

STATE OF LOUISIANA
LOUISIANA STATE UNIVERSITY SYSTEM
LSUHSC HEALTH CARE SERVICES DIVISION
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

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Accounting (NCGA) continue as generally accepted accounting principles until altered, amended, supplemented, revoked or superseded by subsequent GASB pronouncements.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, LSUHSC 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 LSUHSC Health Care Services Division 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 LSUHSC Health Care Services Division as authorized by Louisiana statutes and administrative regulations.

2. REPORTING ENTITY

LSUHSC Health Care Services Division is a publicly supported institution of health care and teaching system. 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, LSUHSC Health Care Services Division 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 LSUHSC Health Care Services Division have been prepared on the accrual basis of accounting.

4. CASH EQUIVALENT

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

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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 or the weighted average. 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:

(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

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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 are 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 LSUHSC Health Care Services Division and the institution's service units are eliminated for purposes of preparing the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Net Assets.

15. COMPONENT UNITS – Not Applicable

B. BUDGETARY PRACTICES

The annual budget for the General Fund of LSUHSC Health Care Services Division 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,

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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 18 (the budget appropriated by the Legislature)

Final Budget – Act 18 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 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)	\$ 79,945,971	94,765,933	94,765,933	\$	\$	\$ 0
State General Fund by Self-Generated Revenues						0
State General Fund by Interagency Transfers						0
Interim Emergency Board	0	1,431,654	5,985			(1,425,669)
Federal Funds						0
Statutory Dedications						0
Other						0
Total Revenues	79,945,971	96,197,587	94,771,918	0	0	(1,425,669)
EXPENDITURES:						
Program Expenditures	79,945,971	96,197,587	94,771,918			1,425,669
Unallotted Expenditures						0
Total Expenditures	79,945,971	96,197,587	94,771,918	0	0	1,425,669
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/system 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

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credit unions.

For the purpose of the Statement of Cash Flows and balance sheet presentation (see appendix reference), all highly liquid investments (including negotiable CDs and restricted cash and cash equivalents) and deposits (including nonnegotiable CDs and restricted cash and cash equivalents) with a maturity of three months or less when purchased are considered to be cash equivalents.

As reflected on the Statement of Net Assets, LSUHSC Health Care Services Division had deposits in bank accounts totaling \$184,916,178 at June 30, 2008. 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.

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, 2008, consisted of the following:

	Cash	Nonnegotiable Certificates of Deposit	Other (Describe)	Total
Deposits per Statement of Net Assets (SNA)	\$ 164,924,229	\$	\$ 19,902,824	\$ 184,827,053
Deposits in bank accounts per bank	\$ 184,806,133	\$	\$ 19,902,824	\$ 204,708,957
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	\$ 89,125

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

Banking institution	Program	Amount
1. Chase Bank - Operating	Health Care Services Division	\$ 165,060,329
2. Chase Bank - Payroll	Health Care Services Division	11,156,529
3. Capital One	Chabert Resident Apartment Account	5,049
4. Capital One Bank - Depository	Washington-St. Tammany Medical Center	87,426
5. Capital One Bank - Money Market	Medical Center of Louisiana Charity	5,294,731
6. Capital One Bank - Trust Fund	Charity Hospital Medical Center of La. at New Orleans	972,826
7. Chase Bank - Travel & Petty Cash	Health Care Services Division	46,199
8. Hancock Bank - Travel Imprest	Lallie Kemp Medical Center	4,290
9. Capital One - Travel Imprest	Washington-St. Tammany Medical Center	7,940
10. Chase Bank - Travel Imprest	Dr. Walter O.Moss Medical Center	8,861
11. Chase Bank - Travel Imprest	Earl K. Long Medical Center	4,299
12. Chase Bank	Medical Center of La. at New Orleans Trust fund	567,142
13. Chase Bank - Travel Imprest	Medical Center of Louisiana Charity Hospital	17,168
14. Regions Bank - Travel Imprest	Leonard J. Chabert Medical Center	4,105
15. Iberia Bank - Travel Imprest	University Medical Center, Lafayette	10,627
16. BOSCO, Inc - Money Market	Medical Center of Louisiana Charity	526,637
17. Chase Bank	Health Care Services Foundation	338,487
18. Capital One	Bogalusa Community Medical Center	42,758
20. Capital One	Bogalusa Community Medical Center Foundation	1,410
21. Chase-Savings MCL Trust Fund	Medical Center of LA at New Orleans	6,470,686
23. Capital One - BCMC	Bogalusa Community Medical Center Foundation	3,265,197
25. Regions Bank - Health Care Community Dev Corp Rev Bonds	Bogalusa Community Medial Ctr Project	158,065
26. Regions Bank - Health Care Community Dev Corp Rev Bonds	Bogalusa Community Medial Ctr Project	5,709,898
27. Regions Bank - Health Care Community Dev Corp Rev Bonds	Bogalusa Community Medial Ctr Project	3,305,739
28. Hancock Bank - HSCF Money Market	Health Care Services Foundation	259,048
30. Hancock Bank - HSCF Money Market	Health Care Services Foundation	6
31. Regions Bank - Health Care Community Dev Corp Rev Bonds	Bogalusa Community Medial Ctr Project	397,706
32. Regions Bank - Health Care Community Dev Corp Rev Bonds	Bogalusa Community Medial Ctr Project	980,351
33. Regions Bank - Health Care Community Dev Corp Rev Bonds	Bogalusa Community Medial Ctr Project	7
34. Regions Bank - Health Care Community Dev Corp Rev Bonds	Bogalusa Community Medial Ctr Project	5,441
Total		\$ 204,708,957

*(Account numbers are not required. However, if you have more than one account at a single institution, you should identify each account separately, such as “Account A”, “Account B”, or some similar designation that does not involve the actual account number.)

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2. Investments

LSUHSC Health Care Services Division does not maintain investment accounts as authorized LRS 49:310-325.

Custodial Credit Risk

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured, not registered in the name of the entity, and are held by either the counterparty or the counterparty's trust department or agent but not in the entity's name. Repurchase agreements are not subject to credit risk if the securities underlying the repurchase agreement are exempt from credit risk disclosure.

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 exposed 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. In addition, the total reported amount and fair value columns must be reported for total investments regardless of exposure to custodial credit risk.

<u>Type of Investment</u>	<u>Uninsured, *Unregistered, and Held by Counterparty</u>	<u>*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>
Negotiable CDs	\$ _____	\$ _____	\$ _____	\$ _____
Repurchase agreements ⁴	\$ _____	\$ _____	\$ _____	\$ _____
U.S. government securities:	_____	_____	_____	_____
Bonds and Notes:	_____	_____	_____	_____
Federal Home Loan Mortgage Corporation ⁵	_____	_____	_____	_____
Federal National Mortgage Association	_____	_____	2,693,852	2,693,852
Federal Home Loan Bank	_____	_____	_____	_____
Federal Farm Credit Bank	_____	_____	538,280	538,280
Collateralized Mortgage Obligations	_____	_____	_____	_____
Mortgage Backed Securities	_____	_____	_____	_____
Federal National Mortgage Association ²	_____	_____	521,687	521,687
Other:	_____	_____	_____	_____
Common and preferred stock ³	_____	_____	450,785	450,785
Realty investments ³	_____	_____	495,407	495,407
Total investments	\$ -	\$ -	\$ 4,700,011	\$ 4,700,011

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

3. Derivatives

LSUHSC Health Care Services Division does not invest in derivatives as part of its investment policy.

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

A. Credit Risk of Debt Investments

<u>Rating Agency Used</u>	<u>Rating</u>	<u>Fair Value</u>
	Debt Investments:	\$
Moody	Aaa	3,232,132
	Aaa	
	Unrated	521,687
Total		\$ 3,753,819

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, 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.)

<u>Type of Debt Investment</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>Greater Than 10</u>
U.S. Government obligations	\$ 3,232,132	\$ 1,001,505	\$ 1,733,092	\$ 497,535	\$
U.S. Agency obligations					
Mortgage backed securities	521,687			521,687	
Collateralized mortgage obligations					
Corporate bonds					
Other bonds					
Mutual bond funds					
Other:					
Investments held by Foundations - Debt					
Total debt investments	\$ 3,753,819	\$ 1,001,505	\$ 1,733,092	\$ 1,019,222	\$ -

C. Concentration of Credit Risk – Not Applicable

D. Foreign Currency Risk – Not Applicable

5. Policies

LSUHSC Health Care Services Division is governed by LSU Permanent Memorandum 9.

6. Other Disclosures Required for Investments – 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	3,378,417	_____	3,378,417	_____
Federal appropriations	_____	_____	-	_____
Sales and services/other	_____	_____	-	_____
Clinics	_____	_____	-	_____
FEMA	1,732,535	-	1,732,535	_____
Hospital	437,005,743	363,015,034	73,990,709	_____
Other - UCC	172,907,621	172,907,621	-	_____
Other Sales & Services	9,482,528	_____	9,482,528	_____
Total	\$ 624,506,844	\$ 535,922,655	\$ 88,584,189	\$ -

Other - UCC:

Accounts Receivable and Doubtful Accounts include \$64,094,021 for fiscal year 2004 and \$108,813,600 for fiscal year 2005 uncompensated care cost (disproportionate share) on the "Hospital" line that was earned by HCSD during 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 eliminated on the "Other - UCC line.

