



**Louisiana State University –
Health Care Services Division**

Annual Financial Report

**For the Year Ended
June 30, 2007**

With Audit Adjustments

STATE OF LOUISIANA
LOUISIANA STATE UNIVERSITY SYSTEM
LSUHSC HEALTH CARE SERVICES DIVISION
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

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Health Care Services Division**

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

with Audit Adjustments

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Statement of Revenues, Expenses, and
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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. In July of 1984, the GASB issued Statement 1, which provided that all statements and interpretations issued by the National Council on Governmental Accounting (NCGA) continue as generally accepted accounting principles until altered, amended, supplemented, revoked or superseded by subsequent GASB pronouncements.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. As a component unit of the State of Louisiana, LSU Health Care Services Division is required to report its financial statements in accordance with GASB 34 and 35 as amended by GASB 37 and 38. Financial statement presentation required by GASB 34 and 35 provides a comprehensive, entity-wide perspective of the institution's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

The GASB Code Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Therefore, the accompanying financial statements of the university/system contain sub-account information of the various funds of the State of Louisiana. As such, the accompanying financial statements present information only as to the transactions of the programs of the university/system as authorized by Louisiana statutes and administrative regulations.

2. REPORTING ENTITY

LSU Health Care Services Division is a publicly supported institution of higher education. Using the criteria established in GASB Statement 14, *The Financial Reporting Entity* as amended by GASB 39, the institution is reported as a discrete component unit of the State of Louisiana since it is legally separate from and is financially accountable to the State.

Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements. The Louisiana Legislative Auditor audits the basic financial statements.

3. BASIS OF ACCOUNTING

For financial reporting purposes, the university/system is considered a special-purpose government engaged only in business-type activities. Accordingly, the institution'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.

The institution has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The institution has elected not to apply FASB pronouncements issued after the applicable date.

The financial statements of the LSU Health Care Services Division have been prepared on the accrual basis of accounting.

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4. CASH EQUIVALENT

The institution considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

5. INVESTMENTS

The institution accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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.

6. INVENTORIES

Inventories are valued at the lower of cost or market (specify any other) on the weighted average basis (specify any other). The institution accounts for its inventories using the consumption method.

7. NONCURRENT CASH AND INVESTMENTS

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

8. CAPITAL ASSETS

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

9. 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.

10. NONCURRENT LIABILITIES

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

11. NET ASSETS

The institution's net assets are classified as follows:

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(a) INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

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

(b) RESTRICTED NET ASSETS – EXPENDABLE

Restricted expendable net assets include resources that the institution is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(c) RESTRICTED NET ASSETS – NONEXPENDABLE

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

(d) UNRESTRICTED NET ASSETS

Unrestricted net assets represent 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 towards unrestricted resources, and then towards restricted resources.

12. CLASSIFICATION OF REVENUES

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

- (a) OPERATING REVENUE - Operating activity include 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 – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions.

13. 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 is the difference between the stated charge for goods and services provided by the institution, and the amount that is paid by students and/or third parties making payments on the student's behalf.

14. ELIMINATING INTERFUND ACTIVITY

Activities between LSU Health Care Services Division and the institution's service units are eliminated for

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purposes of preparing the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Net Assets.

15. COMPONENT UNITS - **Not Applicable**

For each discretely presented component unit presented, include the following:

- a brief description of the component unit;
- its relationship to the primary government;
- a discussion of the criteria for including it;
- how it is reported; and
- for each major component unit, the nature and amount of significant transactions between the primary government and the component unit.

_____ Foundation is a legally separate, tax-exempt organization supporting
 _____ (university) _____

During the year ended June 30, 2007, the _____ Foundation made distributions of _____ to or on behalf of the university for both restricted and unrestricted purposes. Complete financial statements for the _____ Foundation can be obtained from _____ or from the _____ Foundation's website at www. _____.

The _____ Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the university's financial report for these differences.

B. BUDGETARY PRACTICES

The annual budget for the General Fund of the university is established by annual Legislative action and by Title 39 of the Louisiana Revised Statutes. The submission of the budget for approval by the Board of Regents and the Legislative budget process is required. The other funds of the university, although subject to internal budgeting, are not required to be submitted for approval through the Legislative budget process.

State law provides that appropriations lapse at the end of the fiscal year with the exception noted in Note H, General Fund. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting with some exceptions. The following is a list of exceptions, but is not all inclusive, (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) certain capital leases are not recorded.

BUDGETARY COMPARISON

The following is an appropriation budgetary comparison for current year General Fund appropriation:

Original Budget – should equal Act 17 (the budget appropriated by the Legislature)

Final Budget – Act 17 plus or minus all of the BA 7s

Actual – Actual revenues and expenses that relate to the operating budget on GAAP basis. (Note: This will be the GAAP numbers as the start off point to convert to non-GAAP or actual on budget basis presentation.)

Adjustment to Budget Basis – Calculate the adjustments to move from an actual basis, GAAP to a budget

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basis. For example, depreciation, payroll accrual, compensated absences, etc. should be treated as adjustments to budget basis.

Actual on Budget Basis – “Actual” plus or minus “Adjustment to Budget Basis”

Variance Favorable (Unfavorable) – “Final” minus “Actual on Budget Basis”

	Budgeted		Actual	Adjustment to Budget Basis	Actual on Budget Basis	Variance Favorable (Unfavorable)
	Original	Final				
REVENUES:						
Appropriated by Legislature:						
State General Fund (Direct)	\$ 69,446,449	86,038,459	86,038,459	\$ _____	\$ 86,038,459	\$ _____ 0
State General Fund by Self- Generated Revenues	_____	_____	_____	_____	_____	_____ 0
State General Fund by Interagency Transfers	_____	_____	_____	_____	_____	_____ 0
Interim Emergency Board	_____	_____	_____	_____	_____	_____ 0
Federal Funds	_____	_____	_____	_____	_____	_____ 0
Statutory Dedications	_____	_____	_____	_____	_____	_____ 0
Other	_____	_____	_____	_____	_____	_____ 0
Total Revenues	69,446,449	86,038,459	86,038,459	0	86,038,459	0
EXPENDITURES:						
Program Expenditures	69,446,449	86,038,459	86,038,459	_____	86,038,459	_____ 0
Unallotted Expenditures	_____	_____	_____	_____	_____	_____ 0
Total Expenditures	69,446,449	86,038,459	86,038,459	0	86,038,459	0
UNEXPENDED APPROPRIATION						
-CURRENT YEAR	\$ _____ 0	\$ _____ 0	\$ _____ 0	\$ _____ 0	\$ _____ 0	\$ _____ 0

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Further, the university may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of Louisiana; savings accounts or shares of savings and loan associations and savings banks; and share accounts and share certificate accounts of federally or state chartered credit unions.

As reflected on the Statement of Net Assets, the university/system had deposits in bank accounts totaling \$ 177,205,695 at June 30, 2007. Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer.

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Beginning with FY 2004, the implementation of GASB Statement 40 (which amended GASB Statement 3) eliminated the requirement to disclose all deposits by the three categories of risk. GASB Statement 40 requires only the disclosure of deposits considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at June 30, 2007 consisted of the following:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Other (Describe)</u>	<u>Total</u>
Deposits per Statement of Net Assets (SNA)	\$ 175,497,907	\$ _____	\$ 1,613,663	\$ 177,111,570
Deposits in bank accounts per bank	\$ 185,307,282	\$ _____	\$ 1,613,663	\$ 186,920,945
Bank balances of deposits exposed to custodial credit risk:				
a. Uninsured and uncollateralized	\$ _____	\$ _____	\$ _____	\$ -
b. Uninsured and collateralized with securities held by the pledging institution	_____	_____	_____	-
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, <u>but not in the entity's name</u>	_____	_____	_____	-

Note: The "deposits in bank accounts per bank" will not necessarily equal the "Deposits per SNA" due to outstanding items.

Cash in State Treasury and petty cash must not be reported in the note disclosure. However, to aid in reconciling amounts reported on the SNA to amounts reported in this note, list below any cash in treasury and petty cash that are included in the SNA.

Cash in State Treasury	\$	\$0
Petty cash	\$	<u>\$94,125</u>

The following is a breakdown by banking institution, program, *account number, and amount of the "deposits in bank accounts per bank" balances shown above:

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<u>Type of Investment</u>	<u>Investments Exposed to Custodial Credit Risk</u>		<u>All Investments Regardless of Custodial Credit Risk Exposure</u>	
	<u>Uninsured, *Unregistered, and Held by Counterparty</u>	<u>Uninsured, *Unregistered, and Held by Counterparty's Trust Dept. or Agent not in Entity's Name</u>	<u>Reported Amount on SNA</u>	<u>Fair Value</u>
U.S. government securities:				
Bonds and Notes:				
Federal Home Loan Mortgage Corp			4,264,352	4,264,352
Federal National Mortgage Assoc			3,631,408	3,631,408
Federal Home Loan Bank			3,939,533	3,939,533
Federal Farm Credit Bank			1,494,850	1,494,850
Mortgage Backed Securities				
Federal Home Loan Mortgage Corp			642,165	642,165
Other:				
Common and preferred stock			429,046	429,046
Realty investments			495,407	495,407
Total investments	\$ -	\$ -	\$ 14,896,761	\$ 14,896,761

*unregistered – not registered in the name of the government or entity

3. Derivatives

The university/system does not invest in **derivatives** as part of its investment policy.

4. Credit Risk, Interest Rate Risk, Concentration of Credit Risk, and Foreign Currency Risk Disclosures

a. Credit Risk of Debt Investments

Disclose the credit risk of debt investments by credit quality ratings as described by rating agencies as of the fiscal year end, including the rating agency used (Moody's, S&P, etc.). All debt investments regardless of type can be aggregated by credit quality rating (if any are un-rated, disclose that amount).

<u>Rating Agency Used</u>	<u>Rating</u>	<u>Fair Value</u>
	Debt Investments:	\$
Moody	Aaa	13,330,143
	Aaa	
	Unrated	642,165
		-
Total		\$ 13,972,308

b. Interest rate Risk

Disclose the interest rate risk of debt investments by listing the investment type, total fair value, and breakdown of maturity in years for each debt investment type. (Note – This is the prescribed method,

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segmented time distribution, for the CAFR. Also, total debt investments reported in this table should equal total debt investments reported in Section A – Credit Risk of Debt Investments.)

Type of Debt Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	Greater Than 10
U.S. Government obligations	\$ 13,330,143	\$ 3,017,832	5,999,695	\$ 4,315,601	\$
U.S. Agency obligations					
U.S. Treasury obligations					
Mortgage backed securities	642,165				642,165
Collateralized mortgage obligations					
Corporate bonds					
Other bonds					
Mutual bond funds					
Other					
Total debt investments	\$ 13,972,308	\$ 3,017,832	\$ 5,999,695	\$ 4,315,601	\$ 642,165

List the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms of the investment (e.g. coupon multipliers, reset dates, etc.): See appendix B for examples of debt investments that are highly sensitive to changes in interest rates.

