LOUISIANA STATE UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2010
ISSUED MARCH 9, 2011

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

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 24, 2011

Independent Auditor's Report

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, 2010, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management of the LSU System. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries, the Eunice Student Housing Foundation, Inc., and the Health Care Services Foundation and its subsidiary, which are nonprofit corporations included as blended component units in the basic financial statements representing approximately 1.7% of total assets, 2.8% of total liabilities, 1.9% of total revenues, and 2.0% of total expenses of the LSU System. We also did not audit the financial statements of the LSU Foundation, the Tiger Athletic 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 Tiger Athletic 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.

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In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the LSU System as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-B to the financial statements, the Pennington Medical Foundation and the Foundation for the LSU Health Sciences Center, discretely presented component units of the LSU System for the year ended June 30, 2009, are no longer included in the financial statements and related disclosures as discretely presented component units of the System as the assets of the foundations no longer meet the reporting threshold of 3% of total system assets. As discussed in note 17 to the financial statements, the effect of excluding these foundations is a decrease of $117,143,573 in beginning net assets for the discretely presented component units. This change affects the comparability of the amounts reported for the year ended June 30, 2010, with the amounts reported for the year ended June 30, 2009.

As discussed in note 1-Q to the financial statements, the LSU System implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, for the year ended June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2011, on our consideration of LSU System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 7 through 15 and the Schedule of Funding Progress for the Other Postemployment Benefits Plans on page 81 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LSU System's basic financial statements. The accompanying supplementary information schedules including the Combining Schedule of Net Assets; the Combining Schedule of Revenues, Expenses, and Changes in Net Assets; and the Combining Schedule of Cash Flows on pages 84 through 95 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These accompanying supplemental information 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,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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LSU 2010

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INTRODUCTION

The following discussion and analysis has been prepared by management and is written to provide an overview of the financial position and activities of the Louisiana State University System (System) for the year ended June 30, 2010. It should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

The System applies 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 total assets of the university system they support. A component unit that falls below this threshold may be excluded if it has been included in the financial report for at least three consecutive years and currently does not meet the reporting threshold.

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

BACKGROUND

The System is the state's flagship system. It is also one of the most diverse and comprehensive higher education systems in the country. Headcount enrollment during the fall 2009 semester was 54,262, up 0.9% from the 53,770 reported in the previous year.

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 a vital and 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.

The System is also 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

GENERAL

Total operating revenues increased from the prior fiscal year by $107 million, while operating expenses declined by $106 million, thereby decreasing the operating loss by $214 million. The operating loss for fiscal year 2009 was $1,051 million; the operating loss for fiscal year 2010 was $837 million.

To properly explain the change in the operating loss one has to review the activity in both operating revenues and operating expenses. On the surface it appears that changes in revenue activity alone accounted for most of the change in the operating loss. For example, there were increases in hospital income of $61 million, increases in grants and contracts of $14 million, and increases to net student tuition and fee revenue of $18 million. Together these totaled $93 million. However, as explained in the next paragraph, these revenue increases were also accompanied by expense reductions which help further explain the decrease in the operating loss.

There were significant changes in operating expenses from last year, but coincidentally the large increases in some expenses were almost entirely offset by decreases in others. The increases in expenses, such as those required by federal stimulus dollars, were more than offset by significant budget reductions resulting in cuts to expenses, including a decline in the amount of expenses charged to the System's Electronic Medical Records development program.

If you include nonoperating revenues and expenses, the System shows a gain before other revenues, expenses, gains, and losses of $143 million. This represents a significant change from the $144 million loss reported in the previous year. State fiscal stabilization funding provided under the American Recovery and Reinvestment Act (ARRA) of approximately $92 million, reported as nonoperating revenue, contributed to this net gain.

Net assets, which represent the residual interest in the System's assets after liabilities, are deducted, increased by $297 million from the previous fiscal year (based upon restated amounts).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS

Net assets are divided into three major categories.

> <u>Invested in capital assets, net of related debt</u> 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.
>
> <u>Restricted net assets</u> represent the university system's assets that are available for spending only as legally or contractually obligated by legislative requirements, donor agreements, grant requirements, etc.
>
> <u>Unrestricted net assets</u> represent the university system's assets that may be used at the discretion of the governing board to meet current expenses and for any lawful purpose.

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

- Assets available to continue the operations of the System
- Liabilities of the System that include the amount owed vendors and lending institutions
- Net assets and their availability for expenditure by the System

Current assets total $1.2 billion and consist primarily of cash and cash equivalents, net receivables, investments, amounts due from state treasury, and inventories. Current liabilities total $299 million and consist primarily of accounts payable and accrued liabilities, deferred revenues, notes payable, bonds payable, capital lease obligations, and a contingent amount for uncompensated absences.

Noncurrent assets total $2.2 billion and include capital assets of $1.7 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 $472 million.

Noncurrent liabilities total $1.2 billion 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; (3) the other postemployment benefits (OPEB) liability; and (4) 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 $192 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 $322 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, 2010, and June 30, 2009, is shown below.

Statement of Net Assets

	As of			
	June 30, 2010	June 30, 2009 (Restated)	Change	Percentage Change
Assets:				
Current assets	$1,217,023,805	$1,085,026,183	$131,997,622	12.2%
Capital assets	1,741,665,684	1,656,455,398	85,210,286	5.1%
Other assets	471,708,769	365,539,660	106,169,109	29.0%
Total Assets	3,430,398,258	3,107,021,241	323,377,017	10.4%
Liabilities:				
Current liabilities	299,375,809	494,206,098	(194,830,289)	39.4%
Noncurrent liabilities	1,171,026,679	949,996,244	221,030,435	23.3%
Total Liabilities	1,470,402,488	1,444,202,342	26,200,146	1.8%
Net Assets:				
Invested in capital assets, net of related debt	1,324,030,891	1,246,946,621	77,084,270	6.2%
Restricted - nonexpendable	192,483,212	169,318,002	23,165,210	13.7%
Restricted - expendable	322,208,493	284,234,639	37,973,854	13.4%
Unrestricted	121,273,174	(37,680,363)	158,953,537	421.8%
Total Net Assets	$1,959,995,770	$1,662,818,899	$297,176,871	17.9%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets 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 required to be reported as nonoperating because they are provided by the legislature to the System without the legislature directly receiving commensurate goods and services for those revenues.

The System's consolidated Statement of Revenues, Expenses, and Changes in Net Assets at June 30, 2010, indicates a net operating loss of $837 million determined without including state appropriations, state fiscal stabilization funding - ARRA, gifts, or investment earnings and before subtracting interest expenses on debt. As mentioned earlier, the net operating loss decreased from the prior year by $214 million.

While operating revenues increased by some $107 million, operating expenses decreased by $106 million. Explanations for the major changes in operating revenues and operating expenses are provided in the paragraphs that follow.

After including nonoperating revenues such as state appropriations ($611 million), state fiscal stabilization funding - ARRA ($92 million), gifts ($24 million), investment income ($26 million), and taking into account interest expense ($20 million) and other nonoperating revenues, the System had a net gain before other revenues, expenses, gains, or losses of $143 million.

The Statement of Revenues, Expenses, and Changes in Net Assets is summarized as follows:

Statement of Revenues, Expenses, and Changes in Net Assets

	As of June 30, 2010	As of June 30, 2009 (Restated)	Change	Percentage Change
Operating revenues	$2,547,442,546	$2,440,062,454	$107,380,092	4.4%
Operating expenses	3,384,442,660	3,490,867,949	(106,425,289)	3.0%
Operating loss	(837,000,114)	(1,050,805,495)	213,805,381	20.3%
Nonoperating revenues (expenses)	980,431,501	906,832,536	73,598,965	8.1%
Income (loss) before other revenues, expenses, gains, and losses	143,431,387	(143,972,959)	287,404,346	199.6%
Other revenues, expenses, gains, and losses	153,745,484	106,562,022	47,183,462	44.3%
(Decrease) increase in net assets	297,176,871	(37,410,937)	334,587,808	894.4%
Net assets at beginning of year - restated	1,662,818,899	1,700,229,836	(37,410,937)	2.2%
Net assets at end of year	$1,959,995,770	$1,662,818,899	$297,176,871	17.9%

Operating Revenues

Operating revenues for the System totaled $2.5 billion for the year ended June 30, 2010. Major components of operating revenues are hospital income, representing 54.6% of the total; grants and contracts, 17.9% of the total; and net tuition and fees, 10.7% of the total.

For the year ended June 30, 2010, hospital income increased by $61.3 million. Of this amount, $55 million was from increases in in-patient admissions and out-patient services at the Health Care Services Division hospitals. Net tuition and fees increased by 7% or almost $18 million. This increase is mainly due to increases authorized under the Board of Regents 3-4-5 tuition plan. The following table summarizes the System's operating revenue for the years ending June 30, 2010, and June 30, 2009.

Operating Revenues (in millions)

	As of			
	June 30, 2010	June 30, 2009 (Restated)	Change	Percentage Change
Tuition and fees, net	$272.7	$254.8	$17.9	7.0%
Federal appropriations	11.1	12.5	(1.4)	11.2%
Grants and contracts	458.0	443.8	14.2	3.2%
Sales and services of educational departments	202.6	199.6	3.0	1.5%
Auxiliary enterprises, net	187.6	179.0	8.6	4.8%
Hospital income	1,390.9	1,329.6	61.3	4.6%
Other	24.5	20.8	3.7	17.8%
Total operating revenues	$2,547.4	$2,440.1	$107.3	4.4%

Operating Expenses

Total operating expenses for the System amounted to almost $3.4 billion for the year ended June 30, 2010. Hospital expenses represented 40.3% of all operating expenses and represented the largest functional component. Other major components are instructional expenses, 17.6%; research expenses, 11.0%; and public service expenses, 10.3%. Shown below in tabular format is a summary of the System's operating expenses for the fiscal years ending June 30, 2010, and June 30, 2009.

Operating Expenses (in millions)

	As of			
	June 30, 2010	June 30, 2009 (Restated)	Change	Percentage Change
Instruction	$594.3	$627.8	($33.5)	5.3%
Research	372.0	370.8	1.2	0.3%
Public service	349.7	373.3	(23.6)	6.3%
Academic support	129.5	136.5	(7.0)	5.1%
Student services	42.8	43.0	(0.2)	0.5%
Institutional support	125.9	150.2	(24.3)	16.2%
Operation and maintenance of plant	177.1	192.3	(15.2)	7.9%
Scholarships and fellowships	60.0	48.3	11.7	24.2%
Auxiliary enterprises	167.5	163.1	4.4	2.7%
Hospital	1,365.6	1,385.5	(19.9)	1.4%
Total operating expenses	$3,384.4	$3,490.8	($106.4)	3.0%

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2010, the System has $1.7 billion invested in a broad range of capital assets, including land, buildings and improvements, equipment, and infrastructure, which is net of accumulated depreciation of $1.9 billion (see table below).

Capital Asset Summary

	As of			
	June 30, 2010	June 30, 2009 (Restated)	Change	Percentage Change
Capital assets not being depreciated	$327,740,103	$334,518,341	($6,778,238)	2.0%
Other Capital Assets:				
Infrastructure	73,322,891	68,197,202	5,125,689	7.5%
Land improvements	83,058,342	73,876,738	9,181,604	12.4%
Buildings	2,028,927,489	1,871,861,603	157,065,886	8.4%
Equipment	1,146,494,028	1,131,514,471	14,979,557	1.3%
Intangibles	5,639,507	5,647,946	(8,439)	0.1%
Total Other Capital Assets	3,337,442,257	3,151,097,960	186,344,297	5.9%
Total cost of capital assets	3,665,182,360	3,485,616,301	179,566,059	5.2%
Less accumulated depreciation	(1,923,516,676)	(1,829,160,903)	(94,355,773)	5.2%
Capital assets, net	$1,741,665,684	$1,656,455,398	$85,210,286	5.1%

Capital assets not being depreciated total $327.7 million. This represents land, capitalized collections, software development in progress, and construction-in-progress.

Capital additions at the Health Sciences Center New Orleans included $1.5 million in renovations of one of the Dental School auditoriums; $1.0 million for renovation of the Lions Eye Center; a $0.9 million renovation of the Nursing and Allied Health building; and a $0.8 million renovation of the Resource Center building.

At the LSU Health Sciences Center Shreveport, capital additions included $8.2 million for the Emergency Care Center expansion; $3.2 million for the Ambulatory Care building; and $1.3 million for the Allied Health building.

Major capital expenditures at the Health Care Services Division included $11.2 million in construction-in-progress for renovation of the University Medical Office Building in New Orleans for the Interim LSU Public Hospital; $12.2 million in construction-in-progress for a new North Baton Rouge Clinic for Earl K. Long Medical Center; and $3.0 million for a new PET (Positron Emission Tomography) machine for Earl K. Long Medical Center.

At LSU, major capital expenditures that were recorded in fiscal year 2010 were $10.6 million for the Student Union Theatre renovation project; $9.2 million for Laville Honors College renovations; $8.9 million for renovations to the Student Union; $7.0 million for the School of Veterinary Medicine building; $6.1 million for renovations to the Pete Maravich Assembly Center; $3.2 million for the Engineering laboratory annex building; $3.0 million for the Business Education Complex; and $3.0 million for the Music & Dramatic Arts building renovation.

At the LSU Pennington Biomedical Research Center, $13.9 million in capital assets were recorded for construction of the new clinical research facility. At the LSU Agricultural Center, $1.6 million in construction of the Animal & Food Science facility was recorded.

LONG-TERM DEBT

At June 30, 2010, the System has $467.1 million in bonds outstanding, $2.8 million in notes payable outstanding, $87.0 million in capital lease obligations outstanding, and $498.9 million in OPEB obligations. Bonds outstanding increased from June 30, 2009, primarily as a result of $118 million of bonded debt issued by LSU in June 2010. The OPEB liability increased by approximately $141 million as the actuarially calculated cost of the retiree health care benefit continued to exceed the amount currently funded.

ECONOMIC OUTLOOK

As Louisiana's economy declined from the deep, national recession, the state imposed several budget reductions to the System since the beginning of fiscal year 2008-09. A mid-year budget reduction that occurred in fiscal year 2008-09 was followed by a larger reduction in state appropriations for the new fiscal year 2009-10. These cuts were then followed by another mid-year reduction in December 2009 and an end of the year cut in June 2010. However, these reductions were mitigated to some extent by a combination of additional state support from one-time funds, federal stimulus funds, and additional authority to increase student tuition and fees.

While the System was provided approximately $133 million in federal stimulus funds in fiscal year 2010-11, these funds are scheduled to expire June 30, 2011, at which time significant budget reductions will have to be imposed. Campuses are currently preparing action plans to address the expected shortfall resulting from the demise of the stimulus.

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 System's finances and to show the System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at 3810 West Lakeshore Drive, Suite 111, Baton Rouge, Louisiana 70808.