E. CAPITAL ASSETS

Capital assets and assets under capital lease activity for the year ended June 30, 2008 were as follows:

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SCHEDULE OF CAPITAL ASSETS

(schedule includes capital leases)

	Balance 6/30/2007	Prior Period Adjustment	Restated Balance 6/30/2007	Additions	*Transfers	**Retirements	Balance 6/30/2008
Capital assets not being depreciated							
Land	\$ 24,458,239	\$ 1,472,200	\$ 25,930,439	\$ 5,386,771	\$ -	\$ -	\$ 31,317,210
Non-depreciable land improvements	-	-	-	-	-	-	-
Capitalized collections	-	-	-	-	-	-	-
Livestock	-	-	-	-	-	-	-
Construction in progress	48,421,611	323,175	48,744,786	11,185,547	(38,435,396)		21,494,937
Total capital assets not being depreciated	<u>\$ 72,879,850</u>	<u>\$ 1,795,375</u>	<u>\$ 74,675,225</u>	<u>\$ 16,572,318</u>	<u>\$ (38,435,396)</u>	<u>\$ -</u>	<u>\$ 52,812,147</u>
Other capital assets							
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
** Less accumulated depreciation	-	-	-	-	-	-	-
Total infrastructure	-	-	-	-	-	-	-
Depreciable land improvements	7,571,712	(3,480,397)	4,091,315	1,538,474			5,629,789
** Less accumulated depreciation	(3,985,317)	447,590	(3,537,727)	(100,018)			(3,637,745)
Total land improvements	<u>3,586,395</u>	<u>(3,032,807)</u>	<u>553,588</u>	<u>1,438,456</u>	<u>-</u>	<u>-</u>	<u>1,992,044</u>
Buildings	121,244,899	(11,917,482)	109,327,417	63,405,174		(796,384)	171,936,207
** Less accumulated depreciation	(99,986,032)	14,538,702	(85,447,330)	(4,460,968)		791,797	(89,116,501)
Total buildings	<u>21,258,867</u>	<u>2,621,220</u>	<u>23,880,087</u>	<u>58,944,206</u>	<u>-</u>	<u>(4,587)</u>	<u>82,819,706</u>
Equipment	221,662,131	18,092,839	239,754,970	45,121,362		(13,475,704)	271,400,628
** Less accumulated depreciation	(159,311,806)	(9,621,144)	(168,932,950)	(19,709,262)		12,883,237	(175,758,975)
Total equipment	<u>62,350,325</u>	<u>8,471,695</u>	<u>70,822,020</u>	<u>25,412,100</u>	<u>-</u>	<u>(592,467)</u>	<u>95,641,653</u>
Library books	-	-	-	-	-	-	-
** Less accumulated depreciation	-	-	-	-	-	-	-
Total library books	-	-	-	-	-	-	-
Total other capital assets	<u>\$ 87,195,587</u>	<u>\$ 8,060,108</u>	<u>\$ 95,255,695</u>	<u>\$ 85,794,762</u>	<u>\$ -</u>	<u>\$ (597,054)</u>	<u>\$ 180,453,403</u>
Capital Asset Summary:							
Capital assets not being depreciated	\$ 72,879,850	\$ 1,795,375	\$ 74,675,225	\$ 16,572,318	\$ (38,435,396)	\$ -	\$ 52,812,147
Other capital assets, at cost	350,478,742	2,694,960	353,173,702	110,065,010	-	(14,272,088)	448,966,624
Total cost of capital assets	<u>423,358,592</u>	<u>4,490,335</u>	<u>427,848,927</u>	<u>126,637,328</u>	<u>(38,435,396)</u>	<u>(14,272,088)</u>	<u>501,778,771</u>
Less accumulated depreciation	(263,283,155)	5,365,148	(257,918,007)	(24,270,248)	-	13,675,034	(268,513,221)
Capital assets, net	<u>\$ 160,075,437</u>	<u>\$ 9,855,483</u>	<u>\$ 169,930,920</u>	<u>\$ 102,367,080</u>	<u>\$ (38,435,396)</u>	<u>\$ (597,054)</u>	<u>\$ 233,265,550</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, 2008, 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, 2008:

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University/System	Year ended June 30, 2008				
	Balance June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Amounts due within one year
Notes & bonds payable:					
Notes payable	\$ 22,929,201	\$ 10,033,140	\$ 10,591,757	\$ 22,370,584	\$ 6,687,938
Bonds payable	21,685,000 *	17,500,000	4,840,000	34,345,000	5,020,000
Total bonds and notes payable	44,614,201	27,533,140	15,431,757	56,715,584	11,707,938

*6/30/07 bonds payable balance increased by \$2,080,000 due to the blending of Health Care Services Foundation.

Other liabilities:					
Compensated absences payable	28,293,494 *	18,160,822	12,184,520	34,269,796	2,081,364
Capital lease obligations	9,503		9,503	-	-
Claims and litigation payable				-	-
Amounts held in custody for others	745,635		601,431	144,204	144,204
Contracts payable				-	-
Reimbursement contracts payable				-	-
OPEB Payable	-	37,578,788		37,578,788	-
Total other liabilities	29,048,632	55,739,610	12,795,454	71,992,788	2,225,568
Total long-term liabilities	\$ 73,662,833	\$ 83,272,750	\$ 28,227,211	\$ 128,708,372	\$ 13,933,506

*6/30/07 Compensated Absences decreased by \$1,653,878 due to the transfer of HPL to LSUHSC-SH.

Component Units	Year ended June 30, 2008				
	Balance June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Amounts due within one year
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				-	-
OPEB Payable				-	-
Total other liabilities	-	-	-	-	-
Total long-term liabilities	\$ -	\$ -	\$ -	\$ -	\$ -

Combined Total	Year ended June 30, 2008				
	Balance June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Amounts due within one year
Notes & bonds payable:	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	22,929,201	10,033,140	10,591,757	22,370,584	6,687,938
Bonds payable	21,685,000	17,500,000	4,840,000	34,345,000	5,020,000
Total bonds and notes payable	44,614,201	27,533,140	15,431,757	56,715,584	11,707,938
Other liabilities:					
Compensated absences payable	28,293,494	18,160,822	12,184,520	34,269,796	2,081,364
Capital lease obligations	9,503	-	9,503	-	-
Claims and litigation payable	-	-	-	-	-
Amounts held in custody for others	745,635	-	601,431	144,204	144,204
Contracts payable	-	-	-	-	-
Reimbursement contracts payable	-	-	-	-	-
OPEB Payable	-	37,578,788	-	37,578,788	-
Total other liabilities	29,048,632	55,739,610	12,795,454	71,992,788	2,225,568
Total long-term liabilities	\$ 73,662,833	\$ 83,272,750	\$ 28,227,211	\$ 128,708,372	\$ 13,933,506

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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.

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, 2008, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.104 – C60.105, is estimated to be \$25,640,445, \$533,765, and \$8,095,586 respectively. The leave payable is recorded in the accompanying financial statement.

LSUHSC Health Care Services Division liability for compensated absences (annual, sick, and compensatory leave) at June 30, 2008 is as follows:

Current liability – estimated to be paid within one year	\$ 2,081,364
Long-term liability	<u>32,188,432</u>
Total liability for compensated absences	\$ 34,269,796

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. LSUHSC Health Care Services Division is a defendant in litigation seeking damages as follows:

Date of Action	Description of Litigation and Probable Outcome (reasonably possible or probable) (in opinion of legal counsel)	* Damages Claimed	Estimated Settlement amount for Claims & Litigation (opinion of legal counsel)	Insurance Coverage
01/01/01	Milton Schoen vs. Charity Hospital	\$ 20,000	\$ 0	NA
11/01/02	Bahij Khuri, M.D. vs. State of LA	50,000	0	NA
06/01/04	Tchefuncte Cardiovascular Assoc. vs. BOS	520,000	0	NA
06/17/07	Melvin LeBlanc, et al. vs. LSU HCSD et al	0	100,000	NA
Totals		<u>\$ 590,000</u>	<u>\$</u>	

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N. RELATED PARTY TRANSACTIONS

LSUHSC Health Care Services Division had no related party transactions for the year ended June 30, 2008, as defined by FASB 57.

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

P. LEASES

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 2007-08 amounted to \$4,244,518. (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:

Nature of lease	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014- FY2018	FY2019- FY2023
a. Office space	\$ 3,192,896	\$ 3,095,674	\$ 2,991,256	\$ 2,918,886	\$ 1,397,006	\$	\$
b. Equipment	-	-	-	-	-	-	-
c. Land	-	-	-	-	-	-	-
d. Other	1,160,350	118,575	118,336	33,434	-	-	-
Total minimum future rentals	\$ 4,353,246	\$ 3,214,249	\$ 3,109,592	\$ 2,952,320	\$ 1,397,006	\$ -	\$ -

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

LSUHSC Health Care Services Division does not record items under capital leases as an asset and an obligation in the accompanying financial statements.

Lessor Direct Financing Leases – Not Applicable

Lessor - Operating Lease – Not Applicable

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Q. NET ASSETS

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

Account title	Amount
Student Fees	\$
Grants & Contracts	
Gifts	
Endowment Earnings	10,810,313
Auxiliary Enterprises	
Student Loan Funds	
Capital Construction	
Debt Service	
Other (Sponsored Projects)	17,553,946
Total	\$ 28,364,259

The institution had the following restricted nonexpendable net asset as of June 30, 2008:

Account title	Amount
Endowment Fund	7,632,816
Total	\$ 7,632,816

R. OTHER POSTEMPLOYMENT BENEFITS

LSUHSC Health Care Services Division offers its employees the opportunity to participate in one of two medical coverage plans. One offering is from the State Office of Group Benefits (OGB) which also offers a life insurance plan, and the other is with the LSU System Health Plan. Statement No. 45 of the Governmental Accounting Standards Board (GASB) promulgates the accounting and financial reporting requirement by employers that offer other postemployment benefits (OPEB) besides pensions. Both of the medical coverage plans and the life insurance plan available would be subject to the provisions of this Statement. It should be noted that Statement No. 45 is being implemented prospectively such that there is zero net OPEB obligation at transition. Information about each of these two plans is presented below.