- **Not Applicable**

Debt Investment	Fair Value	Terms
	\$	
Total	\$ -	

c. Concentration of Credit Risk - **Not Applicable**

List, by issuer and amount, investments in any one issuer that represents 5% or more of total investments (not including U.S. government securities, mutual funds, and external investment pools).

Issuer	Amount	% of Total Investments
	\$	
Total	\$ -	

d. Foreign Currency Risk - **Not Applicable**

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D. ACCOUNTS RECEIVABLE

Accounts receivable are shown on the SNA net of an allowance for doubtful accounts as follows:

List Types	Accounts Receivable	Doubtful Accounts	Net Accounts Receivable	Amts. not scheduled for collection within a year
Student tuition and fees	\$ _____	\$ _____	\$ -	\$ _____
Auxiliary enterprises	_____	_____	-	_____
Contributions and gifts	_____	_____	-	_____
Federal, state, and private grants and contracts	1,854,328	_____	1,854,328	_____
Federal appropriations	_____	_____	-	_____
Clinics	_____	_____	-	_____
FEMA	833,663	_____	833,663	_____
Social Services Block Grant	_____	_____	-	_____
Insurance Proceeds	_____	_____	-	_____
Hospital	392,289,717	331,892,761	60,396,956	_____
Other - UCC	187,640,560	187,640,560	-	_____
Other - Sales & Services	2,378,015	_____	2,378,015	_____
Total	\$ 584,996,283	\$ 519,533,321	\$ 65,462,962	\$ -

Other - UCC

Accounts Receivable and Doubtful Accounts include \$187,640,560 for State Fiscal Years 2004 and 2005 uncompensated care cost (disproportionate share) that was earned by HCSD during these years. Because of the federal cap and Medicaid State Plan ceiling it has been determined that this amount is uncollectible and therefore an Allowance for Doubtful Accounts was established for the full amount included in Accounts Receivable. These amounts are identified on the "Other Adjustment" line.

E. CAPITAL ASSETS

[The electronic version of this note contains three spreadsheets. After double clicking on the table, there will be three tabs at the bottom of the spreadsheet (one for the university, one for the component units and a total sheet). Enter the university's information on the university tab and then select the tab for the component units and enter the component units' information. The total spreadsheet is linked and should total automatically. Each of these sheets must be printed separately to obtain a complete hard copy.]

Capital assets and assets under capital lease activity for the year ended June 30, 2007 were as follows:

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	Balance 6/30/2006	Period Adjustment	Balance 6/30/2006	Additions	*Transfers	**Retirements	Balance 6/30/2007
Capital assets not being depreciated							
Land	\$ 24,458,239	\$ -	\$ 24,458,239	\$ -	\$ -	\$ -	\$ 24,458,239
Non-depreciable land improvements	-	-	-	-	-	-	-
Capitalized collections	-	-	-	-	-	-	-
Livestock	-	-	-	-	-	-	-
Construction in progress	12,460,951	-	12,460,951	35,960,660	-	-	48,421,611
Total capital assets not being depreciated	<u>\$ 36,919,190</u>	<u>\$ -</u>	<u>\$ 36,919,190</u>	<u>\$ 35,960,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,879,850</u>
Other capital assets							
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
** Less accumulated depreciation	-	-	-	-	-	-	-
Total infrastructure	-	-	-	-	-	-	-
Depreciable land improvements	7,539,217	-	7,539,217	59,035	-	(26,539)	7,571,713
** Less accumulated depreciation	(3,925,478)	-	(3,925,478)	(60,902)	-	1,062	(3,985,318)
Total land improvements	3,613,739	-	3,613,739	(1,867)	-	(25,477)	3,586,395
Buildings	127,298,164	2,937,658	130,235,822	720,844	-	(9,711,765)	121,244,901
** Less accumulated depreciation	(104,108,834)	(2,247,272)	(106,356,106)	(2,858,324)	-	9,228,401	(99,986,030)
Total buildings	23,189,330	690,386	23,879,716	(2,137,480)	-	(483,364)	21,258,871
Equipment	218,677,962	(759,753)	217,918,209	25,166,950	-	(21,423,030)	221,662,129
** Less accumulated depreciation	(161,781,816)	(680,085)	(162,461,901)	(16,491,333)	-	19,641,426	(159,311,808)
Total equipment	56,896,146	(1,439,838)	55,456,308	8,675,617	-	(1,781,604)	62,350,322
Library books	-	-	-	-	-	-	-
** Less accumulated depreciation	-	-	-	-	-	-	-
Total library books	-	-	-	-	-	-	-
Total other capital assets	<u>\$ 83,699,215</u>	<u>\$ (749,452)</u>	<u>\$ 82,949,763</u>	<u>\$ 6,536,270</u>	<u>\$ -</u>	<u>\$ (2,290,445)</u>	<u>\$ 87,195,588</u>
Capital Asset Summary:							
Capital assets not being depreciated	\$ 36,919,190	\$ -	\$ 36,919,190	\$ 35,960,660	\$ -	\$ -	\$ 72,879,850
Other capital assets, at cost	353,515,343	2,177,905	355,693,248	25,946,829	-	(31,161,334)	350,478,743
Total cost of capital assets	390,434,533	2,177,905	392,612,438	61,907,489	-	(31,161,334)	423,358,593
Less accumulated depreciation	(269,816,128)	(2,927,357)	(272,743,485)	(19,410,559)	-	28,870,889	(263,283,156)
Capital assets, net	<u>\$ 120,618,405</u>	<u>\$ (749,452)</u>	<u>\$ 119,868,953</u>	<u>\$ 42,496,930</u>	<u>\$ -</u>	<u>\$ (2,290,445)</u>	<u>\$ 160,075,438</u>

* Should be used only for those completed projects coming out of construction-in-progress to fixed assets.

** Enter a negative number with the exception of accumulated depreciation in the retirement and prior period adjustment column.

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F. COLLECTIONS (WORKS OF ART and HISTORICAL TREASURES) – **Not Applicable**

G. DUE FROM PRIVATE FOUNDATIONS – **Not Applicable**

H. GENERAL FUND

At June 30, 2007, the General Fund had an unexpended appropriation of \$0 due to the State Treasury.

I. LONG-TERM LIABILITIES (Current and Noncurrent Portion)

The following is a summary of bond reimbursement contracts and other long-term debt transactions of the university for the year ended June 30, 2007:

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University/System	Year ended June 30, 2007				
	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts due within one year
Notes & bonds payable:					
Notes payable	\$ 29,861,822	\$ 1,446,287	\$ 10,841,383	\$ 20,466,726	\$ 7,071,872
Bonds payable	24,050,000	-	4,445,000	19,605,000	4,615,000
Total bonds and notes payable	53,911,822	1,446,287	15,286,383	40,071,726	11,686,872
Other liabilities:					
Compensated absences payable	25,684,982	15,891,540	11,629,150	29,947,372	2,703,159
Capital lease obligations	-	-	-	-	-
Claims and litigation payable	-	-	-	-	-
Amounts held in custody for others	151,378	594,346	89	745,635	745,635
Contracts payable	-	-	-	-	-
Reimbursement contracts payable					
Total other liabilities	25,836,360	16,485,886	11,629,239	30,693,007	3,448,794
Total long-term liabilities	\$ 79,748,182	\$ 17,932,173	\$ 26,915,622	\$ 70,764,733	\$ 15,135,666
Component Units					
Notes & bonds payable:					
Notes payable	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds payable	-	-	-	-	-
Total bonds and notes payable	-	-	-	-	-
Other liabilities:					
Compensated absences payable	-	-	-	-	-
Capital lease obligations	-	-	-	-	-
Claims and litigation payable	-	-	-	-	-
Amounts held in custody for others	-	-	-	-	-
Contracts payable	-	-	-	-	-
Reimbursement contracts payable					
Total other liabilities	-	-	-	-	-
Total long-term liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Combined Total					
Notes & bonds payable:					
Notes payable	\$ 29,861,822	\$ 1,446,287	\$ 10,841,383	\$ 20,466,726	\$ 7,071,872
Bonds payable	24,050,000	-	4,445,000	19,605,000	4,615,000
Total bonds and notes payable	53,911,822	1,446,287	15,286,383	40,071,726	11,686,872
Other liabilities:					
Compensated absences payable	25,684,982	15,891,540	11,629,150	29,947,372	2,703,159
Capital lease obligations	-	-	-	-	-
Claims and litigation payable	-	-	-	-	-
Amounts held in custody for others	151,378	594,346	89	745,635	745,635
Contracts payable	-	-	-	-	-
Reimbursement contracts payable					
Total other liabilities	25,836,360	16,485,886	11,629,239	30,693,007	3,448,794
Total long-term liabilities	\$ 79,748,182	\$ 17,932,173	\$ 26,915,622	\$ 70,764,733	\$ 15,135,666

(Send OSRAP a copy of the amortization schedule for any new debt issued.)

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J. SHORT-TERM DEBT – **Not Applicable**

K. 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 (K-time) earned.

Upon separation or termination 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 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. (Specify other uses of uncompensated leave, e.g., upon retirement any sick or annual leave not compensated for is used as credited service in either Louisiana Teachers' Retirement System or Louisiana State Employees' Retirement System.)

Upon termination or transfer an employee will be paid for any time and one-half 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 employees' hourly rate of pay at termination or transfer.

The liability for unused annual leave, sick leave, and compensatory leave at June 30, 2007, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.104 – C60.105, is estimated to be \$22,911,784, \$801,606, and \$6,233,982 respectively. The leave payable is recorded in the accompanying financial statement.

The LSU Health Care Services Division liability for compensated absences (annual, sick, and compensatory leave) at June 30, 2007 is as follows:

Current liability – estimated to be paid within one year	\$	2,703,159
Long-term liability		<u>27,244,213</u>
Total liability for compensated absences	\$	<u>29,947,372</u>

L. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES – **Not Applicable**

M. CONTINGENT LIABILITIES

GAAP requires that the notes to the financial statements disclose any situation where there is at least a reasonable possibility that assets have been impaired or that a liability has been incurred along with the dollar amount if it can be reasonably estimated. Do not report impaired capital assets below as defined by GASB 42, rather disclose impaired capital assets in Note FF. Losses or pending litigation that is probable should be reflected on the balance sheet. The LSU Health Care Services Division is a defendant in litigation seeking damages as follows:

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Date of Action	(reasonably possible or probable) (in opinion of legal counsel)	*Damages Claimed	Claims & Litigation (opinion of legal counsel)	Insurance Coverage
1/1/2001	Milton Schoen vs. Charity Hospital	20,000	0	NA
11/1/2002	Bahij Khuri, M.D. vs. State of LA	50,000	0	NA
5/29/2005	The Willows vs. State of LA	50,000	0	NA
6/1/2004	Tchefuncte Cardiovascular Assoc. vs. BOS	520,000	0	NA
		\$	\$	\$
Totals		\$ 640,000	\$ -	\$ -

*Note: Liability for claims and judgments should include specific, incremental claim expenses if known or if it can be estimated. For example, the cost of outside legal assistance on a particular claim may be an incremental cost whereas assistance from internal legal staff on a claim may not be incremental because the salary costs for internal staff normally will be incurred regardless of the claim. (See GASB 30, paragraph 9)

Those agencies collecting federal funds, who have been informed that certain of their previously claimed costs were disallowed, should disclose the requested information in the schedule shown below. Show each possible disallowance on a separate line in the chart.

