LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
LOUISIANA STATE UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

INDEPENDENT ACCOUNTANT'S REVIEW REPORT
FOR THE YEAR ENDED JUNE 30, 2013
ISSUED JANUARY 22, 2014

LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 14, 2014

Independent Accountant's Review Report

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have reviewed the accompanying basic financial statements of the business-type activities of the Louisiana State University and A&M College (LSU), a university within the Louisiana State University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2013. We did not review the financial statements of the LSU Foundation and Tiger Athletic Foundation, which are discretely presented component units presented in the basic financial statements of LSU. The financial statements of the discretely presented component units were audited by other auditors, whose reports thereon have been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for these component units, are based solely upon the reports of the other auditors. A review includes primarily applying analytical procedures to management's financial data and making inquiries of LSU management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

LSU management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress for the Other Postemployment Benefits Plans on page 58 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 (GASB) 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. Such information was not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion or provide any assurance on it.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB 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. The results of our review of the basic financial statements are not affected by this missing information.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

CST:JPT:EFS:THC:ch

LSU-BR 2013

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Position
June 30, 2013

ASSETS	
Current Assets:	
Cash and cash equivalents (note 2)	($100,338,341)
Investments (note 3)	350,917,432
Receivables (note 4)	37,135,528
Due from state treasury, net (note 14)	340,704
Due from federal government, net (note 4)	8,637,663
Inventories	984,310
Deferred charges and prepaid expenses	8,978,147
Notes receivable	1,958,970
Other current assets	1,845,332
Total current assets	310,459,745
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents (note 2)	116,077,230
Investments (note 3)	238,908,712
Notes receivable	12,976,912
Other restricted assets	5,004,158
Capital assets, net (note 5)	828,012,796
Total noncurrent assets	1,200,979,808
Total assets	1,511,439,553
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities (note 6)	45,171,378
Due to other campuses, net	68,540,523
Deferred revenues	61,616,590
Amounts held in custody for others	6,306,431
Compensated absences (notes 10 and 13)	2,860,372
Capital lease obligations (note 13)	1,971,116
Bonds payable (note 13)	13,195,631
Other current liabilities	1,845,332
Total current liabilities	201,507,373

(Continued)

See accompanying notes and independent accountant's review report.

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Position
June 30, 2013

LIABILITIES (CONT.)	
Noncurrent Liabilities:	
Compensated absences (notes 10 and 13)	$27,217,678
Capital lease obligations (note 13)	26,263,232
Other postemployment benefits payable (notes 8 and 13)	192,195,859
Bonds payable (note 13)	457,405,251
Other noncurrent liabilities (note 13)	810,547
Total noncurrent liabilities	703,892,567
Total liabilities	905,399,940
NET POSITION	
Net investment in capital assets	473,134,328
Restricted for:	
Nonexpendable (note 15)	73,517,383
Expendable (note 15)	158,949,242
Unrestricted	(99,561,340)
Total net position	$606,039,613

(Concluded)

See accompanying notes and independent accountant's review report.

Statement B

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

COMPONENT UNITS
Statement of Financial Position
June 30, 2013

	LSU Foundation	Tiger Athletic Foundation*	Total Foundations
ASSETS			
Current Assets:			
Cash and cash equivalents (note 2)	$15,720,644	$1,977,865	$17,698,509
Restricted cash and cash equivalents (note 2)		41,945,426	41,945,426
Investments (note 3)	6,378,830	980,683	7,359,513
Accrued interest receivable	569,369		569,369
Accounts receivable, net	747,093	1,033,381	1,780,474
Unconditional promises to give (note 25)	6,796,551	11,931,793	18,728,344
Deferred charges and prepaid expenses		923,589	923,589
Other current assets	149,157	22,973,976	23,123,133
Total current assets	30,361,644	81,766,713	112,128,357
Noncurrent Assets:			
Restricted assets:			
Cash and cash equivalents (note 2)		3,043,021	3,043,021
Investments (note 3)	501,977,134	65,605,891	567,583,025
Other	2,451,173		2,451,173
Investments (note 3)	17,189,146		17,189,146
Unconditional promises to give (note 25)	6,958,089	7,526,381	14,484,470
Property and equipment, net (note 5)	8,044,967	142,345,124	150,390,091
Other noncurrent assets	799,231	67,180,246	67,979,477
Total noncurrent assets	537,419,740	285,700,663	823,120,403
Total assets	$567,781,384	$367,467,376	$935,248,760

(Continued)

See accompanying notes and independent accountant's review report.

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Financial Position
June 30, 2013

	LSU Foundation	Tiger Athletic Foundation*	Total Foundations
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	$3,449,702	$2,385,815	$5,835,517
Deferred revenues		21,744,013	21,744,013
Amounts held in custody for others (note 23)	17,915,739	9,214,688	27,130,427
Compensated absences payable (note 13)	280,782		280,782
Current portion of notes payable (note 13)	539,483		539,483
Current portion of bonds payable (note 13)	628,395	3,840,000	4,468,395
Other current liabilities	18,538	29,421	47,959
Total current liabilities	22,832,639	37,213,937	60,046,576
Noncurrent Liabilities:			
Amounts held in custody for others (note 23)	100,300,853		100,300,853
Notes payable (note 13)	2,189,284	808,731	2,998,015
Bonds payable (note 13)	4,966,605	117,885,000	122,851,605
Deferred revenues (note 13)		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	305,197,723
Total liabilities	130,352,681	234,891,618	365,244,299
NET ASSETS			
Unrestricted	37,001,311	76,205,529	113,206,840
Temporarily restricted (note 15)	186,302,576	46,235,601	232,538,177
Permanently restricted (note 15)	214,124,816	10,134,628	224,259,444
Total net assets	437,428,703	132,575,758	570,004,461
Total liabilities and net assets	$567,781,384	$367,467,376	$935,248,760

*As of December 31, 2012

(Concluded)

See accompanying notes and independent accountant's review report.