Plan Descriptions

LSU System Health Plan:

The LSU System offers eligible employees, retirees, and their beneficiaries the opportunity to

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participate in comprehensive health and preventive care coverage under its Health Plan that gives members a unique, consumer-driven health-care approach to pay routine health expenses and provides coverage for major healthcare expenses. Within the Health Plan members have a choice of selecting Option 1 or Option 2. Option 1, shown in the schedule of total monthly premium rates below, is more costly but features both lower yearly deductibles and Out of Network coinsurance requirements.

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

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

The Health Plan originally began as a pilot program within the State Office of Group Benefits (OGB), the office that provides health benefits to state employees. The Health Plan does not issue a publicly available financial report, but it is included in the LSU System's audited Financial Report. The Financial Report may be obtained from the LSU System's website at <http://www.lsusystem.lsu.edu/>.

State OGB Plan:

System employees may also participate in the State's other OPEB Plan, an agent multiple-employer defined benefit OPEB Plan (for FY 2008) that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. OGB administers the plan. LRS 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report of the OPEB Plan; however, it is included in Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy

LSU System Health Plan:

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

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

State OGB Plan:

The contribution requirements of plan members and the State are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits

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cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The Office of Group Benefits offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Exclusive Provider Organization (EPO) plan and the Health Maintenance Organization (HMO) plan. Retired employees who have Medicare Part A and Part B coverage also have access to two OGB Medicare Advantage plans which includes one HMO plan and one private fee-for-service (PFFS) plan.

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

Employees hired before January 1, 2002 pay approximately 25% of cost of medical coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). Total annual per capita medical contribution rates for both plans for 2007-2008 are shown in the table below.

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

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

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

Life Insurance Premiums

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

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

Annual OPEB Cost and Net OPEB Obligation

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

LSUHSC Health Care Services Division data:

	LSU System Health Plan	State OGB Plan
Annual required contribution	10,369,000	38,538,600
Interest on prior year net OPEB obligation	0	0
Adjustment to annual required contribution	0	← 0
Annual OPEB cost (expense)	10,369,000	38,538,600
Employer Contributions	2,172,814	9,625,998
Increase in net OPEB obligation	8,196,186	28,912,602
Net OPEB obligation - beginning of year	0	0
Net OPEB obligation - end of year	8,196,186	28,912,602
Percentage of OPEB cost contributed	21.0%	25.0%

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b) Each plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 was as follows.

LSUHSC Health Care Services Division data:

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
LSU System Health Plan	June 30, 2008	10,639,000	21.0%	8,466,186
State OGB Plan	June 30, 2008	38,538,600	25.0%	28,912,602

c) Funded status and funding progress. The funded status of the entire LSU System plan as of July 1, 2007 was as follows;

	<u>LSU System Health Plan</u>	<u>State OGB Plan</u>
Actuarial accrued liability (AAL)	470,940,000	1,930,040,000
Actuarial value of plan assets	0	0
Unfunded actuarial accrued liability (UAAL)	470,940,000	1,930,040,000
Funded ratio (actuarial value of plan assets/AAL)	0	0
Annual covered payroll (active plan members)	551,739,992	410,372,403
UAAL as a percentage of covered payroll	85.4%	470.3%

Actuarial Methods and Assumptions

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

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

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A summary of the actuarial assumptions are presented below:

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

REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Funding Progress
 For the Retiree Health Plans

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
LSU System Health Plan	7/1/2007	0	470,940,000	470,940,000	0.0%	551,739,992	85.4%
State OGB Plan	7/1/2007	0	1,930,040,000	1,930,040,000	0.0%	410,372,403	470.3%

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- S. ACCOUNTING CHANGES – Not Applicable
 T. PRIOR-YEAR RESTATEMENT OF NET ASSETS

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

	University or University/System	Component Unit (s)	Total
Ending net assets 6/30/07 as reported to OSRAP on PY AFR	\$ 81,900,081	\$	\$ 81,900,081
Adjustments to ending net assets 6/30/07 (after AFR) was submitted to OSRAP (+ or -)	<u>972,031</u>	<u></u>	<u>972,031</u>
Total	<u>\$ 82,872,112</u>	<u>\$ -</u>	<u>\$ 82,872,112</u>
Restatements (adjustments to beg. Balance 7/1/07) (+ or -)	<u>(26,768,164)</u>	<u></u>	<u>(26,768,164)</u>
Beginning net assets 7/1/2007, as restated	<u>\$ 56,103,948</u>	<u>\$ -</u>	<u>\$ 56,103,948</u>

Explanation: (List below)	
Capital Assets (net) - completion of reconciliation of American Appraisal Associate Asset Management System and Louisiana Property Assistance Agency to PeopleSoft Financials System.	(3,766,173)
Act 220 of 2007 removed Huey P. Long Medical Center from the authority of LSU-Health Care Services Division and transferred it to LSUHSC-Shreveport	(12,733,681)
Blending of Health Care Services Foundation and Bogalusa Community Medical Center nonprofit corporations	(7,217,794)
Transfer of HPLMC residual cash balances in HCSD Bank Accounts	(350,516)
Purchase of K-Mart Bldg in 2006 not added to assets	(2,700,000)
Total	(26,768,164)

- U. PLEDGES OF GIFTS – Not Applicable
 V. SEGMENT INFORMATION - Not Applicable
 W. PER DIEM PAID TO BOARD MEMBERS – Not Applicable

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X. PENSION PLANS

Substantially all of the employees of LSUHSC Health Care Services Division are members of the following Retirement Systems:

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, 20__
			\$
LASERS	C	7.50%	\$ 36,541,318
LASERS*	C	8.00%	\$ 8,786,394
Federal	C	7.00%	\$
TRSL	C	8.00%	\$ 2,547,882
TRSL 40 yr	C	0.00%	\$
MPP	C	8.00%	\$
Deferred Comp	D	7.50%	\$ 534,251
LA School Empl	C	7.50%	\$

* 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 systems, with employee benefits vesting after 5 years of service for the Teachers' Retirement System of Louisiana (TRSLA) and 10 years of service for the Louisiana State Employees' Retirement System (LASERS). Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The Systems publish 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 16.6% of the covered payroll. Benefits payable to participants are not obligations of the State of Louisiana or the State or Teachers' Retirement Systems; 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 \$1,344,547 and \$649,108, respectively, for the year ended June 30, 2008.

Y. DEBT REFUNDING- Not Applicable

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

AA. DONOR RESTRICTED ENDOWMENTS – Not Applicable

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

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CC. DISAGGREGATION OF PAYABLE BALANCES

Fund	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
	\$	\$	\$	\$	\$
Total Payables	65,078,192	19,065,855		194,557,732	278,701,779
					-
Total payables	\$ 65,078,192	\$ 19,065,855	\$ -	\$ 194,557,732	\$ 278,701,779

DD. SUBSEQUENT EVENTS – Not Applicable

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

FF. IMPAIRMENT OF CAPITAL ASSETS

GASB 42 establishes accounting and financial reporting standards for impairment of capital assets and for insurance recoveries. 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 permanently impaired in FY 07-08: (Insurance recoveries related to impairment losses should be used to offset those impairment losses if received in the same year as the impairment. Include these insurance recoveries in the third column in the table below. Calculate the net impairment loss after insurance recoveries received in the current fiscal year in the fourth column. Include in the Financial Statement Classification column the account line in which the impairment loss is reported in the financial statements. 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.)

Type of Asset	Amount of Impairment Loss before Insurance Recovery	Indication of Impairment (e.g. (1) physical damage)	Insurance Recovery in the same FY	Net Impairment Loss per Financial Stmt	Financial Statement Classification	Reason for Impairment (e.g. hurricane)
Buildings						
Movable Property						
Infrastructure						

Insurance recoveries received in FY 07-08 related to impairment losses occurring in previous years, and insurance recoveries received in FY 07-08 other than those related to impairment of capital assets, should be reported as program revenues, nonoperating revenues, or extraordinary items, as appropriate. Indicate in the following table the amount and financial statement classification (account line in which the insurance recovery is reported in the financial statements) of insurance recoveries not included in the table above:

STATE OF LOUISIANA
 LOUISIANA STATE UNIVERSITY SYSTEM
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2008

<u>Type of asset</u>	<u>Amount of Insurance Recovery</u>	<u>Financial Statement Classification</u>	<u>Reason for insurance recovery (e.g. fire)</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 **any permanently impaired** capital assets listed above that were idle at the end of the fiscal year, **temporarily impaired capital assets that are not included in the table above**, and any assets **impaired in prior years** that remain idle at the end of the **current** fiscal year.)

<u>Type of asset</u>	<u>Carrying Value of Idle Impaired Assets</u>	<u>Reason for Impairment</u>
Buildings - permanently impaired	_____	_____
Buildings - temporarily impaired	_____	_____
Movable Property - permanently impaired	_____	_____
Movable Property - temporarily impaired	592,118	Hurricane Katrina
Infrastructure - permanently impaired	_____	_____
Infrastructure - temporarily impaired	_____	_____

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 be taken on these assets. Only Note Disclosure FF for FY 2006 reflected the impaired/idle balance of \$15 million which included the aforementioned \$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:

STATE OF LOUISIANA
LOUISIANA STATE UNIVERSITY SYSTEM
LSUHSC HEALTH CARE SERVICES DIVISION
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

- 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.