<u>Program</u>	<u>Date of Disallowance</u>	<u>Amount</u>	<u>Probability of Payment*</u>	<u>Estimated Settlement Amount</u>
1. _____	_____	\$ _____	_____	\$ _____
2. _____	_____	_____	_____	_____
3. _____	_____	_____	_____	_____
4. _____	_____	_____	_____	_____

* Remote, reasonably possible, probable, or unknown

Only answer the following questions for those claims and litigation not being handled by the Office of Risk Management.

Indicate the way in which risks of loss are handled (circle one):

- (a) purchase of commercial insurance,
- (b) participation in a public entity risk pool (e.g., Office of Risk Management claims)
- (c) risk retention (e.g., Use of an internal service fund is considered risk retention because the entity as a whole has retained the risk of loss.)
- (d) Other (explain) _____

For entities participating in a risk pool (other than ORM), describe the nature of the participation, including the rights and the responsibilities of both the entity and the pool. _____

Describe any significant reductions in insurance coverage from coverage in the prior year by major categories of risk. Also, indicate whether the amount of settlements exceeded insurance coverage for each of the past three fiscal years. _____

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Disclose any cases where it is probable that a liability has been incurred, but the effect of the liability has not been reflected in the financial statements because it can not be estimated _____

Disclose any guarantee of indebtedness even if there is only a remote chance that the government will be called on to honor its guarantee. _____

N. RELATED PARTY TRANSACTIONS

LSU Health Care Services Division had no related party transactions for the year ended June 30, 2007, as defined by FASB 57.

O. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS – **Not Applicable**

P. LEASES

NOTE: Where five-year amounts are requested, please list the total amount (sum) for the five-year period, not the annual amounts for each of the five years.

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

Operating Leases

Total operating lease expenditures for fiscal year 2006-07 amounted to \$5,932,498. (Operating leases are all leases which do not meet the criteria of a capital lease.) The annual rental payments for the next five years are presented as follows: (Note: If lease payments extend past FY2022, please create additional columns and report these future minimum lease payments in five year increments.)

Nature of lease	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013- FY2017	FY2018- FY2022
a. Office space	\$ 3,003,508	\$ 2,974,679	\$ 2,927,254	\$ 2,839,832	\$ 2,732,431	\$ 75,781	\$ -
b. Equipment	-	-	-	-	-	-	-
c. Land	-	-	-	-	-	-	-
d. Other	1,646,001	1,593,248	729,096	729,096	671,140	1,279,752	-
Total minimum future rentals	\$ 4,649,509	\$ 4,567,927	\$ 3,656,350	\$ 3,568,928	\$ 3,403,571	\$ 1,355,533	\$ -

Rental revenue/expense for operating leases with scheduled rent increases is based on the relevant lease agreement except in those cases where a temporary rent reduction is used as an inducement to enter a lease. In those instances, rental revenue/expense is determined on either a straight-line or interest basis over the term of the lease and not in accordance with lease terms as required by GASB 13.

Capital Leases – Not Applicable

The university records (does not record) items under capital leases as an asset and an obligation in the accompanying financial statements.

Capital leases are defined as an arrangement in which any one of the following conditions apply (1) ownership transfers at the end of the lease, (2) the lease contains a bargain purchase option, (3) the lease term is 75% of the asset life, or (4) the discounted minimum lease payments are 90% of the fair market value of the asset.

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Report all capital leases [including LA Equipment Acquisition Fund (LEAF) leases] in effect as of 6/30/07 in the schedule below.

<u>UNIVERSITY/SYSTEM CAPITAL LEASES</u>					
Nature of lease	Date of lease	Gross amount of leased assets (historical cost)	Last payment date	Remaining interest to end of lease	Remaining principal to end of lease
a. Office space		\$		\$	\$
b. Equipment					
c. Land					
Total assets under cap. lease		\$ -		\$ -	\$ -

<u>COMPONENT UNIT CAPITAL LEASES</u>					
Nature of lease	Date of lease	Gross amount of leased assets (historical cost)	Last payment date	Remaining interest to end of lease	Remaining principal to end of lease
a. Office space		\$		\$	\$
b. Equipment					
c. Land					
Total assets under cap. lease		\$ -		\$ -	\$ -

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 20___: (Note: If lease payments extend past FY2027, please create additional rows and report these future minimum lease payments in five year increments.)

<u>Year ending June 30:</u>	<u>Future minimum lease payment:</u>		
	University/System	Component Units:	Total:
2008	\$	\$	\$
2009			
2010			
2011			
2012			
2013-2017			
2018-2022			
2023-2027			
Total minimum lease payments	-	-	-
Less: amounts representing executory costs			
Net minimum lease payments	-	-	-
Less: amounts representing interest			
Present value - net minimum lease payments	-	-	-

Lessor Direct Financing Leases – Not Applicable

A lease is classified as a direct financing lease (1) when any one of the four capitalization criteria used to define a capital lease for the lessee is met and (2) when both the following criteria are satisfied:

- Collectibility of the minimum lease payments is reasonably predictable.
- No important uncertainties surround the amount of the unreimbursable costs yet to be incurred by the lessor under the lease.

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The following list the components of the net investment in direct financing leases as of June 30, 2007:

University/System	Minimum lease payment	Remaining interest to	Remaining principal to
<u>Composition of lease</u>	<u>receivable</u>	<u>end of lease</u>	<u>end of lease</u>
<u>Date of lease</u>			
a. Office Space	\$ _____	\$ _____	\$ _____
b. Equipment	_____	_____	_____
c. Land	_____	_____	_____
Less amounts representing executory costs	(_____)	(_____)	(_____)
Minimum lease payment receivable	-	-	-
Less allowance for doubtful accounts	(_____)	(_____)	(_____)
Net minimum lease payments receivable	-	-	-
Estimated residual values of leased property	_____	_____	_____
	-	-	-
Less unearned income	(_____)	(_____)	(_____)
Net investment in direct financing leases	\$ _____	\$ _____	\$ _____

Component Unit(s)	Minimum lease payment	Remaining interest to	Remaining principal to
<u>Composition of lease</u>	<u>receivable</u>	<u>end of lease</u>	<u>end of lease</u>
<u>Date of lease</u>			
a. Office Space	\$ _____	\$ _____	\$ _____
b. Equipment	_____	_____	_____
c. Land	_____	_____	_____
Less amounts representing executory costs	(_____)	(_____)	(_____)
Minimum lease payment receivable	-	-	-
Less allowance for doubtful accounts	(_____)	(_____)	(_____)
Net minimum lease payments receivable	-	-	-
Estimated residual values of leased property	_____	_____	_____
	-	-	-
Less unearned income	(_____)	(_____)	(_____)
Net investment in direct financing leases	\$ _____	\$ _____	\$ _____

Minimum lease payments do not include contingent rentals, which may be received as stipulated in the lease contracts. Contingent rental payments occur if, for example, the use of the equipment, land, or building etc., exceeds a certain level of activity each year. Contingent rentals received for fiscal year 2007 were \$ _____ for office space, \$ _____ for equipment, and \$ _____ for land.

The following is a schedule by years of minimum lease receivable for the remaining fiscal years of the lease as of June 30, 20____: (Note: If lease receivables extend past FY2027, please create additional rows and report these future minimum lease payments in five year increments.)

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Year ending:	Future minimum lease receivables:		
	University/System	Component Unit(s)	Total
2008	\$ _____	\$ _____	\$ _____
2009	_____	_____	_____
2010	_____	_____	_____
2011	_____	_____	_____
2012	_____	_____	_____
2013-2017	_____	_____	_____
2018-2022	_____	_____	_____
2023-2027	_____	_____	_____
Total	\$ _____ -	\$ _____ -	\$ _____ -

Lessor - Operating Lease – Not Applicable

When a lease agreement does not satisfy at least one of the four criteria (common to both lessee and lessor accounting), and both of the criteria for a lessor (collectibility and no uncertain reimbursable costs), the lease is classified as an operating lease. In an operating lease, there is no simulated sale and the lessor simply records rent revenues as they become measurable and available.

Provide the cost and carrying amount, if different, of property on lease or held for leasing organized by major class of property and the amount of accumulated depreciation (optional for Governmental Funds) as of June 30, 20____.

	Cost	Accumulated Depreciation	Carrying Amount
a. Office space	\$ _____	\$ _____	\$ _____
b. Equipment	_____	_____	_____
c. Land	_____	_____	_____
Total	\$ _____ -	\$ _____ -	\$ _____ -

The following is a schedule of minimum future rentals on noncancellable operating lease(s) as of June 30, 20____: (Note: If lease receivables extend past FY2027, please create additional columns and report these future minimum lease payments in five year increments.)

	Office Space	Equipment	Land	Other
2008	\$ _____	\$ _____	\$ _____	\$ _____
2009	_____	_____	_____	_____
2010	_____	_____	_____	_____
2011	_____	_____	_____	_____
2012	_____	_____	_____	_____
2013-2017	_____	_____	_____	_____
2018-2022	_____	_____	_____	_____
2023-2027	_____	_____	_____	_____
Total minimum future rentals	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -

Contingent rentals received from operating leases for the fiscal year were \$ _____ for office space, \$ _____ for equipment, and \$ _____ for land.

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T. PRIOR-YEAR RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets for June 30, 2007.

	<u>University/System</u>	<u>Component Unit (s)</u>	<u>Total</u>
Ending net assets 6/30/06 as reported to OSRAP on PY AFR	\$ 23,987,387	\$	\$ 23,987,387
Adjustments to ending net assets 6/30/06 (after AFR) was submitted to OSRAP (+ or -)	<u>5,748,008</u>	<u></u>	<u>5,748,008</u>
Total	\$ 29,735,395	\$ -	\$ 29,735,395
Restatements (adjustments to beg. Balance 7/1/06) (+ or -)	<u>(3,619,228)</u>	<u></u>	<u>(3,619,228)</u>
Beginning net assets 7/1/2006, as restated	\$ 26,116,167	\$ -	\$ 26,116,167

Each adjustment and restatement must be explained in detail.

Explanation: (List below)

Capital Assets (net) - reconciliation of asset mgmt system to PeopleSoft	\$ (2,647,448)
Clean-up beginning balances from legacy system to PeopleSoft	(10,780)
Establishing A/R for contractor overpaid in prior year.	102,528
Beasley Building previously held as investment moved to capital asset net of accumulated depreciation	(1,063,528)
Total	\$ (3,619,228)

U. PLEDGES OF GIFTS – **Not Applicable**

V. SEGMENT INFORMATION – **Not Applicable**

W. PER DIEM PAID BOARD MEMBERS– **Not Applicable**

X. PENSION PLANS

Substantially all of the employees of the university are members of the following Retirement System(s):

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Name of retirement system or plan	ID of the plan (A, B, or C see below)	Percentage of covered salaries that employees contribute	University's employer contributions to the plan for the year ended June 30, 2007
LASERS	C	7.50%	\$ 34,042,444
LASERS*	C	8.00%	\$ 2,891,659
Federal	C	7.00%	\$
TRSL	C	8.00%	\$ 1,718,729
TRSL 40 yr	C	0.00%	\$
MPP	C	8.00%	\$
Deferred Comp	D	7.50%	\$ 203,485
LA School Empl	C	7.50%	\$ 10,896

* As per provisions of Act 75 of 2005, new employees hired on or after July 1, 2006 must contribute 8% to the LASERS retirement system.