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LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Assets, June 30, 2010

ASSETS	
Current Assets:	
Cash and cash equivalents (note 2)	$541,336,692
Investments (note 3)	240,133,146
Receivables, net (note 4)	333,084,765
Due from state treasury, net (note 15)	5,199,804
Due from federal government, net (note 4)	39,314,177
Inventories	38,006,365
Deferred charges and prepaid expenses	14,662,539
Notes receivable	3,714,034
Other current assets	1,572,283
Total current assets	1,217,023,805
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents (note 2)	111,549,319
Investments (note 3)	296,554,065
Notes receivable	27,120,542
Other restricted assets	29,436,483
Investments (note 3)	2,547,591
Other noncurrent assets	4,500,769
Capital assets, net (note 5)	1,741,665,684
Total noncurrent assets	2,213,374,453
Total assets	3,430,398,258
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities (note 7)	181,475,455
Deferred revenues	78,662,803
Amounts held in custody for others	5,728,724
Compensated absences (note 11)	10,652,675
Capital lease obligations (note 14)	2,943,345
Notes payable (note 14)	800,107
Bonds payable (note 14)	16,235,417
Other current liabilities	2,877,283
Total current liabilities	299,375,809

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 30, 2010

LIABILITIES (CONT.)	
Noncurrent Liabilities:	
Compensated absences (note 11)	$130,055,573
Capital lease obligations (note 14)	84,114,385
Notes payable (note 14)	2,044,635
Other postemployment benefits payable (note 9)	498,919,705
Bonds payable (note 14)	450,902,083
Other noncurrent liabilities	4,990,298
Total noncurrent liabilities	1,171,026,679
Total liabilities	1,470,402,488
NET ASSETS	
Investment in capital assets, net of related debt	1,324,030,891
Restricted for:	
Nonexpendable (note 16)	192,483,212
Expendable (note 16)	322,208,493
Unrestricted	121,273,174
Total net assets	$1,959,995,770

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

COMPONENT UNITS
Statement of Financial Position, June 30, 2010

	LSU Foundation	Tiger Athletic Foundation*	University of New Orleans Research and Technology Foundation	Total Foundations
ASSETS				
Current Assets:				
Cash and cash equivalents (note 2)	$13,793,912	$2,824,975	$3,040,219	$19,659,106
Restricted cash and cash equivalents (note 2)	4,691,858	41,828,783		46,520,641
Investments (note 3)	1,762,086		4,138,322	5,900,408
Accrued interest receivable	1,112,317			1,112,317
Accounts receivable, net	103,628	2,511,059	3,659,647	6,274,334
Unconditional promises to give, net (note 27)	5,884,019	5,602,633		11,486,652
Deferred charges and prepaid expenses	125,272	1,068,685		1,193,957
Other current assets		11,621,121	405,448	12,026,569
Total current assets	27,473,092	65,457,256	11,243,636	104,173,984
Noncurrent Assets:				
Restricted assets:				
Cash and cash equivalents (note 2)		141,101		141,101
Investments (note 3)	389,665,521	5,507,267	3,123,291	398,296,079
Other	543,054			543,054
Investments (note 3)	18,706,400			18,706,400
Unconditional promises to give, net (note 27)	21,352,126	10,321,950		31,674,076
Property and equipment, net (note 5)	16,623,462	138,301,457	107,290,145	262,215,064
Other noncurrent assets	818,049	41,832,057	1,182,420	43,832,526
Total noncurrent assets	447,708,612	196,103,832	111,595,856	755,408,300
Total assets	$475,181,704	$261,561,088	$122,839,492	$859,582,284
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	$2,621,286	$489,322	$2,939,637	$6,050,245
Deferred revenues		20,459,005	413,114	20,872,119
Amounts held in custody for others (note 25)	9,577,946	6,567,649	54,527	16,200,122
Compensated absences payable (note 14)	258,624			258,624
Current portion of notes payable (note 14)	1,176,467		6,105,154	7,281,621
Current portion of bonds payable (note 14)	628,395	3,335,000	215,000	4,178,395
Other current liabilities	131,987	250	26,755	158,992
Total current liabilities	14,394,705	30,851,226	9,754,187	55,000,118

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Financial Position, June 30, 2010

	LSU Foundation	Tiger Athletic Foundation*	University of New Orleans Research and Technology Foundation	Total Foundations
LIABILITIES (CONT.)				
Noncurrent Liabilities:				
Amounts held in custody for others (note 25)	$81,537,882			$81,537,882
Notes payable (note 14)	1,217,900		$2,162,292	3,380,192
Bonds payable (note 14)	6,896,605	$123,775,000	37,975,000	168,646,605
Other noncurrent liabilities	9,967,414	40,545,397	1,258,057	51,770,868
Total noncurrent liabilities	99,619,801	164,320,397	41,395,349	305,335,547
Total liabilities	114,014,506	195,171,623	51,149,536	360,335,665
NET ASSETS				
Unrestricted	30,146,448	39,880,543	71,689,956	141,716,947
Temporarily restricted (note 16)	138,160,731	19,781,975		157,942,706
Permanently restricted (note 16)	192,860,019	6,726,947		199,586,966
Total net assets	361,167,198	66,389,465	71,689,956	499,246,619
Total liabilities and net assets	$475,181,704	$261,561,088	$122,839,492	$859,582,284

*As of December 31, 2009

(Concluded)

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
For the Year Ended June 30, 2010

OPERATING REVENUES	
Student tuition and fees	$330,709,440
Less scholarship allowances	(58,008,265)
Net student tuition and fees	272,701,175
Federal appropriations	11,086,434
Federal grants and contracts	208,651,476
American Recovery and Reinvestment Act revenues	12,275,027
State and local grants and contracts	109,655,700
Nongovernmental grants and contracts	127,427,874
Sales and services of educational departments	202,608,069
Hospital income	1,390,911,805
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 23)	199,055,479
Less scholarship allowances	(11,438,917)
Net auxiliary revenues	187,616,562
Other operating revenues	24,508,424
Total operating revenues	2,547,442,546
OPERATING EXPENSES	
Educational and general:	
Instruction	594,279,894
Research	372,021,635
Public service	349,772,009
Academic support	129,463,679
Student services	42,752,291
Institutional support	125,938,668
Operation and maintenance of plant	177,098,895
Scholarships and fellowships	60,004,934
Auxiliary enterprises	167,523,535
Hospital	1,365,587,120
Total operating expenses	3,384,442,660
Operating Loss	(837,000,114)

(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, 2010

NONOPERATING REVENUES (Expenses)	
State appropriations	$610,846,622
Gifts	24,484,059
Federal nonoperating revenues	48,030,174
American Recovery and Reinvestment Act - State Fiscal Stabilization Funds	91,518,430
Net investment income	26,412,228
Interest expense	(20,044,273)
Other nonoperating revenues	199,184,261
Net nonoperating revenues	980,431,501
Income Before Other Revenues, Expenses, Gains, and Losses	143,431,387
Capital appropriations	106,021,028
Capital gifts and grants	30,142,356
Additions to permanent endowments	7,158,143
Other additions, net	10,423,957
Increase in Net Assets	297,176,871
Net Assets at Beginning of Year, Restated (note 17)	1,662,818,899
Net Assets at End of Year	$1,959,995,770

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2010

	LSU Foundation	Tiger Athletic Foundation*	University of New Orleans Research and Technology Foundation	Total Foundations
Changes in unrestricted net assets:				
Contributions	$3,650,800	$20,286,704	$897,067	$24,834,571
Investment earnings (loss), net	6,671,596	1,976,725	93,028	8,741,349
Grants and contracts			7,136,420	7,136,420
Other revenues	984,022	6,513,441	7,237,722	14,735,185
Total unrestricted revenues	11,306,418	28,776,870	15,364,237	55,447,525
Net assets released from restrictions -				
satisfaction of program expenses	41,462,806	6,185,061		47,647,867
Total unrestricted revenues and other support	52,769,224	34,961,931	15,364,237	103,095,392
Expenses:				
Amounts paid to benefit Louisiana State University for:				
Projects specified by donors	40,513,818			40,513,818
Projects specified by Board of Directors	4,985,719	14,686,288		19,672,007
Other:				
Grants and contracts			3,341,460	3,341,460
Property operations			2,988,222	2,988,222
Other		7,161,870	3,008,166	10,170,036
Total program expenses	45,499,537	21,848,158	9,337,848	76,685,543
Supporting services:				
Salaries and benefits	5,651,130	1,705,985		7,357,115
Occupancy	157,870	142,944		300,814
Office operations	708,793	108,848		817,641
Travel	69,732	88,529	2,258	160,519
Professional services	593,754	95,627	676,637	1,366,018
Dues and subscriptions	79,440	27,711		107,151
Meetings and development	471,039	18,709		489,748
Depreciation	83,164		3,412,424	3,495,588
Other		498,261	472,755	971,016
Total supporting services	7,814,922	2,686,614	4,564,074	15,065,610
Fund-raising expenses	NONE	2,826,889	NONE	2,826,889
Total expenses	53,314,459	27,361,661	13,901,922	94,578,042
Increase (decrease) in unrestricted net assets	(545,235)	7,600,270	1,462,315	8,517,350

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Activities, June 30, 2010

	LSU Foundation	Tiger Athletic Foundation*	University of New Orleans Research and Technology Foundation	Total Foundations
Changes in temporarily restricted net assets:				
Contributions	$24,320,571	$11,469,901		$35,790,472
Investment earnings	31,376,246			31,376,246
Changes in value of split interest agreements	(71,888)			(71,888)
Other	(54,829)			(54,829)
Total temporarily restricted revenues	55,570,100	11,469,901	NONE	67,040,001
Net assets released from restrictions - satisfaction of program expenses	(41,462,806)	(6,185,061)	NONE	(47,647,867)
Increase in temporarily restricted net assets	14,107,294	5,284,840	NONE	19,392,134
Changes in permanently restricted net assets:				
Contributions	3,483,879	704,943		4,188,822
Investment earnings	(444)			(444)
Other	356,535			356,535
Increase in permanently restricted net assets	3,839,970	704,943	NONE	4,544,913
Increase in net assets	17,402,029	13,590,053	$1,462,315	32,454,397
Net assets at beginning of year	343,765,169	52,799,412	70,227,641	466,792,222
Net assets at end of year	$361,167,198	$66,389,465	$71,689,956	$499,246,619

*For the year ended December 31, 2009

(Concluded)

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, 2010

Cash flows from operating activities	
Student tuition and fees	$263,776,715
Federal appropriations	9,516,385
American Recovery and Reinvestment Act revenues	11,734,730
Grants and contracts	458,472,341
Sales and services of educational departments	212,747,540
Hospital income	1,317,486,211
Auxiliary enterprise receipts	191,128,368
Payments for employee compensation	(1,567,943,533)
Payments for benefits	(387,102,591)
Payments for utilities	(62,826,009)
Payments for supplies and services	(1,215,694,460)
Payments for scholarships and fellowships	(58,009,023)
Loans to students	(3,516,379)
Collection of loans to students	3,486,580
Other receipts	12,791,281
Net cash used by operating activities	(813,951,844)
Cash flows from noncapital financing activities	
State appropriations	613,495,603
Gifts and grants for other than capital purposes	25,495,584
Private gifts for endowment purposes	2,985,177
TOPS receipts	56,858,932
TOPS disbursements	(56,806,123)
Direct lending receipts	8,463,284
Direct lending disbursements	(7,072,437)
Federal Family Education Loan program receipts	16,297,097
Federal Family Education Loan program disbursements	(16,297,097)
Federal Emergency Management Association receipts	7,725,756
Federal Emergency Management Association disbursements	(3,274,125)
American Recovery and Reinvestment Act receipts	91,518,430
Other receipts	241,526,210
Net cash provided by noncapital financing sources	980,916,291
Cash flows from capital financing activities	
Proceeds from capital debt	118,875,000
Capital appropriations received	4,057,564
Capital gifts and grants received	29,542,530
Proceeds from sale of capital assets	1,290,458
Purchase of capital assets	(144,142,336)
Principal paid on capital debt and leases	(53,499,284)
Interest paid on capital debt and leases	(19,946,011)
Other sources	7,748,558
Net cash used by capital financing activities	(56,073,521)

(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, 2010

Cash flows from investing activities	
Proceeds from sales and maturities of investments	$239,899,079
Interest received on investments	20,293,940
Purchase of investments	(271,801,306)
Net cash used by investing activities	(11,608,287)
Net increase in cash and cash equivalents	99,282,639
Cash and cash equivalents at the beginning of the year	553,603,372
Cash and cash equivalents at the end of the year	$652,886,011
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	($837,000,114)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	134,459,873
Changes in assets and liabilities:	
(Increase) in accounts receivable	(60,046,887)
Decrease in inventories	2,382,418
(Increase) in deferred charges and prepaid expenses	(9,869,607)
Decrease in notes receivable	365,568
(Increase) in other assets	(749,352)
(Decrease) in accounts payable and accrued liabilities	(193,220,222)
Increase in deferred revenue	820,135
Increase in amounts held in custody for others	668,607
Increase in compensated absences	960,423
Increase in other postemployment benefits payable	140,983,167
Increase in other liabilities	6,294,147
Net cash used by operating activities	($813,951,844)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:	
Cash and cash equivalents classified as current assets	$541,336,692
Cash and cash equivalents classified as noncurrent assets	111,549,319
Cash and cash equivalents at the end of the year	$652,886,011
Schedule of Noncash Investing, Capital and Financing Activities:	
Capital appropriations	$86,573,169
Capital gifts	5,809,131

(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 System 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 Stations 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, and the Louisiana State University School of Medicine in New Orleans Faculty Group Practice (a Louisiana nonprofit corporation doing business as LSU Healthcare Network); the Health Care Services Division; and the LSU Health Sciences Center in Shreveport, which includes a School of Medicine in Shreveport with hospitals in Shreveport, Monroe, and Pineville. Student enrollment as of the fourteenth class day for the university system for the 2009 fall semester totaled approximately 54,200. As of November 1, 2009, the university system had approximately 5,200 full- and part-time faculty members with the academic rank of instructor or above, including those positions with equivalent rank.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

The discrete component unit foundations, which are the LSU Foundation, the Tiger Athletic Foundation, 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) the state issues bonds to finance certain construction; and (4) the university system primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the LSU System.

Blended Component Units

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

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

A cooperative endeavor agreement, dated November 1, 2000, documents the relationship between the LSU Health Sciences Center and LSUHN. The agreement provides for the LSU Health Sciences Center and LSUHN to continue as autonomous organizations with separate but complementary 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 1640, New Orleans, Louisiana 70112.

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

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

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

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

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

Discretely Presented Component Units

The LSU Foundation, the Tiger Athletic Foundation, 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 are also in management agreements related to endowed chairs and professorships. These agreements are in compliance with Board of Regents policy and allow the foundation to manage funds on behalf of the university.

Each of these foundations is a nonprofit organization that reports under the Financial Accounting Standards Board (FASB) standards, including FASB ASC Topic 958, *Not-for-Profit Entities*. 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, 2010, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for $45,499,537. 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, 2009, TAF made distributions to or on behalf of the university for both restricted and unrestricted purposes for $14,686,288. Of that amount, $1,481,610 was from booster clubs and $474,358 was from affiliated chapters. 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 University of New Orleans (UNO) Research and Technology Foundation supports the University of New Orleans. During the year ended June 30, 2010, the foundation made distributions to or on behalf of the university for either restricted or unrestricted purposes for $7,049,451. Complete financial statements for the foundation can be obtained at 2000 Lakeshore Drive, New Orleans, Louisiana 70148.

For fiscal year 2010, the Pennington Medical Foundation and the Foundation for the LSU Health Sciences Center included in the prior year's report are no longer shown as discretely presented component units as the foundations no longer meet the financial criteria of 3% or more of the assets held by the university system.

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

C. BASIS OF ACCOUNTING

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

The university system has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The university system has elected to not apply FASB pronouncements issued after the applicable date. However, in the current fiscal year, the university system has included three nongovernmental discrete component units that follow FASB 117, which is codified in FASB ASC Topic 958.

Discrete Component Units

The foundations follow the provisions of FASB ASC Topic 958, which establishes external financial reporting for not-for-profit organizations, and includes the financial statements and the classifications of resources into three separate classes of net assets as follows:

- Unrestricted - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

- Temporarily Restricted - Net assets whose use by the foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the foundation pursuant to those stipulations.

- Permanently Restricted - Net assets whose use by the foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the foundation.

D. BUDGET PRACTICES

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

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

Original approved budget	$1,575,609,516
Increases (decreases):	
State General Fund	(7,590,321)
Self-generated	6,021,061
Interagency transfers	933,227
Interim Emergency Board	166,895
Federal funds	9,939,918
Statutory dedications	3,040,756
Final budget	$1,588,121,052

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

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and money market funds. Under state law, the LSU System may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States.

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

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

F. INVENTORIES

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

G. NONCURRENT RESTRICTED ASSETS

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

H. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the university system's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that total $100,000 or more and significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. Depreciation expense is charged directly to the various functional categories of operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets. The LSU System uses the group or composite method for library book depreciation if the books are considered to have a useful life of greater than one year.

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

I. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities before the end of the fiscal year that are related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

J. NONCURRENT LIABILITIES

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

K. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. Faculty with 12-month appointments who have over 10 years of state service, nonclassified 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 nonclassified 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 nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

L. NET ASSETS

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

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

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

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

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

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

M. CLASSIFICATION OF REVENUES

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

(a) Operating Revenue - Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) hospital income; and (4) most federal, state, and local grants and contracts and federal appropriations.