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
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	$291,750,914
Less scholarship allowances	(52,969,527)
Net student tuition and fees	238,781,387
Federal grants and contracts	81,391,922
State and local grants and contracts	36,084,770
Nongovernmental grants and contracts	18,778,723
Sales and services of educational departments	20,280,967
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 21)	178,974,191
Less scholarship allowances	(15,499,617)
Net auxiliary revenues	163,474,574
Other operating revenues	8,348,627
Total operating revenues	567,140,970
OPERATING EXPENSES	
Educational and general:	
Instruction	236,317,852
Research	139,124,319
Public service	31,139,802
Academic support	75,615,700
Student services	23,086,294
Institutional support	26,232,984
Operation and maintenance of plant	89,236,211
Scholarships and fellowships	23,333,361
Auxiliary enterprises	144,719,634
Total operating expenses	788,806,157
Operating Loss	(221,665,187)

(Continued)

See accompanying notes and independent accountant's review report.

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013

NONOPERATING REVENUES (EXPENSES)	
State appropriations	$149,204,943
Gifts	32,059,541
Federal nonoperating revenues	20,366,782
Net investment income	(1,210,617)
Interest expense	(18,317,590)
Other nonoperating revenues	184,557
Net nonoperating revenues	182,287,616
Loss Before Other Revenues, Expenses, Gains, and Losses	(39,377,571)
Capital appropriations	18,960,927
Capital gifts and grants	8,499,287
Additions to permanent endowments	3,190,282
Other deductions, net	(6,214,665)
Change in Net Position	(14,941,740)
Net Position at Beginning of Year, Restated (note 16)	620,981,353
Net Position at End of Year	$606,039,613

(Concluded)

See accompanying notes and independent accountant's review report.

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

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

	LSU Foundation	Tiger Athletic Foundation*	Total Foundations
Changes in unrestricted net assets:			
Contributions	$1,762,121	$24,046,271	$25,808,392
Investment earnings, net	5,218,343	826,378	6,044,721
Service fees	1,068,607		1,068,607
Other revenues	200	7,238,670	7,238,870
Total unrestricted revenues	8,049,271	32,111,319	40,160,590
Net assets released from restrictions:			
Satisfaction of program expenses	28,516,032	10,049,531	38,565,563
Total unrestricted revenues and other support	36,565,303	42,160,850	78,726,153
Expenses:			
Amounts paid to benefit Louisiana State University for:			
Projects specified by donors	25,267,669		25,267,669
Projects specified by Board of Directors	1,919,526	8,418,330	10,337,856
Other		9,466,785	9,466,785
Total program expenses	27,187,195	17,885,115	45,072,310
Supporting services:			
Salaries and benefits	2,565,428	2,006,480	4,571,908
Occupancy	153,034	169,854	322,888
Office operations	482,653	129,099	611,752
Travel	58,339	122,298	180,637
Professional services	666,226	73,306	739,532
Dues and subscriptions	62,594	30,680	93,274
Meetings and development	18,329	23,263	41,592
Depreciation	27,954		27,954
Other		2,122,440	2,122,440
Total supporting services	4,034,557	4,677,420	8,711,977
Fund-raising expenses	3,776,120	1,623,959	5,400,079
Total expenses	34,997,872	24,186,494	59,184,366
Increase in unrestricted net assets	1,567,431	17,974,356	19,541,787

(Continued)

See accompanying notes and independent accountant's review report.

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2013

	LSU Foundation	Tiger Athletic Foundation*	Total Foundations
Changes in temporarily restricted net assets:			
Contributions	$23,907,508	$23,073,388	$46,980,896
Investment earnings	25,665,151	791,058	26,456,209
Changes in value of split interest agreements	39,660		39,660
Other	70,534		70,534
Total temporarily restricted revenues	49,682,853	23,864,446	73,547,299
Net assets released from restrictions:			
Satisfaction of program expenses	(28,505,423)	(10,049,531)	(38,554,954)
Increase in temporarily restricted net assets	21,177,430	13,814,915	34,992,345
Changes in permanently restricted net assets:			
Contributions	6,495,268	939,853	7,435,121
Investment earnings	64		64
Other	57,541		57,541
Net assets released from restrictions:			
Released from donor restrictions	(10,609)		(10,609)
Increase in permanently restricted net assets	6,542,264	939,853	7,482,117
Increase in net assets	29,287,125	32,729,124	62,016,249
Net assets at beginning of year	408,141,578	99,846,634	507,988,212
Net assets at end of year	$437,428,703	$132,575,758	$570,004,461

*For the period ending December 31, 2012

(Concluded)

See accompanying notes and independent accountant's review report.

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
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	$245,072,077
Grants and contracts	133,738,803
Sales and services of educational departments	20,406,936
Auxiliary enterprise receipts	161,992,243
Payments for employee compensation	(355,907,060)
Payments for benefits	(117,561,669)
Payments for utilities	(14,682,014)
Payments for supplies and services	(203,760,589)
Payments for scholarships and fellowships	(24,527,011)
Loans to students	(1,997,025)
Collection of loans to students	2,187,737
Other receipts	5,605,237
Net cash used by operating activities	(149,432,335)
Cash flows from noncapital financing activities:	
State appropriations	149,573,767
Implicit loan to other campuses	(147,008)
Gifts and grants for other than capital purposes	31,576,744
Private gifts for endowment purposes	2,257,176
Taylor Opportunity Program for Students receipts	68,286,929
Taylor Opportunity Program for Students disbursements	(68,286,929)
Federal Emergency Management Association receipts	448,376
Federal Emergency Management Association disbursements	(531,313)
Direct lending receipts	112,752,850
Direct lending disbursements	(112,752,850)
Other disbursements	20,661,936
Net cash provided by noncapital financing activities	203,839,678
Cash flows from capital financing activities:	
Proceeds from capital debt	142,795,000
Capital gifts and grants received	6,279,013
Proceeds from sale of capital assets	11,718
Purchase of capital assets	(43,430,003)
Principal paid on capital debt and leases	(63,104,643)
Interest paid on capital debt and leases	(18,816,451)
Other sources	5,918,181
Net cash provided by capital financing activities	29,652,815

(Continued)

See accompanying notes and independent accountant's review report.

