

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION
NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
FOR THE YEAR ENDED JUNE 30, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. In July of 1984, the GASB issued Statement 1, which provided that all statements and interpretations issued by the National Council on Governmental Accounting (NCGA) continue as generally accepted accounting principles until altered, amended, supplemented, revoked or superseded by subsequent GASB pronouncements.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. As a component unit of the State of Louisiana, LSUHSC HCSD is required to report its financial statements in accordance with GASB 34 and 35 as amended by GASB 37 and 38. Financial statement presentation required by GASB 34 and 35 provides a comprehensive, entity-wide perspective of the institution's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

The GASB Code Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Therefore, the accompanying financial statements of the university contain sub-account information of the various funds of the State of Louisiana. As such, the accompanying financial statements present information only as to the transactions of the programs of the university as authorized by Louisiana statutes and administrative regulations.

2. REPORTING ENTITY

LSUHSC HCSD is a publicly supported hospital system under the LSU institution of higher education. Using the criteria established in GASB Statement 14, *The Financial Reporting Entity* as amended by GASB 39, the institution is reported as a discrete component unit of the State of Louisiana since it is legally separate from and is financially accountable to the State.

Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements. The Louisiana Legislative Auditor audits the basic financial statements.

3. BASIS OF ACCOUNTING

For financial reporting purposes, the institution is considered a special-purpose government engaged only in business-type activities. Accordingly, the institution'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-agency transactions have been eliminated.

The institution has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The institution has elected not to apply FASB pronouncements issued after the applicable date.

The financial statements of the university have been prepared on the accrual basis of accounting.

4. CASH EQUIVALENT

The institution considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION
NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
FOR THE YEAR ENDED JUNE 30, 2004

5. INVESTMENTS

The institution accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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.

6. INVENTORIES

Inventories are valued at the lower of cost or market (specify any other) on the weighted average basis (specify any other). The institution accounts for its inventories using the consumption method.

7. NONCURRENT CASH AND INVESTMENTS

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of net assets.

8. 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 institution'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 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 was 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. Library collections regardless of age, with a total acquisition value of \$5,000,000 or more will be capitalized and depreciated.

9. DEFERRED REVENUES

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

10. 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 liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

11. NET ASSETS

The institution's net assets are classified as follows:

- (a) INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION
NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
FOR THE YEAR ENDED JUNE 30, 2004

This represents the institution'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.

(b) RESTRICTED NET ASSETS – EXPENDABLE

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

(c) RESTRICTED NET ASSETS – NONEXPENDABLE

Restricted nonexpendable net assets 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 inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

(d) UNRESTRICTED NET ASSETS

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

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

12. CLASSIFICATION OF REVENUES

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

(a) OPERATING REVENUE - Operating activity include 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) most Federal, state, and local grants and contracts and Federal appropriations, and (4) hospital income.

(b) NONOPERATING REVENUE – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions.

13. 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 is the difference between the stated charge for goods and services provided by the institution, and the amount that is paid by students and/or third parties making payments on the student's behalf.

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION
NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
FOR THE YEAR ENDED JUNE 30, 2004

14. ELIMINATING INTERFUND ACTIVITY

Activities between LSUHSC HCSD and the institution's service units are eliminated for purposes of preparing the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Net Assets.

15. COMPONENT UNITS N/A

For each discretely presented component unit presented, include the following:

- a brief description of the component unit;
- its relationship to the primary government;
- a discussion of the criteria for including it;
- how it is reported; and for each major component unit, the nature and amount of significant transactions between the primary government and the component unit.

B. BUDGETARY PRACTICES

The annual budget for the General Fund of the university is established by annual Legislative action and by Title 39 of the Louisiana Revised Statutes. The submission of the budget for approval by the Board of Regents (or Board of Supervisor for LSUHSC HCSD) and the Legislative budget process is required. The other funds of the university, although subject to internal budgeting, are not required to be submitted for approval through the Legislative budget process.

State law provides that appropriations lapse at the end of the fiscal year with the exception noted in Note H, General Fund. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting with some exceptions. The following is a list of exceptions, but is not all inclusive, (1) depreciation is not recognized; (2) leave costs 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) certain capital leases are not recorded.

