

LEGISLATIVE AUDITOR  
STATE OF LOUISIANA



LOUISIANA TECH UNIVERSITY

UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA

ACCOUNTANT'S REVIEW REPORT  
ISSUED OCTOBER 22, 2004

**LEGISLATIVE AUDITOR  
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STEVE J. THERIOT, CPA

**DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT**

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October 6, 2004

Accountant's Review Report

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

We have reviewed the accompanying basic financial statements as listed in the table of contents of Louisiana Tech University, a university within the University of Louisiana System, a component unit of the State of Louisiana, as of and for the two years ending June 30, 2004, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of Louisiana Tech University. We did not review the financial statements of the Louisiana Tech University Foundation, Inc., a component unit of the university, whose financial activity is discretely presented in these basic financial statements. These statements were audited by other auditors whose report thereon has been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for the foundation, is based solely upon the report of the other auditors.

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

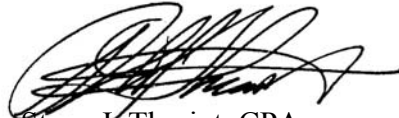
As discussed in note 1-C to the basic financial statements, the accompanying financial statements of Louisiana Tech University are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the University of Louisiana System that is attributable to the transactions of Louisiana Tech University. They do not purport to, and do not, present fairly the financial position of the University of Louisiana System or the State of Louisiana as of June 30, 2004, or June 30, 2003, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the basic financial statements, and as required by Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*, Louisiana Tech University discretely presented the financial statements and other required note disclosures for the Louisiana Tech University Foundation, Inc., a component unit of the university, as of June 30, 2004, and for the two years then ended. Those amounts were audited by other auditors.

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

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

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

BAC:WJR:AJR:dl

LTU04

This section of Louisiana Tech University's annual financial report presents a discussion and analysis of the financial performance and a narrative overview of the University's financial activities during the fiscal years ended June 30, 2004 and 2003. Please read this document in conjunction with Louisiana Tech University's financial statements, which follow this section.

For compliance with Statement Number 39 of the Governmental Accounting Standards Board, this report includes the audited financial statements and accompanying notes of the Louisiana Tech University Foundation for the fiscal years ended June 30, 2004 and 2003. The Foundation is a 501 (c) (3) corporation organized to solicit, receive, hold, invest, and transfer funds for the benefit of Louisiana Tech University.

### FINANCIAL HIGHLIGHTS

Louisiana Tech University's net assets overall changed from \$110,312,691 to \$117,417,916 or 6.4% from June 30, 2003, to June 30, 2004. The overall reasons for this change included:

- Completion of Hale Hall and the upgrading and expansion of the University's Power Plant
- Construction in progress for 162 new apartments in University Park through a 501 C (3) Corporation
- Capital lease of new mainframe computer equipment
- Increase in fees and tuition
- Acquisition of new instructional and research equipment
- Addition of new endowed professorships

Enrollment increased from 11,280 to 11,975 from June 30, 2003, to June 30, 2004, a change of 6.2%. The reason for this change is attributed to:

- Continued retention of existing students
- Attractiveness of Academic Undergraduate and Graduate programs
- TOPS Scholarship Program
- Increase in graduate enrollment

Louisiana Tech University's operating revenues changed from \$71,935,298 to \$76,423,052 or 6.2% from June 30, 2003, to June 30, 2004. Operating expenses, however, increased by 3.2% to \$120,822,082 for the year ended June 30, 2004. The changes in enrollment as discussed above, along with increased tuition and fees are the primary reasons for this change.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations. The change to \$44,906,289 in 2004 from \$44,483,467 in 2003 is attributed to a

small increase in state appropriation, a small increase in gift income reduced by a decrease in investment income.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

### **Basic Financial Statements**

The basic financial statements present information for the University as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page 13) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the University is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 17) presents information showing how the University's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 21-23) presents information showing how the University's cash changed as a result of current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about the University's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

Louisiana Tech University's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America as applied to government units. Under this basis of accounting, revenues are recognized in the period in



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the University are included in the Statement of Net Assets.

### FINANCIAL ANALYSIS

#### Statement of Net Assets (in thousands)

	2004	2003	Variance	Percentage Variance
Current and other assets	\$68,748	\$59,327	\$9,421	16%
Capital assets	102,843	83,737	19,106	23%
Total assets	<u>171,591</u>	<u>143,064</u>	<u>28,527</u>	20%
Other liabilities	15,496	14,354	1,142	8%
Long-term debt outstanding	38,677	18,397	20,280	110%
Total liabilities	<u>54,173</u>	<u>32,751</u>	<u>21,422</u>	65%
Net assets:				
Invested in capital assets, net of debt	73,320	65,339	7,981	12%
Restricted	36,672	38,812	(2,140)	-6%
Unrestricted	<u>7,426</u>	<u>6,162</u>	<u>1,264</u>	21%
Total net assets	<u>\$117,418</u>	<u>\$110,313</u>	<u>\$7,105</u>	6%

This schedule is prepared from the University's statement of net assets as shown on page 13, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Significant statement of net asset changes include:

- An increase in capital assets of \$19,106,000 from the completion of Hale Hall, continued work on the Power Plant, and the increase in construction in progress from work on 162 student housing units slated for completion in the 2004-2005 year and net additions of equipment and library materials
- An increase in long-term debt from the issuance of \$21,418,000 (\$21,840,000 less discount of \$422,000) by Innovative Student Facilities, Inc., for the construction of 162 student housing units
- An increase in investments from Innovative Student Facilities, Inc., bond proceeds of \$9,528,000 and an increase in investments for Endowed Chairs and Professorships of \$2,502,000

Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation, and reduced by the amount of outstanding indebtedness attributable to

the acquisition, construction, or improvement of those assets. Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be spent.

Nonoperating revenues increased by 1% to \$44,906,289, primarily attributable to an increase in state appropriation.

Statement of Revenues, Expenses, and Changes in Net Assets  
(in thousands)

	2004	2003	Variance	Percentage Variance
Operating Revenues:				
Student tuition and fees, net	\$32,720	\$27,909	\$4,811	17%
Grants and contracts	19,006	20,561	(1,555)	-8%
Auxiliary	22,554	21,302	1,252	6%
Other	2,143	2,163	(20)	-1%
Total operating revenues	<u>76,423</u>	<u>71,935</u>	<u>4,488</u>	6%
Operating Expenses:				
Education and general:				
Instruction	35,224	35,417	(193)	-1%
Research	14,060	14,179	(119)	-1%
Public service	1,105	940	165	18%
Academic support	7,489	7,054	435	6%
Student services	5,255	4,793	462	10%
Institutional support	9,149	8,990	159	2%
Operations and maintenance of plant	8,127	8,009	118	1%
Depreciation	6,667	6,241	426	7%
Scholarships and fellowships	5,777	5,673	104	2%
Other operating expenses	27,969	25,741	2,228	9%
Total operating expenses	<u>120,822</u>	<u>117,037</u>	<u>3,785</u>	3%
Operating income (loss)	<u>(44,399)</u>	<u>(45,102)</u>	<u>703</u>	-2%
Nonoperating Revenues (Expenses):				
State appropriations	43,697	43,294	403	1%
Gifts	1,207	1,163	44	4%
Other nonoperating revenues (expenses)	2	26	(24)	-92%
Net nonoperating revenues (expenses)	<u>44,906</u>	<u>44,483</u>	<u>423</u>	1%
Income (loss) before other revenues, expenses, gains, losses	<u>507</u>	<u>(619)</u>	<u>1,126</u>	-182%
Capital appropriations	10,967	5,479	5,488	100%
Capital grants and gifts	144	1,437	(1,293)	90%
Additions to permanent endowments	2,502	1,311	1,191	91%
Other additions, net	(7,015)	(4,500)	(2,515)	56%
Change in Net Assets	<u>7,105</u>	<u>3,108</u>	<u>3,997</u>	129%
Net assets at the beginning of the year	<u>110,313</u>	<u>107,205</u>	<u>3,108</u>	3%
Net assets at the end of the year	<u>\$117,418</u>	<u>\$110,313</u>	<u>\$7,105</u>	6%

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

State appropriations changed from \$43,293,733 to \$43,697,036 while capital appropriations increased from \$5,479,338 to \$10,967,487 because of the completions of Hale Hall, additions to the University Power Plant, and construction in progress for 162 student housing units through Innovative Student Facilities, Inc.

The University's total revenues (operating and nonoperating) increased by \$4,910,576 or 4.2%.