For the Fiscal Year ending June 30, 2008, a lack of utilities continued to hamper vendor assessments, but MCLNO was successful in having some of the FY 2006 sample items assessed by the OEM vendor, other maintenance providers or other hospital experts. Therefore, during the course of FY 2008, 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, 2008:

- At the end of Fiscal Year 2008, 39 assets with a NBV of \$517,705 remain impaired/idle for note disclosure purposes only.
- At the end of Fiscal Year 2008, 9 assets with a NBV of \$74,413 remain un-located for note disclosure purposes only.
- At the end of Fiscal Year 2008, 16 assets of the original sample items reported as idle in FY07 with a NBV of \$1,240,356 were returned to active status.
- At the end of Fiscal Year 2008, 2 assets of the original sample items reported as un-located in FY07 with a NBV of \$27,616 were returned to active status.
- At the end of Fiscal Year 2008, 7 assets of the original sample items reported in FY08 as un-located with a NBV of \$36,079 were retired.
- At the end of Fiscal Year 2008, buildings reported in FY07 with a NBV of \$4,498,025 have been remodeled and were returned to active status.

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.

Voluntary termination benefits include benefits such as enhanced early retirement options resulting from an approved early retirement plan.

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).

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NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

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 2008, the cost of providing those benefits for U voluntary terminations totaled \$0. For 2008, the cost of providing those benefits for 0 involuntary terminations totaled \$0.

The liability for the accrued voluntary terminations benefits payable at June 30, 2008 is \$0. This liability consists of 0 voluntary terminations. The liability for the accrued involuntary terminations benefits payable at June 30, 2008 is \$0. This liability consists of 0 involuntary terminations.

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

HH. REVENUES – PLEDGED OR SOLD (GASB 48) – Not Applicable

1. PLEDGED REVENUES

Pledged revenues are specific revenues that have been formally committed to directly collateralize or secure debt of the pledging government, or directly or indirectly collateralize or secure debt of a component unit. Pledged revenues must be disclosed for each period in which the secured debt remains outstanding and for each secured debt issued.

2. FUTURE REVENUES REPORTED AS A SALE

Future revenues reported as a sale are proceeds that an agency/entity received in exchange for the rights to future cash flows from specific future revenues and for which the agency/entity's continuing involvement with those revenues is effectively terminated. (See Appendix F)

STATE OF LOUISIANA

Louisiana State University System
LSUHSC Health Care Services Division

SCHEDULE OF BONDS PAYABLE
June 30, 2008

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/07	(Redeemed) Issued	Principal Outstanding 6/30/2008 *	Interest Rates	Interest Outstanding 6/30/08
Hotel Dieu Purchase	12/01/02	36,600,000	19,605,000	(4,615,000)	14,990,000	3.12%	1,018,750
Bogalusa Community Medical Center Project	09/28/07	17,500,000	0	17,500,000	17,500,000	.2466%-7.88%	10,425,617
Mid-City Clinic Project	12/01/03	2,500,000	2,080,000	(225,000)	1,855,000	varies weekly	62,754
Total		<u>\$ 56,600,000</u>	<u>\$ 21,685,000</u>	<u>\$ 12,660,000</u>	<u>\$ 34,345,000</u>		<u>\$ 11,507,121</u>

STATE OF LOUISIANA

(Component Unit)

SCHEDULE OF BONDS PAYABLE
June 30, 2008

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/07	(Redeemed) Issued	Principal Outstanding 6/30/08*	Interest Rates	Interest Outstanding 6/30/08
		\$ _____	\$ _____	\$ _____	\$ _____		\$ _____
Total		\$ _____	\$ _____	\$ _____	\$ _____		\$ _____

*Note: Principal outstanding at 6/30/08 should agree to Bonds Payable on the Statement of Net Assets.

Send copies of new amortization schedules for each new bond issuance for the component units included in the university's financial statements.

STATE OF LOUISIANA

(Component Unit)

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE

June 30, 2008

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/07	Redeemed (Issued)	Principal Outstanding 6/30/08*	Interest Rates	Interest Outstanding 6/30/08
		\$	\$	\$	\$		\$
Total		\$	\$	\$	\$		\$

*Note: Principal outstanding at 6/30/08 should agree to Reimbursement Contracts Payable on the Statement of Net Assets.

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division
SCHEDULE OF NOTES PAYABLE
June 30, 2008

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/07	(Redeemed) Issued	Principal Outstanding 6/30/2008 *	Interest Rates	Interest Outstanding 6/30/08
Digital Mamos	12/20/02	\$ 404,437	\$ 43,528	\$ (43,528)	\$ -	3.3428%	
GE CT Scanner	04/07/06	1,615,038	\$ 1,270,035	(310,485)	\$ 959,550	4.5100%	64,412
Pyxis	12/01/07	828,302	\$ -	737,964	\$ 737,964	3.0132%	51,119
CLIQ	07/06/04	4,577	\$ 4,577	(4,577)	\$ -	3.7700%	-
LAB System	05/19/03	576,892	\$ 112,429	(112,429)	\$ -	3.0601%	-
Critical Care Beds	05/19/03	62,561	\$ 12,192	(12,192)	\$ -	3.0601%	-
Energy Management	10/18/03	1,061,675	\$ 1,061,675	(60,812)	\$ 1,000,863	5.3393%	366,518
Copiers	08/09/04	99,955	\$ 45,693	(20,614)	\$ 25,079	3.8700%	611
Endoscopy Sys	03/17/05	116,022	\$ 30,275	(30,275)	\$ -	3.8600%	-
GE Millennium MG Xeleris Workstation	02/23/06	339,563	\$ 256,030	(65,870)	\$ 190,160	4.3100%	11,478
Space Labs Intesy Suite & Telemetry Units	10/20/06	371,742	\$ 326,067	(70,666)	\$ 255,401	3.7132%	16,526
Pyxis	12/01/07	472,512	\$ -	420,978	\$ 420,978	3.0132%	29,161
IV Pumps	09/27/02	369,331	\$ 19,965	(19,965)	\$ -	3.3870%	-
Radiographic Table	03/15/03	116,620	\$ 18,633	(18,633)	\$ -	3.3870%	-
Vista C-Arm	03/15/03	144,620	\$ 23,107	(23,107)	\$ -	3.0562%	-
Millennium MG Integra	03/15/03	333,972	\$ 53,361	(53,361)	\$ -	3.0562%	-
Steris Surgical Lights	03/15/03	97,248	\$ 15,538	(15,538)	\$ -	3.0562%	-
Radiography & fluoroscopic machine	05/19/03	105,950	\$ 20,648	(20,648)	\$ -	3.0601%	-
Ventilators	07/06/04	88,401	\$ 39,021	(18,319)	\$ 20,702	4.0600%	494
Space Labs	10/15/04	876,457	\$ 427,771	(179,141)	\$ 248,630	3.4400%	6,102
Endoscopic Equipment	03/04/05	191,507	\$ 109,643	(38,601)	\$ 71,042	3.6600%	2,408
Anesthesia Machines	03/16/05	157,060	\$ 90,181	(31,673)	\$ 58,508	3.9300%	2,130
Phillips Medical Select V5000DSCV	06/27/05	596,416	\$ 371,225	(119,114)	\$ 252,111	3.7700%	10,020
Pyxis	09/05/07	898,278	\$ -	772,824	\$ 772,824	3.3132%	56,752
CT Scanner	12/24/07	1,235,391	\$ -	1,118,579	\$ 1,118,579	2.4632%	64,285
Digital Mammos	12/20/02	647,411	\$ 69,678	(69,678)	\$ -	3.3428%	-
Anesthesia Equipment	05/19/03	114,716	\$ 22,357	(22,357)	\$ -	3.0601%	-
Maternal Fetal Monitors	05/19/03	149,633	\$ 29,161	(29,161)	\$ -	3.0601%	-
Pediatric Cribs	05/19/03	22,018	\$ 4,291	(4,291)	\$ -	3.0601%	-
Stretcher Cribs	05/19/03	20,276	\$ 3,951	(3,951)	\$ -	3.0601%	-
Cardiac Cath Suite	03/15/03	972,988	\$ 155,462	(155,462)	\$ -	3.0562%	-
Electrocardiography and cardiology management	05/19/03	384,209	\$ 74,878	(74,878)	\$ -	3.0601%	-
Senography Mammography System	03/15/03	175,221	\$ 27,997	(27,997)	\$ -	3.0562%	-
Nursery Incubators	05/19/03	43,056	\$ 8,391	(8,391)	\$ -	3.0601%	-
Spacelabs	06/17/03	2,530,104	\$ 530,886	(530,886)	\$ -	2.4372%	-
CADD-Prizm PCS 2 Pump	02/13/04	101,050	\$ 35,521	(21,081)	\$ 14,440	3.2500%	177
Scrub Stations	02/13/04	158,887	\$ 55,852	(33,148)	\$ 22,704	3.2500%	278
Scrub Stations	02/13/04	184,810	\$ 64,964	(38,556)	\$ 26,408	3.2500%	323
Ultrasound, Phillips	03/16/05	183,637	\$ 105,441	(37,032)	\$ 68,409	3.9300%	2,491
XSMARTCR, Fuji	04/08/05	87,165	\$ 51,630	(17,525)	\$ 34,105	4.2100%	1,393

SCHEDULE 1-C

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division
SCHEDULE OF NOTES PAYABLE (Continued)
June 30, 2008

