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

FINANCIAL STATEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2012
ISSUED FEBRUARY 20, 2013

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EXECUTIVE SUMMARY

We conducted a financial statement audit of the Louisiana State University System (System) for the year ended June 30, 2012, as a part of the Single Audit of the State of Louisiana and to provide accountability over public funds for the period July 1, 2011, through June 30, 2012.

We tested controls, compliance, and financial reporting for certain accounts such as cash, investments, capital assets, bonds payable, other postemployment benefits, tuition and fees, hospital income, grants and contracts, state appropriations, education and general expenses, and hospital expenses. Our procedures disclosed the following:

- Based on our audit and the reports of other auditors, the System's financial statements are fairly stated and we found no material weaknesses in controls or violation of laws that are required to be reported at the System level. Campus findings are reported separately.

- Pursuant to Act 419 of the 2011 Regular Legislative Session, the University of New Orleans (UNO) was transferred to the University of Louisiana System. This transfer is accounted for as a change in accounting entity. Accordingly, all transactions and balances of UNO for the fiscal year ended June 30, 2012, are excluded from these financial statements, and all beginning balances have been restated.

- Management represented to us that exclusive of the impact of the transfer of UNO, factors contributing to the loss of faculty include nationwide demand for faculty with highly competitive salaries, lack of salary raises for the past four years, and attrition.

- Operating expenses continue to decline in response to decreasing state and federal revenues.

This report is a public report and has been distributed to public officials. We appreciate the System's assistance in the successful completion of our work.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 30, 2013

Independent Auditor's Report

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Louisiana State University (LSU) System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of LSU System's management. 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 2.0% of total assets, 2.5% of total liabilities, 2.8% of total revenues, and 2.6% of total expenses of the LSU System. We also did not audit the financial statements of the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Center Foundation in Shreveport, and The Foundation for the LSU Health Sciences Center, which are all of the discretely presented component units presented in the basic financial statements of the LSU System. The financial statements of the blended and discretely presented component units were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these component units, are based 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 of material misstatement. The financial statements of the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Center Foundation in Shreveport were audited in accordance with standards generally accepted in the United States of America but were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to previously 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, 2012, and the respective changes in financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 28 to the basic financial statements, the University of New Orleans (UNO), along with the discretely presented component unit, UNO Research and Technology Foundation, was transferred from the Louisiana State University (LSU) System to the University of Louisiana System, for the fiscal year ended June 30, 2012. In addition, The Foundation for the LSU Health Sciences Center and the LSU Health Sciences Foundation in Shreveport meet the requirements for inclusion in the LSU System's financial statements as discretely presented component units. As discussed in note 17 to the basic financial statements, the effect of removing UNO is a decrease of $143,815,201 in beginning net assets for the LSU System. The effect of removing UNO Research and Technology Foundation is a decrease of $73,820,736 in beginning net assets for the discretely presented component units, and the effect of including The Foundation for the LSU Health Sciences Center and the LSU Health Sciences Foundation in Shreveport is an increase of $83,478,642 and $100,245,361, respectively, in beginning net assets for the discretely presented component units. These changes affect the comparability of amounts reported for the year ended June 30, 2012, with amounts reported for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, on our consideration of 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 16 and the Schedule of Funding Progress for the Other Postemployment Benefits Plans on page 80 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LSU System's basic financial statements. The accompanying supplementary information schedules including the Combining Schedule of Net Assets; the Combining Schedule of Revenues, Expenses, and Changes in Net Assets; and the Combining Schedule of Cash Flows on pages 82 through 93 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the reports of the other auditors, the supplementary information listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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LSU 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following discussion and analysis has been prepared by management and is written to provide an overview of the financial position and activities of the Louisiana State University System (System) for the year ended June 30, 2012. 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 Statement 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 their total assets equal 3% or more of the total assets of the university system they support. A component unit that falls below this threshold may be excluded if it has been included in the financial report for at least three consecutive years and currently does not meet the reporting threshold.

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

In fiscal year 2011-2012, pursuant to Act 419 of the 2011 Regular Legislative Session, the LSU System was directed to immediately transfer all assets, funds, facilities, property, obligations, liabilities, programs, and functions of the University of New Orleans (UNO) to the University of Louisiana System. UNO, as well as the UNO Research and Technology Foundation, which had been a discretely presented component unit of the LSU System, has been removed from the beginning balances in the LSU System 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 (exclusive of UNO) during the fall 2011 semester was 43,522, which was relatively stable from the 43,593 (restated) reported in the previous year.

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

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

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

FINANCIAL HIGHLIGHTS

GENERAL

Total operating revenues decreased from the prior fiscal year by approximately $6 million, while operating expenses declined by approximately $86 million, thereby decreasing the operating loss by $80 million. The operating loss restated for fiscal 2011 was $844 million; the operating loss for fiscal 2012 was $764 million.

Since the change in operating revenue over last year was minimal, the decrease in operating loss can be largely attributed to the decrease in operating expenditures of $86 million. The main decrease in operating expenditures occurred at the Health Care Services Division hospitals because of budget reduction measures and contract reductions resulting from Low Income and Needy Care Collaborative Agreement programs offset by a large increase in expenditures for the LSU System Patient Electronic Health Information and Care Network project, which is a major effort to transition patients physical records to digital records. These expenses facilitate widespread availability of common medical records enabling much more effective utilization of health care resources within LSU Health network of clinics and hospitals, permitting the implementation of fully coordinated care for the more than 500,000 patients treated each year.

In addition, LSU Health patient revenues, cost reports, and uncompensated care settlements were all down due to Medicaid inpatient per diem reductions, outpatient rate reductions, and other changes in federal reimbursement regulations. The increase in tuition and fee revenue is attributable to the LA Granting Resources and Autonomy for Diplomas Act. In exchange for a commitment to meet clearly defined statewide performance goals, including boosting graduation rates, the universities were given increased autonomy and flexibility including authority to increase tuition and fees by up to 10%.

If you include nonoperating revenues and expenses, the System shows a loss before other revenues, expenses, gains, and losses of $216 million for fiscal year 2011-2012. This represents a significant change from the $108 million restated loss posted in the previous year. The majority of the loss can be attributable to nonoperating revenue which decreased by approximately $188 million. This decrease is mainly attributable to the loss of the Federal American Recovery and Reinvestment Act State Fiscal Stabilization Funds and the loss of one-time additional state appropriations that were provided in FY 2011 so that self-generated funds could be carried over to FY 2012. In addition, the transfer of approximately $55 million of uncompensated care and Medicaid cost report settlement liabilities to the Louisiana Department of Health and Hospitals during the fiscal year 2011-2012 as certified public expenditures contributed to the loss. Thus, overall net assets, which represent the residual interest in the System's assets after liabilities are deducted, decreased by $27 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 Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; 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 Assets 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 assets 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 assets can be useful in assessing whether its financial health is improving. Other non-financial 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 ASSETS

Net assets are divided into three major categories.

> Invested in capital assets, net of related debt represents the university system's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to acquisition, construction, or improvement of those capital assets.
>
> Restricted net assets represent the university system's assets that are available for spending only as legally or contractually obligated by legislative requirements, donor agreements, grant requirements, etc.

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

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

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

Current assets total $1.2 billion and consist primarily of cash and cash equivalents, net receivables, investments, amounts due from federal government, and inventories. Current liabilities total $375 million and consist mainly of accounts payable and accrued liabilities, deferred revenues, amounts due to state treasury as a result of seed funding for LSU Health, notes payable, the current portion of bonds payable, capital lease obligations, and a contingent amount for compensated absences.

Noncurrent assets total $2.2 billion and include capital assets of $1.8 billion. Other noncurrent assets include cash and investments that are externally restricted to make debt service payments or to maintain sinking or reserve funds that total $426 million.

Noncurrent liabilities total $1.2 billion and include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; (3) the other postemployment benefits (OPEB) liability; and (4) other liabilities that while scheduled to be paid within one year are to be paid from funds classified as noncurrent assets.

Restricted nonexpendable net assets total $188 million and consist of endowment and similar type funds, which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained intact and invested for the purpose of producing income that may either be expended or added to principal.

Restricted expendable net assets total $308 million and include 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 assets at June 30, 2012, and June 30, 2011, (restated) is shown on the following page.

Statement of Net Assets

	As of			
	June 30, 2012	June 30, 2011 (Restated)	Change	Percentage Change
Assets:				
Current assets	$1,193,732,089	$1,262,475,979	($68,743,890)	(5.4%)
Capital assets	1,805,636,213	1,638,298,896	167,337,317	10.2%
Other assets	426,224,216	422,437,191	3,787,025	0.9%
Total Assets	3,425,592,518	3,323,212,066	102,380,452	3.1%
Liabilities:				
Current liabilities	374,931,401	320,928,384	54,003,017	16.8%
Noncurrent liabilities	1,237,429,682	1,161,897,233	75,532,449	6.5%
Total Liabilities	1,612,361,083	1,482,825,617	129,535,466	8.7%
Net Assets:				
Invested in capital assets, net of related debt	1,414,211,669	1,274,093,443	140,118,226	11.0%
Restricted - nonexpendable	187,886,937	185,642,672	2,244,265	1.2%
Restricted - expendable	307,763,199	301,284,525	6,478,674	2.2%
Unrestricted	(96,630,370)	79,365,809	(175,996,179)	(221.8%)
Total Net Assets	$1,813,231,435	$1,840,386,449	($27,155,014)	(1.5%)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

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

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

The consolidated Statement of Revenues, Expenses, and Changes in Net Assets at June 30, 2012, for the System indicates a net operating loss of $764 million determined without including state appropriations, gifts, or investment earnings and before subtracting interest expenses on debt. As mentioned earlier, the net operating loss decreased from the prior year by $80 million.

While operating revenues only decreased by $6 million, operating expenses decreased by $86 million. Major changes in operating revenues and operating expenses are identified in the paragraphs that follow.

After including nonoperating revenues such as state appropriations ($512 million), gifts ($41 million), investment income ($47 million), and after subtracting interest expense ($23 million) and other nonoperating expenses, the System had a loss before other revenues, expenses, gains, or losses of $216 million.

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

Statement of Revenues, Expenses, and Changes in Net Assets

	As of			
	June 30, 2012	June 30, 2011 (Restated)	Change	Percentage Change
Operating revenues	$2,322,438,668	$2,328,122,849	($5,684,181)	(0.2%)
Operating expenses	3,086,302,240	3,172,195,813	(85,893,573)	(2.7%)
Operating loss	(763,863,572)	(844,072,964)	80,209,392	9.5%
Nonoperating revenues (expenses)	547,779,244	735,567,468	(187,788,224)	(25.5%)
Loss before other revenues, expenses, gains, and losses	(216,084,328)	(108,505,496)	(107,578,832)	(99.1%)
Other revenues, expenses, gains, and losses	188,929,314	129,372,480	59,556,834	46.0%
(Decrease) increase in net assets	(27,155,014)	20,866,984	(48,021,998)	(230.1%)
Net assets at beginning of year - restated	1,840,386,449	1,819,519,465	20,866,984	1.1%
Net assets at end of year	$1,813,231,435	$1,840,386,449	($27,155,014)	(1.5%)

Operating Revenues

Operating revenues for the System totaled $2.3 billion at June 30, 2012. Major components of operating revenues are hospital income, representing 52.7% of the total; sales and services of educational departments, representing 9.0%; and net tuition and fees, representing 12.4% of the total. Funds from the federal government inclusive of operating American Recovery and Reinvestment Act funds totaled $195 million and represented 8.4% of the total.

As of June 30, 2012, hospital income had decreased by $47.2 million from the previous year. In addition, net tuition and fees increased by 13.4% or approximately $34 million mainly because of increases authorized under the LA Granting Resources and Autonomy for Diplomas Act which allows a 10% increase in resident tuition and fees and a 15% increase in non-resident tuition and fees.

The following table summarizes the System's operating revenues for the years ending June 30, 2012, and June 30, 2011 (restated).

Operating Revenues (in millions)

	As of			
	June 30, 2012	June 30, 2011 (Restated)	Change	Percentage Change
Tuition and fees, net	$288.1	$254.0	$34.1	13.4%
Grants and contracts	390.5	392.9	(2.4)	(0.6%)
Federal appropriations	11.2	11.3	(0.1)	(0.9%)
Sales and services of educational departments	209.5	205.7	3.8	1.8%
Auxiliary enterprises, net	178.2	172.4	5.8	3.4%
Hospital income	1,224.2	1,271.4	(47.2)	(3.7%)
Other	20.7	20.4	0.3	1.5%
Total operating revenues	$2,322.4	$2,328.1	($5.7)	(0.2%)

Operating Expenses

Total operating expenses for the System amounted to $3.1 billion as of June 30, 2012. Hospital expenses represented 40.6% of all operating expenses and represented the largest functional component. Other major components are instructional expenses, 16.5%; research expenses, 11.1%; and public service expenses, 11.1%. Shown in tabular format is a summary of the System's operating expenses for the fiscal years ending June 30, 2012, and June 30, 2011, (restated).

Operating Expenses (in millions)

	As of June 30, 2012	June 30, 2011 (Restated)	Change	Percentage Change
Instruction	$509.9	$509.3	$0.6	0.1%
Research	343.2	338.7	4.5	1.3%
Public service	343.9	326.3	17.6	5.4%
Academic support	117.9	122.7	(4.8)	(3.9%)
Student services	36.7	33.9	2.8	8.3%
Institutional support	123.3	119.8	3.5	2.9%
Operation and maintenance of plant	156.7	147.7	9.0	6.1%
Scholarships and fellowships	44.1	51.0	(6.9)	(13.5%)
Auxiliary enterprises	158.7	151.5	7.2	4.8%
Hospital	1,251.9	1,371.3	(119.4)	(8.7%)
Total operating expenses	$3,086.3	$3,172.2	($85.9)	(2.7%)

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2012, the System has $1.8 billion invested in a broad range of capital assets including land, buildings and improvements, equipment, and infrastructure, which is net of accumulated depreciation of $1.9 billion (see table below).

Capital Asset Summary

	As of June 30, 2012	June 30, 2011 (Restated)	Change	Percentage Change
Capital assets not being depreciated	$478,841,164	$333,279,897	$145,561,267	43.7%
Other Capital Assets:				
Infrastructure	42,864,565	42,864,565		0.0%
Land improvements	99,452,858	92,673,362	6,779,496	7.3%
Buildings	1,959,672,387	1,894,204,820	65,467,567	3.5%
Equipment	1,067,559,501	1,033,888,590	33,670,911	3.3%
Intangibles	20,991,710	6,964,628	14,027,082	201.4%
Total Other Capital Assets	3,190,541,021	3,070,595,965	119,945,056	3.9%
Total cost of capital assets	3,669,382,185	3,403,875,862	265,506,323	7.8%
Less accumulated depreciation	(1,863,745,972)	(1,765,576,966)	(98,169,006)	5.6%
Capital assets, net	$1,805,636,213	$1,638,298,896	$167,337,317	10.2%

Capital assets not being depreciated total $478.8 million. This represents land, capitalized collections, and construction-in-progress.

Capital additions at the LSU Health Sciences Center New Orleans for fiscal year 2011-2012 included a $4.5 million renovation to the Medical School Building; a $2.7 million replacement of the air handling units at the dental school; a $2.9 million construction of the new Human Development Center; a $2.2 million renovation of the CSRB Lab exhaust system; $1.7 million on the dental school snack bar; and a $741,000 donation of equipment from the Gene Therapy Consortium.