Identification of retirement plans:

- A) single-employer defined benefit plan
- B) agent multiple-employer defined benefit plan
- C) cost-sharing multiple-employer defined benefit plan
- D) defined-contribution plan

Each System or plan is a statewide public employee retirement system and is available to all eligible employees. Generally, all full-time employees are eligible to participate in the system(s), with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The System(s) publish (es) yearly annual financial reports that include detailed historical, financial, and actuarial information.

LRS 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education which is a defined contribution plan that provides for full and immediate vesting of all contributions remitted on behalf of the participants. Participants contribute 8% and the university contributes 15.9% of the covered payroll. Benefits payable to participants are not obligations of the State of Louisiana or the State or Teachers' Retirement System; but 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 \$ \$1,272,113 and \$ \$640,057, respectively, for the year ended June 30, 2007.

Y. DEBT REFUNDING – **Not Applicable**

(Provide a descriptive narrative disclosing the following information)

Issuance date _____
 Amount of issue \$ _____
 Bond Type(s) _____
 Purpose of issue _____
 Refunding Stipulations _____
 (If there is an escrow account, describe in detail)
 Refunding Results _____
 (Include description of debt reduction and economic gain, if any)

Amount of debt defeased in substance still outstanding at fiscal year end _____
 DESCRIPTIVE NARRATIVE

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In _____ (month, year), the _____ (entity name) issued \$ _____ of taxable (nontaxable) _____ Bonds – Series _____ and \$ _____ of _____ Bonds – Series _____. The purpose of the issues was to provide monies to refund portions of Series _____, _____, and _____ bonds. In order to refund the bonds, portions of the proceeds of the new issue (\$ _____), plus an additional \$ _____ million of sinking fund monies together with certain other funds and/or securities, were deposited and held in an escrow fund created pursuant to an escrow deposit agreement dated _____ between the _____ and the escrow trustee. The amount in the escrow, together with interest earnings, will be used to pay the principal, (redemption premium), and interest when due. The refunding resulted in reducing the total debt service payments by almost \$ _____ and gave the _____ an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$ _____. Of the debt considered defeased in substance, \$ _____ is outstanding as of June 30, 2007.

Z. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) – **Not Applicable**

The following government-mandated nonexchange transactions (grants) were received during fiscal year 2006-2007:

CFDA Number	Program name	State Match Percentage	Total Amount of Grant
_____	_____	_____ %	\$ _____
_____	_____	_____ %	\$ _____
_____	_____	_____ %	\$ _____
_____	_____	_____ %	\$ _____
Total government-mandated nonexchange transactions (grants)			\$ _____

AA. DONOR RESTRICTED ENDOWMENTS – **Not Applicable**

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

At June 30, 2007, net appreciation of \$ _____ is available to be spent, of which \$ _____ is restricted to specific purposes (net appreciation during the fiscal year).

State the policy for authorizing and spending investment income, such as a spending rate or total-return policy.

BB. REVENUE USED AS SECURITY FOR REVENUE BONDS – **Not Applicable**

Auxiliary enterprises	Revenue used as security for bonds (FY 2007)	Type of bonds	Year(s) bonds issued
Residential life	\$ _____	_____	_____
Student union services, including bookstore	_____	_____	_____
Health, physical education, and recreation	_____	_____	_____
Athletics	_____	_____	_____

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CC. DISAGGREGATION OF PAYABLE BALANCES

DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2007, were as follows:

Fund	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
Health Care Services Division	55,966,710	20,003,607		207,165,216	283,135,533
Total payables	\$ 55,966,710	\$ 20,003,607	\$ -	\$ 207,165,216	\$ 283,135,533
UCC in above	██████████	██████████	██████████	206,516,859	██████████

DD. SUBSEQUENT EVENTS – **Not Applicable**

No events of a material nature have occurred subsequent to the SNA date that would require adjustment to, or disclosure in, the accompanying financial statement, except as noted below:

EE. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB STATEMENT 46) – **Not Applicable**

Of the total net assets reported in the SNA for the year ended June 30, 20__, \$_____ are restricted by enabling legislation (which also includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation). **Refer to the instructions in Appendix B for more details on the determination of the amount to be reported as required by GASB 46.** List below the net assets restricted by enabling legislation and the purpose of the restriction:

Purpose of Restriction	Amount
_____	\$ _____
_____	_____
_____	_____
Total	\$ _____ -

FF. IMPAIRMENT OF CAPITAL ASSETS

GASB 42 establishes accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. **See Appendix C for additional information on GASB 42 and Impaired Capital Assets.**

The following capital assets became impaired in FY 06-07: (There are five indicators of impairment described in Appendix C, (1) physical damage, (2) enactment of laws, etc., which can be used to complete column three.)

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 FOR THE YEAR ENDED JUNE 30, 2007

<u>Type of Asset</u>	<u>Amount of Impairment Loss before Insurance Recovery</u>	<u>Indication of Impairment (e.g. (1) physical damage)</u>	<u>Insurance Recovery in the same FY</u>	<u>Reason for Impairment (e.g. hurricane)</u>
Buildings	_____	_____	_____	_____
Movable Property	_____	_____	_____	_____
Infrastructure	_____	_____	_____	_____

The carrying amount of impaired capital assets that are idle at year-end should be disclosed, regardless of whether the impairment is considered permanent or temporary. The following capital assets were idle at the end of the fiscal year. (Include the capital assets listed above that were idle at the end of the fiscal year and any prior year impaired assets that remain idle at the end of the fiscal year.)

<u>Type of asset</u>	<u>Carrying Value</u>
Buildings	\$ <u>4,498,025</u>
Movable Property	\$ <u>2,142,856</u>
Infrastructure	\$ _____

For the Fiscal Year ending June 30, 2006, a sample of potentially idle and impaired asset items was selected to be tested by the OEM vendor or maintenance provider and HCSD had no success with this initiative. The NBV at FY06 for these sample items was \$8,344,564 with a total item count of 87.

For the Fiscal Year ending June 30, 2006, these items remained as impaired/idle for Note Disclosure purposes only. However, no transaction was recorded on the Annual Financial Report SNA to reflect an impairment and depreciation expense continued to taken on these assets. Only Note Disclosure FF for FY 2006 reflected the impaired/idle balance of \$15 million which included the afore mentioned \$8,344,564 million attempted sample which had a NBV for FY207 of \$4,125,229 million.

- During Fiscal Year 2007, Seventy-eight (78) of the sample asset items with a NBV at June 30, 2006 of \$5,703,719 were moved from impaired/idle into active status.
- During Fiscal Year 2007, nineteen (19) of the sample items with a NBV at June 30, 2006 of \$2,444,770 still remain inactive.
- During Fiscal Year 2007, two (2) of the sample asset items were retired which had a NBV at June 30, 2006 of \$453,721.

For the Fiscal Year ending June 30, 2007, vendor assessment continued to be an obstacle, but MCLNO was successful in having some of the FY 2006 sample items assessed either by the OEM vendor, other maintenance providers or other hospital experts. Therefore, during the course of FY 2007, some of the sample test items with a NBV at FY06 of \$8,344,564 million have been evaluated and updated to reflect the following changes in the asset status as of June 30, 2007:

- At the end of Fiscal Year 2007, 55 assets with a value of \$1,986,672 remain impaired/idle for note disclosure purposes only.
- At the end of Fiscal Year 2007, 18 assets with a value of \$156,184 remain un-located for note disclosure purposes only.
- At the end of Fiscal Year 2007, 19 of the original sample items with a NBV at of \$1,383,795 still remain inactive.
- At the end of Fiscal Year 2007, 15 asset items valued at \$176,637 were retired.

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

GG. EMPLOYEE TERMINATION BENEFITS

Termination benefits are benefits, other than salaries and wages that are provided by employers as settlement for involuntary terminations initiated by management, or as an incentive for voluntary terminations initiated by employees. Involuntary termination benefits include benefits such as payment for unused leave balances.

Voluntary termination benefits include benefits such as enhanced early retirement options resulting from an approved early retirement plan and payment for unused leave balances.

Other termination benefits may include:

1. Early retirement incentives, such as cash payments or enhancements to defined benefit formulas
2. Health care coverage when none would otherwise be provided (COBRA)
3. Compensated absences, including payments for leave balances
4. Payments due to early release from employment contracts

GASB 47 requires the following disclosures about an employer's accounting for employee termination benefits.

1. A description of the termination benefit arrangement(s).
2. Period the employer becomes obligated
3. Number of employees affected
4. Cost of termination benefits
5. Type of benefit(s) provided
6. The period of time over which the benefits are expected to be provided
7. If the termination benefit affects the defined benefit pension (OPEB) obligations, disclose the change in the actuarial accrued liability for the pension or OPEB plan attributable to the termination benefit.
8. When termination liabilities are reported, disclose the significant methods and assumptions used to determine the liabilities to be disclosed (for as long as the liability is reported).

The GASB 47 note disclosures listed below are provided as an example and should be modified as necessary.

Substantially all employees are eligible for termination benefits upon separation from the state. The agency recognizes the cost of providing these benefits as expenditures when paid during the year. For 2007, the cost of providing those benefits for 0 (number of) voluntary terminations totaled \$0. For 2007, the cost of providing those benefits for 0 (number of) involuntary terminations totaled \$0.

[The termination benefits (voluntary and involuntary) paid in FY 2007 should also be included in operating expenses (by function) within the SRECNA.]

The liability for the accrued voluntary terminations benefits payable at June 30, 2007 is \$0. This liability consists of 0 (number of) voluntary terminations. The liability for the accrued involuntary terminations benefits payable at June 30, 2007 is \$0. This liability consists of 0 (number of) involuntary terminations.

[The termination benefits (voluntary and involuntary) payable at fiscal year end should also be included on the SNA in the "compensated absences payable" account line.]

If a termination benefit is not recognized because the expected benefits are not estimable, the employer should disclose that fact. Briefly describe termination benefits provided to employees as discussed above. If none, state that fact.

None

A terminated employee can continue to access health benefits, however, if the COBRA participant is paying the ENTIRE premium then there is no state contribution on behalf of this individual. Therefore, when a

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

terminated employee pays 100% of the premium, the state would not have a termination liability.