1. BUDGETARY COMPARISON

The following is an appropriation budgetary comparison for current year General Fund appropriation:

Original Budget – should equal Act 14 (the budget appropriated by the Legislature)

Final Budget – Act 14 plus or minus all of the BA 7s

Actual – Revenues and expenses that should tie to the revenues and expenses on the Statement of Revenues, Expenses and Changes in Net Assets. **(Note: The university or college may complete this note in the same manner as it did the past few years (base the budgetary note on the operating budget.)**

Adjustment to Budget Basis – Calculate the adjustments to move from an actual basis to a budget basis. For example, depreciation, payroll accrual, compensated absences, etc. should be treated as adjustments to budget basis. Also, nonappropriated revenues and expenses should be listed in this column and subtracted from actual revenues and expenses to arrive at "Actual" on "Budget Basis."

Actual on Budget Basis – "Actual" plus or minus "Adjustment to Budget Basis"

Variance Favorable (Unfavorable) – "Final" minus "Actual on Budget Basis"

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted		Actual	Adjustment to Budget Basis	Actual on Budget Basis	Variance Favorable (Unfavorable)
	Original	Final				
REVENUES:						
Appropriated by Legislature:						
State General Fund (Direct)	\$ 68,121,034	67,953,715	67,953,715	\$	\$ 67,953,715	\$ 0
State General Fund by Self- Generated Revenues						0
State General Fund by Self- Interagency Transfers						0
Interim Emergency Board						0
Federal Funds						0
Other (Include Stat. Dedications)						0
Total Revenues	68,121,034	67,953,715	67,953,715	0	67,953,715	0
EXPENDITURES:						
Program Expenditures	68,121,034	67,953,715	67,953,715		67,953,715	0
Total Expenditures	68,121,034	67,953,715	67,953,715		67,953,715	0
UNEXPENDED APPROPRIATION						
-CURRENT YEAR	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Further, the university may invest in time certificates of deposit in state banks organized under the laws of Louisiana, national banks having their principal office in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

As reflected on the statement of net assets, the institution had deposits in bank accounts totaling \$34,334,482 at June 30, 2004. Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The 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 pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer.

Following the issuance of GASB Statement 3, deposits were classified into three categories of custodial credit risk depending on whether they were insured or collateralized, and who held the collateral and how it was held.

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

Category 1 – Deposits that are covered by insurance (FDIC) or collateralized with securities that are held by the entity in the entity’s name or registered in the entity’s name. **(separate disclosure no longer required)**

Category 2 – Deposits that are not insured but are collateralized with securities that are held by the financial institution’s trust department or agent and are in the entity’s name. **(separate disclosure no longer required)**

Category 3 – Deposits that are not covered by insurance and also are not collateralized. Not collateralized includes when the securities (collateral) are held by the financial institution’s trust department or agent and they are not in the entity’s name. **(separate disclosure still required)**

GASB Statement 40 requires category 3 deposits to be disclosed in the custodial credit risk section of Note C. If an entity has deposits exposed to custodial credit risk category 3, it should disclose the amount of those balances, the fact that they are uninsured, and whether the balances are either uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the entity’s name.

The deposits at June 30, 2004, consisted of the following:

Deposits per Statement of Net Assets (SNA)	\$ 31,910,407	\$ _____	\$ 2,331,950	\$ 34,242,357
Bank balances (category 3 only, if any):				
a. Uninsured and Uncollateralized	_____	_____	_____	-
b. Uninsured and collateralized with securities held by the pledging institution	_____	_____	_____	-
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, <u>but not in the entity's name</u>	_____	_____	_____	-
Total Category 3 bank balances	\$ -	\$ -	\$ -	\$ -
Total bank balances (All categories including category 3 reported above)	\$ 58,155,904	\$ _____	\$ 2,331,950	\$ 60,487,854

Note: The “Total Bank Balances” will not necessarily equal the “Deposits in Bank Account per Balance Sheet.”