At the LSU Health Sciences Center Shreveport capital additions for fiscal year 2011-2012 included $2.2 million for a DaVinci Surgical Center; $1.5 million for a Phillips Ultrasound System; $790,000 for Siemens Radiography Suite; and $602,000 for IBM storage and power systems.

Major capital expenditures at the Health Care Services Division for fiscal year 2011-2012 included construction-in-progress for the new University Medical Center of New Orleans, a new headquarters for the Health Care Services Division, and the Earl K. Long administration building.

At LSU, major capital expenditures that were recorded in fiscal year 2011-2012 were $16.2 million for the Choppin Hall Annex; $16 million for the Business Education Complex; $13 million for the parking garage; $10 million for the residential College; and $8 million for the Laville Honors College renovations.

In addition, other major capital expenditures included the following:

- LSU Alexandria - $2.8 million for the multi-purpose academic center
- LSU Eunice - $4.4 million for the Community Education building
- Pennington Biomedical Research Center - $5.1 million for the Imaging Center
- Pennington Biomedical Research Center - $2.3 million for central utilities and storage building
- LSU AgCenter - $2.1 million for the Animal/Food Science Renovation Phase 2 project

LONG-TERM DEBT

At June 30, 2012, the System has $417.5 million in bonds outstanding, $4.3 million in notes payable outstanding, $40.2 million in capital lease obligations outstanding, and $671.4 million in OPEB obligations. Bonds outstanding decreased from June 30, 2011, as principal payments were made and no new debt was issued. The OPEB liability increased by approximately $93.3 million as the cost of retiree health care continued to exceed the amount currently funded.

ECONOMIC OUTLOOK

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

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

This action essentially reduced funding to the Medicaid program for FY 2012-2013 by $287.1 million in state general funds. At the present time, the full extent of the budget reduction and its impact on LSU Health programs, delivery of services to patients and Graduate Medical Education programs is under review and that impact is presently uncertain and indeterminable. As executive recommendations are made and proposals given to and approved by the LSU Board of Supervisors, more information and the full extent of these funding reductions will become evident.

CONTACTING LOUISIANA STATE UNIVERSITY SYSTEM'S MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, investors and creditors with a general overview of the LSU System's finances and to show the LSU 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 Assets, June 30, 2012

ASSETS	
Current Assets:	
Cash and cash equivalents (note 2)	$378,892,790
Investments (note 3)	478,454,178
Receivables, net (note 4)	264,846,486
Due from federal government, net (note 4)	18,707,285
Inventories	36,660,321
Deferred charges and prepaid expenses	11,295,027
Notes receivable	3,084,353
Other current assets	1,791,649
Total current assets	1,193,732,089
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents (note 2)	136,349,812
Investments (note 3)	257,604,294
Notes receivable	22,786,064
Other restricted assets	6,140,493
Investments (note 3)	2,531,213
Other noncurrent assets	812,340
Capital assets, net (note 5)	1,805,636,213
Total noncurrent assets	2,231,860,429
Total assets	3,425,592,518
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities (note 7)	158,872,003
Due to state treasury, net (note 15)	87,262,910
Deferred revenues	92,711,240
Amounts held in custody for others	6,233,290
Compensated absences (notes 11 and 14)	12,394,449
Capital lease obligations (note 14)	2,767,472
Notes payable (note 14)	644,424
Bonds payable (note 14)	12,340,417
Other current liabilities	1,705,196
Total current liabilities	374,931,401

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 30, 2012

LIABILITIES (CONT.)	
Noncurrent Liabilities:	
Compensated absences (notes 11 and 14)	$117,532,418
Capital lease obligations (note 14)	37,417,450
Notes payable (note 14)	3,661,663
Other postemployment benefits payable (notes 9 and 14)	671,397,039
Bonds payable (note 14)	405,166,250
Other noncurrent liabilities (note 14)	2,254,862
Total noncurrent liabilities	1,237,429,682
Total liabilities	1,612,361,083
NET ASSETS	
Investment in capital assets, net of related debt	1,414,211,669
Restricted for:	
Nonexpendable (note 16)	187,886,937
Expendable (note 16)	307,763,199
Unrestricted	(96,630,370)
Total net assets	$1,813,231,435

(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, 2012

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Foundations
ASSETS					
Current Assets:					
Cash and cash equivalents (note 2)	$14,587,063	$1,047,680	$5,139,204	$1,871,957	$22,645,904
Restricted cash and cash equivalents (note 2)	1,467,979	29,768,367		3,142,006	34,378,352
Investments (note 3)	6,539,458	870,984	11,903,675	6,551,409	25,865,526
Accrued interest receivable	755,843				755,843
Accounts receivable, net	216,159	1,957,308	383,326	251,639	2,808,432
Unconditional promises to give (note 27)	5,164,745	10,521,779		809,851	16,496,375
Deferred charges and prepaid expenses		912,720			912,720
Other current assets	117,697	12,573,176	225,819		12,916,692
Total current assets	28,848,944	57,652,014	17,652,024	12,626,862	116,779,844
Noncurrent Assets:					
Restricted assets:					
Cash and cash equivalents (note 2)		3,027,036	231,095		3,258,131
Investments (note 3)	462,530,160	51,949,556		92,949,567	607,429,283
Other	491,137				491,137
Investments (note 3)	17,631,068		88,724,281		106,355,349
Unconditional promises to give (note 27)	10,488,518	3,864,886	5,131		14,358,535
Property and equipment, net (note 5)	12,222,684	135,650,312	2,460,916	4,398,452	154,732,364
Other noncurrent assets	771,807	23,404,903		102,233	24,278,943
Total noncurrent assets	504,135,374	217,896,693	91,421,423	97,450,252	910,903,742
Total assets	$532,984,318	$275,548,707	$109,073,447	$110,077,114	$1,027,683,586
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	$2,947,048	$581,067	$881,272	$498,962	$4,908,349
Deferred revenues		22,693,825			22,693,825
Amounts held in custody for others (note 25)	16,121,746	7,507,889		6,545,969	30,175,604
Compensated absences payable (note 14)	286,198				286,198
Current portion of notes payable (note 14)	644,583			257,016	901,599
Current portion of bonds payable (note 14)	628,395	3,660,000	95,000		4,383,395
Other current liabilities	19,906	313	6,795		27,014
Total current liabilities	20,647,876	34,443,094	983,067	7,301,947	63,375,984

(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, 2012

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Foundations
LIABILITIES (CONT.)					
Noncurrent Liabilities:					
Amounts held in custody for others (note 25)	$91,856,417		$21,857,951		$113,714,368
Notes payable (note 14)	6,678,542			$529,390	7,207,932
Bonds payable (note 14)	5,596,605	$116,625,000	1,095,910		123,317,515
Other noncurrent liabilities	63,300	24,633,979	50,940		24,748,219
Total noncurrent liabilities	104,194,864	141,258,979	23,004,801	529,390	268,988,034
Total liabilities	124,842,740	175,702,073	23,987,868	7,831,337	332,364,018
NET ASSETS					
Unrestricted	35,433,880	58,231,173	5,625,866	13,133,728	112,424,647
Temporarily restricted (note 16)	165,125,146	32,420,686	33,339,784	77,805,805	308,691,421
Permanently restricted (note 16)	207,582,552	9,194,775	46,119,929	11,306,244	274,203,500
Total net assets	408,141,578	99,846,634	85,085,579	102,245,777	695,319,568
Total liabilities and net assets	$532,984,318	$275,548,707	$109,073,447	$110,077,114	$1,027,683,586

*As of December 31, 2011

(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 Assets
For the Year Ended June 30, 2012

OPERATING REVENUES	
Student tuition and fees	$350,982,361
Less scholarship allowances	(62,856,785)
Net student tuition and fees	288,125,576
Federal appropriations	11,174,889
Federal grants and contracts	183,858,391
State and local grants and contracts	74,715,085
Nongovernmental grants and contracts	131,965,385
Sales and services of educational departments	209,472,804
Hospital income	1,224,234,131
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 23)	193,160,907
Less scholarship allowances	(14,977,898)
Net auxiliary revenues	178,183,009
Other operating revenues	20,709,398
Total operating revenues	2,322,438,668
OPERATING EXPENSES	
Educational and general:	
Instruction	509,876,145
Research	343,212,897
Public service	343,871,063
Academic support	117,886,143
Student services	36,696,364
Institutional support	123,321,001
Operation and maintenance of plant	156,705,875
Scholarships and fellowships	44,124,802
Auxiliary enterprises	158,740,201
Hospital	1,251,867,749
Total operating expenses	3,086,302,240
Operating Loss	(763,863,572)

(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 Assets, June 30, 2012

NONOPERATING REVENUES (Expenses)	
State appropriations	$512,490,185
Gifts	40,557,095
Federal nonoperating revenues	43,972,540
Net investment income	46,644,827
Interest expense	(22,573,454)
American Recovery and Reinvestment Act revenues	12,875,479
Other nonoperating expenses	(86,187,428)
Net nonoperating revenues	547,779,244
Loss Before Other Revenues, Expenses, Gains, and Losses	(216,084,328)
Capital appropriations	175,429,572
Capital gifts and grants	13,482,026
Additions to permanent endowments	3,484,502
Other deductions, net	(3,466,786)
Decrease in Net Assets	(27,155,014)
Net Assets at Beginning of Year, Restated (note 17)	1,840,386,449
Net Assets at End of Year	$1,813,231,435

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2012

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Foundations
Changes in unrestricted net assets:					
Contributions	$2,948,305	$23,452,197	$35,008	$459,871	$26,895,381
Investment earnings (loss), net	5,014,229	526,066	190,783	564,654	6,295,732
Grants and contracts			1,561,894		1,561,894
Service fees	1,048,707		1,340,457	1,270,690	3,659,854
Other revenues	(541)	7,046,724	46,753	140,107	7,233,043
Total unrestricted revenues	9,010,700	31,024,987	3,174,895	2,435,322	45,645,904
Net assets released from restrictions:					
Reclassification in net assets				308,170	308,170
Satisfaction of program expenses	25,602,143	6,635,775	5,146,164	4,214,281	41,598,363
Total unrestricted revenues and other support	34,612,843	37,660,762	8,321,059	6,957,773	87,552,437
Expenses:					
Amounts paid to benefit Louisiana State University for:					
Projects specified by donors	22,399,911		3,443,728	4,214,281	30,057,920
Projects specified by Board of Directors	1,541,002	12,096,404		142,681	13,780,087
Other:					
Grants and contracts			1,557,753		1,557,753
Property operations			27,301	763,727	791,028
Other		12,473,617	117,382		12,590,999
Total program expenses	23,940,913	24,570,021	5,146,164	5,120,689	58,777,787
Supporting services:					
Salaries and benefits	5,290,003	1,954,496	715,774	614,117	8,574,390
Occupancy	167,361	161,047	16,013	45,644	390,065
Office operations	795,414	130,375	139,655	55,451	1,120,895
Travel	81,697	126,815	467	2,960	211,939
Professional services	464,448	77,884	397,176	305,072	1,244,580
Dues and subscriptions	78,077	27,095	77,706	6,645	189,523
Meetings and development	230,078	16,548	64,589	62,395	373,610
Depreciation	11,996		1,591	72,729	86,316
Other		1,290,666	578,277	5,645	1,874,588
Total supporting services	7,119,074	3,784,926	1,991,248	1,170,658	14,065,906
Fund-raising expenses	NONE	1,518,486	NONE	115,532	1,634,018
Total expenses	31,059,987	29,873,433	7,137,412	6,406,879	74,477,711
Increase in unrestricted net assets	3,552,856	7,787,329	1,183,647	550,894	13,074,726

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Activities, June 30, 2012

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Foundations
Changes in temporarily restricted net assets:					
Contributions	$12,784,596	$17,858,981	$2,856,359	$4,618,085	$38,118,021
Investment earnings (loss)	(4,767,732)	(579,930)	151,765	723,426	(4,472,471)
Changes in value of split interest agreements	(3,448)				(3,448)
Other	326		2,071,234		2,071,560
Total temporarily restricted revenues	8,013,742	17,279,051	5,079,358	5,341,511	35,713,662
Net assets released from restrictions:					
Reclassification in net assets				299,769	299,769
Satisfaction of program expenses	(25,374,349)	(6,635,775)	(5,146,164)	(4,097,483)	(41,253,771)
Increase/(decrease) in temporarily restricted net assets	(17,360,607)	10,643,276	(66,806)	1,543,797	(5,240,340)
Changes in permanently restricted net assets:					
Contributions	9,659,439	928,591	490,096	527,508	11,605,634
Investment earnings				102,954	102,954
Other	(7,840)				(7,840)
Net assets released from restrictions:					
Reclassification in net assets				(607,939)	(607,939)
Satisfaction of program expenses	(227,794)			(116,798)	(344,592)
Increase/(decrease) in permanently restricted net assets	9,423,805	928,591	490,096	(94,275)	10,748,217
Increase/(decrease) in net assets	(4,383,946)	19,359,196	1,606,937	2,000,416	18,582,603
Net assets at beginning of year, restated (note 17)	412,525,524	80,487,438	83,478,642	100,245,361	676,736,965
Net assets at end of year	$408,141,578	$99,846,634	$85,085,579	$102,245,777	$695,319,568

*For the year ended December 31, 2011

(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, 2012

Cash flows from operating activities	
Student tuition and fees	$290,571,715
Federal appropriations	10,356,656
Grants and contracts	400,439,519
Sales and services of educational departments	207,058,904
Hospital income	1,187,338,683
Auxiliary enterprise receipts	184,943,544
Payments for employee compensation	(1,514,624,677)
Payments for benefits	(446,347,569)
Payments for utilities	(50,717,156)
Payments for supplies and services	(785,991,467)
Payments for scholarships and fellowships	(43,960,031)
Loans to students	(3,249,261)
Collection of loans to students	3,220,658
Other receipts	13,273,783
Net cash used by operating activities	(547,686,699)
Cash flows from noncapital financing activities	
State appropriations	546,779,670
Gifts and grants for other than capital purposes	19,900,247
Private gifts for endowment purposes	4,325,736
Taylor Opportunity Program for Students receipts	64,221,110
Taylor Opportunity Program for Students disbursements	(64,239,199)
Federal Emergency Management Association receipts	10,512,219
Federal Emergency Management Association disbursements	(3,897,945)
American Recovery and Reinvestment Act receipts	14,698,530
Direct lending receipts	194,858,444
Direct lending disbursements	(195,000,857)
Other disbursements	(21,124,704)
Net cash provided by noncapital financing sources	571,033,251
Cash flows from capital financing activities	
Proceeds from capital debt	2,800,000
Capital appropriations received	1,178,601
Capital gifts and grants received	7,809,864
Proceeds from sale of capital assets	5,000
Purchase of capital assets	(106,495,544)
Principal paid on capital debt and leases	(13,722,766)
Interest paid on capital debt and leases	(22,573,454)
Other sources	(3,035,075)
Net cash used by capital financing activities	(134,033,374)

(Continued)

The accompanying notes are an integral part of this statement.