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division
Schedule of Notes Payable
June 30, 2007

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/2006	(Redeemed) Issued	Principal Outstanding 6/30/2007 *	Interest Rates	Interest Outstanding 6/30/2007
Digital Mamos	12/20/02	404,437	128,435	(84,907)	43,528	3.3428%	425
Alaris Pumps	04/15/04	121,311	31,286	(31,286)	-	2.7800%	-
GE CT Scanner	04/07/06	1,615,038	1,566,854	(296,819)	1,270,035	4.5100%	115,325
LAB System	05/19/03	576,892	231,540	(119,111)	112,429	3.0601%	1,727
CLIQ	07/06/04	156,049	58,394	(53,817)	4,577	3.7700%	14
Critical Care Beds	05/19/03	62,561	25,109	(12,917)	12,192	3.0601%	188
Energy Management	10/18/03	1,310,566	1,119,247	(57,572)	1,061,675	5.3393%	424,609
CT System	04/15/04	616,547	199,886	(199,886)	-	2.7800%	-
Copiers	08/09/04	99,955	65,526	(19,833)	45,693	3.8700%	2,016
Endoscopy Sys	03/17/05	116,022	69,304	(39,029)	30,275	3.8600%	489
GE Millennium MG Xeleris Workstation	02/23/06	339,563	319,127	(63,097)	256,030	4.3100%	21,222
Space Labs Intesy Suite & Telemetry Units	10/20/06	371,742	-	326,067	326,067	3.7132%	27,439
IV Pumps	09/27/02	369,331	98,157	(78,193)	19,964	3.3870%	113
Radiographic Table	03/15/03	116,620	42,823	(24,190)	18,633	3.3870%	238
Vista C-Arm	03/15/03	144,620	53,105	(29,998)	23,107	3.0562%	295
Millennium MG Integra	03/15/03	333,972	122,636	(69,275)	53,361	3.0562%	682
Steris Surgical Lights	03/15/03	97,248	35,710	(20,172)	15,538	3.0562%	198
Radiography & fluoroscopic machine	05/19/03	105,950	42,524	(21,875)	20,649	3.0601%	317
Mammography System	04/15/04	72,726	23,578	(23,578)	-	2.7800%	-
Ventilators	07/06/04	88,401	56,613	(17,592)	39,021	4.0600%	1,739
Space Labs	10/15/04	876,457	600,862	(173,091)	427,771	3.4400%	18,010
Endoscopic Equipment	03/04/05	191,507	146,859	(37,216)	109,643	3.6600%	5,777
Anesthesia Machines	03/16/05	157,060	120,635	(30,454)	90,181	3.9300%	5,108
Phillips Medical Select V5000DSCV	06/27/05	596,416	485,939	(114,714)	371,225	3.7700%	21,970
Digital Mammos	12/20/02	647,411	205,594	(135,916)	69,678	3.3428%	681
Senography Mammography System	03/15/03	175,221	64,342	(36,345)	27,997	3.0562%	357
Cardiac Cath Suite	03/15/03	972,988	357,286	(201,823)	155,463	3.0562%	1,986
Anesthesia Equipment	05/19/03	114,716	46,042	(23,685)	22,357	3.0601%	343
Maternal Fetal Monitors	05/19/03	149,633	60,056	(30,895)	29,161	3.0601%	448
Pediatric Cribs	05/19/03	22,018	8,837	(4,546)	4,291	3.0601%	66
Stretcher Cribs	05/19/03	20,276	8,138	(4,186)	3,952	3.0601%	61
Electrocardiography and cardiology managen	05/19/03	384,209	154,205	(79,327)	74,878	3.0601%	1,150
Nursery Incabtors	05/19/03	43,056	17,281	(8,890)	8,391	3.0601%	129
Spacelabs	06/17/03	2,530,104	1,049,000	(518,115)	530,885	2.4372%	7,035
CADD-Prizm PCS 2 Pump	02/13/04	101,050	55,929	(20,408)	35,521	3.2500%	1,018
Scrub Stations	02/13/04	158,887	87,941	(32,089)	55,852	3.2500%	1,602
Scrub Stations	02/13/04	184,810	102,289	(37,325)	64,964	3.2500%	1,863
Ultrasound	04/15/04	126,247	32,559	(32,559)	-	2.7800%	-
Radiology Equip (PACS, MRI, etc.)	06/15/04	10,152,556	3,470,747	(3,470,750)	(3)	2.5500%	-
Ultrasound, Phillips	03/16/05	183,637	141,048	(35,607)	105,441	3.9300%	5,973
XSMARTCR, Fuji	04/08/05	87,165	68,433	(16,803)	51,630	4.2100%	3,231
Ultra View Patient Monitors	06/28/05	732,858	497,875	(244,166)	253,709	3.9300%	5,308
Oncology Equipment PO#72	06/30/05	2,502,985	2,038,297	(481,990)	1,556,307	3.6600%	89,375
Phillips CT PO#95	07/07/05	1,545,912	1,283,224	(296,785)	986,439	3.6600%	58,208
Philips Neuro Angiogrphay System	08/11/05	1,706,890	1,446,103	(324,915)	1,121,188	4.1000%	76,269
Anesthesia Machines	08/11/05	1,258,086	924,079	(416,254)	507,825	4.1300%	13,206
Allura XPER FD20	11/04/05	1,857,621	1,660,555	(349,328)	1,311,227	4.2300%	99,339
Energy Management	10/01/00	1,509,029	1,164,690	(64,162)	1,100,528	6.5023%	526,827
Radiographic System Kodak	09/27/02	385,782	102,530	(81,675)	20,855	3.3870%	118

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division

SCHEDULE OF NOTES PAYABLE
June 30, 2007
(Continued)

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/2006	(Redeemed) Issued	Principal Outstanding 6/30/2007 *	Interest Rates	Interest Outstanding 6/30/2007
Telemetry System for UMC	03/24/03	138,566	50,882	(28,742)	22,140	3.0562%	283
Surgical Table	03/24/03	30,088	11,049	(6,241)	4,808	3.0562%	61
GE Logiq 9 Ultrasound	03/17/05	183,450	140,904	(35,571)	105,333	3.9300%	5,967
GE Prodigy Advance Plus Bone Density	03/17/05	82,000	62,983	(15,900)	47,083	3.9300%	2,667
Vertical stand LCD	06/06/05	107,730	87,746	(20,736)	67,010	3.7000%	3,891
Alaris Vital Check	06/30/05	101,830	69,166	(33,927)	35,239	3.8000%	730
Digital R&F, GE	07/25/05	320,614	266,386	(61,395)	204,991	3.8800%	12,837
Image Checker, DM	08/05/05	179,060	151,643	(34,127)	117,516	4.0000%	7,795
Voice Recognition System	10/17/05	129,123	113,377	(24,429)	88,948	4.0500%	6,289
GE Lightspeed VCT CT Unit	11/10/05	1,659,472	1,483,628	(311,833)	1,171,795	4.2800%	89,849
Revolution Digital Radiography Sys (2)	12/02/05	798,162	725,612	(149,710)	575,902	4.1700%	44,046
IBM Think Center & LCD's	01/23/06	133,650	116,107	(43,414)	72,693	4.3300%	2,651
GE Millennium Gamma Camera	01/30/06	173,877	160,707	(32,539)	128,168	4.1000%	9,864
Aestiva Anesthesia Machines	02/10/06	303,628	176,132	(61,212)	114,920	4.2600%	4,587
GE Mobile C-Arm	03/10/06	264,180	252,312	(48,806)	203,506	4.4300%	17,746
Spacelabs Patient Monitors	04/20/06	1,198,657	1,163,012	(219,746)	943,266	4.6400%	88,191
Ultraview Monitors	06/20/06	259,262	259,262	(47,164)	212,098	4.6400%	20,700
Hill-Rom Care Assist Beds	06/23/06	153,361	153,361	(27,858)	125,503	4.7100%	12,439
Spacelabs Monitors	06/23/06	139,979	139,979	(25,427)	114,552	4.7100%	11,353
Medtronic LandmarX Evolution Plus Image Guide	07/19/06	140,399	140,399	(23,273)	117,126	4.8300%	12,164
GE Vivid 7 Ultrasound	08/09/06	100,063	100,063	(15,101)	84,962	4.6700%	8,699
GE Vivid 7 Ultrasound Cardiovascular Scan	08/09/06	116,758	116,758	(17,620)	99,138	4.6700%	10,150
GE Vivid 7 Ultrasound Cardiovascular Scan	08/09/06	194,933	194,933	(29,418)	165,515	4.6700%	16,946
Alaric Signature Ed TV System	10/20/06	117,000	-	102,624	102,624	3.7132%	8,636
Olympus Video Scope	11/09/06	101,184	-	90,288	90,288	3.5732%	7,446
Medtronic Lifepak 12's and 20's	07/12/07	121,835	-	121,835	121,835	3.9432%	12,604
Steris Equipment	07/12/07	184,434	-	184,434	184,434	3.9732%	19,230
Kid Med Building	08/13/07	211,867	-	211,867	211,867	3.5732%	19,804
GE Logic 9 Ultrasound	11/01/07	128,500	-	128,500	128,500	3.5732%	12,011
Ultrasound, GE VIVID	03/03/05	126,280	96,839	(24,540)	72,299	3.8100%	3,810
Olympus Flexible & Rigid Scopes	07/18/05	347,447	288,532	(66,626)	221,906	3.6600%	13,459
Spacelabs	08/18/05	460,847	338,579	(152,460)	186,119	3.7600%	4,911
Philips R&F room #2	12/08/05	354,673	322,472	(66,473)	255,999	4.1900%	19,820
Philips R&F room #1	12/08/05	354,673	322,472	(66,473)	255,999	4.2200%	19,820
IT Infrastructure	09/15/02	709,761	188,634	(150,266)	38,368	3.3870%	217
IT Infrastructure	12/15/02	48,100	15,275	(10,098)	5,177	3.3428%	51
Spacelabs	01/25/05	157,825	85,379	(53,367)	32,012	3.5400%	379
GE Precision R & F Suite	06/03/05	410,116	278,590	(136,639)	141,951	3.8200%	2,954
GE Proteus Rad System	06/28/05	109,490	74,383	(36,479)	37,904	3.8400%	793
GE Plus Digital Mobile C-Arm	01/23/06	155,277	143,530	(29,034)	114,496	4.1500%	8,922
Tyco Puritan Bennett 840 Ventilator	02/10/06	93,027	87,422	(17,301)	70,121	4.2600%	5,743
Canon Copiers	03/17/06	129,659	123,834	(23,954)	99,880	4.4300%	8,710
Spacelabs	03/17/06	285,369	272,549	(52,721)	219,828	4.4300%	19,169
GE Logiq 9 Ultrasound	04/07/06	178,204	172,887	(32,751)	140,136	4.5100%	12,725
Stryker Endoscopic Video Sys	05/04/06	118,149	116,396	(21,576)	94,820	4.6400%	9,059
Spacelabs	06/30/06	106,425	106,425	(19,276)	87,149	4.8500%	8,902
GE Vivid Pro BT06	02/23/07	98,618	-	88,194	88,194	3.7131%	4575
Olympus Endoscope Video System	03/30/07	201,762	-	192,478	192,478	3.4532%	16493
TOTAL		48,713,502	29,861,828	(9,395,102)	20,466,726		2,172,642

*Note: Principal outstanding at 6/30/07 should agree to Notes Payable on the Statement of Net Assets.

