

LOUISIANA STATE UNIVERSITY SYSTEM  
A COMPONENT UNIT OF THE  
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT  
FOR THE YEAR ENDED JUNE 30, 2014  
ISSUED DECEMBER 24, 2014

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# TABLE OF CONTENTS

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	Page
Independent Auditor’s Report.....	3
Management’s Discussion and Analysis .....	7
	<b>Statement</b>
Basic Financial Statements:	
Louisiana State University System Statement of Net Position.....	A .....18
Component Units Statement of Financial Position.....	B .....20
Louisiana State University System Statement of Revenues, Expenses, and Changes in Net Position .....	C .....22
Component Units Statement of Activities .....	D .....24
Louisiana State University System Statement of Cash Flows .....	E .....26
Notes to the Financial Statements .....	28
	<b>Schedule</b>
Required Supplementary Information - Schedule of Funding Progress for the Other Postemployment Benefits Plans .....	1.....87
Supplementary Information Schedules - Louisiana State University System:	
Combining Schedule of Net Position, by University, for the year ended June 30, 2014 .....	2.....89
Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University, for the year ended June, 30, 2014 .....	3.....93

Combining Schedule of Cash Flows, by University, for the year ended June 30, 2014 .....	4.....	97
Combining Schedule of Net Position, by University, for the year ended June 30, 2013 .....	5.....	103
Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University, for the year ended June, 30, 2013.....	6.....	107
Combining Schedule of Cash Flows, by University, for the year ended June 30, 2013 .....	7.....	111
		<b>Exhibit</b>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....		A
		<b>Appendix</b>
Management’s Corrective Action Plan and Response to the Finding and Recommendation .....		A



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

December 15, 2014

## Independent Auditor's Report

**LOUISIANA STATE UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Louisiana State University System (System), a component unit of the state of Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries; the Eunice Student Housing Foundation, Inc.; and the Health Care Services Foundation and its subsidiary, which are nonprofit corporations included as blended component units in the basic financial statements representing approximately 1.9% of total assets, 2.2% of total liabilities, 1.7% of net position, 4.1% of total revenues, and 4.1% of total expenses of the LSU System. We also did not audit the financial statements of the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Foundation in Shreveport, or The Foundation for the LSU Health Sciences Center, which are discretely presented component units included in the basic financial statements of the LSU System. The financial statements of the blended and discretely presented component units were audited by other auditors, whose reports have been

furnished to us, and our opinions, insofar as they relate to the amounts reported for these component units, are based solely on the reports of the other auditors.

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

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

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

### **Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the LSU System as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in notes 1 and 31 to the basic financial statements, the LSU System experienced a change in entity during fiscal year 2014. The Health Care Services Division (HCSD) and the LSU Health Sciences Center in Shreveport (LSU HSC Shreveport) implemented public/private partnerships for the management and/or services of nine of the 10 hospitals within the LSU System during the fiscal years ended June 30, 2013, and June 30, 2014. During these transition years, HCSD and LSU HSC Shreveport's financial statements reflect the remaining functionality and roles of providing services to the partners as some or all of the infrastructure systems are transitioned to the private partners' systems. Our opinion is not modified with respect to this matter.

As discussed in note 33 to the basic financial statements, the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective for fiscal year 2015, will require the LSU System to recognize a liability for its proportionate share of the net pension liability of the defined benefit pension plans presented in note 8 to the basic financial statements. Though the LSU System's proportionate share of these plans' pension liabilities is currently unknown, the impact on the LSU System's net position is expected to be significant.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the LSU System's basic financial statements. The accompanying supplementary information schedules including the Combining Schedule of Net Position; the Combining Schedule of Revenues, Expenses, and Changes in Net Position; and the Combining Schedule of Cash Flows on pages 89 through 102 for the year ended June 30, 2014, are presented for the purposes of additional analysis and are not required parts of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the schedules for the fiscal year ended

June 30, 2014, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole for the year ended June 30, 2014.

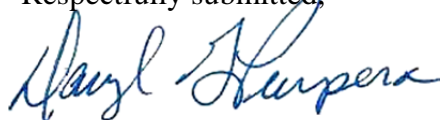
We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the LSU System as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 16, 2013, which contained unmodified opinions on the respective financial statements of the business-type activities. The Combining Schedule of Net Position; the Combining Schedule of Revenues, Expenses, and Changes in Net Position; and the Combining Schedule of Cash Flows on pages 103 through 116 for the year ended June 30, 2013, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2013 financial statements. The combining schedules for the fiscal year ended June 30, 2013, have been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the schedules for the fiscal year ended June 30, 2013, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole for the year ended June 30, 2013.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the LSU System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LSU System's internal control over financial reporting and compliance.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

CST:JPT:EFS:THC:aa

LSU 2014



# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## INTRODUCTION

The following discussion and analysis has been prepared by management and is written to provide an overview of the financial position and activities of the Louisiana State University System (System) for the year ended June 30, 2014. It should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

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

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

## BACKGROUND

The System is the state's flagship system. It is also one of the most diverse and comprehensive higher education systems in the country. Headcount enrollment during the fall 2013 semester was 43,224, which was a decrease from the 43,942 reported in the previous year.

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

The System also includes such dedicated centers as the Pennington Biomedical Research Center, which specializes in nutrition research and preventive medicine, and the LSU Agricultural Center, which plays a vital and integral role in supporting the state's agricultural industries,

sustaining rural areas, and encouraging efficient use of resources through research and educational programs conducted by its 17 experiment stations and extension service.

Beginning in 1997, the System was charged with the responsibility of administering 10 public hospitals. These hospitals serve as the primary source of health care services for the indigent population of the state and account for more than one million in-patient and out-patient visits each year. In addition, these hospitals are utilized by the LSU Health Sciences Centers as teaching hospitals wherein the medical and dental faculty and medical education students provide the medical care to patients.

As of the end of fiscal year 2013, LSU decided to transition management and/or the services of its hospitals to private hospital partnerships. This major transformation of public healthcare in Louisiana occurred in a span of months, beginning in July 2012, when Congress reduced the state's disaster-recovery Federal Medical Assistance Percentage (FMAP) rate from 71.92 percent to a projected 65.51 percent, the lowest reimbursement rate Louisiana has had in more than 25 years. The FMAP was a major source of funding for the hospitals. Congress made the cut to correct a mistake in Louisiana's FMAP calculation.

Under cooperative endeavor agreements, the Interim LSU Public Hospital in New Orleans is now managed by Louisiana Children's Medical Center (LCMC). LCMC will also manage the new University Medical Center once construction is complete in 2015. Leonard J. Chabert Medical Center in Houma is now operated by a partnership between Terrebonne General Medical Center and Southern Regional Medical Center, which will deliver services through the Ochsner Health System. University Medical Center in Lafayette is managed by Lafayette General Medical Center. W.O. Moss Regional Medical Center in Lake Charles closed as an inpatient facility in 2013, and its outpatient services are now managed by Lake Charles Memorial Health System.

Earl K. Long Medical Center in Baton Rouge closed in April 2013. An extensive network of outpatient clinics are now managed by Our Lady of the Lake Regional Medical Center. Beginning in October 2013, E.A. Conway Medical Center in Monroe and LSU Medical Center in Shreveport transitioned to management by the Biomedical Research Foundation of Northwest Louisiana.

Washington-St. Tammany Regional Medical Center is now operated by Franciscan Missionaries of Our Lady Health System through Our Lady of Angels. Huey P. Long Medical Center closed June 30, 2014. Outpatient clinic and inpatient hospital services are now delivered by Christus St. Frances Cabrini Hospital and Rapides Regional Medical Center.

Lallie Kemp Medical Center in Independence remains under the management of the LSU System.

In 2013, the LSU Board of Supervisors embarked on an LSU2015 planning initiative, appointing a 10-member panel (Transition Advisory Team) tasked with providing information to the LSU Board of Supervisors to facilitate the reshaping of the LSU System. The goal of LSU2015 was to bring together the resources of the various units of the current LSU System to create a single,

globally-competitive LSU, with statewide reach that is more efficient and more productive in the areas of educating its students, creating robust collaborative research, delivering effective health care, impacting economic development, and conducting public service activities. In keeping with the spirit and intent of these planning efforts, an organizational and budgetary alignment of the current Board and System Administration with the LSU Agricultural and Mechanical (LSU A&M) organizational structure will be pursued during the coming fiscal year.

Similarly, the Board of Supervisors also approved the realignment of the Paul M. Hebert Law Center with the LSU A&M campus. While the Law Center and LSU A&M have a number of shared services, this organizational and budgetary realignment will foster greater unity and will provide additional interdisciplinary academic and research opportunities for students and faculty. The realignment aims to provide cost savings; creative coordination of academic programming; enhancement of both educational opportunities for current students and undergraduate and law student recruitment; greater unity of institutional communications and messaging; development of additional opportunities for coordination of funded research; improved coordination of international programs; broadening funding opportunities; international student recruitment and student educational experiences.

## **FINANCIAL HIGHLIGHTS**

### **GENERAL**

Total operating revenues decreased from the prior fiscal year by approximately \$394.7 million, while operating expenses declined by approximately \$678.5 million, thereby decreasing the operating loss by \$283.7 million. The operating loss for fiscal year 2014 was \$566.9 million; the operating loss for fiscal 2013 was \$850.6 million.

The main decrease in operating revenue occurred at the Health Care Services Division and at LSU Health Sciences Center in Shreveport due to the continued transitioning of the management and/or the services of the hospitals to public/private partnership models. The revenue decrease from those two entities accounted for approximately \$549 million; however, these decreases were offset by operating revenue increases at the LSU and related campuses because of increased tuition and fee authority and increased grants and contracts, and at the LSU Health Sciences Center in New Orleans, where grants and contract revenues, sales and service revenue, and tuition and fees increased. The increase in tuition and fee revenue is mainly attributable to the LA Granting Resources and Autonomy for Diplomas Act. In exchange for a commitment to meet clearly-defined statewide performance goals, including boosting graduation rates, the universities were given increased autonomy and flexibility including authority to increase tuition and fees by up to 10%.

If you include nonoperating revenues and expenses, the System shows a loss before other revenues, expenses, gains, and losses of \$154.3 million for fiscal year 2013-2014. This represents a significant change from the \$338.1 million restated loss posted in the previous year. This improvement in financial performance can be attributed to the decrease in the operating loss of \$283.7 million, offset by a decrease in net nonoperating revenue of approximately \$100 million. This decrease in net nonoperating revenue occurred mainly at the Health Care

Services Division and at LSU Health Sciences Center in Shreveport due to the decrease in state appropriations and other operations as a result of the public/private partnership agreements. In addition, other revenues, expenses gains, and losses decreased by \$113.1 million from the prior year, mainly due to a decrease in capital appropriation for the new University Medical Center of New Orleans offset by an increase in the LSU System Health plan fund balance as a result of premium increases and decreased liabilities in the plan. Thus, overall net position, which represents the residual interest in the System's assets after liabilities are deducted, increased by \$52.3 million from the previous fiscal year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

## BASIC FINANCIAL STATEMENTS

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

## STATEMENT OF NET POSITION

Net position is divided into three major categories.

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

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

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

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

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

Current assets total \$935 million and consist primarily of cash and cash equivalents, net receivables, investments, amounts due from the federal government, prepaid expenses and advances, and inventories. Current liabilities total \$310 million and consist mainly of accounts payable and accrued liabilities, unearned revenues, notes payable, the current portion of bonds payable, capital lease obligations, and a contingent amount for compensated absences.

Noncurrent assets total \$2.9 billion and include capital assets of \$2.3 billion. Other noncurrent assets primarily include cash and investments that are externally restricted to certain programs and/or to make debt service payments or to maintain sinking or reserve funds that total \$556.2 million.

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

Restricted nonexpendable net position totals \$217 million and consists of endowment and similar type funds, which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained intact and invested for the purpose of producing income that may either be expended or added to principal.

Restricted expendable net position totals \$322 million and includes resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

A summarized listing of the System's assets, liabilities, and net position at June 30, 2014, and June 30, 2013, (restated) is shown on the following page.

**Statement of Net Position**

	As of		Change	Percentage Change
	June 30, 2014	June 30, 2013 (Restated)		
<b>Assets:</b>				
Current assets	\$934,648,994	\$1,138,290,926	(\$203,641,932)	(17.9%)
Capital assets	2,349,752,681	2,060,765,627	288,987,054	14.0%
Other assets	556,182,224	686,265,368	(130,083,144)	(19.0%)
<b>Total Assets</b>	<b>3,840,583,899</b>	<b>3,885,321,921</b>	<b>(44,738,022)</b>	<b>(1.2%)</b>
<b>Liabilities:</b>				
Current liabilities	310,001,127	456,672,395	(146,671,268)	(32.1%)
Noncurrent liabilities	1,700,452,185	1,650,801,561	49,650,624	3.0%
<b>Total Liabilities</b>	<b>2,010,453,312</b>	<b>2,107,473,956</b>	<b>(97,020,644)</b>	<b>(4.6%)</b>
<b>Net Position:</b>				
Net investment in capital assets	1,930,800,125	1,658,901,845	271,898,280	16.4%
Restricted - nonexpendable	217,017,384	203,528,748	13,488,636	6.6%
Restricted - expendable	321,643,216	417,908,700	(96,265,484)	(23.0%)
Unrestricted	(639,330,138)	(502,491,328)	(136,838,810)	27.2%
<b>Total Net Position</b>	<b>\$1,830,130,587</b>	<b>\$1,777,847,965</b>	<b>\$52,282,622</b>	<b>2.9%</b>

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION**

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

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

The consolidated Statement of Revenues, Expenses, and Changes in Net Position at June 30, 2014, for the System indicates a net operating loss of \$566.9 million determined without including state appropriations, gifts, or investment earnings and before subtracting interest

expenses on debt and other nonoperating expenses. As mentioned earlier, the net operating loss decreased from the prior year by \$283.7 million.

While operating revenues decreased by \$394.7 million, the loss was mitigated because operating expenses decreased by \$678.5 million. Major changes in operating revenues and operating expenses are identified on pages 14 through 15.

After including nonoperating revenues such as state appropriations (\$411 million), gifts (\$32 million), federal nonoperating revenues (\$63 million), investment income (\$38 million), and after subtracting interest expense (\$23 million) and other nonoperating expenses (\$109 million), the System had a loss before other revenues, expenses, gains, and losses of \$154.3 million.

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

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

	As of		Change	Percentage Change
	June 30, 2014	June 30, 2013 (Restated)		
Operating revenues	\$1,721,407,428	\$2,116,133,141	(\$394,725,713)	(18.7%)
Operating expenses	2,288,301,175	2,966,764,133	(678,462,958)	(22.9%)
Operating loss	(566,893,747)	(850,630,992)	283,737,245	(33.4%)
Nonoperating revenues (expenses)	412,575,729	512,485,367	(99,909,638)	(19.5%)
Loss before other revenues, expenses, gains, and losses	(154,318,018)	(338,145,625)	183,827,607	(54.4%)
Other revenues, expenses, gains, and losses	206,600,640	319,743,749	(113,143,109)	(35.4%)
Change in net position	52,282,622	(18,401,876)	70,684,498	(384.1%)
Net position at beginning of year - restated	1,777,847,965	1,796,249,841	(18,401,876)	(1.0%)
Net position at end of year	\$1,830,130,587	\$1,777,847,965	\$52,282,622	2.9%

### Operating Revenues

Operating revenues for the System totaled \$1.7 billion at June 30, 2014. Major components of operating revenues are hospital income, representing 23.0% of the total; nongovernmental grants and contracts, representing 17.5%; and net tuition and fees, representing 21.2% of the total. Funds from the federal government inclusive of operating American Recovery and Reinvestment Act funds totaled \$174 million and represented 10.1% of the total.

As of June 30, 2014, hospital income had decreased by \$565.8 million from the previous year due to additional hospitals being managed or having their services provided under public/private



hospital partnerships. In addition, net tuition and fee revenue increased by 14.7%, or approximately \$46.7 million. This is mainly due to increases authorized under the LA Granting Resources and Autonomy for Diplomas Act, which allows a 10% increase in resident tuition and fee rates and a 15% increase in non-resident tuition and fee rates.

The following table summarizes the System's operating revenues for the year ending June 30, 2014, with comparative totals for the year ended June 30, 2013.

### Operating Revenues (in millions)

	As of		Change	Percentage Change
	June 30, 2014	June 30, 2013		
Tuition and fees, net	\$365.2	\$318.5	\$46.7	14.7%
Federal appropriations	13.0	14.9	(1.9)	(12.8%)
Grants and contracts	534.0	408.1	125.9	30.9%
Sales and services of educational departments	200.8	202.0	(1.2)	(0.6%)
Auxiliary enterprises, net	191.0	190.0	1.0	0.5%
Hospital income	396.0	961.8	(565.8)	(58.8%)
Other	21.4	20.8	0.6	2.9%
Total operating revenues	<u>\$1,721.4</u>	<u>\$2,116.1</u>	<u>(\$394.7)</u>	(18.7%)

### Operating Expenses

Total operating expenses for the System amounted to approximately \$2.3 billion as of June 30, 2014. Instruction expenses represented 24.0% of all operating expenses and represented the largest functional component. Other major components are hospital expenses, 17.3%; research expenses, 14.4%; and public service expenses, 15.7%. Shown on the next page in tabular format is a summary of the System's operating expenses for the fiscal year ended June 30, 2014, with comparative totals for the year ended June 30, 2013 (restated).



**Operating Expenses (in millions)**

	As of		Change	Percentage Change
	June 30, 2014	June 30, 2013 (Restated)		
Instruction	\$548.9	\$514.6	\$34.3	6.7%
Research	328.4	340.4	(12.0)	(3.5%)
Public service	360.2	344.7	15.5	4.5%
Academic support	128.8	121.2	7.6	6.3%
Student services	39.3	37.7	1.6	4.2%
Institutional support	127.7	118.5	9.2	7.8%
Operation and maintenance of plant	149.8	148.6	1.2	0.8%
Scholarships and fellowships	34.4	39.1	(4.7)	(12.0%)
Auxiliary enterprises	174.1	171.8	2.3	1.3%
Hospital	396.7	1,130.2	(733.5)	(64.9%)
Total operating expenses	<u>\$2,288.3</u>	<u>\$2,966.8</u>	<u>(\$678.5)</u>	(22.9%)

**CAPITAL ASSET AND DEBT ADMINISTRATION**

At June 30, 2014, the System had \$2.3 billion invested in a broad range of capital assets including land, buildings and improvements, equipment, and infrastructure, which is net of accumulated depreciation of \$2.0 billion (see table below).

**Capital Asset Summary**

	As of		Change	Percentage Change
	June 30, 2014	June 30, 2013 (Restated)		
Capital assets not being depreciated	<u>\$959,543,703</u>	<u>\$673,084,947</u>	<u>\$286,458,756</u>	42.6%
Other Capital Assets:				
Infrastructure	43,565,593	43,463,901	101,692	0.2%
Land improvements	114,108,905	100,488,165	13,620,740	13.6%
Buildings	2,158,739,617	2,092,742,582	65,997,035	3.2%
Equipment	1,054,191,448	1,070,854,791	(16,663,343)	(1.6%)
Intangibles	21,467,316	21,282,248	185,068	0.9%
Total Other Capital Assets	<u>3,392,072,879</u>	<u>3,328,831,687</u>	<u>63,241,192</u>	1.9%
Total cost of capital assets	4,351,616,582	4,001,916,634	349,699,948	8.7%
Less accumulated depreciation	<u>(2,001,863,901)</u>	<u>(1,941,151,007)</u>	<u>(60,712,894)</u>	3.1%
Capital assets, net	<u>\$2,349,752,681</u>	<u>\$2,060,765,627</u>	<u>\$288,987,054</u>	14.0%

Capital assets not being depreciated total \$959.5 million. This represents land, capitalized collections, and construction in progress.

Capital additions at the LSU Health Sciences Center New Orleans for fiscal year 2013-2014 included \$14.5 million in construction of the new Human Development Center and approximately \$2.0 million in renovations to the Medical School Building and the Pathology Lab.