### STATEMENT OF CASH FLOWS

Another way to assess the financial health of the University is to look at the Statement of Cash Flows. The Statement of Cash Flows assists readers of this statement to assess:

- The ability to generate future cash flows
- The ability to meet obligations as they come due
- A need for external financing

#### Statement of Cash Flows (in thousands)

	<u>2004</u>	<u>2003</u>	<u>Variance</u>	<u>Percentage Variance</u>
Cash and cash equivalents provided (used) by:				
Operating activities	(\$37,783)	(\$38,033)	\$250	1%
Noncapital financing activities	48,633	45,526	3,107	7%
Capital financing activities	(139)	(3,080)	2,941	95%
Investing activities	<u>(11,889)</u>	<u>(994)</u>	<u>(10,895)</u>	1096%
Net increases (decreases) in cash and cash equivalents	(1,178)	3,419	(4,597)	-134%
Cash and cash equivalents:				
Beginning of year	<u>22,546</u>	<u>19,127</u>	<u>3,419</u>	18%
End of year	<u>\$21,368</u>	<u>\$22,546</u>	<u>(\$1,178)</u>	-5%

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

As of June 30, 2004, Louisiana Tech University had invested approximately \$102,843,081 in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$19,106,327 or 22.8% over the previous fiscal year. More detailed information about the system's capital assets is presented in note 6 to the financial statements.

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

	<u>2004</u>	<u>2003</u>
Land	\$4,667	\$4,667
Land and improvements	1,002	1,025
Construction in progress	19,199	5,014
Buildings	64,708	61,075
Equipment	11,064	9,815
Library materials	<u>2,203</u>	<u>2,141</u>
Totals	<u>\$102,843</u>	<u>\$83,737</u>

This year's major additions included:

- Completion of Hale Hall for the School of Architecture and Admissions for \$3,803,000
- Construction in progress for 162 student housing units for Innovative Student Facilities for \$12,263,000
- Equipment and library acquisitions totaling \$4,251,000

**Debt**

The University had \$37,217,000 in bonds and notes outstanding at year-end, compared to \$17,251,000 last year, an increase of 115.7% as shown in the table as follows:

Outstanding Debt at Year-end  
(in thousands)

	<u>2004</u>	<u>2003</u>
General obligation bonds	\$2,580	\$2,785
Revenue bonds and notes	<u>34,637</u>	<u>14,467</u>
Totals	<u>\$37,217</u>	<u>\$17,252</u>

New debt resulted from the issuance of \$21,418,160 in bonds (\$21,840,000 less discount of \$421,840) on July 1, 2003, by Innovative Student Facilities, Inc., a 501C (3) tax exempt foundation. These bonds were issued for the construction of 162 student apartments in University Park. See note 14 for details relating to changes in and the composition of long-term liabilities and capital leases.

### **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

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

- The University's Base State Appropriation for FY 2004-2005 will increase \$1,215,133 to \$43,598,594. Most of the additional funding is dedicated to increased costs from the state. Self-generated funds are projected to increase by approximately \$1.2 million from a 3% fee increase approved for University of Louisiana System universities. A new operational fee will be assessed beginning with the fall term and will produce an estimated \$1.3 million per year. The University is in its twelfth year of selective admissions and enrollment for the upcoming year is projected to be stable.
- During the 2004-2005 year, the University will open 162 new student apartments (approximately 472 beds) constructed from \$21,840,000 in bonds issued through Innovative Student Facilities, Inc., a 501 C (3) Corporation.
- In the fall of 2004, the University plans to refinance and extend by three years its 1999 Revenue Refunding Bonds as part of repair and replacement efforts for its housing system. The refunding is expected to achieve a lower interest rate and to generate approximately \$2.9 million in the first five years. The University anticipates a public offering with the bonds rated AAA through the purchase of bond insurance.

### **CONTACTING THE UNIVERSITY'S MANAGEMENT**

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



**LOUISIANA TECH UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Statement of Net Assets  
June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents (note 2)	\$14,766,235	\$13,506,811
Receivables, net (note 4)	4,916,363	6,576,589
Inventories	1,886,905	1,924,075
Deferred charges and prepaid expenses	870,544	783,717
Notes receivable, net (note 5)	1,045,978	979,904
Other current assets	124,461	113,717
Total current assets	<u>23,610,486</u>	<u>23,884,813</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents (note 2)	6,601,282	9,038,854
Investments (note 3)	32,504,676	20,489,771
Accounts receivable, net (note 4)	19,198	168
Notes receivable, net (note 5)	5,959,806	5,880,567
Other	52,217	32,838
Capital assets, net (note 6)	102,843,081	83,736,754
Total noncurrent assets	<u>147,980,260</u>	<u>119,178,952</u>
<b>Total assets</b>	<u>171,590,746</u>	<u>143,063,765</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued liabilities (note 10)	5,455,768	5,330,891
Due to State Treasury		111
Deferred revenues (note 11)	3,815,481	4,796,419
Compensated absences payable (note 12)	280,407	303,384
Capital lease obligations (note 13)	226,126	128,151

(Continued)

See accompanying notes and accountant's report.

**LOUISIANA TECH UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Statement of Net Assets  
June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>LIABILITIES (CONT.)</b>		
Current Liabilities: (Cont.)		
Amounts held in custody for others	\$508,091	\$600,604
Notes payable (note 14)	9,676	9,305
Bonds payable (note 14)	1,770,000	1,442,927
Other current liabilities	25,563	8,078
Total current liabilities	<u>12,091,112</u>	<u>12,619,870</u>
Noncurrent Liabilities:		
Compensated absences payable (note 12)	3,145,512	3,177,954
Capital lease obligations (note 13)	1,233,332	1,017,285
Notes payable (note 14)		9,676
Bonds payable (note 14)	35,438,160	15,790,000
Other noncurrent liabilities	2,264,714	136,289
Total noncurrent liabilities	<u>42,081,718</u>	<u>20,131,204</u>
<b>Total liabilities</b>	<u>54,172,830</u>	<u>32,751,074</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	73,320,487	65,339,410
Restricted for:		
Nonexpendable (note 15)	24,276,339	21,777,462
Expendable (note 15)	12,395,218	17,034,058
Unrestricted	<u>7,425,872</u>	<u>6,161,761</u>
<b>Total net assets</b>	<u>\$117,417,916</u>	<u>\$110,312,691</u>

(Concluded)

See accompanying notes and accountant's report.



**LOUISIANA TECH UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**LOUISIANA TECH UNIVERSITY FOUNDATION, INC.  
Statement of Financial Position  
June 30, 2004 and 2003**

	2004	2003
<b>ASSETS</b>		
Cash and cash equivalents	\$2,646,483	\$2,381,869
Accounts receivable	286,214	174,981
Contributions receivable, net	225,764	317,435
Accrued interest receivable	72,617	116,964
Investments (note 3)	16,419,435	15,180,724
Fixed assets, net (note 6)	4,788,530	4,646,806
Other assets	176,483	163,106
Restricted assets - investments (note 3)	22,755,833	20,074,606
<b>Total assets</b>	<b>\$47,371,359</b>	<b>\$43,056,491</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$136,886	\$275,247
Retainage payable		172,230
Accrued interest payable	19,808	22,537
Annuities liability	155,681	145,378
Deferred revenues	73,333	183,333
Deferred compensation	720,466	574,835
Notes payable (note 14)	1,200,000	1,275,000
Bonds payable (note 14)	2,613,504	2,952,376
Due to Louisiana Tech University (note 17)	22,998,267	20,360,944
Total liabilities	27,917,945	25,961,880

(Continued)

See accompanying notes and accountant's report.

**LOUISIANA TECH UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
LOUISIANA TECH UNIVERSITY FOUNDATION, INC.  
Statement of Financial Position  
June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>NET ASSETS</b>		
Unrestricted:		
For current operations	\$523,708	\$589,765
Designated for fixed assets	546,976	405,250
Designated for funds functioning as endowments	<u>2,636,225</u>	<u>2,504,373</u>
	3,706,909	3,499,388
Temporarily restricted - for specific purposes	4,177,303	2,940,078
Permanently restricted - endowment	<u>11,569,202</u>	<u>10,655,145</u>
Total net assets	<u>19,453,414</u>	<u>17,094,611</u>
 Total liabilities and net assets	 <u><u>\$47,371,359</u></u>	 <u><u>\$43,056,491</u></u>

(Concluded)

See accompanying notes and accountant's report.