Cash in State Treasury and petty cash must not be reported in the note disclosure. However, to aid in reconciling amounts reported on the Statement of Net Assets to amounts reported in this note, list below any cash in treasury and petty cash that are included in the Statement of Net Assets.

Cash in State Treasury	\$ 0
Petty cash	\$ 92,125

The following is a breakdown by banking institution, program, account number, and amount of the bank balances shown above:

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

<u>Banking institution</u>	<u>Program</u>	<u>Amount</u>
1. <u>Regions Bank - Master Sweep Account</u>	<u>Health Care Services Division</u>	<u>57,727,747</u>
2. <u>Regions Bank - Depository Account</u>	<u>Health Care Services Division</u>	<u>-</u>
3. <u>Regions Bank - Accounts Payable</u>	<u>Health Care Services Division</u>	<u>-</u>
4. <u>Regions Bank - Payroll</u>	<u>Health Care Services Division</u>	<u>-</u>
5. <u>Bank One - Depository</u>	<u>Dr. Walter O. Moss Medical Center</u>	<u>8,878</u>
6. <u>Hancock - Depository</u>	<u>Lallie Kemp Medical Center</u>	<u>13,999</u>
7. <u>Hibernia National Bank - Depository</u>	<u>Washington-St. Tammany Medical Center</u>	<u>190,656</u>
8. <u>Bank One</u>	<u>Medical Center of Louisiana at New Orleans Trust Funds</u>	<u>15,878</u>
9. <u>Hibernia National Bank - Money Market</u>	<u>Medical Center of Louisiana at New Orleans Trust Funds</u>	<u>2,331,950</u>
10. <u>Bank One - Travel Imprest</u>	<u>Health Care Services Division Administration</u>	<u>46,566</u>
11. <u>Bank One - Travel Imprest</u>	<u>Earl K. Long Medical Center</u>	<u>4,245</u>
12. <u>Bank One - Travel Imprest</u>	<u>Huey P. Long Medical Center</u>	<u>5,231</u>
13. <u>Hancock Bank - Travel Imprest</u>	<u>Lallie Kemp Medical Center</u>	<u>4,602</u>
14. <u>Regions Bank - Travel Imprest</u>	<u>Leonard J. Chabert Medical Center</u>	<u>4,059</u>
15. <u>Bank One - Travel Imprest</u>	<u>Medical Center of Louisiana at New Orleans</u>	<u>8,573</u>
16. <u>Iberia Bank - Travel Imprest</u>	<u>University Medical Center in Lafayette</u>	<u>9,087</u>
17. <u>Bank One - Travel Imprest</u>	<u>Dr. Walter O. Moss Medical Center</u>	<u>5,704</u>
18. <u>Hibernia National Bank - Travel Imprest</u>	<u>Washington-St. Tammany Medical Center</u>	<u>4,478</u>
19. <u>Hibernia Nat. Bank - Resident Apartment Acct</u>	<u>Leonard J. Chabert Medical Center</u>	<u>2,009</u>
20. <u>Hibernia National Bank</u>	<u>Medical Center of Louisiana at New Orleans Trust Funds</u>	<u>104,192</u>
Total		<u>60,487,854</u>

2. Investments

The LSUHSC HCSD does maintain investment accounts as authorized by LRS 49:319-325, 327. Investments can be classified according to the level of risk to the entity. Using the following categories, list each type of investment disclosing the carrying amount, market value, and applicable category of risk. **Beginning with fiscal year ended June 30, 2004, only risk category 3 has to be broken out in a separate column. However, the total reported amount and fair value columns still must be reported for total investments (including category 3).**

Category 1 - Insured or registered in the entity's name, or securities held by the entity or its agent in the entity's name (separate disclosure no longer required)

Category 2 - Uninsured and unregistered with securities held by the counterparty's trust department or agent in the entity's name (separate disclosure no longer required)

Category 3 - Unsecured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the entity's name (separate disclosure still required)

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

NOTE: GASB Statement 40 requires investments to be listed by type, and whether any of those are category 3 investments. If so, those category 3 investments are reported in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name.