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
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	$127,806,101
Interest received on investments	13,279,590
Purchase of investments	(218,141,611)
Net cash used by investing activities	(77,055,920)
Net increase in cash and cash equivalents	7,004,238
Cash and cash equivalents at the beginning of the year (restated)	8,734,651
Cash and cash equivalents at the end of the year	$15,738,889
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	($221,665,187)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	42,828,873
Changes in assets and liabilities:	
(Increase) in accounts receivable	(5,511,261)
Decrease in inventories	862,615
(Increase) in deferred charges and prepaid expenses	(507,004)
Decrease in notes receivable	312,596
Decrease in other assets	2,016
Increase in accounts payable and accrued liabilities	2,528,027
Increase in deferred revenue	2,738,723
Increase in amounts held in custody for others	1,928,374
Increase in compensated absences	701,907
Increase in other postemployment benefits payable	27,051,139
(Decrease) in other liabilities	(703,153)
Net cash used by operating activities	($149,432,335)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and cash equivalents classified as current assets	($100,338,341)
Cash and cash equivalents classified as noncurrent assets	116,077,230
Cash and cash equivalents at the end of the year	$15,738,889
Schedule of Noncash Investing, Capital, and Financing Activities:	
Capital appropriations	$18,960,927
Capital gifts and grants	$1,791,685

(Concluded)

See accompanying notes and independent accountant's review report.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Louisiana State University and A&M College (LSU), a campus within the Louisiana State University System, which is a component unit of the State of Louisiana, is a publicly supported institution of higher education 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 a state university, operations of LSU's instructional programs are primarily funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the university is the President and Chancellor.

Student enrollment for LSU for the 2012 fall semester totaled 29,549. During fiscal year 2013, LSU had approximately 1,169 full-time and 50 part-time faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

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

B. REPORTING ENTITY

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

Discretely Presented Component Units

The LSU Foundation and the Tiger Athletic Foundation are included as discretely presented component units of the university in the university'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. The foundations have been organized to solicit, receive, hold, invest, and transfer funds for the benefit of the university. 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's financial report for these differences.

Furthermore, each of these foundations is a legally separate, tax-exempt organization supporting LSU. 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. 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. 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 System, of which Louisiana State University and A&M College (LSU) is a component, 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 is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the university'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 LSU 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	$445,388,799
Increases (decreases):	
State General Fund	(3,416,892)
Self-generated	126,178
Final budget	$442,098,085

The other funds of the university, 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, LSU 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 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 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'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.

LSU uses an accounting system shared by seven LSU System campuses. Cash for the seven campuses is pooled. LSU's cash is allocated among the categories of deposits, credit risk, and collected bank balances proportionally based on its cash balance compared to the total cash for the seven campuses.

F. INVENTORIES

Inventories are valued at cost or replacement cost, except for livestock. These inventories are valued at current market prices. The university 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 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. LSU 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.

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 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's net position is classified as follows:

(1) <u>Net Investment in Capital Assets</u>

This represents the university'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 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 and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the university's policy is to first apply the expense toward unrestricted resources, 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; and (3) 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 LSU 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. LSU 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 LSU.

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' (AICPA) 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."

2. CASH AND CASH EQUIVALENTS

At June 30, 2013, the university has cash and cash equivalents (allocated book balances) of $15,738,889 as follows:

Petty cash	$126,730
Demand deposits	7,446,130
Certificates of deposit	2,797,719
Open-end mutual fund	5,368,310
Total	$15,738,889

See independent accountant's review report.

Custodial credit risk is the risk that, in the event of a bank failure, LSU's deposits may not be recovered. Under state law, LSU'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 LSU System or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2013, LSU's allocated share of collected bank balances is $44,237,489. These deposits are fully secured from risk by federal deposit insurance and pledged securities.

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 $62,686,956, 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 LSU 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. TAF has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

3. INVESTMENTS

At June 30, 2013, the university has investments totaling $589,826,144.

LSU's established investment policy follows state law (R.S. 49:327), which authorizes LSU 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 LSU's investments follows:

			Investment Maturity in Years				
	Investments	Carrying Value	Less Than 1	1-5	6-10	11-20	21-30
Type of Investment:							
U.S. Treasury securities	12.06%	$71,159,729	$19,165,632	$51,994,097			
U.S. Government Agency securities:							
Bonds and Notes:							
Federal Home Loan Mortgage Corporation	0.34%	2,027,356		24,896	$2,002,460		
Federal National Mortgage Association	10.14%	59,781,763		25,742,175	2,618,690	$31,420,898	
Federal Home Loan Bank	9.39%	55,379,867		12,944,409	30,059,103	12,376,355	
Federal Farm Credit Bank	3.66%	21,573,255		14,185,935	6,325,360	1,061,960	
Farmer Agriculture Mortgage Corporation	0.35%	2,081,080		2,081,080			
Collateralized Mortgage Obligations:							
Federal National Mortgage Association	0.19%	1,115,140		1,115,140			
Federal Home Loan Bank	0.40%	2,340,805		2,340,805			
Federal Home Loan Mortgage Corporation	0.42%	2,473,647		2,473,647			
Government National Mortgage Association	0.15%	908,430		908,430			
Mortgage-backed Securities:							
Federal National Mortgage Association	4.31%	25,434,250	4,552,229	7,536,977	13,345,044		
Federal Home Loan Mortgage Corporation	0.37%	2,207,824	54,421	2,153,403			
Government National Mortgage Association	0.01%	43,545	21,639	21,906			
Small Business Administration	0.78%	4,599,685			4,599,685		
Corporate debt obligations	19.80%	116,808,806	500,770	30,871,962	84,190,164	1,245,910	
Municipal obligations	6.68%	39,415,812			6,473,998	27,842,144	$5,099,670
Debt mutual funds	6.92%	40,821,964			40,821,964		
Money market mutual funds	9.64%	56,834,914					
Equity mutual funds	1.19%	7,008,742					
Investments held through foundations (total balance)	12.71%	74,982,919					
Common and preferred stock	0.00%	14,373					
Interest receivable	0.48%	2,812,238					
Total investments	100.00%	$589,826,144	$24,294,691	$154,394,862	$190,436,468	$73,947,267	$5,099,670