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**LOUISIANA TECH UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,  
and Changes in Net Assets  
For the Fiscal Years Ended June 30, 2004 and 2003**

	2004	2003
<b>OPERATING REVENUES</b>		
Student tuition and fees	\$42,794,357	\$37,124,010
Less scholarship allowances	(10,073,965)	(9,214,419)
Net student tuition and fees	32,720,392	27,909,591
Federal appropriations	50,292	52,145
Federal grants and contracts	14,766,116	15,360,988
State and local grants and contracts	3,372,741	4,241,023
Nongovernmental grants and contracts	867,234	958,578
Sales and services of educational departments	803,533	700,755
Auxiliary enterprise revenues	23,493,034	22,145,418
Less scholarship allowances	(938,868)	(843,722)
Net auxiliary revenues	22,554,166	21,301,696
Other operating revenues	1,288,578	1,410,522
Total operating revenues	76,423,052	71,935,298
<b>OPERATING EXPENSES</b>		
Education and general:		
Instruction	35,223,692	35,416,558
Research	14,059,940	14,178,980
Public service	1,104,961	940,434
Academic support	7,488,925	7,054,126
Student services	5,254,719	4,793,141
Institutional support	9,148,747	8,990,292
Operations and maintenance of plant	8,127,420	8,009,480
Depreciation	6,667,254	6,240,915
Scholarships and fellowships	5,776,924	5,673,395

(Continued)

See accompanying notes and accountant's report.

**LOUISIANA TECH UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Statement of Revenues, Expenses,  
and Changes in Net Assets  
For the Fiscal Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>OPERATING EXPENSES (CONT.)</b>		
Auxiliary enterprises	\$27,233,345	\$25,462,594
Other operating expenses	736,155	278,065
Total operating expenses	<u>120,822,082</u>	<u>117,037,980</u>
Operating loss	<u>(44,399,030)</u>	<u>(45,102,682)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	43,697,036	43,293,733
Gifts	1,207,497	1,163,692
Net investment income	189,970	291,834
Interest expense	(876,441)	(897,886)
Other nonoperating revenues	688,227	632,094
Net nonoperating revenues	<u>44,906,289</u>	<u>44,483,467</u>
Income (loss) before other revenues, expenses, gains and losses	<u>507,259</u>	<u>(619,215)</u>
Capital appropriations	10,967,487	5,479,338
Capital grants and gifts	144,343	1,437,172
Additions to permanent endowments	2,501,679	1,311,473
Other additions, net	<u>(7,015,543)</u>	<u>(4,500,311)</u>
<b>Increase in Net Assets</b>	7,105,225	3,108,457
<b>Net Assets at the Beginning of Year</b>	<u>110,312,691</u>	<u>107,204,234</u>
<b>Net Assets at the End of Year</b>	<u><u>\$117,417,916</u></u>	<u><u>\$110,312,691</u></u>

(Concluded)

See accompanying notes and accountant's report.

**LOUISIANA TECH UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**LOUISIANA TECH UNIVERSITY FOUNDATION, INC.**

**Statement of Activities**

**For the Years Ended June 30, 2004 and 2003**

	2004			TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
Revenue, gains, and other support:				
Contributions	\$152,689	\$1,275,874	\$1,447,572	\$2,876,135
Contributed services	560,574			560,574
Interest and dividends	24,971	478,938	6,276	510,185
Service charges	505,705			505,705
Realized and unrealized gains (losses) on investments, net	72,184	586,436	274	658,894
Other	110,678	1,458,387		1,569,065
Total	<u>1,426,801</u>	<u>3,799,635</u>	<u>1,454,122</u>	<u>6,680,558</u>
Net assets released from restrictions	<u>2,621,983</u>	<u>(2,561,923)</u>	<u>(60,060)</u>	NONE
Total revenues, gains, and other support	<u>4,048,784</u>	<u>1,237,712</u>	<u>1,394,062</u>	<u>6,680,558</u>
Expenses:				
Instructional support	409,318			409,318
Academic support	21,216			21,216
Research	13,590			13,590
Institutional support	293,332			293,332
Student financial aid	198,277			198,277
Student services	37,138			37,138
Auxiliary	1,135,686			1,135,686
General administrative services	846,517			846,517
Fundraising	886,189			886,189
Total expenses	<u>3,841,263</u>	NONE	NONE	<u>3,841,263</u>
Assets dedicated to Louisiana Tech University, net	NONE	(487)	(480,005)	(480,492)
Change in net assets	<u>207,521</u>	<u>1,237,225</u>	<u>914,057</u>	<u>2,358,803</u>
Net assets at the beginning of year	<u>3,499,388</u>	<u>2,940,078</u>	<u>10,655,145</u>	<u>17,094,611</u>
Net assets at the end of year	<u>\$3,706,909</u>	<u>\$4,177,303</u>	<u>\$11,569,202</u>	<u>\$19,453,414</u>

See accompanying notes and accountant's review report.

2003			
UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
\$307,501	\$1,237,669	\$559,939	\$2,105,109
572,762			572,762
20,407	445,397		465,804
474,952			474,952
216,805	(1,330)		215,475
130,045	1,350,746		1,480,791
1,722,472	3,032,482	559,939	5,314,893
3,335,401	(3,335,401)		
5,057,873	(302,919)	559,939	5,314,893
320,706			320,706
32,826			32,826
28,532			28,532
1,016,196			1,016,196
112,576			112,576
41,169			41,169
1,203,687			1,203,687
801,589			801,589
887,942			887,942
4,445,223	NONE	NONE	4,445,223
NONE	(5,907)	(245,993)	(251,900)
612,650	(308,826)	313,946	617,770
2,886,738	3,248,904	10,341,199	16,476,841
\$3,499,388	\$2,940,078	\$10,655,145	\$17,094,611

**LOUISIANA TECH UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Fiscal Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flows from operating activities:</b>		
Tuition and fees	\$32,977,905	\$27,951,507
Federal appropriations	50,292	52,145
Grants and contracts	19,306,223	19,716,305
Payments to suppliers	(30,092,707)	(30,776,138)
Payments for utilities	(7,581,211)	(6,795,334)
Payments to employees	(56,685,154)	(54,796,159)
Payments for benefits	(12,703,296)	(10,697,362)
Payments for scholarships and fellowships	(6,519,535)	(6,400,019)
Loans issued to students	(1,552,083)	(1,395,953)
Collections of loans to students	1,103,100	1,175,364
Auxiliary enterprise charges	21,858,460	21,625,806
Sales and services of educational departments	802,516	705,846
Other receipts	1,252,594	1,601,461
<b>Net cash used by operating activities</b>	<u>(37,782,896)</u>	<u>(38,032,531)</u>
<b>Cash flows from noncapital financing activities:</b>		
State appropriations	44,134,485	42,087,830
Gifts and grants for other than capital purposes	1,254,081	1,467,697
Private gifts for endowment purposes	2,501,679	1,311,473
TOPS receipts	9,914,417	9,374,231
TOPS disbursements	(9,912,201)	(9,390,735)
Federal Family Education Loan Program receipts	21,475,551	18,456,456
Federal Family Education Loan Program disbursements	(21,472,426)	(18,467,413)
Other receipts	737,500	686,548
<b>Net cash provided by noncapital financing sources</b>	<u>48,633,086</u>	<u>45,526,087</u>

(Continued)

See accompanying notes and accountant's report.

**LOUISIANA TECH UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Statement of Cash Flows  
For the Fiscal Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flows from capital financing activities:</b>		
Proceeds from capital debt	\$21,418,160	\$5,920,000
Capital appropriations received	10,967,487	5,479,338
Capital grants and gifts received	144,343	1,437,172
Proceeds from sale of capital assets	26,783	384,653
Purchases of capital assets	(23,235,604)	(9,327,422)
Principal paid on capital debt and leases	(1,581,641)	(1,575,531)
Interest paid on capital debt and leases	(878,531)	(897,886)
Deposit with trustees	15,353	
Other sources (uses)	(7,015,543)	(4,500,311)
<b>Net cash used in capital financing activities</b>	<u>(139,193)</u>	<u>(3,079,987)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	16,893	13,773
Interest received on investments	123,322	303,083
Purchase of investments	(12,029,360)	(1,311,473)
<b>Net cash used by investing activities</b>	<u>(11,889,145)</u>	<u>(994,617)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,178,148)	3,418,952
<b>Cash at the beginning of the year</b>	<u>22,545,665</u>	<u>19,126,713</u>
<b>Cash at the end of year</b>	<u>\$21,367,517</u>	<u>\$22,545,665</u>

(Continued)

See accompanying notes and accountant's report.



