# LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
# LOUISIANA STATE UNIVERSITY SYSTEM
# A COMPONENT UNIT OF THE
# STATE OF LOUISIANA

INDEPENDENT ACCOUNTANT'S REVIEW REPORT
FOR THE YEAR ENDED JUNE 30, 2013
ISSUED FEBRUARY 26, 2014

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

February 5, 2014

Independent Accountant's Review Report

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA**
**LOUISIANA STATE UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**
Alexandria, Louisiana

We have reviewed the accompanying basic financial statements of the business-type activities of the Louisiana State University at Alexandria (LSU-A), a university within the Louisiana State University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2013. A review includes primarily applying analytical procedures to management's financial data and making inquiries of LSU-A management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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

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

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

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress for the Other Postemployment Benefits Plans on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information was not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion or provide any assurance on it.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The results of our review of the basic financial statements are not affected by this missing information.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

CST:JPT:EFS:THC:ch

LSU-A 2013

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA**
**LOUISIANA STATE UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**

**Statement of Net Position**
**June 30, 2013**

| | |
|---|---|
| **ASSETS** | |
| Current Assets: | |
| Cash and cash equivalents (note 2) | $1,702,140 |
| Investments (note 3) | 136,974 |
| Receivables (note 4) | 5,780,735 |
| Due from state treasury (note 14) | 11,062 |
| Due from federal government (note 4) | 12,075 |
| Inventories | 8,881 |
| Total current assets | 7,651,867 |
| Noncurrent Assets: | |
| Restricted Assets: | |
| Cash and cash equivalents (note 2) | 694,802 |
| Investments (note 3) | 1,791,108 |
| Capital assets, net (note 5) | 30,329,301 |
| Total noncurrent assets | 32,815,211 |
| **Total assets** | 40,467,078 |
| | |
| **LIABILITIES** | |
| Current Liabilities: | |
| Accounts payable and accrued liabilities (note 6) | 252,025 |
| Deferred revenues | 4,207,263 |
| Amounts held in custody for others | 76,689 |
| Compensated absences (notes 10 and 13) | 92,035 |
| Bonds payable (note 13) | 100,000 |
| Total current liabilities | 4,728,012 |
| | |
| Noncurrent Liabilities: | |
| Compensated absences (notes 10 and 13) | 716,675 |
| Other postemployment benefits payable (notes 8 and 13) | 11,672,510 |
| Bonds payable (note 13) | 3,700,000 |
| Total noncurrent liabilities | 16,089,185 |
| **Total liabilities** | 20,817,197 |

(Continued)

See accompanying notes and independent accountant's review report.

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

| | |
|---|---|
| **NET POSITION** | |
| Net investment in capital assets | $26,548,543 |
| Restricted for: | |
| Nonexpendable (note 15) | 1,717,379 |
| Expendable (note 15) | 1,641,581 |
| Unrestricted | (10,257,622) |
| **Total net position** | $19,649,881 |

(Concluded)

See accompanying notes and independent accountant's review report.

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA**
**LOUISIANA STATE UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**

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

| | |
|---|---|
| **OPERATING REVENUES** | |
| Student tuition and fees | $8,861,542 |
| Less scholarship allowances | (1,784,432) |
| Net student tuition and fees | 7,077,110 |
| Federal grants and contracts | 171,534 |
| State and local grants and contracts | 730,808 |
| Nongovernmental grants and contracts | 25,197 |
| Sales and services of educational departments | 133,812 |
| Auxiliary enterprise revenues (including revenues pledged to secure debt per note 20) | 2,042,226 |
| Less scholarship allowances | (159,410) |
| Net auxiliary revenues | 1,882,816 |
| Other operating revenues | 105,784 |
| **Total operating revenues** | 10,127,061 |
| | |
| **OPERATING EXPENSES** | |
| Educational and general: | |
| Instruction | 9,733,673 |
| Research | 4,800 |
| Public service | 12,095 |
| Academic support | 2,206,494 |
| Student services | 1,351,416 |
| Institutional support | 1,735,804 |
| Operation and maintenance of plant | 4,398,604 |
| Scholarships and fellowships | 2,795,708 |
| Auxiliary enterprises | 2,280,213 |
| **Total operating expenses** | 24,518,807 |
| | |
| **Operating Loss** | (14,391,746) |

(Continued)

See accompanying notes and independent accountant's review report.

