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

Financial Statement Report
for the Year Ended June 30, 2013
Issued December 26, 2013

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DARYL G. PURPERA, CPA, CFE

December 16, 2013

Independent Auditor's Report

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Louisiana State University (LSU) System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries, the Eunice Student Housing Foundation, Inc., and the Health Care Services Foundation and its subsidiary, which are nonprofit corporations included as blended component units in the basic financial statements representing approximately 1.8% of total assets, 1.8% of total liabilities, 2.7% of total revenues, and 2.6% of total expenses of the LSU System. We also did not audit the financial statements of the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Center Foundation in Shreveport, and The Foundation for the LSU Health Sciences Center, which are all of the discretely presented component units presented in the basic financial statements of the LSU System. The financial statements of the blended and discretely presented component units were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Center Foundation in Shreveport were audited in accordance with standards generally accepted in the United States of America but were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the LSU System as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in notes 1 and 31 to the basic financial statements, the LSU System experienced a change in entity during fiscal year 2013. The Health Care Services Division (HCSD) implemented public/private partnerships for five of the seven hospitals within HCSD during the fiscal year ended June 30, 2013, and one additional partnership is scheduled for implementation in early 2014. The expected effects of these partnerships on future financial statements are a decrease in salaries and related benefits expenses and a change in the nature of HCSD's revenues and expenses. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 7 through 17 and the Schedule of Funding Progress for the Other Postemployment Benefits Plans on page 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LSU System's basic financial statements. The accompanying supplementary information schedules including the Combining Schedule of Net Position; the Combining Schedule of Revenues, Expenses, and Changes in Net Position; and the Combining Schedule of Cash Flows on pages 87 through 102 are presented for the purposes of additional analysis and are not required parts of the basic financial statements.

These schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the reports of other auditors, the schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the LSU System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LSU System's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

CST:JPT:EFS:THC:ch

LSU 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following discussion and analysis has been prepared by management and is written to provide an overview of the financial position and activities of the Louisiana State University System (System) for the year ended June 30, 2013. It should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

The System applies GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement addresses which support organizations, such as foundations, should be included as component units and how these component units should be presented in the financial statements. The State of Louisiana has set a threshold for including component units if the potential component unit's assets equal 3% or more of the total assets of the university system it supports. A component unit that falls below this threshold may be excluded if it has been included in the financial report for at least three consecutive years and currently does not meet the reporting threshold.

The System has four foundations that will be discretely presented in its financial statements. These are the LSU Foundation, the Tiger Athletic Foundation, and The Foundation for the LSU Health Sciences Center (New Orleans) and the LSU Health Sciences Foundation in Shreveport. The financial data of each of these foundations is presented separately in a Statement of Financial Position and a Statement of Activities. Additional information about the foundations is contained in the notes to the financial statements.

BACKGROUND

The System is the state's flagship system. It is also one of the most diverse and comprehensive higher education systems in the country. Headcount enrollment during the fall 2012 semester was 43,942, which was an increase from the 43,522 reported in the previous year.

Degrees conferred by System campuses range from associate degree to doctor of philosophy. In addition, professional degrees in law, veterinary medicine, medicine, dentistry, and the complete spectrum of Allied Health professions are conferred.

The System also includes such dedicated centers as the Pennington Biomedical Research Center, which specializes in nutrition research and preventive medicine, and the LSU Agricultural Center, which plays a vital and integral role in supporting the state's agricultural industries, sustaining rural areas, and encouraging efficient use of resources through research and educational programs conducted by its 20 experiment stations and extension service.

The System was charged with the responsibility of administering 10 public hospitals. These hospitals are the primary source of health care services for the indigent population of the state and account for over one million in-patient and out-patient visits each year. In addition, these hospitals are used by the LSU Health Sciences Centers as teaching hospitals wherein the medical and dental faculty and medical education students are used to provide the necessary medical care to patients.

As of the end of the fiscal year, it was decided that the LSU System would be removed from the management of most of the public hospitals and instead would be transitioning into public-private partnerships. This major transformation of public healthcare in Louisiana occurred in a span of 12 months, beginning in July 2012, when Congress reduced the state's disaster-recovery Federal Medical Assistance Percentage (FMAP) rate from 71.92 percent to a projected 65.51 percent, the lowest reimbursement rate Louisiana has had in more than 25 years. The FMAP was a major source of funding for the hospitals. Congress made the cut to correct a mistake in calculation that had given Louisiana the higher rate.

Under cooperative endeavor agreements, the Interim LSU Public Hospital in New Orleans is now under the management of Louisiana Children's Medical Center (LCMC). LCMC will also manage the new University Medical Center once construction is complete. Leonard J. Chabert Medical Center in Houma has joined with Terrebonne General Medical Center and Southern Regional Medical Center, which will deliver services through the Ochsner Health System. University Medical Center in Lafayette has partnered with Lafayette General Medical Center. W.O. Moss Regional Medical Center in Lake Charles has closed as an inpatient facility and has transferred its services to Lake Charles Memorial Health System, which will operate clinics on the Moss campus.

Earl K. Long Medical Center in Baton Rouge closed in April 2013 when LSU Health Baton Rouge began its partnership with Our Lady of the Lake Regional Medical Center. In October 2013, E.A. Conway Medical Center in Monroe and LSU Medical Center in Shreveport will join with the nonprofit Biomedical Research Foundation of Northwest Louisiana.

In early 2014, Bogalusa Medical Center will begin a partnership with Franciscan Missionaries of Our Lady Health System and before the end of the FY 2013-2014 fiscal year, Huey P. Long Medical Center will close and transfer its services under a partnership with Christus St. Frances Cabrini Hospital and Rapides Regional Medical Center.

Currently, the Lallie Kemp Medical Center in Independence will remain under the management of the LSU System.

FINANCIAL HIGHLIGHTS

GENERAL

Total operating revenues decreased from the prior fiscal year by approximately $187 million, while operating expenses declined by approximately $117 million, thereby increasing the operating loss by $70 million. The operating loss for fiscal year 2013 was $851 million; the operating loss for fiscal year 2012, restated, was $781 million.

The main decrease in operating revenue occurred at the Health Care Service Division hospitals due to closure of the Earl K. Long Medical Center in April 2013 and the impending public private partnership agreements for the four additional hospitals effective in June 2013. This decrease was approximately $313.1 million, but was offset by operating revenue increases at the LSU and related campuses mainly due to increased tuition and fee authority, increased grants and contracts and auxiliary revenue, and at LSU Health Science Center in Shreveport and related campuses due to adjustments in prior cost reports. The increase in tuition and fee revenue is attributable to the LA Granting Resources and Autonomy for Diplomas Act. In exchange for a commitment to meet clearly defined statewide performance goals, including boosting graduation rates, the universities were given increased autonomy and flexibility including authority to increase tuition and fees by up to 10 percent.

If you include nonoperating revenues and expenses, the System shows a loss before other revenues, expenses, gains, and losses of $338.6 million for fiscal year 2012-2013. This represents a significant change from the $233.1 million restated loss posted in the previous year. The increase in the loss before other revenues, expenses, gains, and losses can be attributed to nonoperating revenue which decreased by approximately $36 million as well as the increase in the operating loss described above. This decrease in net nonoperating revenue occurred despite an increase in state appropriations of $267 million for the public private partnership agreements because of large decreases in other state appropriations and investment income due to a significant shift in market appreciation between FY 12 and FY 13. In addition, other revenues, expenses, gains, and losses increased by $128 million from the prior year mainly due to the capital appropriation for the new University Medical Center of New Orleans. Thus, overall net position, which represents the residual interests in the System's assets after liabilities are deducted, decreased by $22 million from the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

Net position is divided into three major categories.

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

Restricted net position - represents the university system's assets that are available for spending only as legally or contractually obligated by legislative requirements, donor agreements, grant requirements, etc.

Unrestricted net position - represents the university system's assets that may be used at the discretion of the governing board to meet current expenses and for any lawful purpose.

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

- The assets available to continue the operations of the System
- The liabilities of the System which include the amount owed vendors and lending institutions
- The net position and availability of assets for use by the System

Current assets total $1.1 billion and consist primarily of cash and cash equivalents, net receivables, investments, amounts due from federal government, and inventories. Current liabilities total $457 million and consist mainly of accounts payable and accrued liabilities, deferred revenues, notes payable, the current portion of bonds payable, capital lease obligations, and a contingent amount for compensated absences.

Noncurrent assets total $2.7 billion and include capital assets of $2.1 billion. Other noncurrent assets primarily include cash and investments that are externally restricted to make debt service payments or to maintain sinking or reserve funds that total $686.3 million.

Noncurrent liabilities total $1.7 billion and include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; (3) the other postemployment benefits (OPEB) liability; and (4) other liabilities that while scheduled to be paid within one year are to be paid from funds classified as noncurrent assets.

Restricted nonexpendable net position totals $204 million and consists of endowment and similar type funds, which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained intact and invested for the purpose of producing income that may either be expended or added to principal.

Restricted expendable net position totals $418 million and includes resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

A summarized listing of the System's assets, liabilities, and net position at June 30, 2013, and June 30, 2012, (restated) is shown on the following page.

Statement of Net Position

	As of			
	June 30, 2013	June 30, 2012 (Restated)	Change	Percentage Change
Assets:				
Current assets	$1,138,149,321	$1,174,016,073	($35,866,752)	(3.1%)
Capital assets	2,057,387,702	1,806,986,363	250,401,339	13.9%
Other assets	686,265,368	426,224,216	260,041,152	61.0%
Total Assets	3,881,802,391	3,407,226,652	474,575,739	13.9%
Liabilities:				
Current liabilities	456,672,395	374,931,401	81,740,994	21.8%
Noncurrent liabilities	1,650,801,561	1,236,063,582	414,737,979	33.6%
Total Liabilities	2,107,473,956	1,610,994,983	496,478,973	30.8%
Net Position:				
Net investment in capital assets	1,655,523,920	1,415,561,819	239,962,101	17.0%
Restricted - nonexpendable	203,528,748	188,048,316	15,480,432	8.2%
Restricted - expendable	417,629,897	308,767,109	108,862,788	35.3%
Unrestricted	(502,354,130)	(116,145,575)	(386,208,555)	332.5%
Total Net Position	$1,774,328,435	$1,796,231,669	($21,903,234)	(1.2%)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position displays information on how the System's net position changed as a result of current year operations. This statement presents the revenues received by the System, both operating and nonoperating, the expenses paid by the System, operating and nonoperating, and capital grants, contributions and other net inflows or outflows.

Generally, operating revenues are received for providing goods and services to various customers and constituencies of the System. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the System. Nonoperating revenues are revenues received for which goods and services are not provided as an exchange transaction. For example, state appropriations are required to be reported as nonoperating because they are provided by the Legislature to the System without the Legislature directly receiving commensurate goods and services for those revenues.

The consolidated Statement of Revenues, Expenses, and Changes in Net Position at June 30, 2013, for the System indicates a net operating loss of $851 million determined without including state appropriations, gifts, or investment earnings and before subtracting interest expenses on debt. As mentioned earlier, the net operating loss increased from the prior year by $70 million. While operating revenues decreased by $187 million, the loss was exasperated because operating expenses only decreased by $117 million.

After including nonoperating revenues such as state appropriations ($767 million), gifts ($44 million), federal nonoperating revenues ($45 million), investment income ($10 million), and after subtracting interest expense ($21 million) and other nonoperating expenses ($340 million), the System had a loss before other revenues, expenses, gains or losses of $339 million.

Summarized below is the Statement of Revenues, Expenses, and Changes in Net Position.

Statement of Revenues, Expenses, and Changes in Net Position

	As of			
	June 30, 2013	June 30, 2012 (Restated)	Change	Percentage Change
Operating revenues	$2,116,133,141	$2,302,788,415	($186,655,274)	(8.1%)
Operating expenses	2,967,469,003	3,084,080,046	(116,611,043)	(3.8%)
Operating loss	(851,335,862)	(781,291,631)	(70,044,231)	9.0%
Nonoperating revenues (expenses)	512,688,329	548,207,537	(35,519,208)	(6.5%)
Loss before other revenues, expenses, gains, and losses	(338,647,533)	(233,084,094)	(105,563,439)	45.3%
Other revenues, expenses, gains, and losses	316,744,299	188,929,314	127,814,985	67.7%
(Decrease) in net position	(21,903,234)	(44,154,780)	22,251,546	(50.4%)
Net position at beginning of year - restated	1,796,231,669	1,840,386,449	(44,154,780)	(2.4%)
Net position at end of year	$1,774,328,435	$1,796,231,669	($21,903,234)	(1.2%)

Operating Revenues

Operating revenues for the System totaled $2.1 billion at June 30, 2013. Major components of operating revenues are hospital income, representing 45.5% of the total; sales and services of educational departments, representing 9.5%; and net tuition and fees, representing 15.1% of the total. Funds from the federal government inclusive of operating American Recovery and Reinvestment Act (ARRA) funds totaled $181 million and represented 8.6% of the total.

As of June 30, 2013, hospital income had decreased by $243.0 million from the previous year. In addition, net tuition and fees increased by 10.6% or approximately $30.4 million mainly because of increases authorized under the LA Granting Resources and Autonomy for Diplomas Act which allows a 10% increase in resident tuition and fees and a 15% increase in non-resident tuition and fees.

The following table summarizes the System's operating revenues for the years ending June 30, 2013, and June 30, 2012 (restated).

Operating Revenues (in millions)

	As of			
	June 30, 2013	June 30, 2012 (Restated)	Change	Percentage Change
Tuition and fees, net	$318.5	$288.1	$30.4	10.6%
Grants and contracts	408.1	390.5	17.6	4.5%
Federal appropriations	14.9	11.2	3.7	33.0%
Sales and services of educational departments	202.0	209.5	(7.5)	(3.6%)
Auxiliary enterprises, net	190.0	178.0	12.0	6.7%
Hospital income	961.8	1,204.8	(243.0)	(20.2%)
Other	20.8	20.7	0.1	0.5%
Total operating revenues	$2,116.1	$2,302.8	($186.7)	(8.1%)

Operating Expenses

Total operating expenses for the System amounted to approximately $3 billion as of June 30, 2013. Hospital expenses represented 38.1% of all operating expenses and represented the largest functional component. Other major components are instructional expenses, 17.3%; research expenses, 11.5%; and public service expenses, 11.6%. Shown in tabular format is a summary of the System's operating expenses for the fiscal year ended June 30, 2013 with comparative totals for the year ended June 30, 2012 (restated).

Operating Expenses (in millions)

	As of			
	June 30, 2013	June 30, 2012 (Restated)	Change	Percentage Change
Instruction	$514.7	$509.0	$5.7	1.1%
Research	340.7	342.8	(2.1)	(0.6%)
Public service	344.8	343.8	1.0	0.3%
Academic support	121.2	117.8	3.4	2.9%
Student services	37.7	36.6	1.1	3.0%
Institutional support	118.5	123.1	(4.6)	(3.7%)
Operation and maintenance of plant	148.8	156.5	(7.7)	(4.9%)
Scholarships and fellowships	39.1	44.1	(5.0)	(11.3%)
Auxiliary enterprises	171.8	158.5	13.3	8.4%
Hospital	1,130.2	1,251.9	(121.7)	(9.7%)
Total operating expenses	$2,967.5	$3,084.1	($116.6)	(3.8%)

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2013, the System had $2.1 billion invested in a broad range of capital assets including land, buildings and improvements, equipment, and infrastructure, which is net of accumulated depreciation of $1.9 billion (see table below).

Capital Asset Summary

	As of			
	June 30, 2013	June 30, 2012 (Restated)	Change	Percentage Change
Capital assets not being depreciated	$673,139,495	$479,701,401	$193,438,094	40.3%
Other Capital Assets:				
Infrastructure	43,463,901	42,864,565	599,336	1.4%
Land improvements	100,562,057	99,452,858	1,109,199	1.1%
Buildings	2,089,800,827	1,958,685,295	131,115,532	6.7%
Equipment	1,070,341,760	1,068,690,739	1,651,021	0.2%
Intangibles	21,282,248	20,991,710	290,538	1.4%
Total Other Capital Assets	3,325,450,793	3,190,685,167	134,765,626	4.2%
Total cost of capital assets	3,998,590,288	3,670,386,568	328,203,720	8.9%
Less accumulated depreciation	(1,941,202,586)	(1,863,400,205)	(77,802,381)	4.2%
Capital assets, net	$2,057,387,702	$1,806,986,363	$250,401,339	13.9%

Capital assets not being depreciated total $673.1 million. This represents land, capitalized collections, and construction-in-progress.

Capital additions at the LSU Health Sciences Center New Orleans for fiscal year 2012-2013 included a $2.6 million renovation to the Medical School Building; a $1.9 million Dental School Snack Bar; $8.0 million in construction of the new Human Development Center; a $1.5 million renovation to the Nursing Allied Health Building; and a $1.4 million Neuroscience Spectrometry System.

At the LSU Health Sciences Center Shreveport capital additions for fiscal year 2012-2013 included $500,000 for a Radiology Fluoroscopy Suite and $1.5 million for a Radiology Special Procedures Cardiovascular System.

Major capital expenditures at the Health Care Services Division for fiscal year 2012-2013 included construction-in-progress for the new University Medical Center of New Orleans; Urgent Care Clinic, Surgical Facility Renovation, and a CT machine at Earl K. Long Medical Center; window replacement at Leonard J. Chabert; air duct replacement at University Medical Center in Lafayette; and renovation to headquarters for the Health Care Services Division and the Earl K. Long administration building.

At LSU, major capital expenditures that were recorded in fiscal year 2012-2013 were $4.8 million for the Choppin Hall Annex; $4.5 million for the Business Education Complex; $6.8 million for the parking garage; $2.7 million for the residential College; $3.5 million for the Laville Honors College renovations; $7.4 million for the Annie Boyd Hall renovation; $4.4 million for the South Campus land acquisition; $2.8 million for the Veterinary Medicine Large Animal Disease Isolation Unit; $2.2 million for the Central Utility Building Cooling Towers/Chillers; $1.7 million for the University Recreation expansion; $1.2 million for the Engineering Lab Annex Building Environmental Labs; and $1.1 million for the Golf Practice Facility at the University Club.

In addition, other capital major expenditures included:

- LSU Eunice - $1.6 million for the Community Education building
- Pennington Biomedical Research Center - $3.2 million Building D Clinic renovation
- Pennington Biomedical Research Center - $1.8 million for Central Utilities and Storage Building
- LSU AgCenter - $10.5 million for the Animal/Food Science Renovation Phase 2 project

LONG-TERM DEBT

At June 30, 2013, the System had $512.4 million in bonds outstanding, $3.0 million in notes payable outstanding, $34.6 million in capital lease obligations outstanding and $757.0 million in OPEB obligations. Bonds outstanding increased from June 30, 2012 mainly due to LSU and A&M College issuing $101,180,000 of its auxiliary revenue bonds (Series 2013) that were approved on March 18, 2013, for the purpose of providing funds to (i) finance or reimburse the costs of the planning, design, acquisition, construction and equipping of expansions and additions to the University Recreation Center, (ii) a portion of the planning, design, acquisition, construction, and equipping of a New Residence Hall, and (iii) the planning and design of the acquisition, construction, and equipping of renovations to Evangeline Residence Hall, (iv) fund a deposit to the Series 2013 capitalized interest account, and (v) pay cost of issuance. The OPEB liability increased by approximately $85.6 million as the actuarial computed cost of retiree health care continues to exceed the amount currently funded.