Statement E

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2012

Cash flows from investing activities	
Proceeds from sales and maturities of investments	$344,614,473
Interest received on investments	23,690,805
Purchase of investments	(437,655,176)
Net cash used by investing activities	(69,349,898)
Net decrease in cash and cash equivalents	(180,036,720)
Cash and cash equivalents at the beginning of the year (restated)	695,279,322
Cash and cash equivalents at the end of the year	$515,242,602
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	($763,863,572)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	126,649,335
Changes in assets and liabilities:	
(Increase) in accounts receivable	(8,505,492)
(Increase) in inventories	(195,087)
Decrease in deferred charges and prepaid expenses	445,035
Decrease in notes receivable	230,711
Decrease in other assets	806,200
Increase in accounts payable and accrued liabilities	4,077,314
Increase in deferred revenue	13,639,418
(Decrease) in amounts held in custody for others	(594,567)
(Decrease) in compensated absences	(2,318,339)
Increase in other postemployment benefits payable	93,313,290
(Decrease) in other liabilities	(11,370,945)
Net cash used by operating activities	($547,686,699)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:	
Cash and cash equivalents classified as current assets	$378,892,790
Cash and cash equivalents classified as noncurrent assets	136,349,812
Cash and cash equivalents at the end of the year	$515,242,602
Schedule of Noncash Investing, Capital and Financing Activities:	
Capital appropriations	$174,605,792
Capital gifts	4,769,310

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

The university system is comprised of nine campuses in five cities and 10 state hospitals. The System includes LSU and A&M College (LSU), the Paul M. Hebert Law Center, and the Pennington Biomedical Research Center, all in Baton Rouge; the LSU Agricultural Center (including the Louisiana Agricultural Experiment Stations and the Louisiana Cooperative Extension Service) with headquarters in Baton Rouge; LSU Shreveport; LSU Alexandria; LSU Eunice, a two-year institution; the LSU Health Sciences Center in New Orleans, which includes schools of Medicine, Dentistry, Nursing, and Allied Health Professions, and a Graduate School in New Orleans, and the Louisiana State University School of Medicine in New Orleans Faculty Group Practice (a Louisiana nonprofit corporation doing business as LSU Healthcare Network); the Health Care Services Division; and the LSU Health Sciences Center in Shreveport, which includes a School of Medicine in Shreveport with hospitals in Shreveport, Monroe, and Pineville. Student enrollment as of the fourteenth class day for the university system for the 2011 fall semester totaled approximately 43,500. As of November 1, 2011, the university system had approximately 4,300 full and part-time faculty members with the academic rank of instructor or above, including those positions with equivalent rank.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

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

B. REPORTING ENTITY

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

Blended Component Units

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

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

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

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

To obtain the latest audit report of the LSU Healthcare Network, write to the LSU Healthcare Network, 1340 Poydras Street, Suite 1640, 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 it is fiscally dependent on the LSU System and LSU Eunice. Although the ESH Foundation is a legally separate, not-for-profit organization as outlined in the Internal Revenue Code Section 501(c)(3), it is reported as a part of the university system because its purpose is to assist LSU Eunice in carrying out its educational functions.

The ESH Foundation constructed a student apartment complex, known as Bengal Village, on the LSU Eunice campus. Bengal Village consists of 58 units and is managed by Campus Living Villages. The management agreement between the ESH Foundation and Campus Living Villages commenced August 1, 2002, and ends July 31, 2017. Thereafter, the agreement shall be automatically renewed for one-year periods unless terminated. All personnel employed in the leasing, management, maintenance, and operation 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 they are fiscally dependent on the LSU System and the LSU Health Care Services Division. HCSF is a nonprofit organization, incorporated in the State of Louisiana that provides support and appropriate services to the Health Care Services Division, including purchasing, leasing, owning, operating, managing, and selling property and services to maximize healthcare capabilities in Louisiana. BCMC is a nonprofit, nonstock corporation, incorporated in Louisiana. On April 25, 2002, HCSF became the sole member of the BCMC, which leases the hospital's facilities to the Health Care Services Division. Although HCSF and BCMC are legally separate entities, they are reported as a part of the university system because their purposes are to assist the LSU Health Care Services Division in carrying out its medical, educational, and research functions.

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

Discretely Presented Component Units

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

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

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

Each discretely presented component unit is described as follows:

The LSU Foundation supports LSU A&M. During the year ended June 30, 2012, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for $23,940,913. Complete financial statements for the foundation can be obtained at 3838 West Lakeshore Drive, Baton Rouge, Louisiana 70808 or from the foundation's website at www.lsufoundation.org.

The Tiger Athletic Foundation (TAF) supports LSU A&M. During the year ended December 31, 2011, TAF made distributions to or on behalf of the university for both restricted and unrestricted purposes for $12,096,411 with an additional $1,723,847 from booster clubs and $367,654 from affiliated chapters. Complete financial statements for TAF can be obtained from Post Office Box 711, Baton Rouge, Louisiana 70821 or from the foundation's website at www.lsutaf.org.

The LSU Health Sciences Center Foundation in Shreveport supports LSU HSC Shreveport. During the year ended June 30, 2012, the foundation made distributions to or on behalf of the university for either restricted or unrestricted purposes for $4,356,962. Complete financial statements for the foundation can be obtained at 920 Pierremont, suite 407, Shreveport, Louisiana 71106 or from the foundation's website at www.lsuhsfoundation.org.

The Foundation for the LSU Health Sciences Center supports LSU Health Sciences Center. During the year ended June 30, 2012, the foundation made distributions to or on behalf of the university for either restricted or unrestricted purposes for $5,146,164. Complete financial statements for the foundation can be obtained at 450A S. Claiborne Ave, New Orleans, Louisiana 70112 or from the foundation's website at www.lsuhealthfoundation.org.

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

C. BASIS OF ACCOUNTING

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

The university system has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The university system has elected to not apply FASB pronouncements issued after the applicable date. However, in the current fiscal year, the university system has included four nongovernmental discretely presented component units that follow FASB 117, which is codified in FASB ASC Topic 958.

Discrete Component Units

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

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

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

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

D. BUDGET PRACTICES

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

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

Original approved budget	$2,342,414,524
Increases (decreases):	
State General Fund	(72,204,820)
Self-generated	(49,883,645)
Interagency transfers	8,660
Federal appropriations	4,900,000
Statutory dedications	(2,373,002)
Final budget	$2,222,861,717

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

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

F. INVENTORIES

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

G. NONCURRENT RESTRICTED ASSETS

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

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 Assets. The LSU System uses the group or composite method for library book depreciation if the books are considered to have a useful life of greater than one year.

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

I. DEFERRED REVENUES

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

J. NONCURRENT LIABILITIES

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

K. COMPENSATED ABSENCES

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

L. NET ASSETS

The university system's net assets are classified as follows:

(1) Invested in Capital Assets, Net of Related Debt

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

(2) Restricted Net Assets - Expendable

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

(3) Restricted Net Assets - Nonexpendable

Restricted nonexpendable net assets consist 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 Assets

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

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

M. CLASSIFICATION OF REVENUES

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

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

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

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

O. ELIMINATING INTERFUND ACTIVITY

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

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.

2. CASH AND CASH EQUIVALENTS

At June 30, 2012, the university system has cash and cash equivalents (book balances) of $515,242,602 as follows:

Petty cash	$341,354
Demand deposits	455,314,366
Certificates of deposit	38,018,600
Money market funds	11,454,523
Open-end mutual fund	10,113,759
Total	$515,242,602

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, 2012, $15,126,264 of the System's bank balance of $580,407,538 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 $60,282,387, 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 No. 40, *Deposit and Investment Risk Disclosures*.

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

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

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

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

3. INVESTMENTS

At June 30, 2012, the System has investments totaling $738,589,685.

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

A summary of the System's investments follows:

			Investment Maturity In Years				
	Investments	Carrying Value	Less Than 1	1-5	6-10	11-20	21-30
Type of Investment:							
Negotiable certificates of deposit	0.01%	$100,000	$100,000				
Repurchase agreements	0.19%	1,394,605	1,394,605				
U.S. Treasury securities	1.42%	10,456,950		$1,002,730	$9,454,220		
U.S. Government Agency securities:							
Bonds and Notes:							
Federal Home Loan Mortgage Corporation	2.01%	14,814,345		6,003,500	8,810,845		
Federal National Mortgage Association	8.90%	65,727,769		32,175,527	7,771,474	$25,780,768	
Federal Home Loan Bank	12.57%	92,824,303		36,955,827	48,513,982	7,354,494	
Federal Farm Credit Bank	7.09%	52,381,335		27,148,639	24,040,076	1,192,620	
Farmer Agriculture Mortgage Corporation	0.45%	3,300,090		2,143,540	1,156,550		
Collateralized Mortgage Obligations:							
Federal National Mortgage Association	0.54%	3,968,986	1,863,962		2,105,024		
Federal Home Loan Bank	0.61%	4,495,976	459,796	4,036,180			
Federal Home Loan Mortgage Corporation	0.66%	4,898,845		4,898,845			
Government National Mortgage Association	0.18%	1,297,457			1,297,457		
Mortgage-backed Securities:							
Federal National Mortgage Association	4.31%	31,819,255	1,443,057	9,551,187	20,825,011		
Federal Home Loan Mortgage Corporation	0.55%	4,047,457		3,846,755	200,702		
Government National Mortgage Association	0.02%	160,651		160,651			
Small Business Administration	0.72%	5,348,599			5,348,599		
Corporate debt obligations	23.95%	176,888,316	4,108,525	55,006,290	115,454,676	1,835,722	$483,103
Municipal obligations	4.71%	34,824,043		5,710,247	6,131,368	22,482,229	500,199
Debt mutual funds	2.87%	21,226,737		5,173,476	16,053,261		
Money market mutual funds	8.38%	61,902,016					
Equity mutual funds	0.92%	6,804,393					
Investments held through foundations (total balance)	16.72%	123,510,530					
Common and preferred stock	0.14%	1,008,070					
Realty investments	1.22%	9,029,355					
Interest receivable	0.46%	3,381,628					
LSUE Housing Foundation	0.06%	446,761					
New Orleans Regional Physician Hospital Organization	0.34%	2,531,213					
Total investments	100.00%	$738,589,685	$9,369,945	$193,813,394	$267,163,245	$58,645,833	$983,302

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, 2012.

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

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

Rating Agency Used	Rating	Fair Value
	Unrated	$177,363,955
Moody's	A1	6,919,620
Moody's	A2	3,473,110
Moody's	A3	4,464,640
Moody's	Baa1	10,247,915
Moody's	Baa2	1,247,050
Moodys	Aa2	2,722,980
Moodys	Aa3	5,472,232
Moodys	Aaa	3,527,066
S&P	A	37,470,706
S&P	A+	18,151,891
S&P	A-	41,859,374
S&P	AA	4,985,767
S&P	AA+	239,219,401
S&P	AA-	24,191,719
S&P	AAA	8,750,286
S&P	BB	233,329
S&P	BB+	483,103
S&P	BBB	6,622,971
S&P	BBB+	16,381,035
S&P	BBB-	6,381,181
S&P	AAAm	61,902,016
S&P	AAf	15,327,585
S&P	Af	725,676
Total		$698,124,608

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

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

The System's concentrations are as follows:

Issuer	Amount	Percent of Total
Federal National Mortgage Association	$101,516,010	13.74%
Federal Home Loan Bank	97,320,279	13.18%
Federal Farm Credit Bank	52,381,335	7.09%
Total	$251,217,624	

The open-end mutual fund amount of $10,113,759, included in cash and cash equivalents, consists of $100,000 invested in the Federated Investors Government Obligations Fund; $6,933,985 invested in Federated Prime Obligations Fund; $250,371 invested in JP Morgan Treasury Money Market; $2,292,962 invested in JPMorgan U.S. Government Plus Money Market Fund; $223,368 invested in Fidelity Treasury Money Market Fund; and $313,073 of other investments. The holdings for the Federated Investors Government Obligations Fund, the JP Morgan Treasury Money Market Fund, and the JPMorgan U.S. Government Money Market Fund consist primarily of short-term U.S. Treasury and U.S. government agency securities, including repurchase agreements collateralized fully by U.S. Treasury and government agency securities. The holdings for the Federated Prime Obligations Fund consist primarily of a portfolio of short-term, high quality, fixed income securities issued by banks, corporations, and the U.S. government. These funds all minimize interest rate risk with the purchase of short-term securities.

The investments in mortgage-backed securities are based on flows from payments on the underlying mortgages 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.

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, 2012, follows:

Type of Investment	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Investments
Money markets/certificates of deposit	$395,000		$11,310,582	$2,726,551	$14,432,133
Debt obligations	93,949,987	$44,897,421	35,873,867	5,637,891	180,359,166
Corporate stocks, common stocks, and indexed mutual funds	77,251,456			10,907,094	88,158,550
Shaw Center for the Arts, LLC	17,631,068				17,631,068
Royalty interest	154,084				154,084
Mutual funds	219,755,917		46,409,613	32,898,811	299,064,341
LSU Foundation investment pool[1]		7,888,594			7,888,594
Charitable gift annuity		34,525			34,525
Short-term investments	436,839				436,839
Private equity	21,046,834				21,046,834
Hedged funds	56,031,443		7,033,894	3,453,741	66,519,078
Venture capital	48,058				48,058
Municipal bonds				6,631,370	6,631,370
Commingled funds				34,140,856	34,140,856
Structured investments				3,104,662	3,104,662
Total investments	$486,700,686	$52,820,540	$100,627,956	$99,500,976	$739,650,158

*As of December 31, 2011

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

The LSU Foundation is a 50% investor in the Shaw Center for the Arts, LLC. The investment recorded on the Statement of Financial Position for $17,631,068 at June 30, 2012, 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	$35,424,178
Total liabilities	$162,042
Net income (loss)	($1,016,958)

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, 2012, the fair market value of these charitable remainder trusts totaled $467,571.

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, 2012, the fair value of the beneficial interests totaled $23,566.

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 $3,836,544 as of June 30, 2012. The present value of the amount due to these donors or their designees as of June 30, 2012, totaled $2,118,367 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 ($57,735 at June 30, 2012) 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, 2012.