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA**
**LOUISIANA STATE UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**
**Statement of Revenues, Expenses, and Changes in Net Position**
**For the Year Ended June 30, 2013**

| | |
|---|---|
| **NONOPERATING REVENUES (EXPENSES)** | |
| State appropriations | $6,609,153 |
| Gifts | 461,168 |
| Federal nonoperating revenues | 4,005,653 |
| Net investment income | 272,038 |
| Interest expense | (202,635) |
| Other nonoperating expenses | (129,029) |
| **Net nonoperating revenues** | 11,016,348 |
| **Loss Before Other Revenues, Expenses, Gains, and Losses** | (3,375,398) |
| Capital appropriations | 550,651 |
| Capital gifts and grants | 25,500 |
| Additions to permanent endowments | 80,000 |
| Other deductions, net | (37,428) |
| **Change in Net Position** | (2,756,675) |
| **Net Position at Beginning of Year, Restated (note 16)** | 22,406,556 |
| **Net Position at End of Year** | $19,649,881 |

(Concluded)

See accompanying notes and independent accountant's review report.

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA**
**LOUISIANA STATE UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**

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

| | |
|---|---|
| **Cash flows from operating activities:** | |
| Student tuition and fees | $7,093,758 |
| Grants and contracts | 829,028 |
| Sales and services of educational departments | 133,812 |
| Auxiliary enterprise receipts | 1,994,467 |
| Payments for employee compensation | (10,330,668) |
| Payments for benefits | (4,402,776) |
| Payments for utilities | (691,944) |
| Payments for supplies and services | (3,666,663) |
| Payments for scholarships and fellowships | (2,795,708) |
| Loans to students | 65,862 |
| Other receipts | 107,851 |
| Net cash used by operating activities | (11,662,981) |
| **Cash flows from noncapital financing activities:** | |
| State appropriations | 6,611,880 |
| Gifts and grants for other than capital purposes | 444,020 |
| Private gifts for endowment purposes | 37,428 |
| Taylor Opportunity Program for Students receipts | 1,451,871 |
| Taylor Opportunity Program for Students disbursements | (1,415,197) |
| Direct lending receipts | 5,905,238 |
| Direct lending disbursements | (5,905,238) |
| Other receipts | 3,876,624 |
| Net cash provided by noncapital financing activities | 11,006,626 |
| **Cash flows from capital financing activities:** | |
| Capital gifts and grants received | 24,908 |
| Proceeds from sale of capital assets | 129,029 |
| Purchase of capital assets | (200,980) |
| Principal paid on capital debt and leases | (100,000) |
| Interest paid on capital debt and leases | (202,635) |
| Other uses | (37,428) |
| Net cash used by capital financing activities | (387,106) |

(Continued)

See accompanying notes and independent accountant's review report.

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

| | |
|---|---|
| **Cash flows from investing activities:** | |
| Proceeds from sales and maturities of investments | $55,532 |
| Interest received on investments | 151,949 |
| Net cash provided by investing activities | 207,481 |
| **Net decrease in cash and cash equivalents** | (835,980) |
| **Cash and cash equivalents at the beginning of the year** | 3,232,922 |
| **Cash and cash equivalents at the end of the year** | $2,396,942 |
| **Reconciliation of operating loss to net cash used by operating activities:** | |
| Operating loss | ($14,391,746) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation expense | 1,412,098 |
| Changes in assets and liabilities: | |
| (Increase) in accounts receivable | (882,019) |
| (Increase) in inventories | (1,623) |
| Decrease in deferred charges and prepaid expenses | 493 |
| (Decrease) in accounts payable and accrued liabilities | (118,221) |
| Increase in deferred revenue | 978,059 |
| Increase in amounts held in custody for others | 6,874 |
| Increase in compensated absences | 50,322 |
| Increase in other postemployment benefits payable | 1,282,782 |
| Net cash used by operating activities | ($11,662,981) |
| **Reconciliation of cash and cash equivalents to the Statement of Net Position:** | |
| Cash and cash equivalents classified as current assets | $1,702,140 |
| Cash and cash equivalents classified as noncurrent assets | 694,802 |
| **Cash and cash equivalents at the end of the year** | $2,396,942 |
| **Schedule of Noncash Investing, Capital and Financing Activities:** | |
| Capital appropriations | $550,651 |

(Concluded)

See accompanying notes and independent accountant's review report.