ECONOMIC OUTLOOK

As Louisiana's economy declined, the state imposed several budget reductions to the LSU System since the beginning of fiscal year (FY) 2008-2009. A mid-year budget reduction that occurred in FY 2008-2009 has since been followed by beginning of the year reductions in FY 2009-2010, FY 2010-2011, FY 2011-2012, and FY 2012-2013, mid-year reductions in FY 2009-2010, FY 2010-2011, FY 2011-2012, and FY 2012-13 in addition to end of the year reductions in FY 2009-2010 and FY 2011-2012. These reductions were mitigated to some extent by a combination of additional state support from one time funds, federal stimulus funds, and additional authority to increase student tuition and fees.

On the healthcare side, in July 2012, it was announced by the Governor’s Office, the Division of Administration, and the Department of Health and Hospitals that the LSU Health System of Hospitals would receive significant budget reductions because of actions taken by the U.S. Congress as part of the RESTORE Act. Congress’s action resulted in a decrease to the state’s disaster-recovery Federal Medical Assistance Percentage (FMAP) rate from 71.92% to a projected 65.51%, the lowest reimbursement rate Louisiana has had in more than 25 years. Unfortunately, the FY 2012-2013 budget was built on the higher rate.

This action essentially reduced funding to the Medicaid program for FY 2012-2013 by $287.1 million in state general funds. As mentioned above, this necessitated a change in the makeup and management of the public hospitals.

CONTACTING LOUISIANA STATE UNIVERSITY SYSTEM’S MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, investors and creditors with a general overview of the Louisiana State University System’s finances and to show the Louisiana State University System’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at 3810 West Lakeshore Drive, Suite 126, Baton Rouge, Louisiana 70808.

Statement A

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Position, June 30, 2013

ASSETS	
Current Assets:	
Cash and cash equivalents (note 2)	$218,651,795
Investments (note 3)	427,956,008
Receivables, net (note 4)	265,385,272
Due from state treasury, net (note 15)	168,845,659
Due from federal government, net (note 4)	18,688,625
Inventories	22,076,348
Deferred charges and prepaid expenses	11,852,891
Notes receivable	2,839,115
Other current assets	1,853,608
Total current assets	1,138,149,321
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents (note 2)	151,798,339
Investments (note 3)	359,477,968
Notes receivable	23,581,940
Other restricted assets	148,103,272
Investments (note 3)	2,531,213
Other noncurrent assets	772,636
Capital assets, net (note 5)	2,057,387,702
Total noncurrent assets	2,743,653,070
Total assets	3,881,802,391
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities (note 7)	288,551,829
Deferred revenues	106,049,778
Amounts held in custody for others	8,976,849
Compensated absences (notes 11 and 14)	33,055,879
Capital lease obligations (note 14)	3,439,571
Notes payable (note 14)	537,109
Bonds payable (note 14)	14,216,048
Other current liabilities	1,845,332
Total current liabilities	456,672,395

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Position, June 30, 2013

LIABILITIES (CONT.)	
Noncurrent Liabilities:	
Compensated absences (notes 11 and 14)	$84,938,152
Capital lease obligations (note 14)	31,190,291
Notes payable (note 14)	2,483,097
Other postemployment benefits payable (notes 9 and 14)	756,992,235
Bonds payable (note 14)	498,212,165
Deferred revenues - advance lease payments (note 14)	276,173,711
Other noncurrent liabilities (note 14)	811,910
Total noncurrent liabilities	1,650,801,561
Total liabilities	2,107,473,956
NET POSITION	
Net investment in capital assets	1,655,523,920
Restricted for:	
Nonexpendable (note 16)	203,528,748
Expendable (note 16)	417,629,897
Unrestricted	(502,354,130)
Total net position	1,774,328,435
TOTAL LIABILITIES AND NET POSITION	$3,881,802,391

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

COMPONENT UNITS
Statement of Financial Position, June 30, 2013

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Foundations
ASSETS					
Current Assets:					
Cash and cash equivalents (note 2)	$15,720,644	$1,977,865	$4,482,277	$1,861,564	$24,042,350
Restricted cash and cash equivalents (note 2)		41,945,426			41,945,426
Investments (note 3)	6,378,830	980,683	25,496,761	5,727,447	38,583,721
Accrued interest receivable	569,369				569,369
Accounts receivable, net	747,093	1,033,381	419,891	458,953	2,659,318
Unconditional promises to give (note 28)	6,796,551	11,931,793	1,200	28,300	18,757,844
Deferred charges and prepaid expenses		923,589			923,589
Other current assets	149,157	22,973,976	595,179		23,718,312
Total current assets	30,361,644	81,766,713	30,995,308	8,076,264	151,199,929
Noncurrent Assets:					
Restricted assets:					
Cash and cash equivalents (note 2)		3,043,021	566,368	3,579,822	7,189,211
Investments (note 3)	501,977,134	65,605,891		161,023,929	728,606,954
Other	2,451,173				2,451,173
Investments (note 3)	17,189,146		86,949,601		104,138,747
Unconditional promises to give (note 28)	6,958,089	7,526,381	3,150		14,487,620
Property and equipment, net (note 5)	8,044,967	142,345,124	7,753,826	4,325,530	162,469,447
Other noncurrent assets	799,231	67,180,246		22,428	68,001,905
Total noncurrent assets	537,419,740	285,700,663	95,272,945	168,951,709	1,087,345,057
Total assets	$567,781,384	$367,467,376	$126,268,253	$177,027,973	$1,238,544,986
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	$3,449,702	$2,385,815	$808,527	$2,077,294	$8,721,338
Deferred revenues		21,744,013			21,744,013
Amounts held in custody for others (note 26)	17,915,739	9,214,688	6,975	62,560,128	89,697,530
Compensated absences payable (note 14)	280,782				280,782
Current portion of notes payable (note 14)	539,483			110,563	650,046
Current portion of bonds payable (note 14)	628,395	3,840,000	93,250		4,561,645
Other current liabilities	18,538	29,421			47,959
Total current liabilities	22,832,639	37,213,937	908,752	64,747,985	125,703,313
Noncurrent Liabilities:					
Amounts held in custody for others (note 26)	100,300,853		24,482,054		124,782,907
Notes payable (note 14)	2,189,284	808,731		424,432	3,422,447
Bonds payable (note 14)	4,966,605	117,885,000	1,004,251		123,855,856
Deferred revenues (note 14)		70,803,749			70,803,749
Other noncurrent liabilities	63,300	8,180,201			8,243,501
Total noncurrent liabilities	107,520,042	197,677,681	25,486,305	424,432	331,108,460
Total liabilities	130,352,681	234,891,618	26,395,057	65,172,417	456,811,773

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Financial Position, June 30, 2013

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Foundations
NET ASSETS					
Unrestricted	$37,001,311	$76,205,529	$13,203,201	$13,156,330	$139,566,371
Temporarily restricted (note 16)	186,302,576	46,235,601	39,695,536	86,586,654	358,820,367
Permanently restricted (note 16)	214,124,816	10,134,628	46,974,459	12,112,572	283,346,475
Total net assets	437,428,703	132,575,758	99,873,196	111,855,556	781,733,213
Total liabilities and net assets	$567,781,384	$367,467,376	$126,268,253	$177,027,973	$1,238,544,986

*As of December 31, 2012

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013

OPERATING REVENUES	
Student tuition and fees	$385,768,316
Less scholarship allowances	(67,278,238)
Net student tuition and fees	318,490,078
Federal appropriations	14,878,315
Federal grants and contracts	166,212,968
State and local grants and contracts	84,472,645
Nongovernmental grants and contracts	157,399,556
Sales and services of educational departments	202,007,992
Hospital income	961,820,391
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 24)	206,402,782
Less scholarship allowances	(16,358,640)
Net auxiliary revenues	190,044,142
Other operating revenues	20,807,054
Total operating revenues	2,116,133,141
OPERATING EXPENSES	
Educational and general:	
Instruction	514,649,932
Research	340,712,923
Public service	344,797,972
Academic support	121,214,580
Student services	37,720,179
Institutional support	118,538,036
Operation and maintenance of plant	148,748,231
Scholarships and fellowships	39,138,319
Auxiliary enterprises	171,802,004
Hospital	1,130,146,827
Total operating expenses	2,967,469,003
Operating Loss	(851,335,862)

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Position, June 30, 2013

NONOPERATING REVENUES (Expenses)	
State appropriations	$766,539,225
Gifts	44,028,693
Federal nonoperating revenues	44,868,158
American Recovery and Reinvestment Act revenues	8,153,259
Net investment income	10,109,883
Interest expense	(21,130,638)
Other nonoperating expenses	(339,880,251)
Net nonoperating revenues	512,688,329
Loss Before Other Revenues, Expenses, Gains, and Losses	(338,647,533)
Capital appropriations	312,589,524
Capital gifts and grants	9,208,618
Additions to permanent endowments	11,518,490
Other deductions, net	(16,572,333)
Change in Net Position	(21,903,234)
Net Position at Beginning of Year, Restated (note 17)	1,796,231,669
Net Position at End of Year	$1,774,328,435

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2013

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Foundations
Changes in unrestricted net assets:					
Contributions	$1,762,121	$24,046,271	$10,351	$586,506	$26,405,249
Investment earnings (loss), net	5,218,343	826,378	2,297,213	554,242	8,896,176
Grants and contracts			5,422,677		5,422,677
Service fees	1,068,607		1,411,543	2,091,788	4,571,938
Other revenues	200	7,238,670	367,769	66,843	7,673,482
Total unrestricted revenues	8,049,271	32,111,319	9,509,553	3,299,379	52,969,522
Net assets released from restrictions:					
Reclassification in net assets				(77,027)	(77,027)
Satisfaction of program expenses	28,516,032	10,049,531	6,716,808	5,786,246	51,068,617
Total unrestricted revenues and other support	36,565,303	42,160,850	16,226,361	9,008,598	103,961,112
Expenses:					
Amounts paid to benefit Louisiana State University for:					
Projects specified by donors	25,267,669		4,921,600	5,786,246	35,975,515
Projects specified by the Board of Directors	1,919,526	8,418,330		1,622,693	11,960,549
Other:					
Grants and contracts			1,581,972		1,581,972
Property operations			58,875	150,438	209,313
Other		9,466,785	154,361	36,425	9,657,571
Total program expenses	27,187,195	17,885,115	6,716,808	7,595,802	59,384,920
Supporting services:					
Salaries and benefits	2,565,428	2,006,480	704,005	690,939	5,966,852
Occupancy	153,034	169,854	33,901	45,571	402,360
Office operations	482,653	129,099	173,602	55,097	840,451
Travel	58,339	122,298	464	5,515	186,616
Professional services	666,226	73,306	571,136	329,438	1,640,106
Dues and subscriptions	62,594	30,680	67,689	7,130	168,093
Meetings and development	18,329	23,263	123,711	62,413	227,716
Depreciation	27,954		1,591	72,922	102,467
Other		2,122,440	256,119	1,818	2,380,377
Total supporting services	4,034,557	4,677,420	1,932,218	1,270,843	11,915,038
Fund-raising expenses	3,776,120	1,623,959	NONE	119,351	5,519,430
Total expenses	34,997,872	24,186,494	8,649,026	8,985,996	76,819,388
Increase in unrestricted net assets	1,567,431	17,974,356	7,577,335	22,602	27,141,724

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2013

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Foundations
Changes in temporarily restricted net assets:					
Contributions	$23,907,508	$23,073,388	$4,684,165	$4,728,817	$56,393,878
Investment earnings	25,665,151	791,058	8,393,721	9,051,967	43,901,897
Changes in value of split interest agreements	39,660				39,660
Other	70,534		(5,326)		65,208
Total temporarily restricted revenues	49,682,853	23,864,446	13,072,560	13,780,784	100,400,643
Net assets released from restrictions:					
Reclassification in net assets				666,944	666,944
Satisfaction of program expenses	(28,505,423)	(10,049,531)	(6,716,808)	(5,666,879)	(50,938,641)
Increase in temporarily restricted net assets	21,177,430	13,814,915	6,355,752	8,780,849	50,128,946
Changes in permanently restricted net assets:					
Contributions	6,495,268	939,853	854,530	120,500	8,410,151
Investment earnings	64			1,395,112	1,395,176
Other	57,541				57,541
Net assets released from restrictions:					
Reclassification in net assets				(589,917)	(589,917)
Released from donor restrictions	(10,609)			(119,367)	(129,976)
Increase in permanently restricted net assets	6,542,264	939,853	854,530	806,328	9,142,975
Increase in net assets	29,287,125	32,729,124	14,787,617	9,609,779	86,413,645
Net assets at beginning of year	408,141,578	99,846,634	85,085,579	102,245,777	695,319,568
Net assets at end of year	$437,428,703	$132,575,758	$99,873,196	$111,855,556	$781,733,213

*For the year ended December 31, 2012

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Year Ended June 30, 2013

Cash flows from operating activities	
Student tuition and fees	$324,761,166
Federal appropriations	11,805,566
Grants and contracts	404,243,414
Sales and services of educational departments	204,326,091
Hospital income	962,609,169
Auxiliary enterprise receipts	190,076,664
Payments for employee compensation	(1,467,105,460)
Payments for benefits	(450,845,118)
Payments for utilities	(48,893,253)
Payments for supplies and services	(619,786,165)
Payments for scholarships and fellowships	(40,212,270)
Loans to students	(4,761,910)
Collection of loans to students	3,617,823
Other receipts	18,668,610
Net cash used by operating activities	(511,495,673)
Cash flows from noncapital financing activities	
State appropriations	489,413,844
Gifts and grants for other than capital purposes	43,642,581
Private gifts for endowment purposes	6,350,160
Taylor Opportunity Program for Students receipts	74,637,194
Taylor Opportunity Program for Students disbursements	(74,629,252)
Federal Emergency Management Association receipts	11,897,467
Federal Emergency Management Association disbursements	(3,827,109)
American Recovery and Reinvestment Act receipts	8,153,259
Direct lending receipts	192,779,751
Direct lending disbursements	(192,780,854)
Other disbursements	(123,187,228)
Net cash provided by noncapital financing activities	432,449,813
Cash flows from capital financing activities	
Proceeds from capital debt	142,795,000
Capital gifts and grants received	6,891,123
Proceeds from sale of capital assets	143,497
Purchase of capital assets	(87,614,596)
Principal paid on capital debt and leases	(66,724,518)
Interest paid on capital debt and leases	(21,629,499)
Other uses	(3,824,253)
Net cash used by capital financing activities	(29,963,246)

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash flows from investing activities	
Proceeds from sales and maturities of investments	$326,204,024
Interest received on investments	25,723,634
Purchase of investments	(389,794,144)
Net cash used by investing activities	(37,866,486)
Net decrease in cash and cash equivalents	(146,875,592)
Cash and cash equivalents at the beginning of the year (restated)	517,325,726
Cash and cash equivalents at the end of the year	$370,450,134
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	($851,335,862)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	123,772,358
Changes in assets and liabilities:	
(Increase) in accounts receivable	(289,114,768)
Decrease in inventories	14,518,212
(Increase) in deferred charges and prepaid expenses	(320,118)
(Increase) in notes receivable	(550,639)
Decrease in other assets	114,567
Increase in accounts payable and accrued liabilities	124,804,409
Increase in deferred revenue	289,924,202
Increase in amounts held in custody for others	2,743,558
(Decrease) in compensated absences	(10,566,737)
Increase in other postemployment benefits payable	85,595,196
(Decrease) in other liabilities	(1,080,051)
Net cash used by operating activities	($511,495,673)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and cash equivalents classified as current assets	$218,651,795
Cash and cash equivalents classified as noncurrent assets	151,798,339
Cash and cash equivalents at end of the year	$370,450,134
Schedule of Noncash Investing, Capital and Financing Activities:	
Capital appropriations	$312,574,072
Capital gifts and grants	$1,835,560

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Louisiana State University (LSU) System is a publicly supported institution of higher education. The System is a component unit of the State of Louisiana, within the executive branch of government. The System is under the management and supervision of the LSU Board of Supervisors; however, certain items such as the annual budgets of the universities and changes to the degree programs and departments of instruction require the approval of the Board of Regents for Higher Education. The Board of Supervisors is comprised of 15 members appointed for a six-year term by the governor, with the consent of the Senate, and one student member appointed for a one-year term by a council composed of the student body presidents of the universities. As state universities, operations of the universities' instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the university system is the president.

The university system is comprised of nine campuses in five cities and 10 state hospitals. The System includes LSU and A&M College (LSU), the Paul M. Hebert Law Center, and the Pennington Biomedical Research Center, all in Baton Rouge; the LSU Agricultural Center (including the Louisiana Agricultural Experiment Stations and the Louisiana Cooperative Extension Service) with headquarters in Baton Rouge; LSU Shreveport; LSU Alexandria; LSU Eunice, a two-year institution; the LSU Health Sciences Center in New Orleans, which includes schools of Medicine, Dentistry, Nursing, and Allied Health Professions, and a Graduate School in New Orleans, and the Louisiana State University School of Medicine in New Orleans Faculty Group Practice (a Louisiana nonprofit corporation doing business as LSU Healthcare Network); the Health Care Services Division; and the LSU Health Sciences Center in Shreveport, which includes a School of Medicine in Shreveport with hospitals in Shreveport, Monroe, and Pineville. Student enrollment as of the fourteenth class day for the university system for the 2012 fall semester totaled approximately 43,900. As of November 1, 2012, the university system had approximately 4,250 full and part-time faculty members with the academic rank of instructor or above, including those positions with equivalent rank.

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

As further discussed in notes 1.R and 31, the System has executed a series of cooperative endeavor agreements that transfer operations of nine of the 10 public hospitals to other entities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

The discrete component unit foundations, which are the LSU Foundation, the Tiger Athletic Foundation, The Foundation for the LSU Health Sciences Center, and the LSU Health Sciences Center Foundation in Shreveport, follow the provisions of the Financial Accounting Standards Board for not-for-profit organizations.

B. REPORTING ENTITY

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

Blended Component Units

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

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

A cooperative endeavor agreement, dated November 1, 2000, documents the relationship between the LSU Health Sciences Center and LSUHN. The agreement provides for the LSU Health Sciences Center and LSUHN to continue as autonomous organizations with separate but complimentary missions. The agreement establishes a relationship in which the LSU Health Sciences Center will lease certain faculty, staff, and specific office space and equipment to LSUHN as its part of the agreement. LSUHN will reimburse the LSU Health Sciences Center (LSUHSC) for the use of its employees, facilities, and equipment; provide support to the academic programs; and provide access to a patient base that would not otherwise be available, as its part of the agreement. Both parties have the right to terminate the Cooperative Endeavor Agreement with or without cause upon 60 days written notice. The agreement expired October 31, 2005, and has continued to be renewed on a quarterly basis since its expiration.

In August 2011, LSUHN and LSUHSC (through the Board of Supervisors of LSU) entered into a restated and amended agreement and pursuant to the Uniform Affiliation Agreement. The agreement establishes support of University and LSUHSC-NO in the attainment of its mission and goals, particularly as they relate to the LSUHSC-NO Schools of Medicine, Allied Health Professions, Dentistry, Nursing and Public Health (collectively, the “Health Professional Schools”) in their clinical practices.

To obtain the latest audit report of the LSU Healthcare Network, write to the LSU Healthcare Network, 1542 Tulane Ave., Suite HCN-123, New Orleans, Louisiana 70112.

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

The ESH Foundation constructed a student apartment complex, known as Bengal Village, on the LSU Eunice campus. Bengal Village consists of 58 units and is managed by Campus Living Villages. The management agreement between the ESH Foundation and Campus Living Villages commenced August 1, 2002, and ends July 31, 2017. Thereafter, the agreement shall be automatically renewed for one-year periods unless terminated. All personnel employed in the leasing, management, maintenance, and operations of Bengal Village are employees of Campus Living Villages.