**LOUISIANA TECH UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Statement of Cash Flows  
For the Fiscal Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	(\$44,399,030)	(\$45,102,682)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	6,667,254	6,240,915
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	1,105,563	(901,171)
(Increase) in notes receivable, net	(145,313)	(14,756)
(Increase) decrease in inventories	37,170	(96,228)
Decrease in other assets	6,741	81,386
(Increase) decrease in prepaid expenses	(86,827)	12,102
Increase in accounts payable	136,445	1,331,773
Increase (decrease) in deferred revenues	(980,938)	224,037
Increase (decrease) in amounts held in custody for others	(95,638)	32,817
Increase (decrease) in compensated absences	(55,419)	57,446
Increase in other current payables	27,096	101,830
<b>Net Cash Used by Operating Activities</b>	<u><u>(\$37,782,896)</u></u>	<u><u>(\$38,032,531)</u></u>

(Concluded)

See accompanying notes and accountant's report.

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**LOUISIANA TECH UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**

**Louisiana Tech University Foundation, Inc.  
Statement of Cash Flows, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Change in net assets	\$2,358,803	\$617,770
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	40,341	85,950
Net unrealized (gain) on long-term investments	(586,937)	(753,661)
Realized gain (loss) on sale of investments	(71,957)	538,186
<b>(Increase) decrease in assets:</b>		
Accounts receivable	(111,233)	396,276
Contributions receivable, net	91,671	117,490
Accrued interest receivable	44,347	38,360
Other assets	(13,373)	(72,918)
<b>Increase (decrease) in liabilities:</b>		
Accounts payable	(138,361)	(342,272)
Retainage payable	(172,230)	134,815
Accrued interest payable	(2,729)	(2,693)
Annuities liability	10,303	69,533
Deferred revenues	(110,000)	(110,000)
Deferred compensation	145,631	64,288
Contributions restricted for long-term investment	(1,447,572)	(559,939)
Net cash provided by operating activities	<u>36,704</u>	<u>221,185</u>
Cash flows from investing activities:		
Purchases of fixed assets	(182,065)	(3,100,199)
Purchases of investments	(4,219,193)	(1,531,050)
Proceeds on sale of investments	2,743,355	4,427,603
Increase in due to Louisiana Tech University	852,113	340,972
Net cash provided (used) by investing activities	<u>(805,790)</u>	<u>137,326</u>

(Continued)

See accompanying notes and accountant's report.

**LOUISIANA TECH UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA  
Louisiana Tech University Foundation, Inc.  
Statement of Cash Flows, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Cash flows from financing activities:		
Contributions restricted for investment in endowment	\$1,447,572	\$559,939
Payments of notes payable	(75,000)	(75,000)
Payments of bonds payable	(338,872)	(320,226)
Net cash provided by financing activities	<u>1,033,700</u>	<u>164,713</u>
Increase in cash and cash equivalents	264,614	523,224
Cash and cash equivalents - beginning of year	<u>2,381,869</u>	<u>1,858,645</u>
Cash and cash equivalents - end of year	<u><u>\$2,646,483</u></u>	<u><u>\$2,381,869</u></u>

(Concluded)

See accompanying notes and accountant's report.

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## INTRODUCTION

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

Louisiana Tech University is located in Ruston, Louisiana. The university offers associate, baccalaureate, and selected masters, specialists, and doctorate degrees in various academic areas. Net enrollment at the university was 5,015; 11,960; 10,438; and 10,330, respectively, during the summer, fall, winter, and spring quarters of fiscal year 2004 and 4,830; 11,249; 10,211; and 9,842, respectively, during the summer, fall, winter, and spring quarters of fiscal year 2003. At June 30, 2004 and 2003, the university has approximately 1,203 and 1,178, respectively, full-time faculty and staff members.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. BASIS OF PRESENTATION

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

#### B. REPORTING ENTITY

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

Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying financial statements within the

ULS amounts. The Louisiana Legislative Auditor audits the basic financial statements of the system.

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

Other external auditors audited the Innovative Student Facilities, Inc., for the year ended June 30, 2004. To obtain a copy of the audit report, write to:

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

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

Other external auditors audited the Louisiana Tech University Foundation, Inc., for the years ended June 30, 2004 and 2003. To obtain a copy of the audit reports, write to:

Louisiana Tech University Foundation, Inc.  
P. O. Box 3183  
Ruston, Louisiana 71272

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

For financial reporting purposes, TECH is considered a special-purpose government engaged only in business-type activities. Accordingly, TECH's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses

are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

**D. BUDGET PRACTICES**

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

The budget amounts for fiscal year 2004 and 2003 include the original approved budget and subsequent amendments approved as follows:

	2004	2003
Original approved budget	\$77,565,768	\$71,897,703
Amendments:		
State General Fund	(17,366)	539,007
Self-generated	1,300,000	1,044,746
Final budget	\$78,848,402	\$73,481,456

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

In accordance with Louisiana Revised Statute (R.S.) 49:327, TECH is authorized to invest funds in direct United States Treasury obligations, United States government agency obligations, and money market funds. In addition, funds derived from gifts and

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

#### **F. INVENTORIES**

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

#### **G. RESTRICTED CASH AND INVESTMENTS**

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

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

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



**I. DEFERRED REVENUES**

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

**J. COMPENSATED ABSENCES**

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

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

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

**K. NONCURRENT LIABILITIES**

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities of the plant fund whose liquidation is not expected to require the use of existing current assets.

**L. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The university provides certain continuing health care and life insurance benefits for its retired employees. The university recognizes the cost of providing these retiree benefits as an expense when paid during the year.

**M. NET ASSETS**

Net assets comprise the various net earnings from operation, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

- (a) Invested in capital assets, net of related debt consists of the university's total investment in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted - nonexpendable consists of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- (c) Restricted - expendable consists of resources that the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (d) Unrestricted consists of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the university and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

**N. CLASSIFICATION OF REVENUES**

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

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

- (b) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

**O. SCHOLARSHIP DISCOUNTS AND ALLOWANCES**

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

**P. ELIMINATING INTERFUND ACTIVITY**

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

**FOUNDATION**

**ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. ORGANIZATION**

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

**B. BASIS OF FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

#### **C. NET ASSETS RELEASED FROM RESTRICTIONS**

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

#### **D. CONTRIBUTIONS**

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

#### **E. INVESTMENT INCOME**

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

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund
- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income
- Increases in unrestricted net assets in all other cases

**F. TEMPORARILY RESTRICTED NET ASSETS**

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

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

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

**G. CASH AND CASH EQUIVALENTS**

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

**H. IN-KIND GIFTS**

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

**I. ACCOUNTS RECEIVABLE**

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

**J. INVESTMENTS**

Investments are stated at fair value. Gains or losses on sales of investment securities are based upon the cost of the specific security sold.

**K. DEPRECIATION**

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

**L. TAX STATUS**

The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made; however, should the Foundation engage in activities unrelated to its exempt purpose, taxable income could result. The Foundation had no material unrelated business income for the fiscal years ended June 30, 2004 and 2003.

**M. FUNDS FUNCTIONING AS ENDOWMENT**

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

**N. USE OF ESTIMATES**

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

**2. CASH AND CASH EQUIVALENTS**

At June 30, 2004, and June 30, 2003, TECH has cash and cash equivalents (book balances) of \$21,367,517 and \$22,545,665, respectively, as follows:

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## NOTES TO THE FINANCIAL STATEMENTS

	<u>2004</u>	<u>2003</u>
Petty cash	\$89,215	\$58,270
Demand deposits	(1,689,547)	(2,247,661)
Interest-bearing demand deposits	4,674,766	2,910,959
Money market accounts	16,032,014	15,475,420
Money market mutual funds	2,256,452	6,344,105
Certificates of deposit	<u>4,617</u>	<u>4,572</u>
Total	<u>\$21,367,517</u>	<u>\$22,545,665</u>

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

	<u>2004</u>	<u>2003</u>
Current assets	\$14,766,235	\$13,506,811
Noncurrent assets	<u>6,601,282</u>	<u>9,038,854</u>
Total	<u>\$21,367,517</u>	<u>\$22,545,665</u>

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the university or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2004 and 2003, the university has \$22,919,801 and \$24,541,137, respectively, in deposits (collective bank balances) that were secure from risk by federal deposit insurance or other appropriate pledged securities, except for \$1,661,585 of money market funds belonging to Innovative Student Facilities, Inc. Credit risk associated with these funds are classified as Category 3 since the funds are uncollateralized.