# NOTES TO THE FINANCIAL STATEMENTS

**INTRODUCTION**

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

Student enrollment for LSU-A for the 2012 fall semester totaled 2,430. During fiscal year 2013, LSU-A had approximately 86 full-time and 52 part-time faculty members.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

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

**B. REPORTING ENTITY**

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

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

## C. BASIS OF ACCOUNTING

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

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

## D. BUDGET PRACTICES

The appropriations made for the General Fund of LSU-A 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 | $16,468,916 |
| Decreases: | |
| State General Fund | (168,000) |
| Final budget | $16,300,916 |

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

## E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and money market funds. All highly liquid investments with an original maturity of three months or less are considered cash equivalents. Under state law, LSU-A 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 of America.

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

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

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

## F. INVENTORIES

Inventories are valued at cost or replacement cost, except for livestock. These inventories are valued at current market prices. The university uses periodic and perpetual inventory systems and values its various other inventories using the first-in, first-out and weighted-average valuation methods. The university accounts for its inventories using the consumption method.

## G. NONCURRENT RESTRICTED ASSETS

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

## H. CAPITAL ASSETS

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

## I. DEFERRED REVENUES

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

## J. NONCURRENT LIABILITIES

Noncurrent liabilities include (1) principal amounts of revenue bonds payable; (2) estimated amounts for accrued compensated absences and other postemployment benefit liabilities that will not be paid within the next fiscal year; and (3) other liabilities that will not be paid within the next fiscal year.

## K. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. Faculty with 12-month appointments who have over 10 years of state service, nonclassified employees with over 10 years of state service, and classified employees regardless of years of state service accumulate leave without limitation. According to the university leave schedule, faculty with 12-month appointments who have less than 10 years of state service and nonclassified employees with less than 10 years of state service can only accumulate 176 hours of annual leave;

sick leave is accumulated without limitation. Effective January 1, 1994, academic and unclassified employees were given the opportunity to elect to remain under the university leave schedule or change to the Louisiana State Civil Service annual leave accrual schedule under which there is no limit on the accumulation of annual leave. Nine-month faculty members accrue sick leave but do not accrue annual leave; however, they are granted faculty leave during holiday periods when students are not in classes. Upon separation of employment, both classified and nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

## L. NET POSITION

LSU-A's net position is classified as follows:

(1) Net Investment in Capital Assets

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

(2) Restricted Net Position - Expendable

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

(3) Restricted Net Position - Nonexpendable

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

(4) Unrestricted Net Position

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

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

## M. CLASSIFICATION OF REVENUES

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

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

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

## N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

## O. ELIMINATING INTERFUND ACTIVITY

All activities among departments, campuses, and auxiliary units of LSU-A 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, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. LSU-A had no deferred outflows or deferred inflows at June 30, 2013.

## R. ACCOUNTING CHANGES

**Accounting Standards**

Four new GASB standards are being implemented this year.

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

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

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

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

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

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

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

## 2. CASH AND CASH EQUIVALENTS

At June 30, 2013, the university has cash and cash equivalents (allocated book balances) of $2,396,942 as follows:

| | |
|---|---|
| Demand deposits | $1,805,163 |
| Certificates of deposit | 276,598 |
| Open-end mutual fund | 315,181 |
| Total | $2,396,942 |

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

As of June 30, 2013, LSU-A's allocated share of collected bank balances is $5,427,514. These deposits are fully secured from risk by federal deposit insurance and pledged securities.

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

## 3. INVESTMENTS

At June 30, 2013, LSU-A has investments totaling $1,928,082.