Ultra View Patient Monitors	06/28/05	732,858	\$ 253,709	(253,709)	\$ -	3.9300%	-
Oncology Equipment PO#72	06/30/05	2,502,985	\$ 1,556,307	(1,556,307)	\$ -	3.6600%	-
Philips Neuro Angiogrphay System	08/11/05	1,706,890	\$ 1,121,188	(338,489)	\$ 782,699	4.1000%	36,615
Anesthesia Machines	08/11/05	1,258,086	\$ 507,825	(433,775)	\$ 74,050	4.1300%	383
Allura XPER FD20	11/04/05	1,857,621	\$ 1,311,225	(364,394)	\$ 946,831	4.2300%	50,886
Phillips CT PO#95	07/07/05	1,545,912	\$ 986,439	(307,831)	\$ 678,608	3.6600%	27,235
Pyxis	11/16/07	894,238	\$ -	796,370	\$ 796,370	2.8600%	52,303
Energy Management	10/01/00	1,509,029	\$ 1,100,526	(66,507)	\$ 1,034,019	6.5023%	455,729
Radiographic System Kodak	09/27/02	385,782	\$ 20,855	(20,855)	\$ -	3.3870%	-
Surgical Table	03/24/03	30,088	\$ 4,808	(4,808)	\$ -	3.0562%	-
Telemetry System for UMC	03/24/03	138,566	\$ 22,140	(22,140)	\$ -	3.0562%	-
GE Logiq 9 Ultrasound	03/17/05	183,450	\$ 105,333	(36,995)	\$ 68,338	3.9300%	2,489
GE Prodigy Advance Plus Bone Density	03/17/05	82,000	\$ 47,083	(16,536)	\$ 30,547	3.9300%	1,112
Alaris Vital Check	06/30/05	101,830	\$ 35,239	(35,239)	\$ -	3.8000%	-
Vertical stand LCD	06/06/05	107,730	\$ 67,010	(21,517)	\$ 45,493	3.7000%	1,775
Digital R&F, GE	07/25/05	320,614	\$ 204,991	(63,820)	\$ 141,171	3.8800%	6,010
Image Checker, DM	08/05/05	179,060	\$ 117,516	(35,518)	\$ 81,998	4.0000%	3,741
Voice Recognition System	10/17/05	129,123	\$ 88,948	(25,437)	\$ 63,511	4.0500%	3,155
GE Lightspeed VCT CT Unit	11/10/05	1,659,472	\$ 1,171,795	(325,444)	\$ 846,351	4.2800%	46,032
Revolution Digital Radiography Sys (2)	12/02/05	798,162	\$ 575,902	(156,073)	\$ 419,829	4.1700%	22,992
Aestiva Anesthesia Machines	02/10/06	303,628	\$ 115,973	(63,826)	\$ 52,147	4.2600%	974
GE Millennium Gamma Camera	01/30/06	173,877	\$ 128,168	(33,898)	\$ 94,270	4.1000%	5,241
GE Mobile C-Arm	03/10/06	264,180	\$ 203,506	(51,012)	\$ 152,494	4.4300%	9,758
Spacelabs Patient Monitors	04/20/06	1,198,657	\$ 943,265	(230,162)	\$ 713,103	4.6400%	49,277
Ultraview Monitors	06/20/06	259,262	\$ 212,098	(49,400)	\$ 162,698	4.6400%	11,900
Spacelabs Monitors	06/23/06	139,979	\$ 114,552	(26,651)	\$ 87,901	4.7100%	6,528
Medtronic LandmarX Evolution Plus Image Guide	07/19/06	140,399	\$ 117,126	(26,589)	\$ 90,537	4.8300%	7,091
GE Vivid 7 Ultrasound							
Cardiovascular Scan	08/09/06	194,933	\$ 165,516	(36,843)	\$ 128,673	4.6700%	9,998
GE Vivid 7 Ultrasound							
Cardiovascular Scan	08/09/06	116,758	\$ 99,138	(22,068)	\$ 77,070	4.6700%	5,989
GE Vivid 7 Ultrasound	08/09/06	100,063	\$ 84,962	(18,912)	\$ 66,050	4.6700%	5,132
Alaric Signature Ed TV System	10/20/06	117,000	\$ 102,624	(22,241)	\$ 80,383	3.7132%	5,201
Olympus Video Scope	11/09/06	101,184	\$ 90,288	(19,215)	\$ 71,073	3.5732%	4,532
Medtronic Lifepak 12's and	07/12/07	121,835	\$ 121,835	(20,579)	\$ 101,256	3.9432%	8,536
Steris Equipment	07/12/07	184,434	\$ 184,434	(31,133)	\$ 153,301	3.9732%	13,025
GE Logic 9 Ultrasound	11/01/07	128,500	\$ 128,500	(17,982)	\$ 110,518	3.5732%	7,891
Kid Med Building	08/13/07	211,867	\$ 211,867	(32,739)	\$ 179,128	3.5732%	13,931
A Kontek Industries Modular MRI Unit	08/30/07	523,952	\$ -	442,534	\$ 442,534	3.3132%	31,858
Sigma 3.0T MR System	09/18/07	2,110,430	\$ -	1,814,525	\$ 1,814,525	3.1332%	125,857
Pyxis	11/14/07	868,716	\$ -	773,971	\$ 773,971	3.0132%	53,613
Phillips Ultrasound	04/16/08	206,073	\$ -	199,548	\$ 199,548	2.1080%	10,513
Upgrade 64 Slice VCT Scanner	03/07/08	320,497	\$ -	294,414	\$ 294,414	1.7800%	7,220
IBM Think Center & LCD's	01/23/06	133,650	\$ 72,694	(45,331)	\$ 27,363	4.3300%	396
Hill-Rom Care Assist Beds	06/23/06	153,361	\$ 125,503	(29,199)	\$ 96,304	4.7100%	7,153

SCHEDULE 1-C (Continued)

STATE OF LOUISIANA
Louisiana State University System
LSUHSC Health Care Services Division
SCHEDULE OF NOTES PAYABLE (Continued)
June 30, 2008

Spacelabs	08/18/05	460,847	\$ 186,120	(158,972)	\$ 27,148	3.7600%	142
Pyxis	11/08/07	351,511	\$ -	313,174	\$ 313,174	3.0132%	21,694
IT Infrastructure	09/15/02	709,761	\$ 38,367	(38,367)	\$ -	3.3870%	-
IT Infrastructure	12/15/02	48,100	\$ 5,177	(5,177)	\$ -	3.3428%	-
Spacelabs	01/25/05	157,825	\$ 32,013	(32,013)	\$ -	3.5400%	-
GE Precision R & F Suite	06/03/05	410,116	\$ 141,951	(141,951)	\$ -	3.8200%	-
GE Proteus Rad System	06/28/05	109,490	\$ 37,904	(37,904)	\$ -	3.8400%	-
GE Plus Digital Mobile C-Arm	01/23/06	155,277	\$ 114,496	(30,262)	\$ 84,234	4.1500%	4,741
Tyco Puritan Bennett 840 Ventilator	02/10/06	93,027	\$ 70,120	(18,053)	\$ 52,067	4.2600%	3,106
Canon Copiers	03/17/06	129,659	\$ 99,880	(25,037)	\$ 74,843	4.4300%	4,789
GE Logiq 9 Ultrasound	04/07/06	178,204	\$ 140,136	(34,259)	\$ 105,877	4.5100%	7,107
Spacelabs	03/17/06	285,369	\$ 219,828	(55,104)	\$ 164,724	4.4300%	10,541
Stryker Endoscopic Video Sys	05/04/06	118,149	\$ 94,819	(22,599)	\$ 72,220	4.6400%	5,136
Spacelabs	06/30/06	106,425	\$ 87,149	(20,232)	\$ 66,917	4.8500%	5,121
GE Vivid Pro BT06	02/23/07	98,618	\$ 88,194	(32,056)	\$ 56,138	3.7131%	1,842
Olympus Endoscope Video System	03/30/07	201,762	\$ 192,478	(37,944)	\$ 154,534	3.4532%	10,444
GE Mobile MRI	07/27/07	1,973,600	\$ -	1,640,449	\$ 1,640,449	3.9732%	139,377
Pyxis	11/01/07	723,633	\$ -	587,562	\$ 587,562	2.7531%	20,436
Lumenis Ultrapulse System	04/22/08	124,163	\$ -	120,255	\$ 120,255	2.3480%	7,070
BCMC Foundation			\$ 2,461,424	(2,461,424)	\$ -	4.5000%	-
Total		\$ 48,755,048	\$ 22,929,201	\$ (558,617)	\$ 22,370,584		\$ 2,068,876

*6/30/07 balance decreased by \$1,051 because the financing agent forwarded an amended amortization schedule and \$3 rounding correction.

SCHEDULE 1-C (Continued)

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

SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2008

Fiscal Year Ending:	Principal	Interest	Total
2009	5,020,000	617,554	5,637,554
2010	5,230,000	346,725	5,576,725
2011	5,465,000	117,225	5,582,225
2012	265,000		265,000
2013	275,000		275,000
2014	290,000		290,000
2015	535,000	729,592	1,264,592
2016	250,000	711,074	961,074
2017	275,000	691,374	966,374
2018	295,000	699,704	994,704
2019	320,000	646,458	966,458
2020	345,000	621,242	966,242
2021	370,000	594,056	964,056
2022	400,000	564,900	964,900
2023	435,000	533,380	968,380
2024	450,000	511,717	961,717
2025	475,000	489,307	964,307
2026	495,000	465,652	960,652
2027	525,000	441,001	966,001
2028	550,000	413,859	963,859
2029	575,000	385,424	960,424
2030	610,000	355,696	965,696
2031	640,000	324,159	964,159
2032	675,000	291,071	966,071
2033	705,000	256,174	961,174
2034	745,000	219,725	964,725
2035	780,000	181,209	961,209
2036	820,000	140,883	960,883
2037	865,000	98,489	963,489
2038	5,665,000	59,471	5,724,471
TOTAL	\$34,345,000	\$11,507,121	\$45,852,121

The HCSF Bond interest rate is indexed to the SIFMA rate plus 50 basis points

STATE OF LOUISIANA

(Component Unit)

SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2008

Fiscal Year Ending:	Principal	Interest
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	_____	_____
2038	_____	_____
Total	\$ _____ -	\$ _____ -

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.