At the LSU Health Sciences Center Shreveport, capital additions for fiscal year 2013-2014 included approximately \$1 million for a mammography bus, a gamma knife, and Jennings Street improvements.

Major capital expenditures at the Health Care Services Division for fiscal year 2013-2014 included \$141 million of construction in progress for the new University Medical Center of New Orleans; the Earl K. Long Urgent Care Clinic, and major repairs at Leonard J. Chabert.

At LSU, major capital expenditures that were recorded in fiscal year 2013-2014 were \$11.7 million for the Tiger Stadium improvements; \$10.0 million for a new residence hall (Cypress Hall); \$9.0 million for the University Recreation expansion; \$3.6 million for the renovation for Career Services in the Student Union; \$3.0 million for Fieldhouse upgrades; \$2.6 million for the Animal and Food Science Laboratory; \$2.0 million for Annie Boyd Hall renovation; \$1.7 million for the Patrick F. Taylor renovation for Engineering; \$1.7 million for the parking garage; and \$1.3 million for Hilltop Arboretum improvements.

In addition, other capital major expenditures included approximately \$1.0 million at Pennington Biomedical Research Center for the Building D Clinic renovation.

## **LONG-TERM DEBT**

At June 30, 2014, the System had \$497.0 million in bonds outstanding, \$2.0 million in notes payable outstanding, \$31.3 million in capital lease obligations outstanding, and \$831.2 million in OPEB obligations. Bonds outstanding decreased from June 30, 2013, mainly due to repayment of principal in accordance with scheduled debt service requirements, without undertaking any significant new debt. One bond issuance occurred during 2014 as the Health Sciences Center-New Orleans issued series 2013 Building Revenue Refunding Bonds in order to refund the Series 2000 Building Revenue Bonds. The OPEB liability increased by approximately \$74.2 million as the actuarial computed cost of retiree health care continues to exceed the amount currently funded.

## **ECONOMIC OUTLOOK**

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

additional authority to increase student tuition and fees. There was no mid-year or end-of-the-year budget reduction in FY 2013-2014.

Facts, decisions, or conditions that could have an effect on financial position and results include the following:

- Changes in current enrollment
- Changes in tuition and fee charges
- Changes in state appropriations
- Significant or new capital appropriations
- Changes in the healthcare arrangements
- Implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, for the fiscal year ending June 30, 2015

#### **CONTACTING LOUISIANA STATE UNIVERSITY SYSTEM'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the System's finances and to show the System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the chief financial officer at 3810 West Lakeshore Drive, Suite 111, Baton Rouge, Louisiana 70808.



**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Net Position, June 30, 2014**

**ASSETS**

Current Assets:

Cash and cash equivalents (note 2)	\$134,182,392
Investments (note 3)	452,275,573
Receivables, net (note 4)	282,834,149
Due from state treasury, net (note 15)	8,327,793
Due from federal government, net (note 4)	18,968,111
Inventories	10,734,299
Prepaid expenses and advances	21,678,821
Notes receivable	3,197,857
Other current assets	2,449,999
Total current assets	<u>934,648,994</u>

Noncurrent Assets:

Restricted Assets:

Cash and cash equivalents (note 2)	172,696,558
Investments (note 3)	343,789,245
Receivables, net (note 4)	311,450
Notes receivable	23,089,686
Other restricted assets	13,045,516
Investments (note 3)	2,531,213
Other noncurrent assets	718,556
Capital assets, net (note 5)	2,349,752,681
Total noncurrent assets	<u>2,905,934,905</u>
<b>Total assets</b>	<u><b>3,840,583,899</b></u>

**LIABILITIES**

Current Liabilities:

Accounts payable and accrued liabilities (note 7)	\$122,182,057
Unearned revenues	139,672,463
Unearned revenues - advanced lease payment	11,175,000
Amounts held in custody for others	8,085,233
Compensated absences (note 11 and 14)	7,880,791
Capital lease obligations (note 14)	3,904,710
Notes payable (note 14)	466,196
Bonds payable (note 14)	14,631,486
Other current liabilities	2,003,191
Total current liabilities	<u>310,001,127</u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Statement of Net Position, June 30, 2014**

**LIABILITIES (CONT.)**

## Noncurrent Liabilities:

Compensated absences (note 11 and 14)	\$76,034,734
Capital lease obligations (note 14)	27,367,959
Notes payable (note 14)	1,438,298
Other postemployment benefits payable (note 9 and 14)	831,160,057
Bonds payable (note 14)	482,376,134
Unearned revenues - advance lease payments (note 14)	281,326,533
Other noncurrent liabilities (note 14)	748,470
<b>Total noncurrent liabilities</b>	<u>1,700,452,185</u>
<b>Total liabilities</b>	<u>2,010,453,312</u>

**NET POSITION**

Net investment in capital assets	1,930,800,125
Restricted for:	
Nonexpendable (note 16)	217,017,384
Expendable (note 16)	321,643,216
Unrestricted	<u>(639,330,138)</u>
<b>Total net position</b>	<u>1,830,130,587</u>

**TOTAL LIABILITIES AND NET POSITION**

\$3,840,583,899

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**COMPONENT UNITS**

**Statement of Financial Position, June 30, 2014**

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Foundations
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents (note 2)	\$20,126,887	\$1,827,609	\$757,870	\$1,421,839	\$24,134,205
Restricted cash and cash equivalents (note 2)	6,964,269	62,400,277			69,364,546
Investments (note 3)	2,826,617	3,886,958	17,284,901	6,819,293	30,817,769
Accrued interest receivable	716,893				716,893
Accounts receivable, net	206,753	1,612,572	756,971	238,848	2,815,144
Unconditional promises to give (note 28)	17,494,249	15,514,385	1,200	2,711	33,012,545
Deferred charges and prepaid expenses		927,230			927,230
Other current assets	91,382	17,240,868	37,029		17,369,279
Total current assets	<u>48,427,050</u>	<u>103,409,899</u>	<u>18,837,971</u>	<u>8,482,691</u>	<u>179,157,611</u>
Noncurrent Assets:					
Restricted assets:					
Cash and cash equivalents (note 2)		7,041,307	112,559	1,382,185	8,536,051
Investments (note 3)	544,162,227	62,517,872		180,990,270	787,670,369
Other	1,039,935				1,039,935
Investments (note 3)	16,687,549		109,538,537		126,226,086
Unconditional promises to give (note 28)	23,202,431	4,785,844	2,583		27,990,858
Property and equipment, net (note 5)	9,717,090	178,655,558	8,518,448	4,270,647	201,161,743
Other noncurrent assets	840,343	55,218,987		27,639	56,086,969
Total noncurrent assets	<u>595,649,575</u>	<u>308,219,568</u>	<u>118,172,127</u>	<u>186,670,741</u>	<u>1,208,712,011</u>
<b>Total assets</b>	<u><u>\$644,076,625</u></u>	<u><u>\$411,629,467</u></u>	<u><u>\$137,010,098</u></u>	<u><u>\$195,153,432</u></u>	<u><u>\$1,387,869,622</u></u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and accrued liabilities	\$4,166,694	\$6,634,779	\$1,194,140	\$1,024,847	\$13,020,460
Amounts held in custody for others (note 26)	19,550,513	9,721,204	6,975	67,456,836	96,735,528
Compensated absences payable	326,099				326,099
Current portion of deferred revenues (note 14)		34,488,380			34,488,380
Current portion of notes payable (note 14)	2,204,284	358,666		107,501	2,670,451
Current portion of bonds payable (note 14)	628,395	4,025,000	100,000		4,753,395
Other current liabilities	14,687	11,289			25,976
Total current liabilities	<u>26,890,672</u>	<u>55,239,318</u>	<u>1,301,115</u>	<u>68,589,184</u>	<u>152,020,289</u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
COMPONENT UNITS  
Statement of Financial Position, June 30, 2014**

**LIABILITIES (CONT.)**

## Noncurrent Liabilities:

Amounts held in custody for others (note 26)	\$110,401,293		\$26,963,058		\$137,364,351
Notes payable (note 14)		\$2,879,221		\$316,636	3,195,857
Bonds payable (note 14)	4,341,605	154,760,000	904,092		160,005,697
Deferred revenues (note 14)		51,371,351			51,371,351
Other noncurrent liabilities	263,300	4,647,961			4,911,261
Total noncurrent liabilities	<u>115,006,198</u>	<u>213,658,533</u>	<u>27,867,150</u>	<u>316,636</u>	<u>356,848,517</u>
<b>Total liabilities</b>	<u>141,896,870</u>	<u>268,897,851</u>	<u>29,168,265</u>	<u>68,905,820</u>	<u>508,868,806</u>
<b>NET ASSETS</b>					
Unrestricted	\$41,253,428	\$76,206,387	\$13,704,148	\$14,619,339	\$145,783,302
Temporarily restricted (note 16)	242,313,527	55,815,682	45,822,783	98,104,210	442,056,202
Permanently restricted (note 16)	218,612,800	10,709,547	48,314,902	13,524,063	291,161,312
<b>Total net assets</b>	<u>502,179,755</u>	<u>142,731,616</u>	<u>107,841,833</u>	<u>126,247,612</u>	<u>879,000,816</u>
<b>Total liabilities and net assets</b>	<u>\$644,076,625</u>	<u>\$411,629,467</u>	<u>\$137,010,098</u>	<u>\$195,153,432</u>	<u>\$1,387,869,622</u>

\*As of December 31, 2013

(Concluded)

The accompanying notes are an integral part of this statement.



**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and  
Changes in Net Position  
For the Year Ended June 30, 2014**

**OPERATING REVENUES**

Student tuition and fees	\$439,334,314
Less scholarship allowances	<u>(74,121,535)</u>
Net student tuition and fees	365,212,779
Federal appropriations	12,935,478
Federal grants and contracts	161,271,417
State and local grants and contracts	70,717,384
Nongovernmental grants and contracts	302,020,357
Sales and services of educational departments	200,792,533
Hospital income	396,046,189
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 24)	207,319,369
Less scholarship allowances	<u>(16,310,710)</u>
Net auxiliary revenues	191,008,659
Other operating revenues	<u>21,402,632</u>
<b>Total operating revenues</b>	<u><u>1,721,407,428</u></u>

**OPERATING EXPENSES**

Educational and general:	
Instruction	548,909,696
Research	328,421,594
Public service	360,237,685
Academic support	128,822,951
Student services	39,341,512
Institutional support	127,724,102
Operation and maintenance of plant	149,761,398
Scholarships and fellowships	34,389,426
Auxiliary enterprises	174,044,117
Hospital	396,648,694
<b>Total operating expenses (note 19)</b>	<u><u>2,288,301,175</u></u>

**Operating Loss** (566,893,747)

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Statement of Revenues, Expenses, and  
Changes in Net Position,  
For the Year Ended June 30, 2014**

<b>NONOPERATING REVENUES (Expenses)</b>	
State appropriations	\$411,365,543
Gifts	32,224,726
Federal nonoperating revenues	57,612,795
American Recovery and Reinvestment Act revenues	5,685,687
Net investment income	37,612,906
Interest expense	(22,969,414)
Other nonoperating expenses	(108,956,514)
<b>Net nonoperating revenues</b>	<u>412,575,729</u>
<b>Loss Before Other Revenues, Expenses, Gains, and Losses</b>	(154,318,018)
Capital appropriations	168,529,290
Capital gifts and grants	28,063,421
Additions to permanent endowments	3,571,032
Other additions, net	<u>6,436,897</u>
<b>Change in Net Position</b>	52,282,622
<b>Net Position at Beginning of Year, restated (note 17)</b>	<u>1,777,847,965</u>
<b>Net Position at End of Year</b>	<u><u>\$1,830,130,587</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**COMPONENT UNITS  
Statement of Activities  
For the Year Ended June 30, 2014**

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Foundations
<b>Changes in unrestricted net assets:</b>					
Contributions	\$4,153,992	\$24,298,109	\$24,569	\$475,199	\$28,951,869
Investment earnings (loss), net	4,514,425	868,975	3,031,657	1,157,032	9,572,089
Service fees	1,184,826		1,401,774	2,310,034	4,896,634
Other revenues	701,084	7,275,184	31,081	77,407	8,084,756
Total unrestricted revenues	10,554,327	32,442,268	4,489,081	4,019,672	51,505,348
Net assets released from restrictions:					
Reclassification in net assets				(80,892)	(80,892)
Satisfaction of program expenses	38,246,864	4,448,711	7,496,395	5,073,339	55,265,309
Total unrestricted revenues and other support	48,801,191	36,890,979	11,985,476	9,012,119	106,689,765
Expenses:					
Amounts paid to benefit Louisiana State University for:					
Projects specified by donors	34,638,035		7,382,763	5,073,339	47,094,137
Projects specified by the Board of Directors	712,804	22,981,633		712,102	24,406,539
Other:					
Grants and contracts			1,670,817		1,670,817
Property operations			88,436	333,747	422,183
Other		5,364,752	131,777		5,496,529
Total program expenses	35,350,839	28,346,385	9,273,793	6,119,188	79,090,205
Supporting services:					
Salaries and benefits	2,870,036	2,223,266	742,145	750,013	6,585,460
Occupancy	158,407	175,078	139,184	51,109	523,778
Office operations	774,093	136,246	148,487	56,152	1,114,978
Travel	41,370	136,877	559	4,242	183,048
Professional services	594,720	101,373	435,693	326,522	1,458,308
Dues and subscriptions	51,414	29,268	67,378	6,979	155,039
Meetings and development	11,368	22,997	10,540	46,031	90,936
Depreciation	22,801		250,024	80,372	353,197
Other		4,055,275	416,726	974	4,472,975
Total supporting services	4,524,209	6,880,380	2,210,736	1,322,394	14,937,719
Fund-raising expenses	4,674,026	1,663,356	NONE	107,528	6,444,910
Total expenses	44,549,074	36,890,121	11,484,529	7,549,110	100,472,834
<b>Increase in unrestricted net assets</b>	4,252,117	858	500,947	1,463,009	6,216,931

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
COMPONENT UNITS  
Statement of Activities  
For the Year Ended June 30, 2014**

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Foundations
<b>Changes in temporarily restricted net assets:</b>					
Contributions	\$55,900,842	\$13,698,700	\$2,678,632	\$2,744,447	\$75,022,621
Investment earnings	38,292,615	330,092	10,950,757	12,943,076	62,516,540
Changes in value of split-interest agreements	105,486				105,486
Other	(42,500)		(5,747)		(48,247)
Total temporarily restricted revenues	94,256,443	14,028,792	13,623,642	15,687,523	137,596,400
Net assets released from restrictions:					
Reclassification in net assets				771,371	771,371
Satisfaction of program expenses	(38,245,492)	(4,448,711)	(7,496,395)	(4,941,338)	(55,131,936)
<b>Increase in temporarily restricted net assets</b>	<b>56,010,951</b>	<b>9,580,081</b>	<b>6,127,247</b>	<b>11,517,556</b>	<b>83,235,835</b>
<b>Changes in permanently restricted net assets:</b>					
Contributions	4,618,859	574,919	1,340,443	143,461	6,677,682
Investment earnings				2,090,510	2,090,510
Other	(129,503)				(129,503)
Net assets released from restrictions:					
Reclassification in net assets				(690,479)	(690,479)
Released from donor restrictions	(1,372)			(132,001)	(133,373)
<b>Increase in permanently restricted net assets</b>	<b>4,487,984</b>	<b>574,919</b>	<b>1,340,443</b>	<b>1,411,491</b>	<b>7,814,837</b>
<b>Increase in net assets</b>	<b>64,751,052</b>	<b>10,155,858</b>	<b>7,968,637</b>	<b>14,392,056</b>	<b>97,267,603</b>
<b>Net assets at beginning of year</b>	<b>437,428,703</b>	<b>132,575,758</b>	<b>99,873,196</b>	<b>111,855,556</b>	<b>781,733,213</b>
<b>Net assets at end of year</b>	<b>\$502,179,755</b>	<b>\$142,731,616</b>	<b>\$107,841,833</b>	<b>\$126,247,612</b>	<b>\$879,000,816</b>

\*For the year ended December 31, 2013

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Year Ended June 30, 2014**

<b>Cash flows from operating activities:</b>	
Student tuition and fees	\$362,814,314
Federal appropriations	12,650,354
Grants and contracts	512,232,284
Sales and services of educational departments	203,050,344
Hospital income	437,085,423
Auxiliary enterprise receipts	190,303,012
Payments for employee compensation	(1,112,838,614)
Payments for benefits	(365,181,119)
Payments for utilities	(45,369,035)
Payments for supplies and services	(850,233,806)
Payments for scholarships and fellowships	(33,790,032)
Loans to students	(3,588,760)
Collection of loans to students	3,190,041
Other receipts	21,785,873
Net cash used by operating activities	<u>(667,889,721)</u>
<b>Cash flows from noncapital financing activities:</b>	
State appropriations	688,468,842
Gifts and grants for other than capital purposes	31,733,029
Private gifts for endowment purposes	(2,010,176)
Taylor Opportunity Program for Students receipts	87,572,766
Taylor Opportunity Program for Students disbursements	(87,540,667)
Federal Emergency Management Association receipts	26,269,545
Federal Emergency Management Association disbursements	(3,606,985)
American Recovery and Reinvestment Act receipts	5,685,687
Direct lending receipts	198,021,208
Direct lending disbursements	(198,021,208)
Other disbursements	(70,879,317)
Net cash provided by noncapital financing activities	<u>675,692,724</u>
<b>Cash flows from capital financing activities:</b>	
Proceeds from capital debt	12,780,498
Capital appropriations received	80,047
Capital gifts and grants received	27,986,831
Proceeds from sale of capital assets	541,918
Purchase of capital assets	(102,409,131)
Principal paid on capital debt and leases	(32,785,764)
Interest paid on capital debt and leases	(22,969,414)
Other sources	7,381,148
Net cash used by capital financing activities	<u>(109,393,867)</u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Statement of Cash Flows  
For the Year Ended June 30, 2014**

<b>Cash flows from investing activities:</b>	
Proceeds from sales and maturities of investments	\$215,131,802
Interest received on investments	21,068,459
Purchase of investments	(198,180,581)
Net cash provided by investing activities	<u>38,019,680</u>
<b>Net decrease in cash and cash equivalents</b>	(63,571,184)
<b>Cash and cash equivalents at the beginning of the year</b>	<u>370,450,134</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>\$306,878,950</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>	
Operating loss	(\$566,893,747)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	118,938,466
Changes in assets and liabilities:	
(Increase) in accounts receivable	(17,408,437)
Decrease in inventories	11,407,813
(Increase) in prepaid expenses and advances	(9,745,654)
Decrease in notes receivable	133,512
(Increase) in other assets	(848,375)
(Decrease) in accounts payable and accrued liabilities	(293,544,905)
Increase in unearned revenue	49,500,484
(Decrease) in amounts held in custody for others	(891,615)
(Decrease) in compensated absences	(34,078,506)
Increase in other postemployment benefits payable	74,167,822
Increase in other liabilities	<u>1,373,421</u>
Net cash used by operating activities	<u><u>(\$667,889,721)</u></u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:</b>	
Cash and cash equivalents classified as current assets	\$134,182,392
Cash and cash equivalents classified as noncurrent assets	<u>172,696,558</u>
<b>Cash and cash equivalents at end of the year</b>	<u><u>\$306,878,950</u></u>
<b>Schedule of Noncash Investing, Capital and Financing Activities:</b>	
Capital appropriations	\$168,529,043
Capital gifts and grants	\$202,875

(Concluded)

The accompanying notes are an integral part of this statement.