### 3. INVESTMENTS

At June 30, 2004 and 2003, the university has investments totaling \$32,504,676 and \$20,489,771, respectively. These investments were secure from risk by federal deposit insurance or other appropriate pledged securities, except for \$9,527,681 of Innovative Student Facilities, Inc. These investments relate to a repurchase agreement that is collateralized by treasury and agency securities held by Wells Fargo Bank Minnesota (as custodian) thus these investments are classified as Category 3.

TECH's investments are reported at fair value as required by GASB Statement No. 31. Investments held by the foundation are in an external investment pool and managed in accordance with the terms outlined in management agreement executed between the university and the foundation. TECH is a voluntary participant in the agreement. At June 30, 2004 and 2003, external pool investments total \$22,929,708 and \$20,428,029, respectively, and were not categorized.

**FOUNDATION INVESTMENTS**

A summary of the fair value of investments held by the Foundation at June 30, 2004 and 2003 follows:

	<u>2004</u>	<u>2003</u>
Held by investment custodians:	\$3,097,026	\$4,145,181
Cash and cash equivalents	285,000	285,000
Certificates of deposit	9,961,232	12,213,822
Mutual funds	10,435,298	9,794,125
Government obligations	2,958,363	3,262,865
Corporate bonds	10,427,756	5,180,252
Common stocks	<u>2,010,592</u>	<u>374,085</u>
 Total investments	 <u><u>\$39,175,267</u></u>	 <u><u>\$35,255,330</u></u>

**4. ACCOUNTS RECEIVABLE**

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

<u>Type</u>	<u>June 30, 2004</u>			
	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Accounts Receivable</u>	<u>Noncurrent Portion</u>
Student tuition and fees	\$867,445	(\$116,527)	\$750,918	
Auxiliary enterprises	828,510	(35,399)	793,111	
Contributions and gifts	58,134		58,134	
Federal, state, and private grants and contracts	2,470,476		2,470,476	
Other	<u>862,922</u>		<u>862,922</u>	<u>\$19,198</u>
 Total	 <u><u>\$5,087,487</u></u>	 <u><u>(\$151,926)</u></u>	 <u><u>\$4,935,561</u></u>	 <u><u>\$19,198</u></u>

<u>Type</u>	<u>June 30, 2003</u>			
	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Accounts Receivable</u>	<u>Noncurrent Portion</u>
Student tuition and fees	\$957,877	(\$103,004)	\$854,873	
Auxiliary enterprises	272,199	(33,245)	238,954	
Contributions and gifts	104,718		104,718	
Federal, state, and private grants and contracts	4,035,474		4,035,474	
Other	<u>1,342,738</u>		<u>1,342,738</u>	<u>\$168</u>
 Total	 <u><u>\$6,713,006</u></u>	 <u><u>(\$136,249)</u></u>	 <u><u>\$6,576,757</u></u>	 <u><u>\$168</u></u>



**5. NOTES RECEIVABLE**

Notes receivable are comprised of loans to students under the Federal Perkins Loan Program. Restricted federal and state contributions and interest on the loans provide the funding for the Perkins Loan Program. This program provides for the cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. If loans are determined to be uncollectible and not eligible for reimbursement by the federal government, the loans can be written off and assigned to the U.S. Department of Education. These receivables are shown on the Statement of Net Assets, net of allowance for doubtful accounts. These receivables are composed of the following for the years ended June 30, 2004, and June 30, 2003:

<u>Type</u>	June 30, 2004			
	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable (Net)	Noncurrent Portion
Federal Perkins Loans	\$7,277,410	(\$271,626)	\$7,005,784	\$5,959,806

<u>Type</u>	June 30, 2003			
	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable (Net)	Noncurrent Portion
Federal Perkins Loans	\$7,145,610	(\$285,139)	\$6,860,471	\$5,880,567

**6. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance June 30, 2003	Transfers and Additions	Transfers and Retirements	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$4,667,092		(\$81)	\$4,667,011
Construction in progress	5,013,746	\$20,890,553	(6,704,933)	19,199,366
Total capital assets not being depreciated	\$9,680,838	\$20,890,553	(\$6,705,014)	\$23,866,377
Other capital assets:				
Land improvements	\$2,219,759	\$65,000		\$2,284,759
Less accumulated depreciation	(1,194,555)	(88,683)		(1,283,238)
Total land improvements	1,025,204	(23,683)	NONE	1,001,521
Buildings	134,900,779	6,834,666	(\$297,631)	141,437,814
Less accumulated depreciation	(73,826,324)	(3,200,843)	297,631	(76,729,536)
Total buildings	61,074,455	3,633,823	NONE	64,708,278
Equipment	24,219,550	3,588,043	(711,387)	27,096,206
Less accumulated depreciation	(14,404,229)	(2,312,798)	684,685	(16,032,342)
Total equipment	9,815,321	1,275,245	(26,702)	11,063,864

	Balance June 30, 2003	Transfers and Additions	Transfers and Retirements	Balance June 30, 2004
Other capital assets: (Cont.)				
Library books	\$18,222,075	\$1,127,035	(\$16,083)	\$19,333,027
Less accumulated depreciation	(16,081,139)	(1,064,930)	16,083	(17,129,986)
Total library books	<u>2,140,936</u>	<u>62,105</u>	<u>NONE</u>	<u>2,203,041</u>
Total other capital assets	<u>\$74,055,916</u>	<u>\$4,947,490</u>	<u>(\$26,702)</u>	<u>\$78,976,704</u>
Capital asset summary:				
Capital assets not being depreciated	\$9,680,838	\$20,890,553	(\$6,705,014)	\$23,866,377
Other capital assets, at cost	179,562,163	11,614,744	(1,025,101)	190,151,806
Total cost of capital assets	<u>189,243,001</u>	<u>32,505,297</u>	<u>(7,730,115)</u>	<u>214,018,183</u>
Less accumulated depreciation	(105,506,247)	(6,667,254)	998,399	(111,175,102)
Capital assets, net	<u>\$83,736,754</u>	<u>\$25,838,043</u>	<u>(\$6,731,716)</u>	<u>\$102,843,081</u>
	Balance June 30, 2002	Additions	Retirements	Balance June 30, 2003
Capital assets not being depreciated:				
Land	\$4,667,092			\$4,667,092
Construction in progress	733,587	\$4,680,142	(\$399,983)	5,013,746
Total capital assets not being depreciated	<u>\$5,400,679</u>	<u>\$4,680,142</u>	<u>(\$399,983)</u>	<u>\$9,680,838</u>
Other capital assets:				
Land improvements	\$2,219,759			\$2,219,759
Less accumulated depreciation	(1,109,121)	(\$85,434)		(1,194,555)
Total land improvements	<u>1,110,638</u>	<u>(85,434)</u>	<u>NONE</u>	<u>1,025,204</u>
Buildings	136,259,160	119,900	(\$1,478,281)	134,900,779
Less accumulated depreciation	(72,240,846)	(3,102,818)	1,517,340	(73,826,324)
Total buildings	<u>64,018,314</u>	<u>(2,982,918)</u>	<u>39,059</u>	<u>61,074,455</u>
Equipment	21,733,922	3,423,263	(937,635)	24,219,550
Less accumulated depreciation	(13,298,351)	(2,019,784)	913,906	(14,404,229)
Total equipment	<u>8,435,571</u>	<u>1,403,479</u>	<u>(23,729)</u>	<u>9,815,321</u>
Library books	17,135,138	1,104,117	(17,180)	18,222,075
Less accumulated depreciation	(15,065,440)	(1,032,879)	17,180	(16,081,139)
Total library books	<u>2,069,698</u>	<u>71,238</u>	<u>NONE</u>	<u>2,140,936</u>
Total other capital assets	<u>\$75,634,221</u>	<u>(\$1,593,635)</u>	<u>\$15,330</u>	<u>\$74,055,916</u>
Capital asset summary:				
Capital assets not being depreciated	\$5,400,679	\$4,680,142	(\$399,983)	\$9,680,838
Other capital assets, at cost	177,347,979	4,647,280	(2,433,096)	179,562,163
Total cost of capital assets	<u>182,748,658</u>	<u>9,327,422</u>	<u>(2,833,079)</u>	<u>189,243,001</u>
Less accumulated depreciation	(101,713,758)	(6,240,915)	2,448,426	(105,506,247)
Capital assets, net	<u>\$81,034,900</u>	<u>\$3,086,507</u>	<u>(\$384,653)</u>	<u>\$83,736,754</u>

**FOUNDATION FIXED ASSETS**

A summary of the Foundation's fixed assets at June 30, 2004 and 2003 follows:

	Depreciable Lives	2004	2003
Automobiles	2-3	\$140,132	\$132,115
Furniture, fixtures, and equipment	3-10	929,072	911,396
Engineering equipment	3-10	666,682	666,682
Real estate and other		151,438	151,438
Leasehold improvements*	30	4,161,554	
Construction in progress*			4,029,703
Total		6,048,878	5,891,334
Less accumulated depreciation		(1,260,348)	(1,244,528)
Total		\$4,788,530	\$4,646,806

Depreciation of \$40,341 and \$85,950 was recorded for the years ended June 30, 2004 and 2003, respectively.