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

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

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

Discretely Presented Component Units

The LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Center Foundation in Shreveport, and The Foundation for the LSU Health Sciences Center are included as discretely presented component units of the university system in the System's basic financial statements, in accordance with the criteria outlined in GASB Statement 14, as amended by GASB Statement 39. The foundations are legally separate, tax-exempt organizations supporting the university system. The foundations have been organized to solicit, receive, hold, invest, and transfer funds for the benefit of the university system. In addition, the foundations assist the university in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. The university and the LSU Foundation are also in management agreements related to endowed chairs and professorships. These agreements are in compliance with Board of Regents policy and allow the foundations to manage funds on behalf of the university.

Each of these foundations is a nonprofit organization that reports under the Financial Accounting Standards Board (FASB) standards as set forth in its codification (ASC), including FASB ASC Topic 958. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundations' financial information in the university system's financial report for these differences.

Furthermore, each of these foundations is a legally separate, tax-exempt organization supporting the LSU System. They are included in the university's financial statements because their assets, individually, equaled 3% or more of the assets of the university system or the assets had equaled 3% or more of the assets of the university system in the past three years.

Each discretely presented component unit is described as follows:

The LSU Foundation supports LSU A&M. During the year ended June 30, 2013, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for $27,187,195. Complete financial statements for the foundation can be obtained at 3838 West Lakeshore Drive, Baton Rouge, Louisiana 70808 or from the foundation's website at www.lsufoundation.org.

The Tiger Athletic Foundation (TAF) supports LSU A&M. During the year ended December 31, 2012, TAF made distributions to or on behalf of the university for both restricted and unrestricted purposes for $8,418,330 with an additional $1,365,908 from booster clubs and $375,765 from affiliated chapters. Complete financial statements for TAF can be obtained from Post Office Box 711, Baton Rouge, Louisiana 70821 or from the foundation's website at www.lsutaf.org.

The LSU Health Sciences Center Foundation in Shreveport supports LSU HSC Shreveport. During the year ended June 30, 2013, the foundation made distributions to or on behalf of the university for either restricted or unrestricted purposes for $7,408,939. Complete financial statements for the foundation can be obtained at 920 Pierremont, suite 407, Shreveport, Louisiana 71106 or from the foundation's website at www.lsuhsfoundation.org.

The Foundation for the LSU Health Sciences Center supports LSU Health Sciences Center. During the year ended June 30, 2013, the foundation made distributions to or on behalf of the university for either restricted or unrestricted purposes for $6,716,808. Complete financial statements for the foundation can be obtained at 2000 Tulane Ave, New Orleans, Louisiana 70112 or from the foundation's website at www.lsuhealthfoundation.org.

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

C. BASIS OF ACCOUNTING

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

Application of the accrual basis of accounting may, at times, require use of certain private sector standards issued by the Financial Accounting Standards Board (FASB) prior to November 30, 1989. In determining which of those standards to apply, the university system follows the guidance included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA.*

Discrete Component Units

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

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

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

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

D. BUDGET PRACTICES

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

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

Original approved budget	$2,213,191,073
Increases (decreases):	
State General Fund	(19,911,399)
Self-generated	17,655,348
Interagency transfers	126,178
Statutory dedications	277,000,000
Final budget	$2,488,061,200

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

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and money market funds. All highly liquid investments with an original maturity of three months or less are considered cash equivalents. Under state law, the LSU System may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States.

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

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

F. INVENTORIES

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

G. NONCURRENT RESTRICTED ASSETS

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

H. CAPITAL ASSETS

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

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

I. DEFERRED REVENUES

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

J. NONCURRENT LIABILITIES

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

K. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. Faculty with 12-month appointments who have over 10 years of state service, nonclassified employees with over 10 years of state service, and classified employees regardless of years of state service accumulate leave without limitation. According to the university system leave schedule, faculty with 12-month appointments who have less than 10 years of state service and nonclassified employees with less than 10 years of state service can only accumulate 176 hours of annual leave; sick leave is accumulated without limitation. Effective January 1, 1994, academic and unclassified employees were given the opportunity to elect to remain under the university leave schedule or change to the Louisiana State Civil Service annual leave accrual schedule under which there is no limit on the accumulation of annual leave. Nine-month faculty members accrue sick leave but do not accrue annual leave; however, they are granted faculty leave during holiday periods when students are not in classes. Upon separation of employment, both classified and nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

L. NET POSITION

The university system's net position is classified as follows:

(1) Net Investment in Capital Assets

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

(2) Restricted Net Position - Expendable

Restricted expendable net position includes resources that the university system is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(3) Restricted Net Position - Nonexpendable

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

(4) Unrestricted Net Position

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

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

M. CLASSIFICATION OF REVENUES

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

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

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

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

O. ELIMINATING INTERFUND ACTIVITY

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

P. USE OF ESTIMATES

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

Q. DEFERRED OUTFLOWS AND DEFERRED INFLOWS

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The LSU System had no deferred outflows or deferred inflows at June 30, 2013.

R. ACCOUNTING CHANGES

Accounting Standards

Four new GASB standards are being implemented this year.

GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*, addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement had no effect on the financial statements of the System.

GASB Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements 14 and 34*, modifies certain requirements for inclusion of component units in a government's financial statements. In addition, GASB Statement 61 amends the requirement in GASB Statement 14 for determining and reporting major component units; clarifies the reporting of equity interests in legally separate organizations; expands note disclosures explaining the rationale for the classification of each component unit; and requires disclosure of blended component units for governments using single column enterprise fund presentation.

GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, codifies certain accounting and financial reporting guidance included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures that were issued on or before November 30, 1989, and do not conflict with current GASB pronouncements. This Statement brings into GASB's authoritative literature applicable accounting and financial reporting guidance previously residing only in the FASB and AICPA pronouncements. It eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments.

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. This Statement changes the name and presentation of the statement of net assets as follows:

(1) replaces the "statement of net assets" with the "statement of net position,"

(2) adds a section titled "deferred outflows of resources," and

(3) adds a section titled "deferred inflows of resources."

Change in Entity

Accounting changes made during the year also involved a change in entity. During the fiscal year ending June, 30, 2013, LSU Health, Health Care Services Division (HCSD), implemented public/private Partnerships (Partnerships) with five of the seven hospitals within the HCSD reporting entity. The Partnerships were implemented as follows:

Earl K. Long Medical Center (Baton Rouge)	April 15, 2013
Leonard J. Chabert Medical Center (Houma)	June 24, 2013
Medical Center of Louisiana at New Orleans	June 24, 2013
University Medical Center (Lafayette)	June 24, 2013
W.O. Moss Regional Medical Center (Lake Charles)	June 24, 2013

With the implementation of the Partnerships, over 4,500 HCSD employees at these hospitals were laid off or retired. A majority of those laid off were hired by the private partners (Partners) to continue the hospitals' operations. The financial impact of the layoffs is not materially significant to the financial statements for HCSD for June 30, 2013, but the financial statements for June 30, 2014, and subsequent years will reflect a substantial reduction in salaries and benefits expense.

With the implementation of the Partnership, the nature and extent of both revenues and expenditures for the entity remaining will drastically change. For example, revenues recognized by HCSD will move from patient driven revenues to revenues derived from HCSD providing contracted services to the Partners. Expenditures for personnel and services will be incurred by HCSD Administration for those services that the Partners have requested HCSD provide and those services that must be delivered as part of the agreements.

Of the two remaining hospitals, only Lallie Kemp Regional Medical Center will remain as a HCSD hospital for the full fiscal year ending June 30, 2014. The partnership implementation for Washington-St. Tammany Regional Medical Center is scheduled for early 2014.

W.O. Moss Regional Medical Center in Lake Charles has closed as an inpatient facility and has transferred its services to Lake Charles Memorial Health System, which will operate clinics on the Moss campus.

The impact on the System's future financial statements, based on the information above, cannot be determined at this time.

2. CASH AND CASH EQUIVALENTS

At June 30, 2013, the university system has cash and cash equivalents (book balances) of $370,450,134 as follows:

Petty cash	$340,834
Demand deposits	332,858,737
Certificates of deposit	19,295,892
Money market funds	9,711,072
Open-end mutual fund	6,027,575
Cash held in foundation bond funds	2,216,024
Total	$370,450,134

Custodial credit risk is the risk that, in the event of a bank failure, the System's deposits may not be recovered. Under state law, the System's deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the System or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2013, $20,262,075 of the System's bank balance of $416,999,950 was exposed to custodial credit risk as these balances were uninsured and uncollateralized.

Disclosures required for the open-end mutual fund reported above as cash equivalents are included in note 3.

CASH AND CASH EQUIVALENTS - COMPONENT UNITS

Cash and cash equivalents of the component units totaling $73,176,987, as shown on the Statement of Financial Position, are reported under FASB ASC Topic 958, *Financial Reporting for Not-for-Profit Organizations*, which does not require the disclosures of GASB Statement 40, *Deposit and Investment Risk Disclosures*.

The LSU Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Occasionally, the LSU Foundation has deposits in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The Foundation's management believes the credit risk associated with these deposits is minimal.

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

The Foundation for the LSU Health Sciences Center considers all highly liquid investments in money market funds and investments available for current use with an initial maturity of three months or less to be cash equivalents.

The LSU Health Sciences Center Foundation in Shreveport considers cash to include amounts on hand and amounts on deposit at financial institutions. The Foundation in Shreveport, at times, may have deposits in excess of FDIC insured limits. Management believes the credit risk associated with these deposits is minimal.

3. INVESTMENTS

At June 30, 2013, the System has investments totaling $789,965,189.

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

A summary of the System's investments follows:

	Investments	Carrying Value	Investment Maturity in Years Less Than 1	1-5	6-10	11-20	21-30	30+
Type of Investment:								
Negotiable certificates of deposit	0.01%	$100,000	$100,000					
Repurchase agreements	0.18%	1,394,744	1,394,744					
U.S. Treasury securities	9.01%	71,159,729	19,165,632	$51,994,097				
U.S. Government Agency securities:								
Bonds and Notes:								
Federal Home Loan Mortgage Corporation	0.26%	2,027,356		24,896	$2,002,460			
Federal National Mortgage Association	10.71%	84,622,808		25,742,175	3,735,374	$55,145,259		
Federal Home Loan Bank	9.43%	74,521,886	153,567	17,445,632	35,704,426	21,218,261		
Federal Farm Credit Bank	3.15%	24,869,247		14,185,935	9,621,352	1,061,960		
Farmer Agriculture Mortgage Corporation	0.41%	3,214,200		2,081,080	1,133,120			
Collateralized Mortgage Obligations:								
Federal National Mortgage Association	0.14%	1,115,140		1,115,140				
Federal Home Loan Bank	0.30%	2,340,805		2,340,805				
Federal Home Loan Mortgage Corporation	0.33%	2,606,189		2,606,189				
Government National Mortgage Association	0.11%	908,430		908,430				
Mortgage-backed Securities:								
Federal National Mortgage Association	3.44%	27,201,570	4,552,229	7,536,977	15,112,364			
Federal Home Loan Mortgage Corporation	0.28%	2,207,824	54,421	2,153,403				
Government National Mortgage Association	0.01%	43,545	21,639	21,906				
Small Business Administration	0.58%	4,599,685			4,599,685			
Corporate debt obligations	19.34%	152,743,043	5,404,370	50,467,509	93,600,451	2,260,625	$50,979	$959,109
Municipal obligations	7.97%	62,936,144	1,804,978	3,660,176	14,944,309	35,213,752	7,312,929	
Debt mutual funds	6.53%	51,566,785		6,912,062	44,654,723			
Money market mutual funds	7.20%	56,854,156						
Equity mutual funds	1.41%	11,166,305						
Investments held through foundations (total balance)	17.15%	135,518,346						
Common and preferred stock	0.14%	1,129,294						
Realty investments	1.14%	9,029,356						
Interest receivable	0.39%	3,065,947						
LSUE Housing Foundation	0.06%	491,442						
New Orleans Regional Physician Hospital Organization	0.32%	2,531,213						
Total investments	100.00%	$789,965,189	$32,651,580	$189,196,412	$225,108,264	$114,899,857	$7,363,908	$959,109

Interest rate risk is the risk applicable to debt instruments with fair values that are sensitive to changes in interest rate. One indicator of the measure of interest rate risk is the dispersion of maturity dates of debt instruments. The above table shows the System's fixed-income investments and maturities at June 30, 2013.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the System's investments by type as described previously; however, the System does not have policies to further limit credit risk.

Ratings issued by the major rating agencies which indicate the level of credit risk for holdings of the System are as follows:

Rating Agency Used	Rating	Fair Value
	Unrated	$180,270,075
Moody's	A1	6,666,743
Moody's	A2	8,716,244
Moody's	A3	8,937,804
Moody's	Baa1	9,034,160
Moody's	Baa2	4,490,196
Moody's	Baa3	9,796,946
Moodys	Aa1	3,722,727
Moodys	Aa2	3,495,091
Moodys	Aa3	8,078,986
Moodys	Aaa	2,465,953
S&P	A	36,420,607
S&P	A+	10,701,736
S&P	A-	22,766,984
S&P	AA	16,488,647
S&P	AA+	201,372,133
S&P	AA-	16,334,743
S&P	AAA	17,585,504
S&P	BBB	7,466,916
S&P	BBB+	9,006,634
S&P	BBB-	512,535
S&P	AAAm	56,854,156
S&P	AAf	43,292,425
S&P	Af	1,362,298
Total		$685,840,243

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the System’s investments are exposed to custodial credit risk. For U.S. Treasury obligations and U.S. government agency obligations, the System’s investment policies generally require that issuers must provide the universities with safekeeping receipts, collateral agreements, and custodial agreements.

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

The System's concentrations are as follows:

Issuer	Amount	Percent of Total
Federal Home Loan Bank	$76,862,691	9.73%
Federal National Mortgage Association	112,939,518	14.30%
Total	$189,802,209	

The open-end mutual fund amount of $6,027,575, included in cash and cash equivalents, consists of $5,343,928 invested in Federated Prime Obligations Fund; $32,714 invested in JP Morgan Treasury Money Market; $108,699 invested in JPMorgan U.S. Government Plus Money Market Fund; $229,182 invested in Fidelity U.S. Treasury Money Market Fund; and $313,052 of other investments. The holdings for the JP Morgan Treasury Money Market Fund and the JPMorgan U.S. Government Money Market Fund consist primarily of short-term U.S. Treasury and U.S. government agency securities, including repurchase agreements collateralized fully by U.S. Treasury and government agency securities. The holdings for the Federated Prime Obligations Fund consist primarily of a portfolio of short-term, high quality, fixed income securities issued by banks, corporations, and the U.S. government. These funds all minimize interest rate risk with the purchase of short-term securities.

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

The LSU System has $62.2 million invested in step-up notes, consisting of $35.5 million in Federal National Mortgage Association bonds and notes, $23.7 million in Federal Home Loan Bank bonds and notes, $2 million in Federal Home Loan Mortgage Corporation bonds and notes, and $1 million in corporate debt obligations. The investments in step-up notes are highly sensitive to changes in interest rates due to the call feature embedded within the notes. In a step-up note, the investor holds a note that grants the issuer the option to call the investment on certain specified dates. At each scheduled "step" date, if the note has not yet been called, the coupon rate of the note increases, or "steps up," by an amount specified at inception. The LSU System's step-up notes contain an average of six scheduled "step" dates per note. These step-up notes have initial "step" dates ranging from July 2013 to August 2018 and initial coupon rates ranging from 1.25% to 3.00%. Final "step" dates range from October 2020 to November 2032 with final coupon rates ranging from 4.00% to 12.00%.

Investments held by private foundations in external investment pools are managed in accordance with the terms outlined in management agreements executed between the university and the foundations. Each university is a voluntary participant. The foundations hold and manage funds received by the university as state matching funds for the Eminent Scholars Endowed Chairs and

Endowed Professorship Programs. All of these investments are held by the universities' discretely presented component units.

INVESTMENTS - COMPONENT UNITS

The carrying amount, which is equal or approximately equal to the fair value of investments held by the component unit foundations at June 30, 2013, follows:

Type of Investment	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Investments
Money markets/certificates of deposit			$12,638,971	$2,958,439	$15,597,410
Debt obligations	$92,135,274	$56,691,879	40,087,129	7,399,386	196,313,668
Corporate stocks, common stocks, and indexed mutual funds	81,171,765			14,848,338	96,020,103
Shaw Center for the Arts, LLC	17,189,146				17,189,146
Royalty interest	154,084				154,084
Mutual funds	225,392,892		51,860,261	35,901,753	313,154,906
LSU Foundation investment pool[1]		9,647,923			9,647,923
Donated equity investments		214,240			214,240
Charitable gift annuity		32,532			32,532
Private equity	27,371,857				27,371,857
Hedged funds	77,714,936		7,860,001	3,638,145	89,213,082
Venture capital	48,058				48,058
Municipal bonds	4,367,098			5,972,228	10,339,326
Commingled funds				39,029,570	39,029,570
Structured investments				1,846,887	1,846,887
Agency investments for LSUHSC Shreveport				55,156,630	55,156,630
Total investments	$525,545,110	$66,586,574	$112,446,362	$166,751,376	$871,329,422

*As of December 31, 2012

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

The LSU Foundation is a 50% investor in the Shaw Center for the Arts, LLC. The investment recorded on the Statement of Financial Position for $17,189,146 at June 30, 2013, is accounted for by the equity method. The summarized unaudited financial information of the Shaw Center for the Arts, LLC, is as follows:

Total assets	$34,505,936
Total liabilities	$127,644
Net income (loss)	($840,307)

The LSU Foundation serves as trustee for various charitable remainder trusts for which the Foundation is not the irrevocable beneficiary. The funds are held and administered by a third-party financial institution as an agent of the Foundation. The fair market value of the funds held is reported as an asset and corresponding liability in the statements of financial position. As of June 30, 2013, the fair market value of these charitable remainder trusts totaled $461,037.

The LSU Foundation is the irrevocable beneficiary of two split-interest agreements for which the funds are held and administered by third parties. The Foundation's interest in the funds held by the third parties is measured at its present value and reported as an asset in the statements of financial position as other restricted noncurrent assets. As of June 30, 2013, the fair value of the beneficial interests totaled $1,990,136.

The LSU Foundation has several charitable gift annuity arrangements with donors in which the Foundation has received assets from a donor in exchange for the Foundation's promise to pay the donor or his or her designee a fixed amount over a specified period of time. The assets are held as investments of the LSU Foundation and are reported as investments on the statements of financial position at their fair value of $4,588,903 as of June 30, 2013. The present value of the amount due to these donors or their designees as of June 30, 2013, totaled $2,351,168 and is included in the amounts held in custody liability.

The Foundation for the LSU Health Sciences Center has entered into two charitable gift annuity agreements. In consideration of the contribution, the Foundation shall pay an annual annuity of $6,795 paid in quarterly installments to the donor so long as they are living. The Foundation's obligation will terminate upon the donor's death. The present value of the estimated future payments ($54,679 at June 30, 2013) is calculated using a discount rate of 1.2% and the applicable mortality rates. The Foundation made payments to the donor in the amount of $6,975 for the year ended June 30, 2013.