SCHEDULE 2-A (Component Unit) – Not Applicable

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

SCHEDULE OF NOTES PAYABLE AMORTIZATION

For The Year Ended June 30, 2008

Fiscal Year Ending:	Principal	Interest	Total
2009	\$ 6,687,938	\$ 744,037	7,431,975
2010	6,457,583	496,164	6,953,747
2011	4,434,205	277,392	4,711,597
2012	2,597,516	158,884	2,756,400
2013	889,967	91,209	981,176
2014-2018	926,351	274,443	1,200,794
2019-2023	377,024	26,747	403,771
2024-2028			-
2029-2033			-
2034-2038			-
Total	\$ 22,370,584	\$ 2,068,876	24,439,460

SCHEDULE 2-B

STATE OF LOUISIANA

(Component Unit)

SCHEDULE OF NOTES PAYABLE AMORTIZATION

For The Year Ended June 30, 2008

Fiscal Year Ending:	Principal	Interest
2009	\$ _____	\$ _____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014-2018	_____	_____
2019-2023	_____	_____
2024-2028	_____	_____
2029-2033	_____	_____
2034-2038	_____	_____
Total	\$ <u> - </u>	\$ <u> - </u>

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

SCHEDULE 2-B (Component Unit) – Not Applicable

STATE OF LOUISIANA

(University or System)

SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 2008

Fiscal Year	Beginning				
<u>Ending:</u>	<u>Balance</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2009	\$ _____	\$ _____	\$ _____	\$ _____	\$ -
2010	_____	_____	_____	_____	-
2011	_____	_____	_____	_____	-
2012	_____	_____	_____	_____	-
2013	_____	_____	_____	_____	-
2014-2018	_____	_____	_____	_____	-
2019-2023	_____	_____	_____	_____	-
2024-2028	_____	_____	_____	_____	-
2029-2033	_____	_____	_____	_____	-
2034-2038	_____	_____	_____	_____	-
Total	\$ <u> - </u>	\$ <u> - </u>	\$ <u> - </u>	\$ <u> - </u>	\$ <u> - </u>

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

SCHEDULE 2-C – Not Applicable

STATE OF LOUISIANA

(Component Unit)

SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 2008

Fiscal Year	Beginning				
<u>Ending:</u>	<u>Balance</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2009	\$ _____	\$ _____	\$ _____	\$ _____	\$ -
2010	_____	_____	_____	_____	-
2011	_____	_____	_____	_____	-
2012	_____	_____	_____	_____	-
2013	_____	_____	_____	_____	-
2014-2018	_____	_____	_____	_____	-
2019-2023	_____	_____	_____	_____	-
2024-2028	_____	_____	_____	_____	-
2029-2033	_____	_____	_____	_____	-
2034-2038	_____	_____	_____	_____	-
Total	\$ <u> - </u>	\$ <u> - </u>	\$ <u> - </u>	\$ <u> - </u>	\$ <u> - </u>

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

SCHEDULE 2-C (Component Unit) – Not Applicable

STATE OF LOUISIANA

(University or System)

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
For The Year Ended June 30, 2008

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Interest</u>
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	_____	_____
2038	_____	_____
Total	\$ <u> - </u>	\$ <u> - </u>

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

SCHEDULE 2-D – Not Applicable

STATE OF LOUISIANA

(Component Unit)

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
For The Year Ended June 30, 2008

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Interest</u>
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	_____	_____
2038	_____	_____
Total	\$ <u> - </u>	\$ <u> - </u>

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

SCHEDULE 2-D (Component Unit) – Not Applicable

STATE OF LOUISIANA

(University or System)

SCHEDULE OF PER DIEM PAID
For The Year Ended June 30, 2008

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

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

SCHEDULE 3 – Not Applicable

STATE OF LOUISIANA

Louisiana State University System
 LSUHSC Health Care Services Division

SCHEDULE OF EXPENSES BY UNIVERSITY
 For The Year Ended June 30, 2008

<u>Name of individual university and agency no.:</u>	<u>University Amount</u>	<u>*Foundation Amount</u>	<u>Eliminations</u>	<u>Total Expenses</u>
LSUHSC Health Care Services Division	874,508,728	\$	\$	\$ 874,508,728
2)				-
3)				-
4)				-
5)				-
6)				-
7)				-
8)				-
9)				-
10)				-
Total	\$ 874,508,728	\$ -	\$ -	\$ 874,508,728

SCHEDULE 4

**INFORMATION FOR NOTE C - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS
(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 three 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 Balance Sheet (if Balance Sheet is required as part of AFR packet):

- Because the Balance Sheet reports cash and cash equivalents and investments and the note discloses deposits and investments, the amounts of cash and investments on the balance sheet 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 balance sheet 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 balance sheet such as "Cash in Bank" and "Certificates of Deposits (CDs)", or even "Investments" (See section III below that gives further guidance on what should be considered "Deposits" in note C).
- Line items on the balance sheet 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 balance sheet 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 balance sheet 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 balance sheet and statement of cash flows, not the note disclosures required by GASB Statement 3 & 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 CDs. As stated previously, deposits for Note C may be a combination of balance sheet 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:

1. 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. For Balance Sheet and Statement of Cash Flows treatment, see Note C(1).
2. 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.

3. 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:
1. 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).
 2. 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. Negotiable Certificates of Deposit - securities **with a minimum face value of \$100,000**, but are normally sold in \$1 million units **and can be** traded in the secondary market. **They appeal to institutions interested in low-risk investments with a high degree of liquidity.** These are treated **as investments** for Note C disclosures. For Balance Sheet and Statement of Cash Flows treatment, see Note C(1).
2. 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. Include under this category, overnight repos, term repos, open repos, and tri-party repos.
3. U.S. Government Obligations – Generally these investments are not exposed to custodial credit risk because they are issued directly by and backed by the full faith and credit of the U.S. Government. Examples include treasury bills, treasury notes and treasury bonds.
4. U.S. Agency Obligations – Fixed-income securities that are issued by U.S. government-sponsored entities (GSEs). Because of their special GSE status, the market doesn’t demand as high of an interest rate as it would from an equivalent private sector issuer because of the perception that the government would step in to back the securities in the case of default. However, the U.S. government does not actually back these debt issues.
5. Common & Preferred Stock – A security that represents an ownership interest in an entity.
6. Mortgages - Examples include mortgage-backed securities and collateralized mortgage obligations. Mortgage-backed securities are created when a financial institution, such as Fannie Mae, purchases mortgages from the banks that issue the mortgages, then the financial institution packages the mortgages and resells them into the secondary market where investors purchase them to earn current income in a relatively safe investment. Collateralized mortgage obligations is a security that is backed by real estate and the issuer is not a governmental issuer, such as Fannie Mae.
7. Corporate Bonds
8. Mutual Funds –
 - 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.
9. Investments in real estate, annuity contracts, and direct investments in mortgages
10. Miscellaneous Other – 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. Commercial Paper – An unsecured promissory note that is typically sold by a corporation, has a fixed maturity of 1 to 270 days, and is usually sold at a discount from face value.
 - b. Guaranteed Investment Contracts - insurance contracts that guarantee the owner principal repayment and a fixed or floating interest rate for a predetermined period of time.
 - c. Investments Held in Private Foundations
 - 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. Other Bonds – Examples include foreign government bonds, bond issue trustee accounts, bond index funds, foreign bonds, private placement bonds, and yankee bonds.
 - f. Private placements, such as venture capital and limited partnerships
 - g. 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.

- h. Any other unique investment not listed above or not included in another category type

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.

1. Collateral – Securities pledged by the financial institution for the purpose of securing the governmental entity's deposits.
2. 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 (FHLMC), Federal National Mortgage Association (FNMA)

and Student Loan Marketing Association (SLMA). 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 (e.g. coupon multipliers, reset dates, embedded options, etc.) of the investment. 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 FNMA, Government National Mortgage Association (GNMA), and 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 CDs (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:
 - i. investments made directly with another party (such as limited partnerships)
 - j. real estate
 - k. direct investments in mortgages and other loans
 - l. investments in open-ended mutual funds (keyword here is open-ended)
 - m. pools managed by other governments
 - n. 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)

What is a derivative?

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 (i.e., the potential borrowers).

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

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.

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.

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.

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 used to estimate the fair value of the derivative. Acceptable methods are discussed in Question 3.

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.

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.

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

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 resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. For example, a state may pass enabling legislation to add an amount to the automobile registration fee to be used only to fund improvement to the state highway system.

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.

IMPAIRMENT OF CAPITAL ASSETS (Additional Information for Note FF)

GASB 42 establishes accounting and financial reporting standards for impairment of capital assets and for insurance recoveries. 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 but 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.