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	$14,659,572	$104,168	$14,555,404
Auxiliary enterprises	4,499,000	20,487	4,478,513
Contributions and gifts	2,363,442		2,363,442
Federal grants and contracts (net)	18,707,285		18,707,285
State and private grants and contracts	62,001,762	36,227	61,965,535
Sales and services/other	17,198,203	63,403	17,134,800
Clinics	38,866,577	22,832,749	16,033,828
Hospital	745,397,064	654,969,911	90,427,153
Other - uncompensated care	64,961,240	7,073,429	57,887,811
Total	$968,654,145	$685,100,374	$283,553,771

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

LSU SYSTEM

	Balance June 30, 2011	Prior Period Adjustment	Restated Balance June 30, 2011	Additions	Transfers	Retirements	Balance June 30, 2012
Capital assets not being depreciated:							
Land	$119,775,993	($42,974,000)	$76,801,993	$4,838,738	$221,766		$81,862,497
Capitalized collections	3,870,889		3,870,889	86,843			3,957,732
Software - development-in-progress	12,831,232		12,831,232		(12,831,232)		NONE
Construction-in-progress	245,082,637	(5,306,854)	239,775,783	211,381,886	(54,499,791)	($3,636,943)	393,020,935
Total capital assets not being depreciated	$381,560,751	($48,280,854)	$333,279,897	$216,307,467	($67,109,257)	($3,636,943)	$478,841,164
Other capital assets:							
Infrastructure	$54,247,852	($11,383,287)	$42,864,565				$42,864,565
Less accumulated depreciation	(18,730,251)	3,855,189	(14,875,062)	($1,082,076)			(15,957,138)
Total infrastructure	35,517,601	(7,528,098)	27,989,503	(1,082,076)	NONE	NONE	26,907,427
Land improvements	113,679,921	(21,006,559)	92,673,362	1,899,568	$5,348,346	($468,418)	99,452,858
Less accumulated depreciation	(68,246,976)	13,643,692	(54,603,284)	(3,146,674)		120,457	(57,629,501)
Total land improvements	45,432,945	(7,362,867)	38,070,078	(1,247,106)	5,348,346	(347,961)	41,823,357
Buildings	2,151,149,741	(256,944,921)	1,894,204,820	23,927,207	41,679,365	(139,005)	1,959,672,387
Less accumulated depreciation	(1,039,261,081)	146,061,325	(893,199,756)	(51,539,115)		109,807	(944,629,064)
Total buildings	1,111,888,660	(110,883,596)	1,001,005,064	(27,611,908)	41,679,365	(29,198)	1,015,043,323
Equipment (including library books)	1,144,343,039	(110,454,449)	1,033,888,590	57,449,390	7,250,314	(31,028,793)	1,067,559,501
Less accumulated depreciation	(877,371,908)	80,679,387	(796,692,521)	(67,128,504)		28,250,065	(835,570,960)
Total equipment	266,971,131	(29,775,062)	237,196,069	(9,679,114)	7,250,314	(2,778,728)	231,988,541
Software (internally generated and purchased)	4,383,644		4,383,644	1,158,499	12,831,232		18,373,375
Other intangibles	2,580,984		2,580,984	37,351			2,618,335
Less accumulated amortization - software	(4,082,878)		(4,082,878)	(3,295,446)			(7,378,324)
Less accumulated amortization - other intangibles	(2,123,465)		(2,123,465)	(457,520)			(2,580,985)
Total intangible assets	758,285	NONE	758,285	(2,557,116)	12,831,232	NONE	11,032,401
Total other capital assets	$1,460,568,622	($155,549,623)	$1,305,018,999	($42,177,320)	$67,109,257	($3,155,887)	$1,326,795,049
Capital asset summary:							
Capital assets not being depreciated	$381,560,751	($48,280,854)	$333,279,897	$216,307,467	($67,109,257)	($3,636,943)	$478,841,164
Other capital assets, at cost	3,470,385,181	(399,789,216)	3,070,595,965	84,472,015	67,109,257	(31,636,216)	3,190,541,021
Total cost of capital assets	3,851,945,932	(448,070,070)	3,403,875,862	300,779,482	NONE	(35,273,159)	3,669,382,185
Less accumulated depreciation	(2,009,816,559)	244,239,593	(1,765,576,966)	(126,649,335)	NONE	28,480,329	(1,863,745,972)
Capital assets, net	$1,842,129,373	($203,830,477)	$1,638,298,896	$174,130,147	NONE	($6,792,830)	$1,805,636,213

A substantial portion of the amounts included in the prior period restatement column represents the deletion of capital assets as a result of the transfer of the University of New Orleans from the LSU System to the University of Louisiana System.

COMPONENT UNITS

	Balance June 30, 2011	Prior Period Adjustment	Restated Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Capital assets not being depreciated:						
Land	$13,899,078	$3,292,982	$17,192,060	$105,988	($4,137,946)	$13,160,102
Capitalized collections	4,263,562		4,263,562	110,000	(65,700)	4,307,862
Construction-in-progress	1,986,748	(1,079,046)	907,702	2,724,673	(387,397)	3,244,978
Total capital assets not being depreciated	$20,149,388	$2,213,936	$22,363,324	$2,940,661	($4,591,043)	$20,712,942
Other capital assets:						
Land improvements	$4,790,113	$1,187,805	$5,977,918	$4,734		$5,982,652
Less accumulated depreciation	(738,434)	110,058	(628,376)	(114,945)	$184,974	(558,347)
Total land improvements	4,051,679	1,297,863	5,349,542	(110,211)	184,974	5,424,305
Buildings	239,448,928	(93,011,157)	146,437,771	405,117		146,842,888
Less accumulated depreciation	(37,459,153)	21,856,624	(15,602,529)	(2,813,003)		(18,415,532)
Total buildings	201,989,775	(71,154,533)	130,835,242	(2,407,886)	NONE	128,427,356
Equipment	19,028,191	(17,020,443)	2,007,748	15,907	(1,074)	2,022,581
Less accumulated depreciation	(18,784,834)	17,000,198	(1,784,636)	(71,258)	1,074	(1,854,820)
Total equipment	243,357	(20,245)	223,112	(55,351)	NONE	167,761
Total other capital assets	$206,284,811	($69,876,915)	$136,407,896	($2,573,448)	$184,974	$134,019,422
Capital asset summary:						
Capital assets not being depreciated	$20,149,388	$2,213,936	$22,363,324	$2,940,661	($4,591,043)	$20,712,942
Other capital assets, at cost	263,267,232	(108,843,795)	154,423,437	425,758	(1,074)	154,848,121
Total cost of capital assets	283,416,620	(106,629,859)	176,786,761	3,366,419	(4,592,117)	175,561,063
Less accumulated depreciation	(56,982,421)	38,966,880	(18,015,541)	(2,999,206)	186,048	(20,828,699)
Capital assets, net	$226,434,199	($67,662,979)	$158,771,220	$367,213	($4,406,069)	$154,732,364

The prior period restatement amount represents the addition of capital assets of the LSU Health Sciences Center Foundation in Shreveport, The Foundation at LSU Health Sciences Center, as well as the deletion of capital assets as a result of the transfer of University of New Orleans Research and Technology Foundation out of the LSU System into the University of Louisiana System.

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.

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

Insurance recoveries received in fiscal year 2012 related to impairment losses occurring in previous years were $30,104 for movable property. These amounts are included as Other Nonoperating Revenues on the Statement of Revenues, Expenses, and Changes in Net Assets.

7. DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2012, were as follows:

Activity	Amount
Vendors	$74,108,107
Salaries and benefits	80,405,642
Accrued interest	134,190
Other payables	4,224,064
Total	$158,872,003

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 2012, 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 2012, the state contributed 23.7% of covered salaries to TRSL and 25.6% 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, 2012, 2011, and 2010, were $58,933,723; $54,653,046; and $47,892,142, respectively, and to LASERS for the years ended June 30, 2012, 2011, and 2010, were $120,572,034; $111,587,270; and $99,778,312, 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 23.7% 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 $80,739,269 and $27,302,638, respectively, for the year ended June 30, 2012.

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 51, is more costly, but features both lower yearly deductibles and out-of-network coinsurance requirements.

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

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

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

State OGB Plan

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

Funding Policy

LSU System Health Plan

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

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

State OGB Plan

The contribution requirements of plan members and the System are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree health care based on a service schedule. Contribution amounts vary depending on what health care provider is selected from the plan and if the member has Medicare coverage. OGB offers four standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) Plan, the Medical Home HMO Plan, and the Regional HMO Plan. OGB also offers a Consumer Driven Health Plan with a Health Savings Account option (CPHP-HSA) for active employees. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans (three HMO plans and two PPO plans) during calendar years 2011 and 2012. 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, 2012, 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. The total premium is approximately $1 per thousand dollars of coverage of which the employer pays fifty cents for retirees and twelve cents for spouses. The monthly premium is reduced to less than $1 per thousand for retired employees age 70 and over. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

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

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

Effective January 1, 2012, the LSU Health Plan changed from a fiscal year plan to a calendar year plan. On this date, the rates increased 5% for all levels of coverage in both Option 1 and Option 2. Effective January 1, 2012, the OGB Plan changed from a fiscal year plan to a calendar year plan. On this date, the rates increased 5% for the PPO, HMO, and CDHP plans; 7% for the MHHP Plan; and 0% for the fully insured HMO. The following table shows the rates in effect at June 30, 2012.

	LSU System Health Plan		State OGB Plans				
	Option 1	Option 2	PPO	HMO	CDHP w/HAS	Medical Home HMO	Regional HMO
Active							
Single	$584	$505	$619	$585	$481	$609	$553
With Spouse	1,042	901	1,315	1,243	1,021	1,294	1,158
With Children	717	640	755	714	586	743	672
Family	1,246	1,090	1,387	1,310	1,077	1,364	1,221
Retired, No Medicare and Re-employed Retiree							
Single	$1,109	$1,014	$1,152	$1,092	N/A	$1,133	$1,016
With Spouse	1,959	1,790	2,034	1,928	N/A	2,001	1,783
With Children	1,236	1,124	1,283	1,216	N/A	1,262	1,130
Family	1,949	1,777	2,025	1,919	N/A	1,991	1,775
*Retired, with 1 Medicare							
Single	$340	$294	$375	$361	N/A	$368	$341
With Spouse	1,174	1,015	1,384	1,320	N/A	1,361	1,218
With Children	646	581	648	621	N/A	638	578
Family	1,666	1,457	1,844	1,757	N/A	1,814	1,618
*Retired, with 2 Medicare							
With Spouse	$593	$513	$673	$648	N/A	$662	$600
Family	806	704	834	802	N/A	820	740

	Calendar Year 2012		Calendar Year 2011	
	Retired with		Retired with	
Medicare Supplemental Rates	1 Medicare	2 Medicare	1 Medicare	2 Medicare
Humana PPO	$150	$300	$149	$298
Humana HMO	156	312	145	290
People's Health	167	334	115	230
United Healthcare	214	428	199	397
Vantage	279	558	258	516

*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, 2012, 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)	$72,068,991	$67,884,300	$139,953,291
Interest on Net OPEB Obligation (NOO)	7,760,671	15,819,200	23,579,871
ARC adjustment	(6,568,874)	(15,112,000)	(21,680,874)
Annual OPEB cost	73,260,788	68,591,500	141,852,288
Employer contributions	(14,948,677)	(33,590,321)	(48,538,998)
Increase in net OPEB obligation	58,312,111	35,001,179	93,313,290
Net OPEB obligation - beginning of year (restated)	182,604,043	395,479,706	578,083,749
Net OPEB obligation - end of year	$240,916,154	$430,480,885	$671,397,039

Funding Trend

	LSU System Health Plan			State OGB Plan		
	2012*	2011	2010	2012*	2011	2010
OPEB cost	$73,260,788	$67,762,426	$63,307,895	$68,591,500	$101,741,100	$124,090,261
Percent contributed	20.40%	20.23%	19.91%	48.97%	33.47%	27.25%
Ending NOO	240,916,154	188,825,760	134,776,602	430,480,885	431,832,109	364,143,103

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

Funded Status and Funding Progress

The funded status of the plans as of July 1, 2011, was as follows:

	LSU System Health Plan	State OGB Plan
Actuarial accrued liability (AAL)	$772,544,619	$916,892,000
Actuarial value of plan assets	NONE	NONE
Unfunded actuarial accrued liability (UAAL)	$772,544,619	$916,892,000
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Annual covered payroll (active plan members)	$568,536,448	$345,935,146
UAAL as a percentage of covered payroll	135.9%	265.0%

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, 2011	July 1, 2011
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	9% initial	7.5% - 8.6% initial
	5% ultimate	5% ultimate

10. CONTINGENT LIABILITIES, RISK MANAGEMENT, AND CLAIMS LIABILITY

Losses arising from judgments, claims, and similar contingencies are paid by either private insurance companies or through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. The university system is involved in 16 lawsuits that are handled by contract attorneys at June 30, 2012. The attorneys have estimated a probable liability of $30,000 relating to two of the lawsuits. All other lawsuits are handled by either the Office of Risk Management or the Attorney General's Office.

In addition, the university is exposed to various risks of losses related to the self-insured and self-funded LSU System Health Plan, which provides health insurance benefits to active and retired university employees and which began as a pilot program for the fiscal year ended June 30, 2003. Beginning in fiscal year 2011-12, estimated incurred but not reported (IBNR) claim reserve is as of December 31, 2011. 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 $123,791,988. 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
2009-10	$8,623,000	$111,025,711	($104,071,915)	($6,535,796)	$9,041,000
2010-11	9,041,000	124,053,622	(116,198,314)	(5,776,308)	11,120,000
2011-12	11,120,000	134,743,524	(123,791,988)	(10,615,536)	11,456,000

CONTINGENCIES - COMPONENT UNITS

The LSU Foundation has contractual commitments associated with projects for the renovation and construction of a choir and band hall for the University Lab School, a lab and teaching facility for the College of Engineering, a state-of-the-art equine lameness facility, and improvements to the Hilltop Arboretum facilities. The total contract amounts for these projects total approximately $1,033,000 and the remaining commitment as of June 30, 2012, totals approximately $220,000.

The LSU Foundation committed $1,350,000 to Louisiana Fund I, L.P., a Delaware Limited Partnership in October 2004. As of June 30, 2012, capital contributions have totaled $1,161,000. The Foundation also committed a total of approximately $28,520,500 to various Private Equity Funds during 2005 through 2012. As of June 30, 2012, capital contributions have totaled approximately $19,235,107.

During the fiscal year ended June 30, 2010, the LSU HSC Foundation in Shreveport was asked by the Chancellor of the LSU Health Sciences Center to consider an infusion of funds into the Orthopaedic Surgery Department to rebuild the program. The Board of Directors voted and approved to donate a total of $2.5 million of unrestricted funds in five $500,000 annual installments to begin during the fiscal year ending June 30, 2011. As of June 30, 2012, $1 million of unrestricted funds has been segregated for the Orthopaedic Surgery Department. The balance of the segregated funds as of June 30, 2012, is $842,531 which is classified as unrestricted board designated net assets.

During the fiscal year ended June 30, 2011, the LSU HSC Foundation in Shreveport was asked by the Chancellor of the LSU Health Sciences Center to consider an infusion into the Otolaryngology Department for growth and development. The Board of Directors voted and approved to donate up to $2.5 million over the next five years. The first year's funding allocation of $500,000 will come from the Feist-Weiller Investment account, with the remainder from the Feist Legacy account going forward. During 2012, $500,000 was segregated for the Otolaryngology Department, of which $441,964 remained as of June 30, 2012, and is included as temporarily restricted net assets.

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

11. COMPENSATED ABSENCES

At June 30, 2012, employees of the university have accumulated and vested annual, sick, and compensatory leave benefits of $94,642,942; $28,272,460; and $7,011,465, 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, 2012, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed is $15,345,009. 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, 2012:

Nature of Operating Lease	Fiscal Year 2013	2014	2015	2016	2017	2018-2022	Total Minimum Payments Required
Office space	$12,504,115	$10,874,056	$7,958,560	$6,128,066	$4,534,596	$20,807,800	$62,807,193
Equipment	1,591,184	828,280	186,423				2,605,887
Land	6,972	6,972	6,972	6,972	6,469		34,357
Other	330,790	38,424	16,567	17,396	18,265		421,442
Total	$14,433,061	$11,747,732	$8,168,522	$6,152,434	$4,559,330	$20,807,800	$65,868,879

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

OPERATING LEASES - COMPONENT UNITS

LSU Foundation - The Foundation leases office space from the LSU Alumni Association under an agreement which has options for renewal periods extending through November 30, 2016. The current lease agreement expires on November 30, 2012. For the year ended June 30, 2012, rent expense incurred under this agreement totaled $137,995.

LSU Health Sciences Center Foundation in Shreveport - The Foundation leases office space under an operating lease which expires on February 28, 2012. In addition, the Foundation leases a copier/printer/scanner under an operating lease which expires on September 30, 2014. Included in management and general expense is $49,639 in rent and equipment rental expense for the year ended June 30, 2012.