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

A summary of LSU-A's investments follows:

| | Investments | Carrying Value |
|---|---|---|
| Type of investment: | | |
| Money market mutual funds | 1% | $19,242 |
| Investments held through foundations | 99% | 1,908,840 |
| Total investments | | $1,928,082 |

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. LSU-A is not exposed to interest rate risk at June 30, 2013.

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

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

| Rating Agency Used | Rating | Fair Value |
|---|---|---|
| | Unrated | $1,908,840 |
| S&P | AAAm | 19,242 |
| Total | | $1,928,082 |

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

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

The open-end mutual fund amount of $315,181 included in cash and cash equivalents consists of $1,670 invested in JPMorgan U.S. Government Plus Money Market Fund, $459 invested in JPMorgan U.S. Treasury Plus Money Market Fund, and $313,052 in the Dreyfus Cash Management fund. The holdings for the JP Morgan Treasury Money Market Fund and the

JPMorgan U.S. Government Money Market Fund consist primarily of short-term U.S. Treasury and U.S. government agency securities, including repurchase agreements collateralized fully by U.S. Treasury and government agency securities. These funds all minimize interest rate risk with the purchase of short-term securities.

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.

## 4. RECEIVABLES

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

| | Receivables |
|---|---|
| Student tuition and fees | $5,261,840 |
| Auxiliary enterprises | 177,947 |
| Contributions and gifts | 30,725 |
| State and private grants and contracts | 208,484 |
| Sales and services/other | 101,739 |
| Total | $5,780,735 |

| | |
|---|---|
| Due from federal government: | |
| Federal grants | $1,817 |
| Other federal receivables | 10,258 |
| Total due from federal government | $12,075 |

## 5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

| | Balance June 30, 2012 | Prior Period Adjustment | Restated Balance June 30, 2012 | Additions | Transfers | Retirements | Balance June 30, 2013 |
|---|---|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | | | |
| Land | $100,000 | $193,400 | $293,400 | | | | $293,400 |
| Construction-in-progress | | 115,656 | 115,656 | | ($115,656) | | |
| Total capital assets not being depreciated | $100,000 | $309,056 | $409,056 | NONE | ($115,656) | NONE | $293,400 |
| Other capital assets: | | | | | | | |
| Infrastructure | $4,160,312 | | $4,160,312 | | | | $4,160,312 |
| Less accumulated depreciation | (615,320) | | (615,320) | ($104,007) | | | (719,327) |
| Total infrastructure | 3,544,992 | NONE | 3,544,992 | (104,007) | NONE | NONE | 3,440,985 |
| Land improvements | 4,462,817 | | 4,462,817 | 502,090 | $115,656 | | 5,080,563 |
| Less accumulated depreciation | (2,616,048) | | (2,616,048) | (150,082) | | | (2,766,130) |
| Total land improvements | 1,846,769 | NONE | 1,846,769 | 352,008 | 115,656 | NONE | 2,314,433 |
| Buildings | 35,934,480 | | 35,934,480 | 104,093 | | ($266,311) | 35,772,262 |
| Less accumulated depreciation | (11,647,302) | | (11,647,302) | (799,814) | | 137,282 | (12,309,834) |
| Total buildings | 24,287,178 | NONE | 24,287,178 | (695,721) | NONE | (129,029) | 23,462,428 |
| Equipment (including library books) | 6,587,819 | $432,414 | 7,020,233 | 148,405 | | (151,625) | 7,017,013 |
| Less accumulated depreciation | (5,992,391) | 3 | (5,992,388) | (358,195) | | 151,625 | (6,198,958) |
| Total equipment | 595,428 | 432,417 | 1,027,845 | (209,790) | NONE | NONE | 818,055 |
| Total other capital assets | $30,274,367 | $432,417 | $30,706,784 | ($657,510) | $115,656 | ($129,029) | $30,035,901 |
| Capital asset summary: | | | | | | | |
| Capital assets not being depreciated | $100,000 | $309,056 | $409,056 | NONE | ($115,656) | NONE | $293,400 |
| Other capital assets, at cost | 51,145,428 | 432,414 | 51,577,842 | $754,588 | 115,656 | ($417,936) | 52,030,150 |
| Total cost of capital assets | 51,245,428 | 741,470 | 51,986,898 | 754,588 | | (417,936) | 52,323,550 |
| Less accumulated depreciation | (20,871,061) | 3 | (20,871,058) | (1,412,098) | NONE | 288,907 | (21,994,249) |
| Capital assets, net | $30,374,367 | $741,473 | $31,115,840 | ($657,510) | NONE | ($129,029) | $30,329,301 |