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

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

O. ELIMINATING INTERFUND ACTIVITY

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

P. USE OF ESTIMATES

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

Q. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2010, the LSU System implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivatives Instruments.* These pronouncements became effective for governments for years beginning after June 15, 2009. The adoption of these pronouncements had no significant impact to the System's financial statements.

2. CASH AND CASH EQUIVALENTS

At June 30, 2010, the university system has cash and cash equivalents (book balances) of $652,886,011 as follows:

Petty cash	$2,178,112
Demand deposits	483,332,535
Certificates of deposit	124,018,600
Money market funds	17,513,354
Open-end mutual fund	25,843,410
Total	$652,886,011

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, 2010, $7,830,100 of the System's bank balance of $706,169,706 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 $66,320,848, as shown on the Statement of Financial Position, are reported under FASB ASC Topic 958, *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 insured limits. The Foundation's management believes the credit risk associated with these deposits is minimal.

The Tiger Athletic Foundation periodically maintains cash in bank accounts in excess of insured limits. The Foundation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

The UNO Research & Technology Foundation maintains its cash accounts in financial institutions. Cash and cash equivalents exceeded federally insured limits by $2,739,001 as of June 30, 2010.

3. INVESTMENTS

At June 30, 2010, the System has investments totaling $539,234,802.

The System's established investment policy follows state law (R.S. 49:327), which authorizes the System to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds. In addition, 35% of the university's publicly funded permanent endowment funds may be invested in common stocks listed on the New York Stock Exchange, the American Stock Exchange, or authorized for quotations on the National Association of Securities Dealers Automated Quotations System.

A summary of the system's investments follows:

	Percentage of Investments	Credit Quality Rating*	Fair Value	Investment Maturities in Years					
				Less Than 1	1-5	6-10	11-20	21-30	30+
Type of Investment:									
Repurchase agreements	1.11%	(4)	$6,029,913	$6,029,913					
U.S. government securities:									
Bonds and Notes:									
Federal Home Loan Mortgage Corporation	4.28%	Aaa	23,103,176		$14,049,666	$9,053,510			
Federal National Mortgage Association	9.76%	Aaa	52,612,768		27,292,298	25,320,470			
Federal Home Loan Bank	17.03%	Aaa	91,852,336	41,220,968	17,668,996	32,962,372			
Federal Farm Credit Bank	2.60%	Aaa	13,993,246	512,815	2,007,880	11,472,551			
Collateralized Mortgage Obligations:									
Federal Home Loan Mortgage Corporation	4.13%	(2)	22,284,641	2,555,025	10,357,355	9,372,261			
Federal National Mortgage Association	2.04%	(2)	11,002,080		2,880,149	8,121,931			
Federal National Mortgage Association	0.34%	AAA (7)	1,812,795		1,812,795				
Government National Mortgage Association	0.41%	(1)	2,199,055			2,168,199	$30,856		
Federal Home Loan Bank	1.98%	Aaa	10,671,737		10,671,737				
Mortgage-backed Securities:									
Federal Home Loan Mortgage Corporation	2.18%	(2)	11,730,804	396,278	1,110,628	10,223,898			
Federal National Mortgage Association	2.61%	(2)	14,049,686	2,285,521	10,012,541	1,751,624			
Government National Mortgage Association	0.10%	(1)	546,305		546,305				
Government National Mortgage Association (Pegues)	0.00%	(1)	809	809					
Corporate obligations	0.40%	Aa	2,170,875		1,067,445	1,103,430			
Mutual Funds:									
Equity Mutual Fund	0.95%	(3)	5,131,118						
Fixed Income Mutual Fund	0.13%	(5)	686,400		686,400				
Money market mutual funds	24.00%	Aaa	129,425,175	129,425,175					
Other:									
Investments held by foundations	22.38%	(5)							
U.S. Agency Securities:									
Bonds and notes			15,577,384	20,148	2,583,474	6,913,524	6,060,238		
Collateralized mortgage obligations			17,735,495		1,706,924	1,946,446	4,812,136	$8,639,801	$630,188
Mortgage-backed securities			5,104,976			31,476	638,221	3,501,970	933,309
Mutual funds			48,595,523	45,766,866		1,545,973	1,282,684		
Common and preferred stock			4,433,077						
Municipal obligations			20,110	20,110					
Corporate obligations			7,878,958	320,519	5,191,761	1,710,358	577,866	78,454	
U.S. Treasury securities			8,549,151		2,306,368	6,242,783			
Other			12,791,990	3,390,209					
Common and preferred stock	0.10%	(3)	547,789						
Realty investments	1.68%	(3)	9,044,550						
Certificates of deposit	0.02%	(6)	100,000	100,000					
Interest receivable	0.48%	(3)	2,553,498						
LSUE Housing Foundation	0.08%	(3)	413,122						
BCMC Foundation	0.75%	(3)	4,055,047						
New Orleans Regional Physician	0.46%	(3)	2,531,213						
Total investments	100.00%		$539,234,802	$232,044,356	$111,952,722	$129,940,806	$13,402,001	$12,220,225	$1,563,497

*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.
(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; however, the underlying securities are implicitly guaranteed by the U.S. government.
(5) The investment is not rated.
(6) Credit quality ratings are not required for certificates of deposit.
(7) The investment is not rated by Moody's Investors Service; however, it is rated by Standard and Poor's.

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 $539,234,802 in total investments, $6,029,913 of underlying securities are held by counterparties, not in the name of the System. For U.S. Treasury obligations and U.S. government agency obligations, the System's investment policies generally require that issuers must provide the universities with safekeeping receipts, collateral agreements, and custodial agreements.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to institutions of higher education does not address interest rate risk. The System has a policy to limit concentration of credit risk with regard to the investment of equities. However, it does not have a policy to limit interest rate risk or the concentration of debt securities with any one issuer.

The open-end mutual fund amount of $25,843,410, included in cash and cash equivalents, consists of $100,000 invested in the Federated Investors Government Obligations Fund; $16,541,403 invested in Federated Prime Obligations Fund; $579,931 invested in Fidelity Treasury Money Market; and $8,622,076 invested in JPMorgan U.S. Government Money Market Fund. The holdings for the Federated Investors Government Obligations Fund, the Fidelity Treasury Money Market Fund, and the JPMorgan U.S. Government Money Market Fund consist primarily of short-term U.S. Treasury and U.S. government agency securities, including repurchase agreements collateralized fully by U.S. Treasury and government agency securities. The holdings for the Federated Prime Obligations Fund consist primarily of a portfolio of short-term, high quality, fixed income securities issued by banks, corporations, and the U.S. government. These funds all minimize interest rate risk with the purchase of short-term securities.

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

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

INVESTMENTS - COMPONENT UNITS

The fair value of investments held by the component unit foundations at June 30, 2010, follows:

Type of Investment	LSU Foundation	Tiger Athletic Foundation*	UNO Research and Technology Foundation	Total Investments
Money markets/certificates of deposit	$395,000		$3,578,072	$3,973,072
Government obligations	121,262,750		491,915	121,754,665
Corporate obligations	18,867,787			18,867,787
Corporate stocks, common stocks, and indexed mutual funds	36,329,741			36,329,741
Shaw Center for the Performing Arts	18,706,400			18,706,400
Royalty interest	154,084			154,084
Mutual funds	141,936,443			141,936,443
Bond reserves			3,123,291	3,123,291
LSU Foundation investment pool[1]		$5,465,426		5,465,426
Charitable gift annuity		41,841		41,841
Short-term investments	1,700,062		68,335	1,768,397
Private equity	13,293,618			13,293,618
Hedged funds	57,435,714			57,435,714
Land	48,058			48,058
Preferred stock	4,350			4,350
Total investments	$410,134,007	$5,507,267	$7,261,613	$422,902,887

*As of December 31, 2009

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

The LSU Foundation is a 50% investor in the Shaw Center for the Arts, LLC. The investment recorded on the Statement of Financial Position for $18,706,400 at June 30, 2010, 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	$37,488,097
Total liabilities	$75,291
Net income (loss)	($1,060,075)

The LSU Foundation serves as trustee for various charitable remainder trusts for which the foundation is not the irrevocable beneficiary. The funds are held and administered by a third-party financial institution as an agent of the foundation. The fair market value of the funds held is reported as an asset and corresponding liability in the statements of financial position. As of June 30, 2010, the fair market value of these charitable remainder trusts totaled $526,109.

The LSU Foundation is also the irrevocable beneficiary of two split-interest agreements as of June 30, 2010, for which the funds are held and administered by third parties. The foundation's interest in the funds held by the third parties is measured at present value and reported as an asset in the statements of financial position as other restricted noncurrent assets. As of June 30, 2010, the fair market value of the beneficial interests totaled $16,945.

The LSU Foundation has several charitable gift annuity arrangements with donors in which the foundation has received assets from a donor in exchange for the foundation's promise to pay the donor or his or her designee a fixed amount over a specified period of time. The assets are held as investments of the foundation and are reported within investments on the statement of financial position at the fair value of $2,153,388 as of June 30, 2010. The present value of the amount due to these donors or their designees as of June 30, 2010, totaled $1,360,372 and is included in the amounts held in custody liability.

4. RECEIVABLES

Receivables, most of 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	$14,383,411	$80,031	$14,303,380
Auxiliary enterprises	5,501,106	16,715	5,484,391
Contributions and gifts	2,012,240		2,012,240
Federal grants and contracts (net)	39,314,177		39,314,177
State and private grants and contracts	65,698,253		65,698,253
Sales and services/other	17,448,206	1,554	17,446,652
Clinics	41,352,280	26,705,500	14,646,780
Hospital	693,401,137	538,742,286	154,658,851
Other - UCC	65,907,647	7,073,429	58,834,218
Total	$945,018,457	$572,619,515	$372,398,942

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

LSU SYSTEM

	Balance June 30, 2009	Prior Period Adjustment	Restated Balance June 30, 2009	Additions	Transfers	Retirements	Balance June 30, 2010
Capital assets not being depreciated:							
Land	$119,522,242	$131,051	$119,653,293	$42,450			$119,695,743
Capitalized collections	3,190,620		3,190,620	276,600		($8,500)	3,458,720
Software - development in progress				12,523,942			12,523,942
Construction-in-progress	210,935,910	738,518	211,674,428	120,978,512	($138,686,118)	(1,905,124)	192,061,698
Total capital assets not being depreciated	$333,648,772	$869,569	$334,518,341	$133,821,504	($138,686,118)	($1,913,624)	$327,740,103
Other capital assets:							
Infrastructure	$68,197,202		$68,197,202	$5,125,689			$73,322,891
Less accumulated depreciation	(26,328,163)		(26,328,163)	(1,742,060)			(28,070,223)
Total infrastructure	41,869,039	NONE	41,869,039	3,383,629	NONE	NONE	45,252,668
Land improvements	73,876,738		73,876,738	341,246	$9,172,857	($332,499)	83,058,342
Less accumulated depreciation	(49,314,091)		(49,314,091)	(2,398,716)		8,321	(51,704,486)
Total land improvements	24,562,647	NONE	24,562,647	(2,057,470)	9,172,857	(324,178)	31,353,856
Buildings	1,868,932,739	$2,928,864	1,871,861,603	32,991,649	127,367,207	(3,292,970)	2,028,927,489
Less accumulated depreciation	(936,025,379)	796,044	(935,229,335)	(52,823,537)		1,749,205	(986,303,667)
Total buildings	932,907,360	3,724,908	936,632,268	(19,831,888)	127,367,207	(1,543,765)	1,042,623,822
Equipment (including library books)	1,133,691,272	(2,176,801)	1,131,514,471	52,556,386	2,146,054	(39,722,883)	1,146,494,028
Less accumulated depreciation	(817,210,388)	2,793,910	(814,416,478)	(76,627,522)		38,174,695	(852,869,305)
Total equipment	316,480,884	617,109	317,097,993	(24,071,136)	2,146,054	(1,548,188)	293,624,723
Software (internally generated and purchased)		3,066,962	3,066,962	22,669		(31,108)	3,058,523
Other intangibles		2,580,984	2,580,984				2,580,984
Less accumulated amortization - software		(2,816,273)	(2,816,273)	(179,236)		15,554	(2,979,955)
Less accumulated amortization - other intangibles		(1,056,563)	(1,056,563)	(532,477)			(1,589,040)
Total intangible assets	NONE	1,775,110	1,775,110	(689,044)	NONE	(15,554)	1,070,512
Total other capital assets	$1,315,819,930	$6,117,127	$1,321,937,057	($43,265,909)	$138,686,118	($3,431,685)	$1,413,925,581
Capital asset summary:							
Capital assets not being depreciated	$333,648,772	$869,569	$334,518,341	$133,821,504	($138,686,118)	($1,913,624)	$327,740,103
Other capital assets, at cost	3,144,697,951	6,400,009	3,151,097,960	91,037,639	138,686,118	(43,379,460)	3,337,442,257
Total cost of capital assets	3,478,346,723	7,269,578	3,485,616,301	224,859,143	NONE	(45,293,084)	3,665,182,360
Less accumulated depreciation	(1,828,878,021)	(282,882)	(1,829,160,903)	(134,303,548)	NONE	39,947,775	(1,923,516,676)
Capital assets, net	$1,649,468,702	$6,986,696	$1,656,455,398	$90,555,595	NONE	($5,345,309)	$1,741,665,684

The prior period adjustments represent corrections of errors in recorded capital assets from prior years and the implementation of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. As discussed in note 6, certain capital assets were idle at year-end.

COMPONENT UNITS

	Balance June 30, 2009	Prior Period Adjustment	Restated Balance June 30, 2009	Additions	Transfers	Retirements	Balance June 30, 2010
Capital assets not being depreciated:							
Land	$10,402,095	($315,467)	$10,086,628	$3,886,114		($90,451)	$13,882,291
Capitalized collections	4,737,665		4,737,665	15,731		(54,758)	4,698,638
Construction-in-progress	20,141,201		20,141,201	12,128,310	($7,072,686)	(9,036,289)	16,160,536
Total capital assets not being depreciated	$35,280,961	($315,467)	$34,965,494	$16,030,155	($7,072,686)	($9,181,498)	$34,741,465
Other capital assets:							
Infrastructure	$304,410	($304,410)					
Less accumulated depreciation	(138,073)	138,073					
Total infrastructure	166,337	(166,337)	NONE	NONE	NONE	NONE	NONE
Land improvements	1,887,867		$1,887,867	$1,237		($39,850)	$1,849,254
Less accumulated depreciation	(528,304)		(528,304)	(102,374)		3,826	(626,852)
Total land improvements	1,359,563	NONE	1,359,563	(101,137)	NONE	(36,024)	1,222,402
Buildings	290,655,185	(45,516,810)	245,138,375	10,002,321	$7,032,155	(137,146)	262,035,705
Less accumulated depreciation	(35,633,236)	5,463,644	(30,169,592)	(5,982,269)		43,691	(36,108,170)
Total buildings	255,021,949	(40,053,166)	214,968,783	4,020,052	7,032,155	(93,455)	225,927,535
Equipment	25,764,030	(3,679,703)	22,084,327	78,587	40,531	(3,191,939)	19,011,506
Less accumulated depreciation	(24,665,641)	2,979,906	(21,685,735)	(140,908)		3,138,799	(18,687,844)
Total equipment	1,098,389	(699,797)	398,592	(62,321)	40,531	(53,140)	323,662
Total other capital assets	$257,646,238	($40,919,300)	$216,726,938	$3,856,594	$7,072,686	($182,619)	$227,473,599
Capital asset summary:							
Capital assets not being depreciated	$35,280,961	($315,467)	$34,965,494	$16,030,155	($7,072,686)	($9,181,498)	$34,741,465
Other capital assets, at cost	318,611,492	(49,500,923)	269,110,569	10,082,145	7,072,686	(3,368,935)	282,896,465
Total cost of capital assets	353,892,453	(49,816,390)	304,076,063	26,112,300	NONE	(12,550,433)	317,637,930
Less accumulated depreciation	(60,965,254)	8,581,623	(52,383,631)	(6,225,551)	NONE	3,186,316	(55,422,866)
Capital assets, net	$292,927,199	($41,234,767)	$251,692,432	$19,886,749	NONE	($9,364,117)	$262,215,064

Capital assets totaling $41,234,767 as of June 30, 2009, net of depreciation, were removed from the beginning balances presented. These amounts pertained to component units which were excluded from the System's financial statements for the year ended June 30, 2010, because of their failing to meet the System's component unit reporting criteria.