\*Construction in progress at June 30, 2003, consisted of the renovations to Tolliver Hall and the Ropp Center. Renovations were completed on April 1, 2004, and will be donated to TECH at the time the bonds are paid.

**7. PENSION PLANS**

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

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

forth in R.S. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 13.8% of covered salaries to TRSLA and 15.8% of covered salaries to LASERS for fiscal year 2004, and 13.1% of covered salaries to TRS and 14.1% of covered salaries to LASERS for fiscal year 2003. The State of Louisiana, through the annual appropriation to the university, funds the university's employer contribution. The university's employer contributions to TRS for the years ended June 30, 2004, 2003, and 2002 were \$1,961,805, \$1,819,224, and \$1,776,791, respectively, and to LASERS for the years ended June 30, 2004, 2003, and 2002 were \$1,907,259, \$1,688,410, and \$1,511,819, respectively, equal to the required contributions for each year.

## **8. OPTIONAL RETIREMENT SYSTEM**

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

Total contributions by the university are 13.8% of the covered payroll for fiscal year 2004 and 13.1% of the covered payroll for fiscal year 2003. The participant's contribution (8%), 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 TRS 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 TRS 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 TRS. 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 \$2,663,147 and \$1,543,854, respectively, for the year ended June 30, 2004; and \$2,353,819 and \$1,437,447, respectively, for the year ended June 30, 2003.

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

The university provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the university's employees become eligible for these benefits if they reach normal retirement age while working for the university. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance

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## NOTES TO THE FINANCIAL STATEMENTS

program and various insurance companies whose monthly premiums are paid jointly by the employee and the university. The university recognizes the cost of providing these benefits to retirees (university's portion of premiums) as an expense when paid during the year. These retiree benefits for 554 retirees totaled \$2,452,376 for the year ended June 30, 2004; and for 546 retirees totaled \$2,099,107 for the year ended June 30, 2003.

### 10. PAYABLES

The following is a summary of the university's payables and accrued expenses at June 30, 2004 and 2003:

<u>Account Name</u>	<u>2004</u>	<u>2003</u>
Vendor payables	\$2,011,465	\$1,892,132
Accrued salaries and payroll deductions	3,353,129	3,115,982
Other	91,174	322,777
Total	<u>\$5,455,768</u>	<u>\$5,330,891</u>

### 11. DEFERRED REVENUES

The following is a summary of the deferred revenues:

<u>Account Name</u>	<u>2004</u>	<u>2003</u>
Prepaid tuition and fees	\$2,327,992	\$2,124,195
Prepaid athletic ticket sales	130,329	291,379
Grants and contracts	1,107,539	2,103,954
Other	249,621	276,891
Total	<u>\$3,815,481</u>	<u>\$4,796,419</u>

### 12. COMPENSATED ABSENCES

At June 30, 2004, employees of the university have accumulated and vested annual and sick leave benefits of \$2,528,150 and \$897,769, respectively. At June 30, 2003, the employees have accumulated and vested annual and sick leave benefits of \$2,559,858 and \$921,480, respectively. These amounts were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

### 13. LEASE OBLIGATIONS

#### Operating Leases

The university's total rental expenses for all operating leases is \$532,377 and \$272,877 for the years ended June 30, 2004 and 2003, respectively.

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

As of June 30, 2004								Total Minimum Payments Required
Nature of <u>Operating Lease</u>	2005	2006	2007	2008	2009	2010-2014	2015-2019	
Equipment	\$468,081	\$374,908	\$310,187	\$307,899	\$302,275	\$307,240		\$2,070,590
Land	123,031	123,110	123,190	40,231	7,336	21,794	\$22,230	460,922
Total	<u>\$591,112</u>	<u>\$498,018</u>	<u>\$433,377</u>	<u>\$348,130</u>	<u>\$309,611</u>	<u>\$329,034</u>	<u>\$22,230</u>	<u>\$2,531,512</u>

As of June 30, 2003								Total Minimum Payments Required
Nature of <u>Operating Lease</u>	2004	2005	2006	2007	2008	2009-2013	2014-2018	
Equipment	\$209,898	\$155,500						\$365,398
Land	38,907	38,985	\$39,065	\$39,146	\$4,229	\$17,256	\$17,601	195,189
Total	<u>\$248,805</u>	<u>\$194,485</u>	<u>\$39,065</u>	<u>\$39,146</u>	<u>\$4,229</u>	<u>\$17,256</u>	<u>\$17,601</u>	<u>\$560,587</u>

#### Capital Leases

TECH records items under capital leases as assets and obligations in the accompanying financial statements. The university's capital leases at June 30, 2004, and June 30, 2003, consist of various equipment leases. The following are schedules of future minimum lease payments under these capital leases, together with the present value of minimum lease payments:

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## NOTES TO THE FINANCIAL STATEMENTS

<u>Fiscal Year Ending June 30, 2004</u>	
2005	\$291,473
2006	291,473
2007	290,886
2008	284,427
2009	260,607
2010-2011	<u>267,959</u>
Total minimum lease payments	<u>1,686,825</u>
Less - amount representing executory costs	<u>NONE</u>
Net minimum lease payments	<u>1,686,825</u>
Less - amount representing interest	<u>(227,367)</u>
Present value of net minimum lease payments	<u><u>\$1,459,458</u></u>

<u>Fiscal Year Ending June 30, 2003</u>	
2004	\$189,148
2005	189,148
2006	189,148
2007	189,148
2008	189,148
2009-2013	<u>457,105</u>
Total minimum lease payments	<u>1,402,845</u>
Less - amount representing executory costs	<u>NONE</u>
Net minimum lease payments	<u>1,402,845</u>
Less - amount representing interest	<u>(257,409)</u>
Present value of net minimum lease payments	<u><u>\$1,145,436</u></u>

### **Lessor - Operating Lease**

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

The following schedule provides an analysis of the university's investment in property on operating leases and property held for lease by major classes as of June 30, 2004 and 2003:

	June 30, 2004		
	Cost	Accumulated Depreciation	Carrying Amount
Office space	<u>\$2,075,860</u>	<u>(\$1,061,359)</u>	<u>\$1,014,501</u>

	June 30, 2003		
	Cost	Accumulated Depreciation	Carrying Amount
Office space	<u>\$1,906,214</u>	<u>(\$990,514)</u>	<u>\$915,700</u>

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2004:

Nature of Operating Lease	2005	2006	2007	2008	2009	2010-2014	Total Minimum Future Rentals
University - food service	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>NONE</u>	<u>\$1,250,000</u>
Total	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>NONE</u>	<u>\$1,250,000</u>

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2003:

Nature of Operating Lease	2004	2005	2006	2007	2008	2009-2013	Total Minimum Future Rentals
University - food service	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$1,500,000</u>
Total	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$1,500,000</u>

### FOUNDATION LEASE OBLIGATIONS

#### Lease Agreement

During fiscal 2000, TECH entered into a lease agreement with Aramark for Tolliver Hall and the Ropp Center in connection with providing food services on campus. As a condition of this agreement, TECH required Aramark to enter into a sublease for the facilities with the Foundation. As a result, the Foundation entered into an agreement with Aramark to lease Tolliver Hall and the Ropp Center from Aramark for the purpose of renovating the structures. Upon completion, the sublease will be terminated and the improvements will be gifted back to TECH by the Foundation once the bonds are paid in full. Notwithstanding the term of the lease agreement between the Foundation and Aramark, Aramark will pay the Foundation \$500,000 per



## NOTES TO THE FINANCIAL STATEMENTS

year for 10 years to defray the costs of constructing the improvements. No lease payments are required to be paid by the Foundation, but the Foundation is required to construct the improvements of Tolliver Hall and the Ropp Center in accordance with building standards satisfactory to Aramark and TECH. For the years ended June 30, 2004 and 2003, the annual payments of \$500,000 have been recorded as temporarily restricted other revenue. At June 30, 2004 and 2003, \$0- and \$55,556, respectively, of these amounts were reflected in accounts receivable. Future minimum payments from Aramark are \$500,000 annually for June 30, 2005, through June 30, 2010.