## 6. DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

| Activity | Amount |
|---|---|
| Vendors | $249,282 |
| Other payables | 2,743 |
| Total | $252,025 |

## 7. PENSION PLANS

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

*Funding Policy.* The contribution requirements of employee plan members and the university system are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. For fiscal year 2013, employees contribute 8% (TRSL) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. For fiscal year 2013, the state contributed 24.4% of covered salaries to TRSL and 29.1% of covered salaries to LASERS. The employer contribution is funded by the State of Louisiana through the annual appropriation to the university system. The employer contributions to TRSL for the years ended June 30, 2013, 2012, and 2011, were $1,106,000; $1,105,982; and $938,129, respectively, and to LASERS for the years ended June 30, 2013, 2012, and 2011, were $624,081; $526,832; and $480,787, respectively, equal to the required contributions for each year.

**Optional Retirement System**

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

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

Total contributions by the university are 24.4% of the covered payroll. The participant's contribution (8.0%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the System. Benefits payable to participants are not the obligations of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $642,459 and $210,642, respectively, for the year ended June 30, 2013.

## 8. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

LSU-A 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**

<u>LSU System Health Plan</u> (Health Plan)

The LSU System (System) administers and offers eligible employees, retirees, and their beneficiaries the opportunity to participate in comprehensive health and preventive care coverage under its Health Plan that gives members a unique, consumer-driven health-care approach to pay routine health expenses and provides coverage for major health care expenses. Within the Health Plan, members have a choice of selecting Option 1 or Option 2. Option 1, shown in the schedule of total monthly premium rates on page 24, is more costly, but features both lower yearly deductibles and out-of-network coinsurance requirements.

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

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

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

State OGB Plan

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

**Funding Policy**

LSU System Health Plan

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

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

State OGB Plan

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

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

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

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

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

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

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

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

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

Annual OPEB Cost and Net OPEB Obligation

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

| | LSU System Health Plan | State OGB Plan | Total |
|---|---|---|---|
| Annual required contribution (ARC) | $467,506 | $1,387,983 | $1,855,489 |
| Interest on Net OPEB Obligation (NOO) | 70,482 | 350,200 | 420,682 |
| ARC adjustment | (59,658) | (334,500) | (394,158) |
| Annual OPEB cost | 478,330 | 1,403,683 | 1,882,013 |
| Employer contributions | (87,392) | (511,839) | (599,231) |
| Increase in net OPEB obligation | 390,938 | 891,844 | 1,282,782 |
| Net OPEB obligation - beginning of year | 1,635,937 | 8,753,791 | 10,389,728 |
| Net OPEB obligation - end of year | $2,026,875 | $9,645,635 | $11,672,510 |

Funding Trend

| | LSU System Health Plan | | | State OGB Plan | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| OPEB cost | $478,330 | $445,652 | $430,350 | $1,403,683 | $1,454,816 | $1,837,768 |
| Percent contributed | 18.27% | 19.29% | 16.39% | 36.46% | 36.89% | 26.33% |
| Ending NOO | $2,026,875 | $1,635,937 | $1,276,264 | $9,645,635 | $8,753,791 | $7,835,693 |

Funded Status and Funding Progress

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

See independent accountant's review report.

| | LSU System Health Plan | State OGB Plan |
|---|---|---|
| Actuarial accrued liability (AAL) | $4,705,240 | $21,661,325 |
| Actuarial value of plan assets | NONE | NONE |
| Unfunded actuarial accrued liability (UAAL) | $4,705,240 | $21,661,325 |
| Funded ratio (actuarial value of plan assets/AAL) | 0% | 0% |
| Annual covered payroll (active plan members) | $2,828,336 | $4,552,944 |
| UAAL as a percentage of covered payroll | 166.4% | 475.8% |

Actuarial Methods and Assumptions

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

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

A summary of the actuarial assumptions are presented as follows:

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

See independent accountant's review report.