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 LSU'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 LSU's investments by type as described previously; however, the university 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 LSU are as follows:

Rating Agency Used	Rating	Fair Value
	Unrated	$111,195,301
Moody's	A1	4,528,940
Moody's	A2	6,548,160
Moody's	A3	6,397,030
Moody's	Baa1	4,355,874
Moody's	Baa2	2,227,080
Moodys	Aa1	3,209,683
Moodys	Aa2	2,029,280
Moodys	Aa3	2,851,015
Moodys	Aaa	845,311
S&P	A	28,228,867
S&P	A+	10,389,402
S&P	A-	21,788,405
S&P	AA	13,536,555
S&P	AA+	148,760,985
S&P	AA-	12,443,453
S&P	AAA	15,909,194
S&P	BBB	4,998,330
S&P	BBB+	4,867,125
S&P	BBB-	512,535
S&P	AAAm	56,834,914
S&P	AAf	39,459,667
S&P	Af	1,362,297
Total		$503,279,403

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the university 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 LSU's investments are exposed to custodial credit risk. For U.S. Treasury obligations and U.S. government agency obligations, LSU'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. LSU 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.

LSU's concentrations are as follows:

Issuer	Amount	Percent of Total
Federal Home Loan Bank	$57,720,672	14.64%
Federal National Mortgage Association	86,331,153	9.79%
Federated	56,834,914	9.64%
iShares TIPS Bond EFT	39,459,667	6.69%
US Treasury Bonds	71,159,729	12.06%
Total	$311,506,135	

The open-end mutual fund amount of $5,368,310, included in cash and cash equivalents, consists of $5,343,928 invested in Federated Prime Obligations Fund; $16,895 invested in JPMorgan U.S. Government Plus Money Market Fund; and $7,487 invested in JPMorgan U.S. Treasury Plus Money Market Fund. 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.

LSU 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. LSU'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*	Total Investments
Debt obligations	$92,135,274	$56,691,879	$148,827,153
Corporate stocks, common stocks, and indexed mutual funds	81,171,765		81,171,765
Shaw Center for the Arts, LLC	17,189,146		17,189,146
Royalty interest	154,084		154,084
Mutual funds	225,392,892		225,392,892
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		77,714,936
Venture capital	48,058		48,058
Municipal bonds	4,367,098		4,367,098
Total investments	$525,545,110	$66,586,574	$592,131,684

*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)

See independent accountant's review report.

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.

4. RECEIVABLES

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

	Receivables
Student tuition and fees	$12,374,910
Auxiliary enterprises	2,862,895
Contributions and gifts	2,334,787
Federal grants and contracts (net)	8,637,663
State and private grants and contracts	16,083,056
Sales and services/other	3,479,880
Total	$45,773,191

See independent accountant's review report.

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

LSU

	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	$4,931,157		$4,931,157	$4,430,607			$9,361,764
Capitalized collections	3,802,732		3,802,732	16,000			3,818,732
Construction-in-progress	127,017,166	$551,181	127,568,347	21,643,767	($95,212,470)		53,999,644
Total capital assets not being depreciated	$135,751,055	$551,181	$136,302,236	$26,090,374	($95,212,470)	NONE	$67,180,140
Other capital assets:							
Infrastructure	$29,649,388		$29,649,388				$29,649,388
Less accumulated depreciation	(13,388,744)		(13,388,744)	($741,234)			(14,129,978)
Total infrastructure	16,260,644	NONE	16,260,644	(741,234)	NONE	NONE	15,519,410
Land improvements	60,249,921		60,249,921	631,771	$538,801		61,420,493
Less accumulated depreciation	(30,206,111)		(30,206,111)	(2,172,226)			(32,378,337)
Total land improvements	30,043,810	NONE	30,043,810	(1,540,455)	538,801	NONE	29,042,156
Buildings	879,336,685	($987,092)	878,349,593	22,958,347	94,673,669	($381,549)	995,600,060
Less accumulated depreciation	(337,159,244)	780,344	(336,378,900)	(22,338,117)		369,831	(358,347,186)
Total buildings	542,177,441	(206,748)	541,970,693	620,230	94,673,669	(11,718)	637,252,874
Equipment (including library books)	370,902,388	514,661	371,417,049	15,200,054		(8,659,930)	377,957,173
Less accumulated depreciation	(290,021,591)		(290,021,591)	(17,577,296)		8,659,930	(298,938,957)
Total equipment	80,880,797	514,661	81,395,458	(2,377,242)	NONE	NONE	79,018,216
Total other capital assets	$669,362,692	$307,913	$669,670,605	($4,038,701)	$95,212,470	($11,718)	$760,832,656
Capital asset summary:							
Capital assets not being depreciated	$135,751,055	$551,181	$136,302,236	$26,090,374	($95,212,470)		$67,180,140
Other capital assets, at cost	1,340,138,382	(472,431)	1,339,665,951	38,790,172	95,212,470	($9,041,479)	1,464,627,114
Total cost of capital assets	1,475,889,437	78,750	1,475,968,187	64,880,546	NONE	(9,041,479)	1,531,807,254
Less accumulated depreciation	(670,775,690)	780,344	(669,995,346)	(42,828,873)	NONE	9,029,761	(703,794,458)
Capital assets, net	$805,113,747	$859,094	$805,972,841	$22,051,673	NONE	($11,718)	$828,012,796

See independent accountant’s review report.