13. LESSOR LEASES

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

The following schedule provides an analysis of the cost and carrying amount of the university system's investment in property on operating leases and property held for lease as of June 30, 2012:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	$5,438,684	($2,910,752)	$2,527,932
Buildings	17,166,454	(5,239,508)	11,926,946
Total	$22,605,138	($8,150,260)	$14,454,878

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2012:

Fiscal Year Ending June 30,	Nature of Lease: Office Space	Buildings	Land	Other	Total
2013	$194,492	$2,935,511	$1,278,252	$220,345	$4,628,600
2014	104,556	2,807,450	861,147	222,531	3,995,684
2015	73,608	2,828,487	396,126	224,794	3,523,015
2016	53,040	3,033,042	384,126	83,238	3,553,446
2017	33,880	2,852,720	372,489	72,165	3,331,254
2018-2022	132,697	10,304,944	1,420,798	122,654	11,981,093
2023-2027			911,924		911,924
2028-2032			914,286		914,286
2033-2037			917,332		917,332
2038-2042			6,916,023		6,916,023
2043-2047			10,805,814		10,805,814
2048-2052			3,803,120		3,803,120
2053-2057			728,120		728,120
2058-2062			114,523		114,523
2063-2067			32,250		32,250
2068-2072			32,250		32,250
2073-2077			32,250		32,250
2078-2082			32,250		32,250
2083-2087			32,250		32,250
2088-2092			16,750		16,750
2093-2097			1,850		1,850
Total	$592,273	$24,762,154	$30,003,930	$945,727	$56,304,084

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume, customer usage of services provided, or the drilling operations on mineral leases. Contingent rentals amounted to $1,453,191 for the year ended June 30, 2012.

14. LONG-TERM LIABILITIES

The following is a summary of bond and other long-term debt transactions of the university and its component units for the year ended June 30, 2012:

University

	Restated Balance June 30, 2011*	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	$2,044,636	$2,800,000	$538,549	$4,306,087	$644,424
Bonds payable	428,032,083		10,525,416	417,506,667	12,340,417
Subtotal	430,076,719	2,800,000	11,063,965	421,812,754	12,984,841
Other liabilities:					
Compensated absences payable	132,245,205	18,938,431	21,256,769	129,926,867	12,394,449
Capital lease obligations	42,588,723	255,000	2,658,801	40,184,922	2,767,472
Other liabilities	5,105,131	171,067	3,021,336	2,254,862	
OPEB payable	578,083,749	141,852,288	48,538,998	671,397,039	
Subtotal	758,022,808	161,216,786	75,475,904	843,763,690	15,161,921
Total long-term liabilities	$1,188,099,527	$164,016,786	$86,539,869	$1,265,576,444	$28,146,762

Component Units

	Restated Balance June 30, 2011*	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	$3,181,443	$7,742,414	$2,814,326	$8,109,531	$901,599
Bonds payable	131,959,319	1,591	4,260,000	127,700,910	4,383,395
Subtotal	135,140,762	7,744,005	7,074,326	135,810,441	5,284,994
Other liabilities - compensated absences payable	286,523	NONE	325	286,198	286,198
Total long-term liabilities	$135,427,285	$7,744,005	$7,074,651	$136,096,639	$5,571,192

*Amounts exclude balances of the University of New Orleans (UNO) and UNO Research and Technology (R&T) Foundation. UNO was transferred to the University of Louisiana System in fiscal year 2012. Since the UNO R&T Foundation is considered to be a component unit of UNO, it was transferred as well. In addition, the restated balances include The Foundation for the LSU Health Sciences Center and LSU Health Sciences Foundation in Shreveport amounts.

Notes Payable

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

The following is a summary of future minimum installment payments as of June 30, 2012:

Fiscal Year Ending June 30:	
2013	$801,148
2014	756,108
2015	755,915
2016	751,679
2017	749,399
2018-2022	1,112,693
Total minimum installment payments	4,926,942
Less - amount representing interest	(620,855)
Total	$4,306,087

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

NOTES PAYABLE - COMPONENT UNITS

The component units have entered into a number of notes payable agreements for various purposes. These agreements require scheduled payments either on a monthly, semiannual, or annual basis with interest rates ranging from zero to 6.85%. The following is a summary of notes payable by component unit as of June 30, 2012:

Component Unit	Principal Outstanding June 30, 2011	Issued	Reductions	Principal Outstanding June 30, 2012	Amounts Due Within One Year
LSU Foundation	$2,113,400	$7,742,414	($2,532,689)	$7,323,125	$644,583
LSU HSC Foundation in Shreveport	1,068,043		(281,637)	786,406	257,016
Total	$3,181,443	$7,742,414	($2,814,326)	$8,109,531	$901,599

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 (3.0% at June 30, 2012), 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 LSU Health Sciences Center Foundation in Shreveport has four note payable agreements. Three agreements with principal outstanding of $161,838 are due in full during fiscal year 2013. The fourth agreement has principal outstanding of $624,568 at June 30, 2012, 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 following is a summary of future minimum installment payments, net of unamortized discount for the component units as of June 30, 2012:

Fiscal Year Ending June 30:	
2013	$964,416
2014	281,063
2015	7,090,780
2016	199,334
2017	127,205
2018-2022	90,406
Total minimum installment payments	8,753,204
Less - amount representing interest	(643,673)
Total	$8,109,531

Bonds and Contracts Payable - System

Detailed summaries, by issues, of all bond and reimbursement contract debt outstanding at June 30, 2012, including future interest payments, follow:

Bonds Payable - LSU System

Issue	Date of Issue	Original Issue	Outstanding July 1, 2011	Redeemed	Outstanding June 30, 2012	Maturities	Interest Rates	Future Interest Payments June 30, 2012
LSU								
2004 Auxiliary Revenue Refunding Bonds	April 6, 2004	$16,035,000	$7,335,000	($1,700,000)	$5,635,000	2013-2015	5.25%	$601,652
2004 Auxiliary Revenue Bonds - Series B	October 26, 2004	51,885,000	46,630,000	(1,270,000)	45,360,000	2013-2034	3.7% to 5.25%	27,715,152
2005 Auxiliary Revenue Bonds - Series A	June 2, 2005	18,905,000	8,320,000	(1,715,000)	6,605,000	2013-2017	3.7% to 5%	736,480
2006 Auxiliary Revenue Bonds	August 9, 2006	97,095,000	93,060,000	(1,830,000)	91,230,000	2013-2036	4% to 5%	66,958,445
2007 Auxiliary Revenue Bonds	December 11, 2007	71,130,000	67,345,000	(1,420,000)	65,925,000	2013-2037	4% to 5%	48,691,925
2008 Auxiliary Revenue Bonds	June 27, 2008	52,815,000	43,750,000	(710,000)	43,040,000	2013-2034	4% to 5%	20,864,286
2010 Auxiliary Revenue Bonds - Series A and B	June 24, 2010	118,875,000	118,375,000	(950,000)	117,425,000	2013-2040	2% to 5.01%	96,024,245
LSU Health Sciences Center								
New Orleans - Building Revenue Bonds - Series 2000	January 1, 2000	15,910,000	13,080,000	(350,000)	12,730,000	2013-2031	6.20%	9,547,629
Health Care Services Division								
Bogalusa Community Medical Center Project Series 2007 A & B	September 1, 2007	17,500,000	17,500,000		17,500,000	2015-2038	.2466% - 7.88%	12,145,669
Health Care Services Mid-City Clinic Project Series 2003B	October 1, 2003	2,500,000	1,130,000	(275,000)	855,000	2014	varies weekly	25,950
LSU at Alexandria								
2008 Auxiliary Revenue Bonds	March 18, 2008	4,200,000	4,000,000	(100,000)	3,900,000	2013-2034	4.0% - 5.5%	2,774,752
LSU at Eunice								
1998 Auxiliary Revenue Bonds	June 1, 1998	1,650,000	762,083	(95,416)	666,667	2013-2018	5%	119,687
2002 Auxiliary Revenue Bonds	January 17, 2002	7,000,000	6,745,000	(110,000)	6,635,000	2013-2033	7.375%	7,096,412
Total Bonds Payable		$475,500,000	$428,032,083	($10,525,416)	$417,506,667			$293,302,284

Bonds Payable - Component Units

Issue	Date of Issue	Original Issue	Outstanding July 1, 2011	Redeemed	Outstanding June 30, 2012	Maturities	Interest Rates	Future Interest Payments June 30, 2012
LSU Foundation								
Pooled Loan Program Revenue Bonds, Series 2003A	May 1, 2003	$12,725,000	$6,900,000	($675,000)	$6,225,000	2013-2022	Variable	$341,283
The Foundation for the LSU Health Sciences Center								
Equipment and Capital Facilities Pooled Loan Program	January 1, 2002	2,035,000	1,284,319	(93,409)	1,190,910	2013-2024	Variable	
Tiger Athletic Foundation*								
Revenue Bonds, Series 1999	March 4, 1999	43,575,000	42,100,000	(1,540,000)	40,560,000	2013-2033	Variable	
Revenue Bonds, Series 2004	March 23, 2004	90,000,000	81,675,000	(1,950,000)	79,725,000	2013-2040	Variable	
Total Bonds Payable		$148,335,000	$131,959,319	($4,258,409)	$127,700,910			$341,283

*As of December 31, 2011

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

In March 2004, 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.

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, 2012, was 1.00%. Total interest expense incurred on the bonds for the year ended June 30, 2012, was $68,860. 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 issued bonds in January 2002 totaling $2,035,000 with a variable interest rate. The interest rate for fiscal year 2012 amounted to approximately 0.88%. 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, 2012, was $1,591.

Debt Service Requirements

The annual requirements to amortize all university bonds outstanding at June 30, 2012, are presented in the following schedule. The schedule uses rates as of June 30, 2012, for debt service requirements of the variable-rate bonds, assuming current interest rates remain the same for their term. As rates vary, variable-rate bond interest payments will vary.

Fiscal Year	Principal	Interest	Total
2013	$12,340,417	$20,040,414	$32,380,831
2014	12,835,417	19,525,004	32,360,421
2015	13,635,417	18,934,891	32,570,308
2016	11,895,417	18,303,004	30,198,421
2017	12,460,417	17,772,123	30,232,540
2018 - 2022	69,419,582	79,999,887	149,419,469
2023 - 2027	84,070,000	61,213,728	145,283,728
2028 - 2032	92,795,000	39,344,756	132,139,756
2033 - 2037	83,135,000	16,229,900	99,364,900
2038 - 2042	24,920,000	1,938,577	26,858,577
Total	$417,506,667	$293,302,284	$710,808,951

The annual requirements to amortize all component unit bonds outstanding at June 30, 2012, are as follows:

Fiscal Year	Principal	Interest*	Total
2013	$4,383,395	$62,536	$4,445,931
2014	4,563,395	56,223	4,619,618
2015	4,753,395	49,910	4,803,305
2016	4,948,395	43,598	4,991,993
2017	5,158,395	37,285	5,195,680
2018-2022	29,208,025	91,731	29,299,756
2023-2027	29,345,000		29,345,000
2028-2032	27,780,000		27,780,000
2033-2037	14,580,000		14,580,000
2038-2042	3,000,000		3,000,000
Subtotal	127,720,000	341,283	128,061,283
Unamortized bond issuance cost	(19,090)	NONE	(19,090)
Total	$127,700,910	$341,283	$128,042,193

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

The following is a summary of the System debt service reserve requirements of the various bond issues at June 30, 2012:

Bond Issue	Cash/ Investment Reserves Available	Reserve Requirement	Excess/ (Deficency)
Auxiliary Plant:			
LSU at Alexandria	$313,052	$313,050	$2
LSU at Eunice Housing Foundation*	551,266	610,450	(59,184)
LSU A&M	7,770,184	7,500,000	270,184
Total	$8,634,502	$8,423,500	$211,002
Educational Plant:			
LSU Health Sciences Center -			
New Orleans	$1,176,841	$1,176,841	
Health Care Services Division	1,759,346	1,759,346	
Total	$2,936,187	$2,936,187	NONE

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

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

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

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

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

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

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

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

Capital Leases

The university system records items under capital leases as assets and obligations in the accompanying financial statements. Assets under capital lease are included as capital assets in note 5. The following is a schedule of future minimum lease payments under capital leases, together with the present value of minimum lease payments at June 30, 2012:

Fiscal Year Ending June 30:	
2013	$4,697,148
2014	4,778,367
2015	5,098,179
2016	4,714,534
2017	4,422,861
2018-2022	21,080,558
2023-2027	8,590,000
Total minimum lease payments	53,381,647
Less - amount representing interest	(13,196,725)
Present value of net minimum lease payments	$40,184,922

15. DUE TO STATE TREASURY

As shown on Statement A, the university system has a total of $87,262,910 (net) due to the state treasury at June 30, 2012. This amount consists of the following:

Description	Due (to)/from
Tobacco Tax funds	$7,384,375
Statutory dedications - Support Education in Louisiana First	1,008,978
LSUHSC-S - DHH funds (Uncompensated care)	4,196,709
Statutory dedications - Fireman Training Fund	285,572
Due from state treasury	12,875,634
Refund from prior year orders	(35,915)
Unclaimed property	(37,540)
Repayment of seed advance	(100,000,000)
Facility Planning and Control - Office of Risk Management reimbursement	(65,089)
Due to state treasury	(100,138,544)
Total	($87,262,910)

16. RESTRICTED NET ASSETS

The university system's restricted nonexpendable net assets of $187,886,937 as of June 30, 2012, are comprised entirely of endowment funds.

The university system had the following restricted expendable net assets as of June 30, 2012:

Restricted Expendable Net Assets

Account Title	Amount
Student fees	$15,510,525
Grants and contracts	35,360,202
Gifts	22,054,558
Endowment earnings	57,074,384
Auxiliary enterprises	4,098,341
Student loan funds	34,910,410
Capital construction	70,335,321
Debt service	14,984,853
Sponsored projects	714,763
LSU System Health Plan	41,895,098
Other	10,816,611
Foundation restricted net assets	8,133
Total	$307,763,199

Of the total restricted net assets reported on Statement A for the year ended June 30, 2012, a total of $3,321,202 is restricted by enabling legislation.

LSU Health Sciences Center in Shreveport has donor restricted endowments. If a donor has not provided specific instructions, state law permits the Board of Regents to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. The center's endowments are composed of approximately 85% private and 15% Board of Regents. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. At June 30, 2012, net appreciation of $1,844,039 is available to be spent and is restricted to specific purposes.