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 has occurred.

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.

Insurance recoveries received in fiscal year 2010 related to impairment losses occurring in previous years were $1,133,107 for buildings; $2,641,805 for movable property; and $3,978,140 for other capital assets. These amounts are included as Other Nonoperating Revenues on the Statement of Revenues, Expenses, and Changes in Net Assets.

Information about the carrying amount of impaired capital assets idle at year-end is disclosed, regardless of whether the impairment is considered permanent or temporary. The carrying value of impaired movable property assets for fiscal year 2010 is $206,736.

7. DISAGGREGATION OF ACCOUNTS PAYABLE

Accounts payable at June 30, 2010, are as follows:

Activity	Amount
Vendors	$85,064,137
Salaries and benefits	92,225,327
Accrued interest	142,086
Uncompensated care payable	4,043,905
Total	$181,475,455

8. PENSION PLANS

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

System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of employee plan members and the university system are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRSL) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. In fiscal year 2010, the state contributed 15.5% of covered salaries to TRSL and 18.6% of covered salaries to LASERS. The employer contribution is funded by the State of Louisiana through the annual appropriation to the university system. The employer contributions to TRSL for the years ended June 30, 2010, 2009, and 2008, were $47,892,142; $42,274,974; and $38,961,184, respectively, and to LASERS for the years ended June 30, 2010, 2009, and 2008, were $99,778,312; $99,098,078; and $101,162,799, respectively, equal to the required contributions for each year.

Optional Retirement System

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in TRSL for five or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

Total contributions by the university system are 15.5% of the covered payroll. The participant's contribution (8.0%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $53,830,094 and $28,714,039, respectively, for the year ended June 30, 2010.

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

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

Plan Descriptions

LSU System Health Plan

The System administers and offers eligible employees, retirees, and their beneficiaries the opportunity to participate in comprehensive health and preventive care coverage under its Health Plan that gives members a unique, consumer-driven health-care approach to pay routine health expenses and provides coverage for major healthcare expenses. Within the Health Plan, members have a choice of selecting Option 1 or Option 2. Option 1, shown in the schedule of total monthly premium rates on page 49, is more costly but features both lower yearly deductibles and out-of-network coinsurance requirements.

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

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

The Health Plan originally began as a pilot program within OGB, the office that provides health benefits to state employees pursuant to the provisions of R.S. 42:851. The Health Plan does not issue a publicly available financial report, but it is included in the System's audited financial report. The financial report may be obtained from the System's Web site at http://www.lsusystem.lsu.edu/.

State OGB Plan

System employees may also participate in the state's other OPEB Plan, an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees, and their beneficiaries. OGB administers the plan. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report of the OPEB Plan; however, it is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's Web site at www.doa.la.gov/osrap.

Funding Policy

LSU System Health Plan

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

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

State OGB Plan

The contribution requirements of plan members and the System are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Exclusive Provider Organization (EPO) Plan, and the Health Maintenance Organization (HMO) Plan. Effective September 1, 2009, plan members were also offered the Medical Home HMO Plan. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans.

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

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

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

Shown below are the total monthly premium rates in effect for plan year 2009-10.

	LSU System Health Plan		State OGB Plans			
	Option 1	Option 2	PPO	EPO	HMO	Medical Home HMO
Active						
Single	$532.38	$460.32	$558.64	$581.04	$536.36	$532.00
With Spouse	949.84	821.26	1,186.56	1,234.04	1,139.12	1,129.96
With Children	653.22	583.68	681.32	708.60	654.12	649.04
Family	1,135.54	993.44	1,251.40	1,301.44	1,201.36	1,191.68
Retired, No Medicare and Re-employed Retiree						
Single	$1,010.94	$924.02	$1,039.28	$1,080.80	$997.72	$989.52
With Spouse	1,785.15	1,631.60	1,835.20	1,908.56	1,761.72	1,747.60
With Children	1,126.06	1,024.72	1,157.64	1,203.92	1,111.40	1,102.28
Family	1,776.52	1,619.30	1,826.32	1,899.36	1,753.28	1,739.12
Retired, with 1 Medicare						
Single	$309.86	$267.90	$337.96	$351.48	$324.44	$321.84
With Spouse	1,070.14	925.30	1,248.72	1,298.64	1,198.68	1,189.00
With Children	588.60	529.74	584.96	608.36	561.60	557.00
Family	1,518.40	1,327.48	1,663.80	1,730.32	1,597.20	1,584.28
Retired, with 2 Medicare						
With Spouse	$540.74	$467.56	$607.48	$631.72	$583.16	$578.28
Family	734.24	641.94	752.16	782.24	722.08	716.08

	Calendar Year 2010		Calendar Year 2009	
	Retired with		Retired with	
Medicare Supplemental Rates	1 Medicare	2 Medicare	1 Medicare	2 Medicare
Humana FFS	$165.00	$330.00	$174.00	$348.00
Humana HMO	149.00	298.00	137.00	274.00
People's Health	142.00	284.00	142.00	284.00
Secure Horizons	198.50	397.00	269.64	539.26
Vantage	198.00	396.00	178.00	356.00

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of each plan's annual OPEB cost for the year ending June 30, 2010, the amount actually contributed to the plan, and changes in the plan's net OPEB obligation to the retiree health plan.

	LSU System Health Plan	State OGB Plan	Total
Annual required contribution (ARC)	$62,313,653	$123,600,500	$185,914,153
Interest on Net OPEB Obligation (NOO)	4,203,567	10,954,629	15,158,196
ARC Adjustment	(3,209,325)	(10,464,868)	(13,674,193)
Annual OPEB cost	63,307,895	124,090,261	187,398,156
Employer contributions	(12,602,233)	(33,812,756)	(46,414,989)
Increase in net OPEB obligation	50,705,662	90,277,505	140,983,167
Net OPEB obligation - beginning of year	84,070,940	273,865,598	357,936,538
Net OPEB obligation - end of year	$134,776,602	$364,143,103	$498,919,705

Funding Trend

	LSU System Health Plan			State OGB Plan		
	2010	2009	2008	2010	2009	2008
OPEB cost	$63,307,895	$55,720,684	$49,787,000	$124,090,261	$169,938,982	$168,149,900
Percent contributed	19.91%	20.27%	20.48%	27.25%	19.08%	18.90%
Ending NOO	134,776,602	84,070,940	39,646,365	364,143,103	273,865,598	136,353,698

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009, was as follows:

	LSU System Health Plan	State OGB Plan
Actuarial accrued liability (AAL)	$608,425,749	$1,601,483,400
Actuarial value of plan assets	NONE	NONE
Unfunded actuarial accrued liability (UAAL)	$608,425,749	$1,601,483,400
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Annual covered payroll (active plan members)	$629,179,083	$416,263,070
UAAL as a percentage of covered payroll	96.7%	384.7%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Furthermore, actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

A summary of the actuarial assumptions are presented as follows:

	LSU System Health Plan	State OGB Plan
Actuarial valuation date	July 1, 2009	July 1, 2009
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period	30 years, open	30 years, open
Asset valuation method	None	None
Actuarial assumptions:		
Investment rate of return	5% annual rate	4% annual rate
Projected salary increases	4% per annum	5% per annum
Healthcare inflation rate	10.0% initial	8.5% - 9.6% initial
	5.0% ultimate	5.0% ultimate

10. CONTINGENT LIABILITIES, RISK MANAGEMENT, AND CLAIMS LIABILITY

Losses arising from judgments, claims, and similar contingencies are paid by either private insurance companies or through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. The university system is involved in 19 lawsuits that are handled by contract attorneys as of June 30, 2010. The attorneys have estimated a possible liability of $960,000 relating to two of the lawsuits. All other lawsuits are handled by either the Office of Risk Management or the Attorney General’s Office.

In addition, the university is exposed to various risks of losses related to the self-insured and self-funded LSU System Health Plan, 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 $104,071,915. Changes in the reported liability for the last three periods are summarized as follows:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Recoveries From Settled and Unsettled Claims	Balance at Fiscal Year-End
2007-08	$10,300,000	$86,236,899	$82,990,970	$6,264,929	$7,281,000
2008-09	7,281,000	105,819,002	97,171,995	7,305,007	8,623,000
2009-10	8,623,000	111,025,711	104,071,915	6,535,796	9,041,000

CONTINGENCIES AND COMMITMENTS - COMPONENT UNITS

The New Orleans 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 $12,000,000 as of August 2010. 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 and has begun litigation proceedings regarding this matter. Although the Foundation believes that it has adequate defenses against the assessment, if not successful, the assessment, interest, and penalties may have a significant impact on the financial condition of the Foundation. The Foundation's counsel is unable to predict the eventual outcome of this matter or the potential loss contingencies, if any, to which the foundation may be subject. However, to begin litigation, the Foundation has paid $196,734 in protest of the property tax assessment.

The LSU Foundation is currently involved in separate construction projects for the construction of a gym and performing arts center for the University Lab School and a lab and teaching facility for the College of Engineering. The total contract amounts for these projects total approximately $4,304,000 and the remaining commitment as of June 30, 2010, totals approximately $3,142,000.

The LSU Foundation committed $1,350,000 to Louisiana Fund I, L.P., a Delaware Limited Partnership, in October 2004. As of June 30, 2010, capital contributions have totaled $958,500. The Foundation also committed a total of approximately $19,512,000 to various Private Equity Funds during the years from 2005 through 2007. As of June 30, 2010, capital contributions have totaled approximately $11,807,000.

11. COMPENSATED ABSENCES

At June 30, 2010, employees of the university have accumulated and vested annual, sick, and compensatory leave benefits of $103,150,100; $29,422,883; and $8,135,265, 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, 2010, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed, is $14,996,675. 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, 2010:

Nature of Operating Lease	Fiscal Year 2011	2012	2013	2014	2015	2016-2020	2021- 2025	2026-2030	Total Minimum Payments Required
Office space	$11,181,258	$10,113,929	$7,470,783	$4,459,138	$3,969,137	$493,300	$493,300		$38,180,845
Equipment	1,794,860	1,399,273	1,298,913	970,897	363,935				5,827,878
Other	1,691,133	1,165,945	929,863	692,010	203,347	946,907	400,000	$400,000	6,429,205
Total	$14,667,251	$12,679,147	$9,699,559	$6,122,045	$4,536,419	$1,440,207	$893,300	$400,000	$50,437,928

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 (1997-2009) 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 24). 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, the UNO Research and Technology Foundation entered into a sub-lease agreement (whose terms have been amended since that date) 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. The lease agreement requires the government to pay a nominal amount for the lease of the premises and an amount for maintenance services. The annual rent for the premises and maintenance services was $1 and $1,839,668, respectively, for the year ended June 30, 2010.

LSU Foundation

The LSU Foundation leases office space from the LSU Alumni Association under an agreement which was renewed on December 1, 2009. The current lease agreement expires on November 30, 2012. For the year ended June 30, 2010, rent expense incurred under this agreement totaled $129,353.

13. LESSOR LEASES

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

The following schedule provides an analysis of the cost and carrying amount of the university system's investment in property on operating leases and property held for lease as of June 30, 2010:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	$1,656,198	($928,064)	$728,134
Buildings	17,196,755	(5,403,605)	11,793,150
Land	3,457,081		3,457,081
Total	$22,310,034	($6,331,669)	$15,978,365

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2010:

	Nature of Lease				
Fiscal Year Ending June 30,	Office Space	Buildings	Land	Other	Total
2011	$266,149	$1,210,209	$285,444	$437,091	$2,198,893
2012	161,361	985,651	308,371	420,523	1,875,906
2013	65,080	562,660	306,610	349,213	1,283,563
2014	55,180	458,343	304,099	149,274	966,896
2015	39,880	446,000	309,537	65,533	860,950
2016-2020	169,400	2,230,000	1,450,294	254,356	4,104,050
2021-2025	2,823	892,000	836,651		1,731,474
2026-2030			823,815		823,815
2031-2035			823,815		823,815
2036-2040			813,815		813,815
2041-2045			813,112		813,112
2046-2050			806,975		806,975
2051-2055			769,942		769,942
2056-2060			372,996		372,996
2061-2065			32,355		32,355
2066-2070			32,355		32,355
2071-2075			32,305		32,305
2076-2080			32,305		32,305
2081-2085			32,305		32,305
2086-2090			28,441		28,441
2091-2095			250		250
Total	$759,873	$6,784,863	$9,215,792	$1,675,990	$18,436,518

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 drilling operations on mineral leases. Contingent rentals amounted to $1,073,925 for the year ended June 30, 2010.

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, 2010:

University

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	$24,748,207		$21,903,465	$2,844,742	$800,107
Bonds payable	376,967,917	$118,875,000	28,705,417	467,137,500	16,235,417
Subtotal	401,716,124	118,875,000	50,608,882	469,982,242	17,035,524
Other liabilities:					
Compensated absences payable	139,747,825	18,114,046	17,153,623	140,708,248	10,652,675
Capital lease obligations	89,948,132		2,890,402	87,057,730	2,943,345
OPEB payable	357,936,538	187,398,156	46,414,989	498,919,705	
Subtotal	587,632,495	205,512,202	66,459,014	726,685,683	13,596,020
Total long-term liabilities	$989,348,619	$324,387,202	$117,067,896	$1,196,667,925	$30,631,544

Component Units

	Restated Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	$7,299,567	$3,603,538	$241,292	$10,661,813	$7,281,621
Bonds payable	175,405,000		2,580,000	172,825,000	4,178,395
Subtotal	182,704,567	3,603,538	2,821,292	183,486,813	11,460,016
Other liabilities:					
Compensated absences payable	228,618	30,006		258,624	258,624
Subtotal	228,618	30,006	NONE	258,624	258,624
Total long-term liabilities	$182,933,185	$3,633,544	$2,821,292	$183,745,437	$11,718,640

Certain component unit financial statements included in the previous year have been removed from the current year’s presentation because they did not meet the System’s criteria for inclusion in the current year’s financial statements. Therefore, the June 30, 2009, balances do not agree to the prior year’s financial statements as presented. Long-term bonds payable for those component units totaled $20,425,000. These entities had no long-term notes payable or compensated absence liability as of June 30, 2009.

Notes Payable

The universities have entered into a number of installment purchase agreements for the purchase of computer equipment, copiers, vehicles, et cetera. These agreements require scheduled payments either on a monthly, semiannual, or annual basis and have interest rates ranging from 1.158% to 6.50%.

The following is a summary of future minimum installment payments as of June 30, 2010:

Fiscal Year Ending June 30:	
2011	$929,995
2012	639,680
2013	289,272
2014	244,231
2015	244,039
2016-2020	1,116,302
Total minimum installment payments	3,463,519
Less - amount representing interest	(618,777)
Total	$2,844,742

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

NOTES PAYABLE - COMPONENT UNITS

The component units have entered into a number of notes payable agreements for various purposes. These agreements require scheduled payments either on a monthly, semiannual, or annual basis with interest rates ranging from zero to 7.25%. The following is a summary of notes payable by component unit as of June 30, 2010:

Component Unit	Principal Outstanding June 30, 2009	Issued	Redeemed	Principal Outstanding June 30, 2010
LSU Foundation		$2,720,839	($326,472)	$2,394,367
UNO Research and Technology Foundation	$7,299,567	1,136,019	(168,140)	8,267,446
Total	$7,299,567	$3,856,858	($494,612)	$10,661,813

The unamortized discount relative to the note payable for the UNO Research and Technology Foundation totals $217,463 at June 30, 2010, which is reported by the Foundation as a reduction of the note payable.

In January 2010, the LSU Foundation borrowed $2,720,839 in connection with the construction of the new business education complex. The note accrues interest at a variable rate equal to the greater of one-month LIBOR plus 175 basis points or 1% plus 175 basis points (2.75% at June 30, 2010), requires quarterly interest payments, and matures on January 18, 2015. The note is secured by pledges related to the new complex, and the LSU Foundation applies all pledges received against the outstanding balance on 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, 2010:

Fiscal Year Ending June 30:	
2011	$11,533,259
2012	590,548
2013	513,076
2014	1,728,549
2015	690,146
Total minimum installment payments	15,055,578
Less amount representing interest	(4,393,765)
Total	$10,661,813

Line of Credit

The LSU Foundation has an unsecured $10,000,000 line of credit which accrues interest at a variable rate equal to the 30-day LIBOR rate plus 63 basis points (the interest rate was 0.98% at June 30, 2010). The unused portion of the line of credit totals $32,586 at June 30, 2010. All unpaid principal and interest is due on July 31, 2011.