4. RECEIVABLES

Receivables and amounts due from the federal government (net) are scheduled for collection within one year and are shown on Statement A net of an allowance for doubtful accounts as follows:

	Receivables	Doubtful Accounts	Net Receivables
Student tuition and fees	$22,428,454	$98,714	$22,329,740
Auxiliary enterprises	3,910,088	19,222	3,890,866
Contributions and gifts	2,509,939		2,509,939
Federal grants and contracts (net)	18,688,625		18,688,625
State and private grants and contracts	64,849,099	63,323	64,785,776
Sales and services/other	26,922,299	1,083	26,921,216
Clinics	33,851,999	19,479,822	14,372,177
Hospital	924,693,989	836,032,370	88,661,619
Other - uncompensated care	41,913,939		41,913,939
Total	$1,139,768,431	$855,694,534	$284,073,897

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

LSU SYSTEM

	Balance June 30, 2012	Prior Period Adjustment	Restated Balance June 30, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Capital assets not being depreciated:							
Land	$81,862,497	$193,400	$82,055,897	$4,997,151		($19,000,000)	$68,053,048
Capitalized collections	3,957,732		3,957,732	16,000			3,973,732
Construction-in-progress	393,020,935	666,837	393,687,772	320,335,040	($111,928,504)	(981,593)	601,112,715
Total capital assets not being depreciated	$478,841,164	$860,237	$479,701,401	$325,348,191	($111,928,504)	($19,981,593)	$673,139,495
Other capital assets:							
Infrastructure	$42,864,565		$42,864,565	$599,336			$43,463,901
Less accumulated depreciation	(15,957,138)		(15,957,138)	(1,129,183.00)			(17,086,321)
Total infrastructure	26,907,427	NONE	26,907,427	(529,847)	NONE	NONE	26,377,580
Land improvements	99,452,858		99,452,858	1,301,222	$654,457	($846,480)	100,562,057
Less accumulated depreciation	(57,629,501)		(57,629,501)	(3,178,286)		399,371	(60,408,416)
Total land improvements	41,823,357	NONE	41,823,357	(1,877,064)	654,457	(447,109)	40,153,641
Buildings	1,959,672,387	($987,092)	1,958,685,295	35,866,863	110,269,419	(15,020,750)	2,089,800,827
Less accumulated depreciation	(944,629,064)	780,344	(943,848,720)	(53,861,571)		6,745,482	(990,964,809)
Total buildings	1,015,043,323	(206,748)	1,014,836,575	(17,994,708)	110,269,419	(8,275,268)	1,098,836,018
Equipment (including library books)	1,067,559,501	1,131,238	1,068,690,739	41,539,093	1,004,628	(40,892,700)	1,070,341,760
Less accumulated depreciation	(835,570,960)	(434,577)	(836,005,537)	(61,118,144)		38,824,124	(858,299,557)
Total equipment	231,988,541	696,661	232,685,202	(19,579,051)	1,004,628	(2,068,576)	212,042,203
Software (internally generated and purchased)	18,373,375		18,373,375	300,545		(10,006)	18,663,914
Other intangibles	2,618,335		2,618,335	(1)			2,618,334
Less accumulated amortization - software	(7,378,324)		(7,378,324)	(4,484,055)		1,000	(11,861,379)
Less accumulated amortization - other intangibles	(2,580,985)		(2,580,985)	(1,119)			(2,582,104)
Total intangible assets	11,032,401	NONE	11,032,401	(4,184,630)	NONE	(9,006)	6,838,765
Total other capital assets	$1,326,795,049	$489,913	$1,327,284,962	($44,165,300)	$111,928,504	($10,799,959)	$1,384,248,207
Capital asset summary:							
Capital assets not being depreciated	$478,841,164	$860,237	$479,701,401	$325,348,191	($111,928,504)	($19,981,593)	$673,139,495
Other capital assets, at cost	3,190,541,021	144,146	3,190,685,167	79,607,058	111,928,504	(56,769,936)	3,325,450,793
Total cost of capital assets	3,669,382,185	1,004,383	3,670,386,568	404,955,249	NONE	(76,751,529)	3,998,590,288
Less accumulated depreciation	(1,863,745,972)	345,767	(1,863,400,205)	(123,772,358)	NONE	45,969,977	(1,941,202,586)
Capital assets, net	$1,805,636,213	$1,350,150	$1,806,986,363	$281,182,891	NONE	($30,781,552)	$2,057,387,702

COMPONENT UNITS

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Capital assets not being depreciated:				
Land	$13,160,102		($4,368,109)	$8,791,993
Capitalized collections	4,307,862	$20,000	(55,000)	4,272,862
Construction-in-progress	3,244,978	16,077,183	(1,182,321)	18,139,840
Total capital assets not being depreciated	$20,712,942	$16,097,183	($5,605,430)	$31,204,695
Other capital assets:				
Land improvements	$5,982,652	$6,352		$5,989,004
Less accumulated depreciation	(558,347)	(94,498)		(652,845)
Total land improvements	5,424,305	(88,146)	NONE	5,336,159
Buildings	146,842,888	163,649		147,006,537
Less accumulated depreciation	(18,415,532)	(2,838,068)		(21,253,600)
Total buildings	128,427,356	(2,674,419)	NONE	125,752,937
Equipment	2,022,581	71,354	($38,286)	2,055,649
Less accumulated depreciation	(1,854,820)	(63,459)	38,286	(1,879,993)
Total equipment	167,761	7,895	NONE	175,656
Total other capital assets	$134,019,422	($2,754,670)	NONE	$131,264,752
Capital asset summary:				
Capital assets not being depreciated	$20,712,942	$16,097,183	($5,605,430)	$31,204,695
Other capital assets, at cost	154,848,121	241,355	(38,286)	155,051,190
Total cost of capital assets	175,561,063	16,338,538	(5,643,716)	186,255,885
Less accumulated depreciation	(20,828,699)	(2,996,025)	38,286	(23,786,438)
Capital assets, net	$154,732,364	$13,342,513	($5,605,430)	$162,469,447

6. IMPAIRMENT OF CAPITAL ASSETS

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. It established accounting and financial reporting standards for impairment of capital assets. It requires evaluation of prominent events or changes in circumstances to determine whether an impairment loss has occurred.

A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset.

Hurricane Gustav destroyed several buildings including the Medical Center of Louisiana at New Orleans, which management believes cannot be repaired for use as a medical facility. Many of these buildings were old and largely depreciated.

Insurance recoveries received in fiscal year 2013 related to impairment losses occurring in previous years were $27,604 for movable property. These amounts are included as Other Nonoperating Revenues on the Statement of Revenues, Expenses, and Changes in Net Position.

7. DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2013, were as follows:

Activity	Amount
Vendors	$216,265,352
Salaries and benefits	68,910,757
Accrued interest	130,419
Other payables	3,245,301
Total	$288,551,829

8. PENSION PLANS

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

Funding Policy - The contribution requirements of employee plan members and the university system are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. For fiscal year 2013, employees contribute 8% (TRSL) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. For fiscal year 2013, the state contributed 24.4% of covered salaries to TRSL and

29.1% of covered salaries to LASERS. The employer contribution is funded by the State of Louisiana through the annual appropriation to the university system. The employer contributions to TRSL for the years ended June 30, 2013, 2012, and 2011, were $61,358,502; $58,933,723; and $54,653,046, respectively, and to LASERS for the years ended June 30, 2013, 2012, and 2011, were $121,161,793; $120,572,034; and $111,587,270, respectively, equal to the required contributions for each year.

Optional Retirement System

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

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

Total contributions by the university system are 24.4% of the covered payroll. The participant's contribution (8.0%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the System. Benefits payable to participants are not the obligations of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $81,425,446 and $26,706,231, respectively, for the year ended June 30, 2013.

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

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

Plan Descriptions

LSU System Health Plan (Health Plan)

The System administers and offers eligible employees, retirees, and their beneficiaries the opportunity to participate in comprehensive health and preventive care coverage under its Health Plan that gives members a unique, consumer-driven health-care approach to pay routine health expenses and provides coverage for major health care expenses. Within the Health Plan, members have a choice of selecting Option 1 or Option 2. Option 1, shown in the schedule of total monthly premium rates on page 53, 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 health care plan that is not administered as a trust or equivalent arrangement.

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

The Health Plan originally began as a pilot program within OGB, the office that provides health benefits to state employees pursuant to the provisions of R.S. 42:851. The Health Plan does not issue a publicly available financial report, but it is included in the System's audited financial report.

State OGB Plan

System employees may also participate in the state's other OPEB Plan, an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees, and their beneficiaries. OGB administers the plan. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report of the OPEB Plan; however, it is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's 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 R.S. 42:851(b). Plan rates are in effect for one year and members have the opportunity to switch providers during the open enrollment period, which usually occurs during October.

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

State OGB Plan

The contribution requirements of plan members and the System are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree health care based on a service schedule. Contribution amounts vary depending on what health care provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) Plan, and the Medical Home HMO Plan. OGB also offers a Consumer Driven Health Plan with a Health Savings Account option (CPHP-HSA) for active employees. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans (three HMO plans and two PPO plans) during calendar years 2012 and 2013. The three HMO plans are Humana HMO Plan, Peoples Health HMO-POS Plan, and Vantage HMO-POS Plan. The two PPO plans are Humana PPO Plan and United Healthcare PPO Plan.

The plan is financed on a pay-as-you-go basis. As of June 30, 2013, the state does not use an OPEB trust. A trust was established with an effective date of July 1, 2008, but was not funded, has no assets, and hence has a funded ratio of zero.

OGB also provides eligible retirees and their spouses Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. Effective January 1, 2013, the total monthly premium is approximately $1 per thousand dollars of coverage of which the employer pays fifty percent for retirees. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

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

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

The following table shows the rates in effect at June 30, 2013.

	LSU System Health Plan		State OGB Plans			
	Option 1	Option 2	PPO	HMO	CDHP w/HAS	Medical Home HMO
Active						
Single	$576	$505	$576	$544	$447	$536
With Spouse	1,106	965	1,223	1,156	950	1,122
With Children	702	640	702	664	545	651
Family	1,267	1,111	1,290	1,219	1,001	1,183
Retired, No Medicare and Re-employed Retiree						
Single	$1,071	$1,014	$1,071	$1,015	N/A	$985
With Spouse	1,833	1,780	1,892	1,793	N/A	1,727
With Children	1,193	1,124	1,193	1,131	N/A	1,095
Family	1,883	1,787	1,883	1,784	N/A	1,719
*Retired, with 1 Medicare						
Single	$340	$294	$348	$336	N/A	$330
With Spouse	1,207	1,044	1,287	1,228	N/A	1,180
With Children	603	581	603	578	N/A	561
Family	1,666	1,457	1,715	1,634	N/A	1,567
*Retired, with 2 Medicare						
With Spouse	$605	$523	$626	$602	N/A	$582
Family	775	704	775	746	N/A	717

	Calendar Year 2013 Retired with		Calendar Year 2012 Retired with	
Medicare Supplemental Rates	1 Medicare	2 Medicare	1 Medicare	2 Medicare
Humana PPO			$150	$300
Humana HMO			$156	$312
People's Health HMO	$234	$468	$167	$334
United Healthcare PPO			$214	$428
Vantage HMO	$184	$369	$279	$558

*All members who retire on or after July 1, 1997, must have Medicare Parts A and B to qualify for the reduced premium rates.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of each plan's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to the plan, and changes in the plan's net OPEB obligation to the retiree health plan.

	LSU System Health Plan	State OGB Plan	Total
ARC	$78,108,321	$54,092,900	$132,201,221
Interest on Net OPEB Obligation (NOO)	10,214,684	17,219,200	27,433,884
ARC adjustment	(8,646,026)	(16,449,200)	(25,095,226)
Annual OPEB cost	79,676,979	54,862,900	134,539,879
Employer contributions	(16,557,568)	(32,387,115)	(48,944,683)
Increase in net OPEB obligation	63,119,411	22,475,785	85,595,196
Net OPEB obligation - beginning of year	240,916,154	430,480,885	671,397,039
Net OPEB obligation - end of year	$304,035,565	$452,956,670	$756,992,235

Funding Trend

	LSU System Health Plan			State OGB Plan		
	2013	2012*	2011	2013	2012*	2011
OPEB cost	$79,676,979	$73,260,788	$67,762,426	$54,862,900	$68,591,500	$101,741,100
Percent contributed	20.78%	20.40%	20.23%	59.03%	48.97%	33.47%
Ending NOO	$304,035,565	$240,916,154	$188,825,760	$452,956,670	$430,480,885	$431,832,109

*The fiscal year 2012 amounts do not include the costs and obligations related to employees of the University of New Orleans, which transferred to the University of Louisiana System in fiscal year 2012.

Funded Status and Funding Progress

The funded status of the plans as of July 1, 2012, was as follows:

	LSU System Health Plan	State OGB Plan
Actuarial accrued liability (AAL)	$1,027,332,050	$873,339,300
Actuarial value of plan assets	NONE	NONE
Unfunded actuarial accrued liability (UAAL)	$1,027,332,050	$873,339,300
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Annual covered payroll (active plan members)	$553,351,008	$334,926,194
UAAL as a percentage of covered payroll	185.7%	260.8%

Actuarial Methods and Assumptions

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

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

A summary of the actuarial assumptions are presented as follows:

	LSU System Health Plan	State OGB Plan
Actuarial valuation date	July 1, 2012	July 1, 2012
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period	30 years, open	30 years, open
Asset valuation method	None	None
Actuarial assumptions:		
Discount rate	4.25% annual rate	4% annual rate
Projected salary increases	4% per annum	3% per annum
Health care inflation rate	8.5% initial	6% - 8% initial
	5% ultimate	4.5% ultimate

10. CONTINGENT LIABILITIES, RISK MANAGEMENT, AND CLAIMS LIABILITY

Losses arising from judgments, claims, and similar contingencies are paid by either private insurance companies or through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. The university system is involved in 17 lawsuits that are handled by contract attorneys at June 30, 2013. The attorneys have estimated a reasonably possible unfavorable outcome to the System of $95,500 relating to two of the lawsuits. All other lawsuits are handled by either the Office of Risk Management or the Attorney General’s Office.

In addition, the university is exposed to various risks of losses related to the self-insured and self-funded LSU System Health Plan, which provides health insurance benefits to active and retired university employees and which began as a pilot program for the fiscal year ended June 30, 2003. Beginning in fiscal year 2011-12, estimated incurred but not reported (IBNR) claim reserve is as of December 31. This is a change in time period due to coordination with a change to LSU's health plan year. Historically, IBNR was calculated as of June 30 each year. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. According to the requirements of GASB Statement No. 10, as amended by Statements 17 and 30, total claims expenditures were $130,704,315. Changes in the reported liability for the last three periods are summarized as follows:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Recoveries From Settled and Unsettled Claims	Balance at Fiscal Year-End
2010-11	$9,041,000	$124,053,622	($116,198,314)	($5,776,308)	$11,120,000
2011-12	$11,120,000	$134,743,524	($123,791,988)	($10,615,536)	$11,456,000
2012-13	$11,456,000	$136,221,415	($130,704,315)	($7,085,100)	$9,888,000

CONTINGENCIES - COMPONENT UNITS

The LSU Foundation has contractual commitments associated with projects for improvements to the Hilltop Arboretum facilities and a new Foundation office building. The total contract amounts for these projects total approximately $2,779,000 and the remaining commitment as of June 30, 2013, totals approximately $1,678,000. The Foundation also has a contractual commitment associated with an equine lameness facility, for which fundraising efforts are ongoing, with a total contract amount and remaining commitment as of June 30, 2013, of approximately $41,000.

The LSU Foundation committed $1,350,000 to Louisiana Fund I, L.P., a Delaware Limited Partnership in October 2004. As of June 30, 2013, capital contributions have totaled $1,228,500. The Foundation also committed a total of approximately $41,520,500 to various Private Equity Funds during 2005 through 2013. As of June 30, 2013, capital contributions have totaled approximately $25,113,024.

During the fiscal year ended June 30, 2010, the LSU HSC Foundation in Shreveport was asked by the Chancellor of the LSU Health Sciences Center to consider an infusion of funds into the Orthopaedic Surgery Department to rebuild the program. The Board of Directors voted and approved to donate a total of $2.5 million of unrestricted funds in five $500,000 annual installments to begin during the fiscal year ending June 30, 2011. As of June 30, 2013, $1.5 million of unrestricted funds has been segregated for the Orthopaedic Surgery Department. The balance of the segregated funds as of June 30, 2013, is $1,314,808 which is classified as unrestricted board designated net assets.

During the fiscal year ended June 30, 2011, the LSU HSC Foundation in Shreveport was asked by the Chancellor of the LSU Health Sciences Center to consider an infusion into the Otolaryngology Department for growth and development. The Board of Directors voted and approved to donate up to $2.5 million over the next five years. The first year's funding allocation of $500,000 will come from the Feist-Weiller Investment account, with the remainder from the Feist Legacy account going forward. As of June 30, 2013, the LSU HSC Foundation in Shreveport segregated $500,000 for the Otolaryngology Department, of which $369,195 remained as of June 30, 2013, and is included as temporarily restricted net assets.

On July 15, 2009, the Board of Directors approved an Operating Reserve Policy to establish guidelines for achieving an operating reserve sufficient for the LSU HSC Foundation in Shreveport to adequately support its annual budget, ensure continued growth of current and future programs, fulfill its mission even during times of harsh economic conditions, and provide financial stability and the means for development of its principal activity. The policy states that the operating reserve of $1 million shall be established beginning in fiscal year ending June 30, 2011, and shall be fully funded by the end of the fiscal year ending June 30, 2016, through designation of unrestricted funds given to the LSU HSC Foundation in Shreveport. The reserve shall be invested in highly liquid U.S. Treasury obligations or FDIC insured accounts and may be used only for unanticipated and unbudgeted expenses or loss of revenue. Reserves may not be accessed in the absence of a plan for their replenishment over a reasonable period of time. On October 19, 2011, the Executive Committee of the Board of Directors voted to fully fund the Operating Reserve of $1 million from unrestricted funds of the LSU HSC Foundation in Shreveport rather than partially funding the reserve between the remaining fiscal years ending June 30, 2012 through June 30, 2016.

11. COMPENSATED ABSENCES

At June 30, 2013, employees of the university have accumulated and vested annual, sick, and compensatory leave benefits of $90,187,205; $27,100,704; and $706,122, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

12. OPERATING LEASES

For the year ended June 30, 2013, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed is $14,538,658. The following is a schedule by years of future minimum annual rental payments required under operating leases that have initial or noncancelable lease terms in excess of one year as of June 30, 2013:

Nature of Operating Lease	Fiscal Year 2014	2015	2016	2017	2018	2019-2023	Total Minimum Payments Required
Office space	$10,403,490	$8,863,075	$6,266,553	$4,546,381	$4,269,251	$20,807,800	$55,156,550
Equipment	1,396,476	435,146	245,393	223,953			2,300,968
Other	607,202	18,705	19,640	20,623	21,653		687,823
Total	$12,407,168	$9,316,926	$6,531,586	$4,790,957	$4,290,904	$20,807,800	$58,145,341

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

OPERATING LEASES - COMPONENT UNITS

LSU Foundation - The Foundation leases office space from the LSU Alumni Association under an agreement which has options for renewal periods extending through November 30, 2016. The current lease agreement expires on May 31, 2014. For the year ended June 30, 2013, rent expense incurred under this agreement totaled $145,661.

LSU Health Sciences Center Foundation in Shreveport - The Foundation leases office space under an operating lease which expires on February 28, 2014. In addition, the Foundation leases a copier/printer/scanner under an operating lease which expires on September 30, 2014. Included in management and general expense is $49,926 in rent and equipment rental expense for the year ended June 30, 2013.