RESTRICTED NET ASSETS - COMPONENT UNITS

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

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Center Foundation in Shreveport	Total
Temporarily restricted:					
Chairs and professorships	$42,109,400		$19,739,117	$2,031,756	$63,880,273
Scholarships and fellowships	28,782,965		1,535,954		30,318,919
Academic support	69,381,706			2,652,008	72,033,714
Capital outlay and improvements	11,462,373			50,061	11,512,434
Research support	5,373,015			71,054,704	76,427,719
Institutional support	8,015,687		54,352	1,921,279	9,991,318
Donor restrictions		$32,420,686	12,010,361	95,997	44,527,044
Total temporarily restricted	$165,125,146	$32,420,686	$33,339,784	$77,805,805	$308,691,421

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Center Foundation in Shreveport	Total
Permanently restricted:					
Chairs and professorhips	$112,823,086		$39,806,449	$9,184,882	$161,814,417
Scholarships and fellowships	51,557,707		3,169,739		54,727,446
Academic support	40,938,348				40,938,348
Capital outlay and improvements	185,925				185,925
Research support	1,939,762				1,939,762
Institutional support	137,724		167,457		305,181
Endowment funds		$9,194,775	2,976,284	2,121,362	14,292,421
Total permanently restricted	$207,582,552	$9,194,775	$46,119,929	$11,306,244	$274,203,500

*As of December 31, 2011

17. RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets as reflected on Statements C and D have been restated to reflect the following changes:

UNIVERSITIES

Net assets at June 30, 2011	$1,980,924,261
LSU & Related:	
Record loss of value in ERGO Stock - worthless at June 30, 2011	(9,471)
Correctly reflect actual cost of movable equipment before FY 2012	209,922
PBRC facility capitalization	2,446,527
Correct PMAC capitalization	(99,337)
Adjust funds expensed by FP&C	(173,519)
Health Sciences Center New Orleans -	
Depreciation adjustment on impaired assets	903,267
UNO -	
Change in accounting entity - transfer of UNO to University of Louisiana System	(143,815,201)
Net assets at June 30, 2011, as restated	$1,840,386,449

COMPONENT UNITS

Net assets at June 30, 2011	$566,833,698
Health Sciences Center New Orleans -	
Change in accounting entity - addition of The Foundation for the LSU Health Sciences Center as a component unit	83,478,642
Health Sciences Center Shreveport -	
Change in accounting entity - addition of LSU Health Sciences Center Foundation in Shreveport as a component unit	100,245,361
UNO Research and Technology -	
Change in accounting entity - transfer of UNO R&T Foundation to University of Louisiana System	(73,820,736)
Net assets at June 30, 2011, as restated	$676,736,965

18. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

Function	Employee Compensation	Benefits	Utilities	Supplies and Services	Scholarships and Fellowships	Depreciation	Compensated Absences	OPEB Expense	Total
Instruction	$331,497,206	$93,860,999	$101,225	$54,708,717		$11,091,414	($110,705)	$18,727,289	$509,876,145
Research	163,600,906	53,073,248	1,588,319	102,541,234		13,939,116	(169,337)	8,639,411	343,212,897
Public service	201,619,867	36,794,688	1,033,805	82,729,793		13,132,395	453,245	8,107,270	343,871,063
Academic support	61,444,829	22,447,359	201,402	21,192,029		7,010,160	238,296	5,352,068	117,886,143
Student services	19,377,892	6,142,019	345,721	8,752,433		274,850	88,565	1,714,884	36,696,364
Institutional support	57,795,202	26,846,483	(250,052)	30,200,248		3,873,942	56,267	4,798,911	123,321,001
Operations and maintenance of plant	38,422,477	15,425,291	23,596,963	40,090,159		35,399,075	(98,446)	3,870,356	156,705,875
Scholarships and fellowships					$44,124,802				44,124,802
Auxiliary enterprises	50,524,906	14,268,454	6,377,855	82,906,190		1,173,672	140,208	3,348,916	158,740,201
Hospital	572,281,446	180,303,507	15,419,000	407,271,332		40,754,711	(2,916,432)	38,754,185	1,251,867,749
Total operating expenses	$1,496,564,731	$449,162,048	$48,414,238	$830,392,135	$44,124,802	$126,649,335	($2,318,339)	$93,313,290	$3,086,302,240

19. 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.

20. 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.

21. 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, 2012, was $612,000. There were no on-behalf payments made as contributions to a pension plan for which the university is legally responsible.

22. 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.

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

Effective November 1, 1998, the LSU Board of Supervisors on behalf of the LSU Health Sciences Center (LSUHSC) - New Orleans entered into a cooperative endeavor agreement with

Entergy Thermal (Entergy), a division of Entergy Business Solutions, Inc., and New Orleans Medical Complex, Inc. (NORMC), a Louisiana private, nonprofit corporation. The term of the agreement ends September 30, 2020, with options to renew the lease for two 5-year periods.

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

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

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

23. 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 $658,005,000 to secure outstanding debt of $439,590,000 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 2040. Pledged auxiliary revenues recognized during the period were $187,763,391. All LSUA Union, Bookstore, and athletic revenues, totaling $1,018,363 for the current period, are pledged to secure the debt of the 2008 bond, which matures in 2034. All LSUE Union and Bookstore revenues, totaling $2,026,058 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 $28,722,912.

LSUHSC - New Orleans has pledged future auxiliary revenues, dedicated student fee revenues, and University Enterprise Revenues of approximately $22,278,000 to secure its 2000 Series Bond. Proceeds from the bonds provided for the planning, financing, design, construction, operation, maintenance, equipping, and renewal and replacement for the Wellness Center, Day Care Center, Campus Health Services, and Student Housing in the Old Charity Nursing School Building. The bonds are payable through 2031. Principal and interest paid for the current year were $1,311,301. Pledged auxiliary revenues recognized during the period were $7,373,707.

24. COOPERATIVE ENDEAVOR AGREEMENTS

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

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

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

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

COOPERATIVE ENDEAVOR AGREEMENTS - COMPONENT UNITS

Tiger Athletic Foundation

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

LSU HSC Foundation in Shreveport

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

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

25. AMOUNTS HELD IN CUSTODY FOR OTHERS - COMPONENT UNITS

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

Entity	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Center Foundation in Shreveport	Total
LSU at Alexandria Foundation	$14,475,301				$14,475,301
LSU at Eunice Foundation	1,943,293				1,943,293
State matching funds	80,141,227		$21,857,951		101,999,178
Split-interest agreements	2,585,938				2,585,938
Tiger Athletic Foundation	8,832,404				8,832,404
Coaches' escrow accounts		$1,569,834			1,569,834
LSU Athletic Department		5,888,536			5,888,536
Relief 4 Blue Fund		49,519			49,519
Building tenant security deposits				$6,545,969	6,545,969
Total amounts held in custody	$107,978,163	$7,507,889	$21,857,951	$6,545,969	$143,889,972

*As of December 31, 2011

26. RELATED PARTY TRANSACTIONS - COMPONENT UNIT

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

In the normal course of business, The Foundation for the LSU Health Sciences Center reimburses the LSU Health Sciences Center - New Orleans (Center) for certain expenses and makes distributions to or on behalf of the Center. The Foundation also provides certain services for the Center. Included in expenses for the year ended June 30, 2012, is $3,805,708, representing payments on behalf of the Center. At June 30, 2012, there were no funds due to or from the Center.

The LSU Foundation has certain transactions in the normal course of operations with LSU. The transactions consist of reimbursement for salaries, which are processed by LSU and reimbursement for certain expenses paid by LSU on behalf of the Foundation, such as payments of scholarships. The amount owed to LSU at June 30, 2012, for these types of expenses was $2,363,442.

27. UNCONDITIONAL PROMISES TO GIVE - COMPONENT UNITS

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

	LSU Foundation	Tiger Athletic Foundation*	The Foundation for the LSU Health Sciences Center	LSU Health Sciences Center Foundation in Shreveport	Total
Promises to give expected to be collected in:					
Less than one year	$5,240,495	$10,521,779		$279,972	$16,042,246
One to five years	12,127,225	6,013,420	$3,200	529,879	18,673,724
More than five years	120,670	430,500	7,100		558,270
Subtotal	17,488,390	16,965,699	10,300	809,851	35,274,240
Less discount on promises to give	(1,759,377)	(985,534)	(1,531)		(2,746,442)
Less allowance for uncollectible accounts	(75,750)	(1,593,500)	(3,638)		(1,672,888)
Subtotal	(1,835,127)	(2,579,034)	(5,169)	NONE	(4,419,330)
Net unconditional promises to give	$15,653,263	$14,386,665	$5,131	$809,851	$30,854,910

*As of December 31, 2011

Total unconditional promises to give (current and noncurrent) of $30,854,910 are reported on Statement B.

28. CHANGE IN ACCOUNTING ENTITY

Pursuant to Act 419 of the 2011 Regular Legislative Session, the University of New Orleans (UNO) was transferred to the University of Louisiana System in fiscal year 2012. This transfer is accounted for as a change in accounting entity. Accordingly, all transactions and balances of UNO for the fiscal year ended June 30, 2012, are excluded from these financial statements, and all beginning balances have been restated. The UNO transfer also resulted in the UNO Research and Technology Foundation, a discretely presented component unit, being excluded for the fiscal year ended June 30, 2012. In addition, The Foundation for the LSU Health Sciences Center and the LSU Health Sciences Foundation in Shreveport meet the requirements for inclusion in the LSU System's financial statements as discretely presented component units; therefore, the foundations have been included for the fiscal year ended June 30, 2012.

29. POLLUTION REMEDIATION OBLIGATION

Certain facilities within the LSU System require remediation for asbestos abatement and other environmental concerns. The State Office of Facility Planning is coordinating the clean-up efforts. During the fiscal year 2012, total remediation costs incurred were $3,916,185 and the total remaining obligation as of June 30, 2012, totaled $201,662.

30. EMPLOYEE TERMINATION BENEFITS

Substantially all employees are eligible for termination benefits upon separation from the state. The LSU System recognizes the cost of providing these benefits as expenditures when paid during the year. For the fiscal year ending June 30, 2012, the cost of providing these benefits for 57 voluntary terminations and three involuntary terminations totaled $524,841 and $1,569, respectively.

31. SUBSEQUENT EVENTS

On July 1, 2012, LSU called $4,500,000 of its Series 2007 Auxiliary Revenue Bonds through an early redemption option. The redemption was funded with excess project funds. Term bonds were called for maturities between 2035-2037. The total debt service savings over the life of the bonds is $9,689,375.

On August 7, 2012, LSU issued $41,615,000 of Series 2012 Auxiliary Revenue Refunding Bonds. These bonds were issued as an advance refunding of the 2004B Auxiliary Revenue Bonds. The net present value benefit from the advance refunding is $3,392,654.

LSUHSC-Shreveport has entered into a funds management agreement, effective July 1, 2012, with the LSUHSC Foundation in Shreveport for the Malcolm W. Feist legacy funds held by the university. The LSUHSC Foundation will provide management and investment services in exchange for an investment/management fee. Ownership of the funds will be retained by the State of Louisiana. Any withdrawal from the funds must be authorized by the Chancellor of LSUHSC-Shreveport.

Subsequent to year-end, the Louisiana Board of Regents (BoR) suspended the GRAD Act agreement with LSU-Eunice because of its failure to meet the performance objectives under the agreement. As a consequence, LSU-Eunice lost the ability to raise tuition for the 2012-2013 academic year and $184,711 in general funds. Subsequently, LSU-Eunice presented a remediation plan that was accepted by BoR on August 24, 2012.

Subsequent to the Statement of Net Assets date of June 30, 2012, it was announced by the Governor's Office, the Division of Administration and the Department of Health and Hospitals that the LSU Health System of Hospitals would receive significant budget cuts to the Medicaid Program Funding for fiscal year 2013 because of actions taken by the U.S. Congress as part of the RESTORE Act. Congress's action resulted in a decrease to the state's disaster-recovery Federal Medical Assistance Percentage rate from 71.92% to a projected 65.51%. The fiscal year 2012 budget was built on a higher rate.

This action essentially reduced funding to the Medicaid program for fiscal year 2013 by $287.1 million in state general funds. At the present time, the full extent of the budget reduction and its impact on LSU Health programs, delivery of services to the patients, and on Graduate Medical Education programs is under review and that impact is presently uncertain and indeterminable. As executive recommendations are made and proposals given to and approved by the LSU Board of Supervisors more information and the full extent of these funding reductions will become evident.

Effective August 2, 2012, LSU A&M entered into a cooperative endeavor agreement with various parties including the State of Louisiana and the National Aeronautics and Space Administration (NASA) for continuation of the operation of the National Center for Advanced Manufacturing (NCAM) for five years. Under this agreement, LSU A&M will be obligated for the purchase of equipment in an amount not to exceed $600,000 annually.

Subsequent to the Statement of Net Assets date of June 30, 2012, at a special meeting on Friday, December 14, 2012, and a Board meeting on February 1, 2013, the Board of Supervisors of LSU A&M, the Department of Health and Hospitals, the State of Louisiana through the Division of Administration approved five distinct Memorandum of Understanding with:

- Ochsner Health System/Hospital Service District #1 of the Parish of Terrebonne (Terrebonne General Medical Center) for Leonard J. Chabert Medical Center - Houma
- Lafayette General Health System, Inc. for University Medical Center - Lafayette
- Louisiana Children's Medical Center for Medical Center of Louisiana at New Orleans
- Southwest Louisiana Hospital Association/Lake Charles Memorial Hospital for W.O. Moss Regional Medical Center - Lake Charles
- Our Lady of the Lake Regional Medical Center for Earl K. Long Medical Center - Baton Rouge

The purpose of the Memorandum of Understanding is to set forth the collective intentions to create Cooperative Endeavor Agreements (CEAs) for a private/public collaboration for the management and operation of the hospitals and outpatient clinics for those five entities. The LSU Board of Supervisors approved proceeding with each of the five Memorandums of Understanding and these Memoranda are pending signatures by all parties to be executed.

Additional private/public collaborations are being pursued for the other Health Care Services Division hospitals but have not been brought to the LSU Board of Supervisors for review or approval at this time.

Subsequent to the Statement of Net Assets date of June 30, 2012, it was announced at the Joint Legislative Committee on the Budget that Louisiana postsecondary education would reduce expenditures of state general funds appropriated to the unit by $22,000,000. Subsequent to that announcement, the BoR provided that the share to the LSU System would be $9.9 million.

On September 7, 2012, the LSU Board of Supervisors passed a resolution directing LSU Health Shreveport and its other hospitals to seek proposals to enter into public/private partnerships for the LSUHSC-S-affiliated hospitals, namely the LSU Medical Center in Shreveport, the E.A. Conway Medical Center in Monroe, and the Huey P. Long Medical Center in Pineville/Alexandria and each of the hospitals in the Health Care Services Division. This directive was necessary for identifying potential partners and long-term strategies that may help ensure the organization's clinical services and financial stability in light of budgetary challenges caused by the decrease in federal Medicaid funding.

SCHEDULE

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

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

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plans
Fiscal Year Ended June 30, 2012

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 2010	07/01/2009	NONE	$608,425,749	$608,425,749	0.0%	$629,179,083	96.7%
FY 2011	07/01/2010	NONE	663,677,884	663,677,884	0.0%	622,239,300	106.7%
FY 2012[1,2]	07/01/2011	NONE	772,549,619	772,549,619	0.0%	568,536,448	135.9%

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 2010	07/01/2009	NONE	$1,601,483,400	$1,601,483,400	0.0%	$416,263,700	384.7%
FY 2011	07/01/2010	NONE	1,354,116,000	1,354,116,000	0.0%	397,889,610	340.3%
FY 2012[1]	07/01/2011	NONE	916,892,000	916,892,000	0.0%	345,935,146	265.0%

[1] Amounts reported in the funding progress for FY 2012 does not include employees of UNO as the university was transferred to the University of Louisiana System.

[2] The discount rate used in the 2011 actuarial valuation of the LSU System Health Plan for FY 2012 was revised from 5% to 4.25% to better reflect the long-term returns expected to be earned under the current investment policy of the System.