STATE OF LOUISIANA
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SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2007

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 4,615,000	742,900	\$ 5,357,900
2009	4,790,000	554,800	5,344,800
2010	4,990,000	346,725	5,336,725
2011	5,210,000	117,225	5,327,225
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
Total	\$ 19,605,000	\$ 1,761,650	\$ 21,366,650

List the terms by which interest rates change for variable-rate debt: _____

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division
(Component Unit)

SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2007

NOT APPLICABLE

<u>Fiscal Year</u> <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ _____	\$ _____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
2030	_____	_____
2031	_____	_____
2032	_____	_____
2033	_____	_____
2034	_____	_____
2035	_____	_____
2036	_____	_____
2037	_____	_____
Total	\$ <u> -</u>	\$ <u> -</u>

List the terms by which interest rates change for variable-rate debt: _____

Note: Include a separate amortization schedule for each bond issuance for the new component units included in the university's financial statements.

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division

SCHEDULE OF NOTES PAYABLE AMORTIZATION

For The Year Ended June 30, 2007

Fiscal Year Ending:	Principal	Interest	Total
2008	7,071,872	\$ 733,103	\$ 7,804,975
2009	4,849,683	498,605	5,348,288
2010	4,566,926	304,271	4,871,197
2011	2,105,825	148,840	2,254,665
2012	386,330	100,236	486,566
2013-2017	906,153	328,549	1,234,702
2018-2022	579,937	59,038	638,975
2023-2027		-	-
2028-2032		-	-
2033-2037		-	-
Total	\$ 20,466,726	\$ 2,172,642	\$ 22,639,368

List the terms by which interest rates change for variable-rate debt: _____

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division
(Component Unit)

SCHEDULE OF NOTES PAYABLE AMORTIZATION

For The Year Ended June 30, 2007

NOT APPLICABLE

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ _____	\$ _____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013-2017	_____	_____
2018-2022	_____	_____
2023-2027	_____	_____
2028-2032	_____	_____
2033-2037	_____	_____
Total	\$ _____ -	\$ _____ -

List the terms by which interest rates change for variable-rate debt: _____

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division

SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 2007

NOT APPLICABLE

Fiscal Year	Beginning				
<u>Ending:</u>	<u>Balance</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2008	\$ _____	\$ _____	\$ _____	\$ _____	\$ -
2009	_____	_____	_____	_____	-
2010	_____	_____	_____	_____	-
2011	_____	_____	_____	_____	-
2012	_____	_____	_____	_____	-
2013-2017	_____	_____	_____	_____	-
2018-2022	_____	_____	_____	_____	-
2023-2027	_____	_____	_____	_____	-
2028-2032	_____	_____	_____	_____	-
2033-2037	_____	_____	_____	_____	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -

List the terms by which interest rates change for variable-rate debt: _____

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division
(Component Unit)

SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 2007

NOT APPLICABLE

Fiscal Year Ending:	Beginning Balance	Payment	Interest	Principal	Balance
2008	\$ _____	\$ _____	\$ _____	\$ _____	\$ -
2009	_____	_____	_____	_____	-
2010	_____	_____	_____	_____	-
2011	_____	_____	_____	_____	-
2012	_____	_____	_____	_____	-
2013-2017	_____	_____	_____	_____	-
2018-2022	_____	_____	_____	_____	-
2023-2027	_____	_____	_____	_____	-
2028-2032	_____	_____	_____	_____	-
2033-2037	_____	_____	_____	_____	-
Total	\$ <u> - </u>	\$ <u> - </u>	\$ <u> - </u>	\$ <u> - </u>	\$ <u> - </u>

List the terms by which interest rates change for variable-rate debt: _____

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
For The Year Ended June 30, 2007

NOT APPLICABLE

Fiscal Year Ending:	Principal	Interest
2008	\$ _____	\$ _____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
2030	_____	_____
2031	_____	_____
2032	_____	_____
2033	_____	_____
2034	_____	_____
2035	_____	_____
2036	_____	_____
2037	_____	_____
Total	\$ <u> -</u>	\$ <u> -</u>

List the terms by which interest rates change for variable-rate debt: _____

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division
(Component Unit)

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
For The Year Ended June 30, 2007

NOT APPLICABLE

Fiscal Year Ending:	Principal	Interest
2008	\$ _____	\$ _____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
2030	_____	_____
2031	_____	_____
2032	_____	_____
2033	_____	_____
2034	_____	_____
2035	_____	_____
2036	_____	_____
2037	_____	_____
Total	\$ _____ -	\$ _____ -

List the terms by which interest rates change for variable-rate debt: _____

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division

SCHEDULE OF PER DIEM PAID
For The Year Ended June 30, 2007

NOT APPLICABLE

Name	Amount
_____	\$ _____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
Total	\$ _____

Prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division

SCHEDULE OF EXPENSES BY UNIVERSITY
For The Year Ended June 30, 2007

Include expenses by each individual university in your system or expenses by agency number. Also, include the expenses of the foundations. The "Total Expenses" should agree to the "Combined Total" expenses shown in the Statement of Activities.

<u>Name of individual university and agency no.:</u>	<u>University Amount</u>	<u>*Foundation Amount</u>	<u>Eliminations</u>	<u>Total Expenses</u>
1) LSU Health Sciences Center - HCSD	747,288,245			747,288,245
2)				-
3)				-
4)				-
5)				-
6)				-
7)				-
8)				-
9)				-
10)				-
Total	\$ <u>747,288,245</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>747,288,245</u>

* Should only include foundations that are included in this AFR packet

SCHEDULE 4

DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Additional information for Note C)
 (GASB Statement 3 Amended by GASB Statement 40 and Technical Bulletin 2003-1)

I. Purpose:

Note C provides the required disclosures about the governmental entities' deposits with financial institutions and investments. The disclosures required for deposits and investments as of the fiscal year ended date provides information about the credit risk and market risk of the deposits and investments and are designed to provide users of the financial statements information about the potential for losses associated with the deposits and investments. GASB Statement 40 has modified or eliminated portions of GASB Statement 3 including:

- modified the custodial credit risk disclosures of Statement 3 for deposits and investments to limit the required disclosure to only those exposed to custodial credit risk (similar to GASB 3's category 3).
- established or modified disclosure requirements related to concentrations of credit risk of investments, credit risk of debt investments, and interest rate risks of debt investments (including sensitivity to changes in interest rates), and
- established disclosure requirements for foreign currency risks for both deposits and investments.

Although GASB Statement 40 eliminated some of the disclosures required for custodial credit risk (the 3 categories for example), the total reported amounts of all deposits and investments must still be reported.

II. Comparison of amounts disclosed per requirements in Note C to amounts shown on the Statement of Net Assets (SNA):

- Generally, the amounts of cash and investments on the SNA will not be classified exactly the way they would be classified in Note C.
- "Deposits with Financial Institutions" and "Investments" in Note C may be reported on the SNA using titles or line items that are different than those in Note C, or they may be combinations of titles or line items. For instance, "Deposits" in Note C may come from several line items on the SNA such as "Cash in Bank" and "CD's", or even "Investments" (See section III below that gives further guidance on what should be considered "Deposits" in note C).
- Line items on the SNA may include amounts that would be deposits in Note C, and may also include amounts that would be investments in Note C. Also, cash and cash equivalents line items on the SNA may include amounts that are not deposited in bank accounts of the entity and therefore would not be reported in Note C as deposits, but as separate line items such as petty cash, cash on hand, and treasury cash. These amounts must be reported separately from the deposits in Note C.
- Each line item on the SNA that involves cash or investments, including any restricted cash and/or investments, needs to be analyzed to determine what is included in the item and how it should be disclosed in Note C.

III. "Deposits with Financial Institutions" section of Note C:

- Generally, this section of the Note C disclosure refers to the various examples of "Deposits with Financial Institutions" (See "A" below for examples). The term "cash and cash equivalents" is used in reference to GASB Statement 9 that affects presentation for the SNA and statement of cash flows, not the note disclosures required by GASB Statement 3 and 40. "Deposits with Financial Institutions" include deposit accounts in banks, savings and loan associations, and credit unions. They can be demand, savings, or time accounts, including negotiable order of withdrawal (NOW) accounts and non-negotiable CD's. As stated previously, deposits for Note C may be a combination of SNA line items or titles.
- Do not include treasury cash, petty cash not in a bank account, or cash on hand in Note C as part of the deposits in bank accounts. As mentioned previously, these amounts would be reported separately.

A. Examples and/or definitions:

Nonnegotiable Certificates of Deposit – Nonnegotiable CDs are time deposits that are placed by depositors directly with financial institutions and generally are subject to a penalty if redeemed before maturity. These are treated as deposits for GASB 3 Note C disclosures. (Negotiable CDs are securities that are normally sold in \$1 million units that are traded in a secondary market. These are treated as investments for Note C disclosures.)

Money Market Accounts – Financial institution "money market" accounts are simply deposits that pay interest at a rate set to make the accounts competitive with money market mutual funds. They should be treated like any other deposit account for Note C disclosures.

Bank Investment Contracts (BICs) – A BIC is a general obligation instrument issued by a bank, typically to a pension plan, that provides for a guaranteed return on principal over a specified period. Since these are issued by a bank, they are treated as deposits for Note C disclosures.

B. Other definitions as applied to deposits:

Insured (Insurance) – Deposits are insured by federal deposit insurance (FDIC), state deposit insurance, multiple financial institution collateral pools that insure public deposits, and even commercial insurance (if scope of coverage would be substantially the same as FDIC).

Collateral – Security pledged by a financial institution to a government entity for its deposits.

IV. “Investments” section of Note C:

- Types of investments for listing investments by type definitions/examples:
 1. Repurchase Agreements – An agreement in which a governmental entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for a) the same securities, or for b) different securities.
 2. U.S. Government Obligations – Examples include treasury bills, treasury notes and treasury strips; obligations of certain U.S. Government Agencies such as FNMA, FHLB, or SLMA.
 3. Common & Preferred Stock – A security that represents an ownership interest in an entity.
 4. Commercial Paper (mortgages, notes, etc.) – An unsecured promissory note issued primarily by corporations for a specific amount and maturing on a specific day. Almost all commercial paper is rated as to credit risk by rating services.
 5. Corporate Bonds
 6. Other (identify) – It is not appropriate to present material amounts of investments as “Other”, unless the note disclosure describes the composition of the “Other” category. The following are examples of other investments:
 - a. Closed-end Mutual Fund – The investment company sells shares of its stock to investors and it invests on the shareholders’ behalf in a diversified portfolio of securities. A closed-end mutual fund has a constant number of shares, the value depends on the market supply and demand for the shares rather than directly on the value of the portfolio, the fund does issue certificates, and the securities are traded on a stock exchange.
 - b. Open-end Mutual Funds – The investment company sells shares of its stock to investors and it invests on the shareholders’ behalf in a diversified portfolio of securities. In contrast to a closed-end mutual fund, the open-end mutual fund creates new shares to meet investor demand, the value depends directly on the value of the portfolio, and the fund does not issue certificates but sends out periodic statements showing account activity. These investments are not evidenced by securities that exist in physical or book entry form.
 - c. Reverse Repurchase Agreements - An agreement in which a broker-dealer or financial institution (buyer-lender) transfers cash to a governmental entity (seller-borrower); the entity transfers securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for a) the same securities, or for b) different securities.
 - d. Investments in pools managed by another government - Generally, these investments would not be exposed to custodial credit risk because the investments themselves are not evidenced by securities that exist in physical or book entry form.
 - e. Private placements, such as venture capital and limited partnerships
 - f. Investments in real estate, annuity contracts, and direct investments in mortgages

V. Risk Disclosures for Deposits and Investments:

- Deposits and investments are subject to several types of risks, mainly credit risk, market risk, interest rate risk, and foreign currency risk.