# NOTES TO THE FINANCIAL STATEMENTS

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## INTRODUCTION

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

The university system is comprised of nine campuses in five cities and one state hospital. In addition, the university system has established public/private partnership cooperative endeavors for the management of six additional hospitals. The System includes LSU and A&M College (LSU), the Paul M. Hebert Law Center, and the Pennington Biomedical Research Center, all in Baton Rouge; the LSU Agricultural Center (including the Louisiana Agricultural Experiment Stations and the Louisiana Cooperative Extension Service) with headquarters in Baton Rouge; LSU Shreveport; LSU Alexandria; LSU Eunice, a two-year institution; the LSU Health Sciences Center in New Orleans, which includes schools of Medicine, Dentistry, Nursing, and Allied Health Professions, and a Graduate School in New Orleans, and the Louisiana State University School of Medicine in New Orleans Faculty Group Practice (a Louisiana nonprofit corporation doing business as LSU Healthcare Network); the Health Care Services Division; and the LSU Health Sciences Center in Shreveport. Student enrollment as of the fourteenth class day for the university system for the 2013 fall semester totaled approximately 43,220. As of November 1, 2013, the university system had approximately 4,182 full and part-time faculty members with the academic rank of instructor or above, including those positions with equivalent rank.

Louisiana Revised Statute (R.S.) 17:1519.1 provided for the operation of Louisiana's public hospitals by the LSU Health Sciences Center - Health Care Services Division under the overall management of the LSU Board of Supervisors. However, at the end of fiscal year 2012-2013, it was decided that the System would be removed from the management of most of the public hospitals and instead would transition that management into public/private partnerships.

Under cooperative agreements, the Interim LSU Public Hospital in New Orleans is now under the management of Louisiana Children's Medical Center (LCMC). LCMC will also manage the new University Medical Center once construction is complete. Leonard J. Chabert Medical Center in Houma has joined with Terrebonne General Medical Center and Southern Regional Medical Center, which will deliver services through the Ochsner Health System. University Medical Center in Lafayette has partnered with Lafayette General Medical Center. Washington-

St. Tammany Regional Medical Center partnered with Franciscan Missionaries of Our Lady Health System. E.A. Conway Medical Center in Monroe and LSU Medical Center in Shreveport have joined with the nonprofit Biomedical Research Foundation of Northwest Louisiana.

Earl K. Long Medical Center in Baton Rouge closed when LSU Health Baton Rouge began its partnership with Our Lady of the Lake Regional Medical Center. Huey P. Long Medical Center in Pineville closed and transferred its services under a partnership with Christus St. Frances Cabrini Hospital and Rapides Regional Medical Center. W.O. Moss Regional Medical Center in Lake Charles closed as an inpatient facility and has transferred its services to Lake Charles Memorial Health System, which will operate clinics on the Moss campus.

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

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. BASIS OF PRESENTATION**

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

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

### **B. REPORTING ENTITY**

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

#### **Blended Component Units**

The Louisiana State University School of Medicine in New Orleans Faculty Group Practice (a Louisiana nonprofit corporation doing business as LSU Healthcare Network - LSUHN) is considered a blended component unit of the university system and is included in the financial statements. The component unit is included in the reporting entity because of the significance of its operational



and financial relationships with the System and the LSU Health Sciences Center in New Orleans. Although LSUHN is legally separate, it is reported as a part of the university system because its purpose is to assist the LSU Health Sciences Center in carrying out its medical, educational, and research functions.

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

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

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

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

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

the System because its purpose is to assist LSU Eunice in carrying out its educational functions.

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

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

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

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

### **Discretely Presented Component Units**

The LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Foundation in Shreveport, and The Foundation for the LSU Health Sciences Center are included as discretely presented component units of the university system in the System's basic financial statements in accordance with the criteria outlined in GASB Statement 14, as amended by GASB Statement 39. The foundations are legally separate, tax-exempt organizations supporting the System. The foundations have been organized to solicit, receive, hold, invest, and transfer funds for the benefit of the university system. In addition, the foundations assist the university in meeting the criteria for accreditation as outlined by the

Commission on Colleges for the Southern Association of Colleges and Schools. The university and the LSU Foundation are also in management agreements related to endowed chairs and professorships. These agreements are in compliance with Board of Regents policy and allow the foundations to manage funds on behalf of the university.

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

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

Each discretely presented component unit is described as follows:

The LSU Foundation supports LSU A&M. During the year ended June 30, 2014, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for \$35,350,839. 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](http://www.lsufoundation.org).

The Tiger Athletic Foundation (TAF) supports LSU A&M. During the year ended December 31, 2013, TAF made distributions to or on behalf of the university for both restricted and unrestricted purposes for \$22,981,633, with an additional \$1,370,324 from booster clubs and \$454,865 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](http://www.lsutaf.org).

The LSU Health Sciences Foundation in Shreveport supports LSU HSC Shreveport. During the year ended June 30, 2014, the foundation made distributions to or on behalf of the university, for either restricted or unrestricted purposes, for \$5,785,441. Complete financial statements for the foundation can be obtained at 920 Pierremont, Suite 407, Shreveport, Louisiana 71106, or from the foundation's website at [www.lsuhsfoundation.org](http://www.lsuhsfoundation.org).

The Foundation for the LSU Health Sciences Center supports LSU Health Sciences Center. During the year ended June 30, 2014, the foundation made distributions to or on behalf of the university, for either restricted or unrestricted purposes, for \$9,273,793. Complete financial statements for the foundation can be obtained at 2000 Tulane Ave, New Orleans, Louisiana 70112, or from the foundation's website at [www.lsuhealthfoundation.org](http://www.lsuhealthfoundation.org).

The System is a component unit of the state of Louisiana. Annually, the state of Louisiana issues a Comprehensive Annual Financial Report, which includes the activity contained in the accompanying financial statements. These financial statements are audited by the Louisiana Legislative Auditor.

### C. BASIS OF ACCOUNTING

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

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

#### **Discrete Component Units**

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

- Unrestricted - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- Temporarily Restricted - Net assets whose use by the foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the foundation pursuant to those stipulations.

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

#### **D. BUDGET PRACTICES**

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

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

Original approved budget	\$1,169,756,124
Increases:	
State General Fund	79,928
Self-generated	481,502
Interagency transfers	<u>15,986,937</u>
Final budget	<u><u>\$1,186,304,491</u></u>

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

#### **E. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

The university system may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. In accordance with R.S. 49:327, the university system is authorized to invest funds in direct U.S. government obligations, U.S. government agency obligations, mutual funds, direct

security repurchase agreements, and time certificates of deposit. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. The majority of these investments are U.S. Treasury securities, mutual funds, and investments held by private foundations and are reported at fair value on the balance sheet. Changes in the carrying value of investments, resulting in unrealized gains or losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

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

#### **F. INVENTORIES**

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

#### **G. NONCURRENT RESTRICTED ASSETS**

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

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

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the 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 three to 10 years for most movable property. Depreciation expense is charged directly to the various functional categories of operating expenses on the Statement of Revenues, Expenses, and Changes in Net Position. The System uses the group or composite method for library book depreciation if the books are considered to have a useful life of greater than one year.

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

#### **I. UNEARNED REVENUES**

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



unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

## **L. NET POSITION**

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

(1) Net Investment in Capital Assets

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

(2) Restricted Net Position - Expendable

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

(3) Restricted Net Position - Nonexpendable

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

(4) Unrestricted Net Position

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

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

## **M. CLASSIFICATION OF REVENUES**

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



- (a) Operating Revenue - Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) hospital income; and (4) most federal, state, and local grants and contracts and federal appropriations.
- (b) Nonoperating Revenue - Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, investment income, and grants that do not have the characteristics of exchange transactions.

#### **N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES**

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

#### **O. ELIMINATING INTERFUND ACTIVITY**

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

#### **P. USE OF ESTIMATES**

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

#### **Q. DEFERRED OUTFLOWS AND DEFERRED INFLOWS**

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The System had no deferred outflows or deferred inflows at June 30, 2014.

## R. ACCOUNTING CHANGES

### Accounting Standards

Three new GASB standards are being implemented this year.

GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements 10 and 62*, addresses issues related to accounting for risk-financing activities. This statement had no effect on the financial statements of the System.

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, addresses issues related to accounting for certain assets, liabilities, deferred outflows, and deferred inflows. This statement had no effect on the financial statements of the System other than limiting the use of the term “deferred” only for deferred outflows or inflows of resources as defined in the statement. Therefore, *deferred charges and prepaid expenses* are now reported as *prepaid expenses and advances*, and *deferred revenues* are reported as *unearned revenues*.

GASB Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, addresses issues related to governments’ recognition of a liability when extending nonexchange financial guarantees. This statement had no effect on the financial statements of the System.

### Change in Entity

Accounting changes made during the year also involved a change in entity. As noted in the prior year ended June 30, 2013 financial statements, LSU Health, Health Care Services Division (HCSD), implemented public/private partnerships (Partnerships) involving the transition of management and/or the services of five hospitals within the HCSD reporting entity. The Partnerships were implemented as follows:

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

During the fiscal year ending June 30, 2014, HCSD and LSU HSC Shreveport implemented public/private partnerships involving the transition of management and/or the services of four additional hospitals. The Partnerships were implemented as follows:

E.A. Conway Medical Center (Monroe)	September 30, 2013
LSU Medical Center in Shreveport	September 30, 2013
Washington - St. Tammany Regional Medical Center	March 17, 2014

Huey P. Long Medical Center (Pineville) was closed on June 30, 2014, and the outpatient clinic and inpatient hospital services are now delivered by Christus St. Frances Cabrini Hospital and Rapides Medical Center.

With the implementation of the Partnerships, more than 9,000 hospital employees at these hospitals were laid off or retired. A majority of those laid off were hired by the private partners to continue the hospitals' operations or its services.

Only Lallie Kemp Regional Medical Center will continue operating for the fiscal year ending June 30, 2015, as an LSU hospital. In this transition year, HCSD and LSU HSC Shreveport's financial statements reflect the remaining functionality and roles of providing services to the partners as they transition off some or all of the infrastructure systems to specific partner systems.

## 2. CASH AND CASH EQUIVALENTS

At June 30, 2014, the System has cash and cash equivalents (book balances) of \$306,878,950 as follows:

Petty cash	\$291,210
Demand deposits	277,222,914
Certificates of deposit	12,876,226
Money market funds	8,562,597
Open-end mutual fund	5,541,591
Cash held in foundation bond funds	<u>2,384,412</u>
Total	<u><u>\$306,878,950</u></u>

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

As of June 30, 2014, \$23,542,996 of the System's bank balance of \$340,124,797 was exposed to custodial credit risk, as these balances were uninsured and uncollateralized.

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

## CASH AND CASH EQUIVALENTS - COMPONENT UNITS

Cash and cash equivalents of the component units totaling \$102,034,802, as shown on the Statement of Financial Position, are reported under FASB ASC Topic 958, *Financial Reporting for Not-for-Profit Organizations*, which does not require the disclosures of GASB Statement 40, *Deposit and Investment Risk Disclosures*.

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

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

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

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

### 3. INVESTMENTS

At June 30, 2014, the System has investments totaling \$798,596,031.

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

A summary of the System's investments follows:

Type of Investment:	Investments	Carrying Value	Investment Maturity in Years					
			Less Than 1	1-5	6-10	11-20	21-30	
Negotiable certificates of deposit	0.01%	\$100,000	\$100,000					
Repurchase agreements	0.15%	1,182,161	1,182,161					
U.S. Treasury securities	7.61%	60,797,354	48,708,143	\$10,092,031		\$1,997,180		
U.S. Government Agency securities:								
Bonds and Notes:								
Federal National Mortgage Association	10.07%	80,425,402		26,876,207		14,169,672	\$39,379,523	
Federal Home Loan Bank	10.72%	85,606,785	3,048,720	17,403,916		51,975,784	13,178,365	
Federal Farm Credit Bank	2.77%	22,174,795		17,441,770		3,606,325	1,126,700	
Farmer Agriculture Mortgage Corporation	0.40%	3,223,680		3,223,680				
Collateralized Mortgage Obligations:								
Federal National Mortgage Association	0.09%	734,154		734,154				
Federal Home Loan Bank	0.20%	1,597,039	280,739	1,316,300				
Federal Home Loan Mortgage Corporation	0.19%	1,503,308		1,503,308				
Government National Mortgage Association	0.08%	626,161		626,161				
Mortgage-backed Securities:								
Federal National Mortgage Association	2.13%	16,997,130	413	1,854,877		15,141,840		
Federal Home Loan Mortgage Corporation	0.18%	1,452,001		1,452,001				
Government National Mortgage Association	0.00%	22	22					
Small Business Administration	0.48%	3,842,798		3,842,798				
Corporate debt obligations	19.72%	157,469,517	764,714	57,486,492		91,997,981	7,220,330	
Municipal obligations	5.54%	44,272,346	257,814	1,519,439		18,589,522	21,432,411	\$2,473,160
Debt mutual funds	5.76%	45,977,472				45,977,472		
Money market mutual funds	9.73%	77,671,968						
Equity mutual funds	3.65%	29,140,698						
Investments held through foundations (total balance)	18.46%	147,420,139						
Common and preferred stock	0.16%	1,281,479						
Realty investments	1.13%	9,029,356						
Interest receivable	0.39%	3,083,454						
LSUE Housing Foundation	0.06%	455,599						
New Orleans Regional Physician Hospital Organization	0.32%	2,531,213						
<b>Total investments</b>	<b>100.00%</b>	<b>\$798,596,031</b>	<b>\$54,342,726</b>	<b>\$145,373,134</b>	<b>\$243,455,776</b>	<b>\$82,337,329</b>	<b>\$2,473,160</b>	

Interest rate risk is the risk applicable to debt instruments with fair values that are sensitive to changes in interest rate. One indicator of the measure of interest rate risk is the dispersion of maturity dates of debt instruments. The above table shows the System's fixed-income investments and maturities at June 30, 2014.

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

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

<u>Rating Agency Used</u>	<u>Rating</u>	<u>Fair Value</u>
	Unrated	\$208,490,988
Fitch	A	999,480
Fitch	A-	5,388,530
Fitch	A+	8,143,320
Fitch	AA+	3,746,550
Fitch	BBB	2,704,991
Fitch	BBB+	1,541,685
Moody's	A1	6,661,810
Moody's	A2	6,949,005
Moody's	A3	13,364,900
Moody's	Baa1	9,364,587
Moody's	Baa2	3,193,250
Moody's	Baa3	2,078,160
Moody's	Aa1	2,169,390
Moody's	Aa2	2,057,380
Moody's	Aa3	3,276,350
Moody's	Aaa	608,061
S&P	A	31,018,206
S&P	A+	5,267,570
S&P	A-	17,560,812
S&P	AA	16,392,990
S&P	AA+	199,508,232
S&P	AA-	20,714,741
S&P	AAA	15,555,073
S&P	BBB	4,267,485
S&P	BBB+	8,474,706
S&P	BBB-	538,620
S&P	AAAm	41,793,552
S&P	AAf	44,587,217
S&P	Af	1,390,255
		<u>\$687,807,896</u>
Total		

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

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to institutions of higher education does not address interest rate risk. The System has a policy to limit concentration of

credit risk with regard to the investment of equities. However, it does not have a policy to limit interest rate risk or the concentration of debt securities with any one issuer.

The System's concentrations are as follows:

<u>Issuer</u>	<u>Amount</u>	<u>Percent of Total</u>
Federal Home Loan Bank	\$87,203,824	10.9%
Federal National Mortgage Association	\$98,156,686	12.3%
Total	<u>\$185,360,510</u>	

The open-end mutual fund amount of \$5,541,591, included in cash and cash equivalents, consists of \$4,693,573 invested in Federated Prime Obligations Fund; \$48,094 invested in JP Morgan Treasury Money Market; \$265,852 invested in JPMorgan U.S. Government Plus Money Market Fund; and \$534,072 of other investments. The holdings for the JPMorgan Treasury Money Market Fund and the JPMorgan U.S. Government Money Market Fund consist primarily of short-term U.S. Treasury and U.S. government agency securities, including repurchase agreements collateralized fully by U.S. Treasury and government agency securities. The holdings for the Federated Prime Obligations Fund consist primarily of a portfolio of short-term, high quality, fixed income securities issued by banks, corporations, and the U.S. government. These funds all minimize interest rate risk with the purchase of short-term securities.

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

The System has \$102.8 million invested in highly-sensitive investments, such as step-up notes, variable notes, and floating rate notes. The step-up securities are comprised of \$39.6 million in Federal National Mortgage Association bonds and notes, \$37.3 million in Federal Home Loan Bank bonds and notes, and \$970,000 in corporate debt obligations. The variable and floating rate securities consist of \$19.9 million in corporate debt obligations and \$5 million in Federal Home Loan Bank bonds and notes. 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. These step-up notes have initial "step" dates ranging from August 2015 to June 2023 and initial coupon rates ranging from 1.25% to 3.00%. Final "step" dates range from November 2021 to November 2032, with final coupon rates ranging from 4.00% to 12.00%.

Variable and Floating Rate Notes are debt obligations that have variable interest rates. These types of securities have coupon payments that correlate to a benchmark such as LIBOR or Euribor, and the Treasury Bill rates for example. In many instances, the coupon paid is based on

a spread or margin of a specified benchmark and may include a “floor and cap” rate. The investments in variable and floating rate notes are highly sensitive to changes in interest rates due to floating components of the benchmark it corresponds with. In addition, variable and floating rate notes may include a call option, which grants the issuer the option to call the security on certain specified dates. In a variable and floating rate note, the investor holds a note that obligates the issuer to pay a specified amount based on a calculation that is plus or minus a spread or margin. If the benchmark rate decreases, the coupon payment for that specified interval decreases. On the contrary, if the benchmark rate increases, the coupon payment for that specified interval increases. As of June 30, 2014, the variable and floating rate notes had coupons ranging from 1.722% to 5%. The maturity dates range from August 2023 to August 2028. Of the \$24.8 million in variable and floating rate notes, \$4.9 million have a quarterly call option with the next call August 2014.

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, 2014, follows:

<u>Type of Investment</u>	<u>LSU Foundation</u>	<u>Tiger Athletic Foundation*</u>	<u>The Foundation for the LSU Health Sciences Center</u>	<u>LSU Health Sciences Foundation in Shreveport</u>	<u>Total Investments</u>
Money markets/certificates of deposit			\$17,121,164	\$153,032	\$17,274,196
Debt obligations	\$102,064,974	\$55,544,468	42,612,675		200,222,117
Corporate stocks, common stocks, and indexed mutual funds	21,466,813				21,466,813
Shaw Center for the Arts, LLC	16,687,549				16,687,549
Royalty interest	154,084				154,084
Mutual funds	271,253,258		58,211,958	128,430,309	457,895,525
LSU Foundation investment pool <sup>1</sup>		10,829,244			10,829,244
Charitable gift annuity		31,118			31,118
Private equity	46,440,186				46,440,186
Hedged funds	90,417,454		8,877,641	98,704	99,393,799
Group variable annuity	11,991,785				11,991,785
Municipal bonds	3,200,290				3,200,290
Commingled funds				140,751	140,751
Agency investments for LSUHSC Shreveport				58,986,767	58,986,767
<b>Total investments</b>	<b>\$563,676,393</b>	<b>\$66,404,830</b>	<b>\$126,823,438</b>	<b>\$187,809,563</b>	<b>\$944,714,224</b>

\*As of December 31, 2013

<sup>1</sup>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 \$16,687,549 at June 30, 2014, 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	<u>\$33,501,214</u>
Total liabilities	<u>\$126,116</u>
Net income (loss)	<u>(\$1,002,088)</u>

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, 2014, the fair market value of these charitable remainder trusts totaled \$473,312.

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, 2014, the fair value of the beneficial interests totaled \$566,623.

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 \$4,185,226 as of June 30, 2014. The present value of the amount due to these donors or their designees as of June 30, 2014, totaled \$2,147,079 and is included in the amounts held in custody liability.

The Foundation for the LSU Health Sciences Center has entered into two charitable gift annuity agreements. In consideration of the contribution, the Foundation shall pay an annual annuity of \$6,795 paid in quarterly installments to the donor so long as they are living. The Foundation's obligation will terminate upon the donor's death. The present value of the estimated future payments (\$51,725 at June 30, 2014) is calculated using a discount rate of 1.2% and the applicable mortality rates. The Foundation made payments to the donor in the amount of \$6,975 for the year ended June 30, 2014.