SUPPLEMENTAL INFORMATION SCHEDULES

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

Combining Schedule of Net Assets, by University

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

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

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

Combining Schedule of Cash Flows, by University

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

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Assets, by University
June 30, 2012

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
ASSETS							
Current assets:							
Cash and cash equivalents	$21,782,743	$10,660,672	($97,470,062)	$2,511,864	$5,055,704	$2,944,313	$19,905,318
Investments	38,872,630		362,070,908	104,800	75,856	348,344	233,632
Receivables (net)	1,921,981	2,889,958	32,101,920	4,852,372	3,312,069	85,122	3,996,539
Due from other campuses	648,252		142,151				
Due from state treasury		4,840	710,400	13,789	12,834	20,499	778,526
Due from federal government		641,624	7,874,751	77,945	37,954		2,127,952
Inventories		232,756	1,846,925	7,258	350,251		3,727,700
Deferred charges and prepaid expenses			8,471,143	493	3,651	7,927	24,337
Notes receivable (net)			1,812,359		51,139		
Other current assets			1,705,196				
Total current assets	63,225,606	14,429,850	319,265,691	7,568,521	8,899,458	3,406,205	30,794,004
Noncurrent assets:							
Restricted:							
Cash and cash equivalents	3,108,119	83,688	106,405,524	721,058	420,763	1,209,748	6,133,177
Investments		6,678,253	150,970,943	1,716,153	807,349	3,461,377	3,144,838
Notes receivable (net)			13,436,119		534,799		
Other			6,056,831				83,662
Investments							
Other noncurrent assets							
Capital assets (net)	248,650	81,910,863	805,113,747	30,374,367	24,719,086	13,488,398	51,627,343
Total noncurrent assets	3,356,769	88,672,804	1,081,983,164	32,811,578	26,481,997	18,159,523	60,989,020
Total assets	66,582,375	103,102,654	1,401,248,855	40,380,099	35,381,455	21,565,728	91,783,024
LIABILITIES							
Current liabilities:							
Accounts payable and accruals	12,241,701	279,205	42,734,264	367,289	605,045	326,140	543,094
Due to other campuses	516,883	250,000	68,615,500		130,000		
Due to state treasury			35,915				
Due to federal government			56,238		115,846		342
Deferred revenues		5,808,098	59,225,689	3,229,796	2,780,427	209,926	5,026,997
Amounts held in custody for others	527,598		4,378,057	69,815	89,932	110,694	84,565
Compensated absences payable	81,881	308,087	2,884,991	103,436	61,877	114,650	922,804
Capital lease obligations			1,454,643				
Notes payable							
Bonds payable			11,380,000	100,000	220,417		
Other current liabilities			1,705,196				
Total current liabilities	13,368,063	6,645,390	192,470,493	3,870,336	4,003,544	761,410	6,577,802
Noncurrent liabilities:							
Compensated absences payable	670,262	2,767,366	27,467,926	689,942	615,639	820,963	8,363,759
Capital lease obligations			31,289,348				
Notes payable							
Other postemployment benefits payable	651,272	13,234,452	165,144,720	10,389,728	4,788,208	4,597,183	44,729,213
Bonds payable			363,840,000	3,800,000	7,081,250		
Other noncurrent liabilities			1,690,072		7,578	18,907	17,182
Total noncurrent liabilities	1,321,534	16,001,818	589,432,066	14,879,670	12,492,675	5,437,053	53,110,154
Total liabilities	14,689,597	22,647,208	781,902,559	18,750,006	16,496,219	6,198,463	59,687,956

(Continued)

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
ASSETS						
Current assets:						
Cash and cash equivalents	$955,844	$32,335,052	$217,925,231	$162,286,111		$378,892,790
Investments	100,000	3,540,798	2,283,935	70,823,275		478,454,178
Receivables (net)	1,750,528	38,495,056	123,601,333	51,839,608		264,846,486
Due from other campuses	4,009,718	84,822,679	778,055	4,387,145	($94,788,000)	
Due from state treasury	32,455	5,076,063		6,226,228		12,875,634
Due from federal government	422,250	7,262,960	392,407	3,827,758		22,665,601
Inventories	423,427	2,110,235	15,751,297	12,210,472		36,660,321
Deferred charges and prepaid expenses	729,925	1,085,401	757,729	214,421		11,295,027
Notes receivable (net)		971,897		248,958		3,084,353
Other current assets		86,453				1,791,649
Total current assets	8,424,147	175,786,594	361,489,987	312,063,976	(94,788,000)	1,210,566,039
Noncurrent assets:						
Restricted:						
Cash and cash equivalents	339,146		4,440,005	13,488,584		136,349,812
Investments	4,738,143	22,412,232	9,815,622	53,859,384		257,604,294
Notes receivable (net)		7,466,116		1,349,030		22,786,064
Other						6,140,493
Investments		2,531,213				2,531,213
Other noncurrent assets		224,978	587,362			812,340
Capital assets (net)	23,471,374	230,472,061	410,110,003	134,100,321		1,805,636,213
Total noncurrent assets	28,548,663	263,106,600	424,952,992	202,797,319	NONE	2,231,860,429
Total assets	36,972,810	438,893,194	786,442,979	514,861,295	(94,788,000)	3,442,426,468
LIABILITIES						
Current liabilities:						
Accounts payable and accruals	1,408,051	30,866,101	37,216,698	32,284,415		158,872,003
Due to other campuses	2,530	513,459	23,898,129	861,499	(94,788,000)	
Due to state treasury			100,001,920	100,709		100,138,544
Due to federal government		3,785,890				3,958,316
Deferred revenues	786,586	8,190,527	5,138,250	2,314,944		92,711,240
Amounts held in custody for others	134,451	346,549	374,634	116,995		6,233,290
Compensated absences payable	108,547	1,596,059	4,255,511	1,956,606		12,394,449
Capital lease obligations				1,312,829		2,767,472
Notes payable			601,824	42,600		644,424
Bonds payable		365,000	275,000			12,340,417
Other current liabilities						1,705,196
Total current liabilities	2,440,165	45,663,585	171,761,966	38,990,597	(94,788,000)	391,765,351
Noncurrent liabilities:						
Compensated absences payable	2,124,656	16,605,205	30,397,445	27,009,255		117,532,418
Capital lease obligations				6,128,102		37,417,450
Notes payable			3,661,663			3,661,663
Other postemployment benefits payable	9,044,970	83,701,717	171,728,554	163,387,022		671,397,039
Bonds payable		12,365,000	18,080,000			405,166,250
Other noncurrent liabilities			521,123			2,254,862
Total noncurrent liabilities	11,169,626	112,671,922	224,388,785	196,524,379	NONE	1,237,429,682
Total liabilities	13,609,791	158,335,507	396,150,751	235,514,976	(94,788,000)	1,629,195,033

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Net Assets, by University
June 30, 2012

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
NET ASSETS							
Invested in capital assets, net of related debt	$248,650	$81,910,863	$458,976,998	$26,549,141	$20,131,121	$13,488,398	$51,627,343
Restricted for:							
Nonexpendable		5,701,276	66,883,054	1,549,464	374,346	3,697,053	3,159,417
Expendable	43,003,183	6,776,448	172,928,567	2,634,138	3,039,429	991,690	7,538,275
Unrestricted	8,640,945	(13,933,141)	(79,442,323)	(9,102,650)	(4,659,660)	(2,809,876)	(30,229,967)
Total net assets	$51,892,778	$80,455,446	$619,346,296	$21,630,093	$18,885,236	$15,367,265	$32,095,068

(Concluded)

Schedule 2

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total System
NET ASSETS						
Invested in capital assets, net of related debt	$23,471,374	$219,136,666	$392,054,325	$126,616,790		$1,414,211,669
Restricted for:						
Nonexpendable	4,548,207	26,212,599	16,129,230	59,632,291		187,886,937
Expendable	2,088,547	18,672,841	19,199,099	30,890,982		307,763,199
Unrestricted	(6,745,109)	16,535,581	(37,090,426)	62,206,256		(96,630,370)
Total net assets	$23,363,019	$280,557,687	$390,292,228	$279,346,319	NONE	$1,813,231,435

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by University
For the Fiscal Year Ended June 30, 2012

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
OPERATING REVENUES							
Student tuition and fees			$264,375,627	$8,605,903	$6,726,307	$16,309,856	
Less scholarship allowances			(48,980,776)	(1,752,224)	(1,633,581)	(3,004,916)	
Net student tuition and fees	NONE	NONE	215,394,851	6,853,679	5,092,726	13,304,940	NONE
Federal appropriations							$11,174,889
Federal grants and contracts		$20,645,110	90,372,963	358,729	544,648	86,634	11,448,357
State and local grants and contracts	$177,000	2,669,015	38,365,157	190,493	376,238		12,186,914
Nongovernmental grants and contracts		9,720,910	17,367,246	41,290	64,341	28,201	5,298,980
Sales and services of educational departments		175,015	18,702,985	35,143	31,632	184,268	6,537,637
Hospital income							
Auxiliary enterprise revenues (including revenues pledged to secure debt)		26,420	167,337,985	1,832,996	3,353,839		
Less scholarship allowances			(14,278,336)	(164,603)	(140,761)		
Net auxiliary revenues	NONE	26,420	153,059,649	1,668,393	3,213,078	NONE	NONE
Other operating revenues	2,012,731	70,383	8,555,841	35,240	43,217	28,080	8,980,132
Total operating revenues	2,189,731	33,306,853	541,818,692	9,182,967	9,365,880	13,632,123	55,626,909
OPERATING EXPENSES							
Educational and general:							
Instruction	177,000		225,671,081	10,067,838	8,441,866	9,565,170	
Research		37,975,626	142,637,118	(10,472)		671,917	66,215,508
Public service		2,002,713	35,936,680	46,214	2,436	49,454	48,591,779
Academic support		3,468,023	71,854,668	1,000,488	786,004	2,986,691	4,199,776
Student services			22,574,709	1,802,203	1,571,750	1,459,351	
Institutional support	22,728,562	6,019,438	26,776,291	2,299,080	2,363,809	2,641,834	13,965,704
Operations and maintenance of plant	194,013	7,498,733	87,453,046	4,721,189	3,033,895	1,911,579	5,885,207
Scholarships and fellowships	3,000	827	27,627,681	2,891,382	4,035,006	1,708,250	21,350
Auxiliary enterprises		39,783	133,172,243	2,588,483	2,469,787		
Hospital							
Total operating expenses	23,102,575	57,005,143	773,703,517	25,406,405	22,704,553	20,994,246	138,879,324
OPERATING LOSS	(20,912,844)	(23,698,290)	(231,884,825)	(16,223,438)	(13,338,673)	(7,362,123)	(83,252,415)
NONOPERATING REVENUES (Expenses)							
State appropriations	3,905,708	12,819,997	160,959,450	7,936,532	5,878,973	6,470,845	72,667,199
Gifts	210,650	2,541,083	29,957,181	292,025	157,159	750,173	2,766,416
Federal nonoperating revenues			20,723,346	4,172,931	5,222,007		(104,275)
Net investment income	1,696,028	145,037	33,496,567	238,008	125,271	474,042	1,183,855
American Recovery and Reinvestment Act revenues							
Interest expense			(19,729,708)	(206,763)	(531,612)		
Other nonoperating revenues (expenses)	3,040,806		100				2,287,465
Net nonoperating revenues	8,853,192	15,506,117	225,406,936	12,432,733	10,851,798	7,695,060	78,800,660

(Continued)

Schedule 3

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
OPERATING REVENUES						
Student tuition and fees	$14,627,328	$29,742,282		$10,595,058		$350,982,361
Less scholarship allowances	(3,996,467)	(3,132,824)		(355,997)		(62,856,785)
Net student tuition and fees	10,630,861	26,609,458	NONE	10,239,061	NONE	288,125,576
Federal appropriations						11,174,889
Federal grants and contracts	1,383,536	43,349,499		15,668,915		183,858,391
State and local grants and contracts	3,879,303	102,696,350		5,487,272	($91,312,657)	74,715,085
Nongovernmental grants and contracts	2,954,797	78,495,729		17,993,891		131,965,385
Sales and services of educational departments	30,911	96,422,166		87,354,703	(1,656)	209,472,804
Hospital income			$833,994,346	433,169,259	(42,929,474)	1,224,234,131
Auxiliary enterprise revenues (including revenues pledged to secure debt)	3,299,799	6,890,005		10,734,279	(314,416)	193,160,907
Less scholarship allowances	(394,198)					(14,977,898)
Net auxiliary revenues	2,905,601	6,890,005	NONE	10,734,279	(314,416)	178,183,009
Other operating revenues	124,720	600,999		258,055		20,709,398
Total operating revenues	21,909,729	355,064,206	833,994,346	580,905,435	(134,558,203)	2,322,438,668
OPERATING EXPENSES						
Educational and general:						
Instruction	15,937,586	182,626,853		57,565,751	(177,000)	509,876,145
Research	678,635	53,411,948		41,632,617		343,212,897
Public service	2,637,066	165,243,422		89,361,299		343,871,063
Academic support	4,214,704	21,008,136		8,367,653		117,886,143
Student services	2,540,497	5,381,113		1,366,741		36,696,364
Institutional support	5,952,093	32,466,527		25,580,542	(17,472,879)	123,321,001
Operations and maintenance of plant	2,610,441	24,598,248		18,799,524		156,705,875
Scholarships and fellowships	6,033,585	1,273,328		530,393		44,124,802
Auxiliary enterprises	3,691,002	6,712,075		10,066,828		158,740,201
Hospital		1,734,464	877,370,907	510,356,423	(137,594,045)	1,251,867,749
Total operating expenses	44,295,609	494,456,114	877,370,907	763,627,771	(155,243,924)	3,086,302,240
OPERATING LOSS	(22,385,880)	(139,391,908)	(43,376,561)	(182,722,336)	20,685,721	(763,863,572)
NONOPERATING REVENUES (Expenses)						
State appropriations	11,375,088	91,310,455	64,296,464	74,869,474		512,490,185
Gifts	159,807	1,114,045	2,644,142	(35,586)		40,557,095
Federal nonoperating revenues	6,222,954	7,327,267	306,076	102,234		43,972,540
Net investment income	(51,177)	3,001,084	463,854	5,872,258		46,644,827
American Recovery and Reinvestment Act revenues			7,241,967	5,633,512		12,875,479
Interest expense		(823,531)	(829,492)	(452,348)		(22,573,454)
Other nonoperating revenues (expenses)		1,819,668	(55,729,361)	(16,920,385)	(20,685,721)	(86,187,428)
Net nonoperating revenues	17,706,672	103,748,988	18,393,650	69,069,159	(20,685,721)	547,779,244

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses,
and Changes in Net Assets, by University
June 30, 2012

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
INCOME (Loss) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	($12,059,652)	($8,192,173)	($6,477,889)	($3,790,705)	($2,486,875)	$332,937	($4,451,755)
Capital appropriations		12,093,136	37,278,163	2,918,299	4,449,825		2,655,011
Capital gifts and grants		280,670	7,745,595	128,489	252,767	5,548	180,329
Additions to permanent endowment		40,000	1,280,075			80,000	40,000
Other additions (deductions)	1,009,238	(106,032)	(3,348,225)	(78,209)	(18,748)	(149,375)	(358,644)
Transfer (to)/from other system institution	(6,250,000)	250,000	5,870,000		130,000		
CHANGE IN NET ASSETS	(17,300,414)	4,365,601	42,347,719	(822,126)	2,326,969	269,110	(1,935,059)
NET ASSETS - BEGINNING OF YEAR (Restated)	69,193,192	76,089,845	576,998,577	22,452,219	16,558,267	15,098,155	34,030,127
NET ASSETS - END OF YEAR	$51,892,778	$80,455,446	$619,346,296	$21,630,093	$18,885,236	$15,367,265	$32,095,068

(Concluded)