Credit risk - defined as the risk that a counterparty to an investment transaction will not fulfill its obligations and can be associated with the issuer of securities, with a financial institution holding deposits, or with a party holding investment or collateral securities.

Concentration of credit risk – defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer.

Market risk – defined as the risk that the market value of investment securities, collateral securities protecting a deposit, or securities of a repurchase agreement will decline.

Interest rate risk – defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

Foreign currency risk – defined as the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

A. Custodial Credit Risk Disclosures for Deposits:

Following GASB Statement 3, deposits were classified into three categories of custodial credit risk depending on whether they were insured or collateralized, and who holds the collateral and how the collateral is held.

Collateral – Securities pledged by the financial institution for the purpose of securing the governmental entity’s deposits.

Collateralized – When the entity’s deposits are secured with securities pledged by the financial institution holding the deposits.

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all deposits by the three

categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

B. Custodial Credit Risk Disclosures for Investments:

Following GASB Statement 3, investments (listed by type) were either classified into three categories (depending on whether they are insured or registered and who holds the securities and how they are held), or listed as non-classified investments.

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all investments by the three categories of risk. GASB Statement 40 requires only the separate disclosure of investments that are considered to be exposed to custodial credit risk. However, the total reported amount and fair value columns still must be reported for total investments regardless of exposure to custodial credit risk. Those investments exposed to custodial credit risk are reported by type in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name.

C. Additional Risk Disclosures for Required by GASB Statement 40:

Credit Risk - Disclose the credit risk of debt investments by credit quality ratings as described by rating agencies as of the fiscal year end including the rating agency used. All debt investments regardless of type can be aggregated by credit quality rating (if any are un-rated, disclose that amount). Examples of un-rated debt investments include U.S. Treasury Notes, external investment pools, or investments held by foundations. The preparer may need to contact their investment advisor for complete information relating to debt investments and their credit quality ratings.

Debt securities issued by a federal government-sponsored enterprise (GSE) and held by a state or local government as an investment are subject to credit risk. GSEs are independent organizations sponsored by the federal government. Examples include the Federal Farm Credit Banks, the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae) and Student Loan Marketing Association (Sallie Mae). The liabilities of the GSE are **not** backed by the full faith and credit of the federal government.

Interest Rate Risk - Disclose the interest rate risk of debt investments by listing the investment type, total fair value, and breakdown of maturity in years of those investments. The preparer may need to contact their investment advisor for complete information relating to the related maturities of these investments.

Highly Sensitive Investments Disclose the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms of the investment (e.g. coupon multipliers, reset dates, etc.): . Examples of debt investments that are highly sensitive to changes in interest rates include asset-backed securities such as mortgage pass-through securities issued by Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corporation (FHLMC).

Concentration of Credit Risk - List, by amount and issuer (not including U.S. government securities, mutual funds, and investment pools), investments in any one issuer that represents 5% or more of total investments.

Foreign Currency Risk - Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies). List these by currency denomination and investment type, if applicable.

Deposits and Investments Policies Relating to Risk - Briefly describe the deposit and/or investment policies related to the custodial credit risk, credit risk of debt investments, concentration of credit risk, interest rate risk, and foreign currency risk disclosed in this note. If no policy exists concerning the risks disclosed, that fact should be stated.

VI. Securities as Applied to Credit Risk of Deposits and Investments:

Securities defined – a transferable financial instrument that evidences ownership or creditorship. Securities can be in either paper or book-entry form.

1. Examples of securities that are often held by or pledged to (as collateral) governmental entities include:

- a. treasury bills, treasury notes, treasury bonds
- b. federal agency obligations
- c. corporate debt instruments (including commercial paper)
- d. corporate equity instruments
- e. negotiable CD's (keyword here is negotiable)
- f. bankers' acceptances

- g. shares of closed-end mutual funds (keyword here is closed-end)
 - h. shares of unit investment trusts
2. Instruments or investments that are not securities include:
- a. investments made directly with another party (such as limited partnerships)
 - b. real estate
 - c. direct investments in mortgages and other loans
 - d. investments in open-ended mutual funds (keyword here is open-ended)
 - e. pools managed by other governments
 - f. annuity contracts

Technical Bulletin 2003-1 -- Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets (Below is an excerpt from this technical bulletin)

2. What is a derivative?

- 3. A derivative instrument is a financial instrument or other contract with all three of the following characteristics:**
- a. It has (1) one or more underlyings and (2) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and, in some cases, whether or not a settlement is required.
 - b. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
 - c. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Notwithstanding the above characteristics, loan commitments that relate to the origination of mortgage loans that will be held for sale, as discussed in paragraph 21 of FASB Statement No. 65, Accounting for Mortgage Banking Activities (as amended), shall be accounted for as derivative instruments by the issuer of the loan commitment (that is, the potential lender). Paragraph 10(i) provides a scope exception for the accounting for loan commitments by issuers of certain commitments to originate loans and all holders of commitments to originate loans (that is, the potential borrowers).

4. What financial statement note disclosures should be presented for derivatives that are not reported at fair value on the statement of net assets? 1

5. Governments that, as of the date of the financial statements, are party to a derivative that was not reported at fair value on the statement of net assets should disclose the information described in paragraphs 6 through 10. Disclosure information for similar derivative types may be aggregated.

6. Objective of the derivative—The government should disclose its objective for entering into the derivative, the context needed to understand that objective, and its strategies for achieving the objective, indicating the types of derivatives used including options purchased or sold.

7. Significant terms—The government should disclose the significant terms of the transaction, including:

- a. Notional, face, or contract amount
- b. Underlying indexes or interest rates, including terms such as caps, floors, or collars
- c. Options embedded in the derivatives
- d. The date when the derivative became effective and when it is scheduled to terminate or mature
- e. The amount of cash paid or received when the derivative was initiated.

8. Fair value—The government should disclose the fair value of the derivative at the reporting date and, if that fair value is based on other than quoted market prices, the method and significant assumptions 2 used to estimate the fair value of the derivative. Acceptable methods are discussed in Question 3.

9. Associated debt—Some derivatives may be entered into with the intention of effectively making a government's debt obligation carry a synthetic interest rate. For example, a government may issue variable-rate debt and issue a pay-fixed, receive-variable interest rate swap with the objective of achieving a synthetic fixed rate for the combined instruments. If this is the case, the derivative's net cash flow should be disclosed in addition to the debt service requirements of the associated debt. Debt service requirements to maturity are required disclosures established by Statement 38, paragraphs 10 and 11.

10. Risks—The government should disclose, when applicable, its exposure to the following risks that could give rise to financial loss. Risk disclosures are limited to derivatives that are extant as of the date of the statement of net assets. Disclosures required by this paragraph may contain information that is also required by other paragraphs. However, these disclosures should be presented in the context of a derivative's risk.

- a. Credit risk is the risk that a counterparty will not fulfill its obligations. If a derivative exposes a government to credit risk, the government should disclose that exposure as credit risk and also disclose the following information:
 - (1) The credit quality ratings of counterparties as described by nationally recognized statistical rating organizations—rating agencies—as of the date of the statement of net assets. If a credit risk disclosure is required and the counterparty is not rated, the disclosure should indicate that fact.
 - (2) The maximum amount of loss due to credit risk, based on the fair value of the derivative as of the date of the statement of net assets, that the government would incur if the parties to the derivative failed to perform according to the terms of the contract, without respect to any collateral or other security.
 - (3) A brief description of the collateral or other security that supports derivatives subject to credit risk and information about the government's access to that collateral or other security.
 - (4) Information about any master netting arrangements to mitigate credit risk. The disclosure should include a brief description of the terms of those arrangements.
 - (5) The extent of diversification among counterparties.
- b. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of a government's financial instruments or a government's cash flows. If a derivative increases a government's exposure to interest rate risk, the government should disclose that increased exposure as interest rate risk and also the derivative's terms that increase such a risk. The determination of whether a derivative increases interest rate risk should be made after considering, for example, the effects of the derivative and any associated debt.
- c. Basis risk is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instrument are based on different indexes. When relationships between different indexes vary and that variance adversely affects the government's calculated payments, cost savings or synthetic interest rates may not be realized. If a derivative exposes a government to basis risk, the government should disclose that exposure as basis risk and should also disclose the derivative's payment terms and any payment terms of the government's associated debt.
- d. Termination risk is the risk that a derivative's unscheduled end will affect a government's asset/liability strategy or will present the government with potentially significant unscheduled termination payments to the counterparty. For example, a government may be relying on an interest rate swap to insulate it from the possibility of increasing interest rate payments. If the swap has an unscheduled termination, that benefit would not be available. If a derivative exposes a government to termination risk, the government should disclose that exposure as termination risk and also the following information, as applicable:
 - (1) Any termination events that have occurred.
 - (2) Dates that a derivative may be terminated.
 - (3) Out-of-the-ordinary termination events contained in contractual documents, such as "additional termination events" contained in the Schedule to the International Swap Dealers Association Master Agreement.
- e. Rollover risk is the risk that a derivative associated with a government's debt does not extend to the maturity of that debt. When the derivative terminates, the associated debt will no longer have the benefit of the derivative. An example is an interest rate swap that pays the government a variable-rate payment that is designed to match the term of the variable-rate interest payments on the government's bonds. If the derivative's term is ten years and the associated debt's term is thirty years, after ten years the government will lose the benefit of the swap payments. If a derivative exposes a government to rollover risk, the government should disclose that exposure as rollover risk and should also disclose the maturity of the derivative and the maturity of the associated debt.
- f. Market-access risk is the risk that a government will not be able to enter credit markets or that credit

will become more costly. For example, to complete a derivative's objective, an issuance of refunding bonds may be planned in the future. If at that time the government is unable to enter credit markets, expected cost savings may not be realized. If the derivative creates market-access risk, the government should disclose that exposure as market-access risk.

11. What methods are acceptable for determining a derivative's fair value?

12. GASB Statement 25, paragraph 24, provides:

Fair value should be measured by the market price if there is an active market for the investment. If a market price is not available, a forecast of expected cash flows may aid in estimating fair value, provided that the expected cash flows are discounted at a rate commensurate with the risk involved.