13. LESSOR LEASES

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

The following schedule provides an analysis of the cost and carrying amount of the university system’s investment in property on operating leases and property held for lease as of June 30, 2013:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	$3,233,788	($1,461,913)	$1,771,875
Buildings	184,120,247	(104,774,621)	79,345,626
Equipment	165,607,359	(137,983,725)	27,623,634
Total	$352,961,394	($244,220,259)	$108,741,135

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2013:

	Nature of Lease					
Fiscal Year Ending June 30,	Office Space	Buildings	Equipment	Land	Other	Total
2014	$334,113	$48,259,440	$10,690,346	$862,254	$1,577,388	$61,723,541
2015	99,614	49,069,454	10,690,346	385,126	1,531,731	61,776,271
2016	48,940	49,607,470	10,690,346	384,126	1,531,994	62,262,876
2017	33,880	24,609,222	811,530	372,489	1,413,138	27,240,259
2018	33,880	24,108,362	641,109	997,808	73,965	25,855,124
2019-2023	101,640	102,700,988		1,122,061	122,654	104,047,343
2024-2028		717,786		912,516		1,630,302
2029-2033				914,895		914,895
2034-2038				917,960		917,960
2039-2043				8,893,061		8,893,061
2044-2048				10,804,243		10,804,243
2049-2053				1,803,120		1,803,120
2054-2058				131,190		131,190
2059-2063				32,250		32,250
2064-2068				32,250		32,250
2069-2073				32,250		32,250
2074-2078				32,250		32,250
2079-2083				32,250		32,250
2084-2088				32,250		32,250
2089-2093				8,950		8,950
Total	$652,067	$299,072,722	$33,523,677	$28,703,299	$6,250,870	$368,202,635

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume, customer usage of services provided, or the drilling operations on mineral leases. Contingent rentals amounted to $2,680,327 for the year ended June 30, 2013.

14. LONG-TERM LIABILITIES

The following is a summary of bonds and other long-term liability transactions of the university and its component units for the year ended June 30, 2013:

University

	Restated Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	$4,306,087		$1,285,881	$3,020,206	$537,109
Bonds payable	417,506,667	$154,995,866	60,074,320	512,428,213	14,216,048
Subtotal	421,812,754	154,995,866	61,360,201	515,448,419	14,753,157
Other liabilities:					
Compensated absences payable	128,560,767	3,369,399	13,936,135	117,994,031	33,055,879
Capital lease obligations	40,184,922	308,118	5,863,178	34,629,862	3,439,571
Deferred revenues (advance lease payments)		276,173,711		276,173,711	
Other liabilities	2,254,862	632,517	2,075,469	811,910	
OPEB payable	671,397,039	134,539,879	48,944,683	756,992,235	
Subtotal	842,397,590	415,023,624	70,819,465	1,186,601,749	36,495,450
Total long-term liabilities	$1,264,210,344	$570,019,490	$132,179,666	$1,702,050,168	$51,248,607

Component Units

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	$8,109,531	$808,731	$4,845,769	$4,072,493	$650,046
Bonds payable	127,700,910	5,100,000	4,383,409	128,417,501	4,561,645
Subtotal	135,810,441	5,908,731	9,229,178	132,489,994	5,211,691
Other liabilities					
Compensated absences payable	286,198		5,416	280,782	280,782
Deferred revenues	16,890,588	78,436,461	24,523,300	70,803,749	
Total long-term liabilities	$152,987,227	$84,345,192	$33,757,894	$203,574,525	$5,492,473

Notes Payable

The universities have entered into a number of installment purchase agreements for the purchase of computer equipment, copiers, vehicles, et cetera. These agreements require scheduled payments either on a monthly, semiannual, or annual basis and have interest rates ranging from 2.70% to 6.50%.

The following is a summary of future minimum installment payments as of June 30, 2013:

Fiscal Year Ending June 30:	
2014	$637,203
2015	637,013
2016	632,777
2017	630,497
2018	590,013
2019-2023	225,424
Total minimum installment payments	3,352,927
Less - amount representing interest	(332,721)
Total	$3,020,206

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

NOTES PAYABLE - COMPONENT UNITS

The component units have entered into a number of notes payable agreements for various purposes. These agreements require scheduled payments either on a monthly, semiannual, or annual basis with interest rates ranging from zero to 6.85%. The following is a summary of notes payable by component unit as of June 30, 2013:

Component Unit	Principal Outstanding June 30, 2012	Issued	Reductions	Principal Outstanding June 30, 2013	Amounts Due Within One Year
LSU Foundation	$7,323,125		($4,594,358)	$2,728,767	$539,483
TAF		$808,731		808,731	
LSU HSC Foundation in Shreveport	786,406		(251,411)	534,995	110,563
Total	$8,109,531	$808,731	($4,845,769)	$4,072,493	$650,046

In January 2010, the LSU Foundation borrowed $2,720,839 in connection with the construction of the new business education complex. The note accrues interest at a variable rate equal to the greater of one-month LIBOR plus 175 basis points or 1% plus 175 basis points (2.75% at June 30, 2013), requires quarterly interest payments, and matures on January 18, 2015. The note is secured by pledges related to the new complex, and the LSU Foundation applies all pledges received against the outstanding balance on the note payable.

On October 1, 2011, the LSU Foundation converted a line of credit to a note payable in the amount of $7,742,414. The note accrues interest at a fixed rate equal to 3.00% and is uncollateralized. The outstanding balance at June 30, 2013 was $2,024,284.

The LSU Health Sciences Center Foundation in Shreveport has one note payable agreement. The agreement has principal outstanding of $534,995 at June 30, 2013, with a 5% fixed interest rate. Monthly installments of $10,600, including interest, began on March 31, 2011, with principal and interest due in full on March 31, 2018.

The Tiger Athletic Foundation (Foundation) committed to expending $100,000,000 on the financing, design, development, performance, and construction of the Facilities/South and Olympic Sports Improvements in accordance with the plans and specifications approved by LSU. In order to finance this commitment, the Foundation initiated two different debt instruments in October 2012. To finance the balance of the commitment, the Foundation issued a non-revolving taxable term loan for a principal amount of $25,000,000. As security for the payments to be made by the Foundation, the Foundation has entered into an Act of Assignment of Pledged Revenues and Security Agreement on parity with the Series 1999 and 2004 revenue bonds. At December 31, 2012, the Foundation has drawn $808,731 of funds provided by this term loan. The term loan will bear interest at an Elective Interest Rate, which was initially set at the 30-day LIBOR Index Rate plus 3.00%. The Foundation has the right to change the Elected Interest Rate to the greater of the New York Prime Rate or the Federal Funds Rate plus 3.50%. The interest rate at December 31, 2012, was 3.2135%. Interest only shall be payable through October 1, 2014. Beginning November 1, 2014, the Foundation will pay regular monthly installments of accrued interest, plus monthly installments of principal. This term loan matures no later than November 1, 2024.

The following is a summary of future minimum installment payments, net of unamortized discount for the component units as of June 30, 2013:

Fiscal Year Ending June 30:	
2014	$755,084
2015	2,352,293
2016	127,205
2017	127,205
2018	87,536
2019-2023	-
2024-2028	808,731
Total minimum installment payments	4,258,054
Less - amount representing interest	(185,561)
Total	$4,072,493

Bonds and Contracts Payable - System

Detailed summaries, by issues, of all bond and reimbursement contract debt outstanding at June 30, 2013, including future interest payments, follow:

Bonds Payable - LSU System

Issue	Date of Issue	Original Issue	Outstanding July 1, 2012	Redeemed/Issued	Outstanding June 30, 2013	Maturities	Interest Rates	Future Interest Payments June 30, 2013
LSU								
2004 Auxiliary Revenue Refunding Bonds	April 6, 2004	$16,035,000	$5,635,000	($1,785,000)	$3,850,000	2014-2015	5.25%	$305,814
2004 Auxiliary Revenue Bonds - Series B	October 26, 2004	51,885,000	45,360,000	(43,975,000)	1,385,000	2014-2034	5.0%	69,250
2005 Auxiliary Revenue Bonds - Series A	June 2, 2005	18,905,000	6,605,000	(1,790,000)	4,815,000	2014-2017	3.7% to 5%	418,780
2006 Auxiliary Revenue Bonds	August 9, 2006	97,095,000	91,230,000	(1,900,000)	89,330,000	2014-2036	4% to 5%	62,575,710
2007 Auxiliary Revenue Bonds	December 11, 2007	71,130,000	65,925,000	(5,975,000)	59,950,000	2014-2037	4% to 5%	40,604,595
2008 Auxiliary Revenue Bonds	June 27, 2008	52,815,000	43,040,000	(735,000)	42,305,000	2014-2034	4% to 5%	18,870,900
2010 Auxiliary Revenue Bonds - Series A and B	June 24, 2010	118,875,000	117,425,000	(2,365,000)	115,060,000	2014-2040	2% to 5.25%	90,530,100
2012 Auxiliary Revenue Bonds - Series A and B	August 7, 2012	41,615,000		41,545,000	41,545,000	2014-2034	2% to 5%	18,961,900
2013 Auxiliary Revenue Bonds - Series A and B	April 25, 2013	101,180,000		101,180,000	101,180,000	2014-2043	3% to 5%	86,532,150
LSU Health Sciences Center								
New Orleans - Building Revenue Bonds - Series 2000	January 1, 2000	15,910,000	12,730,000	(365,000)	12,365,000	2014-2031	6.20%	8,742,488
Health Care Services Division								
Bogalusa Community Medical Center Project Series 2007 A & B	September 28, 2007	17,500,000	17,500,000		17,500,000	2015-2038	.2466% - 7.88%	11,404,660
Health Care Services Mid-City Clinic Project Series 2003B	December 19, 2003	2,500,000	855,000	(275,000)	580,000	2014	1.20%	4,588
LSU at Alexandria								
2008 Auxiliary Revenue Bonds	March 18, 2008	4,200,000	3,900,000	(100,000)	3,800,000	2014-2034	4.0% - 5.5%	2,572,119
LSU at Eunice								
1998 Auxiliary Revenue Bonds	June 1, 1998	1,650,000	666,667	(100,417)	566,250	2014-2018	5%	86,353
2002 Auxiliary Revenue Bonds	January 17, 2002	7,000,000	6,635,000	(120,000)	6,515,000	2014-2033	7.375%	6,611,505
Total		618,295,000	417,506,667	83,239,583	500,746,250			$348,290,912
Premium/discounts, net		11,679,743		11,681,963	11,681,963			
Total Bonds Payable		$629,974,743	$417,506,667	$94,921,546	$512,428,213			

Bonds Payable - Component Units

Issue	Date of Issue	Original Issue	Outstanding July 1, 2012	Issued (Redeemed)	Outstanding June 30, 2013	Maturities	Interest Rates	Future Interest Payments June 30, 2013
LSU Foundation								
Pooled Loan Program Revenue Bonds, Series 2003A	May 1, 2003	$12,725,000	$6,225,000	($630,000)	$5,595,000	2014-2022	Variable	$278,601
The Foundation for the LSU Health Sciences Center								
Equipment and Capital Facilities Pooled Loan Program	January 1, 2002	2,035,000	1,190,910	(93,409)	1,097,501	2014-2024	Variable	
Tiger Athletic Foundation*								
Revenue Bonds, Series 1999	March 4, 1999	43,575,000	40,560,000	(1,615,000)	38,945,000	2014-2033	Variable	
Revenue Bonds, Series 2004	March 23, 2004	90,000,000	79,725,000	(2,045,000)	77,680,000	2014-2039	Variable	
Series 2012 Bonds	October 23, 2012	5,100,000		5,100,000	5,100,000	2018-2037	Variable	
Total Bonds Payable		$153,435,000	$127,700,910	$716,591	$128,417,501			$278,601

*As of December 31, 2012

In August 2012 the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College issued $ 41,615,000 of nontaxable Bonds - Series 2012. The purpose of the issues was to provide monies to refund portions of Series 2004B bonds. In order to refund the bonds, portions of the proceeds of the new issue ($41,615,000), plus an additional $4,907,295 million of sinking fund monies together with certain other funds and/or securities, were deposited and held in an escrow fund created pursuant to an escrow deposit agreement dated August 7, 2012, between the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College and the escrow trustee. The amount in the escrow, together with interest earnings, will be used to pay the principal, redemption premium, and interest when due. The refunding resulted in reducing the total debt service payments by $7,982,558 and gave the University an economic gain (difference between the present values of the debt service payments on the old and new debt) of $3,392,654. Of the debt considered defeased in substance, $44,672,804 is outstanding as of June 30, 2013.

In April 2013, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College issued $101,180,000 of auxiliary revenue bonds - Series 2013. The purpose of the issues was to provide monies to (i) finance or reimburse the costs of the planning, design, acquisition, construction and equipping of expansions and additions to the University Recreation Center; (ii) a portion of the planning, design, acquisition, construction, and equipping of a New Residence Hall; and (iii) the planning and design of the acquisition, construction, and equipping of renovations to Evangeline Residence Hall; (iv) fund a deposit to the Series 2013 capitalized interest account; and (v) pay cost of issuance.

In 1999, the Tiger Athletic Foundation issued $43,575,000 in revenue bonds for financing or reimbursing a portion of the cost of certain improvements and renovations to the East Side Upper Deck of Tiger Stadium at LSU.

In March 2004, the Tiger Athletic Foundation issued Revenue Bonds Series 2004 for a principal amount of $90,000,000. The bonds are secured by the pledged revenues on parity with the Series 1999 bonds. The bonds have a floating interest rate based on the SIFMA Index. The proceeds of the loan are being used to finance or reimburse a portion of the costs of the acquisition and construction of certain improvements and renovations to Tiger Stadium and a football operations center at LSU, including funding the interest and costs associated with the project. On March 15, 2007, an amendment was made to the original loan agreement which waived the principal due on September 1, 2007, and extended the payment schedule an additional year, through 2034, with the intent that the 2007 principal payment will be paid on September 1, 2034. Effective November 2009, the bonds were reissued as a single fully registered bond without coupons and shall mature September 2039.

The Tiger Athletic Foundation committed to expending $100,000,000 on the financing, design, development, performance, and construction of the Facilities/South and Olympic Sports Improvements in accordance with the plans and specifications approved by LSU. In October 2012, the Tiger Athletic Foundation initiated two different debt instruments to finance this commitment. It entered into a Bond Purchase Agreement, and resulting Loan Agreement, so that it could borrow from the proceeds of the sale of Revenue Bonds, an aggregate principal of $75,000,000. These bond indentures contain requirements for annual debt service and flow of funds through various restricted accounts. Beginning in 2018, the Tiger Athletic Foundation must establish a mandatory sinking fund, with annual installments due through 2037. The annual installments range from a low of $2,910,000 in 2018 to a high of $4,730,000 in 2037. As security for payments to be made by the Tiger Athletic Foundation, pursuant to the Loan Agreement, it has entered into an Act of Assignment of Pledged Revenues and Security Agreement, on parity with the Series 1999 and 2004 revenue bonds. The Tiger Athletic Foundation will draw down, through the term of the Loan Agreement, as construction progresses and as construction draws are presented to the Foundation, with the last draw to occur in 2014. At December 31, 2012, the Tiger Athletic Foundation has drawn $5,100,000 of funds against its aggregate principal. For the period from loans closing date in 2012 through, but not including, October 1, 2022, this loan shall bear interest at the Special Bank Variable rate. This variable rate is equal to 65% of the 90 day LIBOR Index rate plus 2.25% or, the higher of 65% of the Federal Funds rate plus 2.625% or 65% of the Prime Rate on the Adjustment Date. At December 31, 2012, that interest rate was 2.4562%.

On May 1, 2003, the LSU Foundation participated in borrowing, along with several other organizations, the proceeds of revenue bonds totaling $31,555,000 issued by the Louisiana Public Facilities Authority (LPFA). The Foundation's portion of the borrowing was $12,725,000. The Foundation is scheduled to repay the funds borrowed in 2022. The borrowed proceeds from the issuance were used to help fund several construction projects including the Shaw Center for the Arts. Interest is currently being paid using a weekly rate as determined by the remarketing agent. The interest rate at June 30, 2013, was 1.00%. Total interest expense incurred on the bonds for the year ended June 30, 2013, was $53,352. The bonds are collateralized by future revenues of the LSU Foundation.

The Foundation for the LSU Health Sciences Center financed the renovation of a building (2000 Tulane Avenue) purchased on May 15, 2003, with bond proceeds of $2,035,000 over a 20-year period through the LPFA Capital Facilities Pool Program. The bond issue is supported by a bank letter of credit. The building was heavily damaged by Hurricane Katrina on August 29, 2005, and during fiscal year 2010, the building was demolished. The Foundation reduced certain expenditures which allowed it to meet debt obligations despite the loss of rental revenue.

The Foundation for the LSU Health Sciences Center issued bonds in January 2002 totaling $2,035,000 with a variable interest rate. The interest rate for fiscal year 2013 amounted to approximately 0.75%. The bond issuance costs of $35,000 are being amortized over the life of the bonds beginning July 1, 2002. Bond amortization expense for the fiscal year ended June 30, 2013, was $1,591.

Debt Service Requirements

The annual requirements to amortize all university bonds outstanding at June 30, 2013, are presented in the following schedule. The schedule uses rates as of June 30, 2013, for debt service requirements of the variable-rate bonds, assuming current interest rates remain the same for their term. As rates vary, variable-rate bond interest payments will vary.

Fiscal Year	Principal	Interest	Total
2014	$12,915,417	$23,291,890	$36,207,307
2015	13,720,417	22,708,344	36,428,761
2016	13,905,417	22,105,958	36,011,375
2017	14,515,417	21,529,572	36,044,989
2018	14,774,582	20,966,141	35,740,723
2019-2023	84,230,000	94,070,096	178,300,096
2024-2028	99,900,000	72,015,950	171,915,950
2029-2033	110,770,000	46,744,291	157,514,291
2034-2038	94,445,000	20,405,693	114,850,693
2039-2043	41,570,000	4,452,977	46,022,977
Subtotal	500,746,250	348,290,912	849,037,162
Unamortized premium/discount	11,681,963	NONE	11,681,963
Total	$512,428,213	$348,290,912	$860,719,125

The annual requirements to amortize all component unit bonds outstanding at June 30, 2013, are as follows:

Fiscal Year	Principal	Interest*	Total
2014	$4,563,395	$56,207	$4,619,602
2015	4,753,395	49,894	4,803,289
2016	4,948,395	43,581	4,991,976
2017	5,158,395	37,269	5,195,664
2018	5,378,395	30,956	5,409,351
2019-2023	29,768,025	60,694	29,828,719
2024-2028	29,820,000		29,820,000
2029-2033	26,720,000		26,720,000
2034-2038	15,325,000		15,325,000
2039-2043	2,000,000		2,000,000
Subtotal	128,435,000	278,601	128,713,601
Unamortized bond issuance cost	(17,499)	NONE	(17,499)
Total	$128,417,501	$278,601	$128,696,102

*Excludes floating interest rate amounts for Tiger Athletic Foundation Revenue Bond Series 1999, Series 2004, and Series 2012 and for the Foundation for the LSU Health Sciences Center 2002 Series.

The following is a summary of the System debt service reserve requirements of the various bond issues at June 30, 2013:

Bond Issue	Cash/ Investment Reserves Available	Reserve Requirement	Excess/ (Deficency)
Auxiliary Plant:			
LSU at Alexandria	$313,055	$313,050	$5
LSU at Eunice Housing Foundation*	584,089	610,450	(26,361)
LSU A&M	8,043,706	7,500,000	543,706
Total	$8,940,850	$8,423,500	$517,350
Educational Plant:			
LSU Health Sciences Center - New Orleans	$1,176,841	$1,176,841	
Health Care Services Division	2,216,024	2,216,024	
Total	$3,392,865	$3,392,865	NONE

*The Debt Service Reserve Fund is below the required level, but mangagement is addressing the problem by increasing rental rates and investigating options on refinancing bonds.

As permitted by the Bond Resolution for the Auxiliary Bonds of 2012 and 2013, LSU established no debt service reserve accounts. Neither surety bonds from an insurance company or an irrevocable letter of credit were required as a substitute for the reserve accounts.