#### **4. RECEIVABLES**

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

	Receivables	Doubtful Accounts	Net Receivables
Student tuition and fees	\$25,255,411	\$133,866	\$25,121,545
Auxiliary enterprises	4,681,414	18,858	4,662,556
Contributions and gifts	3,370,133		3,370,133
Federal grants and contracts (net)	18,968,111		18,968,111
State and private grants and contracts	93,285,935	63,322	93,222,613
Sales and services/other	47,238,218	159	47,238,059
Clinics	75,633,387	59,794,404	15,838,983
Hospital	600,928,281	570,002,440	30,925,841
Other - uncompensated care	62,765,869		62,765,869
<b>Total</b>	<b>\$932,126,759</b>	<b>\$630,013,049</b>	<b>\$302,113,710</b>

## 5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

### LSU SYSTEM

	Balance June 30, 2013	Prior Period Adjustment	Restated Balance June 30, 2013	Additions	Transfers	Retirements	Balance June 30, 2014
Capital assets not being depreciated:							
Land	\$68,053,048	(\$13,285)	\$68,039,763				\$68,039,763
Capitalized collections	3,973,732		3,973,732	\$640,980		(\$25,000)	4,589,712
Construction-in-progress	601,112,715	(41,263)	601,071,452	343,908,336	(\$58,065,560)		886,914,228
<b>Total capital assets not being depreciated</b>	<b>\$673,139,495</b>	<b>(\$54,548)</b>	<b>\$673,084,947</b>	<b>\$344,549,316</b>	<b>(\$58,065,560)</b>	<b>(\$25,000)</b>	<b>\$959,543,703</b>
Other capital assets:							
Infrastructure	\$43,463,901		\$43,463,901	\$101,692			\$43,565,593
Less accumulated depreciation	(17,086,321)		(17,086,321)	(1,117,076)			(18,203,397)
Total infrastructure	26,377,580	NONE	26,377,580	(1,015,384)	NONE	NONE	25,362,196
Land improvements	100,562,057	(\$73,892)	100,488,165	13,449,913	\$170,827		114,108,905
Less accumulated depreciation	(60,408,416)	73,892	(60,334,524)	(3,769,666)			(64,104,190)
Total land improvements	40,153,641	NONE	40,153,641	9,680,247	170,827	NONE	50,004,715
Buildings	2,089,800,827	2,941,755	2,092,742,582	12,742,688	57,894,733	(\$4,640,386)	2,158,739,617
Less accumulated depreciation	(990,964,809)	(57,569)	(991,022,378)	(55,566,602)		4,112,681	(1,042,476,299)
Total buildings	1,098,836,018	2,884,186	1,101,720,204	(42,823,914)	57,894,733	(527,705)	1,116,263,318
Equipment (including library books)	1,070,341,760	513,031	1,070,854,791	38,726,403		(\$5,389,746)	1,054,191,448
Less accumulated depreciation	(858,299,557)	35,256	(858,264,301)	(53,973,795)		54,058,506	(858,179,590)
Total equipment	212,042,203	548,287	212,590,490	(15,247,392)	NONE	(1,331,240)	196,011,858
Software (internally generated and purchased)	18,663,914		18,663,914	152,688		(54,385)	18,762,217
Other intangibles	2,618,334		2,618,334	118,515		(31,750)	2,705,099
Less accumulated amortization - software	(11,861,379)		(11,861,379)	(4,505,349)		54,385	(16,312,343)
Less accumulated amortization - other intangibles	(2,582,104)		(2,582,104)	(5,978)			(2,588,082)
Total intangible assets	6,838,765	NONE	6,838,765	(4,240,124)	NONE	(31,750)	2,566,891
<b>Total other capital assets</b>	<b>\$1,384,248,207</b>	<b>\$3,432,473</b>	<b>\$1,387,680,680</b>	<b>(\$53,646,567)</b>	<b>\$58,065,560</b>	<b>(\$1,890,695)</b>	<b>\$1,390,208,978</b>
Capital asset summary:							
Capital assets not being depreciated	\$673,139,495	(\$54,548)	\$673,084,947	\$344,549,316	(\$58,065,560)	(\$25,000)	\$959,543,703
Other capital assets, at cost	3,325,450,793	3,380,894	3,328,831,687	65,291,899	58,065,560	(60,116,267)	3,392,072,879
Total cost of capital assets	3,998,590,288	3,326,346	4,001,916,634	409,841,215	NONE	(60,141,267)	4,351,616,582
Less accumulated depreciation	(1,941,202,586)	51,579	(1,941,151,007)	(118,938,466)	NONE	58,225,572	(2,001,863,901)
<b>Capital assets, net</b>	<b>\$2,057,387,702</b>	<b>\$3,377,925</b>	<b>\$2,060,765,627</b>	<b>\$290,902,749</b>	<b>NONE</b>	<b>(\$1,915,695)</b>	<b>\$2,349,752,681</b>

**COMPONENT UNITS**

	Balance June 30, 2013	Prior Period Adjustment	Restated Balance June 30, 2013	Additions	Transfers	Retirements	Balance June 30, 2014
Capital assets not being depreciated:							
Land	\$8,791,993	\$48,059	\$8,840,052	\$1,936,347		(\$270,847)	\$10,505,552
Capitalized collections	4,272,862		4,272,862	14,781		(60,600)	4,227,043
Construction-in-progress	18,139,840		18,139,840	37,913,604	(\$7,538,799)	(1,347,343)	47,167,302
Total capital assets not being depreciated	\$31,204,695	\$48,059	\$31,252,754	\$39,864,732	(\$7,538,799)	(\$1,678,790)	\$61,899,897
Other capital assets:							
Land improvements	\$5,989,004		\$5,989,004	\$188,194			\$6,177,198
Less accumulated depreciation	(652,845)		(652,845)	(96,173)			(749,018)
Total land improvements	5,336,159	NONE	5,336,159	92,021	NONE	NONE	5,428,180
Buildings	147,006,537		147,006,537	3,364,990	\$7,538,799		157,910,326
Less accumulated depreciation	(21,253,600)		(21,253,600)	(3,176,425)			(24,430,025)
Total buildings	125,752,937	NONE	125,752,937	188,565	7,538,799	NONE	133,480,301
Equipment	2,055,649		2,055,649	293,667		(\$192,626)	2,156,690
Less accumulated depreciation	(1,879,993)		(1,879,993)	(115,958)		192,626	(1,803,325)
Total equipment	175,656	NONE	175,656	177,709	NONE	NONE	353,365
Total other capital assets	\$131,264,752	NONE	\$131,264,752	\$458,295	\$7,538,799	NONE	\$139,261,846
Capital asset summary:							
Capital assets not being depreciated	\$31,204,695	\$48,059	\$31,252,754	\$39,864,732	(\$7,538,799)	(\$1,678,790)	\$61,899,897
Other capital assets, at cost	155,051,190		155,051,190	3,846,851	7,538,799	(192,626)	166,244,214
Total cost of capital assets	186,255,885	48,059	186,303,944	43,711,583	NONE	(1,871,416)	228,144,111
Less accumulated depreciation	(23,786,438)		(23,786,438)	(3,388,556)	NONE	192,626	(26,982,368)
Capital assets, net	\$162,469,447	\$48,059	\$162,517,506	\$40,323,027	NONE	(\$1,678,790)	\$201,161,743

**6. IMPAIRMENT OF CAPITAL ASSETS**

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

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

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

Insurance recoveries received in fiscal year 2014 related to impairment losses occurring in previous years were \$577,766 for movable property. These amounts are included as Other Nonoperating Revenues on the Statement of Revenues, Expenses, and Changes in Net Position.

## 7. DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2014, were as follows:

<u>Activity</u>	<u>Amount</u>
Vendors	\$57,466,431
Salaries and benefits	58,394,372
Accrued interest	84,584
Other payables	<u>6,236,670</u>
Total	<u><u>\$122,182,057</u></u>

## 8. PENSION PLANS

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

*Funding Policy* - The contribution requirements of employee plan members and the university system are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. For fiscal year 2014, 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 2014, the state contributed 26.5% of covered salaries to TRSL and

31.3% 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, 2014, 2013, and 2012, were \$63,162,062; \$61,358,502; and \$58,933,723, respectively, and to LASERS for the years ended June 30, 2014, 2013, and 2012, were \$54,465,030; \$121,161,793; and \$120,572,034, respectively, equal to the required contributions for each year.

### **Optional Retirement System**

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

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

Total contributions by the university system are 26.5% 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, 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. 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 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 \$86,466,433 and \$26,128,940, respectively, for the year ended June 30, 2014.

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

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

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

life insurance plan available would be subject to the provisions of this statement. Information about each of these two plans is presented below.

## **Plan Descriptions**

### LSU System Health Plan (Health Plan)

The System administers and offers eligible employees, retirees, and their beneficiaries the opportunity to participate in comprehensive health and preventive care coverage under its Health Plan that gives members a unique, consumer-driven health care approach to pay routine health expenses and provides coverage for major health care expenses. Within the Health Plan, members have a choice of selecting Option 1 or Option 2. Option 1, shown in the schedule of total monthly premium rates on page 53, is more costly, but features both lower yearly deductibles and out-of-network coinsurance requirements.

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

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

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

### State OGB Plan

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

## **Funding Policy**

### LSU System Health Plan

Plan rates are actuarially determined and approved by the LSU First Benefits Oversight Committee. Plan rates are in effect for one year and members have the opportunity to switch providers during the annual enrollment period, which usually occurs during October.

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

#### State OGB Plan

The contribution requirements of plan members and the System are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree health care based on a participation schedule. Contribution amounts vary depending on what health care provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) Plan, and the Medical Home HMO Plan. OGB also offers a Consumer Driven Health Plan with a Health Savings Account option (CPHP-HSA) for active employees. Retired employees who have Medicare Part A and Part B coverage also have access to additional OGB Medicare Advantage plans (three HMO plans and several plans under Extend Health with a Health Reimbursement Account (HRA)) during calendar years 2013 and 2014. The three HMO plans are Peoples Health HMO-POS Plan, Vantage HMO-POS Plan, and Vantage Zero-Premium HMO-POS Plan. There are also several plans offered under Extend Health with a state-funded health reimbursement account. The state contributes \$200 a month for employee-only and \$300 a month for employee and spouse coverage.

The plan is financed on a pay-as-you-go basis. As of June 30, 2014, the state does not use an OPEB trust. A trust was established with an effective date of July 1, 2008, but was not funded, has no assets, and hence has a funded ratio of zero.

OGB also provides eligible retirees and their spouses Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. Effective January 1, 2013, the total monthly premium is \$1.08 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, at which time the rate drops to \$1.04.

Employees, who were active medical participants before January 1, 2002, and continue medical participation until retirement, 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 who begin medical participation on or after January 1, 2002, pay a percentage of the total contribution rate upon retirement based on the following schedule:



<u>Medical Participation</u>	<u>Contribution Percentage</u>
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, 2014.

	<u>LSU System Health Plan</u>		<u>State OGB Plans</u>			
	<u>Option 1</u>	<u>Option 2</u>	<u>PPO</u>	<u>HMO</u>	<u>CDHP w/HAS</u>	<u>Medical Home HMO</u>
<u>Active</u>						
Single	\$566	\$505	\$566	\$534	\$439	\$573
With Spouse	1,101	965	1,202	1,135	933	1,200
With Children	690	640	690	652	536	695
Family	1,262	1,111	1,267	1,197	984	1,264
<u>Retired, No Medicare and Re-employed Retiree</u>						
Single	\$1,053	\$1,014	\$1,053	\$998	N/A	\$1,052
With Spouse	1,808	1,755	1,859	1,761	N/A	1,847
With Children	1,172	1,124	1,172	1,111	N/A	1,171
Family	1,850	1,787	1,850	1,753	N/A	1,838
<u>*Retired, with 1 Medicare</u>						
Single	\$340	\$294	\$342	\$330	N/A	\$352
With Spouse	1,207	1,044	1,265	1,206	N/A	1,262
With Children	592	581	592	568	N/A	599
Family	1,666	1,457	1,685	1,605	N/A	1,676
<u>*Retired, with 2 Medicare</u>						
With Spouse	\$605	\$523	\$615	\$592	N/A	\$621
Family	762	704	762	732	N/A	766
<u>Medicare Supplemental Rates</u>						
			<u>Calendar Year 2014</u>		<u>Calendar Year 2013</u>	
			<u>Retired with</u>		<u>Retired with</u>	
			<u>1 Medicare</u>	<u>2 Medicare</u>	<u>1 Medicare</u>	<u>2 Medicare</u>
People's Health HMO			\$251	\$502	\$234	\$468
Vantage HMO			151	301	184	369

\*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, 2014; the amount actually contributed to the plan; and changes in the plan's net OPEB obligation to the retiree health plan.

	LSU System Health Plan	State OGB Plan	Total
Annual Required Contribution (ARC)	\$73,472,259	\$57,182,000	\$130,654,259
Interest on Net OPEB Obligation (NOO)	12,921,510	18,118,300	31,039,810
ARC adjustment	(10,937,170)	(17,308,200)	(28,245,370)
Annual OPEB cost	75,456,599	57,992,100	133,448,699
Employer contributions	(21,849,540)	(37,431,337)	(59,280,877)
Increase in net OPEB obligation	53,607,059	20,560,763	74,167,822
Net OPEB obligation - beginning of year	304,035,565	452,956,670	756,992,235
Net OPEB obligation - end of year	<u>\$357,642,624</u>	<u>\$473,517,433</u>	<u>\$831,160,057</u>

Funding Trend

	LSU System Health Plan			State OGB Plan		
	2014	2013	2012	2014	2013	2012
OPEB cost	\$75,456,599	\$79,676,979	\$73,260,788	\$57,992,100	\$54,862,900	\$68,591,500
Percent contributed	28.96%	20.78%	20.40%	64.55%	59.03%	48.97%
Ending NOO	\$357,642,624	\$304,035,565	\$240,916,154	\$473,517,433	\$452,956,670	\$430,480,885

Funded Status and Funding Progress

The funded status of the plans as of July 1, 2013, was as follows:

	LSU System Health Plan	State OGB Plan
Actuarial accrued liability (AAL)	\$1,151,178,440	\$913,877,900
Actuarial value of plan assets	NONE	NONE
Unfunded actuarial accrued liability (UAAL)	<u>\$1,151,178,440</u>	<u>\$913,877,900</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Annual covered payroll (active plan members)	\$404,113,470	\$206,968,278
UAAL as a percentage of covered payroll	284.9%	441.6%

### Actuarial Methods and Assumptions

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

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

A summary of the actuarial assumptions are presented as follows:

	LSU System Health Plan	State OGB Plan
Actuarial valuation date	July 1, 2013	July 1, 2013
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 4.5% ultimate	6% - 8% initial 4.5% ultimate

### **10. CONTINGENT LIABILITIES, RISK MANAGEMENT, AND CLAIMS LIABILITY**

Losses arising from judgments, claims, and similar contingencies are paid by either private insurance companies or through the state's self-insurance fund operated by the Office of Risk Management (ORM), the agency responsible for the state's risk management program, or by General Fund appropriation. The System is involved in 14 lawsuits that are handled by contract attorneys at June 30, 2014. The attorneys have estimated a reasonably possible unfavorable outcome to the System of \$95,500 relating to two of the lawsuits. All other lawsuits are handled by either the ORM or the Attorney General's Office.

In addition, the university is exposed to various risks of losses related to the self-insured and self-funded LSU System Health Plan, which provides health insurance benefits to active and retired university employees and which began as a pilot program for the fiscal year ended June 30, 2003. Beginning in fiscal year 2011-12, estimated incurred but not reported (IBNR) claim reserve is as of December 31. This is a change in time period due to coordination with a change to LSU's health plan year. Historically, IBNR was calculated as of June 30 each year. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. According to the requirements of GASB Statement No. 10, as amended by Statements 17 and 30, total claims expenditures were \$98,653,835. Changes in the reported liability for the last three periods are summarized as follows:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Recoveries From Settled and Unsettled Claims	Balance at Fiscal Year-End
2011-12	\$11,120,000	\$134,743,524	(\$123,791,988)	(\$10,615,536)	\$11,456,000
2012-13	\$11,456,000	\$136,221,415	(\$130,704,315)	(\$7,085,100)	\$9,888,000
2013-14	\$9,888,000	\$102,903,234	(\$98,653,835)	(\$5,268,399)	\$8,869,000

#### **CONTINGENCIES - COMPONENT UNITS**

The LSU Foundation has contractual commitments associated with projects for construction of historical exhibits at the LSU Rural Life Museum and a new Foundation office building. The total contract amounts for these projects total approximately \$2,284,000, and the remaining commitment as of June 30, 2014, totals approximately \$1,038,000. The Foundation also has a contractual commitment associated with an equine lameness facility, for which fund raising efforts are ongoing, with a total contract amount and remaining commitment as of June 30, 2014, of approximately \$41,200.

The LSU Foundation committed \$1,350,000 to Louisiana Fund I, L.P., a Delaware Limited Partnership in October 2004. As of June 30, 2014, capital contributions have totaled \$1,296,000. The Foundation also committed a total of \$47,520,500 to various Private Equity Funds during 2005 through 2014. As of June 30, 2014, capital contributions have totaled approximately \$32,000,000.

During the fiscal year ended June 30, 2010, the LSU Health Sciences Foundation in Shreveport was asked by the chancellor of the LSU Health Sciences Center in Shreveport to consider an infusion of funds into the Orthopaedic Surgery Department to rebuild the program. The Board of Directors voted and approved to donate a total of \$2.5 million of unrestricted funds in five \$500,000 annual installments to begin during the fiscal year ending June 30, 2011. As of June 30, 2014, \$2.0 million of unrestricted funds has been segregated for the Orthopaedic Surgery Department. The balance of the segregated funds as of June 30, 2014, is \$1,787,187, which is classified as unrestricted board designated net assets.

During the fiscal year ended June 30, 2011, the LSU Health Sciences Foundation in Shreveport was asked by the chancellor of the LSU Health Sciences Center in Shreveport to consider an

infusion into the Otolaryngology Department for growth and development. The Board of Directors voted and approved to donate up to \$2.5 million over the next five years. The first year's funding allocation of \$500,000 will come from the Feist-Weiller Investment account, with the remainder from the Feist Legacy account going forward. As of June 30, 2014, the LSU Health Sciences Foundation in Shreveport segregated \$1,000,000 for the Otolaryngology Department, of which \$863,045 remained as of June 30, 2014, and is included as temporarily restricted net assets.

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

## **11. COMPENSATED ABSENCES**

At June 30, 2014, employees of the System have accumulated and vested annual, sick, and compensatory leave benefits of \$55,934,637, \$27,519,402, and \$461,486, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

## **12. OPERATING LEASES**

For the year ended June 30, 2014, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed, is \$16,584,576. The following is a schedule by years of future minimum annual rental payments required under operating leases that have initial or noncancelable lease terms in excess of one year as of June 30, 2014:

Nature of Operating Lease	Fiscal Year					2020-	2025-
	2015	2016	2017	2018	2019	2024	2029
Office space	\$13,998,508	\$8,785,607	\$6,912,480	\$6,579,878	\$6,573,864	\$31,545,881	\$31,393,775
Equipment	28,345	1,080					
Other	546,880	252,564	254,604	246,107	202,174	130,373	
Total	<u>\$14,573,733</u>	<u>\$9,039,251</u>	<u>\$7,167,084</u>	<u>\$6,825,985</u>	<u>\$6,776,038</u>	<u>\$31,676,254</u>	<u>\$31,393,775</u>

Nature of Operating Lease	Fiscal Year			Total Minimum Payments Required
	2030- 2034	2035- 2039	2040- 2044	
Office space	\$31,393,775	\$31,393,775	\$25,115,020	\$193,692,563
Equipment				29,425
Other				1,632,702
Total	<u>\$31,393,775</u>	<u>\$31,393,775</u>	<u>\$25,115,020</u>	<u>\$195,354,690</u>

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 that has options for renewal periods extending through November 30, 2016. For the year ended June 30, 2014, rent expense incurred under this agreement totaled \$151,137.