SCHEDULE 16: COOPERATIVE ENDEAVORS

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, 2008, 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, 2008. 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, 2007. 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 endeavors 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
- Report only the cooperative endeavor that you are obligated to pay
- DO NOT REPORT – if your agency is the recipient of the cooperative endeavor
- 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 an 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 to report – record "None" on Schedule 16
2. Have cooperative endeavor 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)

INFORMATION FOR NOTE I: OTHER POST EMPLOYMENT BENEFITS (OPEB)

GASB Statement 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

ALTERNATIVE MEASUREMENT METHOD

A sole employer in a plan with fewer than one hundred total plan members (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retirees and beneficiaries currently receiving benefits) has the option to apply a simplified alternative measurement method instead of obtaining actuarial valuations. The option also is available to an agent employer with fewer than one hundred plan members, in circumstances in which the employer's use of the alternative measurement method would not conflict with a requirement that the agent multiple-employer plan obtain an actuarial valuation for plan reporting purposes. Those circumstances are:

- The plan issues a financial report prepared in conformity with the requirements of Statement 43 but is not required to obtain an actuarial valuation because (a) the plan has fewer than one hundred total plan members (all employers) and is eligible to use the alternative measurement method, or (b) the plan is not administered as a qualifying trust, or equivalent arrangement, for which Statement 43 requires the presentation of actuarial information.
- The plan does not issue a financial report prepared in conformity with the requirements of Statement 43.

This alternative method includes the same broad measurement steps as an actuarial valuation (projecting future cash outlays for benefits, discounting projected benefits to present value, and allocating the present value of benefits to periods using an actuarial cost method). However, it permits simplification of certain assumptions to make the method potentially usable by nonspecialists. The steps to use this method may be found in paragraphs 33 through 35 of GASB Statement 45 or contact your analyst at OSRAP for further assistance in implementation.

ANNUAL REQUIRED CONTRIBUTION (ARC)

- Key measure that is basis of OPEB expense recognition
- Represents the level of contribution effort necessary on an ongoing, sustained basis to
 - Cover the normal cost for each year (normal cost is the value of the portion of the ultimate benefit allocated to the current year by cost method), and
 - Amortize the unfunded actuarial liability (UAL), or the difference between the actuarial liability and plan assets (actuarial liability is the value of future plan benefits attributable to past service of members)
- In calculating UAL, due and unpaid or excess contributions should not be included in assets unless settlement is expected not more than one year after the deficiency has occurred or if excess is to be used within one year

GLOSSARY

This glossary contains definitions of certain terms; the terms may have different meanings in other contexts.

Actuarial Accrued Liability, Actuarial Liability, Accrued Liability, or Actuarial Reserve

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.

Note: The presentation of an Actuarial Accrued Liability should be accompanied by reference to the Actuarial Cost Method used; for example, by hyphenation ("Actuarial Accrued Liability—XYZ," where "XYZ" denotes the Actuarial Cost Method) or by a footnote.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarially Equivalent

Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Actuarial Cost Method or Funding Method

A procedure for determining the Actuarial Present Value of pension plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Note: An Actuarial Cost Method is understood to be a Closed Group Actuarial Cost Method unless otherwise stated.

Actuarial Gain (Loss) or Experience Gain (Loss)

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Note 1: The effect on the Actuarial Accrued Liability and/or the Normal Cost resulting from changes in the Actuarial Assumptions, the Actuarial Cost Method or pension plan provisions should be described as such, not as an Actuarial Gain (Loss).

Note 2: The manner in which the Actuarial Gain (Loss) affects future Normal Cost and Actuarial Accrued Liability allocations depends upon the particular Actuarial Cost Method Used.

Actuarial Present Value

The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

- a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.),
- b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
- c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Total Projected Benefits

Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Actuarial Valuation

The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

Actuarial Valuation Date

The date as of which an actuarial valuation is performed.

Actuarial Value of Assets or Valuation Assets

The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.

Note: The statement of Actuarial Assumptions should set forth the particular procedures used to determine this value.

Agent Multiple-Employer Plan (Agent Plan)

An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan, based on the benefit formula selected by the employer and the individual plan's proportionate share of the pooled assets. The results of the individual valuations are aggregated at the administrative level.

Aggregate Actuarial Cost Method

A method under which the excess of the Actuarial Present Value of Projected Benefits of the group included in an Actuarial Valuation over the Actuarial Value of Assets is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. That portion of the Actuarial Present Value allocated to a valuation year is called the Normal Cost. The Actuarial Accrued Liability is equal to the Actuarial Value of Assets.

Note 1: The description of this method should state the procedures used, including:

- (a) whether the allocation is based on earnings or service;
- (b) how aggregation is used in the calculation process; and
- (c) a description of any other method used to value a portion of the pension plan's benefits.

Note 2: Under this method, the Actuarial Gains (Losses), as they occur, reduce (increase) future Normal Costs.

Allocated Insurance Contract

A contract with an insurance company under which related payments to the insurance company are currently used to purchase an immediate or deferred benefit for individual members.

Amortization (of Unfunded Actuarial Accrued Liability)

That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

Annual OPEB Cost

An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual Required Contributions of the Employer (ARC)

The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.

Attained Age Actuarial Cost Method

A method under which the excess of the Actuarial Present Value of Projected Benefits over the Actuarial Accrued Liability in respect of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between the valuation date and assumed exit. The portion of this Actuarial Present Value which is allocated to a valuation year is called the Normal Cost. The Actuarial Accrued Liability is determined using the Unit Credit Actuarial Cost Method.

Note 1: The description of this method should state the procedures used, including:

- (a) whether the allocation is based on earnings or service;
- (b) where aggregation is used in the calculation process; and
- (c) a description of any other method used to value a portion of the pension plan's benefits.

Note 2: Under this method, the Actuarial Gains (Losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

Note 3: The differences which regularly arise between the Normal Cost under this method and the Normal Cost under the Unit Credit Actuarial Cost Method will affect the determination of future Actuarial Gains (Losses).

Closed Amortization Period (Closed Basis)

A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is thirty years on a closed basis, twenty-nine years remain after the first year, twenty-eight years after the second year, and so forth. In contrast, an open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, thirty years), the period may increase, decrease, or remain stable.

Contribution Deficiencies (Excess Contributions)

The difference between the annual required contributions of the employer(s) (ARC) and the employer's actual contributions in relation to the ARC.

Cost-Sharing Multiple-Employer Plan

A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members, and the same contribution rate(s) applies for each employer.

Covered Group

Plan members included in an actuarial valuation.

Covered Payroll

Annual compensation paid to active employees covered by an OPEB plan. If employees also are covered by a pension plan, the covered payroll should include all elements included in compensation on which contributions to the pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

Defined Benefit OPEB Plan

An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Defined Benefit Pension Plan

A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time. The amount specified usually is a function of one or more factors such as age, years of service, and compensation.

Defined Contribution Plan

A pension or OPEB plan having terms that (a) provide an individual account for each plan member and (b) specify how contributions to an active plan member's account are to be determined, rather than the income or other benefits the member or his or her beneficiaries are to receive at or after separation from employment. Those benefits will depend only on the amounts contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account. For example, an employer may contribute a specified amount to each active member's postemployment healthcare account each month. At or after separation from employment, the balance of the account may be used by the member or on the member's behalf for the purchase of health insurance or other healthcare benefits.

Employer's Contributions

Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

Entry Age Actuarial Cost Method or Entry Age Normal Actuarial Cost Method

A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

Note 1: The description of this method should state the procedures used, including:

- (a) whether the allocation is based on earnings or service;
- (b) where aggregation is used in the calculation process;
- (c) how entry age is established;
- (d) what procedures are used when different benefit formulas apply to various periods of service; and
- (e) a description of any other method used to value a portion of the pension plan's benefits.

Note 2: Under this method, the Actuarial Gains (Losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

Equivalent Single Amortization Period

The weighted average of all amortization periods used when components of the total unfunded actuarial accrued liability are separately amortized and the average is calculated in accordance with the parameters.

Excess Contributions (Contribution Deficiencies)

See Contribution deficiencies (excess contributions).

Frozen Attained Age Actuarial Cost Method

A method under which the excess of the Actuarial Present Value of Projected Benefits of the group included in an Actuarial Valuation, over the sum of the Actuarial Value of Assets plus the Unfunded Frozen Actuarial Accrued Liability, is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. The Unfunded Frozen Actuarial Accrued Liability is determined using the Unit Credit Actuarial Cost Method. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost.

Note 1: The description of this method should state the procedures used, including:

- (a) whether the allocation is based on earnings or service;
- (b) how aggregation is used in the calculation process; and
- (c) a description of any other method used to value a portion of the pension plan's benefits.

Note 2: Under this method, the Actuarial Gains (Losses), as they occur, reduce (increase) future Normal Costs.

Frozen Entry Age Actuarial Cost Method

A method under which the excess of the Actuarial Present Value of Projected Benefits of the group included in an Actuarial Valuation, over the sum of the Actuarial Value of Assets plus the Unfunded Frozen Actuarial Accrued Liability, is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost.

Note 1: The description of this method should state the procedures used, including:

- (a) whether the allocation is based on earnings or service;
- (b) how aggregation is used in the calculation process; and
- (c) a description of any other method used to value a portion of the pension plan's benefits.

Note 2: Under this method, the Actuarial Gains (Losses), as they occur, reduce (increase) future Normal Costs.

Funded Ratio

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Funding Excess

The excess of the actuarial value of assets over the actuarial accrued liability.

Funding Policy

The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

Healthcare Cost Trend Rate

The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Insured Benefit

An OPEB financing arrangement whereby an employer pays premiums to an insurance company, while employees are in active service, in return for which the insurance company unconditionally undertakes an obligation to pay the postemployment benefits of those employees or their beneficiaries, as defined in the employer's plan.

Investment Return Assumption (Discount Rate)

The rate used to adjust a series of future payments to reflect the time value of money.