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

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

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

As permitted by the Bond Resolution for the Auxiliary Revenue Bonds of 2005 Series A, LSU obtained a surety bond issued by an insurance company as a substitute for the Reserve Requirement for the bonds. The surety bond meets the definition as a "Reserve Fund Investment" and guarantees payment of principal and interest on the bonds when they are due in the event of nonpayment.

As permitted by the Bond Resolution for the Auxiliary Revenue Refunding Bonds, Series 2004, LSU obtained a surety bond issued by an insurance company as a substitute for the Reserve Requirement for the bonds. The surety bond meets the definition as a "Reserve Fund Investment" and guarantees payment of principal and interest on the bonds when they are due in the event of nonpayment.

As permitted by the Bond Resolution for the Revenue Bonds, Series 2000, the LSU Health Sciences Center obtained a surety bond issued by an insurance company as a substitute for the Reserve Requirement for the bonds. The surety bond meets the definition as a "Reserve Fund Investment" and guarantees payment of an amount not to exceed $1,176,841 to fund the Reserve Requirement.

As permitted by the Bond Resolution for the Auxiliary Revenue Bonds, Series 1998 (LSU at Eunice Project), the university system obtained a surety bond issued by an insurance company as a substitute for the Reserve Requirement for the bonds. The surety bond meets the definition as a "Reserve Fund Investment" and guarantees payment of an amount not to exceed $134,750 to fund the Reserve Requirement.

Capital Leases

The university system records items under capital leases as assets and obligations in the accompanying financial statements. Assets under capital lease are included as capital assets in note 5. The following is a schedule of future minimum lease payments under capital leases, together with the present value of minimum lease payments at June 30, 2013:

Fiscal Year Ending June 30:	
2014	$4,344,815
2015	4,653,086
2016	4,250,212
2017	3,872,679
2018	3,875,834
2019-2023	18,006,811
Total minimum lease payments	39,003,437
Less - amount representing interest	(4,373,575)
Present value of net minimum lease payments	$34,629,862

15. DUE FROM STATE TREASURY

As shown on Statement A, the university system has a total of $168,845,659 (net) due from the state treasury at June 30, 2013. This amount consists of the following:

Description	Due (to)/from
Tobacco Tax funds	$1,338,250
Statutory dedications - Support Education in Louisiana First	809,468
LSUHSC-S - EAC DHH Medicaid Stimulus	2,314,802
LSUHSC-S - HPL DHH Medicaid Stimulus	1,065,487
Statutory dedications - Overcollections	284,251,250
Due from state treasury	289,779,257
Refund from prior year orders	(120)
Unclaimed property	(47,070)
Repayment of seed advance	(90,521,903)
LSUHSC Shreveport State General Fund Direct	(79,928)
Public/Private Partner Hospital Lease Payments for FY2013	(30,284,577)
Due to state treasury	(120,933,598)
Total	$168,845,659

16. RESTRICTED NET POSITION

The university system's restricted nonexpendable net position of $203,528,748 as of June 30, 2013, is comprised entirely of endowment funds.

The university system had the following restricted expendable net position as of June 30, 2013:

Restricted Expendable Net Position

Account Title	Amount
Student fees	$15,267,308
Grants and contracts	38,404,640
Gifts	21,299,096
Endowment earnings	39,476,862
Auxiliary enterprises	3,580,079
Student loan funds	34,880,152
Capital construction	220,431,065
Debt service	12,878,078
Sponsored projects	20,361
LSU System Health Plan	31,392,256
Total	$417,629,897

Of the total restricted net position reported on Statement A for the year ended June 30, 2013, a total of $2,601,723 is restricted by enabling legislation.

LSU Health Sciences Center in Shreveport has donor restricted endowments. If a donor has not provided specific instructions, state law permits the Board of Regents to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. The center's endowments are composed of approximately 85% private and 15% Board of Regents. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. At June 30, 2013, net appreciation of $1,844,502 is available to be spent and is restricted to specific purposes.

RESTRICTED NET ASSETS - COMPONENT UNITS

Restricted net assets for the LSU Foundation, the Tiger Athletic Foundation, The Foundation for the LSU Health Sciences Center, and the LSU Health Sciences Center Foundation in Shreveport are as follows:

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Center Foundation in Shreveport	Total
Temporarily restricted:					
Chairs and professorships	$53,230,108		$25,534,662	$2,488,709	$81,253,479
Scholarships and fellowships	32,676,216		1,792,841		34,469,057
Academic support	74,213,336			2,649,883	76,863,219
Capital outlay and improvements	15,661,432			61,804	15,723,236
Research support	6,653,067			79,129,242	85,782,309
Institutional support	3,868,417		87,828	2,107,561	6,063,806
Donor restrictions		$46,235,601	12,280,205	149,455	58,665,261
Total temporarily restricted	$186,302,576	$46,235,601	$39,695,536	$86,586,654	$358,820,367

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Center Foundation in Shreveport	Total
Permanently restricted:					
Chairs and professorhips	$114,371,766		$40,630,952	$9,681,667	$164,684,385
Scholarships and fellowships	53,237,089		3,271,013		56,508,102
Academic support	44,379,074				44,379,074
Capital outlay and improvements	185,925				185,925
Research support	1,950,962				1,950,962
Institutional support			182,457		182,457
Endowment funds		$10,134,628	2,890,037	2,430,905	15,455,570
Total permanently restricted	$214,124,816	$10,134,628	$46,974,459	$12,112,572	$283,346,475

*As of December 31, 2012

17. RESTATEMENT OF BEGINNING NET POSITION

The beginning net position as reflected on Statements C has been restated to reflect the following changes:

UNIVERSITIES

Net position at June 30, 2012	$1,813,231,435
LSU and Related:	
Duplicate revenue entries for LSU PT&T auxilliary	(200,811)
Correct cost and accumulated depreciation for equipment acquired prior to FY 2013	696,661
LSU-Alexandria facility capitalization	309,056
LSU facility capitalization	344,433
Compensated absences liability	1,366,100
PBRC deli inventory	(65,763)
Health Care Services Division:	
HCSD dispro receivable and payable adjustment	(19,449,442)
Net position at June 30, 2012, as restated	$1,796,231,669

18. BLENDED COMPONENT UNITS

During the year ended June 30, 2013, the System implemented GASB Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, that required governments engaging only in business-type activities that use a single column for fiscal statement presentation to present condensed combining information for its blended component units in the notes to the financial statements.

Condensed financial information for each of the institutions' blended component units follows:

Condensed Statement of Net Position

	Eunice Student Housing Foundation	LSU Healthcare Network
Assets:		
Current assets	$362,821	$29,144,709
Capital assets	3,747,427	2,644,524
Other assets	632,328	2,754,139
Total Assets	$4,742,576	$34,543,372
Liabilities:		
Current liabilities	$819,835	$2,228,220
Due to other funds		7,552,740
Long-term liabilities	6,344,097	
Total liabilities	$7,163,932	$9,780,960
Net Position:		
Net investment in capital assets	($2,667,138)	$2,644,524
Restricted net position - expendable	724,975	
Unrestricted net position	(479,193)	22,117,888
Total Net Position	($2,421,356)	$24,762,412

	Health Care Services Foundation	Bogalusa Community Medical Center
Assets:		
Current assets	$1,087,530	$2,444,886
Capital assets	2,974,160	
Other assets	2,242,619	20,072,747
Total Assets	$6,304,309	$22,517,633
Liabilities:		
Current liabilities	$848,630	$481,938
Long-term liabilities	2,290,797	18,001,081
Total liabilities	$3,139,427	$18,483,019
Net Position:		
Net investment in capital assets	$2,394,160	
Restricted net position - expendable	3,148	$3,458
Restricted net position - nonexpendable	990	26,875
Unrestricted net position	766,584	4,004,281
Total Net Position	$3,164,882	$4,034,614

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Eunice Student Housing Foundation	LSU Healthcare Network
Operating revenues	$1,068,623	$86,439,503
Operating expenses	478,325	83,328,783
Depreciation expense	173,871	842,717
Net operating income	416,427	2,268,003
Nonoperating revenues (expenses):		
Investment income	47	13,565
Interest expense	(484,981)	
Changes in net position	(68,507)	2,281,568
Net Position, beginning of the year	(2,352,849)	22,480,844
Net Position, end of the year	($2,421,356)	$24,762,412

	Health Care Services Foundation	Bogalusa Community Medical Center
Operating revenues	$602,722	$816,524
Operating expenses	292,475	642,132
Depreciation expense	119,859	21,311
Net operating income	190,388	153,081
Nonoperating revenues (expenses):		
Investment income	83,631	650,924
Interest expense	(75,854)	(720,955)
Changes in net position	198,165	83,050
Net Position, beginning of the year	2,966,717	3,951,564
Net Position, end of the year	$3,164,882	$4,034,614

Condensed Statement of Cash Flows

	Eunice Student Housing Foundation	LSU Healthcare Network
Net cash flows provided (used) by:		
Operating activities	$688,503	$3,743,182
Noncapital financing		
Capital and related financing	(631,986)	(597,806)
Investing activities	(44,634)	13,565
Net increase (decrease) in cash	11,883	3,158,941
Cash, beginning of the year	276,521	15,153,747
Cash, end of the year	$288,404	$18,312,688

	Health Care Services Foundation	Bogalusa Community Medical Center
Net cash flows provided (used) by:		
Operating activities	$91,683	($444,321)
Noncapital financing		
Capital and related financing	(2,578,702)	(158,112)
Investing activities		
Net increase (decrease) in cash	(2,487,019)	(602,433)
Cash, beginning of the year	3,111,673	1,886,717
Cash, end of the year	$624,654	$1,284,284

19. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

Function	Employee Compensation	Benefits	Utilities	Supplies and Services	Scholarships and Fellowships	Depreciation	Compensated Absences	OPEB Expense	Total
Instruction	$329,404,475	$95,733,412	$110,536	$58,790,136		$9,586,750	($513,111)	$21,537,734	$514,649,932
Research	156,849,308	53,592,439	1,662,557	102,689,269		14,616,456	(480,218)	11,783,112	340,712,923
Public service	204,150,651	39,500,393	1,154,766	77,686,116		12,643,062	664,695	8,998,289	344,797,972
Academic support	61,119,073	22,762,073	382,590	26,209,120		5,842,050	(272,146)	5,171,820	121,214,580
Student services	20,007,507	6,418,321	311,943	9,068,039		249,082	74,767	1,590,520	37,720,179
Institutional support	53,264,491	25,909,044	101,927	30,697,023		3,727,090	(259,679)	5,098,140	118,538,036
Operations and maintenance of plant	37,444,599	15,004,492	24,063,410	31,137,211		38,895,218	16,859	2,186,442	148,748,231
Scholarships and fellowships				(10,862)	$39,149,181				39,138,319
Auxiliary enterprises	50,623,263	14,974,549	6,883,618	93,855,847		1,035,243	371,520	4,057,964	171,802,004
Hospital	506,420,436	169,849,729	14,994,992	377,394,988		37,177,407	(861,900)	25,171,175	1,130,146,827
Total operating expenses	$1,419,283,803	$443,744,452	$49,666,339	$807,516,887	$39,149,181	$123,772,358	($1,259,213)	$85,595,196	$2,967,469,003

20. FOUNDATIONS

The accompanying financial statements do not include the accounts of the following foundations, which do not meet the criteria for discretely presented component units as described in note 1-B:

- LSU Alumni Association
- Pennington Biomedical Research Foundation
- Pennington Medical Foundation
- LSU Medical Alumni Association
- LSU School of Dentistry Alumni Association
- LSU School of Nursing Alumni Association
- LSU in Shreveport Foundation
- LSU in Shreveport Alumni Association
- LSU in Shreveport Realty, L.L.C.
- Medical Center of Louisiana Foundation
- Louisiana State University at Alexandria Foundation
- Louisiana State University at Eunice Foundation
- Louisiana State University System Research and Technology Foundation
- Biomedical Research Foundation of Northwest Louisiana
- University Energy Equipment Corporation
- LSU 4-H Foundation

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

21. DEFERRED COMPENSATION PLAN

Certain employees of the LSU System participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor's website at www.lla.la.gov.

22. ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. The amount of on-behalf payments for fringe benefits and salaries included in Statement C for fiscal year ended June 30, 2013, was $612,000. There were no on-behalf payments made as contributions to a pension plan for which the university is legally responsible.

23. IMPROVEMENTS TO PLANT ON BEHALF OF THE UNIVERSITY

Expansion of Tiger Stadium

On December 21, 1998, LSU entered into a cooperative endeavor agreement with the Tiger Athletic Foundation (TAF) for an addition to the east side of Tiger Stadium. TAF agrees to lease a parcel of land located adjacent to Tiger Stadium for up to 50 years and to construct additional seats on the land as part of Tiger Stadium, including approximately 70 sky boxes. LSU will lease these stadium improvements from TAF for $2 million per year for a 35-year lease term or until TAF donates such improvements to LSU. The estimated value to LSU of this addition over the term of the agreement is approximately $49,000,000. The cooperative endeavor agreement will end on April 4, 2049.

On September 26, 2003, LSU entered into a cooperative endeavor agreement with TAF for the expansion and renovation of the west side of Tiger Stadium. TAF agrees to lease land and certain existing improvements for expanding and renovating facilities and to complete general stadium improvements. Effective September 1, 2005, LSU leased these improvements from TAF for $2.5 million per year for a 35-year lease term or until TAF donates such improvements to LSU. The estimated value to LSU of this addition over the term of the agreement is approximately $100,000,000. This agreement is scheduled to expire on March 31, 2041.

TAF entered into a Cooperative Endeavor and Lease Agreement with the Board of Supervisors of LSU. The Lease Agreement stipulates that TAF will lease from LSU certain land (Ground Lease) and existing improvements thereon (Facilities Lease) in order to provide necessary, new, expanded and renovated Facilities/South, South End Zone Scoreboards and Olympic Sports Improvements, all as defined by LSU. TAF entered into the Cooperative Endeavor for the purpose of, and shall have the continuing obligation of, developing and constructing the Facilities/South and South End Zone Scoreboards in accordance with plans and specifications approved by LSU, and shall ensure the maintenance, operation, management and replacement of the Facilities/South and South End Zone Scoreboards. TAF shall expend a total amount, including for both hard and soft costs, of $100,000,000 for the financing, design, development, performance and construction of the Facilities/South and Olympic Sports Improvements in accordance with the plans and specifications approved by LSU. The expenditures necessary for the South End Zone Scoreboards will be outside of and in addition to the $100,000,000.

The term of the Ground Lease between LSU and TAF is 50 years; however, it will terminate with the Cooperative Endeavor, when, and if, the Facilities/South are donated by TAF to LSU. The Facilities Lease is scheduled to terminate June 30, 2049; however, LSU may terminate the lease at any time after the Bonds, referred to in note 14, are paid in full or legally defeased. TAF is committed to an annual rent of $25,000 for the land. Upon completion of the Facilities/South, TAF will lease to LSU a portion of that Facilities/South. Under the terms of this lease, and with anticipated completion of the construction prior to the start of the 2014 LSU football season, LSU will pay TAF $4,000,000, annually, beginning September 1, 2014.

LSU Health Sciences Center - New Orleans
Cooperative Endeavor for District Energy Services

Effective November 1, 1998, the LSU Board of Supervisors on behalf of the LSU Health Sciences Center (LSUHSC) - New Orleans entered into a cooperative endeavor agreement with Entergy Thermal (Entergy), a division of Entergy Business Solutions, Inc., and New Orleans Medical Complex, Inc. (NORMC), a Louisiana private, nonprofit corporation. The term of the agreement ends September 30, 2020, with options to renew the lease for two 5-year periods.

Under the agreement, the LSUHSC - New Orleans leases to NORMC a parcel of land located in New Orleans at the northeastern corner of South Claiborne Avenue and Gravier Street. NORMC pays the LSUHSC - New Orleans $51,346 annually for the lease, which may be adjusted every 5 years for inflation. NORMC is responsible for the construction of a combined use facility, which is comprised of its office, a multi-level parking garage, and a thermal energy production facility. For the period of the agreement, LSUHSC - New Orleans and NORMC entered into a reciprocal lease, which, in lieu of rent, gives each the right of occupancy of the combined use facility. Upon the expiration or sooner termination of the ground lease, the title to the combined use facility will automatically become vested in the LSU Board of Supervisors.

NORMC is subleasing the combined use facility to Entergy, which is responsible for the construction and financing of the thermal energy production facility within the combined use facility. Under the terms of the reciprocal lease, Entergy is also responsible for the operations, repair, replacement, and maintenance of the central plants located at the Medical Center of Louisiana at New Orleans and LSUHSC - New Orleans (the central plants). For the term of the agreement, LSUHSC - New Orleans is obligated to purchase its thermal energy from Entergy. The LSUHSC - New Orleans total monetary obligation is not determinable since the obligation will be based on energy consumption.

During the term of the agreement, title to the thermal equipment within the combined use facility is vested in Entergy. Upon the expiration or termination of the agreement, Entergy will have the right, but not the obligation, to remove equipment it has installed provided that the removal of the equipment does not materially damage the thermal energy production facility space in the combined use facility. The LSU Board of Supervisors has the option to purchase the equipment upon expiration or termination of the agreement. The title to the thermal equipment installed within the central plants is vested in NORMC until the expiration or termination of the agreement, at which time title shall automatically pass to and become vested in the LSU Board of Supervisors.

Effective March 1, 2013, the cooperative endeavor agreement between the LSU Board of Supervisors on behalf of the LSU Health Sciences Center New Orleans with Entergy Thermal (Entergy), a division of Entergy Business Solutions, Inc., and New Orleans Medical Complex, Inc. (NORMC), a Louisiana private, nonprofit corporation was amended. The amendment provided for an extension of terms for another 30 years to September 30, 2050. Modifications include the relocation of Thermal Services from Charity Plant and LSU Health Sciences Center New Orleans Plant to a newly constructed boiler plant on the University Medical Center site in order to provide the New Orleans Regional Medical Center area better economies of scale and increased efficiencies by use of Centralized Thermal services.

24. REVENUE USED AS SECURITY FOR REVENUE BONDS

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

LSU, LSUA, and LSUE have pledged future auxiliary revenues of approximately $798,440,426 to secure outstanding debt of $582,385,000 in Auxiliary Revenue Bonds. Proceeds from the bonds provided for the financing of construction and renovation of various auxiliary facilities. All auxiliary revenues of LSU have been pledged to secure the debt, which is payable through 2043. Pledged auxiliary revenues recognized during the period were $201,047,697. All LSUA Union, Bookstore, and athletic revenues, totaling $1,048,146 for the current period, are pledged to secure the debt of the 2008 bond, which matures in 2034. All LSUE Union and Bookstore revenues, totaling $2,003,103 for the current period, are pledged to secure the debt of the auxiliary revenue bonds payable through 2033. Required principal and interest payments for the current year on the bonds were $34,917,119.

LSUHSC - New Orleans has pledged future auxiliary revenues, dedicated student fee revenues, and University Enterprise Revenues of approximately $21,107,500 to secure its 2000 Series Bond. Proceeds from the bonds provided for the planning, financing, design, construction, operation, maintenance, equipping, and renewal and replacement for the Wellness Center, Day Care Center, Campus Health Services, and Student Housing in the Old Charity Nursing School Building. The bonds are payable through 2031. Principal and interest paid for the current year were $1,300,560. Pledged auxiliary revenues recognized during the period were $8,644,109.