## 9. CONTINGENT LIABILITIES, RISK MANAGEMENT, AND CLAIMS LIABILITY

Losses arising from judgments, claims, and similar contingencies are paid by either private insurance companies or through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. LSU-A is not involved in any lawsuits at June 30, 2013.

## 10. COMPENSATED ABSENCES

At June 30, 2013, employees of the university have accumulated and vested annual, sick, and compensatory leave benefits of $517,718; $284,097; and $6,895, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

## 11. OPERATING LEASES

For the year ended June 30, 2013, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed is $81,446. The following is a schedule by years of future minimum annual rental payments required under operating leases that have initial or non-cancellable lease terms in excess of one year as of June 30, 2013:

| Nature of Operating Lease | Fiscal Year 2014 | Fiscal Year 2015 | Fiscal Year 2016 | Total Minimum Payments Required |
|---|---|---|---|---|
| Equipment | $13,318 | $4,410 | $1,080 | $18,808 |
| Total | $13,318 | $4,410 | $1,080 | $18,808 |

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.

## 12. LESSOR LEASES

LSU-A's leasing operations consist primarily of leasing property for the purposes of providing housing, food services, and other amenities to students.

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

| Nature of Lease | Cost | Accumulated Depreciation | Carrying Amount |
|---|---|---|---|
| Office space | $113,817 | ($20,290) | $93,527 |
| Total | $113,817 | ($20,290) | $93,527 |

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

| | Nature of Lease | | |
|---|---|---|---|
| Fiscal Year Ending June 30, | Office Space | Land | Total |
| 2014 | $6,000 | $15,120 | $21,120 |
| 2015 | 6,000 | 15,120 | 21,120 |
| 2016 | 5,500 | 15,120 | 20,620 |
| 2017 | | 3,870 | 3,870 |
| 2018 | | 120 | 120 |
| 2019-2023 | | 600 | 600 |
| 2024-2028 | | 600 | 600 |
| 2029-2033 | | 600 | 600 |
| 2034-2038 | | 600 | 600 |
| 2039-2043 | | 600 | 600 |
| 2044-2048 | | 300 | 300 |
| 2049-2053 | | 100 | 100 |
| 2054-2058 | | 100 | 100 |
| 2059-2063 | | 100 | 100 |
| 2064-2068 | | 100 | 100 |
| 2069-2073 | | 70 | 70 |
| 2074-2078 | | 50 | 50 |
| 2079-2083 | | 50 | 50 |
| 2084-2088 | | 50 | 50 |
| 2089-2093 | | 10 | 10 |
| Total | $17,500 | $53,280 | $70,780 |

## 13. LONG-TERM LIABILITIES

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

See independent accountant's review report.

| | Restated Balance June 30, 2012 | Additions | Reductions | Balance June 30, 2013 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable | $3,900,000 | | $100,000 | $3,800,000 | $100,000 |
| Compensated absences payable | 758,388 | $305,364 | 255,042 | 808,710 | 92,035 |
| OPEB payable | 10,389,728 | 1,882,013 | 599,231 | 11,672,510 | |
| Total | $15,048,116 | $2,187,377 | $954,273 | $16,281,220 | $192,035 |

**Bonds Payable**

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

| Issue | Date of Issue | Original Issue | Outstanding July 1, 2012 | Redeemed/Issued | Outstanding June 30, 2013 | Maturities | Interest Rates | Future Interest Payments June 30, 2013 |
|---|---|---|---|---|---|---|---|---|
| **LSU at Alexandria** | | | | | | | | |
| 2008 Auxiliary Revenue Bonds | March 18, 2008 | $4,200,000 | $3,900,000 | ($100,000) | $3,800,000 | 2014-2034 | 4.0% to 5.5% | $2,572,119 |

**Debt Service Requirements**

The annual requirements to amortize all university bonds outstanding at June 30, 2013, are presented in the following schedule.