COMPONENT UNITS

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Capital assets not being depreciated:				
Land	$10,012,559		($4,368,109)	$5,644,450
Capitalized collections	4,307,862	$20,000	(55,000)	4,272,862
Construction-in-progress	999,089	10,784,273	(1,182,321)	10,601,041
Total capital assets not being depreciated	$15,319,510	$10,804,273	($5,605,430)	$20,518,353
Other capital assets:				
Land improvements	$4,373,492	$6,352		$4,379,844
Less accumulated depreciation	(381,484)	(37,138)		(418,622)
Total land improvements	3,992,008	(30,786)	NONE	3,961,222
Buildings	146,842,888	163,649		147,006,537
Less accumulated depreciation	(18,415,502)	(2,838,098)		(21,253,600)
Total buildings	128,427,386	(2,674,449)	NONE	125,752,937
Equipment	1,928,691	71,354	($38,286)	1,961,759
Less accumulated depreciation	(1,794,599)	(47,867)	38,286	(1,804,180)
Total equipment	134,092	23,487	NONE	157,579
Total other capital assets	$132,553,486	($2,681,748)	NONE	$129,871,738
Capital asset summary:				
Capital assets not being depreciated	$15,319,510	$10,804,273	($5,605,430)	$20,518,353
Other capital assets, at cost	153,145,071	241,355	(38,286)	153,348,140
Total cost of capital assets	168,464,581	11,045,628	(5,643,716)	173,866,493
Less accumulated depreciation	(20,591,585)	(2,923,103)	38,286	(23,476,402)
Capital assets, net	$147,872,996	$8,122,525	($5,605,430)	$150,390,091

6. DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Activity	Amount
Vendors	$21,097,596
Salaries and benefits	23,718,845
Other payables	354,937
Total	$45,171,378

See independent accountant's review report.

7. PENSION PLANS

Plan Description. Substantially all employees of the university 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 $21,757,751; $20,515,752; and $17,420,697, respectively, and to LASERS for the years ended June 30, 2013, 2012, and 2011, were $13,962,230; $12,890,120; and $11,925,379, 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 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 $35,135,347 and $11,519,782, respectively, for the year ended June 30, 2013.

8. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

LSU 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 LSU System (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 35, 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

LSU 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 university 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 (CDHP-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 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	Employee 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.

See independent accountant's review report.

	LSU System Health Plan		State OGB Plans			
	Option 1	Option 2	PPO	HMO	CDHP-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.

See independent accountant’s review report.

	LSU System Health Plan	State OGB Plan	Total
Annual Required Contribution (ARC)	$23,641,448	$15,548,952	$39,190,400
Interest on Net OPEB Obligation (NOO)	2,446,525	4,302,500	6,749,025
ARC adjustment	(2,070,815)	(4,110,200)	(6,181,015)
Annual OPEB cost	24,017,158	15,741,252	39,758,410
Employer contributions	(4,903,102)	(7,804,169)	(12,707,271)
Increase in net OPEB obligation	19,114,056	7,937,083	27,051,139
Net OPEB obligation - beginning of year	57,582,718	107,562,002	165,144,720
Net OPEB obligation - end of year	$76,696,774	$115,499,085	$192,195,859

Funding Trend

	LSU System Health Plan			State OGB Plan		
	2013	2012	2011	2013	2012	2011
OPEB cost	$24,017,158	$18,337,899	$16,298,847	$15,741,252	$16,627,129	$22,518,969
Percent contributed	20.41%	25.08%	24.95%	49.58%	49.11%	33.23%
Ending NOO	$76,696,774	$57,582,718	$43,844,437	$115,499,085	$107,562,002	$99,100,793

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)	$296,471,059	$242,844,028
Actuarial value of plan assets	NONE	NONE
Unfunded actuarial accrued liability (UAAL)	$296,471,059	$242,844,028
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Annual covered payroll (active plan members)	$179,509,656	$69,130,945
UAAL as a percentage of covered payroll	165.2%	351.3%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Furthermore, 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.

See independent accountant's review report.

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

9. 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. LSU is not involved in any lawsuits at June 30, 2013.

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.

10. COMPENSATED ABSENCES

At June 30, 2013, employees of LSU have accumulated and vested annual, sick, and compensatory leave benefits of $17,198,432; $12,755,462; and $124,156, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

11. 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 $150,133. The following is a schedule by years of future minimum annual rental payments required under operating leases that have initial or non-cancellable lease terms in excess of one year as of June 30, 2013:

Nature of Operating Lease	Fiscal Year 2014
Office space	$9,257
Equipment	9,996
Total	$19,253

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.

12. LESSOR LEASES

LSU'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'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	$2,079,153	($883,505)	$1,195,648
Buildings	16,139,113	(5,396,970)	10,742,143
Total	$18,218,266	($6,280,475)	$11,937,791

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	Land	Other	Total
2014	$212,047	$2,833,916	$46,681	$1,514,443	$4,607,087
2015	50,174	2,829,490	55,848	1,466,600	4,402,112
2016		3,033,709	55,848	1,464,600	4,554,157
2017		3,017,538	55,561	1,343,400	4,416,499
2018		3,021,783	52,406	1,800	3,075,989
2019-2023		8,376,763	262,653		8,639,416
2024-2028			265,546		265,546
2029-2033			268,525		268,525
2034-2038			271,590		271,590
2039-2043			8,246,691		8,246,691
2044-2048			10,157,873		10,157,873
2049-2053			1,156,750		1,156,750
2054-2058			48,417		48,417
2059-2063			31,750		31,750
2064-2068			31,750		31,750
2069-2073			31,750		31,750
2074-2078			31,750		31,750
2079-2083			31,750		31,750
2084-2088			31,750		31,750
2089-2093			8,500		8,500
Total	$262,221	$23,113,199	$21,143,389	$5,790,843	$50,309,652

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 $1,651,960 for the year ended June 30, 2013.