25. COOPERATIVE ENDEAVOR AGREEMENTS

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

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

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

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

COOPERATIVE ENDEAVOR AGREEMENTS - COMPONENT UNITS

Tiger Athletic Foundation

In 1999, the Tiger Athletic Foundation (TAF) entered into a cooperative endeavor agreement with LSU that obligated TAF to acquire, construct, and maintain new scoreboards in LSU athletic venues at a total cost of approximately $5.2 million. In return for its fulfillment of this obligation, TAF was given an eight-year license to solicit certain qualified corporate sponsorship contracts. In connection with its issuance of the Series 2004 Revenue Bonds, LSU extended TAF's rights to solicit qualified corporate sponsorship contracts for a period of approximately 35 years. Effective July 1, 2005, TAF, with approval of LSU, entered into a 10-year lease agreement with Viacom Outdoor Advertising, Inc., d/b/a LSU Sports Properties, whereby TAF leased its rights to the scoreboards to Viacom in return for an annual guaranteed rental payment. The rental payment, which was $1.4 million in year one and year two and will increase by $25,000 annually each year during the life of the lease agreement, is due in two equal installments payable in July and October of each year. In November 2010, this lease agreement was amended. The amendment extends the agreement for a period of one year, through June 30, 2016, and increases the compensation paid to TAF by $500,000 annually. In addition, under this amendment, TAF will be requested to expend an additional $3 - $5 million over the next three years to construct, install, upgrade, maintain, service and replace scoreboards.

LSU HSC Foundation in Shreveport

Intermodal Transit Facility, LLC was formed in March 2007 to purchase property and construct an intermodal transit oriented facility as a ride link for the City of Shreveport's SporTran passengers and the Center's patients, employees, students, and customers. Intermodal Transit Facility, LLC entered into a Cooperative Endeavor Agreement with the City of Shreveport which governed the use of $1,235,949 of Section 5309 Federal Transit Administration (FTA) funds earmarked as an 80% match for construction of the intermodal transit facility. In order to receive these grant funds, Intermodal Transit Facility, LLC was required to provide a match equal to 20% of the project cost. In addition, Intermodal Transit Facility, LLC was required to pay the City of Shreveport an administrative fee in the amount of 10% of the total FTA grant funds used for the project. A summary of the project's activity follows:

Year Ended June 30,	Capitalized Expenditures	Expensed Expenditures	Capitalized Administrative Fees	Total Project Cost	Less Grant Income	Intermodal's Match Plus Administrative Fees
2007	$748,749		$59,900	$808,649	$598,999	$209,650
2008	110,402		8,832	119,234	88,322	30,912
2009	630,515	$4,016	50,762	685,293	507,624	177,669
Total	$1,489,666	$4,016	$119,494	$1,613,176	$1,194,945	$418,231

26. AMOUNTS HELD IN CUSTODY FOR OTHERS - COMPONENT UNITS

The discretely presented component units reported amounts held in custody for others as follows:

Entity	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Center Foundation in Shreveport	Total
LSU at Alexandria Foundation	$15,799,323				$15,799,323
LSU at Eunice Foundation	2,102,398				2,102,398
State matching funds	87,048,596		$24,434,350		111,482,946
Split-interest agreements	2,812,205		54,679		2,866,884
Tiger Athletic Foundation	10,454,070				10,454,070
Coaches' escrow accounts		$1,874,940			1,874,940
LSU Athletic Department		7,339,748			7,339,748
LSUHSC Shreveport				$62,560,128	62,560,128
Total amounts held in custody	$118,216,592	$9,214,688	$24,489,029	$62,560,128	$214,480,437

*As of December 31, 2012

27. RELATED PARTY TRANSACTIONS - COMPONENT UNIT

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

In the normal course of business, The Foundation for the LSU Health Sciences Center reimburses the LSU Health Sciences Center - New Orleans (Health Sciences Center) for certain expenses and makes distributions to or on behalf of the Health Sciences Center. The Foundation also provides certain services for the Health Sciences Center. Included in expenses for the year ended June 30, 2013, is $5,305,265, representing payments on behalf of the Health Sciences Center. At June 30, 2013, there were no funds due to or from the Health Sciences Center.

The LSU Foundation has certain transactions in the normal course of operations with LSU. The transactions consist of reimbursement for salaries, which are processed by LSU and reimbursement for certain expenses paid by LSU on behalf of the Foundation, such as payments of scholarships. The amount owed to LSU at June 30, 2013, for these types of expenses was $2,509,934.

28. UNCONDITIONAL PROMISES TO GIVE - COMPONENT UNITS

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

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Center Foundation in Shreveport	Total
Promises to give expected to be collected in:					
Less than one year	$6,987,101	$11,931,793	$1,200	$28,300	$18,948,394
One to five years	7,297,990	8,536,969	6,000		15,840,959
More than five years	42,770	2,380,833	900		2,424,503
Subtotal	14,327,861	22,849,595	8,100	28,300	37,213,856
Less discount on promises to give	(382,671)	(1,757,521)	(917)		(2,141,109)
Less allowance for uncollectible accounts	(190,550)	(1,633,900)	(2,833)		(1,827,283)
Subtotal	(573,221)	(3,391,421)	(3,750)	NONE	(3,968,392)
Net unconditional promises to give	$13,754,640	$19,458,174	$4,350	$28,300	$33,245,464

*As of December 31, 2012

Total unconditional promises to give (current and noncurrent) of $33,245,464 are reported on Statement B.

29. POLLUTION REMEDIATION OBLIGATION

Certain facilities within the LSU System require remediation for asbestos abatement and other environmental concerns. The State Office of Facility Planning is coordinating the clean-up efforts. During the fiscal year 2013, total remediation costs incurred were $291,105 and the total remaining obligation as of June 30, 2013, totaled $222,334.

30. EMPLOYEE TERMINATION BENEFITS

Substantially all employees are eligible for termination benefits upon separation from the state. The LSU System recognizes the cost of providing these benefits as expenditures when paid during the year. For the fiscal year ending June 30, 2013, the cost of providing these benefits for eight involuntary terminations totaled $10,258.

31. PRIVATIZATION OF PUBLIC HOSPITALS

As previously stated in note 1.R, the LSU System implemented public/private partnerships for the management of five of the seven hospitals within the Health Care Services Division. In consideration for these partnerships, the LSU System will receive up-front cash payments totaling $280,593,426 and periodic lease payments ranging from $2,487,000 to $69,409,750 (adjusted for inflation) per year over lease terms ranging from 5 to 40 years. Per Act 420 of the

2013 Regular Session, these up-front and periodic lease payments are to be deposited with the State Treasury.

32. SUBSEQUENT EVENTS

On September 4, 2013, LSU Health Science Center New Orleans issued $12,830,000 in Revenue Refunding Bonds, Series 2013. These bonds mature between June 30, 2014 and June 30, 2031, and bear average interest rates of 4.2%. A portion of the proceeds in the amount of $12,632,358 is being used to effect a current refunding of the Prior Revenue 2000 Series Bonds. The remaining proceeds are being used to fund the Series 2013 Reserve Fund and to pay the costs of issuance of the bonds. The total net present value savings created by this refunding is estimated at $1,201,175.

The LSU 2015 Transition Advisory Team presented its final report to the Board in September 2013. SSA Consultants (SSA), who have facilitated the process, detailed the work of the team and its five sub-committees and multiple task forces and work groups. In the past six months, the Transition Advisory Team has:

- Held 50 meetings, watched by more than 700 people via a live online stream on the LSU 2015 website
- Spent more than 134 hours collaborating with stakeholders in the LSU System
- Consulted 16 national experts on LSU's reorganization process
- Surveyed 2,752 faculty members, staff and students from the 10 institutions of the LSU System

SSA detailed the vision statement LSU 2015 has produced, particularly to "build a cohesive, accountable and sustainable operating model for the 21st century and offered the board members some of the transformational priorities designated by the Transition Advisory Team, including the need to recruit aggressively for all campuses; to build a globally competitive LSU research enterprise; project a single, globally competitive LSU; and generate new revenue and savings through streamlining policies and procedures." The Board received the full report and will begin working with a team to set priorities in the reorganization process.

On August 14, 2013, the LSU Board of Supervisors was cited for contempt of court related to a May 30, 2013, judgment for noncompliance with Louisiana Revised Statute 44:12.1 regarding a public records request and was ordered to pay a fine of $500 per day for every day the LSU System remained in contempt for failing to comply with the judgment. The LSU System is currently appealing both the original judgment and the contempt judgment.

On August 22, 2013, a BA-7 requesting approval to carry forward $481,502 under LA Granting Resources and Autonomy for Diplomas Act provisions was submitted for the Law Center for consideration by the Joint Legislative Committee on the Budget at its October 18, 2013, meeting.

Beginning October 1, 2013, LSU Medical Center in Shreveport and E.A. Conway Medical Center in Monroe will be operated and managed by Biomedical Research Foundation Hospital Holdings, L.L.C. (BRFHH). The public/private partnership agreement includes the following parties: Biomedical Research Foundation of Northwest Louisiana (BRF), the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU), the Department of Health and Hospitals (DHH), and the Division of Administration (DOA). Through the public/private partnership, BRFHH would provide inpatient and outpatient hospital services, including services currently provided through the hospitals and continue to serve as the primary training site for the LSU-sponsored residency programs. The public purpose of this partnership is to prevent further loss of care for the vulnerable and needy patients who are uninsured, represent high risk Medicaid, and are offenders under the care of the State. In addition, this partnership seeks to stabilize and assure a sustainable graduate medical education program that provides the bulk of the State's healthcare workforce.

The transition of Huey P. Long Medical Center is projected to occur by June 30, 2014. This transition will be a public/private partnership among the following parties (individually, a "Party" and, collectively, the "Parties"): CHRISTUS Health Central Louisiana (CHRISTUS); Rapides Healthcare System, L.L.C. (Rapides); Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU); and the State, acting through the Department of Health and Hospitals (DHH) and the Division of Administration (DOA). Through the public/private partnership, CHRISTUS and Rapides should provide certain inpatient and outpatient hospital services, including services currently provided through HPL. The public purpose sought through this partnership is to prevent further loss of care for the vulnerable and needy patients who are uninsured, high risk Medicaid, and inmate populations under the care of the State.

At a special meeting of the Louisiana State University Board of Supervisors on June 19, 2013, a resolution was approved to authorize F. King Alexander, President of the Louisiana State University System, to execute a Cooperative Endeavor Agreement for the Public/Private Partnership between Washington-St. Tammany Regional Medical Center (Bogalusa) and Franciscan Missionaries of Our Lady. After preparation of the Financial Statements for the period ended June 30, 2013, management of the hospital should transition to the Franciscan Missionaries of Our Lady. All of the agreements associated with the Cooperative Endeavor are still in negotiations and are pending signature at the time of the preparation of the financial statements.

33. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, is effective to the University for the fiscal 2015 year. This standard will require, among other things, the University system recognize a liability for its proportionate share of the net pension liability, as defined by the standard, of the defined benefit pension plans presented in note 8. The impact to the University's net position is expected to be significant.

SCHEDULE

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

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

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

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

LSU System Health Plan

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
FY 2011	07/01/2010	NONE	$663,677,884	$663,677,884	0.0%	$622,239,300	106.7%
FY 2012	07/01/2011	NONE	$772,549,619	$772,549,619	0.0%	$568,536,448	135.9%
FY 2013	07/01/2012	NONE	$1,027,332,050	$1,027,332,050	0.0%	$553,351,008	185.7%

State Office of Group Benefits Plan

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
FY 2011	07/01/2010	NONE	$1,354,116,000	$1,354,116,000	0.0%	$397,889,610	340.3%
FY 2012	07/01/2011	NONE	$916,892,000	$916,892,000	0.0%	$345,935,146	265.0%
FY 2013	07/01/2012	NONE	$873,339,300	$873,339,300	0.0%	$334,926,194	260.8%

SUPPLEMENTAL INFORMATION SCHEDULES

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

Combining Schedule of Net Position, by University

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

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

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

Combining Schedule of Cash Flows, by University

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

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Position, by University
June 30, 2013

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
ASSETS					
Current assets:					
Cash and cash equivalents	$15,404,579	$8,573,407	($100,338,341)	$1,702,140	$3,542,696
Investments	34,556,774		350,917,432	136,974	75,723
Receivables (net)	477,809	3,160,999	37,135,528	5,780,735	3,505,738
Due from other campuses	571,494		147,008		
Due from state treasury		3,883	340,824	11,062	10,296
Due from federal government		497,227	8,741,253	12,075	51,047
Inventories		156,285	984,310	8,881	267,866
Deferred charges and prepaid expenses		225	8,978,147		3,804
Notes receivable (net)			1,958,970		46,121
Other current assets			1,845,332		
Total current assets	51,010,656	12,392,026	310,710,463	7,651,867	7,503,291
Noncurrent assets:					
Restricted:					
Cash and cash equivalents	1,411,541	127,012	116,077,230	694,802	375,871
Investments		6,801,733	238,908,712	1,791,108	863,020
Notes receivable (net)			12,976,912		(30,144)
Other			5,004,158		
Investments					
Other noncurrent assets					
Capital assets (net)	197,995	84,193,982	828,012,796	30,329,301	25,693,196
Total noncurrent assets	1,609,536	91,122,727	1,200,979,808	32,815,211	26,901,943
Total assets	52,620,192	103,514,753	1,511,690,271	40,467,078	34,405,234
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	10,646,162	577,710	45,171,378	252,025	662,305
Due to other campuses	39,191	357,195	68,687,531		130,000
Due to state treasury			120		
Due to federal government			103,590		
Deferred revenues		5,206,441	61,616,590	4,207,263	3,052,674
Amounts held in custody for others	564,121		6,306,431	76,689	86,989
Compensated absences payable	92,734	291,198	2,860,372	92,035	68,883
Capital lease obligations			1,971,116		
Notes payable					
Bonds payable			13,195,631	100,000	240,417
Other current liabilities			1,845,332		
Total current liabilities	11,342,208	6,432,544	201,758,091	4,728,012	4,241,268

(Continued)

Schedule 2

Paul M. Hebert Law Center	Agricultural Center	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total System
$3,192,530	$19,326,177	($325,582)	$39,159,138	$90,129,039	$138,286,012		$218,651,795
451,425	274,326	100,000	2,007,813	750,000	38,685,541		427,956,008
103,779	5,180,067	1,226,939	47,941,317	73,649,060	87,223,301		265,385,272
		4,168,748	72,519,816	45,820	4,268,145	($81,721,031)	
16,446	368,110	26,038	170,287	283,001,250	5,831,061		289,779,257
	4,980,317	425,965	5,967,513	1,336,888	2,734,582		24,746,867
	3,665,325	442,047	2,232,115	1,551,665	12,767,854		22,076,348
4,026	23,947	635,449	1,835,326	39,705	332,262		11,852,891
			580,779		253,245		2,839,115
				8,276			1,853,608
3,768,206	33,818,269	6,699,604	172,414,104	450,511,703	290,382,003	(81,721,031)	1,265,141,161
1,141,808	6,611,994	325,582		5,919,163	19,113,336		151,798,339
4,845,882	3,240,612	5,792,903	28,662,526	9,763,601	58,807,871		359,477,968
			9,322,861		1,312,311		23,581,940
	99,114			143,000,000			148,103,272
			2,531,213				2,531,213
			222,926	549,710			772,636
13,144,561	62,153,201	22,966,206	206,646,352	665,206,149	118,843,963		2,057,387,702
19,132,251	72,104,921	29,084,691	247,385,878	824,438,623	198,077,481	NONE	2,743,653,070
22,900,457	105,923,190	35,784,295	419,799,982	1,274,950,326	488,459,484	(81,721,031)	4,008,794,231
396,896	877,399	1,494,895	28,313,639	169,978,486	30,180,934		288,551,829
		147,008	174,981	11,954,233	230,892	(81,721,031)	
			521,903	120,286,497	125,078		120,933,598
	358		5,954,294				6,058,242
280,778	5,432,613	796,828	12,493,627	10,034,239	2,928,725		106,049,778
103,131	147,642	155,060	203,022	480,267	853,497		8,976,849
91,525	940,646	116,058	1,813,286	24,295,390	2,393,752		33,055,879
					1,468,455		3,439,571
				537,109			537,109
			390,000	290,000			14,216,048
							1,845,332
872,330	7,398,658	2,709,849	49,864,752	337,856,221	38,181,333	(81,721,031)	583,664,235

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Position, by University
June 30, 2013

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
Noncurrent liabilities:					
Amount held in custody					
Compensated absences payable	$401,899	$2,570,111	$27,217,678	$716,675	$572,620
Capital lease obligations			26,263,232		
Notes payable					
Other postemployment benefits payable	713,767	15,836,902	192,195,859	11,672,510	6,090,007
Bonds payable			457,405,251	3,700,000	6,840,833
Deferred revenues - advance lease payments					
Other noncurrent liabilities			810,547		(28,325)
Total noncurrent liabilities	1,115,666	18,407,013	703,892,567	16,089,185	13,475,135
Total liabilities	12,457,874	24,839,557	905,650,658	20,817,197	17,716,403
NET POSITION					
Net investment in capital assets	197,995	84,193,982	473,134,328	26,548,543	18,712,381
Restricted for:					
Nonexpendable		5,862,511	73,517,383	1,717,379	393,215
Expendable	31,394,462	5,799,399	158,949,242	1,641,581	3,921,930
Unrestricted	8,569,861	(17,180,696)	(99,561,340)	(10,257,622)	(6,338,695)
Total net position	$40,162,318	$78,675,196	$606,039,613	$19,649,881	$16,688,831

(Concluded)

Schedule 2

Paul M. Hebert Law Center	Agricultural Center	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total System
$932,375	$7,661,474	$2,010,172	$16,521,183	$2,686,933	$23,647,032		$84,938,152
					4,927,059		31,190,291
				2,483,097			2,483,097
5,348,297	51,604,405	11,109,196	95,778,955	184,575,446	182,066,891		756,992,235
			11,975,000	18,291,081			498,212,165
				276,173,711			276,173,711
	29,688						811,910
6,280,672	59,295,567	13,119,368	124,275,138	484,210,268	210,640,982	NONE	1,650,801,561
7,153,002	66,694,225	15,829,217	174,139,890	822,066,489	248,822,315	($81,721,031)	2,234,465,796
13,144,561	62,153,201	22,966,206	195,676,095	646,348,179	112,448,449		1,655,523,920
5,157,764	3,323,909	5,551,492	31,060,526	16,164,116	60,780,453		203,528,748
994,491	8,019,065	1,487,954	18,836,262	150,880,186	35,705,325		417,629,897
(3,549,361)	(34,267,210)	(10,050,574)	87,209	(360,508,644)	30,702,942		(502,354,130)
$15,747,455	$39,228,965	$19,955,078	$245,660,092	$452,883,837	$239,637,169	NONE	$1,774,328,435

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University
For the Fiscal Year Ended June 30, 2013