### 14. LONG-TERM LIABILITIES

The following is a summary of the university's bond and other long-term debt transactions for the two years ended June 30, 2004 and 2003:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due Within One Year
Bonds, notes, and capital leases payable:					
Bonds payable	\$17,232,927	\$21,418,160	(\$1,442,927)	\$37,208,160	\$1,770,000
Notes payable	18,981		(9,305)	9,676	9,676
Capital lease obligations	1,145,436	463,430	(149,408)	1,459,458	226,126
Subtotal	<u>18,397,344</u>	<u>21,881,590</u>	<u>(1,601,640)</u>	<u>38,677,294</u>	<u>2,005,802</u>
Other liabilities - accrued compensated absences payable	3,481,338	1,441,749	(1,497,168)	3,425,919	280,407
Subtotal	<u>3,481,338</u>	<u>1,441,749</u>	<u>(1,497,168)</u>	<u>3,425,919</u>	<u>280,407</u>
Total	<u>\$21,878,682</u>	<u>\$23,323,339</u>	<u>(\$3,098,808)</u>	<u>\$42,103,213</u>	<u>\$2,286,209</u>

	Balance July 1, 2002 (As Restated)	Additions	Reductions	Balance June 30, 2003	Amounts Due Within One Year
Bonds, notes, and capital leases payable:					
Bonds payable	\$12,677,195	\$5,920,000	(\$1,364,268)	\$17,232,927	\$1,442,927
Notes payable	48,718		(29,737)	18,981	9,305
Capital lease obligations	1,326,962		(181,526)	1,145,436	128,151
Subtotal	<u>14,052,875</u>	<u>5,920,000</u>	<u>(1,575,531)</u>	<u>18,397,344</u>	<u>1,580,383</u>
Other liabilities - accrued compensated absences payable	3,423,892	1,133,231	(1,075,785)	3,481,338	303,384
Subtotal	<u>3,423,892</u>	<u>1,133,231</u>	<u>(1,075,785)</u>	<u>3,481,338</u>	<u>303,384</u>
Total	<u>\$17,476,767</u>	<u>\$7,053,231</u>	<u>(\$2,651,316)</u>	<u>\$21,878,682</u>	<u>\$1,883,767</u>

Details of all debt outstanding for the two years ending June 30, 2004 and 2003, follows:

**Bonds Payable, as of June 30, 2004**

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2003</u>
Academic Facilities Extension Use Revenue Bonds - Series B	July 1, 1972	\$4,750,000	\$2,785,000
Intramural Complex General Obligation Bonds - Series C	September 1, 1978	450,000	32,927
Revenue Refunding Bonds:			
1995 Series	March 30, 1995	5,020,000	1,015,000
1996 Series	May 15, 1996	2,510,000	365,000
1999 Series	June 1, 1999	7,780,000	7,115,000
Revenue Bonds - 2002 Series	July 1, 2002	5,920,000	5,920,000
Innovative Student Facilities, Inc.:			
2003 Series Revenue Bonds	July 1, 2003	21,840,000	
Discount on 2003 Bonds amortize over life			
Totals		<u>\$48,270,000</u>	<u>\$17,232,927</u>

**Bonds Payable, as of June 30, 2003**

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2002</u>
<b>Louisiana Tech University</b>			
Academic Facilities Extension Use Revenue Bonds - Series B	July 1, 1972	\$4,750,000	\$2,980,000
Intramural Complex General Obligation Bonds - Series C	September 1, 1978	450,000	62,195
Revenue Refunding Bonds:			
1995 Series	March 30, 1995	5,020,000	1,590,000
1996 Series	May 15, 1996	2,510,000	700,000
1999 Series	June 1, 1999	7,780,000	7,345,000
Revenue Bonds - 2002 Series	July 1, 2002	5,920,000	
Total		<u>\$26,430,000</u>	<u>\$12,677,195</u>

## NOTES TO THE FINANCIAL STATEMENTS

Issued (Redeemed)	Outstanding June 30, 2004	Maturities	Interest Rates	Interest Outstanding June 30, 2004
(\$205,000)	\$2,580,000	2013	5.9%-6.25%	\$791,956
(32,927)		2004	5.125%-5.2%	
(490,000)	525,000	2005	4.75%-6.65%	34,913
(365,000)		2004	5.3%-6.2%	
(350,000)	6,765,000	2009	3.25%-4.5%	812,872
	5,920,000	2022	3.5%-4.9%	2,912,425
21,840,000	21,840,000	2033	2.00%-4.50%	18,890,963
(436,386)	(421,840)			
<u>\$19,960,687</u>	<u>\$37,208,160</u>			<u>\$23,443,129</u>

Issued (Redeemed)	Outstanding June 30, 2003	Maturities	Interest Rates	Interest Outstanding June 30, 2003
(\$195,000)	\$2,785,000	2013	6.125%-6.25%	\$959,132
(29,268)	32,927	2004	5.125%-5.2%	856
(575,000)	1,015,000	2005	6.45%-6.65%	101,921
(335,000)	365,000	2004	6.15%-6.2%	22,630
(230,000)	7,115,000	2009	3.85%-4.5%	1,110,516
5,920,000	5,920,000	2022	3.5%-4.9%	3,171,789
<u>\$4,555,732</u>	<u>\$17,232,927</u>			<u>\$5,366,844</u>

All of the university's auxiliary enterprise revenues are available as security for the outstanding revenue bonds at June 30, 2004 and 2003.

The annual requirements to amortize the university's bonds outstanding at June 30, 2004 and 2003 including interest of \$23,443,128 and \$5,366,842, respectively, are as follows:

	June 30, 2004		
	Principal	Interest	Total
2005	\$1,770,000	\$1,641,038	\$3,411,038
2006	1,875,000	1,538,699	3,413,699
2007	2,205,000	1,452,914	3,657,914
2008	2,310,000	1,358,370	3,668,370
2009	2,440,000	1,256,295	3,696,295
2010-2014	4,785,000	5,490,871	10,275,871
2015-2019	4,765,000	4,520,698	9,285,698
2020-2024	5,540,000	3,299,743	8,839,743
2025-2029	5,305,000	2,111,063	7,416,063
2030-2034	6,635,000	773,437	7,408,437
Total	37,630,000	23,443,128	61,073,128
Unamortized discount	(421,840)	NONE	(421,840)
Total	\$37,208,160	\$23,443,128	\$60,651,288

	June 30, 2003		
	Principal	Interest	Total
2004	\$1,442,927	\$814,677	\$2,257,604
2005	1,770,000	722,601	2,492,601
2006	1,875,000	620,261	2,495,261
2007	1,960,000	536,926	2,496,926
2008	2,040,000	447,870	2,487,870
2009-2013	4,635,000	1,316,862	5,951,862
2014-2018	1,765,000	688,616	2,453,616
2019-2022	1,745,000	219,029	1,964,029
Total	\$17,232,927	\$5,366,842	\$22,599,769

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2004:

Bond Issue	Reserves Available	Reserve Requirement	Excess
Academic Facilities Bonds	\$722,326	\$389,650	\$332,676
Innovative Student Facilities Bonds	1,488,720	1,485,475	3,245
Total	\$2,211,046	\$1,875,125	\$335,921

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## NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2003:

<u>Bond Issue</u>	<u>Reserves Available</u>	<u>Reserve Requirement</u>	<u>Excess</u>
Academic Facilities Bonds	\$720,134	\$389,650	\$330,484
Intramural Complex Bonds	32,838	32,838	
Total	<u>\$752,972</u>	<u>\$422,488</u>	<u>\$330,484</u>

### FOUNDATION BONDS PAYABLE

Bonds payable of the Foundation at June 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Revenue bonds payable at 5.7%, due quarterly installments through August 15, 2010	<u>\$2,613,504</u>	<u>\$2,952,676</u>

In August 2000, the Foundation issued \$3,791,183 in revenue bonds to fund renovations to Tolliver Hall and the Ropp Center as required under the lease agreement with Aramark described in note 8. The bonds were issued with a 10-year term at an interest rate of 5.7% and with payments of \$125,000 due quarterly.

