaling $485,876 were removed from the property records because they had not been located for three consecutive years. Of the unlocated total, the amount of unlocated computers and computer-related equipment totaled $853,200. The certification of property inventory disclosed $99,616,065 in total movable property administered by the Health Sciences Center in New Orleans.

- UNO reported significant amounts of movable property that could not be located. UNO's inventory certification disclosed unlocated movable property items totaling $3,247,897. Of that amount, items totaling $115,896 were removed from the property records because they had not been located for three consecutive years. Of the unlocated total, the amount of unlocated computers and computer-related equipment totaled $726,394. The university's annual certification of property inventory to LPAA disclosed $68,229,092 in total movable property.

- The Medical Center of Louisiana at New Orleans (MCLNO), within the HCSD, conducted its inventory and identified and reported on May 30, 2007, unlocated movable property items with an original cost of $5,088,158. Of that amount, items totaling $128,705 were removed from the property records because they had not been located for three consecutive years. The certification of property inventory disclosed $75,010,386 in total movable property administered by the medical center.

- Earl K. Long Medical Center (EKLMC), within the HCSD, reported unlocated movable property items totaling $836,807 as a result of physical inventory procedures. Of that amount, items totaling $50,637 were removed from the property records because they had not been located for three consecutive years. Of the unlocated property reported on EKLMC's physical inventory certification, the amount of unlocated computers and computer-related equipment totaled $201,384. The certification of property inventory disclosed $17,712,455 in total movable property administered by EKLMC.

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

Management should strengthen its internal controls over movable property, including procedures for securing its movable assets and conducting its physical inventories and should devote additional efforts to locating movable property reported as unlocated in previous years for all campuses within the LSU System. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described previously is not a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Other Reports

Other external auditors audited the LSU Healthcare Network and the Eunice Student Housing Foundation, which are blended component units included in the LSU System's basic financial statements for the year ended June 30, 2007. In addition, other external auditors audited the LSU Foundation, the Tiger Athletic Foundation, the Pennington Medical Foundation, the Foundation for the LSU Health Sciences Center, the University of New Orleans Foundation, 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 to 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, 2007, 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	February 28, 2008
LSU Health Sciences Center - New Orleans	February 25, 2008
LSU Health Sciences Center - Shreveport	November 14, 2007
Health Care Services Division	January 29, 2008
University of New Orleans	November 30, 2007

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 report for the Paul M. Hebert Law Center will be issued in 2008.

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, the LSU Board of Supervisors, others within the entity, 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

ETM:ES:PEP:dl
LSU07

Exhibit A

This page is intentionally blank.

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 18, 2008

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

RE: Response to Audit Finding: Unlocated Moveable Property

Dear Mr. Theriot:

Regarding the audit of the LSU System for the fiscal year ending June 30, 2007, we concur with the finding that the campuses that were cited did not have adequate internal controls in place over moveable property. Like last year, we affirm that all our campuses and not just those cited should make every effort to review and improve procedures designed to ensure that all moveable property is properly accounted for.

The LSU System is pleased to note that the amount of unlocated moveable property cited declined system-wide from $29,329,057 (per original and not depreciated cost) in fiscal year 2005-06 to $22,100,636 (per original and not depreciated cost) in fiscal year 2006-07. We think this is a direct result of the extra efforts taken by the campuses to improve their internal controls over their moveable property.

However, the LSU System recognizes that it must still mandate that its campuses continue to improve their internal controls over all moveable property to which they have been entrusted.

Sincerely,

John Antolik
Assistant Vice President