On June 25, 2008, the Tiger Athletic Foundation established a $6,300,000 line of credit with Capital One for the purpose of financing the construction and equipment costs associated with the upgrades/replacements to the scoreboards for the LSU athletic facilities. The line of credit allows for draws over an 11-month period with interest payable monthly. Interest is based on the 30-day LIBOR plus 110 basis points. Upon expiration, the Tiger Athletic Foundation may convert this line of credit into a term loan of up to 65 months. Repayment will be made from the total revenues, receipts, rentals, premiums, proceeds, contributions, donations, profits and income received by the Foundation on a parri passu basis with the existing bond issues. As of December 31, 2009, there was no outstanding balance associated with this line of credit and the line of credit was cancelled at the Tiger Athletic Foundation's request.

Also on June 25, 2008, the Tiger Athletic Foundation established a $2,500,000 line of credit with Capital One for the purpose of financing the construction of a vehicle parking lot adjoining the new Alex Box stadium. This line of credit allows for draws over an 11-month period with interest payable monthly and is convertible into a 72-month term loan. Interest is based on the 30-day LIBOR plus 110 basis points. The line of credit is secured by a pledge of all existing and future cash, current and future pledges and proceeds thereof in the Make Your Pitch Donation Fund. As of December 31, 2009, there was no outstanding balance associated with this line of credit and the line of credit was cancelled at the Tiger Athletic Foundation's request.

Bonds and Contracts Payable - System

Detailed summaries, by issues, of all bond and reimbursement contract debt outstanding at June 30, 2010, including future interest payments of $298,304,016 for LSU; $11,219,186 for the LSU Health Sciences Center in New Orleans; $13,750,375 for the Health Care Services

Division; $11,405,286 for the University of New Orleans; $3,191,776 for LSU at Alexandria; and $8,290,980 for LSU at Eunice follow:

Bonds Payable

Issue	Date of Issue	Original Issue	Outstanding July 1, 2009	Issued	Redeemed	Outstanding June 30, 2010	Maturities	Interest Rates	Future Interest Payments June 30, 2010
LSU									
2002 Auxiliary Revenue Bonds	October 3, 2002	$11,435,000	$10,590,000		$10,590,000		2011-2032	floating	
2004 Auxiliary Revenue Refunding Bonds	April 6, 2004	16,035,000	10,495,000		1,540,000	$8,955,000	2011-2015	4% to 5.25%	$1,444,328
2004 Auxiliary Revenue Bonds - Series B	October 26, 2004	51,885,000	49,060,000		1,195,000	47,865,000	2011-2030	2% to 5.25%	32,176,102
2005 Auxiliary Revenue Bonds - Series A	June 2, 2005	18,905,000	11,545,000		1,580,000	9,965,000	2011-2034	3% to 5%	1,574,876
2006 Auxiliary Revenue Bonds	August 9, 2006	97,095,000	95,760,000		1,045,000	94,715,000	2011-2036	4% to 5%	75,936,507
2007 Auxiliary Revenue Bonds	December 11, 2007	71,130,000	70,025,000		1,315,000	68,710,000	2011-2037	4% to 5%	55,083,535
2008 Auxiliary Revenue Bonds	June 27, 2008	52,815,000	48,285,000		3,850,000	44,435,000	2011-2034	2% to 5%	24,924,712
2010 Auxiliary Revenue Bonds - Series A and B	June 24, 2010	118,875,000		$118,875,000	195,000	118,680,000	2011-2040	2% to 5%	107,163,956
LSU Health Sciences Center									
New Orleans - Building Revenue Bonds - Series 2000	January 1, 2000	15,910,000	13,720,000		315,000	13,405,000	2011-2031	5.50%	11,219,186
LSU Health Sciences Center									
Health Care Services Division - Revenue Bonds, Series 2002	December 1, 2002	36,600,000	10,200,000		4,990,000	5,210,000	2011	3.12%	117,225
Bogalusa Community Medical Center Project Series 2007 A & B	September 1, 2007	17,500,000	17,500,000			17,500,000	2015-2038	.2466% - 7.88%	13,627,665
Health Care Services Mid-City Clinic Project Series 2003B	October 1, 2003	2,500,000	1,625,000		240,000	1,385,000	2014	varies	5,485
University of New Orleans									
Revenue Bonds of 1998	August 15, 1998	15,915,000	13,685,000		360,000	13,325,000	2011-2031	3.9%-5%	8,160,600
Revenue Bonds of 2004 - Series A	June 17, 2004	9,440,000	5,105,000		945,000	4,160,000	2011-2014	3%-4.125%	427,050
Revenue Bonds of 2004 - Series B	October 19, 2004	8,480,000	7,380,000		315,000	7,065,000	2011-2026	3%-4.67%	2,817,636
LSU at Alexandria									
2008 Auxiliary Revenue Bonds	March 18, 2008	4,200,000	4,150,000		75,000	4,075,000	2011-2034	4.0% - 5.5%	3,191,776
LSU at Eunice									
1998 Auxiliary Revenue Bonds	June 1, 1998	1,650,000	937,917		85,417	852,500	2011-2018	5%	200,417
2002 Auxiliary Revenue Bonds	January 17, 2002	7,000,000	6,905,000		70,000	6,835,000	2011-2033	7.375%	8,090,563
Total Bonds Payable		$557,370,000	$376,967,917	$118,875,000	$28,705,417	$467,137,500			$346,161,619

LSU and A&M College issued $118,875,000 of its 2010 Auxiliary Revenue Bonds (Series A&B) that were approved on March 18, 2010, for the purpose of providing funds to finance the costs of planning, acquiring, constructing, and equipping renovations and additions to the (a) Laville Honors College, (b) Phase II of the Residential College One, and (c) a new parking garage facility and to refund the board's Auxiliary Revenue Bonds, Series 2002.

Of the $87,625,000 issued in Series 2010A, $11,010,000 was used to provide monies to refund the outstanding principal of the Series 2002 bonds. There was no defeasance involved, and no escrow account created pursuant to such. The refunded debt was all variable rate and the new bonds were issued at an average fixed coupon rate of 4.84%. The refunding was necessitated by the recent volatility in the variable rate market due to the downgrading of bond insurers as well as the limited availability and pricing of a suitable insurer.

The refunded debt had variable interest rates and the Series 2010A bonds were issued at fixed rates of 2% - 5% with an all inclusive fixed rate of 4.41%. The current refunding will reduce the university's estimated total debt service payments over the next 22 years by $460,827 and will result in an economic gain (difference between the present values of the old and new debt service payments) of $277,037.

Bonds Payable - Component Units

Issue	Date of Issue	Original Issue	Outstanding July 1, 2009	Redeemed	Outstanding June 30, 2010	Maturities	Interest Rates	Future Interest Payments June 30, 2010
LSU Foundation								
Pooled Loan Program Revenue Bonds, Series 2003A	April 1, 2003	$12,725,000	$8,155,000	$630,000	$7,525,000	2011-2022	Variable	$826,947
UNO Research and Technology Foundation								
LPFA Revenue Bonds, Series 2006	August 8, 2006	38,500,000	38,365,000	175,000	38,190,000	2011-2037	3.75% - 5.25%	36,865,820
Tiger Athletic Foundation*								
Revenue Bonds, Series 1999	March 4, 1999	43,575,000	43,575,000		43,575,000	2010-2028	Variable	
Revenue Bonds, Series 2004	March 23, 2004	90,000,000	85,310,000	1,775,000	83,535,000	2010-2039	Variable	
Total Bonds Payable		$184,800,000	$175,405,000	$2,580,000	$172,825,000			$37,692,767

*As of December 31, 2009

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 bonds. The proceeds of the loan are being used to finance or reimburse a portion of the costs of the acquisition and construction of certain improvements and renovations to Tiger Stadium and a football operations center at LSU, including funding the interest and costs associated with the project. On March 15, 2007, an amendment was made to the original loan agreement which waived the principal due on September 1, 2007, and extended the payment schedule an additional year, through 2034, with the intent that the 2007 principal payment will be paid on September 1, 2034. Effective November 2009, the bonds were reissued as a single fully registered bond without coupons and shall mature September 2039.

On May 1, 2003, the LSU Foundation participated in borrowing, along with several other organizations, the proceeds of revenue bonds totaling $31,555,000 issued by the Louisiana Public Facilities Authority (LPFA). The Foundation's portion of the borrowing was $12,725,000. The Foundation is scheduled to repay the funds borrowed in 2022. The borrowed proceeds from the issuance were used to help fund several construction projects including the Shaw Center for the Arts. Interest is currently being paid using a weekly rate as determined by the remarketing agent. The interest rate at June 30, 2010, is 1.13%. Total interest expense incurred on the bonds for the year ended June 30, 2010, was $81,903. The bonds are collateralized by future revenues of the LSU Foundation.

On August 8, 2006, the LPFA issued $38,500,000 of LPFA Revenue Bonds (Series 2006) to the UNO Research and Technology Foundation. The proceeds of the bonds are being used for the financing, planning, designing, constructing, furnishing and equipping 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 $3,123,291 have been deposited with the bond trustee at June 30, 2010. The bonds were issued at a premium, which totaled $1,400,442 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, 2010, totaled $47,462.

Debt Service Requirements

The annual requirements to amortize all university bonds outstanding at June 30, 2010, are presented in the following schedule. The schedule uses rates as of June 30, 2010, for debt service requirements of the variable-rate bonds, assuming current interest rates remain the same for their term. As rates vary, variable-rate bond interest payments will vary.

Fiscal Year	Principal	Interest	Total
2011	$16,235,417	$22,148,024	$38,383,441
2012	12,270,417	21,481,226	33,751,643
2013	14,160,417	20,995,869	35,156,286
2014	14,725,417	20,411,209	35,136,626
2015	14,485,417	19,746,902	34,232,319
2016-2020	68,880,415	89,543,466	158,423,881
2021-2025	85,105,000	71,470,619	156,575,619
2026-2030	94,970,000	49,286,976	144,256,976
2031-2035	93,210,000	25,282,217	118,492,217
2036-2040	53,095,000	5,795,111	58,890,111
Total	$467,137,500	$346,161,619	$813,299,119

The annual requirements to amortize all component unit bonds outstanding at June 30, 2010, are as follows:

Fiscal Year	Principal	Interest*	Total
2011	$4,178,395	$2,078,311	$6,256,706
2012	4,393,395	2,059,610	6,453,005
2013	4,628,395	2,037,972	6,666,367
2014	4,873,395	2,013,733	6,887,128
2015	5,133,395	1,982,844	7,116,239
2016-2020	29,886,975	9,387,874	39,274,849
2021-2025	35,541,050	8,055,664	43,596,714
2026-2030	38,740,000	6,149,452	44,889,452
2031-2035	34,670,000	3,468,201	38,138,201
2036-2040	10,780,000	459,106	11,239,106
Total	$172,825,000	$37,692,767	$210,517,767

*Excludes floating interest rate amounts for Tiger Athletic Foundation Revenue Bond Series 1999 and Series 2004

The following is a summary of the System debt service reserve requirements of the various bond issues at June 30, 2010:

Bond Issue	Cash/ Investment Reserves Available	Reserve Requirement	Excess
Auxiliary Plant:			
LSU at Alexandria	$313,050	$313,050	
LSU A&M	16,541,316	16,541,316	
Total	$16,854,366	$16,854,366	NONE
Educational Plant:			
LSU Health Sciences Center - New Orleans	$1,176,841	$1,176,841	
Health Care Services Division	5,103,141	5,103,141	
Total	$6,279,982	$6,279,982	NONE

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

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

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

As permitted by the Bond Resolution for the Auxiliary Revenue Bonds of 2005 Series A, 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 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, 2010:

Fiscal Year Ending June 30:	
2011	$7,312,140
2012	7,188,001
2013	7,211,370
2014	7,343,988
2015	7,718,551
2016-2020	38,437,561
2021-2025	30,652,525
2026-2030	15,244,450
2031-2035	15,598,200
2036-2040	6,239,113
Total minimum lease payments	142,945,899
Less - amount representing interest	(55,888,169)
Present value of net minimum lease payments	$87,057,730

15. DUE FROM STATE TREASURY

As shown on Statement A, the university system has a total of $5,199,804 (net) due from the state treasury at June 30, 2010. This amount consists of the following:

Restricted Expendable Net Assets

Description	Due (to)/from
Tobacco Tax funds	$4,546,476
Statutory dedications - SELF	892,277
Facility Planning and Control	360,759
Due from state treasury	5,799,512
Refund from prior year orders	(16,154)
Unclaimed property	(104,584)
Unexpended state appropriations	(478,970)
Due to state treasury	(599,708)
Total	$5,199,804

16. RESTRICTED NET ASSETS

The university system's restricted nonexpendable net assets of $192,483,212 as of June 30, 2010, are comprised entirely of endowment funds.

The university system had the following restricted expendable net assets as of June 30, 2010:

Restricted Expendable Net Assets

Account Title	Amount
Student fees	$16,623,121
Grants and contracts	37,298,499
Gifts	16,851,860
Endowment earnings	40,620,179
Auxiliary enterprises	7,937,037
Student loan funds	39,984,018
Capital construction	70,337,482
Debt service	16,881,457
Electronic Medical Records System	17,648,522
LSU System Health Plan	46,815,831
Indirect costs	11,097,346
Sponsored projects	106,664
Foundation restricted net assets	6,477
Total	$322,208,493

Of the total restricted net assets reported on Statement A for the year ended June 30, 2010, a total of $22,672,388 was restricted by enabling legislation.

LSU Health Sciences Center in Shreveport has donor restricted endowments. If a donor has not provided specific instructions, state law permits the Board of Regents to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. The center's endowments are composed of approximately 85% private and 15% Board of Regents. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. At June 30, 2010, net appreciation of $842,825 is available to be spent and is restricted to specific purposes.

RESTRICTED NET ASSETS - COMPONENT UNITS

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

	LSU Foundation	Tiger Athletic Foundation*
Temporarily restricted:		
Chairs and professorships	$22,968,974	
Scholarships and fellowships	19,104,531	
Specific academic and research projects	19,591,511	
Academic support	36,852,807	
Capital outlay and improvements	17,895,468	
Research support	4,979,930	
Institutional support	16,767,510	
Donor restrictions		$19,781,975
Total temporarily restricted	$138,160,731	$19,781,975

	LSU Foundation	Tiger Athletic Foundation*
Permanently restricted:		
Chairs and professorhips	$106,305,132	
Scholarships and fellowships	47,573,797	
Specific academic and research projects	22,091,799	
Academic support	14,397,466	
Capital outlay and improvements	185,925	
Research support	1,879,565	
Institutional support	426,335	
Endowment funds		$6,726,947
Total permanently restricted	$192,860,019	$6,726,947

*As of December 31, 2009

At June 30, 2010, the UNO Research and Technology Foundation reports no restricted net assets.

17. 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, 2009	$1,657,262,738
LSU & Related Campuses:	
Record donation of Dean Lee District Livestock Facility	3,942,500
Correct cost of equipment added before FY2010	501,366
Record LSU at Eunice building capitalization	90,642
Record Windywood donation	247,081
Record donation of Simoneaux EBR 4-H Foundation Building	146,250
Remove capitalization of Jessie Harrison Camp	(2,178)
Record LSU at Alexandria boiler replacement	15,706
Record removal of buildings	(187,176)
Record capitalization of various projects	343,820
Remove capitalization of projects on hold	(274,110)
Remove capitalization of Engineering Lab Annex	(75,454)
Capitalize Lifes Sciences Vivarium and Pentagon Dining Renovation	1,636,925
Capitalize Vet Med Building roof replacement	90,716
Health Sciences Center New Orleans:	
Settlement of FY2007 Interim LSU Public Hospital Anesthesiology Contract	(1,600,000)
Health Care Services Division:	
Record receivable for disputed billed service	1,693,889
Reclass CIP for Patient Barcoding System	(1,072,640)
Record assets expenses in prior year	361,496
Correct capitalized interest cost for BCMC Foundation Bond Project	(302,672)
Net assets at June 30, 2009, as restated	$1,662,818,899

The beginning net assets for the component units reported on Statement D (total column) reflect the removal of two component units, the Pennington Medical Foundation and the Foundation for the LSU Health Sciences Center whose combined net assets totaled $117,143,573 as of June 30, 2009. These component units did not meet the System's criteria for inclusion into the financial statements for the year ended June 30, 2010.

18. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

Function	Employee Compensation	Benefits	Utilities	Supplies and Services	Scholarships and Fellowships	Depreciation	Compensated Absences	OPEB Expense	Total
Instruction	$389,229,845	$92,669,322	$307,971	$71,255,105		$10,765,135	$272,533	$29,779,983	$594,279,894
Research	192,584,455	52,542,881	1,770,506	90,689,664		16,032,856	(45,368)	18,446,641	372,021,635
Public service	211,991,674	36,866,108	1,234,828	83,053,462		5,791,916	(8,043)	10,842,064	349,772,009
Academic support	68,603,452	19,539,122	229,971	24,813,477		9,724,047	67,346	6,486,264	129,463,679
Student services	24,266,436	6,000,706	479,862	9,148,975		548,314	118,587	2,189,411	42,752,291
Institutional support	68,181,023	13,502,423	96,793	35,615,708		2,978,946	(241,979)	5,805,754	125,938,668
Operations and maintenance of plant	45,859,246	13,430,825	29,941,867	40,519,755		42,838,962	22,588	4,485,652	177,098,895
Scholarships and fellowships					$60,004,934				60,004,934
Auxiliary enterprises	52,181,393	13,338,567	8,071,928	87,443,872		1,485,848	(45,823)	5,047,750	167,523,535
Hospital	516,155,496	140,586,972	15,630,062	590,200,510		44,293,849	820,583	57,899,648	1,365,587,120
Total operating expenses	$1,569,053,020	$388,476,926	$57,763,788	$1,032,740,528	$60,004,934	$134,459,873	$960,424	$140,983,167	$3,384,442,660

19. 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
Pennington Medical 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
Foundation for the LSU Health Sciences Center
University of New Orleans Foundation
UNO Alumni Association
Privateer Athletic Foundation
UNO Property and Housing Development Foundation
Medical Center of Louisiana Foundation
Louisiana State University at Alexandria Foundation
Louisiana State University at Eunice Foundation
Louisiana State University System Research and Technology Foundation
Biomedical Research Foundation of Northwest Louisiana
University Energy Equipment Corporation

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

20. 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.

21. 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, 2010, was $586,026. There were no on-behalf payments made as contributions to a pension plan for which the university is legally responsible.

22. 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	57,231,510
Building - Advanced Technology Center	9,014,293
Total	$66,504,376

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 (LSUHSC) - New Orleans 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 - New Orleans leases to NORMC a parcel of land located in New Orleans at the northeastern corner of South Claiborne Avenue and Gravier Street. Currently, NORMC pays the LSUHSC - New Orleans $51,346 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 - New Orleans 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 the construction and financing of 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 LSU Interim Hospital and LSUHSC - New Orleans (the central plants). For the term of the agreement, LSUHSC - New Orleans is obligated to purchase its thermal energy from Entergy. The LSUHSC - New Orleans 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.

23. REVENUE USED AS SECURITY FOR REVENUE BONDS

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

LSU, LSUA, and LSUE have pledged future auxiliary revenues of approximately $714,874,000 to secure outstanding debt of $405,087,500 in Auxiliary Revenue Bonds. Proceeds from the bonds provided for the financing of construction and renovation of various auxiliary facilities. All auxiliary revenues of LSU have been pledged to secure the debt, which is payable through 2040. Pledged auxiliary revenues recognized during the period were $175,099,201. All LSUA Union, Bookstore, and athletic revenues, totaling $1,033,660 for the current period, are pledged to secure the debt of the 2008 bond, which matures in 2034. All LSUE Union and Bookstore revenues, totaling $2,358,027 for the current period, are pledged to secure the debt of the auxiliary revenue bonds payable through 2033. Required principal and interest payments for the current year on the bonds were $25,179,682.

LSUHSC - New Orleans has pledged future auxiliary revenues, dedicated student fee revenues, and University Enterprise Revenues of approximately $24,624,186 to secure its 2000 Series Bond. Proceeds from the bonds provided for the planning, financing, design, construction, operation, maintenance, equipping, and renewal and replacement for the Wellness Center, Day Care Center, Campus Health Services, and Student Housing in the Old Charity Nursing School Building. The bonds are payable through 2031. Principal and interest paid and pledged auxiliary revenues for the current year were $1,176,726 and $17,297,394, respectively.

UNO has pledged approximately $35,955,286 of its Student Housing, Student Union, Miscellaneous Auxiliaries/Student Recreation Center/Facility Use and Maintenance Fee revenues to secure the debt of its Series 1998, 2004A, and 2004B bonds. Proceeds from the bonds provided for the refunding of Bond Series 1996A and 1997A, construction of the student recreation center, and renovation and maintenance of campus buildings. The bonds are payable through 2031. Student Housing, Student Union, Miscellaneous Auxiliaries/Student Recreation Center/Facility Use and Maintenance Fee revenues were $15,322,014 in the current period. Principal and interest payments for the current year were $2,794,551.

24. COOPERATIVE ENDEAVOR AGREEMENTS

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

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

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

The funds are budgeted in Other Charges for flow through to the Louisiana Cancer Research Center via cooperative endeavor agreement. The Louisiana Cancer Research Center is responsible for spending the funds in accordance with the General Appropriations Act, Act 19 of the 2002 Regular Session, Act 41 of the First Extraordinary Session of 2002, and the terms and conditions of the cooperative endeavor. The two cooperative endeavor agreements were set to expire on June 30, 2010, but were amended subsequent to that date to extend the terms to June 30, 2015.

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 rental payment, which was $1.4 million in year one and year two and will increase by

$25,000 annually each year during the life of the lease agreement, is due in two equal installments payable in July and October of each year.

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

General

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

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

Obligations

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

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

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

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

General

Effective July 15, 2007, the State, the University, the Foundation, and NASA entered into a Cooperative Endeavor Agreement for an initial term of 10 years with options for four additional five-year periods.

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

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

Obligations

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

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

The Foundation will arrange for the design and construction of the MAF facilities modifications to support the installation of the new equipment. The Foundation will also manage the use of the new equipment and shall enter into agreements with other entities as necessary for the use of NCAM and the new equipment.

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

General

The State, the University, the Foundation, and NASA entered into a Supplemental Cooperative Endeavor Agreement/Space Act Agreement (the Supplemental Agreement) effective October 1, 2008, for an initial period of 10 years with four options to renew for periods of five years each.

Expanding on the Cooperative Endeavor Agreement of July 15, 2007, the Supplemental Agreement further enhances the capabilities of the University's NCAM located in the NASA's MAF in New Orleans. This Supplemental Agreement provides for the use of additional State appropriations to fund approximately $42 million of supplemental equipment, additional changes MAF/NCAM facilities and installation of the supplemental equipment. The facilities modifications and supplemental equipment installation are projected to cost approximately $10 million.

The Supplemental Agreement augments the previous agreement, significantly broadening the use of MAF research, development and production work on the Ares Launch Systems, Orion Crew Exploration Vehicle and related R&D projects (Orion Project) and collaborative R&D initiatives at NCAM.

Obligations

Access to MAF will be provided by NASA for construction of the facilities modifications, installation, use and operation of the supplemental equipment by NCAM and other users. NASA will provide routine maintenance of the supplemental equipment and repair the facilities as necessary. NASA agrees to use its reasonable efforts to perform substantial work at MAF on the Orion Project. As required to achieve the functional use of the facilities modifications and supplemental equipment, NASA agrees to use its reasonable efforts to obtain other funds to complete the project in the event the State appropriations are insufficient.

The State will purchase the supplemental equipment and transfer such title to the University. The University will seek cooperative opportunities with NASA and the private sector regarding the University's instruction, research and public service missions as well as coordinate education, research, skills training and related activities for academic entities desiring to use NCAM and the supplemental equipment.

The Foundation will arrange for the design and construction of the MAF facilities modifications to support the installation of the supplemental equipment. On behalf of the University, the Foundation will manage use of the supplemental equipment and will enter into agreements with other entities as necessary for the use of NCAM and the supplemental equipment.

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

General

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

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

Obligations

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

25. 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*	UNO Research and Technology Foundation	Total
LSU at Alexandria Foundation	$11,549,485			$11,549,485
LSU at Eunice Foundation	1,663,012			1,663,012
State matching funds	69,524,991			69,524,991
Split-interest agreements	1,886,481			1,886,481
Tiger Athletic Foundation	6,491,859			6,491,859
Coaches' escrow accounts		$1,668,598		1,668,598
LSU athletic department		4,899,051		4,899,051
Building tenant security deposits			$54,527	54,527
Total temporarily restricted	$91,115,828	$6,567,649	$54,527	$97,738,004

*As of December 31, 2009

26. RELATED PARTY TRANSACTIONS - COMPONENT UNIT

LSU pays annual rental fees of $4,500,000 to TAF for rental of facilities at LSU Tiger Stadium.

The University of New Orleans Foundation provides certain payroll management functions, as well as office space, meeting space, utilities, and use of all office furniture and equipment to the University of New Orleans Research and Technology Foundation for a nominal monthly fee. The University of New Orleans Research and Technology Foundation has paid $538,136 to the University of New Orleans Foundation for the aforementioned services.

27. UNCONDITIONAL PROMISES TO GIVE - COMPONENT UNITS

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

	LSU Foundation	Tiger Athletic Foundation*
Promises to give expected to be collected in:		
Less than one year	$9,512,637	$5,602,633
One to five years	15,978,265	
More than five years	9,255,570	13,591,739
Subtotal	34,746,472	19,194,372
Less discount on promises to give	(3,881,709)	(1,157,989)
Less allowance for uncollectible accounts	(3,628,618)	(2,111,800)
Subtotal	(7,510,327)	(3,269,789)
Net unconditional promises to give	$27,236,145	$15,924,583

*As of December 31, 2009

At June 30, 2010, the UNO Research and Technology Foundation reports no unconditional promises to give. Total unconditional promises to give (current and noncurrent) of $43,160,728 are reported on Statement B.

28. CONDITIONAL PROMISES TO GIVE - COMPONENT UNITS

The E. J. Ourso College of Business of Louisiana State University conducted 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. During the year ended June 30, 2010, all conditions on conditional pledges were satisfied when construction began on the business education complex, and all such amounts were recognized as contributions in the statements of activities for the year ended June 30, 2010.

29. SUBSEQUENT EVENTS

In the fall of 2010, the Governor of Louisiana issued an executive order that mandated mid-year budget reductions of state general fund appropriations to state agencies. As a result of the order, the System's state general fund appropriation was reduced by approximately $26 million, or 5% of its originally budgeted appropriation.

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

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

Schedule 1

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plans
Fiscal Year Ended June 30, 2010

LSU System Health Plan

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
FY 2008	07/01/2007	NONE	$470,940,000	$470,940,000	0.0%	$551,739,992	85.4%
FY 2009	07/01/2007	NONE	470,940,000	470,940,000	0.0%	612,457,990	76.9%
FY 2010	07/01/2009	NONE	608,425,749	608,425,749	0.0%	629,179,083	96.7%

State Office of Group Benefits Plan

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
FY 2008	07/01/2007	NONE	$1,930,040,000	$1,930,040,000	0.0%	$410,372,403	470.3%
FY 2009	07/02/2008	NONE	2,029,000,000	2,029,000,000	0.0%	430,129,638	471.7%
FY 2010	07/02/2009	NONE	1,601,483,400	1,601,483,400	0.0%	416,263,700	384.7%

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

Combining Schedule of Net Assets, by University

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

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

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

Combining Schedule of Cash Flows, by University

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

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Assets, by University
June 30, 2010

	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	$82,909,429	$11,337,951	$43,460,716	$1,638,400	$4,786,600	$2,221,282	$14,424,317
Investments	10,419	804,965	170,687,794	68,412	46,576	183,674	142,818
Receivables (net)	2,056,568	1,604,501	26,124,611	4,575,273	2,684,963	67,477	4,440,099
Due from other campuses	1,326,985						
Due from state treasury		3,787	332,403	10,789	10,042	16,040	581,649
Due from federal government		1,073,293	16,366,130	51,226	55,018		3,161,835
Inventories		205,956	2,775,794		330,580		4,006,696
Deferred charges and prepaid expenses	560	2,974	9,811,262	(745)	3,056	17,070	27,315
Notes receivable (net)			1,955,837		44,651		
Other current assets			1,572,283				
Total current assets	86,303,961	15,033,427	273,086,830	6,343,355	7,961,486	2,505,543	26,784,729
Noncurrent assets:							
Restricted:							
Cash and cash equivalents		4,262	77,723,100	830,229	432,916	287,820	3,035,913
Investments		4,920,000	206,514,891	1,606,300	751,068	2,691,769	2,832,586
Receivables (net)							
Notes receivable (net)			13,367,057		593,627		
Other			29,040,696				395,787
Investments							
Other noncurrent assets							
Capital assets (net)	328,846	68,564,815	690,806,192	21,986,979	18,348,850	14,000,389	52,799,644
Total noncurrent assets	328,846	73,489,077	1,017,451,936	24,423,508	20,126,461	16,979,978	59,063,930
Total assets	86,632,807	88,522,504	1,290,538,766	30,766,863	28,087,947	19,485,521	85,848,659
LIABILITIES							
Current liabilities:							
Accounts payable and accruals	9,956,097	329,068	38,502,556	356,962	713,087	319,077	384,478
Due to other campuses	22,290		74,533,806				
Due to state treasury			1,544				
Due to federal government			21,657				2,096
Deferred revenues		2,718,910	51,078,103	2,520,991	2,324,272	176,634	3,458,024
Amounts held in custody for others	694,947		3,346,290	134,526	154,506	133,932	61,914
Compensated absences payable	109,331	257,775	2,430,222	82,517	59,502	96,164	753,912
Capital lease obligations			1,172,777				
Notes payable							
Bonds payable			8,510,000	75,000	180,417		
Other current liabilities			2,877,283				
Total current liabilities	10,782,665	3,305,753	182,474,238	3,169,996	3,431,784	725,807	4,660,424
Noncurrent liabilities:							
Compensated absences payable	706,208	2,303,077	26,870,895	708,599	708,119	923,859	8,939,165
Capital lease obligations			34,052,528				
Notes payable							
Other postemployment benefits payable	475,612	8,560,143	115,676,079	7,398,282	2,656,819	3,288,983	32,350,747
Bonds payable			384,815,000	4,000,000	7,507,083		
Other noncurrent liabilities			4,152,263		7,578		54,156
Total noncurrent liabilities	1,181,820	10,863,220	565,566,765	12,106,881	10,879,599	4,212,842	41,344,068
Total liabilities	11,964,485	14,168,973	748,041,003	15,276,877	14,311,383	4,938,649	46,004,492

(Continued)