See independent accountant’s review report.

| Fiscal Year Ending | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $100,000 | $198,325 | $298,325 |
| 2015 | 100,000 | 194,138 | 294,138 |
| 2016 | 100,000 | 190,075 | 290,075 |
| 2017 | 125,000 | 185,356 | 310,356 |
| 2018 | 125,000 | 179,575 | 304,575 |
| 2019 | 135,000 | 173,008 | 308,008 |
| 2020 | 140,000 | 165,995 | 305,995 |
| 2021 | 145,000 | 158,728 | 303,728 |
| 2022 | 155,000 | 151,078 | 306,078 |
| 2023 | 165,000 | 142,588 | 307,588 |
| 2024 | 175,000 | 133,238 | 308,238 |
| 2025 | 180,000 | 123,475 | 303,475 |
| 2026 | 190,000 | 113,300 | 303,300 |
| 2027 | 200,000 | 102,575 | 302,575 |
| 2028 | 215,000 | 91,163 | 306,163 |
| 2029 | 225,000 | 79,063 | 304,063 |
| 2030 | 235,000 | 66,413 | 301,413 |
| 2031 | 250,000 | 53,075 | 303,075 |
| 2032 | 265,000 | 38,913 | 303,913 |
| 2033 | 280,000 | 23,925 | 303,925 |
| 2034 | 295,000 | 8,113 | 303,113 |
| Total | $3,800,000 | $2,572,119 | $6,372,119 |

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

| Bond Issue | Cash/ Investment Reserves Available | Reserve Requirement | Excess |
|---|---|---|---|
| Auxiliary Plant: | | | |
| LSU-A | $313,055 | $313,050 | $5 |
| Total | $313,055 | $313,050 | $5 |

## 14. DUE FROM STATE TREASURY

As shown on Statement A, the university has a total of $11,062 due from the state treasury at June 30, 2013. This amount consists of the following:

| Description | Due from |
|---|---|
| Statutory dedications - Support Education in Louisiana First | $11,062 |
| Total due from state treasury | $11,062 |

## 15. RESTRICTED NET POSITION

The university's restricted nonexpendable net position of $1,717,379 as of June 30, 2013, is comprised entirely of endowment funds.

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

**Restricted Expendable Net Position**

| Account Title | Amount |
|---|---|
| Student fees | $325,861 |
| Grants and contracts | 13,243 |
| Gifts | 165,805 |
| Endowment earnings | 240,209 |
| Auxiliary enterprises | 433,748 |
| Student loan funds | 11,438 |
| Capital construction | 138,222 |
| Debt service | 313,055 |
| Total | $1,641,581 |

Of the total restricted net position reported on Statement A for the year ended June 30, 2013, a total of $93,731 is restricted by enabling legislation.

## 16. RESTATEMENT OF BEGINNING NET POSITION

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

| | |
|---|---|
| **Net position at June 30, 2012** | $21,630,093 |
| Correct cost and accumulated depreciation for movable equipment acquired prior to FY13 | 432,417 |
| LSU-Alexandria facility capitalization | 309,056 |
| Compensated absences liability | 34,990 |
| **Net position at June 30, 2012, as restated** | $22,406,556 |

See independent accountant's review report.

## 17. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

| Function | Employee Compensation | Benefits | Utilities | Supplies and Services | Scholarships and Fellowships | Depreciation | Compensated Absences | OPEB Expense | Total |
|---|---|---|---|---|---|---|---|---|---|
| Instruction | $5,588,702 | $2,477,995 | | $729,753 | | $242,995 | $44,096 | $650,132 | $9,733,673 |
| Research | 1,480 | 329 | | 1,824 | | | | 1,167 | 4,800 |
| Public service | 3,900 | 755 | | 7,183 | | | | 257 | 12,095 |
| Academic support | 1,046,619 | 401,587 | $69,767 | 227,386 | | 46,239 | 42,319 | 372,577 | 2,206,494 |
| Student services | 771,773 | 299,236 | 1,245 | 275,466 | | 11,793 | 1,298 | (9,395) | 1,351,416 |
| Institutional support | 1,107,557 | 477,147 | | 294,196 | | 14,807 | (33,057) | (124,846) | 1,735,804 |
| Operations and maintenance of plant | 998,546 | 461,290 | 541,123 | 1,164,249 | | 1,069,364 | 5,700 | 158,332 | 4,398,604 |
| Scholarships and fellowships | | | | | $2,795,708 | | | | 2,795,708 |
| Auxiliary enterprises | 803,808 | 284,437 | 79,809 | 860,735 | | 26,900 | (10,034) | 234,558 | 2,280,213 |
| Total operating expenses | $10,322,385 | $4,402,776 | $691,944 | $3,560,792 | $2,795,708 | $1,412,098 | $50,322 | $1,282,782 | $24,518,807 |