13. LONG-TERM LIABILITIES

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

See independent accountant's review report.

University

	Restated Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Bonds payable	$375,220,000	$154,474,743	$59,093,861	$470,600,882	$13,195,631
Compensated absences payable	29,376,143	6,976,733	6,274,826	30,078,050	2,860,372
Capital lease obligations	32,743,991		4,509,643	28,234,348	1,971,116
Other liabilities	1,690,072	655,989	1,535,514	810,547	
OPEB payable	165,144,720	39,758,410	12,707,271	192,195,859	
Total	$604,174,926	$201,865,875	$84,121,115	$721,919,686	$18,027,119

Component Units

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	$7,323,125	$808,731	$4,594,358	$3,537,498	$539,483
Bonds payable	126,510,000	5,100,000	4,290,000	127,320,000	4,468,395
Subtotal	133,833,125	5,908,731	8,884,358	130,857,498	5,007,878
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	$151,009,911	$84,345,192	$33,413,074	$201,942,029	$5,288,660

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. 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
Tiger Athletic Foundation		$808,731		808,731	
Total	$7,323,125	$808,731	($4,594,358)	$3,537,498	$539,483

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 Tiger Athletic Foundation (TAF) 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, TAF initiated two different debt instruments in October 2012. To finance the balance of the commitment, TAF issued a non-revolving taxable term loan for a principal amount of $25,000,000. As security for the payments to be made by TAF, it 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, TAF 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%. TAF 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, TAF 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	$619,585
2015	2,226,524
2016	
2017	
2018	
2019-2023	
2024-2028	808,731
Total minimum installment payments	3,654,840
Less - amount representing interest	(117,342)
Total	$3,537,498

Bonds and Contracts Payable - University

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

See independent accountant's review report.

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%	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
Total		$569,535,000	$375,220,000	$84,200,000	$459,420,000			$318,869,199
Premium/discounts, net		11,679,743		11,180,882	11,180,882			
Total Bonds Payable		$581,214,743	$375,220,000	$95,380,882	$470,600,882			

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
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		$151,400,000	$126,510,000	$810,000	$127,320,000			$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, TAF 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, TAF 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.

TAF 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, TAF 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, TAF 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 TAF, 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. TAF 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, TAF 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.

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.

See independent accountant's review report.

Fiscal Year Ending	Principal	Interest	Total
2014	$11,905,000	$21,064,763	$32,969,763
2015	12,440,000	20,522,071	32,962,071
2016	12,855,000	19,987,012	32,842,012
2017	13,370,000	19,479,158	32,849,158
2018	13,575,000	18,990,323	32,565,323
2019	14,260,000	18,432,085	32,692,085
2020	14,880,000	17,788,134	32,668,134
2021	15,475,000	17,122,668	32,597,668
2022	16,130,000	16,424,329	32,554,329
2023	16,840,000	15,665,098	32,505,098
2024	17,595,000	14,846,398	32,441,398
2025	18,050,000	13,989,876	32,039,876
2026	18,850,000	13,129,447	31,979,447
2027	17,785,000	12,326,676	30,111,676
2028	18,605,000	11,495,308	30,100,308
2029	19,485,000	10,614,190	30,099,190
2030	20,400,000	9,690,678	30,090,678
2031	19,705,000	8,715,878	28,420,878
2032	20,650,000	7,770,276	28,420,276
2033	20,810,000	6,797,244	27,607,244
2034	21,790,000	5,820,025	27,610,025
2035	18,830,000	4,773,250	23,603,250
2036	19,630,000	3,832,237	23,462,237
2037	12,765,000	2,877,287	15,642,287
2038	11,170,000	2,261,800	13,431,800
2039	11,660,000	1,766,576	13,426,576
2040	12,180,000	1,249,412	13,429,412
2041	5,680,000	709,200	6,389,200
2042	5,905,000	482,000	6,387,000
2043	6,145,000	245,800	6,390,800
Subtotal	459,420,000	318,869,199	778,289,199
Unamortized premium/discount	11,180,882	NONE	11,180,882
Total	$470,600,882	$318,869,199	$789,470,081

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

See independent accountant's review report.

Fiscal Year Ending	Principal	Interest*	Total
2014	$4,468,395	$56,207	$4,524,602
2015	4,653,395	49,894	4,703,289
2016	4,843,395	43,581	4,886,976
2017	5,048,395	37,269	5,085,664
2018	5,263,395	30,956	5,294,351
2019	5,483,395	24,643	5,508,038
2020	5,713,395	18,330	5,731,725
2021	5,963,395	12,017	5,975,412
2022	6,157,840	5,704	6,163,544
2023	5,860,000		5,860,000
2024	6,140,000		6,140,000
2025	5,440,000		5,440,000
2026	5,750,000		5,750,000
2027	6,075,000		6,075,000
2028	6,415,000		6,415,000
2029	6,770,000		6,770,000
2030	4,635,000		4,635,000
2031	4,860,000		4,860,000
2032	5,100,000		5,100,000
2033	5,355,000		5,355,000
2034	5,615,000		5,615,000
2035	1,610,000		1,610,000
2036	1,000,000		1,000,000
2037	1,000,000		1,000,000
2038	6,100,000		6,100,000
2039	1,000,000		1,000,000
2040	1,000,000		1,000,000
Total	$127,320,000	$278,601	$127,598,601

* Excludes floating interest rate amounts for Tiger Athletic Foundation Revenue Bond Series 1999, Series 2004, and Series 2012.