**LSU Health Sciences Foundation in Shreveport** - The Foundation leases office space under an operating lease that expires on March 31, 2017. In addition, the Foundation leases a copier/printer/scanner under an operating lease which expires on November 30, 2019, and a postage machine which expires on July 9, 2017. Included in management and general expense is \$56,323 in rent and equipment rental expense for the year ended June 30, 2014.

### 13. LESSOR LEASES

The System's leasing operations consist primarily of leasing property for the purposes of providing food services to students; bookstore operations; land for fraternity and sorority houses and parking spaces to foundations; office space for postal services, banking services, and university-affiliated organizations; space on rooftops for communication towers; and mineral leases. As noted previously, the System has entered into public/private partnerships for the management of its hospitals, and in some cases those partnerships included leasing of the associated assets.

The following schedule provides an analysis of the cost and carrying amount of the System's investment in property on operating leases and property held for lease as of June 30, 2014:

<u>Nature of Lease</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	\$3,279,425	(\$1,719,488)	\$1,559,937
Buildings	206,130,518	(122,942,970)	83,187,548
Equipment	116,682,491	(101,900,947)	14,781,544
Total	<u>\$326,092,434</u>	<u>(\$226,563,405)</u>	<u>\$99,529,029</u>

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Nature of Lease</u>					<u>Total</u>
	<u>Office Space</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Land</u>	<u>Other</u>	
2015	\$297,994	\$54,763,774	\$10,690,346	\$561,168	\$1,627,680	\$67,940,962
2016	63,820	55,219,502	10,690,346	554,606	1,609,729	68,138,003
2017	33,880	29,484,222	811,530	382,413	1,497,394	32,209,439
2018	33,880	28,983,362	641,109	371,540	1,424,667	31,454,558
2019	33,880	26,801,941		371,540	48,118	27,255,479
2020-2024	67,670	104,579,791		1,061,825	36,465	105,745,751
2025-2029				913,108		913,108
2030-2034				916,104		916,104
2035-2039				919,188		919,188
2040-2044				10,871,099		10,871,099
2045-2049				9,803,545		9,803,545
2050-2054				794,887		794,887
2055-2059				678,220		678,220
2060-2064				114,623		114,623
2065-2069				32,350		32,350
2070-2074				32,310		32,310
2075-2079				32,300		32,300
2080-2084				32,300		32,300
2085-2089				31,950		31,950
2090-2094				2,850		2,850
Total	<u>\$531,124</u>	<u>\$299,832,592</u>	<u>\$22,833,331</u>	<u>\$28,477,926</u>	<u>\$6,244,053</u>	<u>\$357,919,026</u>

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 \$3,115,076 for the year ended June 30, 2014.

## 14. LONG-TERM LIABILITIES

The following is a summary of bonds and other long-term liability transactions of the LSU System and its component units for the year ended June 30, 2014:

### LSU System

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	\$3,020,206		\$1,115,712	\$1,904,494	\$466,196
Bonds payable	512,428,213	\$12,780,498	28,201,091	497,007,620	14,631,486
Subtotal	<u>515,448,419</u>	<u>12,780,498</u>	<u>29,316,803</u>	<u>498,912,114</u>	<u>15,097,682</u>
Other liabilities:					
Compensated absences payable	117,994,031	16,506,958	50,585,464	83,915,525	7,880,791
Capital lease obligations	34,629,862	111,768	3,468,961	31,272,669	3,904,710
Unearned revenues (advance lease payments)	276,173,711	5,152,822		281,326,533	
Other liabilities	811,910	563,152	626,592	748,470	
OPEB payable	756,992,235	133,448,699	59,280,877	831,160,057	
Subtotal	<u>1,186,601,749</u>	<u>155,783,399</u>	<u>113,961,894</u>	<u>1,228,423,254</u>	<u>11,785,501</u>
Total long-term liabilities	<u>\$1,702,050,168</u>	<u>\$168,563,897</u>	<u>\$143,278,697</u>	<u>\$1,727,335,368</u>	<u>\$26,883,183</u>

### Component Units

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	\$4,072,493	\$2,429,156	\$635,341	\$5,866,308	\$2,670,451
Bonds payable	128,417,501	40,900,000	4,558,409	164,759,092	4,753,395
Subtotal	<u>132,489,994</u>	<u>43,329,156</u>	<u>5,193,750</u>	<u>170,625,400</u>	<u>7,423,846</u>
Other liabilities					
Deferred revenues*	<u>92,547,762</u>	<u>30,580,478</u>	<u>37,268,509</u>	<u>85,859,731</u>	<u>34,488,380</u>
Total long-term liabilities	<u>\$225,037,756</u>	<u>\$73,909,634</u>	<u>\$42,462,259</u>	<u>\$256,485,131</u>	<u>\$41,912,226</u>

\*Deferred revenues are now being shown inclusive of the current portion; therefore, the beginning balance differs from the prior-year ending balance.

### Notes Payable

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

The following is a summary of future minimum installment payments as of June 30, 2014:

<u>Fiscal Year Ending June 30:</u>	
2015	\$511,876
2016	511,876
2017	511,876
2018	<u>473,719</u>
Total minimum installment payments	2,009,347
Less - amount representing interest	<u>(104,853)</u>
 Total	 <u><u>\$1,904,494</u></u>

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

#### **NOTES PAYABLE - COMPONENT UNITS**

The component units have entered into a number of notes payable agreements for various purposes. These agreements require scheduled payments either on a monthly, semiannual, or annual basis with interest rates ranging from 0.00% to 5.00%. The following is a summary of notes payable by component unit as of June 30, 2014:

<u>Component Unit</u>	Principal Outstanding June 30, 2013	Issued	Reductions	Principal Outstanding June 30, 2014	Amounts Due Within One Year
LSU Foundation	\$2,728,767		(\$524,483)	\$2,204,284	\$2,204,284
TAF	808,731	\$2,429,156		3,237,887	358,666
LSU Health Sciences Foundation in Shreveport	<u>534,995</u>		<u>(110,858)</u>	<u>424,137</u>	<u>107,501</u>
Total	<u>\$4,072,493</u>	<u>\$2,429,156</u>	<u>(\$635,341)</u>	<u>\$5,866,308</u>	<u>\$2,670,451</u>

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, 2014), 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, 2014 was \$2,024,284.



The LSU Health Sciences Foundation in Shreveport has one note payable agreement. The agreement has principal outstanding of \$424,137 at June 30, 2014, with a 5% fixed interest rate. Monthly installments of \$10,600, including interest, began on March 31, 2011, with principal and interest due in full on March 31, 2018.

The Tiger Athletic Foundation (Foundation) committed to expending \$100,000,000 on the financing, design, development, performance, and construction of the Facilities/South and Olympic Sports Improvements in accordance with the plans and specifications approved by LSU. In order to finance this commitment, the Foundation initiated two different debt instruments in October 2012. To finance the balance of the commitment, the Foundation issued a non-revolving taxable term loan for a principal amount of \$25,000,000. As security for the payments to be made by the Foundation, the Foundation has entered into an Act of Assignment of Pledged Revenues and Security Agreement on parity with the Series 1999 and 2004 revenue bonds. As of December 31, 2013, the Foundation had drawn \$3,237,887 of funds provided by this term loan. The term loan will bear interest at an Elective Interest Rate, which was initially set at the 30-day LIBOR Index Rate plus 3.00%. The Foundation has the right to change the Elected Interest Rate to the greater of the New York Prime Rate or the Federal Funds Rate plus 3.50%. The interest rate at December 31, 2013, was 3.165%. Interest only shall be payable through October 1, 2014. Beginning November 1, 2014, the Foundation will pay regular monthly installments of accrued interest, plus monthly installments of principal. This term loan matures no later than November 1, 2024.

The following is a summary of future minimum installment payments on all component unit notes payable, net of unamortized discount for the component units as of June 30, 2014:

Fiscal Year Ending June 30:	
2015	\$2,721,764
2016	2,291,035
2017	842,596
2018	87,241
Total minimum installment payments	<u>5,942,636</u>
Less - amount representing interest	<u>(76,328)</u>
Total	<u><u>\$5,866,308</u></u>

**Bonds and Contracts Payable - System**

Detailed summaries, by issues, of all bond and reimbursement contract debt outstanding at June 30, 2014, including future interest payments, follow:

**Bonds Payable - LSU System**

Issue	Date of Issue	Original Issue	Outstanding July 1, 2013	Redeemed/Issued	Outstanding June 30, 2014	Maturities	Interest Rates	Future Interest Payments June 30, 2014
<b>LSU</b>								
2004 Auxiliary Revenue Refunding Bonds	April 6, 2004	\$16,035,000	\$3,850,000	(\$1,875,000)	\$1,975,000	2015	5.25%	\$103,688
2004 Auxiliary Revenue Bonds - Series B	October 26, 2004	51,885,000	1,385,000	(1,385,000)			5.0%	
2005 Auxiliary Revenue Bonds - Series A	June 2, 2005	18,905,000	4,815,000	(1,865,000)	2,950,000	2015-2017	3.7% to 5%	190,582
2006 Auxiliary Revenue Bonds	August 9, 2006	97,095,000	89,330,000	(1,985,000)	87,345,000	2015-2036	4% to 5%	58,268,979
2007 Auxiliary Revenue Bonds	December 11, 2007	71,130,000	59,950,000	(3,535,000)	56,415,000	2015-2037	4% to 5%	35,896,040
2008 Auxiliary Revenue Bonds	June 27, 2008	52,815,000	42,305,000	(770,000)	41,535,000	2015-2034	4% to 5%	16,914,275
2010 Auxiliary Revenue Bonds - Series A and B	June 24, 2010	118,875,000	115,060,000	(2,410,000)	112,650,000	2015-2040	2% to 5.25%	85,083,251
2012 Auxiliary Revenue Bonds - Series A and B	August 7, 2012	41,615,000	41,545,000	(80,000)	41,465,000	2015-2034	2% to 5%	17,378,069
2013 Auxiliary Revenue Bonds - Series A and B	April 25, 2013	101,180,000	101,180,000		101,180,000	2015-2043	3% to 5%	82,099,950
<b>LSU Health Sciences Center</b>								
New Orleans - Building Revenue Bonds - Series 2000	January 1, 2000	15,910,000	12,365,000	(12,365,000)			6.20%	
New Orleans - Building Revenue Bonds - Series 2013	September 4, 2013	12,830,000		12,830,000	12,830,000	2015-2031	2% to 4.75%	5,777,156
<b>Health Care Services Division</b>								
Bogalusa Community Medical Center Project Series 2007 A & B	September 28, 2007	17,500,000	17,500,000		17,500,000	2015-2038	.2466% to 7.88%	10,663,662
Health Care Services Mid-City Clinic Project Series 2003B	December 19, 2003	2,500,000	580,000	(290,000)	290,000	2015	1.20%	448
<b>LSU at Alexandria</b>								
2008 Auxiliary Revenue Bonds	March 18, 2008	4,200,000	3,800,000	(100,000)	3,700,000	2015-2034	4.0% to 5.5%	2,373,794
<b>LSU at Eunice</b>								
1998 Auxiliary Revenue Bonds	June 1, 1998	1,650,000	566,250	(105,417)	460,833	2015-2018	5%	58,041
2002 Auxiliary Revenue Bonds	January 17, 2002	7,000,000	6,515,000	(125,000)	6,390,000	2015-2033	7.375%	6,135,633
Total		631,125,000	500,746,250	(14,060,417)	486,685,833			<u>\$320,943,568</u>
Premium/discounts, net		11,627,329	11,681,963	(1,360,176)	10,321,787			
Total Bonds Payable		<u>\$642,752,329</u>	<u>\$512,428,213</u>	<u>(\$15,420,593)</u>	<u>\$497,007,620</u>			

**Bonds Payable - Component Units**

Issue	Date of Issue	Original Issue	Outstanding July 1, 2013	Issued (Redeemed)	Outstanding June 30, 2014	Maturities	Interest Rates	Future Interest Payments June 30, 2014
<b>LSU Foundation</b>								
Pooled Loan Program Revenue Bonds, Series 2003A	May 1, 2003	\$12,725,000	\$5,595,000	(\$625,000)	\$4,970,000	2015-2022	Variable	\$222,394
<b>The Foundation for the LSU Health Sciences Center</b>								
Equipment and Capital Facilities Pooled Loan Program	January 1, 2002	2,035,000	1,097,501	(93,409)	1,004,092	2015-2024	Variable	
<b>Tiger Athletic Foundation*</b>								
Revenue Bonds, Series 1999	March 4, 1999	43,575,000	38,945,000	(1,690,000)	37,255,000	2015-2033	Variable	
Revenue Bonds, Series 2004	March 23, 2004	90,000,000	77,680,000	(2,150,000)	75,530,000	2015-2039	Variable	
Series 2012 Bonds	October 23, 2012	46,000,000	5,100,000	40,900,000	46,000,000	2018-2037	Variable	
Total Bonds Payable		<u>\$194,335,000</u>	<u>\$128,417,501</u>	<u>\$36,341,591</u>	<u>\$164,759,092</u>			<u>\$222,394</u>

\*As of December 31, 2013

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. The Series 2004B bonds, considered defeased in substance, were repaid entirely during the period ended June 30, 2014.

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 (1) finance or reimburse the costs of the planning, design, acquisition, construction, and equipping of expansions and additions to the University Recreation Center; (2) a portion of the planning, design, acquisition, construction, and equipping of a new residence hall; (3) the planning and design of the acquisition, construction, and equipping of renovations to Evangeline residence hall; (4) fund a deposit to the Series 2013 capitalized interest account; and (5) pay cost of issuance.

In September 2013, the Board of Supervisors of Louisiana State University and Agricultural Mechanical College issued \$12,830,000 of nontaxable Bonds - Series 2013. The purpose of the issue was to provide monies to refund portions of Series 2000 bonds. In order to refund the bonds, portions of the proceeds of the new issue (\$12,562,031), plus an additional \$1,394,754 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 September 4, 2013 between the Board of Supervisors of Louisiana State University and

Agricultural 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 almost \$3,345,000 and gave the LSU Health Sciences Center New Orleans an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,201,175.

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

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

The Tiger Athletic Foundation committed to expending \$100,000,000 on the financing, design, development, performance, and construction of the Facilities/South and Olympic Sports Improvements in accordance with the plans and specifications approved by LSU. In October 2012, the Tiger Athletic Foundation initiated two different debt instruments to finance this commitment. It entered into a Bond Purchase Agreement, and resulting Loan Agreement, so that it could borrow from the proceeds of the sale of Revenue Bonds, an aggregate principal of \$75,000,000. These bond indentures contain requirements for annual debt service and flow of funds through various restricted accounts. Beginning in 2018, the Tiger Athletic Foundation must establish a mandatory sinking fund, with annual installments due through 2037. The annual installments range from a low of \$2,910,000 in 2018 to a high of \$4,730,000 in 2037. As security for payments to be made by the Tiger Athletic Foundation, pursuant to the Loan Agreement, it has entered into an Act of Assignment of Pledged Revenues and Security Agreement, on parity with the Series 1999 and 2004 revenue bonds. The Tiger Athletic Foundation will draw down, through the term of the Loan Agreement, as construction progresses and as construction draws are presented to the Foundation, with the last draw to occur in 2014. At December 31, 2013, the Tiger Athletic Foundation has drawn \$46,000,000 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, 2013, that interest rate was 2.41029%.

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, 2014, was 1.01%. Total interest expense incurred on the bonds for the year ended June 30, 2014, was \$43,227. The bonds are collateralized by future revenues of the LSU Foundation.

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

The Foundation for the LSU Health Sciences Center issued bonds in January 2002 totaling \$2,035,000 with a variable interest rate. The interest rate for fiscal year 2014 amounted to approximately 0.75%. The bond issuance costs of \$35,000 are being amortized over the life of the bonds beginning July 1, 2002. Bond amortization expense for the fiscal year ended June 30, 2014, was \$1,591.

### Debt Service Requirements

The annual requirements to amortize all university bonds outstanding at June 30, 2014, are presented in the following schedule. The schedule uses rates as of June 30, 2014, 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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$13,310,417	\$22,359,488	\$35,669,905
2016	13,515,417	21,785,552	35,300,969
2017	14,710,417	21,235,449	35,945,866
2018	14,959,582	20,681,207	35,640,789
2019	15,600,000	20,054,119	35,654,119
2020-2024	88,690,000	88,857,309	177,547,309
2025-2029	102,700,000	66,375,600	169,075,600
2030-2034	110,675,000	40,862,885	151,537,885
2035-2039	82,615,000	16,045,548	98,660,548
2040-2044	29,910,000	2,686,411	32,596,411
Subtotal	486,685,833	320,943,568	807,629,401
Unamortized premium/discount	10,321,787	NONE	10,321,787
Total	<u>\$497,007,620</u>	<u>\$320,943,568</u>	<u>\$817,951,188</u>

The annual requirements to amortize all component unit bonds outstanding at June 30, 2014, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest*</u>	<u>Total</u>
2015	\$4,753,395	\$49,894	\$4,803,289
2016	4,948,395	43,581	4,991,976
2017	5,158,395	37,269	5,195,664
2018	5,378,395	30,956	5,409,351
2019	8,513,395	24,643	8,538,038
2020-2024	46,023,025	36,051	46,059,076
2025-2029	48,310,000		48,310,000
2030-2034	35,080,000		35,080,000
2035-2039	5,610,000		5,610,000
2040-2044	1,000,000		1,000,000
Subtotal	164,775,000	222,394	164,997,394
Unamortized bond issuance cost	(15,908)	NONE	(15,908)
Total	<u>\$164,759,092</u>	<u>\$222,394</u>	<u>\$164,981,486</u>

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

The following is a summary of the System debt service reserve requirements of the various bond issues at June 30, 2014:

<u>Bond Issue</u>	<u>Cash/ Investment Reserves Available</u>	<u>Reserve Requirement</u>	<u>Excess/ Deficiency</u>
Auxiliary Plant:			
LSU at Alexandria	\$313,050	\$313,050	
LSU at Eunice Housing Foundation*	535,626	610,450	(\$74,824)
LSU A&M	7,791,263	7,500,000	291,263
Total	<u>\$8,639,939</u>	<u>\$8,423,500</u>	<u>\$216,439</u>
Educational Plant:			
LSU Health Sciences Center - New Orleans	\$1,174,025	\$1,174,025	
Health Care Services Division	2,384,423	2,384,423	
Total	<u>\$3,558,448</u>	<u>\$3,558,448</u>	<u>NONE</u>

\*The Debt Service Reserve Fund is below the required level, but management is addressing the problem by increasing rental rates and refinancing bonds.

As permitted by the Bond Resolution for the Revenue (Auxiliary, Revenue) Bonds, Series 2013, the LSU Health Sciences Center New Orleans (campus) obtained a surety bond issued by an insurance company (surety bond issued by an insurance company, municipal bond debt service reserve fund policy, irrevocable letter of credit issued by a bank) 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 Bonds of 2012 and 2013, LSU established no debt service reserve accounts. Neither surety bonds from an insurance company or an irrevocable letter of credit were required as a substitute for the reserve accounts.

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

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

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

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

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

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



Requirement. During fiscal year 2014, the Series 2000 bonds were refunded by the Series 2013 bonds and the reserve requirement noted above no longer applies as of June 30, 2014.