Level Dollar Amortization Method

The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.

Level Percentage of Projected Payroll Amortization Method

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

Market-Related Value of Plan Assets

A term used with reference to the actuarial value of assets. A market-related value may be fair value, market value (or estimated market value), or a calculated value that recognizes changes in fair value or market value over a period of, for example, three to five years.

Net OPEB Obligation

The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

Normal Cost

That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Note 1: The presentation of Normal Cost should be accompanied by reference to the Actuarial Cost Method used.

Note 2: Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment).

Note 3: For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated.

Open Group/Closed Group

Terms used to distinguish between two classes of Actuarial Cost Methods. Under an Open Group Actuarial Cost Method, Actuarial Present Values associated with expected future entrants are considered; under a Closed Group Actuarial Cost Method, Actuarial Present Values associated with future entrants are not considered.

OPEB Assets

The amount recognized by an employer for contributions to an OPEB plan greater than OPEB expense.

OPEB Expenditures

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the modified accrual basis of accounting.

OPEB Expense

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

OPEB Liabilities

The amount recognized by an employer for contributions to an OPEB plan less than OPEB expense/expenditures.

OPEB-Related Debt

All long-term liabilities of an employer to an OPEB plan, the payment of which is not included in the annual required contributions of a sole or agent employer (ARC) or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan.

Open Amortization Period (Open Basis)

See Closed amortization period (closed basis).

Other Postemployment Benefits

Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Parameters

The set of requirements for calculating actuarially determined OPEB information included in financial reports.

Pay-as-You-Go

A method of financing a pension plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Payroll Growth Rate

An actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.

Pension Benefits

Retirement income and all other benefits, including disability benefits, death benefits, life insurance, and other ancillary benefits, except healthcare benefits, that are provided through a defined benefit pension plan to plan members and beneficiaries after termination of employment or after retirement. Postemployment healthcare benefits are considered other postemployment benefits, whether they are provided through a defined benefit pension plan or another type of plan.

Plan Assets

Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer(s) or plan administrator, for the payment of benefits in accordance with the terms of the plan.

Plan Members

The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

Postemployment

The period between termination of employment and retirement as well as the period after retirement.

Postemployment Healthcare Benefits

Medical, dental, vision, and other health-related benefits provided to terminated or retired employees and their dependents and beneficiaries.

Postretirement Benefit Increase

An increase in the benefits of retirees or beneficiaries granted to compensate for the effects of inflation (cost-of-living adjustment) or for other reasons. Ad hoc increases may be granted periodically by a decision of the board of trustees, legislature, or other authoritative body; both the decision to grant an increase and the amount of the increase are discretionary. Automatic increases are periodic increases specified in the terms of the plan; they are nondiscretionary except to the extent that the plan terms can be changed.

Projected Benefits

Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. That portion of an individual's Projected Benefit allocated to service to date, determined in accordance with the terms of a pension plan and based on future compensation as projected to retirement, is called the Credited Projected Benefit.

Projected Salary Increase Assumption

An actuarial assumption with respect to future increases in the individual salaries and wages of active plan members; used in determining the actuarial present value of total projected benefits when the benefit amounts are related to salaries and wages. The expected increases commonly include amounts for inflation, enhanced productivity, and employee merit and seniority.

Projected Unit Credit Actuarial Cost Method

A method under which the benefits (projected or unprojected) of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years. The Actuarial Present Value of benefits allocated to a valuation year is called the Normal Cost. The Actuarial Present Value of benefits allocated to all periods prior to a valuation year is called the Actuarial Accrued Liability.

Note 1: The description of this method should state the procedures used, including:

- (a) how benefits are allocated to specific time periods;
- (b) the procedures used to project benefits, if applicable; and
- (c) a description of any other method used to value a portion of the pension plan's benefits.

Note 2: Under this method, the Actuarial Gains (Losses), as they occur, generally reduce (increase) the Unfunded Actuarial Accrued Liability.

Public Employee Retirement System (PERS)

A state or local governmental entity entrusted with administering one or more pension plans. A PERS also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans. A PERS also may be an employer that provides or participates in a pension plan or other types of employee benefit plans for employees of the system.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Select and Ultimate Rates

Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8 percent for year 20W0, 7.5 percent for 20W1, and 7 percent for 20W2 and thereafter, then 8 percent and 7.5 percent are select rates, and 7 percent is the ultimate rate.

Single-Employer Plan

A plan that covers the current and former employees, including beneficiaries, of only one employer.

Special Termination Benefits

Benefits offered by an employer for a short period of time as an inducement to employees to hasten the termination of services. For example, to reduce payroll and related costs, an employer might offer enhanced pension benefits or OPEB to employees as an inducement to take early termination, for employees who accept the offer within a sixty-day window of opportunity.

Sponsor

The entity that established the plan. The sponsor generally is the employer or one of the employers that participate in the plan to provide benefits for their employees. Sometimes, however, the sponsor establishes the plan for the employees of other entities but does not include its own employees and, therefore, is not a participating employer of that plan. An example is a state government that establishes a plan for the employees of local governments within the state, but the employees of the state government are covered by a different plan.

Stand-Alone Plan Financial Report

A report that contains the financial statements of a plan and is issued by the plan or by the public employee retirement system that administers the plan. The term stand-alone is used to distinguish such a financial report from plan financial statements that are included in the financial report of the plan sponsor or employer (pension or other employee benefit trust fund).

Substantive Plan

The terms of an OPEB plan as understood by the employer(s) and plan members.

Terminal Funding

A method of funding a pension plan under which the entire Actuarial Present Value of benefits for each individual is contributed to the plan's fund at the time of withdrawal, retirement or benefit commencement.

Termination Offers and Benefits

Inducements offered by employers to employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination offers and benefits include special termination benefits, early-retirement incentive programs, and other termination-related benefits.

Transition Year

The fiscal year in which this Statement is first implemented.

Ultimate Rate

See Select and ultimate rates.

Unfunded Actuarial Accrued Liability, Unfunded Actuarial Liability, Unfunded Accrued Liability, or Unfunded Actuarial Reserve

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Note: This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, the excess of the Actuarial Value of Assets over the Actuarial Accrued Liability, or the Funding Excess.

Unfunded Frozen Actuarial Accrued Liability or Unfunded Frozen Actuarial Liability

An Unfunded Actuarial Accrued Liability which is not adjusted ("frozen") from one Actuarial Valuation to the next to reflect Actuarial Gains (Losses) under certain Actuarial Cost Methods. Generally, this amount is adjusted by any increments or decrements in Actuarial Accrued Liability due to changes in pension plan benefits or Actuarial Assumptions subsequent to the date it is frozen. Adjustments are made from one Actuarial Valuation to the next to reflect the addition of interest and deduction of Amortization Payments.

Unprojected Unit Credit Actuarial Cost Method

See Projected Unit Credit Actuarial Cost Method

Year-Based Assumptions

See Select and ultimate rates.

REVENUES – PLEDGED OR SOLD (GASB 48) (Additional information for Note)

FUTURE REVENUES REPORTED AS A SALE

A transaction in which an agency/entity receives proceeds in exchange for cash flows from specific future revenues should be reported as a sale if the agency/entity's continuing involvement with those revenues meets all of the following criteria:

- a. The agency/entity does not maintain an active involvement in the future generation of those revenues.
- b. The transferee's ability to subsequently sell or pledged the future cash flows is not significantly limited by constraints imposed by the agency/entity either in the transfer agreement or through other means.
- c. The cash resulting from collection of the future revenues has been isolated from the agency/entity. Generally, banking arrangements should eliminate access by the agency/entity to the cash generated by collecting the future revenues. Access is eliminated when the revenues are received directly by the transferee or are deposited directly into a custodial account maintained for the benefit of the transferee. However, if the agency/entity is required to remain as the recipient, (1) the cash payments to the transferee should be made only from the resources generated by the specific revenue or receivable rather than from the agency/entity own resources and (2) the cash collected should be remitted to the transferee without significant delay.
- d. The contract, agreement, or other arrangement between the original resource provider and the agency/entity does not prohibit the transfer or assignment of those resources.
- e. The sale agreement is not cancelable by either party, including cancellation through payment of a lump sum or transfer of other assets or rights.

The agency/entity may cease active involvement in the generation of specific revenues yet remain involved with those revenues in some manner. *Active involvement generally requires a substantive action or performance by the government.* Agency/entity should determine whether the *primary or fundamental* activity or process that generates the specific revenue requires continuing active involvement. The criteria for active involvement in the future generation of revenues include the following:

- a. The agency/entity produces or provides the goods or services that are exchanged for the revenues.
- b. The agency/entity levies or assesses taxes, fees, or charges and can directly influence the revenue base or the rate(s) applied to that base to generate the revenues.
- c. The agency/entity is required to submit applications for grants or contributions from other governments, organizations, or individuals to obtain the revenues.
- d. The agency/entity is required to meet grant or contribution performance provisions to qualify for those revenues.

The agency/entity may remain associated with the specific revenues in ways that do not constitute the primary or fundamental activity that generates the revenues and thus would be considered to have a passive involvement in the generation of those revenues. Activities that would be considered passive involvement include the following:

- a. Holding title to revenue-producing assets (leases, rents, or royalty income)
- b. Owning a contractual right to a stream of future revenues (tobacco settlement revenues)
- c. Satisfying the "required characteristics" eligibility criterion in paragraph 20 of GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*
- d. Agreeing to refrain from specified acts or transactions (agreeing to noncompetition restrictions)

If the criteria required for sale reporting are not met (as described above and in GASB Statement No. 48, paragraphs 6-9) a transaction should be reported as a collateralized borrowing.