	University of New Orleans	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
ASSETS							
Current assets:							
Cash and cash equivalents	$2,004,229	$4,809,329	$15,106,747	$150,055,492	$208,582,200		$541,336,692
Investments		100,108	18,632,814	4,475,007	44,980,559		240,133,146
Receivables (net)	19,790,466	654,843	38,070,519	131,485,489	101,529,956		333,084,765
Due from other campuses	15,967	5,013	94,228,314	435,711	95,806	($96,107,796)	
Due from state treasury	102,811	25,394	3,128,494		1,588,103		5,799,512
Due from federal government	6,251,686	1,640,277	9,440,341	1,974,501	2,523,202		42,537,509
Inventories	1,066,182	400,864	2,426,145	15,520,007	11,274,141		38,006,365
Deferred charges and prepaid		605,262					605,262
expenses	551,611		3,242,219	198,126	203,829		14,057,277
Notes receivable (net)	464,985		1,006,758		241,803		3,714,034
Other current assets							1,572,283
Total current assets	30,247,937	8,241,090	185,282,351	304,144,333	371,019,599	(96,107,796)	1,220,846,845
Noncurrent assets:							
Restricted:							
Cash and cash equivalents	2,975,752	385,702		3,250,079	22,623,546		111,549,319
Investments	15,395,098	4,080,422	4,989,854	9,985,616	42,786,461		296,554,065
Receivables (net)							
Notes receivable (net)	4,746,294		7,255,922		1,157,642		27,120,542
Other							29,436,483
Investments	16,378		2,531,213				2,547,591
Other noncurrent assets			242,181	4,258,588			4,500,769
Capital assets (net)	209,390,378	25,519,737	219,482,067	278,663,514	141,774,273		1,741,665,684
Total noncurrent assets	232,523,900	29,985,861	234,501,237	296,157,797	208,341,922	NONE	2,213,374,453
Total assets	262,771,837	38,226,951	419,783,588	600,302,130	579,361,521	(96,107,796)	3,434,221,298
LIABILITIES							
Current liabilities:							
Accounts payable and accruals	8,615,439	1,399,265	28,946,410	51,974,847	39,978,169		181,475,455
Due to other campuses	287,106	3,619	567,497	19,949,495	743,983	(96,107,796)	
Due to state treasury		14,610		556,719	26,835		599,708
Due to federal government			3,199,579				3,223,332
Deferred revenues	3,797,341	1,095,509	9,500,796	919,296	1,072,927		78,662,803
Amounts held in custody for others	361,567	178,504	495,291	143,101	24,146		5,728,724
Compensated absences payable	656,332	78,697	1,539,951	2,882,380	1,705,892		10,652,675
Capital lease obligations	927,694		85,755		757,119		2,943,345
Notes payable				145,945	654,162		800,107
Bonds payable	1,680,000		325,000	5,465,000			16,235,417
Other current liabilities							2,877,283
Total current liabilities	16,325,479	2,770,204	44,660,279	82,036,783	44,963,233	(96,107,796)	303,198,849
Noncurrent liabilities:							
Compensated absences payable	7,124,221	2,354,840	18,524,544	35,115,657	25,776,389		130,055,573
Capital lease obligations	44,957,357		55,708		5,048,792		84,114,385
Notes payable				1,616,327	428,308		2,044,635
Other postemployment							
benefits payable	34,633,564	5,912,498	58,676,513	118,315,769	110,974,696		498,919,705
Bonds payable	22,870,000		13,080,000	18,630,000			450,902,083
Other noncurrent liabilities	215,091			561,210			4,990,298
Total noncurrent liabilities	109,800,233	8,267,338	90,336,765	174,238,963	142,228,185	NONE	1,171,026,679
Total liabilities	126,125,712	11,037,542	134,997,044	256,275,746	187,191,418	(96,107,796)	1,474,225,528

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Net Assets, by University
June 30, 2010

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
NET ASSETS							
Invested in capital assets, net of related debt	$328,846	$68,564,815	$394,962,193	$17,986,752	$13,227,311	$14,000,389	$52,799,644
Restricted for:							
Nonexpendable		4,920,000	62,692,198	1,576,914	365,396	3,060,769	2,878,402
Expendable	64,485,591	6,647,547	152,368,835	2,508,302	2,810,660	484,756	7,541,595
Unrestricted	9,853,885	(5,778,831)	(67,525,463)	(6,581,982)	(2,626,803)	(2,999,042)	(23,375,474)
Total net assets	$74,668,322	$74,353,531	$542,497,763	$15,489,986	$13,776,564	$14,546,872	$39,844,167

(Concluded)

Schedule 2

	University of New Orleans	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total System
NET ASSETS							
Invested in capital assets, net of related debt	$140,294,768	$25,519,737	$204,943,660	$256,516,883	$134,885,893		$1,324,030,891
Restricted for:							
Nonexpendable	17,528,516	3,922,898	23,140,448	16,023,087	56,374,584		192,483,212
Expendable	14,521,285	2,322,809	17,799,487	12,308,081	38,409,545		322,208,493
Unrestricted	(35,698,444)	(4,576,035)	38,902,949	59,178,333	162,500,081		121,273,174
Total net assets	$136,646,125	$27,189,409	$284,786,544	$344,026,384	$392,170,103	NONE	$1,959,995,770

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, 2010

	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			$201,322,072	$7,630,910	$5,914,485	$10,802,414	
Less scholarship allowances			(33,675,653)	(1,484,691)	(1,974,895)	(1,769,751)	
Net student tuition and fees	NONE	NONE	167,646,419	6,146,219	3,939,590	9,032,663	NONE
Federal appropriations							$11,086,434
Federal grants and contracts		$20,528,124	96,032,668	1,009,442	1,155,525		7,366,376
American Recovery and Reinvestment Act revenues		2,066,822	4,446,830	34,929	50,000		551,203
State and local grants and contracts	$1,656,370	1,223,749	37,174,626	637,828	445,197	12,009	10,601,635
Nongovernmental grants and contracts		8,375,841	15,045,428	15,130	119,217	143,875	4,549,380
Sales and services of educational departments		68,732	13,805,540	32,696	37,011	165,832	5,645,492
Hospital income							
Auxiliary enterprise revenues (including revenues pledged to secure debt)		19,452	156,894,692	1,921,767	3,578,971		
Less scholarship allowances			(10,208,874)	(141,591)	(212,030)		
Net auxiliary revenues	NONE	19,452	146,685,818	1,780,176	3,366,941	NONE	NONE
Other operating revenues	1,935,081	31,695	8,112,029	257,731	65,283	13,836	8,624,402
Total operating revenues	3,591,451	32,314,415	488,949,358	9,914,151	9,178,764	9,368,215	48,424,922
OPERATING EXPENSES							
Educational and general:							
Instruction	1,612,000		230,594,989	10,531,867	8,303,385	9,502,899	
Research		34,410,681	134,814,426	41,107		517,120	69,802,558
Public service	49,995	254,275	40,181,639	149,082	5,254	137,892	50,557,862
Academic support		3,551,129	65,466,906	1,512,787	639,730	2,779,886	4,067,326
Student services			19,717,238	2,229,964	1,630,422	1,363,157	
Institutional support	10,897,592	6,509,911	22,918,868	3,843,659	2,517,066	2,516,478	14,163,213
Operations and maintenance of plant	117,162	5,911,812	80,491,032	4,884,606	3,426,194	1,989,997	6,554,213
Scholarships and fellowships	3,000		31,033,254	3,519,112	3,866,579	964,958	42,241
Auxiliary enterprises		28,270	127,171,733	1,005,664	2,747,319		
Hospital							
Total operating expenses	12,679,749	50,666,078	752,390,085	27,717,848	23,135,949	19,772,387	145,187,413
OPERATING LOSS	(9,088,298)	(18,351,663)	(263,440,727)	(17,803,697)	(13,957,185)	(10,404,172)	(96,762,491)
NONOPERATING REVENUES (Expenses)							
State appropriations	9,660,773	13,713,730	171,947,836	8,164,402	6,205,090	6,891,555	78,748,740
Gifts	103,915	2,897,809	13,689,496	277,141	134,889	462,483	2,340,608
Federal nonoperating revenues			19,136,849	4,331,508	5,373,949		462,346
Net investment income	794,909	737,101	15,585,324	218,326	130,912	425,394	1,081,522
American Recovery and Reinvestment Act revenues			38,653,041	2,469,134	1,251,551	1,696,281	
Interest expense			(15,139,336)	(213,263)	(554,574)		
Other nonoperating revenues (expenses)			(1,290,458)				105,004
Net nonoperating revenues	10,559,597	17,348,640	242,582,752	15,247,248	12,541,817	9,475,713	82,738,220

(Continued)

	University of New Orleans	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
OPERATING REVENUES							
Student tuition and fees	$60,645,128	$13,358,388	$23,117,539		$7,918,504		$330,709,440
Less scholarship allowances	(11,294,603)	(3,735,264)	(3,766,192)		(307,216)		(58,008,265)
Net student tuition and fees	49,350,525	9,623,124	19,351,347	NONE	7,611,288	NONE	272,701,175
Federal appropriations							11,086,434
Federal grants and contracts	17,425,804	8,332,644	43,156,383		13,644,510		208,651,476
American Recovery and Reinvestment Act revenues	382,823		3,786,363		956,057		12,275,027
State and local grants and contracts	18,628,683	3,861,807	122,965,733		10,968,046	($98,519,983)	109,655,700
Nongovernmental grants and contracts	15,172,725	2,083,689	65,131,416		16,791,173		127,427,874
Sales and services of educational departments	136,970	31,423	83,874,124		98,814,426	(4,177)	202,608,069
Hospital income				$882,195,726	508,716,079		1,390,911,805
Auxiliary enterprise revenues (including revenues pledged to secure debt)	14,763,634	3,123,867	8,849,896		10,452,994	(549,794)	199,055,479
Less scholarship allowances	(576,789)	(299,633)					(11,438,917)
Net auxiliary revenues	14,186,845	2,824,234	8,849,896	NONE	10,452,994	(549,794)	187,616,562
Other operating revenues	4,518,647	123,577	595,673		230,470		24,508,424
Total operating revenues	119,803,022	26,880,498	347,710,935	882,195,726	668,185,043	(99,073,954)	2,547,442,546
OPERATING EXPENSES							
Educational and general:							
Instruction	69,622,459	16,131,583	181,393,866		66,586,846		594,279,894
Research	28,966,486	1,173,545	59,828,596		42,467,116		372,021,635
Public service	10,223,744	1,677,658	161,795,594		84,739,014		349,772,009
Academic support	14,177,435	4,624,251	23,541,001		9,103,228		129,463,679
Student services	8,841,331	2,539,615	5,064,838		1,365,726		42,752,291
Institutional support	13,511,452	4,755,127	25,054,025		19,251,277		125,938,668
Operations and maintenance of plant	28,436,124	4,275,801	28,898,146		12,113,808		177,098,895
Scholarships and fellowships	13,545,456	6,232,015	117,883		680,436		60,004,934
Auxiliary enterprises	14,335,507	3,774,163	9,058,722		9,402,157		167,523,535
Hospital			1,418,251	971,207,316	492,035,507	(99,073,954)	1,365,587,120
Total operating expenses	201,659,994	45,183,758	496,170,922	971,207,316	737,745,115	(99,073,954)	3,384,442,660
OPERATING LOSS	(81,856,972)	(18,303,260)	(148,459,987)	(89,011,590)	(69,560,072)	NONE	(837,000,114)
NONOPERATING REVENUES (Expenses)							
State appropriations	48,118,229	11,806,447	95,284,015	78,841,449	81,464,356		610,846,622
Gifts	505,097	171,600	1,453,315	2,550,270	(102,564)		24,484,059
Federal nonoperating revenues	11,973,065	434,155	2,664,102	3,577,417	76,783		48,030,174
Net investment income	2,389,817		2,399,762	973,550	1,675,611		26,412,228
American Recovery and Reinvestment Act revenues	11,585,148	3,043,779	19,890,110		12,929,386		91,518,430
Interest expense	(1,174,551)		(868,250)	(1,629,817)	(464,482)		(20,044,273)
Other nonoperating revenues (expenses)	113,927		7,753,052	175,957,607	16,545,129		199,184,261
Net nonoperating revenues	73,510,732	15,455,981	128,576,106	260,270,476	112,124,219	NONE	980,431,501

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses,
and Changes in Net Assets, by University
June 30, 2010

	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	$1,471,299	($1,003,023)	($20,857,975)	($2,556,449)	($1,415,368)	($928,459)	($14,024,271)
Capital appropriations		13,906,588	17,628,224	5,232,119	848,904	37,815	1,998,678
Capital gifts and grants		453,156	28,453,363	76,394	136,162	28,611	383,928
Additions to permanent endowment			2,180,740	63,094	77,394	164,985	234,757
Other additions (deductions)	7,646,923		2,742,625	5,294	1,953	29,147	93,663
CHANGE IN NET ASSETS	9,118,222	13,356,721	30,146,977	2,820,452	(350,955)	(667,901)	(11,313,245)
NET ASSETS - BEGINNING OF YEAR (Restated)	65,550,100	60,996,810	512,350,786	12,669,534	14,127,519	15,214,773	51,157,412
NET ASSETS - END OF YEAR	$74,668,322	$74,353,531	$542,497,763	$15,489,986	$13,776,564	$14,546,872	$39,844,167

(Concluded)

	University of New Orleans	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
INCOME (Loss) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES (CONT.)	($8,346,240)	($2,847,279)	($19,883,881)	$171,258,886	$42,564,147		$143,431,387
Capital appropriations	10,089,330		7,443,110	41,031,111	7,805,149		106,021,028
Capital gifts and grants	473,089				137,653		30,142,356
Additions to permanent endowment		120,000	2,467,173		1,850,000		7,158,143
Other additions (deductions)	16,811	1,963			(114,422)		10,423,957
CHANGE IN NET ASSETS	2,232,990	(2,725,316)	(9,973,598)	212,289,997	52,242,527	NONE	297,176,871
NET ASSETS - BEGINNING OF YEAR (Restated)	134,413,135	29,914,725	294,760,142	131,736,387	339,927,576	NONE	1,662,818,899
NET ASSETS - END OF YEAR	$136,646,125	$27,189,409	$284,786,544	$344,026,384	$392,170,103	NONE	$1,959,995,770

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2010

	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			$161,330,215	$6,134,910	$4,017,998	$8,990,483	
Federal appropriations							$9,516,385
American Recovery and Reinvestment Act revenues		$2,066,822	4,446,830	34,929	50,000		551,203
Grants and contracts	$1,658,297	30,413,115	155,254,681	1,542,448	1,749,548	40,370	22,156,687
Sales and services of educational departments	306,412	81,321	13,411,098	125,990	36,998	170,791	5,634,467
Hospital income							
Auxiliary enterprise receipts		26,329	148,616,143	1,454,402	3,376,029		
Payments for employee compensation	(2,115,076)	(27,756,292)	(369,751,687)	(11,175,996)	(8,651,560)	(10,434,488)	(76,447,201)
Payments for benefits	(1,026,450)	(7,186,314)	(94,048,065)	(3,774,173)	(2,728,835)	(2,612,988)	(26,961,090)
Payments for utilities	(58,667)	(1,657,501)	(18,469,250)	(537,431)	(491,367)	(531,423)	(3,206,697)
Payments for supplies and services	(9,109,413)	(7,591,471)	(175,212,966)	(5,933,224)	(5,416,671)	(3,616,866)	(27,294,331)
Payments for scholarships and fellowships	(3,000)		(28,977,035)	(3,519,112)	(3,866,579)	(964,958)	(42,241)
Loans to students			(2,342,482)	(166,504)	(72,254)		
Collection of loans to students			1,747,904		34,958		
Other receipts (payments)	(10,031,042)	32,079	22,341,805	306,951	70,850	13,574	8,539,459
Net cash (used) by operating activities	(20,378,939)	(11,571,912)	(181,652,809)	(15,506,810)	(11,890,885)	(8,945,505)	(87,553,359)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
State appropriations	9,660,773	13,717,439	172,392,696	8,174,968	6,214,923	6,907,262	79,276,988
Gifts and grants for other than capital purposes	101,594	2,897,809	14,194,388	270,075	133,443	467,803	2,333,133
Private gifts for endowment purposes			1,015,177				
TOPS receipts			45,808,587	836,546	686,752		
TOPS disbursements			(45,808,587)	(835,852)	(686,752)		
Direct lending receipts			6,685,027	370,699	16,711		
Direct lending disbursements			(6,685,027)	(370,699)	(16,711)		
Federal Family Education Loan program receipts							
Federal Family Education Loan program disbursements							
Federal Emergency Management Agency receipts	(5,625)		(942,995)		(10,681)		247,266
Federal Emergency Management Agency disbursements	5,625		1,309,757		10,681		215,080
American Recovery and Reinvestment Act receipts			38,653,041	2,469,134	1,251,551	1,696,281	
Other receipts			17,958,574	4,316,925	5,373,949		105,004
Net cash provided by noncapital financing sources	9,762,367	16,615,248	244,580,638	15,231,796	12,973,866	9,071,346	82,177,471
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:							
Proceeds from capital debt			118,875,000				
Capital appropriations received			(5,550,420)	(45,851)		(22,728)	(63,212)
Capital gifts and grants received		453,156	28,076,225	77,299	147,499	28,611	350,171
Proceeds from sale of capital assets			1,290,458				
Purchase of capital assets		(3,368,080)	(73,987,154)	(100,332)	(153,558)	(265,671)	(1,886,810)
Principal paid on capital debt and leases			(22,352,344)	(75,000)	(155,417)		
Interest paid on capital debt and leases			(15,136,630)	(213,263)	(554,574)		
Other sources	7,646,923		2,702,576	5,294	1,953	29,147	93,662
Net cash provided (used) by capital financing activities	7,646,923	(2,914,924)	33,917,711	(351,853)	(714,097)	(230,641)	(1,506,189)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from sales and maturities of investments			99,347,537	1,302,168	40,484		
Interest received on investments	791,256	165,214	10,423,888	78,843	97,215	171,582	828,395
Purchase of investments			(138,722,371)				
Net cash provided (used) by investing activities	791,256	165,214	(28,950,946)	1,381,011	137,699	171,582	828,395