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

### Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. Assets under capital lease are included as capital assets in note 5. The following is a schedule of future minimum lease payments under capital leases, together with the present value of minimum lease payments at June 30, 2014:

Fiscal Year Ending June 30:	
2015	\$4,688,876
2016	4,286,002
2017	3,890,574
2018	3,875,834
2019	3,903,639
2020-2024	<u>14,103,172</u>
Total minimum lease payments	34,748,097
Less - amount representing interest	<u>(3,475,428)</u>
Present value of net minimum lease payments	<u><u>\$31,272,669</u></u>

### 15. DUE FROM STATE TREASURY

As shown on Statement A, the university system has a total of \$8,327,793 (net) due from the State Treasury at June 30, 2014. This amount consists of the following:

Description	Due (to)/from
Tobacco Tax funds	\$3,988,994
Statutory dedications - Support Education in Louisiana First	1,485,031
Procurement card rebate	46,926
Statutory dedications - Overcollections	<u>4,052,154</u>
Due from State Treasury	<u>9,573,105</u>
Refund from prior-year orders	(120)
Unclaimed property	(81,988)
Repayment of seed advance	(1,056,954)
Meaningful use paid in error	<u>(106,250)</u>
Due to State Treasury	<u>(1,245,312)</u>
Total	<u><u>\$8,327,793</u></u>



**16. RESTRICTED NET POSITION**

The university system's restricted nonexpendable net position of \$217,017,384 as of June 30, 2014, is comprised of endowment funds and prepaid assets.

The university system had the following restricted expendable net position as of June 30, 2014:

**Restricted Expendable Net Position**

<u>Account Title</u>	<u>Amount</u>
Student fees	\$18,435,804
Grants and contracts	49,003,047
Gifts	26,471,997
Endowment earnings	46,560,832
Auxiliary enterprises	2,517,128
Student loan funds	35,019,932
Capital construction	74,833,823
Debt service	12,227,719
Sponsored projects	461,768
LSU System Health Plan	35,488,378
Blended foundations	6,606
FEMA advance payment for the Medical Center of Louisiana at New Orleans	20,616,182
Total	<u><u>\$321,643,216</u></u>

Of the total restricted net position reported on Statement A for the year ended June 30, 2014, a total of \$2,244,780 is restricted by enabling legislation.

LSU Health Sciences Center in Shreveport has donor-restricted endowments. If a donor has not provided specific instructions, state law permits the Board of Regents to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. The center's endowments are composed of approximately 90% private and 10% 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, 2014, net appreciation of \$1,243,935 for LSU Health Sciences Center in Shreveport is available to be spent and is restricted to specific purposes.

**RESTRICTED NET ASSETS - COMPONENT UNITS**

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

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total
<b>Temporarily restricted:</b>					
Chairs and professorships	\$58,842,118		\$33,842,262	\$3,036,027	\$95,720,407
Scholarships and fellowships	36,279,331		2,233,414		38,512,745
Academic support	78,331,053		276,196	3,368,044	81,975,293
Capital outlay and improvements	52,164,792			65,384	52,230,176
Research support	6,046,027			89,323,156	95,369,183
Institutional support	10,650,206		126,577	2,137,320	12,914,103
Donor restrictions		\$55,815,682	9,344,334	174,279	65,334,295
	<u>\$242,313,527</u>	<u>\$55,815,682</u>	<u>\$45,822,783</u>	<u>\$98,104,210</u>	<u>\$442,056,202</u>
Total temporarily restricted					
	<u>\$242,313,527</u>	<u>\$55,815,682</u>	<u>\$45,822,783</u>	<u>\$98,104,210</u>	<u>\$442,056,202</u>
	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total
<b>Permanently restricted:</b>					
Chairs and professorships	\$115,762,656		\$40,452,226	\$10,557,142	\$166,772,024
Scholarships and fellowships	56,033,365		3,390,238		59,423,603
Academic support	44,621,775		182,110		44,803,885
Capital outlay and improvements	185,925				185,925
Research support	2,009,079				2,009,079
Institutional support			193,557		193,557
Endowment funds		\$10,709,547	4,096,771	2,966,921	17,773,239
	<u>\$218,612,800</u>	<u>\$10,709,547</u>	<u>\$48,314,902</u>	<u>\$13,524,063</u>	<u>\$291,161,312</u>
Total permanently restricted					
	<u>\$218,612,800</u>	<u>\$10,709,547</u>	<u>\$48,314,902</u>	<u>\$13,524,063</u>	<u>\$291,161,312</u>

\*As of December 31, 2013

**17. RESTATEMENT OF BEGINNING NET POSITION**

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

**UNIVERSITIES**

<b>Net position at June 30, 2013</b>	\$1,774,328,435
<b>LSU and Related:</b>	
Correct cost and accumulated depreciation for equipment acquired prior to FY 2014	548,287
Deposit at state facility planning	208,744
Market value of Metlife stock	70,059
LSU facility capitalization	17,821,909
Ag Center facility capitalization	(14,978,986)
Ag Center coastal research station reconveyance to Plaquemines parish	(13,285)
PBRC inventory	65,764
<b>Health Sciences Center Shreveport:</b>	
Tobacco funds receivable recorded in error	(202,962)
<b>Net position at June 30, 2013, as restated</b>	<u><u>\$1,777,847,965</u></u>

The restatements increased the System's beginning net position by \$3,519,530. Had the portion of these restatements affecting fiscal year 2013 been included in the June 30, 2013 Statement of Revenues, Expenses, and Changes in Net Position, the previously reported (\$21,903,234) change in net position would have been (\$18,401,876).

**18. BLENDED COMPONENT UNITS**

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

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

**Condensed Statement of Net Position**

	Eunice Student Housing Foundation	LSU Healthcare Network
Assets:		
Current assets	\$349,374	\$36,508,432
Capital assets	3,613,514	2,194,609
Other assets	571,319	2,760,939
<b>Total Assets</b>	<b>\$4,534,207</b>	<b>\$41,463,980</b>
Liabilities:		
Current liabilities	\$783,643	\$15,461,834
Long-term liabilities	6,219,336	
<b>Total Liabilities</b>	<b>\$7,002,979</b>	<b>\$15,461,834</b>
Net Position:		
Net investment in capital assets	(\$2,672,114)	\$2,194,609
Restricted net position - expendable	651,346	
Unrestricted net position	(448,004)	23,807,537
<b>Total Net Position</b>	<b>(\$2,468,772)</b>	<b>\$26,002,146</b>
	Health Care Services Foundation	Bogalusa Community Medical Center
Assets:		
Current assets	\$1,082,220	\$2,046,133
Capital assets	2,856,242	
Other assets	1,747,129	20,655,043
<b>Total Assets</b>	<b>\$5,685,591</b>	<b>\$22,701,176</b>
Liabilities:		
Current liabilities	\$809,966	\$687,576
Long-term liabilities	1,533,942	18,093,548
<b>Total Liabilities</b>	<b>\$2,343,908</b>	<b>\$18,781,124</b>
Net Position:		
Net investment in capital assets	\$2,566,242	
Restricted net position - expendable	3,148	\$3,458
Restricted net position - nonexpendable	720	29,994
Unrestricted net position	771,573	3,886,600
<b>Total Net Position</b>	<b>\$3,341,683</b>	<b>\$3,920,052</b>

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

	<u>Eunice Student Housing Foundation</u>	<u>LSU Healthcare Network</u>
Operating revenues	\$1,125,481	\$96,509,060
Operating expenses	562,957	94,451,526
Depreciation expense	133,913	799,841
Net operating income	<u>428,611</u>	<u>1,257,693</u>
Nonoperating revenues (expenses):		
Investment income	84	(17,959)
Interest expense	(476,111)	
Changes in net position	<u>(47,416)</u>	<u>1,239,734</u>
<b>Net Position, beginning of the year</b>	<u>(2,421,356)</u>	<u>24,762,412</u>
<b>Net Position, end of the year</b>	<u><u>(\$2,468,772)</u></u>	<u><u>\$26,002,146</u></u>
	<u>Health Care Services Foundation</u>	<u>Bogalusa Community Medical Center</u>
Operating revenues	\$590,928	\$1,758,242
Operating expenses	299,657	1,784,854
Depreciation expense	117,918	
Net operating income	<u>173,353</u>	<u>(26,612)</u>
Nonoperating revenues (expenses):		
Investment income	63,403	633,005
Interest expense	(59,955)	(720,955)
Changes in net position	<u>176,801</u>	<u>(114,562)</u>
<b>Net Position, beginning of the year</b>	<u>3,164,882</u>	<u>4,034,614</u>
<b>Net Position, end of the year</b>	<u><u>\$3,341,683</u></u>	<u><u>\$3,920,052</u></u>

### Condensed Statement of Cash Flows

	Eunice Student Housing Foundation	LSU Healthcare Network
Net cash flows provided (used) by:		
Operating activities	\$590,296	\$4,375,624
Noncapital financing		
Capital and related financing	(644,210)	(376,675)
Investing activities	35,927	8,791
Net increase (decrease) in cash	(17,987)	4,007,740
<b>Cash, beginning of the year</b>	<b>288,404</b>	<b>18,312,688</b>
<b>Cash, end of the year</b>	<b>\$270,417</b>	<b>\$22,320,428</b>

	Health Care Services Foundation	Bogalusa Community Medical Center
Net cash flows provided (used) by:		
Operating activities	\$733,663	(\$904,354)
Noncapital financing		
Capital and related financing	(754,066)	(158,065)
Investing activities		375,000
Net (decrease) in cash	(20,403)	(687,419)
<b>Cash, beginning of the year</b>	<b>624,654</b>	<b>1,284,284</b>
<b>Cash, end of the year</b>	<b>\$604,251</b>	<b>\$596,865</b>

### 19. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

Function	Employee Compensation	Benefits	Utilities	Supplies and Services	Scholarships and Fellowships	Depreciation	Compensated Absences	OPEB Expense	Total
Instruction	\$346,438,231	\$106,246,066	\$117,291	\$65,444,614		\$8,081,029	\$840,741	\$21,741,724	\$548,909,696
Research	153,919,078	56,910,601	1,831,576	85,474,990		16,326,873	244,699	13,713,777	328,421,594
Public service	212,287,680	42,025,354	1,610,725	83,256,069		11,620,326	(566,548)	10,004,079	360,237,685
Academic support	64,100,005	25,254,241	423,025	26,160,298		5,714,547	564,308	6,606,527	128,822,951
Student services	21,287,555	7,150,077	353,318	8,306,068		294,028	117,369	1,833,097	39,341,512
Institutional support	62,741,598	27,699,214	130,419	26,973,022		4,123,536	476,325	5,579,988	127,724,102
Operations and maintenance of plant	36,692,047	15,377,997	26,500,490	28,574,478		40,446,582	(335,935)	2,505,739	149,761,398
Scholarships and fellowships				(14,808)	\$34,404,234				34,389,426
Auxiliary enterprises	52,155,733	16,661,714	7,576,788	91,920,565		1,125,754	220,502	4,383,061	174,044,117
Hospital	126,453,520	60,604,665	4,474,262	177,634,832		31,205,791	(11,524,206)	7,799,830	396,648,694
<b>Total operating expenses</b>	<b>\$1,076,075,447</b>	<b>\$357,929,929</b>	<b>\$43,017,894</b>	<b>\$593,730,128</b>	<b>\$34,404,234</b>	<b>\$118,938,466</b>	<b>(\$9,962,745)</b>	<b>\$74,167,822</b>	<b>\$2,288,301,175</b>

**20. FOUNDATIONS**

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

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

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

**21. DEFERRED COMPENSATION PLAN**

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

## **22. ON-BEHALF PAYMENTS**

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third-party recipient for the employees of another legally-separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. The amount of on-behalf payments for fringe benefits and salaries included in Statement C for fiscal year ended June 30, 2014, was \$512,000. There were no on-behalf payments made as contributions to a pension plan for which the System is legally responsible.

## **23. IMPROVEMENTS TO PLANT ON BEHALF OF THE UNIVERSITY**

### **Expansion of Tiger Stadium**

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

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

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



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

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

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

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

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

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

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

#### **24. REVENUE USED AS SECURITY FOR REVENUE BONDS**

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

LSU, LSUA, and LSUE have pledged future auxiliary revenues of approximately \$760,568,135 to secure outstanding debt of \$582,385,000 in Auxiliary Revenue Bonds. Proceeds from the bonds provided for the financing of construction and renovation of various auxiliary facilities. All auxiliary revenues of LSU have been pledged to secure the debt, which is payable through 2043. Pledged auxiliary revenues recognized during the period were \$202,656,628. All LSUA Union, Bookstore, and athletic revenues, totaling \$1,318,096 for the current period, are pledged to secure the debt of the 2008 bond, which matures in 2034. All LSUE Union and Bookstore revenues, totaling \$1,767,231 for the current period, are pledged to secure the debt of the auxiliary revenue bonds payable through 2033. Required principal and interest payments for the current year on the bonds were \$37,246,060.

LSUHSC - New Orleans has pledged future auxiliary revenues, dedicated student fee revenues, and University Enterprise Revenues of approximately \$18,557,654 to secure its 2013 Series Bond. Proceeds from the bonds were used to refund the 2000 Series Bond. Proceeds from the 2000 Series bonds provided for the planning, financing, design, construction, operation, maintenance, equipping, and renewal and replacement for the Wellness Center, Day Care Center, Campus Health Services, and Student Housing in the Old Charity Nursing School Building. The bonds are payable through 2031. Principal and interest paid for the current year were \$334,108. Pledged auxiliary revenues recognized during the period were \$7,527,103.

#### **25. COOPERATIVE ENDEAVOR AGREEMENTS**

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

The Louisiana Cancer Research Center of LSU Health Sciences Center in New Orleans/Tulane Health Sciences Center was authorized by Act 41 of the First Extraordinary Session of 2002. The funds that are passed through to the consortium are available as a result of an increase in

tobacco taxes enacted into law via Act 19 of the Regular Session of 2002. Act 19 has specific provisions including:

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

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

## **COOPERATIVE ENDEAVOR AGREEMENTS - COMPONENT UNITS**

### **Tiger Athletic Foundation**

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

**LSU Health Sciences Foundation in Shreveport**

Intermodal Transit Facility, LLC was formed in March 2007 to purchase property and construct an intermodal transit oriented facility as a ride link for the City of Shreveport's SporTran passengers and the Center's patients, employees, students, and customers. Intermodal Transit Facility, LLC entered into a Cooperative Endeavor Agreement with the City of Shreveport, which governed the use of \$1,235,949 of Section 5309 Federal Transit Administration (FTA) funds earmarked as an 80% match for construction of the intermodal transit facility. In order to receive these grant funds, Intermodal Transit Facility, LLC was required to provide a match equal to 20% of the project cost. In addition, Intermodal Transit Facility, LLC was required to pay the City of Shreveport an administrative fee in the amount of 10% of the total FTA grant funds used for the project. Construction of the Intermodal Transit Facility was completed in June 2009, and the total cost of the facility, including the purchase of property and administrative fees of \$1,609,160 net of accumulated depreciation is reflected as property and equipment, net within Statement B of the financial Statements. A summary of the project's activity follows:

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

## 26. AMOUNTS HELD IN CUSTODY FOR OTHERS - COMPONENT UNITS

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

<u>Entity</u>	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total
LSU at Alexandria Foundation	\$17,064,539				\$17,064,539
LSU at Eunice Foundation	2,299,913				2,299,913
State matching funds	96,161,311		\$26,918,308		123,079,619
Split-interest agreements	2,620,391		51,725		2,672,116
Tiger Athletic Foundation	11,805,652				11,805,652
Coaches' escrow accounts		\$2,159,316			2,159,316
LSU Athletic Department		7,561,888			7,561,888
LSUHSC Shreveport				\$67,456,836	67,456,836
Total amounts held in custody	<u>\$129,951,806</u>	<u>\$9,721,204</u>	<u>\$26,970,033</u>	<u>\$67,456,836</u>	<u>\$234,099,879</u>

\*As of December 31, 2013

## 27. RELATED PARTY TRANSACTIONS - COMPONENT UNIT

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

In the normal course of business, The Foundation for the LSU Health Sciences Center reimburses the LSUHSC - New Orleans (LSUHSC) for certain expenses and makes distributions to or on behalf of LSUHSC. The Foundation also provides certain services for the LSUHSC. Included in expenses for the year ended June 30, 2014, is \$7,872,019, representing payments on behalf of LSUHSC. At June 30, 2014, there were no funds due to or from LSUHSC.

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, 2014, for these types of expenses was \$3,370,133.

## 28. UNCONDITIONAL PROMISES TO GIVE - COMPONENT UNITS

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

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total
Promises to give expected to be collected in:					
Less than one year	\$17,675,089	\$15,514,385	\$1,200	\$2,711	\$33,193,385
One to five years	23,252,139	9,254,365	5,700		32,512,204
More than five years	668,670	1,939,141			2,607,811
Subtotal	<u>41,595,898</u>	<u>26,707,891</u>	<u>6,900</u>	<u>2,711</u>	<u>68,313,400</u>
Less discount on promises to give	(718,378)	(1,772,162)	(704)		(2,491,244)
Less allowance for uncollectible accounts	<u>(180,840)</u>	<u>(4,635,500)</u>	<u>(2,413)</u>		<u>(4,818,753)</u>
Subtotal	<u>(899,218)</u>	<u>(6,407,662)</u>	<u>(3,117)</u>	NONE	<u>(7,309,997)</u>
Net unconditional promises to give	<u>\$40,696,680</u>	<u>\$20,300,229</u>	<u>\$3,783</u>	<u>\$2,711</u>	<u>\$61,003,403</u>

\*As of December 31, 2013

Total unconditional promises to give (current and noncurrent) of \$61,003,403 are reported on Statement B.

## 29. POLLUTION REMEDIATION OBLIGATION

Certain facilities within the System require remediation for asbestos abatement and other environmental concerns. The State Office of Facility Planning is coordinating the clean-up efforts. During the fiscal year 2014, remediation costs incurred were minimal. The total remaining obligation as of June 30, 2014, totaled \$254,273.

## 30. EMPLOYEE TERMINATION BENEFITS

Substantially all employees are eligible for termination benefits upon separation from the state. The System recognizes the cost of providing these benefits as expenditures when paid during the year. For the fiscal year ending June 30, 2014, the cost of providing these benefits for two involuntary terminations totaled \$135,357.

## 31. PRIVATIZATION OF PUBLIC HOSPITALS

As previously stated, the System implemented public/private partnerships for the management and/or the services of nine of the 10 hospitals previously under the management of the Louisiana

State University Health Care Services Division and the Louisiana State University Health Sciences Center in Shreveport. In consideration for these partnerships, the System received up-front cash payments totaling \$5,152,820 and periodic lease payments ranging from \$2,487,000 to \$69,409,750 (adjusted for inflation) per year over lease terms ranging from five to 40 years associated with the Health Care Services Division hospitals and received up-front cash payments totaling \$11,175,000 and periodic lease payments at a minimum of \$3,725,000 per month (adjusted for inflation) over lease terms ranging from five to 99 years associated with the Louisiana State University Health Sciences Center in Shreveport hospitals. Per Act 420 of the 2013 Regular Session, these upfront and periodic lease payments are to be deposited with the State Treasury.

### **32. SUBSEQUENT EVENTS**

On June 20, 2014, the LSU Board of Supervisors adopted a resolution providing approval for the issuance of Auxiliary Revenue Refunding Bonds in one or more series in an amount not to exceed \$92,000,000 to advance refund all or a portion of the Series 2006 Auxiliary Revenue Bonds. Subsequently, on July 17, 2014, the State Bond Commission approved the issuance of the bonds and at its September 12, 2014 meeting the LSU Board of Supervisors gave final approval to issue Auxiliary Revenue Refunding Bonds, Series 2014. The refunding is for the purpose of debt service savings estimated at net present value of \$6.8 million. The bond issue was closed and funded on October 16, 2014.

The LSU-Eunice Housing Foundation defeased the Louisiana Local Government Environmental and Community Development Authority Revenue Bonds (Eunice Student Housing Foundation, Inc. - Bengal Village Project), Series 2002, and entered into a loan with Campus Federal Credit Union. The loan was issued on July 1, 2014, and is a term balloon loan of \$6,750,000 at 4.75% with a five-year balloon and 25-year amortization. The new loan is estimated to generate approximately \$140,000 in annual debt service savings.