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

Bond Issue	Cash/ Investment Reserves Available	Reserve Requirement	Excess/ (Deficiency)
Auxiliary Plant:			
LSU A&M	$8,043,706	$7,500,000	$543,706
Total	$8,043,706	$7,500,000	$543,706

See independent accountant's review report.

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.

Capital Leases

The university 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	$2,550,832
2015	2,869,103
2016	2,985,345
2017	3,093,419
2018	3,124,292
2019-2023	17,003,614
Total minimum lease payments	31,626,605
Less - amount representing interest	(3,392,257)
Present value of net minimum lease payments	$28,234,348

14. DUE FROM STATE TREASURY

As shown on Statement A, the university has a total of $340,704 (net) due from the state treasury at June 30, 2013. This amount consists of the following:

Description	Due (to)/from
Statutory dedications - Support Education in Louisiana First	$340,824
Due from state treasury	340,824
Refund from prior year orders	(120)
Due to state treasury	(120)
Total	$340,704

15. RESTRICTED NET POSISITON

The university's restricted nonexpendable net position of $73,517,383 as of June 30, 2013, was comprised entirely of endowment funds.

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

Restricted Expendable Net Position

Account Title	Amount
Student fees	$12,849,686
Grants and contracts	13,941,283
Gifts	13,122,574
Endowment earnings	13,631,559
Student loan funds	17,036,994
Capital construction	75,802,123
Debt service	12,565,023
Total	$158,949,242

Of the total restricted net position reported on Statement A for the year ended June 30, 2013, a total of $900,026 is restricted by enabling legislation.

LSU 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 university'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 $71,991 is available to be spent and is restricted to specific purposes.

See independent accountant's review report.

RESTRICTED NET ASSETS - COMPONENT UNITS

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

	LSU Foundation	Tiger Athletic Foundation*	Total
Temporarily restricted:			
Chairs and professorships	$53,230,108		$53,230,108
Scholarships and fellowships	32,676,216		32,676,216
Academic support	74,213,336		74,213,336
Capital outlay and improvements	15,661,432		15,661,432
Research support	6,653,067		6,653,067
Institutional support	3,868,417		3,868,417
Donor restrictions		$46,235,601	46,235,601
Total temporarily restricted	$186,302,576	$46,235,601	$232,538,177

	LSU Foundation	Tiger Athletic Foundation*	Total
Permanently restricted:			
Chairs and professorhips	$114,371,766		$114,371,766
Scholarships and fellowships	53,237,089		53,237,089
Academic support	44,379,074		44,379,074
Capital outlay and improvements	185,925		185,925
Research support	1,950,962		1,950,962
Endowment funds		$10,134,628	10,134,628
Total permanently restricted	$214,124,816	$10,134,628	$224,259,444

*As of December 31, 2012

16. RESTATEMENT OF BEGINNING NET POSITION

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

See independent accountant's review report.

University

Net position at June 30, 2012	$619,346,296
Duplicate revenue entries for LSU PT&T auxiliary	(200,811)
Correct cost and accumulated depreciation for movable equipment acquired prior to FY13	514,661
LSU facility capitalization	344,433
Compensated absences liability	976,774
Net position at June 30, 2012, as restated	$620,981,353

17. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

Function	Employee Compensation	Benefits	Utilities	Supplies and Services	Scholarships and Fellowships	Depreciation	Compensated Absences	OPEB Expense	Total
Instruction	$138,407,200	$44,842,702	$83,048	$38,266,729		$2,492,982	$454,613	$11,770,578	$236,317,852
Research	64,964,773	20,100,431	534,505	44,569,147		5,577,617	(405,661)	3,783,507	139,124,319
Public service	16,033,866	4,970,963	6,642	8,368,991		416,377	33,555	1,309,408	31,139,802
Academic support	37,227,036	13,675,077	312,823	17,403,494		4,053,344	12,567	2,931,359	75,615,700
Student services	12,074,929	3,879,446	309,807	5,777,836		26,108	59,423	958,745	23,086,294
Institutional support	17,018,959	7,183,050		(816,157)		757,992	139,055	1,950,085	26,232,984
Operations and maintenance of plant	23,955,241	9,992,692	7,246,092	18,301,509		28,675,110	(11,709)	1,077,276	89,236,211
Scholarships and fellowships					$23,333,361				23,333,361
Auxiliary enterprises	44,868,283	12,922,215	5,904,384	76,505,164		829,343	420,064	3,270,181	144,719,634
Total operating expenses	$354,550,287	$117,566,576	$14,397,301	$208,376,713	$23,333,361	$42,828,873	$701,907	$27,051,139	$788,806,157

18. 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
- University Energy Equipment Corporation

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

19. DEFERRED COMPENSATION PLAN

Certain employees of LSU 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.

See independent accountant's review report.

20. 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 fifty 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 13, 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.

See independent accountant's review report.

21. REVENUE USED AS SECURITY FOR REVENUE BONDS

The revenues of certain auxiliary enterprises at LSU are restricted by terms in the covenants of certain debt instruments.

LSU has pledged future auxiliary revenues of approximately $778,289,199 to secure outstanding debt of $569,535,000 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 $197,996,448. Required principal and interest payments for the current year on the bonds were $33,875,753.

22. COOPERATIVE ENDEAVOR AGREEMENTS - COMPONENT UNITS

Tiger Athletic Foundation

In 1999, 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.

23. AMOUNTS HELD IN CUSTODY FOR OTHERS - COMPONENT UNITS

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

See independent accountant's review report.