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
OPERATING REVENUES					
Student tuition and fees			$291,750,914	$8,861,542	$6,664,463
Less scholarship allowances			(52,969,527)	(1,784,432)	(1,832,947)
Net student tuition and fees	NONE	NONE	238,781,387	7,077,110	4,831,516
Federal appropriations					
Federal grants and contracts		$21,855,362	81,391,922	171,534	531,018
State and local grants and contracts	$154,741	4,769,771	36,084,770	730,808	325,553
Nongovernmental grants and contracts		10,219,804	18,778,723	25,197	19,838
Sales and services of educational departments		299,395	20,280,967	133,812	24,181
Hospital income					
Auxiliary enterprise revenues (including revenues pledged to secure debt)		23,242	178,974,191	2,042,226	3,491,874
Less scholarship allowances			(15,499,617)	(159,410)	(200,075)
Net auxiliary revenues	NONE	23,242	163,474,574	1,882,816	3,291,799
Other operating revenues	2,137,225	50,663	8,348,627	105,784	94,653
Total operating revenues	2,291,966	37,218,237	567,140,970	10,127,061	9,118,558
OPERATING EXPENSES					
Educational and general:					
Instruction	154,741		236,317,852	9,733,673	7,750,752
Research		40,475,632	139,124,319	4,800	997
Public service		2,453,484	31,139,802	12,095	(266)
Academic support		2,673,830	75,615,700	2,206,494	533,051
Student services			23,086,294	1,351,416	2,299,883
Institutional support	3,985,658	6,236,787	26,232,984	1,735,804	2,261,407
Operations and maintenance of plant	170,588	7,662,799	89,236,211	4,398,604	3,298,271
Scholarships and fellowships	4,500	917	23,333,361	2,795,708	3,662,526
Auxiliary enterprises		39,776	144,719,634	2,280,213	3,124,983
Hospital					
Total operating expenses	4,315,487	59,543,225	788,806,157	24,518,807	22,931,604
OPERATING LOSS	(2,023,521)	(22,324,988)	(221,665,187)	(14,391,746)	(13,813,046)
NONOPERATING REVENUES (Expenses)					
State appropriations	3,495,054	12,450,109	149,204,943	6,609,153	5,044,453
Gifts	172,519	1,993,008	32,059,541	461,168	163,128
Federal nonoperating revenues (expenses)			20,366,782	4,005,653	4,874,656
American Recovery and Reinvestment Act revenues					
Net investment income	(1,970,324)	249,534	(1,210,617)	272,038	137,353
Interest expense			(18,317,590)	(202,635)	(518,314)
Other nonoperating revenues (expenses)	(1,764,394)		184,557	(129,029)	
Net nonoperating revenues (expenses)	(67,145)	14,692,651	182,287,616	11,016,348	9,701,276

(Continued)

Schedule 3

Paul M. Hebert Law Center	Agricultural Center	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total System
$16,069,166		$15,070,449	$34,860,115		$12,554,318	($62,651)	$385,768,316
(2,965,286)		(4,299,483)	(3,042,495)		(384,068)		(67,278,238)
13,103,880	NONE	10,770,966	31,817,620	NONE	12,170,250	(62,651)	318,490,078
	$14,878,315						14,878,315
	9,559,057	1,165,907	38,740,737		12,797,431		166,212,968
	12,560,048	4,534,915	84,998,253		4,771,995	(64,458,209)	84,472,645
16,298	5,756,164	2,752,949	100,719,936		19,110,647		157,399,556
135,527	6,724,428	13,996	96,378,082		78,058,896	(41,292)	202,007,992
				$520,924,266	461,134,255	(20,238,130)	961,820,391
		3,291,907	8,215,503		10,672,265	(308,426)	206,402,782
		(499,538)					(16,358,640)
NONE	NONE	2,792,369	8,215,503	NONE	10,672,265	(308,426)	190,044,142
25,632	8,935,396	202,682	658,583		247,809		20,807,054
13,281,337	58,413,408	22,233,784	361,528,714	520,924,266	598,963,548	(85,108,708)	2,116,133,141
10,004,825		16,831,445	178,075,348		55,936,037	(154,741)	514,649,932
775,213	65,009,811	733,730	53,918,434		40,669,987		340,712,923
91,559	45,605,728	2,116,434	168,375,078		95,004,058		344,797,972
2,749,370	4,686,573	3,492,861	20,466,926		8,789,775		121,214,580
1,424,458		2,233,354	5,919,390		1,405,384		37,720,179
3,025,136	15,568,106	5,243,221	30,800,533		23,448,400		118,538,036
1,707,468	5,830,042	2,403,067	25,781,679		8,259,502		148,748,231
1,266,395	43,662	5,726,752	1,714,570		589,928		39,138,319
		3,676,006	7,733,656		10,227,736		171,802,004
			840,947	745,060,772	469,014,364	(84,769,256)	1,130,146,827
21,044,424	136,743,922	42,456,870	493,626,561	745,060,772	713,345,171	(84,923,997)	2,967,469,003
(7,763,087)	(78,330,514)	(20,223,086)	(132,097,847)	(224,136,506)	(114,381,623)	(184,711)	(851,335,862)
5,795,929	69,662,740	9,971,347	94,553,476	331,261,831	78,490,190		766,539,225
569,971	2,879,412	156,535	2,436,932	3,240,191	(103,712)		44,028,693
	(244,383)	5,637,969	7,562,087	1,690,322	975,072		44,868,158
				1,571,962	6,581,297		8,153,259
513,161	1,066,360	472,102	4,632,870	515,707	5,431,699		10,109,883
			(801,370)	(903,263)	(387,466)		(21,130,638)
	889,645		(18,532,725)	(301,436,863)	(19,091,442)		(339,880,251)
6,879,061	74,253,774	16,237,953	89,851,270	35,939,887	71,895,638	NONE	512,688,329

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University
June 30, 2013

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	($2,090,666)	($7,632,337)	($39,377,571)	($3,375,398)	($4,111,770)
Capital appropriations		6,024,325	18,960,927	550,651	1,605,296
Capital gifts and grants		60,847	8,499,287	25,500	342,404
Additions to permanent endowment			3,190,282	80,000	
Other additions (deductions)	(9,532,599)	(37,755)	(6,214,665)	(37,428)	(7,879)
Transfer (to)/from other system institution	(107,195)	107,195			(184,711)
CHANGE IN NET POSITION	(11,730,460)	(1,477,725)	(14,941,740)	(2,756,675)	(2,356,660)
NET POSITION - BEGINNING OF YEAR (Restated)	51,892,778	80,152,921	620,981,353	22,406,556	19,045,491
NET POSITION - END OF YEAR	$40,162,318	$78,675,196	$606,039,613	$19,649,881	$16,688,831

(Concluded)

Schedule 3

Paul M. Hebert Law Center	Agricultural Center	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total System
($884,026)	($4,076,740)	($3,985,133)	($42,246,577)	($188,196,619)	($42,485,985)	($184,711)	($338,647,533)
	10,964,881		4,245,774	270,237,670			312,589,524
4,151	87,621				188,808		9,208,618
1,280,000		680,000	3,103,208		3,185,000		11,518,490
(76,206)	33,980	(102,808)			(596,973)		(16,572,333)
						184,711	
323,919	7,009,742	(3,407,941)	(34,897,595)	82,041,051	(39,709,150)	NONE	(21,903,234)
15,423,536	32,219,223	23,363,019	280,557,687	370,842,786	279,346,319	NONE	1,796,231,669
$15,747,455	$39,228,965	$19,955,078	$245,660,092	$452,883,837	$239,637,169	NONE	$1,774,328,435

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2013

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
CASH FLOWS FROM OPERATING ACTIVITIES:					
Student tuition and fees			$245,072,077	$7,093,758	$4,131,640
Federal appropriations					
Grants and contracts	$136,725	$36,164,322	133,738,803	829,028	887,873
Sales and services of educational departments		298,837	20,406,936	133,812	24,181
Hospital income					
Auxiliary enterprise receipts		23,242	161,992,243	1,994,467	3,946,137
Payments for employee compensation	(2,266,871)	(28,030,139)	(355,907,060)	(10,330,668)	(7,664,169)
Payments for benefits	(1,028,694)	(9,749,616)	(117,561,669)	(4,402,776)	(3,464,203)
Payments for utilities	(68,681)	(1,639,548)	(14,682,014)	(691,944)	(604,863)
Payments for supplies and services	(1,311,591)	(12,484,147)	(203,760,589)	(3,666,663)	(4,227,947)
Payments for scholarships and fellowships	(4,500)	(917)	(24,527,011)	(2,795,708)	(3,662,526)
Loans to students			(1,997,025)	65,862	(8)
Collection of loans to students			2,187,737		19,905
Other receipts	1,736,291	158,561	5,605,237	107,851	96,875
Net cash used by operating activities	(2,807,321)	(15,259,405)	(149,432,335)	(11,662,981)	(10,517,105)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
State appropriations	3,495,054	12,451,066	149,573,767	6,611,880	5,046,991
Gifts and grants for other than capital purposes	296,181	1,993,008	31,576,744	444,020	157,463
Private gifts for endowment purposes		37,755	2,257,176	37,428	7,879
Taylor Opportunity Program for Student receipts			68,286,929	1,451,871	889,236
Taylor Opportunity Program for Student disbursements			(68,286,929)	(1,415,197)	(889,236)
Federal Emergency Management Agency receipts			448,376		
Federal Emergency Management Agency disbursements			(531,313)		
American Recovery and Reinvestment Act revenues					
Direct lending receipts			112,752,850	5,905,238	7,194,430
Direct lending disbursements			(112,752,850)	(5,905,238)	(7,194,430)
Transfer (to)/from other system institutions	(107,195)	107,195			(184,711)
Implicit loan from other campuses					
Implicit loan to other campuses			(147,008)		
Other receipts (disbursements)	(1,764,394)		20,661,936	3,876,624	4,874,656
Net cash provided (used) by noncapital financing activities	1,919,646	14,589,024	203,839,678	11,006,626	9,902,278
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Proceeds from capital debt			142,795,000		
Capital gifts and grants received		60,847	6,279,013	25,500	307,706
Proceeds from sale of capital assets			11,718	129,029	
Purchase of capital assets		(1,484,951)	(43,430,003)	(200,980)	(578,105)
Principal paid on capital debt and leases			(63,104,643)	(100,000)	(220,417)
Interest paid on capital debt and leases			(18,816,451)	(202,635)	(518,314)
Other sources (uses)	(9,532,599)	(37,755)	5,918,181	(38,020)	(7,879)
Net cash provided (used) by capital financing activities	(9,532,599)	(1,461,859)	29,652,815	(387,106)	(1,017,009)

(Continued)

Schedule 4

Paul M. Hebert Law Center	Agricultural Center	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
$13,157,854		$10,815,617	$32,163,209		$12,389,662	($62,651)	$324,761,166
	$11,805,566						11,805,566
24,500	27,749,568	8,973,712	223,497,737		36,699,355	(64,458,209)	404,243,414
135,240	6,827,456	13,996	97,978,567		78,548,358	(41,292)	204,326,091
				$551,427,097	431,420,202	(20,238,130)	962,609,169
		2,757,896	8,999,127		10,671,978	(308,426)	190,076,664
(10,255,653)	(65,520,237)	(18,478,367)	(310,572,221)	(295,212,879)	(362,867,196)		(1,467,105,460)
(3,407,804)	(29,679,221)	(6,972,087)	(63,227,687)	(109,399,451)	(101,951,910)		(450,845,118)
(455,205)	(2,575,989)	(758,982)	(9,004,604)	(9,844,719)	(8,566,704)		(48,893,253)
(3,910,563)	(28,805,789)	(6,853,188)	(89,732,997)	(147,852,919)	(202,103,769)	84,923,997	(619,786,165)
(1,237,563)	(43,662)	(5,737,614)	(1,612,841)		(589,928)		(40,212,270)
			(2,642,505)		(188,234)		(4,761,910)
			1,176,877		233,304		3,617,823
6,482	8,998,533	314,022	660,448		984,310		18,668,610
(5,942,712)	(71,243,775)	(15,924,995)	(112,316,890)	(10,882,871)	(105,320,572)	(184,711)	(511,495,673)
5,799,982	70,073,156	9,971,347	99,981,155	48,260,581	78,148,865		489,413,844
571,539	2,873,680	156,535	2,436,932	3,240,191	(103,712)		43,642,581
76,205	68,717	680,000			3,185,000		6,350,160
		2,783,856	1,141,096		84,206		74,637,194
		(2,783,856)	(1,169,828)		(84,206)		(74,629,252)
	(3,668)		7,462,269	3,990,490			11,897,467
	(240,715)		(754,913)	(2,300,168)			(3,827,109)
				1,571,962	6,581,297		8,153,259
			49,000,529		17,926,704		192,779,751
			(49,001,632)		(17,926,704)		(192,780,854)
						184,711	
		147,008					147,008
							(147,008)
	889,645	5,637,969	24,282,380	(160,302,381)	(21,343,663)		(123,187,228)
6,447,726	73,660,815	16,592,859	133,377,988	(105,539,325)	66,467,787	184,711	432,449,813
							142,795,000
4,151	68,973				144,933		6,891,123
				2,750			143,497
(482,052)	(3,481,509)	(1,118,358)	(16,089,550)	(9,567,915)	(11,181,173)		(87,614,596)
			(365,000)	(1,538,323)	(1,396,135)		(66,724,518)
			(801,370)	(903,263)	(387,466)		(21,629,499)
(76,206)	33,980	(102,808)			18,853		(3,824,253)
(554,107)	(3,378,556)	(1,221,166)	(17,255,920)	(12,006,751)	(12,800,988)	NONE	(29,963,246)

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2013

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds (loss) from sales and maturities of investments	$17,630,232		$127,806,101	$55,532	($44,681)
Interest received on investments	133,534	$88,299	13,279,590	151,949	118,617
Purchase of investments	(15,418,234)		(218,141,611)		
Net cash provided (used) by investing activities	2,345,532	88,299	(77,055,920)	207,481	73,936
NET INCREASE (Decrease) IN CASH AND CASH EQUIVALENTS	(8,074,742)	(2,043,941)	7,004,238	(835,980)	(1,557,900)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	24,890,862	10,744,360	8,734,651	3,232,922	5,476,467
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$16,816,120	$8,700,419	$15,738,889	$2,396,942	$3,918,567
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:					
Operating loss	($2,023,521)	($22,324,988)	($221,665,187)	($14,391,746)	($13,813,046)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	50,655	4,831,890	42,828,873	1,412,098	1,359,243
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	1,320,510	(126,644)	(5,511,261)	(882,019)	(201,097)
(Increase) decrease in inventories		10,707	862,615	(1,623)	82,385
(Increase) decrease in deferred charges and prepaid expenses		(225)	(507,004)	493	(153)
(Increase) decrease in notes receivable			312,596		569,961
Decrease in other assets	76,758		2,016		
Increase (decrease) in accounts payable and accrued liabilities	(1,595,539)	264,851	2,528,027	(118,221)	(94,564)
Increase (decrease) in deferred revenue		(601,657)	2,738,723	978,059	306,945
Increase (decrease) in amounts held in custody for others	36,523		1,928,374	6,874	(2,943)
Increase (decrease) in compensated absences	(257,510)	(22,984)	701,907	50,322	(25,635)
Increase in other postemployment benefits payable	62,495	2,602,450	27,051,139	1,282,782	1,301,799
Increase (decrease) in other liabilities	(477,692)	107,195	(703,153)		
Net cash used by operating activities	($2,807,321)	($15,259,405)	($149,432,335)	($11,662,981)	($10,517,105)

(Continued)

Schedule 4

	Paul M. Hebert Law Center	Agricultural Center	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
						$180,756,840		$326,204,024
	$229,370	$861,192	$472,102	$3,018,908	$515,707	6,854,366		25,723,634
			(1,213,790)		(687,729)	(154,332,780)		(389,794,144)
	229,370	861,192	(741,688)	3,018,908	(172,022)	33,278,426	NONE	(37,866,486)
	180,277	(100,324)	(1,294,990)	6,824,086	(128,600,969)	(18,375,347)	NONE	(146,875,592)
	4,154,061	26,038,495	1,294,990	32,335,052	224,649,171	175,774,695	NONE	517,325,726
	$4,334,338	$25,938,171	NONE	$39,159,138	$96,048,202	$157,399,348	NONE	$370,450,134
	($7,763,087)	($78,330,514)	($20,223,086)	($132,097,847)	($224,136,506)	($114,381,623)	($184,711)	($851,335,862)
	813,307	4,206,651	1,623,526	16,909,211	23,563,207	26,173,699		123,772,358
	(20,225)	(4,039,251)	519,877	(5,429,248)	(252,710,665)	(22,034,745)		(289,114,768)
		62,376	(18,620)	(121,880)	14,199,632	(557,382)		14,518,212
	3,901	390	94,474	(512,177)	718,024	(117,841)		(320,118)
				(1,465,628)		32,432		(550,639)
			6,417		29,376			114,567
	104,068	39,630	84,314	(5,970,441)	141,102,470	(11,540,186)		124,804,409
	70,852	433,354	10,242	4,304,204	281,069,699	613,781		289,924,202
	(7,563)	63,077	20,609	(143,527)	105,633	736,501		2,743,558
	123,828	(567,186)	(106,974)	133,205	(7,670,633)	(2,925,077)		(10,566,737)
	751,114	6,875,192	2,064,226	12,077,238	12,846,892	18,679,869		85,595,196
	(18,907)	12,506						(1,080,051)
	($5,942,712)	($71,243,775)	($15,924,995)	($112,316,890)	($10,882,871)	($105,320,572)	($184,711)	($511,495,673)

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2013

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:					
Cash and cash equivalents classified as current assets	$15,404,579	$8,573,407	($100,338,341)	$1,702,140	$3,542,696
Cash and cash equivalents classified as noncurrent assets	1,411,541	127,012	116,077,230	694,802	375,871
Cash and cash equivalents at the end of the year	$16,816,120	$8,700,419	$15,738,889	$2,396,942	$3,918,567
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Capital appropriations		$6,024,325	$18,960,927	$550,651	$1,605,296
Capital gifts and grants			$1,791,685		

(Concluded)

Paul M. Hebert Law Center	Agricultural Center	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
$3,192,530	$19,326,177	($325,582)	$39,159,138	$90,129,039	$138,286,012		$218,651,795
1,141,808	6,611,994	325,582		5,919,163	19,113,336		151,798,339
$4,334,338	$25,938,171	NONE	$39,159,138	$96,048,202	$157,399,348	NONE	$370,450,134
	$10,949,429		$4,245,774	$270,237,670			$312,574,072
					$43,875		$1,835,560

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

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

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 16, 2013

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Louisiana State University (LSU) System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the LSU System's basic financial statements, and have issued our report thereon dated December 16, 2013. Our report was modified to include an emphasis of a matter paragraph regarding a change in the entity. Our report also includes a reference to other auditors. We did not audit the financial statements of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries, the Eunice Student Housing Foundation, Inc., and the Health Care Services Foundation and its subsidiary, which are nonprofit corporations included as blended component units in the basic financial statements of the LSU System. We also did not audit the financial statements of the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Center Foundation in Shreveport, and The Foundation for the LSU Health Sciences Center, which are the discretely presented component units presented in the basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Center Foundation in Shreveport, which were audited by other auditors, were audited in accordance with standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LSU System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LSU System's internal control. Accordingly, we do not express an opinion on the effectiveness of the LSU System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LSU System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Other Reports

Other external auditors audited the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries, the Eunice Student Housing Foundation, Inc., and the Health Care Services Foundation and its subsidiary, which are blended component units included in the LSU System's basic financial statements for the year ended June 30, 2013. In addition, other external auditors audited the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Center Foundation in Shreveport, and The Foundation for the LSU Health Sciences Center, which are discretely presented component units included in the basic financial statements of the LSU System. To obtain copies of those reports, refer to note 1-B to the basic financial statements for mailing addresses.

As a part of our audit of the LSU System's basic financial statements for the year ended June 30, 2013, we performed certain procedures on campuses and hospitals within the LSU System. Our reports on those procedures for those campuses and hospitals are listed as follows:

	Issued
LSU and Related Campuses	November 27, 2013
LSU Health Sciences Center - New Orleans	December 11, 2013
LSU Health Sciences Center - Shreveport	December 18, 2013
Health Care Services Division	December 26, 2013

Those reports contain compliance and internal control findings, where applicable, relating to those entities. Management's responses are also included in those reports. Copies of those reports are available for public inspection at the Baton Rouge office of the Legislative Auditor and can also be found on the Internet at www.lla.la.gov.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LSU System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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