#### **Amendments to Cooperative Endeavor Agreements**

As mentioned previously, through a series of Cooperative Endeavor Agreements (CEAs) among LSU and the state of Louisiana, acting through the Division of Administration (DOA) and the Department of Health and Hospitals (DHH), private entities leased or otherwise obtained the right to occupy and assumed responsibility for the operations of the six hospitals previously operated by LSU in New Orleans, Shreveport, Monroe, Lafayette, Bogalusa, and Houma. Additionally, the LSU hospitals in Baton Rouge, Lake Charles, and Pineville were closed pursuant to legislative authorization and responsibility for providing care to the patients previously served by those facilities was assumed by the private partners.

The state of Louisiana, acting through DHH, makes medical payments to hospitals when authorized to do so by a provision in the State Medicaid Plan (a State Plan Amendment, or SPA) approved by the federal government through the Centers for Medicare and Medicaid Services (CMS). When LSU operated the 10-hospital system, DHH was authorized to provide LSU with certain Medicaid funding that is in addition to the insurance-like coverage provided to Medicaid beneficiaries. This additional Medicaid funding is designed to compensate for the high level of uncompensated care (i.e., care provided to uninsured, low-income patients not eligible for



Medicaid) provided by those hospitals under an approved SPA applicable to public hospitals. Under the CEA's those additional Medicaid funds need to be directed to the private partner hospitals. Accordingly, DHH sought approval of a SPA to allow DHH to make the Medicaid funds previously available to LSU available to LSU's private hospital partners. This approach previously received CMS approval when LSU, the State and Our Lady of the Lake Hospital (OLOL) entered into the CEA, under which OLOL agreed to provide care to patients formerly served by Earl K. Long Medical Center, and CMS approved a SPA authorizing DHH to pay OLOL, a private hospital, consistent with the terms of that CEA.

Notwithstanding CMS's previous approval of the SPA for the OLOL transaction, however, CMS subsequently refused to approve a SPA to authorize DHH to make the necessary additional Medicaid payments to certain private hospital partners. More specifically, according to DHH, CMS would not approve a SPA allowing for payment to certain private partners if the state was also contractually committed to make those payments to the private partner under the "Required Funding" provisions in the original CEA. After weeks of discussions between DHH and CMS, it became apparent, according to DHH, that CMS would not approve the necessary SPA unless the State's "Required Funding" commitments to LSU's private partners were deleted from the original CEAs. At a special board meeting on October 1, 2014, the LSU Board of Supervisors approved amendments and restated cooperative Endeavor Agreements by and between itself and its private partners for the management of the hospital operations to comply with the apparent expectation of the CMS.

### **33. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE**

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, is effective to the System for the fiscal 2015 year. This standard will require, among other things, the System to recognize a liability for its proportionate share of the net pension liability, as defined by the standard, of the defined benefit pension plans presented in note 8. The impact to the System's net position is expected to be significant.

Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposal of Government Operations* is effective to the System for the fiscal 2015 year. This standard is not expected to significantly impact the System's financial reporting at this time.



## SCHEDULE

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

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



**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Schedule of Funding Progress for the  
Other Postemployment Benefits Plans  
Fiscal Year Ended June 30, 2014**

**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 2012	07/01/2011	NONE	\$772,549,619	\$772,549,619	0.0%	\$568,536,448	135.9%
FY 2013	07/01/2012	NONE	\$1,027,332,050	\$1,027,332,050	0.0%	\$553,351,008	185.7%
FY 2014	07/01/2013	NONE	\$1,151,178,440	\$1,151,178,440	0.0%	\$404,113,470	284.9%

**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 2012	07/01/2011	NONE	\$916,892,000	\$916,892,000	0.0%	\$345,935,146	265.0%
FY 2013	07/01/2012	NONE	\$873,339,300	\$873,339,300	0.0%	\$334,926,194	260.8%
FY 2014	07/01/2013	NONE	\$913,877,900	\$913,877,900	0.0%	\$206,968,278	441.6%

Factors contributing to the increase in the LSU System Health Plan were:

1. A change in the claims cost assumption along with a change in the ultimate health care cost trend
2. A change in the aging assumptions
3. Different assumptions regarding the portion of population that will be covered by Medicare after age 65

(The LSU Health System Plan actuarial valuation was completed by a different actuary than the prior year.)

Factors contributing to the increase in the Office of Group Benefits plans were:

1. Updated disability classification and mortality tables
2. Favorable claims and premium experience
3. Life insurance participation
4. The substantive plan to eliminate the premium deficiency



## SUPPLEMENTAL INFORMATION SCHEDULES

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

### **Combining Schedule of Net Position, by University, for the year ended June 30, 2014**

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

### **Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University, for the year ended June 30, 2014**

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

### **Combining Schedule of Cash Flows, by University, for the year ended June 30, 2014**

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

### **Combining Schedule of Net Position, by University, for the year ended June 30, 2013**

Schedule 5 presents the current and long-term portions of assets and liabilities and net position for each university within the LSU System.

### **Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University, for the year ended June 30, 2013**

Schedule 6 presents information showing how the net position of each university changed as a result of current-year operations.

### **Combining Schedule of Cash Flows, by University, for the year ended June 30, 2013**

Schedule 7 presents information showing how each university's cash changed as a result of current-year operations.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Net Position, by University  
June 30, 2014**

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$22,005,388	\$12,719,985	(\$123,308,414)	(\$18,602)	\$2,803,128
Investments	29,700,091		395,157,579	164,968	83,942
Receivables (net)	382,094	3,037,212	41,811,298	6,582,410	4,007,508
Due from other campuses	1,359,799		145,349		
Due from State Treasury		7,124	625,270	20,294	18,889
Due from federal government		386,915	12,673,365	41,440	39,368
Inventories		242,074	994,663	9,157	235,859
Prepaid expenses and advances			7,937,224		3,450
Notes receivable (net)			2,010,798		24,640
Other current assets			2,003,189		
Total current assets	<u>53,447,372</u>	<u>16,393,310</u>	<u>340,050,321</u>	<u>6,799,667</u>	<u>7,216,784</u>
Noncurrent assets:					
Restricted:					
Cash and cash equivalents	1,442,606	127,012	123,308,414	605,644	328,688
Investments		7,220,983	212,194,181	1,895,653	849,102
Receivables (net)			311,450		
Notes receivable (net)			12,989,875		(12,581)
Other			11,563,247		
Investments					
Other noncurrent assets					
Capital assets (net)	155,962	83,743,685	875,204,607	29,311,967	25,414,184
Total noncurrent assets	<u>1,598,568</u>	<u>91,091,680</u>	<u>1,235,571,774</u>	<u>31,813,264</u>	<u>26,579,393</u>
Total assets	<u>55,045,940</u>	<u>107,484,990</u>	<u>1,575,622,095</u>	<u>38,612,931</u>	<u>33,796,177</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	10,079,649	465,494	47,022,106	147,802	615,524
Due to other campuses	145,347	357,195	70,488,206		130,000
Due to state treasury			120		
Due to federal government			81,291		
Unearned revenues		11,330,695	59,766,810	4,692,067	3,484,479
Unearned revenues - advanced lease payment					
Amounts held in custody for others	532,011		6,750,424	115,174	106,182
Compensated absences payable	146,873	258,837	3,000,501	86,003	64,183
Capital lease obligations			2,332,979		
Notes payable					
Bonds payable			13,761,069	100,000	245,417
Other current liabilities			2,003,191		
Total current liabilities	<u>10,903,880</u>	<u>12,412,221</u>	<u>205,206,697</u>	<u>5,141,046</u>	<u>4,645,785</u>

(Continued)

Schedule 2

Paul M. Hebert Law Center	Agricultural Center	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Service Division	LSU Health Sciences Center in Shreveport	Eliminations	Total System
\$1,211,068	\$19,052,054	\$870,683	\$36,126,382	\$87,154,293	\$75,566,427		\$134,182,392
550,202	288,552	100,000	1,612,375	375,000	24,242,864		452,275,573
517,329	5,677,408	1,652,248	65,631,834	30,316,948	123,217,860		282,834,149
		1,221,942	70,221,486	356,236	1,315,575	(\$74,620,387)	
30,171	854,067	47,767	1,950,784	4,052,154	1,966,585		9,573,105
	5,019,815	267,149	4,428,760	188,072	2,547,032		25,591,916
	3,898,249	768,117	2,255,435	1,410,627	920,118		10,734,299
93,093	43,689	628,062	1,484,169	40,186	11,448,948		21,678,821
			921,597		240,822		3,197,857
				446,810			2,449,999
<u>2,401,863</u>	<u>34,833,834</u>	<u>5,555,968</u>	<u>184,632,822</u>	<u>124,340,326</u>	<u>241,466,231</u>	<u>(74,620,387)</u>	<u>942,518,111</u>
1,203,042	7,031,235	329,170		26,759,841	11,560,906		172,696,558
5,131,309	3,431,822	6,724,715	29,646,791	9,592,037	67,102,652		343,789,245
			8,735,361		1,377,031		311,450
	19,314			1,462,955			23,089,686
			2,531,213				13,045,516
			229,726	488,830			2,531,213
12,773,294	46,189,467	21,926,988	215,891,689	935,052,558	104,088,280		718,556
<u>19,107,645</u>	<u>56,671,838</u>	<u>28,980,873</u>	<u>257,034,780</u>	<u>973,356,221</u>	<u>184,128,869</u>	<u>NONE</u>	<u>2,349,752,681</u>
<u>21,509,508</u>	<u>91,505,672</u>	<u>34,536,841</u>	<u>441,667,602</u>	<u>1,097,696,547</u>	<u>425,595,100</u>	<u>(74,620,387)</u>	<u>2,905,934,905</u>
							<u>3,848,453,016</u>
14,953	773,093	1,390,933	28,291,364	16,497,615	16,883,524		122,182,057
		21,698	271,319	2,190,295	1,016,327	(74,620,387)	
			1,056,954	1,945	186,293		1,245,312
			6,542,514				6,623,805
256,134	6,972,712	902,308	15,291,777	34,811,835	2,163,646		139,672,463
					11,175,000		11,175,000
115,381	75,103	190,328	125,515	30,375	44,740		8,085,233
59,396	892,197	117,258	1,644,826	548,249	1,062,468		7,880,791
					1,571,731		3,904,710
				466,196			466,196
				525,000			14,631,486
							2,003,191
<u>445,864</u>	<u>8,713,105</u>	<u>2,622,525</u>	<u>53,224,269</u>	<u>55,071,510</u>	<u>34,103,729</u>	<u>(74,620,387)</u>	<u>317,870,244</u>

**LOUISIANA STATE UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
**Combining Schedule of Net Position, by University**  
**June 30, 2014**

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
Noncurrent liabilities:					
Compensated absences payable	\$269,429	\$2,913,146	\$28,503,013	\$740,283	\$603,569
Capital lease obligations			23,930,253		
Notes payable					
Other postemployment benefits payable	694,708	18,379,158	220,190,518	12,859,753	7,299,160
Bonds payable			441,644,182	3,600,000	6,605,416
Unearned revenues - advance lease payments					
Other noncurrent liabilities			738,671		(28,086)
Total noncurrent liabilities	<u>964,137</u>	<u>21,292,304</u>	<u>715,006,637</u>	<u>17,200,036</u>	<u>14,480,059</u>
Total liabilities	<u>11,868,017</u>	<u>33,704,525</u>	<u>920,213,334</u>	<u>22,341,082</u>	<u>19,125,844</u>
<b>NET POSITION</b>					
Net investment in capital assets	155,962	83,743,685	501,078,154	25,631,209	18,667,723
Restricted for:					
Nonexpendable		6,241,608	79,465,255	1,743,714	398,738
Expendable	35,490,141	4,174,744	169,653,775	1,233,884	3,161,663
Unrestricted	<u>7,531,820</u>	<u>(20,379,572)</u>	<u>(94,788,423)</u>	<u>(12,336,958)</u>	<u>(7,557,791)</u>
<b>Total net position</b>	<u>\$43,177,923</u>	<u>\$73,780,465</u>	<u>\$655,408,761</u>	<u>\$16,271,849</u>	<u>\$14,670,333</u>

(Concluded)



Schedule 2

Paul M. Hebert Law Center	Agricultural Center	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Service Division	LSU Health Sciences Center in Shreveport	Eliminations	Total System
\$1,035,749	\$8,055,058	\$1,917,052	\$16,659,644	\$3,480,956	\$11,856,835		\$76,034,734
					3,437,706		27,367,959
				1,438,298			1,438,298
6,115,324	57,673,533	12,875,272	107,522,255	186,947,468	200,602,908		831,160,057
			12,780,498	17,746,038			482,376,134
				281,326,533			281,326,533
4,190	33,695						748,470
<u>7,155,263</u>	<u>65,762,286</u>	<u>14,792,324</u>	<u>136,962,397</u>	<u>490,939,293</u>	<u>215,897,449</u>	<u>NONE</u>	<u>1,700,452,185</u>
<u>7,601,127</u>	<u>74,475,391</u>	<u>17,414,849</u>	<u>190,186,666</u>	<u>546,010,803</u>	<u>250,001,178</u>	<u>(\$74,620,387)</u>	<u>2,018,322,429</u>
12,773,294	46,189,467	21,926,988	204,293,352	917,261,448	99,078,843		1,930,800,125
5,229,315	3,372,078	6,437,246	31,954,770	16,246,067	65,928,593		217,017,384
1,049,732	8,375,463	1,828,411	19,651,219	31,081,881	45,942,303		321,643,216
<u>(5,143,960)</u>	<u>(40,906,727)</u>	<u>(13,070,653)</u>	<u>(4,418,405)</u>	<u>(412,903,652)</u>	<u>(35,355,817)</u>		<u>(639,330,138)</u>
<u>\$13,908,381</u>	<u>\$17,030,281</u>	<u>\$17,121,992</u>	<u>\$251,480,936</u>	<u>\$551,685,744</u>	<u>\$175,593,922</u>	<u>NONE</u>	<u>\$1,830,130,587</u>

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Revenues, Expenses,  
and Changes in Net Position, by University  
For the Fiscal Year Ended June 30, 2014**

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
<b>OPERATING REVENUES</b>					
Student tuition and fees			\$333,977,356	\$10,019,240	\$6,757,436
Less scholarship allowances			(58,342,892)	(1,954,012)	(1,837,680)
Net student tuition and fees	NONE	NONE	275,634,464	8,065,228	4,919,756
Federal appropriations					
Federal grants and contracts		\$22,878,936	83,579,355	131,446	522,259
State and local grants and contracts		4,680,061	35,592,631	666,746	469,826
Nongovernmental grants and contracts		7,939,470	24,257,531	129,784	22,000
Sales and services of educational departments		322,794	20,971,677	174,289	26,759
Hospital income					
Auxiliary enterprise revenues (including revenues pledged to secure debt)		19,868	182,764,378	2,374,357	3,289,903
Less scholarship allowances			(15,504,361)	(212,472)	(175,693)
Net auxiliary revenues	NONE	19,868	167,260,017	2,161,885	3,114,210
Other operating revenues	\$1,654,561	32,909	9,238,448	45,076	159,554
Total operating revenues	1,654,561	35,874,038	616,534,123	11,374,454	9,234,364
<b>OPERATING EXPENSES</b>					
Educational and general:					
Instruction			245,896,626	9,232,413	7,742,010
Research		35,711,672	133,574,826	25,076	740
Public service		2,395,492	31,325,102	14,460	11,674
Academic support		6,504,643	79,392,579	2,265,909	726,033
Student services			24,626,270	1,744,109	1,681,984
Institutional support	4,596,399	5,590,401	26,428,460	1,544,570	2,515,136
Operations and maintenance of plant	184,020	8,333,426	92,138,193	4,418,337	3,195,286
Scholarships and fellowships	2,500	4,954	19,715,062	2,287,649	2,935,470
Auxiliary enterprises		23,379	148,491,646	3,794,935	2,751,998
Hospital					
Total operating expenses	4,782,919	58,563,967	801,588,764	25,327,458	21,560,331
<b>OPERATING INCOME (LOSS)</b>	(3,128,358)	(22,689,929)	(185,054,641)	(13,953,004)	(12,325,967)
<b>NONOPERATING REVENUES (Expenses)</b>					
State appropriations	3,495,054	13,450,046	131,666,696	5,812,453	5,263,761
Gifts	3,425	2,359,212	21,858,447	611,452	167,854
Federal nonoperating revenues (expenses)			21,863,742	3,876,895	4,427,429
American Recovery and Reinvestment Act revenues					
Net investment income	479,878	474,863	22,799,857	140,036	67,791
Interest expense			(20,306,345)	(198,328)	(504,424)
Other nonoperating revenues (expenses)			(511,918)		
Net nonoperating revenues (expenses)	3,978,357	16,284,121	177,370,479	10,242,508	9,422,411

(Continued)

Schedule 3

Paul M. Hebert Law Center	Agricultural Center	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total System
\$15,724,903 (2,742,113)		\$17,628,940 (5,481,276)	\$41,419,574 (3,176,712)		\$13,806,865 (586,850)		\$439,334,314 (74,121,535)
12,982,790	NONE	12,147,664	38,242,862	NONE	13,220,015	NONE	365,212,779
	\$12,935,478						12,935,478
	7,526,969	1,183,577	36,308,625		9,140,250		161,271,417
	12,520,138	4,543,018	11,949,147		4,526,389	(\$4,230,572)	70,717,384
8,202	5,879,803	2,084,592	189,326,979		72,371,996		302,020,357
122,713	6,901,721	110,767	105,948,040		66,297,996	(84,223)	200,792,533
				\$207,523,612	188,522,577		396,046,189
		2,924,925 (418,184)	7,032,781		8,936,406	(23,249)	207,319,369 (16,310,710)
NONE	NONE	2,506,741	7,032,781	NONE	8,936,406	(23,249)	191,008,659
7,721	8,906,240	111,278	1,221,990		24,855		21,402,632
13,121,426	54,670,349	22,687,637	390,030,424	207,523,612	363,040,484	(4,338,044)	1,721,407,428
10,626,262		16,186,746	171,941,604		87,284,035		548,909,696
894,267	66,085,203	620,517	49,582,337		41,926,956		328,421,594
89,299	46,583,867	1,426,536	187,879,460		90,511,795		360,237,685
2,199,801	4,566,295	3,442,715	19,771,859		9,953,117		128,822,951
1,365,048		2,394,050	5,884,043		1,646,008		39,341,512
3,259,344	14,355,512	5,362,605	29,581,361		34,490,314		127,724,102
1,755,330	5,842,600	3,095,085	25,171,944		5,627,177		149,761,398
1,726,624	133,653	4,766,281	2,175,034		642,199		34,389,426
		3,135,583	6,781,744		9,064,832		174,044,117
			161,807	198,732,015	202,092,916	(4,338,044)	396,648,694
21,915,975	137,567,130	40,430,118	498,931,193	198,732,015	483,239,349	(4,338,044)	2,288,301,175
(8,794,549)	(82,896,781)	(17,742,481)	(108,900,769)	8,791,597	(120,198,865)	NONE	(566,893,747)
5,164,068	70,407,638	8,506,999	91,134,808	27,612,504	48,851,516		411,365,543
1,219,957	2,597,904	188,656	3,243,449		(25,630)		32,224,726
	4,288	5,276,623	(626,339)	22,724,580	65,577		57,612,795
				5,685,687			5,685,687
348,040	897,069	969,749	4,252,413	268,928	6,914,282		37,612,906
			(803,957)	(824,431)	(331,929)		(22,969,414)
	1,271,039		1,916,298	(108,647,259)	(2,984,674)		(108,956,514)
6,732,065	75,177,938	14,942,027	99,116,672	(53,179,991)	52,489,142	NONE	412,575,729

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Revenues, Expenses,  
and Changes in Net Position, by University  
June 30, 2014**