Entity	LSU Foundation	Tiger Athletic Foundation*	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		87,048,596
Split-interest agreements	2,812,205		2,812,205
TAF	10,454,070		10,454,070
Coaches' escrow accounts		$1,874,940	1,874,940
LSU Athletic Department		7,339,748	7,339,748
Total amounts held in custody	$118,216,592	$9,214,688	$127,431,280

*As of December 31, 2012

24. RELATED PARTY TRANSACTIONS - COMPONENT UNIT

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

The 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.

25. UNCONDITIONAL PROMISES TO GIVE - COMPONENT UNITS

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

	LSU Foundation	Tiger Athletic Foundation*	Total
Promises to give expected to be collected in:			
Less than one year	$6,987,101	$11,931,793	$18,918,894
One to five years	7,297,990	8,536,969	15,834,959
More than five years	42,770	2,380,833	2,423,603
Subtotal	14,327,861	22,849,595	37,177,456
Less discount on promises to give	(382,671)	(1,757,521)	(2,140,192)
Less allowance for uncollectible accounts	(190,550)	(1,633,900)	(1,824,450)
Subtotal	(573,221)	(3,391,421)	(3,964,642)
Net unconditional promises to give	$13,754,640	$19,458,174	$33,212,814

*As of December 31, 2012

Total unconditional promises to give (current and noncurrent) of $33,212,814 are reported on Statement B.

26. SUBSEQUENT EVENTS

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; and
- 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.

27. 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 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 7. The impact to the university's net position is expected to be significant.

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.

See independent accountant's review report.

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plans
Fiscal Year Ended June 30, 2013

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	$167,883,980	$167,883,980	0.0%	$176,436,443	95.2%
FY 2012	07/01/2011	NONE	$203,003,827	$203,003,827	0.0%	$155,371,296	130.7%
FY 2013	07/01/2012	NONE	$296,471,059	$296,471,059	0.0%	$179,509,656	165.2%

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	$326,616,624	$326,616,624	0.0%	$74,678,787	437.4%
FY 2012	07/01/2011	NONE	$245,126,386	$245,126,386	0.0%	$60,464,218	405.4%
FY 2013	07/01/2012	NONE	$242,844,028	$242,844,028	0.0%	$69,130,945	351.3%

See independent accountant’s review report.

EXHIBIT A

Management Letter

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 14, 2014

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have reviewed the financial statements of Louisiana State University and A&M College (LSU), as of and for the year ended June 30, 2013, and have issued our independent accountant's review report thereon dated January 14, 2014. LSU is a university within the Louisiana State University System, a component unit of the State of Louisiana. LSU's accounts are an integral part of the Louisiana State University System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our independent accountant's review report referred to previously.

We did not review the financial statements of the LSU Foundation and the Tiger Athletic Foundation, which are nonprofit corporations included as discretely presented component units in the basic financial statements of LSU. Those component unit financial statements were audited by other auditors whose reports thereon have been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for those component units, are based solely upon the reports of the other auditors. The separate audit reports for the foundations are available at the addresses listed in note 1-B to the financial statements.

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

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

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Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting LSU's internal control, compliance with applicable laws and regulations, and operational efficiencies was not an objective of our procedures. Accordingly, our review procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, during our review procedures, we noted one significant internal control matter requiring communication to management as documented below.

Inadequate Controls over Capital Asset Valuation

Louisiana State University and Related Campuses (LSU) did not ensure that all costs had been accurately reflected in the valuation of movable property in its Equipment Records Inventory (ERI) System. Three of the 15 (20%) movable property acquisitions tested were valued incorrectly, which overvalued movable property acquisitions by $14,732. Projected to the population, the likely misstatement of movable property is approximately $669,000.

LSU Property Management records movable property and related values into its ERI System based on purchase order or invoice amounts or other payment documentation available at the time of input rather than the final acquisition cost. There is no university policy in place requiring LSU Property Management to follow up on final cost. Purchasing departments are also not required to report differences between the purchase order and final invoice of an asset to LSU Property Management. Therefore, the total actual acquisition cost of an asset may not be properly reflected in the ERI System and in the university's financial statements

In accordance with accounting standards, the capitalized amount should be reported at historical cost (or estimated fair value for a donated capital asset) and should include any charges necessary to put the asset into place such as freight and transportation charges, site preparation costs, and professional fees.

LSU should establish controls to ensure that movable property is properly valued in LSU's ERI System and financial statements. Management concurred with the finding and provided a corrective action plan (see Appendix A).

The recommendation in this letter represents, in our judgment, that which is most likely to bring about beneficial improvements to the operations of LSU. The nature of the recommendation, its implementation cost, and its potential impact on the operations of LSU should be considered in reaching decisions on courses of action.

Under Louisiana Revised Statute 24:513, this letter is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

CST:JPT:EFS:THC:ch

LSU-BR 2013

APPENDIX A

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

LSU
LOUISIANA STATE UNIVERSITY
Office of the Chancellor

October 28, 2013

Mr. Daryl G. Purpera, CPA
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

In conjunction with the legislative audit of LSU, we wish to respond to the audit finding concerning inadequate controls over capital asset valuation for LSU and related campuses. We concur with the finding addressed in the letter dated October 15, 2013. As requested in the letter, the following response is issued for the finding:

Finding:
LSU and related campuses did not ensure that all costs had been accurately reflected in the valuation of movable property in its Equipment Records Inventory (ERI) system.

Response to Finding: Anticipated Completion Date: 03/01/2014
LSU will formulate and adopt a Finance and Administrative Services Operating Procedure that will define a process for ensuring movable property is properly valued in ERI and the financial statements.

Contact Person(s):
Marie Frank, Executive Director of Procurement Services and Property Management
Donna Torres, Associate Vice Chancellor for Accounting & Financial Services

If you have any questions or need any additional information, please feel free to contact me.

Sincerely,

F. King Alexander

F. King Alexander
President and Chancellor

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