(Continued)

	University of New Orleans	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Tuition and fees	$49,635,040	$10,110,656	$18,062,729		$5,494,684		$263,776,715
Federal appropriations							9,516,385
American Recovery and Reinvestment Act revenues	382,823		3,246,066		956,057		11,734,730
Grants and contracts	49,477,506	13,218,394	239,524,174		44,026,311	($100,589,190)	458,472,341
Sales and services of educational departments	575,820	31,423	81,370,965		111,002,255		212,747,540
Hospital income			(4,694)	$833,100,905	484,390,000		1,317,486,211
Auxiliary enterprise receipts	14,151,827	2,873,624	10,175,448		10,454,566		191,128,368
Payments for employee compensation	(94,188,346)	(19,863,929)	(291,903,972)	(356,419,874)	(385,192,876)	85,957,764	(1,567,943,533)
Payments for benefits	(25,021,002)	(5,814,573)	(48,960,538)	(99,067,820)	(81,894,849)	11,994,106	(387,102,591)
Payments for utilities	(6,205,423)	(233,291)	(11,709,899)	(10,560,794)	(9,164,266)		(62,826,009)
Payments for supplies and services	(40,966,459)	(9,510,417)	(105,258,825)	(615,245,644)	(213,175,493)	2,637,320	(1,215,694,460)
Payments for scholarships and fellowships	(13,605,764)	(6,232,015)	(117,883)		(680,436)		(58,009,023)
Loans to students	(385,827)		(444,514)		(104,798)		(3,516,379)
Collection of loans to students	471,291		1,006,758		225,669		3,486,580
Other receipts (payments)	4,549,966	217,009	(13,475,256)		225,886		12,791,281
Net cash (used) by operating activities	(61,128,548)	(15,203,119)	(118,489,441)	(248,193,227)	(33,437,290)	NONE	(813,951,844)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
State appropriations	48,218,910	11,806,447	96,358,871	78,841,449	81,924,877		613,495,603
Gifts and grants for other than capital purposes	1,024,718	171,600	1,453,315	2,550,270	(102,564)		25,495,584
Private gifts for endowment purposes		120,000			1,850,000		2,985,177
TOPS receipts	6,496,830	2,097,745	888,628		43,844		56,858,932
TOPS disbursements	(6,492,241)	(2,097,745)	(841,102)		(43,844)		(56,806,123)
Direct lending receipts					1,390,847		8,463,284
Direct lending disbursements							(7,072,437)
Federal Family Education Loan program receipts					16,297,097		16,297,097
Federal Family Education Loan program disbursements					(16,297,097)		(16,297,097)
Federal Emergency Management Agency receipts	1,048,242		1,250,922	6,111,621	27,006		7,725,756
Federal Emergency Management Agency disbursements	(934,315)		(1,346,748)	(2,534,205)			(3,274,125)
American Recovery and Reinvestment Act receipts	11,585,148	3,043,779	19,890,110		12,929,386		91,518,430
Other receipts	11,973,065		8,628,475	176,575,312	16,594,906		241,526,210
Net cash provided by noncapital financing sources	72,920,357	15,141,826	126,282,471	261,544,447	114,614,458	NONE	980,916,291
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:							
Proceeds from capital debt							118,875,000
Capital appropriations received				5,549,121	4,190,654		4,057,564
Capital gifts and grants received	409,569						29,542,530
Proceeds from sale of capital assets							1,290,458
Purchase of capital assets	(10,506,159)	(777,485)	(15,879,710)	(7,155,839)	(30,061,538)		(144,142,336)
Principal paid on capital debt and leases	(2,465,610)		(428,188)	(26,452,348)	(1,570,377)		(53,499,284)
Interest paid on capital debt and leases	(1,174,551)		(772,694)	(1,629,817)	(464,482)		(19,946,011)
Other sources	176,874	1,963	(2,795,412)		(114,422)		7,748,558
Net cash provided (used) by capital financing activities	(13,559,877)	(775,522)	(19,876,004)	(29,688,883)	(28,020,165)	NONE	(56,073,521)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from sales and maturities of investments				2,538,000	136,670,890		239,899,079
Interest received on investments	593,820	435,155	3,434,807	973,550	2,300,215		20,293,940
Purchase of investments		1,307,348		1,615,614	(136,001,897)		(271,801,306)
Net cash provided (used) by investing activities	593,820	1,742,503	3,434,807	5,127,164	2,969,208	NONE	(11,608,287)

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University
June 30, 2010

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
NET INCREASE (Decrease) IN CASH AND CASH EQUIVALENTS	($2,178,393)	$2,293,626	$67,894,594	$754,144	$506,583	$66,782	($6,053,682)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	85,087,822	9,048,587	53,289,222	1,714,485	4,712,933	2,442,320	23,513,912
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$82,909,429	$11,342,213	$121,183,816	$2,468,629	$5,219,516	$2,509,102	$17,460,230
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:							
Operating loss	($9,088,298)	($18,351,663)	($263,440,727)	($17,803,697)	($13,957,185)	($10,404,172)	($96,762,491)
Adjustments to reconcile operating loss to net cash used by operating activities:							
Depreciation expense	48,529	3,698,180	38,898,519	842,142	1,076,603	971,988	4,118,713
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable, net	(215,010)	413,887	1,253,109	(897,686)	(17,960)	(1,239)	(1,739,974)
(Increase) decrease in inventories		3,510	(449,199)		(33,885)		149,666
(Increase) decrease in deferred charges and prepaid expenses	43	1,088	(7,068,060)	2,009	(4)	38,895	(3,166)
(Increase) decrease in notes receivable			(355,785)		(26,499)		
(Increase) in other assets	(688,056)		(130,292)				
Increase (decrease) in accounts payable and accrued liabilities	654,877	134,977	(2,798,161)	147,117	5,915	(173,474)	(129,367)
Increase (decrease) in deferred revenue		30,980	2,846,513	125,301	131,039	(194,266)	(312,015)
Increase (decrease) in amounts held in custody for others	542,096		(169,103)	(5,182)	7,955	(1,250)	24,200
Increase (decrease) in compensated absences	(159,902)	(93,285)	30,268	36,447	23,959	(28,893)	(585,655)
Increase in other postemployment benefits payable	158,571	2,590,414	31,976,344	2,046,739	941,768	847,820	7,721,228
Increase (decrease) in other liabilities	(11,631,789)		17,753,765		(42,591)	(914)	(34,498)
Net cash (used) by operating activities	($20,378,939)	($11,571,912)	($181,652,809)	($15,506,810)	($11,890,885)	($8,945,505)	($87,553,359)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:							
Cash and cash equivalents classified as current assets	$82,909,429	$11,337,951	$43,460,716	$1,638,400	$4,786,600	$2,221,282	$14,424,317
Cash and cash equivalents classified as noncurrent assets		4,262	77,723,100	830,229	432,916	287,820	3,035,913
Cash and cash equivalents at end of the year	$82,909,429	$11,342,213	$121,183,816	$2,468,629	$5,219,516	$2,509,102	$17,460,230
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:							
Capital appropriations		$13,906,588	$17,539,856	$5,232,119	$848,904	$37,815	$1,932,325
Capital gifts			5,560,449	45,851		22,728	42,450

(Concluded)

	University of New Orleans	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
NET INCREASE (Decrease) IN CASH AND CASH EQUIVALENTS	($1,174,248)	$905,688	($8,648,167)	($11,210,499)	$56,126,211	NONE	$99,282,639
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,154,229	4,289,343	23,754,914	164,516,070	175,079,535	NONE	553,603,372
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$4,979,981	$5,195,031	$15,106,747	$153,305,571	$231,205,746	NONE	$652,886,011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:							
Operating loss	($81,856,972)	($18,303,260)	($148,459,987)	($89,011,590)	($69,560,072)		($837,000,114)
Adjustments to reconcile operating loss to net cash used by operating activities:							
Depreciation expense	13,617,125	1,932,606	17,887,128	30,804,526	20,563,814		134,459,873
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable, net	(503,535)	(768,073)	2,327,398	(49,235,677)	(10,662,127)		(60,046,887)
(Increase) decrease in inventories	158,388	29,188	(166,035)	2,540,759	150,026		2,382,418
(Increase) decrease in deferred charges and prepaid expenses	(40,411)	(20,523)	(2,710,808)	(71,461)	2,791		(9,869,607)
(Increase) decrease in notes receivable	85,463		562,243		100,146		365,568
(Increase) in other assets		24,867		44,129			(749,352)
Increase (decrease) in accounts payable and accrued liabilities	(1,243,166)	(215,178)	(5,822,553)	(179,288,203)	(4,493,006)		(193,220,222)
Increase (decrease) in deferred revenue	(562,915)	300,283	1,813,918	(1,079,889)	(2,278,814)		820,135
Increase (decrease) in amounts held in custody for others	31,319	61,790	188,363	705	(12,286)		668,607
Increase (decrease) in compensated absences	(284,011)	50,233	730,378	715,530	525,354		960,423
Increase in other postemployment benefits payable	9,470,167	1,703,620	15,472,878	35,826,734	32,226,884		140,983,167
Increase (decrease) in other liabilities		1,328	(312,364)	561,210			6,294,147
Net cash (used) by operating activities	($61,128,548)	($15,203,119)	($118,489,441)	($248,193,227)	($33,437,290)	NONE	($813,951,844)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:							
Cash and cash equivalents classified as current assets	$2,004,229	$4,809,329	$15,106,747	$150,055,492	$208,582,200		$541,336,692
Cash and cash equivalents classified as noncurrent assets	2,975,752	385,702		3,250,079	22,623,546		111,549,319
Cash and cash equivalents at end of the year	$4,979,981	$5,195,031	$15,106,747	$153,305,571	$231,205,746	NONE	$652,886,011
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:							
Capital appropriations			$7,443,110	$35,481,990	$4,150,462		$86,573,169
Capital gifts					137,653		5,809,131

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OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

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

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 24, 2011

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, 2010, and have issued our report thereon dated January 24, 2011. Our report was modified to include a reference to other auditors, an explanatory paragraph for the implementation of a new accounting standard, and an emphasis of a matter regarding financial statement comparability. We did not audit the financial statements of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries, the Eunice Student Housing Foundation, Inc., and the Health Care Services Foundation and its subsidiary, which are nonprofit corporations included as blended component units in the basic financial statements of the LSU System. We also did not audit the financial statements of the LSU Foundation, the Tiger Athletic Foundation, and the University of New Orleans Research and Technology Foundation, which are the discretely presented component units presented in the basic financial statements. The financial statements of the blended and discretely presented component units were audited by other auditors whose reports have been furnished to us, and this report, insofar as it relates to the amounts reported for those component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the LSU Foundation and the Tiger Athletic Foundation were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LSU System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Energy Efficiency Contract Contrary to State Law

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

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

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

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

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

- The energy efficiency contract between the HSC-Shreveport and JCI guaranteed a total of $15,493,562 in savings during the 17-year term of the contract, consisting of measurable utility savings of $8,926,000; measurable operational savings of $3,480,869; and stipulated operational savings of $3,086,693. Excluding the stipulated operational savings, the guaranteed savings over the life of the contract are only the measurable savings of $12,406,869. The total payments due to JCI over the life of the contract are approximately $15.7 million. In addition, neither the measurable utility savings nor the measurable operational savings are being adequately measured or verified by the center.

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

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

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

Management of the LSU System has represented to us that the System's legal counsel has conducted detailed investigations and evaluations of each of the agreements, has retained an industry expert to assist in a comprehensive review of the technical materials and calculations associated with these contracts, and is currently actively engaged in extensive settlement discussions with JCI's legal counsel regarding resolution of the issues associated with each of these contracts.

Management should revise its energy efficiency contracts to ensure that savings components are verifiable and that the guaranteed savings have been realized. In addition, management should ensure that the payments required by the contract are not greater than the energy cost savings attributable to the services or equipment under the contract. LSU System management concurred with the finding and is addressing the issue as described previously (see Appendix A).

Other Reports

Other external auditors audited the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries, the Eunice Student Housing Foundation, Inc., and the Health Care Services Foundation and its subsidiary, which are blended component units included in the LSU System's basic financial statements for the year ended June 30, 2010. In addition, other auditors audited the LSU Foundation, the Tiger Athletic 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, 2010, 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	January 19, 2011
LSU Health Sciences Center - New Orleans	January 27, 2011
LSU Health Sciences Center - Shreveport	November 18, 2010
Health Care Services Division	December 8, 2010
University of New Orleans	January 20, 2011

Those reports contain compliance and internal control findings, where applicable, relating to those entities. 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.

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

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

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

NWM:WDG:EFS:THC:dl

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

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

Chief Financial Officer

225 / 578-6935
225 / 578-5524 fax

October 19, 2010

Mr. Daryl G. Purpera, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

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

Dear Mr. Purpera:

I am writing in response to your letter dated October 6, 2010 to Chancellor Martin regarding fiscal year 2010 Audit findings associated with a performance-based energy efficiency contract between Johnson Controls, Inc. (JCI) and LSU and also in response to your letter dated October 12, 2010 to President Lombardi with virtually identical audit findings for each of the other four LSU System institutions that are also currently party to a performance-based energy efficiency contract with JCI, specifically, the University of New Orleans, Louisiana State University Health Science Center in Shreveport, University Medical Center, and Lallie Kemp Hospital. This letter is meant to serve as the LSU System's response to any similar findings regarding each of these contracts for the 2010 fiscal year.

As noted in your findings, and in previous correspondence to your office from the LSU System (see attached), LSU System's counsel has conducted detailed investigations of each of these agreements and has retained an industry expert to assist in the review of the complex technical materials and calculations. After working with the expert and the five facilities to determine the status and history of these contracts and after attempts to obtain relevant information from JCI's out-of-state counsel, notice of default was sent to JCI on February 3, 2010. The LSU System's counsel indicated the LSU System's position with regard to each of these contracts and informed JCI that these issues must be resolved. On February 5, 2010, LSU's counsel was contacted by new, local counsel for JCI who indicated that JCI was willing to actively work to resolve the issues related to each of these contracts. Since this time, numerous meetings and correspondence have taken place between LSU System counsel, JCI local counsel and the five LSU System institutions regarding the status of each of the five contracts, the unique issues associated with performance under each contract, issues associated with savings under each contract, termination options for each contract and the most appropriate method of addressing any other issues under each contract. During the past month, JCI and the LSU System have exchanged terms associated with a proposed termination of the Louisiana State University Health Sciences Center, Shreveport contract. Currently LSU is awaiting a response from JCI on its proposed terms and hopes to move forward with similar negotiations related to

Louisiana State University & Agricultural and Mechanical College
LSU at Alexandria • LSU at Eunice • University of New Orleans • LSU in Shreveport • Hebert Law Center • LSU Agricultural Center
Pennington Biomedical Research Center • LSU Health Sciences Center - New Orleans • LSU Health Sciences Center - Shreveport • LSU Health Care Services Division

each of the four other contracts in an effort to avoid costly litigation. Should negotiations be unsuccessful, LSU is prepared to institute litigation to resolve the issues associated with these contracts by nullifying the agreements, forcing amendments to the agreements or recovering for breach of the agreements.

Sincerely,

Wendy C. Simoneaux

Wendy C. Simoneaux
Chief Financial Officer

Enclosure

Cc: General Counsel P. Raymond Lamonica