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>	\$849,999	(\$6,405,808)	(\$7,684,162)	(\$3,710,496)	(\$2,903,556)
Capital appropriations		1,353,929	4,730,127	157,546	857,937
Capital gifts and grants			26,308,126	115,091	10,720
Additions to permanent endowment			3,240,000		
Other additions (deductions)	3,817,164	40,153	2,650,565	78,210	16,401
Transfer (to)/from other system institution	(1,651,558)		1,651,558		
<b>CHANGE IN NET POSITION</b>	3,015,605	(5,011,726)	30,896,214	(3,359,649)	(2,018,498)
<b>NET POSITION - BEGINNING OF YEAR (Restated)</b>	40,162,318	78,792,191	624,512,547	19,631,498	16,688,831
<b>NET POSITION - END OF YEAR</b>	<u>\$43,177,923</u>	<u>\$73,780,465</u>	<u>\$655,408,761</u>	<u>\$16,271,849</u>	<u>\$14,670,333</u>

(Concluded)

**Schedule 3**

<u>Paul M. Hebert Law Center</u>	<u>Agricultural Center</u>	<u>LSU in Shreveport</u>	<u>LSU Health Sciences Center in New Orleans</u>	<u>Health Care Services Division</u>	<u>LSU Health Sciences Center in Shreveport</u>	<u>Eliminations</u>	<u>Total System</u>
(\$2,062,484)	(\$7,718,843)	(\$2,800,454)	(\$9,784,097)	(\$44,388,394)	(\$67,709,723)		(\$154,318,018)
	247		16,988,149	143,190,301	1,251,054		168,529,290
9,534	277,623				1,342,327		28,063,421
		124,240	(1,383,208)		1,590,000		3,571,032
213,876	91,343	(156,872)			(313,943)		6,436,897
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(1,839,074)	(7,349,630)	(2,833,086)	5,820,844	98,801,907	(63,840,285)	NONE	52,282,622
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
15,747,455	24,379,911	19,955,078	245,660,092	452,883,837	239,434,207	NONE	1,777,847,965
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$13,908,381</u>	<u>\$17,030,281</u>	<u>\$17,121,992</u>	<u>\$251,480,936</u>	<u>\$551,685,744</u>	<u>\$175,593,922</u>	<u>NONE</u>	<u>\$1,830,130,587</u>

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Cash Flows, by University  
For the Fiscal Year Ended June 30, 2014**

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Student tuition and fees			\$275,132,619	\$7,595,413	\$4,853,999
Federal appropriations					
Grants and contracts	\$69,020	\$41,877,498	133,010,361	1,054,689	938,988
Sales and services of educational departments		310,057	21,060,776	169,034	26,759
Hospital income					
Auxiliary enterprise receipts		17,707	168,181,351	2,208,070	3,075,285
Payments for employee compensation	(1,661,872)	(27,521,026)	(369,524,105)	(10,563,403)	(7,586,368)
Payments for benefits	(1,633,778)	(9,977,863)	(129,931,520)	(4,664,757)	(3,561,403)
Payments for utilities	(73,818)	(2,078,619)	(16,494,832)	(744,476)	(622,078)
Payments for supplies and services	(2,032,518)	(10,910,175)	(192,010,923)	(4,617,213)	(4,312,997)
Payments for scholarships and fellowships	(2,500)	(4,954)	(19,502,578)	(2,286,882)	(2,935,470)
Loans to students			(2,606,375)	(9,620)	
Collection of loans to students			2,023,472		(581)
Other receipts (payments)	1,600,002	19,467	10,381,868	43,416	169,986
Net cash used by operating activities	<u>(3,735,464)</u>	<u>(8,267,908)</u>	<u>(120,279,886)</u>	<u>(11,815,729)</u>	<u>(9,953,880)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
State appropriations	3,495,054	13,446,805	131,385,795	5,803,221	5,255,168
Gifts and grants for other than capital purposes	5,805	2,359,212	21,854,244	556,664	182,406
Private gifts for endowment purposes		(40,153)	(3,232,737)	(78,209)	(16,401)
Taylor Opportunity Program for Student receipts			80,403,717	1,695,856	961,058
Taylor Opportunity Program for Student disbursements			(80,403,717)	(1,691,123)	(961,058)
Federal Emergency Management Agency receipts			91,059		
Federal Emergency Management Agency disbursements			(210,146)		
American Recovery and Reinvestment Act receipts					
Direct lending receipts			117,363,326	6,022,524	6,066,961
Direct lending disbursements			(117,363,326)	(6,022,524)	(6,066,961)
Transfer (to)/from other system institutions	(1,651,558)		1,651,558		
Implicit loan (to)/from other campuses	(627,590)		774,598		
Other receipts (disbursements)			21,353,773	3,891,478	4,427,429
Net cash provided by noncapital financing activities	<u>1,221,711</u>	<u>15,765,864</u>	<u>173,668,144</u>	<u>10,177,887</u>	<u>9,848,602</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>					
Proceeds from capital debt					
Capital appropriations received					
Capital gifts and grants received			26,319,599	115,091	117,083
Proceeds from sale of capital assets			536,918		
Purchase of capital assets	(8,098)	(3,487,297)	(73,606,213)	(152,737)	(170,007)
Principal paid on capital debt and leases			(17,166,747)	(100,000)	(230,417)
Interest paid on capital debt and leases			(20,306,345)	(198,328)	(504,424)
Other sources (uses)	3,817,164	40,153	3,259,435	78,210	16,401
Net cash provided (used) by capital financing activities	<u>3,809,066</u>	<u>(3,447,144)</u>	<u>(80,963,353)</u>	<u>(257,764)</u>	<u>(771,364)</u>

(Continued)

Schedule 4

Paul M. Hebert Law Center	Agricultural Center	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total System
\$12,999,223		\$11,817,208	\$37,845,464		\$12,570,388		\$362,814,314
	\$12,650,354						12,650,354
	27,316,950	7,954,602	229,091,698		75,149,050	(\$4,230,572)	512,232,284
122,593	6,756,453	110,767	105,650,303		68,927,825	(84,223)	203,050,344
				\$250,855,724	186,229,699		437,085,423
		2,506,700	7,071,966		7,265,182	(23,249)	190,303,012
(10,933,431)	(66,851,384)	(17,761,696)	(275,308,233)	(74,661,171)	(250,465,925)		(1,112,838,614)
(3,839,808)	(30,589,880)	(7,138,610)	(64,339,339)	(40,510,864)	(68,993,297)		(365,181,119)
(504,189)	(2,374,893)	(771,510)	(10,369,561)	(2,833,316)	(8,501,743)		(45,369,035)
(3,698,436)	(27,479,266)	(7,253,650)	(122,680,116)	(335,993,793)	(143,582,763)	4,338,044	(850,233,806)
(1,758,250)	(133,653)	(4,781,089)	(1,742,457)		(642,199)		(33,790,032)
			(680,914)		(291,851)		(3,588,760)
			927,596		239,554		3,190,041
33,381	8,831,813	224,670	1,220,861		(739,591)		21,785,873
(7,578,917)	(71,873,506)	(15,092,608)	(93,312,732)	(203,143,420)	(122,835,671)	NONE	(667,889,721)
5,150,343	69,921,681	8,506,999	89,889,362	306,561,601	49,052,813		688,468,842
760,939	2,607,284	188,656	3,243,449		(25,630)		31,733,029
(213,876)	(143,040)	124,240			1,590,000		(2,010,176)
		3,057,314	1,387,453		67,368		87,572,766
		(3,057,314)	(1,360,087)		(67,368)		(87,540,667)
	9,500		86,269	26,082,717			26,269,545
	(5,212)		(33,490)	(3,358,137)			(3,606,985)
				5,685,687			5,685,687
			51,293,764		17,274,633		198,021,208
			(51,293,764)		(17,274,633)		(198,021,208)
		(147,008)					
	1,271,039	5,423,631	2,421,818	(108,159,119)	(1,509,366)		(70,879,317)
5,697,406	73,661,252	14,096,518	95,634,774	226,812,749	49,107,817	NONE	675,692,724
			12,780,498				12,780,498
	80,047						80,047
9,534	305,308				1,120,216		27,986,831
			5,000				541,918
(439,839)	(2,953,641)	(468,475)	(8,449,092)	(4,413,545)	(8,260,187)		(102,409,131)
			(12,365,000)	(1,425,755)	(1,497,845)		(32,785,764)
			(803,957)	(824,431)	(331,929)		(22,969,414)
213,876	91,343	(156,872)			21,438		7,381,148
(216,429)	(2,476,943)	(625,347)	(8,832,551)	(6,663,731)	(8,948,307)	NONE	(109,393,867)

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Cash Flows, by University  
For the Fiscal Year Ended June 30, 2014**

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
<b>CASH FLOWS FROM</b>					
<b>INVESTING ACTIVITIES:</b>					
Proceeds from sales and maturities of investments	\$10,072,491		\$102,795,382		\$35,843
Interest received on investments	264,070	\$95,766	12,380,824	\$85,706	54,048
Purchase of investments	(5,000,000)		(103,340,000)		
Net cash provided by investing activities	<u>5,336,561</u>	<u>95,766</u>	<u>11,836,206</u>	<u>85,706</u>	<u>89,891</u>
<b>NET INCREASE (Decrease) IN CASH AND CASH EQUIVALENTS</b>	6,631,874	4,146,578	(15,738,889)	(1,809,900)	(786,751)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>16,816,120</u>	<u>8,700,419</u>	<u>15,738,889</u>	<u>2,396,942</u>	<u>3,918,567</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>\$23,447,994</u>	<u>\$12,846,997</u>	<u>NONE</u>	<u>\$587,042</u>	<u>\$3,131,816</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	(\$3,128,358)	(\$22,689,929)	(\$185,054,641)	(\$13,953,004)	(\$12,325,967)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:					
Depreciation expense	50,131	5,309,100	45,682,986	1,298,185	1,307,195
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	93,335	234,099	(8,501,624)	(795,568)	(504,643)
(Increase) decrease in inventories		(20,025)	(10,353)	(276)	32,007
(Increase) decrease in prepaid expenses and advances		225	1,040,923		354
(Increase) decrease in notes receivable			(64,791)		3,918
(Increase) in other assets	(160,715)		(303,206)		
Increase (decrease) in accounts payable and accrued liabilities	(566,513)	(78,562)	(2,031,199)	(93,174)	(46,781)
Increase (decrease) in unearned revenue		6,124,254	(2,161,165)	484,804	325,442
Increase (decrease) in amounts held in custody for others	(32,110)		443,993	38,485	19,193
Increase (decrease) in compensated absences	(78,331)	310,674	1,425,464	17,576	26,249
Increase (decrease) in other postemployment benefits payable	(19,059)	2,542,256	27,994,659	1,187,243	1,209,153
Increase in other liabilities	106,156		1,259,068		
Net cash used by operating activities	<u>(\$3,735,464)</u>	<u>(\$8,267,908)</u>	<u>(\$120,279,886)</u>	<u>(\$11,815,729)</u>	<u>(\$9,953,880)</u>

(Continued)



Schedule 4

Paul M. Hebert Law Center	Agricultural Center	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
				\$966,406	\$101,261,680		\$215,131,802
\$177,712	\$834,315	\$969,749	\$3,477,753	268,928	2,459,588		21,068,459
		1,851,541		(375,000)	(91,317,122)		(198,180,581)
<u>177,712</u>	<u>834,315</u>	<u>2,821,290</u>	<u>3,477,753</u>	<u>860,334</u>	<u>12,404,146</u>	<u>NONE</u>	<u>38,019,680</u>
(1,920,228)	145,118	1,199,853	(3,032,756)	17,865,932	(70,272,015)		(63,571,184)
4,334,338	25,938,171		39,159,138	96,048,202	157,399,348		370,450,134
<u>\$2,414,110</u>	<u>\$26,083,289</u>	<u>\$1,199,853</u>	<u>\$36,126,382</u>	<u>\$113,914,134</u>	<u>\$87,127,333</u>	<u>NONE</u>	<u>\$306,878,950</u>
(\$8,794,549)	(\$82,896,781)	(\$17,742,481)	(\$108,900,769)	\$8,791,597	(\$120,198,865)		(\$566,893,747)
808,593	3,806,745	1,507,693	16,160,155	18,761,500	24,246,183		118,938,466
45,468	(541,629)	(314,260)	(18,359,924)	44,170,511	(32,934,202)		(17,408,437)
	(232,924)	(326,070)	(23,320)	141,038	11,847,736		11,407,813
(89,067)	(19,742)	7,387	431,333	(481)	(11,116,586)		(9,745,654)
			246,682	(377,654)	(52,297)		133,512
			(6,800)				(848,375)
(379,430)	157,270	(39,781)	2,705,966	(283,529,361)	(9,643,340)		(293,544,905)
(24,644)	1,507,824	105,480	2,798,150	29,930,418	10,409,921		49,500,484
12,250	(72,539)	35,268	(77,506)	(449,892)	(808,757)		(891,615)
71,245	345,135	(91,920)	(29,999)	(22,953,118)	(13,121,481)		(34,078,506)
767,027	6,069,128	1,766,076	11,743,300	2,372,022	18,536,017		74,167,822
4,190	4,007						1,373,421
<u>(\$7,578,917)</u>	<u>(\$71,873,506)</u>	<u>(\$15,092,608)</u>	<u>(\$93,312,732)</u>	<u>(\$203,143,420)</u>	<u>(\$122,835,671)</u>	<u>NONE</u>	<u>(\$667,889,721)</u>

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Cash Flows, by University  
For the Fiscal Year Ended June 30, 2014**

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>					
Cash and cash equivalents classified as current assets	\$22,005,388	\$12,719,985	(\$123,308,414)	(\$18,602)	\$2,803,128
Cash and cash equivalents classified as noncurrent assets	1,442,606	127,012	123,308,414	605,644	328,688
<b>Cash and cash equivalents at end of the year</b>	<u>\$23,447,994</u>	<u>\$12,846,997</u>	<u>NONE</u>	<u>\$587,042</u>	<u>\$3,131,816</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>					
Capital appropriations		\$1,353,929	\$4,730,127	\$157,546	\$857,937
Capital gifts and grants					

(Concluded)

Schedule 4

<u>Paul M. Hebert Law Center</u>	<u>Agricultural Center</u>	<u>LSU in Shreveport</u>	<u>LSU Health Sciences Center in New Orleans</u>	<u>LSU Health Care Services Division</u>	<u>LSU Health Sciences Center in Shreveport</u>	<u>Eliminations</u>	<u>Total</u>
\$1,211,068	\$19,052,054	\$870,683	\$36,126,382	\$87,154,293	\$75,566,427		\$134,182,392
1,203,042	7,031,235	329,170		26,759,841	11,560,906		172,696,558
<u>\$2,414,110</u>	<u>\$26,083,289</u>	<u>\$1,199,853</u>	<u>\$36,126,382</u>	<u>\$113,914,134</u>	<u>\$87,127,333</u>	<u>NONE</u>	<u>\$306,878,950</u>
			\$16,988,149	\$143,190,301	\$1,251,054 \$202,875		\$168,529,043 \$202,875

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

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

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

(Continued)

Schedule 5

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

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Net Position, by University  
June 30, 2013**

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

(Concluded)

Schedule 5

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

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

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

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

(Continued)



Schedule 6

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

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Revenues, Expenses,  
and Changes in Net Position, by University  
For the Fiscal Year Ended June 30, 2013**

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

(Concluded)

Schedule 6

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

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

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

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

(Continued)

Schedule 7

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

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

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

(Continued)

Schedule 7

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

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

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

(Concluded)



Schedule 7

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



OTHER REPORT REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*

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Exhibit A

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





LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

December 15, 2014

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

Independent Auditor's Report

**LOUISIANA STATE UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Louisiana State University System (System), a component unit of the state of Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 15, 2014. Our report was modified to include an emphasis of a matter paragraph regarding a change in the entity and a new accounting standard not yet effective.

Our report includes a reference to other auditors. We did not audit the financial statements of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries; the Eunice Student Housing Foundation, Inc.; and the Health Care Services Foundation and its subsidiary, which are nonprofit corporations included as blended component units in the basic financial statements of the System. We also did not audit the financial statements of the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Foundation in Shreveport, and The Foundation for the LSU Health Sciences Center, which are discretely presented component units presented in the basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Foundation in Shreveport, which were audited by other auditors, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

## **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

### **Failure to Report Construction Costs**

The Health Care Services Division (HCSD) failed to report approximately \$141.5 million in construction costs associated with the construction of the new University Medical Center in New Orleans during fiscal year 2014, resulting in a misclassification of assets and net position in HCSD's Annual Fiscal Report (AFR).

During fiscal year 2013, the funds were received and restricted for the purpose of construction on the new hospital. During fiscal year 2014, the restricted funds were expended by the Division of Administration's Office of Facility Planning and Control (OFPC) for construction but were not properly identified and capitalized (shown as capital assets) by HCSD in its AFR. After we brought this matter to HCSD management's attention, management immediately worked with OFPC to determine the \$141.5 million should have been capitalized, and an audit adjustment was made to correct the AFR.

Management should ensure that the report containing OFPC construction expenses is thoroughly reviewed to identify whether costs should be capitalized or expensed, and properly record those construction costs that meet HCSD's capitalization policy criteria in its AFR. Management concurred with the finding and provided a corrective action plan (see Appendix A).

## **Compliance and Other Matters**

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

## **HCSA's Response to Finding**

HCSA's response to the finding identified in this report is attached in Appendix A. HCSA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Other Reports**

Other external auditors audited the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries; the Eunice Student Housing Foundation, Inc.; and the Health Care Services Foundation and its subsidiary, which are blended component units included in the LSU System's basic financial statements for the year ended June 30, 2014. In addition, other external auditors audited the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Foundation in Shreveport, and The Foundation for the LSU Health Sciences Center, which are discretely presented component units included in the basic financial statements of the System. To obtain copies of those reports, refer to note 1-B to the basic financial statements for mailing addresses.

As a part of our audit of the LSU System's basic financial statements for the year ended June 30, 2014, we performed certain procedures on campuses within the System. Our reports on those procedures for those campuses are listed as follows:

<u>Campus</u>	<u>Audit Type</u>	<u>Issued</u>	<u>Finding Title</u>
LSU - Shreveport	Management Letter	October 14, 2014	None
LSU Health Sciences Center - New Orleans	Management Letter	November 26, 2014	Prohibited Activities within Auxiliary Enterprises; Inadequate Controls over Leave Records
LSU Health Sciences Center - Shreveport	Management Letter	November 26, 2014	None
LSU and Related Campuses	Management Letter	November 26, 2014	Improper Payments to Employees Based on Falsified Records; Inaccurate Federal Funding Accountability and Transparency Act Reporting - Research and Development Cluster
Health Care Services Division	Management Letter	December 3, 2014	Failure to Report Construction Costs

Those reports contain compliance and internal control findings, where applicable, relating to those entities. Management's responses are also included in those reports. Management's responses are not audited. Copies of those reports are available for public inspection at the Baton Rouge office of the Legislative Auditor, and those reports can also be found on the Internet at [www.lla.la.gov](http://www.lla.la.gov).

### **Purpose of This Report**

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

CST:JPT:EFS:THC:aa

LSU 2014



## APPENDIX A

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





October 28, 2014

Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Failure to Report Construction Costs

Dear Mr. Purpera:

The LSU Health System, Health Care Services Division (HCSD) concurs with the audit finding, Failure to Report Construction Costs, for the Fiscal Year Ended June 30, 2014.

Corrective Action Plan

HCSD will work with the Office of Facility Planning & Control (OFPC) in FY2015 and future years to identify all expenditures made by the OFPC on behalf of HCSD and properly record the expenditures in the Annual Financial Report in accordance with HCSD's capitalization policy criteria.

Person Responsible for Corrective Action Plan

Mark Robichaux, HCSD Comptroller, is the person responsible for the corrective action plan. If further information is needed, he may be contacted by phone at (225) 354-3771 or by e-mail at [mrobic2@lsuhsc.edu](mailto:mrobic2@lsuhsc.edu).

Sincerely,

A handwritten signature in blue ink, appearing to read "Lanette Buie".

Lanette Buie  
Deputy Chief Executive Officer