## 18. FOUNDATIONS

Foundations are included as discretely presented component units if 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. The accompanying financial statements do not include the accounts of the following foundation, which does not meet the criteria for discretely presented component units:

- LSU at Alexandria Foundation

This foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants.

## 19. DEFERRED COMPENSATION PLAN

Certain employees of LSU-A 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.

## 20. REVENUE USED AS SECURITY FOR REVENUE BONDS

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

LSU-A has pledged future auxiliary revenues of approximately $6,372,119 to secure outstanding debt of $4,200,000 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-A have been pledged to secure the debt, which is payable through 2034. Pledged auxiliary revenues recognized during the period were $1,048,146. Required principal and interest payments for the current year on the bonds were $302,635.

## 21. SUBSEQUENT EVENTS

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

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

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

## 22. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, is effective to the university for the fiscal 2015 year. This standard will require, among other things, the university recognize a liability for its proportionate share of the net pension liability, as defined by the standard, of the defined benefit pension plans presented in note 7. The impact to the university’s net position is expected to be significant.

# SCHEDULE

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

The schedule of funding progress is required supplementary information that presents certain specific data regarding the funding progress of the other postemployment benefits plans, including the unfunded actuarial accrued liability.

# LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
# LOUISIANA STATE UNIVERSITY SYSTEM
# STATE OF LOUISIANA

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

### LSU System Health Plan

| | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Unit Credit Method (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|---|
| FY 2011 | 7/1/2010 | NONE | $3,414,400 | $3,414,400 | 0.00% | $3,027,526 | 112.8% |
| FY 2012 | 7/1/2011 | NONE | $3,940,760 | $3,940,760 | 0.00% | $2,365,069 | 166.6% |
| FY 2013 | 7/1/2012 | NONE | $4,705,240 | $4,705,240 | 0.00% | $2,828,336 | 166.4% |

### State Office of Group Benefits Plan

| | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Unit Credit Method (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|---|
| FY 2011 | 7/1/2010 | NONE | $26,654,866 | $26,654,866 | 0.00% | $4,580,495 | 581.9% |
| FY 2012 | 7/1/2011 | NONE | $21,463,169 | $21,463,169 | 0.00% | $4,163,159 | 515.6% |
| FY 2013 | 7/1/2012 | NONE | $21,661,325 | $21,661,325 | 0.00% | $4,552,944 | 475.8% |

See independent accountant's review report.

# EXHIBIT A

Management Letter

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

February 5, 2014

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

We have reviewed the financial statements of the Louisiana State University at Alexandria (LSU-A), as of and for the year ended June 30, 2013, and have issued our independent accountant's review report thereon dated February 5, 2014. LSU-A is a university within the Louisiana State University System, a component unit of the State of Louisiana. LSU-A's accounts are an integral part of the Louisiana State University System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our independent accountant's review report referred to previously.

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

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

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

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WWW.LLA.LA.GOV • PHONE: 225-339-3800 • FAX: 225-339-3870

**Inadequate Controls over Capital Asset Valuation**

Louisiana State University and Related Campuses (LSU), which includes LSU-A, did not ensure that all costs had been accurately reflected in the valuation of movable property in its Equipment Records Inventory (ERI) System.

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

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

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

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

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

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

CST:JPT:EFS:THC:ch

LSU-A 2013

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

LOUISIANA STATE UNIVERSITY

Office of the Chancellor

October 28, 2013

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

Dear Mr. Purpera:

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

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

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

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

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

Sincerely,

F. King Alexander

F. King Alexander
President and Chancellor