Within the context of discounted cash flows, formula-based methods such as zero-coupon and par-value methods are acceptable. The zero-coupon method calculates the future net settlement payments required—for example, by an interest rate swap—assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. The par-value method compares, for example, the fixed rate on an interest rate swap with the current fixed rates that could be achieved in the marketplace should the swap be unwound. An option contained in a derivative may also be priced using an option pricing model, such as the Black–Scholes model, that considers probabilities, volatilities, time, underlying prices, and other variables.

NET ASSETS RESTRICTED BY ENABLING LEGISLATION (Additional Information for Note EE)

Summary of GASB Statement No. 46 - *Net Assets Restricted by Enabling Legislation*

Introduction

The purpose of GASB Statement 46 is to clarify GASB Statement 34's definition of enabling legislation and legal enforceability and give more guidance on how it should be reported in net assets. The goal is to reduce the difficulty of interpreting the requirement in GASB 34 that the restrictions of net assets be "legally enforceable". This statement specifies the reporting requirements if new enabling legislation replaces existing enabling legislation, or if the legal enforceability evaluation changes. Further, the statement requires that governments disclose the portion of total net assets that is restricted by enabling legislation in the notes to the financial statements.

Enabling Legislation

Enabling legislation authorizes a government to assess, levy, charge, or otherwise mandate payment of resources from external providers. In addition, it includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Legal Enforceability

Per Statement 46, legal enforceability means that a party external to the government (citizens, public interest groups, judiciary) can compel the government to use the resources created by enabling legislation only for the purposes specified by the legislation. What is considered legally enforceable is a matter of professional judgment. Since enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur, the determination should be based on the facts and circumstances surrounding each individual restriction. A "blanket" or general determination regarding the legal enforceability of enabling legislation should not be used.

New Enabling Legislation Replacing Original Enabling Legislation

If new enabling legislation replaces original enabling legislation by establishing new legally enforceable restrictions on the resources raised by the original legislation, then the resources accumulated from that period forward should be reported as restricted for that purpose. However, existing resources accumulated under the original enabling legislation could be restricted for the original purpose, restricted for the purpose specified in the new legislation, or unrestricted. This determination would be a matter of professional judgment.

Reevaluation of Legal Enforceability

If resources are used for a purpose other than the purpose stipulated in the enabling legislation, or some other factor causes a reconsideration, then the legal enforceability of those restricted resources should be reevaluated to determine if they should continue to be reported as restricted. If the reevaluation results in a determination that the restriction is no longer enforceable, then report the resources as unrestricted from the beginning of that period forward. If it is determined that the restrictions are still legally enforceable, then continue to report those resources as restricted net assets.

Note Disclosure Required

Governments should disclose the portion of total net assets that is restricted by enabling legislation at the end of the reporting period in the notes to the financial statements.

Effective Date and Transition

The requirements are effective for fiscal year ended June 30, 2006. The accounting changes adopted in applying this statement should be applied retroactively by reclassifying net asset information in the financial statements for all prior periods presented. In the first period the statement is applied, disclosure should be made of the nature of any reclassification and its effect. Also, an explanation of the reason for not reclassifying net assets for prior periods should be explained.

IMPAIRMENT OF CAPITAL ASSETS (Additional Information for Note FF)

GASB 42 establishes accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. GASB 42, paragraph 9 outlines five (5) common “indicators of impairment.” They are:

- 1) Evidence of physical damage, such as for a building damaged by fire or flood, when the level of damage is such that restoration efforts are needed to restore service utility.
- 2) Enactment or approval of laws or regulations or other changes in environmental factors, such as new earthquake standards that a facility does not meet, and cannot be modified to meet.
- 3) Technological development or evidence of obsolescence, such as that related to a major piece of diagnostic or research equipment.
- 4) A change in the manner or expected duration of use of a capital asset, such as closure of a building prior to the end of its useful life.
- 5) Construction stoppage, such as stoppage of construction as a result of a lack of funding.

Damaged assets can be separated into the following categories:

1. assets that will not be returned to service
2. assets temporarily out of service due to needed repairs, restoration, or recertification
3. assets remaining in service but needing repair
4. assets damaged that will continue to be used that will not be repaired

Category 1 assets that are destroyed or so badly damaged that it is not cost effective to restore them are considered to be 100% impaired, and the impairment loss will be equal to the carrying value of the asset at the beginning of the year of the impairment event. The impairment loss for category 1 assets that are not completely destroyed will no longer be used and will not be restored will equal the difference between the carrying value at the beginning of the year of the impairment event and the fair value after the impairment event. If the assets are going to be restored (category 2 and 3), then they need to be evaluated for impairment per GASB 42.

For assets impaired by physical damage, the restoration cost approach should be used to calculate the impairment loss. Under this approach, the amount of the impairment loss is derived from the estimated costs to restore the utility of the capital asset. According to the standard, an asset is not considered impaired unless its decline in service utility is significant; therefore, OSRAP has established impairment thresholds for assets impaired by physical damage. In order for an asset to be considered impaired by physical damage, the restoration cost (estimated restoration cost if the asset is not fully restored) of the impaired asset must be equal to or greater than the following:

Infrastructure	\$3 million per agency, per year, or entity capitalization threshold if less than \$3 million per year
Building	Greater of \$100,000 or 20% of the capitalized cost of the building
Movable Property	Greater of \$20,000 or 20% of the capitalized cost of the asset

Infrastructure – The capitalization threshold of \$3 million, per year, or entity capitalization threshold if less than \$3 million per year should be used for infrastructure impaired by physical damage as the test of whether the magnitude in the decline in service utility is significant. Infrastructure will only be considered impaired if the total estimated restoration costs are equal to or greater than the capitalization threshold for infrastructure, or \$3 million per agency, per year.

Buildings – For buildings impaired by physical damage, the restoration cost threshold is equal to the greater of the capitalization threshold, \$100,000, or 20% of the capitalized cost of the building. If the cost to restore the building is lower than the capitalization threshold or 20 percent of the capitalized cost of the impaired building (whichever is higher), we will not consider the “magnitude in the decline in service utility is significant” component of the impairment test to be met. If, however, the building’s restoration costs are equal to or greater than the capitalization threshold or equal to or greater than 20 percent of the capitalized costs of the impaired building (whichever is higher), and the building’s decline in service utility is “unexpected”, we will conclude that the asset has met the impairment test criteria, and is impaired. Note: According to the provisions of GASB 42, an asset is impaired when there is a “significant” and “unexpected” decline in the service utility of a capital asset.

Movable property – For movable property impaired by physical damage, the restoration cost threshold is equal to \$20,000, or 20 percent of the capitalized cost of the movable property. If the cost to restore the property is lower than \$20,000 or 20% of the capitalized cost of the impaired property (whichever is higher), we will not consider the “magnitude in the decline in service utility is significant” component of the impairment test to be met. If the cost to restore the movable property is equal to or greater than the impairment threshold, \$20,000, or 20 percent of the capitalized cost of the impaired movable property (whichever is greater), and the movable property’s decline in service utility is unexpected, we will conclude that the asset has met the impairment test criteria, and is impaired according to the provisions of GASB 42.

Category 4 assets do not meet the impairment threshold test because the magnitude in the decline in service utility component of the impairment test would not be met, and no impairment loss will be calculated for these assets.

For assets impaired by enactment or approval of laws or regulations or other changes in environmental factors, technological development or evidence of obsolescence, or a change in the manner or expected duration of use, use the examples provided in GASB 42 for guidance in calculating the impairment loss. The thresholds developed by OSRAP for estimated restoration cost discussed above do not apply to these assets. Report capital assets impaired by construction stoppage at the lower of carrying value or fair value.

An insurance recovery associated with events or changes in circumstances resulting in impairment of a capital asset should be netted with the impairment loss when the recovery and the loss occur in the same year. Restoration or replacement of the capital asset using the insurance recovery should be reported as a separate transaction. Insurance recoveries should be disclosed if not apparent from the face of the financial statements.

GASB 42 requires that the carrying amount of impaired capital assets that are idle at year end be disclosed in the notes, regardless of whether the impairment is permanent or temporary. However, an impairment loss does not have to be calculated for a temporarily impaired asset. If management has to take action to reverse an impairment, such as restoration of a capital asset with physical damage, then the impairment should be considered permanent. In certain circumstances, temporary impairments could be associated with enactment or approval of laws or regulations or other changes in environmental factors, changes in technology or obsolescence, changes in manner or duration of use, or construction stoppage.

COOPERATIVE ENDEAVORS (Schedule 16 Instructions)

LRS 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The state of Louisiana has entered into cooperative endeavor agreements with certain entities aimed at developing the economy of the state.

The net liability for fiscal year ending June 30, 2007, is reported according to funding source, as follows:

- State General Fund
- Self-generated revenue
- Statutorily dedicated revenue
- General obligation bonds
- Federal funds
- Interagency transfers
- Other funds/combination

NOTE: Amounts in excess of contract limits cannot be used to reduce the outstanding contract balance at June 30, 2007. For example, if a contract specifies a percentage of usage for each month (25%) and usage exceeds that percentage (75%), you cannot claim actual usage that exceeds contract requirements (50%).

NOTE: In order to compute the ending balances by funding source, you should begin with your balances at June 30, 2006. These amounts will be increased by amounts for new contracts and amendments and decreased for payments as well as for liquidations.

INSTRUCTIONS:

- Use Schedule 16 to report your agency's cooperative endeavor(s) and submit an electronic version via e-mail to katherine.porche@la.gov
- Submit a hard copy of the report with your agency's AFR
- Do not include encumbrances reported in Note _____
- Report only the cooperative endeavor(s) that you are obligated to pay
- **DO NOT REPORT** – if your agency is the recipient of the cooperative endeavor(s)
- The seven (7) funding source column amounts **must equal** "Net Liability at June 30" column
- The "Paid-Inception to Date" plus "Net Liability" columns **must equal** "Original Amount of Coop" Column

TYPE OF APPROPRIATIONS:

- Multi-year appropriation – a contract with an annual obligation of a fixed amount over a number of years
- One-time appropriation – a contract that has a one time obligation but any remaining amount can and does roll over into the next year or thereafter
- Other appropriation – a contract with an obligation that does not fall under multi-year or one-time appropriation.
- Attach a brief description of the obligation.

REQUIREMENTS:

1. No cooperative endeavor(s) to report – record "None" on Schedule 16
2. Have cooperative endeavor(s) to report:
 - **must** send an electronic file of Schedule 16 to katherine.porche@la.gov
 - **must** attach a copy of Schedule 16 with the AFR

AGENCIES - using CFMS:

Most cooperative endeavor contracts are coded with a document type of "COP" in the Contract Financial Management Subsystem (CFMS); however, there are some that are considered cooperative endeavors, but are coded with other document types. Examples of document types are:

- Contracts that fall under delegated authority (AGY or IAT)
- Facility Planning and Control contracts (CEA)
- Certain federal government contracts (OTH or GOV)
- Contracts designated as such by legislative auditors (AGY or IAT)
- Work incumbent programs (WIP)