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
INCOME (Loss) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES (CONT.)	($4,679,208)	($35,642,920)	($24,982,911)	($113,653,177)		($216,084,328)
Capital appropriations		5,042,653	110,260,687	731,798		175,429,572
Capital gifts and grants		1,393,308		3,495,320		13,482,026
Additions to permanent endowment	199,427	80,000		1,765,000		3,484,502
Other additions (deductions)	(48,664)			(368,127)		(3,466,786)
Transfer (to)/from other system institution						
CHANGE IN NET ASSETS	(4,528,445)	(29,126,959)	85,277,776	(108,029,186)	NONE	(27,155,014)
NET ASSETS - BEGINNING OF YEAR (Restated)	27,891,464	309,684,646	305,014,452	387,375,505	NONE	1,840,386,449
NET ASSETS - END OF YEAR	$23,363,019	$280,557,687	$390,292,228	$279,346,319	NONE	$1,813,231,435

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2012

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
CASH FLOWS FROM OPERATING ACTIVITIES:							
Tuition and fees			$217,941,685	$6,709,525	$5,686,999	$13,298,154	
Federal appropriations							$10,356,656
Grants and contracts	$142,870	$35,546,567	145,997,141	670,760	1,045,647	112,155	30,555,498
Sales and services of educational departments		200,588	19,802,418	35,143	31,632	185,200	6,507,671
Hospital income							
Auxiliary enterprise receipts		26,420	160,960,144	1,635,992	2,460,517		
Payments for employee compensation	(2,976,252)	(27,915,746)	(357,857,746)	(10,446,759)	(8,227,488)	(10,099,699)	(68,580,878)
Payments for benefits	(450,027)	(9,423,311)	(115,027,824)	(4,434,264)	(3,524,999)	(3,306,353)	(29,721,541)
Payments for utilities	(75,546)	(1,459,990)	(16,255,204)	(612,558)	(501,373)	(530,458)	(2,560,684)
Payments for supplies and services	(19,353,792)	(10,886,729)	(194,678,541)	(4,372,412)	(4,893,374)	(4,057,747)	(28,531,946)
Payments for scholarships and fellowships	(3,000)	(827)	(27,496,576)	(2,891,382)	(4,035,006)	(1,708,250)	(21,350)
Loans to students			(2,201,493)	75,476	(58,000)		
Collection of loans to students			1,821,185		54,595		
Other receipts (payments)	3,288,300	319,664	(614,483)	39,162	173,600	22,429	8,999,445
Net cash used by operating activities	(19,427,447)	(13,593,364)	(167,609,294)	(13,591,317)	(11,787,250)	(6,084,569)	(72,997,129)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
State appropriations	3,905,708	12,818,495	170,996,450	9,244,116	6,641,406	6,535,652	72,496,092
Gifts and grants for other than capital purposes	98,014	2,541,083	30,337,751	286,906	153,620	511,644	2,774,542
Private gifts for endowment purposes		(976,977)	2,934,284	78,209	18,748	149,375	157,670
Taylor Opportunity Program for Students receipts			58,729,398	1,228,115	860,094		
Taylor Opportunity Program for Students disbursements			(58,729,398)	(1,249,069)	(860,094)		
Direct lending receipts			113,359,938	6,761,553	7,396,263		
Direct lending disbursements			(113,359,938)	(6,761,553)	(7,396,263)		
Federal Emergency Management Agency receipts			3,962				29,497
Federal Emergency Management Agency disbursements			17,000				(133,772)
American Recovery and Reinvestment Act receipts							
Transfer (to)/from other system institutions	(6,250,000)	250,000	5,870,000		130,000		
Other receipts	3,040,806		20,702,484	4,158,348	5,222,007		2,287,465
Net cash provided by noncapital financing sources	794,528	14,632,601	230,861,931	13,746,625	12,165,781	7,196,671	77,611,494
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:							
Proceeds from capital debt							
Capital appropriations received			362,702				254,183
Capital gifts and grants received		280,670	4,344,219	128,644	58,691	5,548	262,092
Proceeds from sale of capital assets							
Purchase of capital assets	(15,510)	(1,678,423)	(54,493,225)	(272,704)	(469,736)	(760,510)	(1,856,830)
Principal paid on capital debt and leases			(10,903,537)	(100,000)	(205,416)		
Interest paid on capital debt and leases			(19,729,708)	(206,763)	(531,612)		
Other sources (uses)	1,009,238	(106,032)	(3,284,823)	(78,209)	(18,748)	(149,375)	(358,644)
Net cash provided (used) by capital financing activities	993,728	(1,503,785)	(83,704,372)	(529,032)	(1,166,821)	(904,337)	(1,699,199)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds (loss) from sales and maturities of investments	1,909,883		186,149,827		(98,062)		
Interest received on investments	309,655	1,184,365	13,211,935	131,131	86,624	187,199	950,924
Purchase of investments	(39,394,761)		(199,218,653)				
Net cash provided (used) by investing activities	(37,175,223)	1,184,365	143,109	131,131	(11,438)	187,199	950,924

(Continued)

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Tuition and fees	$10,055,149	$26,587,112		$10,293,091		$290,571,715
Federal appropriations						10,356,656
Grants and contracts	9,239,925	226,619,065		41,822,548	($91,312,657)	400,439,519
Sales and services of educational departments	30,911	94,871,837		85,395,160	(1,656)	207,058,904
Hospital income			$769,859,254	460,408,903	(42,929,474)	1,187,338,683
Auxiliary enterprise receipts	2,888,339	6,552,704		10,733,844	(314,416)	184,943,544
Payments for employee compensation	(19,262,767)	(275,043,114)	(346,033,374)	(388,180,854)		(1,514,624,677)
Payments for benefits	(7,034,715)	(59,891,933)	(120,935,396)	(92,597,206)		(446,347,569)
Payments for utilities	(734,437)	(8,892,510)	(10,174,064)	(8,920,332)		(50,717,156)
Payments for supplies and services	(8,145,729)	(119,288,673)	(315,516,744)	(231,509,704)	155,243,924	(785,991,467)
Payments for scholarships and fellowships	(6,033,585)	(1,239,662)		(530,393)		(43,960,031)
Loans to students		(771,218)		(294,026)		(3,249,261)
Collection of loans to students		1,074,357		270,521		3,220,658
Other receipts (payments)	150,061	600,999		294,606		13,273,783
Net cash used by operating activities	(18,846,848)	(108,821,036)	(22,800,324)	(112,813,842)	20,685,721	(547,686,699)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
State appropriations	11,375,088	106,076,440	64,296,464	82,393,759		546,779,670
Gifts and grants for other than capital purposes	159,807	1,114,045	2,644,142	(35,586)	(20,685,721)	19,900,247
Private gifts for endowment purposes	199,427			1,765,000		4,325,736
Taylor Opportunity Program for Students receipts	2,405,448	938,958		59,097		64,221,110
Taylor Opportunity Program for Students disbursements	(2,405,448)	(936,093)		(59,097)		(64,239,199)
Direct lending receipts		49,809,379		17,531,311		194,858,444
Direct lending disbursements		(49,951,792)		(17,531,311)		(195,000,857)
Federal Emergency Management Agency receipts		7,952,268	2,526,492			10,512,219
Federal Emergency Management Agency disbursements		(1,560,757)	(2,220,416)			(3,897,945)
American Recovery and Reinvestment Act receipts			7,241,967	7,456,563		14,698,530
Transfer (to)/from other system institutions						
Other receipts	6,315,953	8,927,473	(55,373,942)	(16,405,298)		(21,124,704)
Net cash provided by noncapital financing sources	18,050,275	122,369,921	19,114,707	75,174,438	(20,685,721)	571,033,251
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Proceeds from capital debt			2,800,000			2,800,000
Capital appropriations received				561,716		1,178,601
Capital gifts and grants received				2,730,000		7,809,864
Proceeds from sale of capital assets			5,000			5,000
Purchase of capital assets	(827,976)	(15,829,647)	(11,847,881)	(18,443,102)		(106,495,544)
Principal paid on capital debt and leases		(405,708)	(427,841)	(1,680,264)		(13,722,766)
Interest paid on capital debt and leases		(823,531)	(829,492)	(452,348)		(22,573,454)
Other sources	(48,664)			182		(3,035,075)
Net cash provided (used) by capital financing activities	(876,640)	(17,058,886)	(10,300,214)	(17,283,816)	NONE	(134,033,374)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds (loss) from sales and maturities of investments				156,652,825		344,614,473
Interest received on investments	(51,177)	2,585,254	463,854	4,631,041		23,690,805
Purchase of investments	(4,009,718)	1,442,881	1,249,150	(197,724,075)		(437,655,176)
Net cash provided (used) by investing activities	(4,060,895)	4,028,135	1,713,004	(36,440,209)	NONE	(69,349,898)

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University
June 30, 2012

	Board and System Administration	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Paul M. Hebert Law Center	Agricultural Center
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	($54,814,414)	$719,817	($20,308,626)	($242,593)	($799,728)	$394,964	$3,866,090
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	79,705,276	10,024,543	29,244,088	3,475,515	6,276,195	3,759,097	22,172,405
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$24,890,862	$10,744,360	$8,935,462	$3,232,922	$5,476,467	$4,154,061	$26,038,495
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:							
Operating loss	($20,912,844)	($23,698,290)	($231,884,825)	($16,223,438)	($13,338,673)	($7,362,123)	($83,252,415)
Adjustments to reconcile operating loss to net cash used by operating activities:							
Depreciation expense	51,272	4,781,887	39,836,663	1,354,555	1,085,435	848,012	4,097,311
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable, net	(451,886)	303,270	3,301,910	(181,246)	(285,399)	6,996	90,318
(Increase) decrease in inventories		(7,286)	105,335	1,903	7,077		267,742
(Increase) decrease in deferred charges and prepaid expenses		1,747	768,812	2,576	6,398	(4,861)	17,777
(Increase) decrease in notes receivable			(33,150)		8,718		
(Increase) decrease in other assets	758,796		(8,602)				
Increase (decrease) in accounts payable and accrued liabilities	780,628	(65,826)	2,435,287	(11,879)	(441,025)	(104,148)	(165,026)
Increase (decrease) in deferred revenue		2,224,320	7,614,319	158,493	37,922	13,367	694,478
Increase (decrease) in amounts held in custody for others	(174,628)		(946,217)	3,813	18,911	(35,238)	14,630
Increase (decrease) in compensated absences	(75,301)	344,324	1,021,874	49,392	(96,307)	(23,495)	(102,019)
Increase in other postemployment benefits payable	79,633	2,272,490	22,199,490	1,277,771	1,079,693	558,014	5,349,463
Increase (decrease) in other liabilities	516,883	250,000	(12,020,190)	(23,257)	130,000	18,907	(9,388)
Net cash used by operating activities	($19,427,447)	($13,593,364)	($167,609,294)	($13,591,317)	($11,787,250)	($6,084,569)	($72,997,129)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:							
Cash and cash equivalents classified as current assets	$21,782,743	$10,660,672	($97,470,062)	$2,511,864	$5,055,704	$2,944,313	$19,905,318
Cash and cash equivalents classified as noncurrent assets	3,108,119	83,688	106,405,524	721,058	420,763	1,209,748	6,133,177
Cash and cash equivalents at end of the year	$24,890,862	$10,744,360	$8,935,462	$3,232,922	$5,476,467	$4,154,061	$26,038,495
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:							
Capital appropriations		$12,093,136	$37,266,523	$2,918,299	$4,449,825		$2,404,587
Capital gifts			2,610,682				

(Concluded)

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	($5,734,108)	$518,134	($12,272,827)	($91,363,429)	NONE	($180,036,720)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	7,029,098	31,816,918	234,638,063	267,138,124	NONE	695,279,322
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$1,294,990	$32,335,052	$222,365,236	$175,774,695	NONE	$515,242,602
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:						
Operating loss	($22,385,880)	($139,391,908)	($43,376,561)	($182,722,336)	$20,685,721	($763,863,572)
Adjustments to reconcile operating loss to net cash used by operating activities:						
Depreciation expense	1,766,620	20,772,430	27,328,865	24,726,285		126,649,335
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable, net	563,063	(1,570,290)	(62,983,793)	52,701,565		(8,505,492)
(Increase) decrease in inventories	11,588	186,035	(356,928)	(410,553)		(195,087)
(Increase) decrease in deferred charges and prepaid expenses	(49,188)	(224,135)	(28,192)	(45,899)		445,035
(Increase) decrease in notes receivable		302,639		(47,496)		230,711
(Increase) decrease in other assets	(10,070)	86,453	(20,377)			806,200
Increase (decrease) in accounts payable and accrued liabilities	(24,397)	2,594,458	30,487,619	(31,408,377)		4,077,314
Increase (decrease) in deferred revenue	(133,748)	(2,023,079)	4,916,939	136,407		13,639,418
Increase (decrease) in amounts held in custody for others	90,629	166,834	229,586	37,113		(594,567)
Increase (decrease) in compensated absences	(121,705)	(578,029)	(3,196,154)	459,081		(2,318,339)
Increase in other postemployment benefits payable	1,477,063	11,040,590	24,218,715	23,760,368		93,313,290
Increase (decrease) in other liabilities	(30,823)	(183,034)	(20,043)			(11,370,945)
Net cash used by operating activities	($18,846,848)	($108,821,036)	($22,800,324)	($112,813,842)	$20,685,721	($547,686,699)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:						
Cash and cash equivalents classified as current assets	$955,844	$32,335,052	$217,925,231	$162,286,111		$378,892,790
Cash and cash equivalents classified as noncurrent assets	339,146		4,440,005	13,488,584		136,349,812
Cash and cash equivalents at end of the year	$1,294,990	$32,335,052	$222,365,236	$175,774,695	NONE	$515,242,602
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital appropriations		$5,042,653	$110,260,687	$170,082		$174,605,792
Capital gifts		1,393,308		765,320		4,769,310

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

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

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 30, 2013

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

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units, which collectively comprise the basic financial statements of the Louisiana State University (LSU) System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 30, 2013. Our report was modified to include an emphasis of a matter paragraph regarding financial statement comparability. Our report also includes a reference to 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. We did not audit the financial statements of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries, the Eunice Student Housing Foundation, Inc., and the Health Care Services Foundation and its subsidiary, which are nonprofit corporations included as blended component units in the basic financial statements of the LSU System. We also did not audit the financial statements of the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Center Foundation in Shreveport, and The Foundation for the LSU Health Sciences Center, which are the discretely presented component units presented in the basic financial statements. The financial statements of the blended and discretely presented component units were audited by other auditors whose reports have been furnished to us, and this report, insofar as it relates to the amounts reported for those component units, is based on the reports of the other auditors. The financial statements of the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Center Foundation in Shreveport, which were audited by other auditors, were audited in accordance with standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. 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.

Internal Control Over Financial Reporting

Management of the LSU System is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the LSU System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LSU System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the LSU System's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

Other Reports

Other external auditors audited the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries, the Eunice Student Housing Foundation, Inc., and the Health Care Services Foundation and its subsidiary, which are blended component units included in the LSU System's basic financial statements for the year ended June 30, 2012. In addition, other auditors audited the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Center Foundation Shreveport, and The Foundation for the LSU Health Sciences Center, which are discretely presented component units included in the basic financial statements. 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, 2012, we performed certain procedures on campuses and hospitals within the LSU System. Our reports on those procedures for those campuses and hospitals are listed as follows:

	Report Date
LSU and Related Campuses	January 31, 2013
LSU Health Sciences Center - New Orleans	December 10, 2012
LSU Health Sciences Center - Shreveport	December 4, 2012
Health Care Services Division	pending

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

This report is intended solely for the information and use of the LSU System and its management, others within the entity, the LSU Board of Supervisors, the Louisiana Board of Regents for Higher Education, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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LSU 2012