Maturities of the Foundation's revenue bonds, by year, at June 30, 2004, are as follows:

Year Ending June 30:	
2005	\$358,605
2006	379,487
2007	401,584
2008	424,968
2009	449,714
2010-2011	<u>599,146</u>
Total	<u>\$2,613,504</u>

Interest paid for the years ended June 30, 2004 and 2003 on the revenue bonds was \$157,007 and \$177,493, respectively. Amounts capitalized related to this interest for the years ended June 30, 2004 and 2003, were \$83,526 and \$149,784, respectively.

**Notes Payable as of June 30, 2004**

<u>Note</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2003</u>
<u>Louisiana Tech University</u> 2001 Ford F450 Truck	February 16, 2001	<u>\$46,430</u>	<u>\$18,981</u>

The annual requirements to amortize the notes outstanding at June 30, 2004, are as follows:

<u>Louisiana Tech University</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	<u>\$9,676</u>	<u>\$391</u>	<u>\$10,067</u>

**Notes Payable, as of June 30, 2003**

<u>Note</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2002</u>
<u>Louisiana Tech University:</u> 1999 Intern. Truck	May 14, 1999	\$99,543	\$20,793
2001 Ford F450 Truck	February 16, 2001	<u>46,430</u>	<u>27,925</u>
Total		<u>\$145,973</u>	<u>\$48,718</u>

The annual requirements to amortize all notes outstanding at June 30, 2003, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Louisiana Tech University:</u> 2004	\$9,305	\$767	\$10,072
2005	<u>9,676</u>	<u>391</u>	<u>10,067</u>
Total	<u>\$18,981</u>	<u>\$1,158</u>	<u>\$20,139</u>

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NOTES TO THE FINANCIAL STATEMENTS

<u>Issued (Redeemed)</u>	<u>Outstanding June 30, 2004</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2004</u>
<u>\$9,305</u>	<u>\$9,676</u>	2005	4.04%	<u>\$391</u>

<u>Issued (Redeemed)</u>	<u>Outstanding June 30, 2003</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2003</u>
(\$20,793)		2005	4.16%	
<u>(8,944)</u>	<u>\$18,981</u>	2005	4.04%	<u>\$1,158</u>
<u>(\$29,737)</u>	<u>\$18,981</u>			<u>\$1,158</u>

**FOUNDATION NOTES PAYABLE**

Notes payable of the Foundation consist of the following at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Notes payable to bank at floating rate, secured by depository accounts, due March 2007	<u>\$1,200,000</u>	<u>\$1,275,000</u>

Two notes payable to a bank originally issued for \$750,000 each were issued to fund the improvements to the TECH Athletic Fieldhouse. These notes were refinanced in March of 2002. The new combined note will be repaid with annual installments of \$75,000 in 2005 through 2006 and a final payment of \$1,050,000 in 2007. The interest rate for the new note is floating at 1/2% under the bank's Financial Corporation Commercial Base Rate - Daily (the Index). The rate for the note was 3.5% at June 30, 2004.

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

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

Year Ending June 30:	
2005	\$75,000
2006	75,000
2007	<u>1,050,000</u>
Total	<u>\$1,200,000</u>

Interest paid for the years ended June 30, 2004 and 2003 was \$44,702 and \$54,875, respectively.

**Capital Lease Obligations**

The university's capital lease obligations at June 30, 2004 and 2003, for \$1,459,458 and \$1,145,436, respectively are detailed in note 13.

**Accrued Compensated Absences Payable**

The university's accrued compensated absences payable at June 30, 2004 and 2003, totaling \$3,425,919 and \$3,481,338, respectively, are detailed in note 12.



**15. RESTRICTED NET ASSETS**

The university has the following restricted net assets:

	<u>June 30, 2004</u>
Nonexpendable - endowments	<u>\$24,276,339</u>
Expendable:	
Restricted for use by donors	\$2,164,727
Student loans	7,589,229
Plant projects	<u>2,641,262</u>
Total expendable	<u>\$12,395,218</u>
	<u>June 30, 2003</u>
Nonexpendable - endowments	<u>\$21,777,462</u>
Expendable:	
Restricted for use by donors	\$2,675,398
Student loans	7,613,847
Plant projects	<u>6,744,813</u>
Total expendable	<u>\$17,034,058</u>

**16. CONTINGENT LIABILITIES**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The Office of Risk Management insures all lawsuits. TECH was involved in no lawsuits at June 30, 2004 and 2003.

**17. FOUNDATIONS**

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

The university contracted with its foundation to invest the university's Endowed Chairs for Eminent Scholars endowment funds and Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:3384. The Endowed Chairs for Eminent Scholars endowment funds are established for \$1,000,000 each, with \$600,000 of private contributions and \$400,000 of state matching portion allocated by the Board of Regents for Higher Education. The Endowed Professorship Program endowment funds are established for

\$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. At June 30, 2004 and 2003, the foundation held in custody Endowed Chairs for Eminent Scholars and Endowed Professorship Program funds, totaling \$22,929,708 and \$20,428,029, respectively.

### FOUNDATION DISCLOSURE

#### Transactions With TECH

TECH provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel. In addition, TECH provides, without cost, certain other operating services associated with the Foundation. These services are valued at their actual cost to TECH. For the year ended June 30, 2004, contributed personnel costs and operating services were determined to be \$556,820 and \$3,754, respectively. For the year ended June 30, 2003, contributed personnel costs and operating services were determined to be \$570,668 and \$2,094, respectively. The amounts for these services have been reflected as contributed services revenue and corresponding general administrative services and fundraising expenses in the accompanying financial statements.

For the years ended June 30, 2004 and 2003, expenses totaling approximately \$1,379,404 and \$3,644,000, respectively, were paid directly to or for the benefit of TECH.

Funds administered by the Foundation on behalf of TECH are not commingled with funds belonging to the Foundation. Classified as amounts due to TECH at June 30, 2004 and 2003 is \$22,998,267 and \$20,360,944, respectively, related to certain endowed chairs and professorships matched by the State of Louisiana. Initially, the donor portion of these funds is recorded as contributions to the Foundation. Once the state matching is received, the donor portion is deducted from the permanently restricted, temporarily restricted, and unrestricted net assets of the Foundation and reflected as due to TECH. A total of \$4,642,046 and \$251,900 of net assets of the Foundation were dedicated to TECH during 2004 and 2003, respectively.

During the year, the Foundation entered into leases with TECH to provide parking for the campus. For the year ended June 30, 2004, total lease income of \$68,707 was received by the Foundation. Future minimum payments due from TECH are as follows:

Year Ending June 30:	
2005	\$98,495
2006	98,495
2007	98,495
2008	37,955

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

**18. ON-BEHALF PAYMENTS FOR SALARIES  
AND FRINGE BENEFITS**

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

The amount of on-behalf payments for salaries and fringe benefits included in the university's accompanying financial statements for the fiscal years ended June 30, 2004 and 2003, total \$349,975 and \$298,100, respectively.

**19. DEFERRED COMPENSATION PLAN**

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

**FOUNDATION**

The Foundation provides additional compensation to the president of TECH. Pursuant to an agreement between the Foundation and the president, such compensation is being deferred. The deferred compensation is deposited by the Foundation in a trust for the president's benefit. Total deferred compensation at June 30, 2004 and 2003 is \$720,466 and \$574,835, respectively.



# Management Letter

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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October 6, 2004

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

We have reviewed the financial statements of Louisiana Tech University, as of and for the two years ending June 30, 2004, and have issued our accountant's review report thereon dated October 6, 2004. Louisiana Tech University is a university within the University of Louisiana System, a component unit of the State of Louisiana. The university's accounts are an integral part of the University of Louisiana System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

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


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

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting Louisiana Tech University's internal control, compliance with applicable laws and regulations, and operational efficiencies was not an objective of our procedures. Accordingly, our review procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, during our review procedures, we noted no significant matters requiring recommendations to management concerning internal control, compliance, or operational efficiencies.

In our prior management letter on Louisiana Tech University, we reported findings relating to failure to submit a document retention schedule to State Archives and insufficient monitoring of time and attendance. These findings have been resolved by management.

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

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

BAC:WJR:AJR:dl

LTU04