<u>Type of Investment</u>	<u>Held by Counterparty</u>	<u>Trust Dept. or Agent not in Entity's Name</u>	<u>Amount (Including Category 3)</u>	<u>Value (Including Category 3)</u>
Repurchase agreements	\$ _____	\$ _____	\$ _____	\$ _____
U.S. Government securities	_____	_____	11,177,786	11,177,786
Common & preferred stock	_____	_____	227,157	227,157
Commercial paper	_____	_____	_____	_____
Corporate bonds	_____	_____	_____	_____
Other: Real Estate	_____	_____	3,456,932	3,456,932
	_____	_____	_____	_____
	_____	_____	_____	_____
Total investments	\$ -	\$ -	\$ 14,861,875	\$ 14,861,875

The institution **does not** invest in **derivatives** as part of its investment policy. Accordingly, the exposure to risks from these investments is as follows:

credit risk _____
 market risk _____
 legal risk _____

3. Other Disclosures Required for Investments N/A

- a. Investments in pools managed by other governments or mutual funds _____
- b. Securities underlying reverse repurchase agreements _____

- c. Unrealized investment losses _____

- d. Commitments as of June 30, 2004, to resell securities under yield maintenance repurchase agreements:
 - 1. Carrying amount and market value at June 30 of securities to be resold _____
 - 2. Description of the terms of the agreement _____

- e. Losses during the year due to default by counterparties to deposit or investment transactions _____

- f. Amounts recovered from prior-period losses that are not shown separately on the balance sheet _____

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION
NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
FOR THE YEAR ENDED JUNE 30, 2004

Legal or Contractual Provisions for Reverse Repurchase Agreements

- g. Source of legal or contractual authorization for use of reverse repurchase agreements _____

- h. Significant violations of legal or contractual provisions for reverse repurchase agreements that occurred during the year _____
_____.

Reverse Repurchase Agreements as of the Balance Sheet Date

- i. Credit risk related to the reverse repurchase agreements outstanding at balance sheet date, that is, the aggregate amount of reverse repurchase agreement obligations including accrued interest compared to aggregate market value of the securities underlying those agreements including interest _____

- j. Commitments on June 30, 2004, to repurchase securities under yield maintenance agreements _____
- k. Market value on June 30, 2004, of the securities to be repurchased _____

- l. Description of the terms of the agreements to repurchase _____

- m. Losses recognized during the year due to default by counter parties to reverse repurchase agreements _____

- n. Amounts recovered from prior-period losses that are not separately shown on the operating statement _____

Fair Value Disclosures

- o. Methods and significant assumptions used to estimate fair value of investments, if fair value is not based on quoted market prices _____

- p. Basis for determining which investments, if any, are reported at amortized cost _____

- q. For investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool _____

- r. Whether the fair value of your investment in the external investment pool is the same as the value of the pool shares _____

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION
NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
FOR THE YEAR ENDED JUNE 30, 2004

-
- s. Any involuntary participation in an external investment pool _____
-
- t. Whether you are unable to obtain information from a pool sponsor to determine the fair value of your investment in the pool, methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate _____
-
- u. Any income from investments associated with one fund that is assigned to another fund _____
-

Concentration of Credit Risk, Interest Rate Risk, and Foreign Currency Risk Disclosures

- v. List, by amount and issuer (not including U.S. government securities, mutual funds, and investment pools), investments in any one issuer that represents 5% or more of total investments _____
-
- w. Describe the terms of any investments with fair values that are highly sensitive to changes in interest rates _____
-
- x. Disclose the credit quality ratings of investments in debt securities as described by rating agencies as of the fiscal year end (if unrated, indicate that fact). This disclosure may be aggregated by rating categories.
-
-
-
- y. Disclose the interest rate risk of debt investments, organized by investment type, using one of the following 5 methods that is used to identify and manage interest rate risk: a) segmented time distribution, b) specific identification, c) weighted average maturity, d) duration, or e) simulation model. _____
-
-
-
- z. Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies). List by currency denomination and investment type, if applicable. _____
-
-
-

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

D. ACCOUNTS RECEIVABLE

Accounts receivable are shown on the Statement of Net Assets net of an allowance for doubtful accounts as follows:

<u>List Types</u>	<u>Accounts Receivable</u>	<u>Doubtful Accounts</u>	<u>Net Accounts Receivable</u>	<u>for collection within a year</u>
Student tuition and fees	\$ _____	\$ _____	\$ -	\$ _____
Auxiliary enterprises	_____	_____	-	_____
Contributions and gifts	_____	_____	-	_____
Federal, state, and private grants and contracts	_____	_____	-	_____
Federal appropriations	_____	_____	-	_____
Clinics	_____	_____	-	_____
Sales & Services / Other	3,571,548	_____	3,571,548	_____
Hospitals	546,826,359	493,723,890	53,102,470	_____
Total	\$ 550,397,907	\$ 493,723,890	\$ 56,674,018	\$ -

Prior to 7/1/2003, the LSUHSC-Health Care Services Division accumulated bad debt accounts receivable and an off-setting allowance for doubtful accounts in the Siemens General Ledger System. This practice began in FY1995 with the inception of and set-up of the Siemens General Ledger System, based on the HCSD consultant's interpretation of Article VII, Paragraph 15 of the Constitution of Louisiana. This interpretation was basically that we had no authority to "forgive state debt" and could not write-off a patients account, however impractical and doubtful any further collection efforts might be. Therefore, HCSD recorded accumulated Bad Debt Accounts Receivable and a corresponding amount of Allowance for Doubtful Accounts. The total of these two accounts had a net zero effect on the HCSD Siemens General Ledger and the Statement of Net Assets, but was reported separately for informational purposes only in the Accounts Receivable Note disclosure of the AFR prepared for the State of Louisiana (Office of Statewide Reporting and Accounting Policy).

During FY2004, HCSD obtained approval from the LSU System's Office to discontinue the practice of accumulating bad debt accounts receivable and corresponding allowance for doubtful accounts. The reporting of these amounts could be misleading to the reader of the financial statements, even though the note disclosure appropriately indicated the net accounts receivable reporting of these amounts could be that HCSD intended to collect. Beginning with FY 2004, HCSD will only include those accounts receivable that are in the Siemens Patient Accounting System, which includes backup documentation to support the reported amount.

This change in approach to the presentation of the accounting activity in the note disclosure is consistent with established LSU practices.

Accounts Receivable and Doubtful Accounts above includes \$126,875,120 for SFY 2004 Uncompensated Care Cost (Disproportionate Share) that was earned by HCSD in SFY 2004. Due to the the Federal Cap and Medicaid State Plan ceiling, it has been determined and agreed to by the Office of the Legislative Auditor that this amount is deemed uncollectible and therefore a full allowance for doubtful accounts should be established for the full amount above.

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION
NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
FOR THE YEAR ENDED JUNE 30, 2004

E. CAPITAL ASSETS

Capital assets and assets under capital lease activity for the year ended June 30, 2004 were as follows:

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

University

SCHEDULE OF CAPITAL ASSETS

(schedule includes capital leases)

	Balance 6/30/2003	Prior Period Adjustment	Restated Balance 6/30/2003	Additions	*Transfers	**Retirements	Balance 6/30/2004
Capital assets not being depreciated							
Land	\$ 24,464,529	\$ (9,802)	\$ 24,454,727	\$ 3,512			\$ 24,458,239
Capitalized collections			-				-
Livestock			-				-
Construction in progress	31,227,834	623,472	31,851,306	3,976,547	(886,794)		34,941,059
Total capital assets not being depreciated	<u>\$ 55,692,363</u>	<u>\$ 613,670</u>	<u>\$ 56,306,033</u>	<u>\$ 3,980,059</u>	<u>\$ (886,794)</u>	<u>\$ -</u>	<u>\$ 59,399,298</u>
Other capital assets							
Infrastructure			\$ -				\$ -
** Less accumulated depreciation			-				-
Total infrastructure	-	-	-	-	-	-	-
Land improvements	9,758,909	(4,438,504)	5,320,405	106,156			5,426,561
** Less accumulated depreciation	(6,382,621)	4,416,156	(1,966,465)	(29,082)			(1,995,547)
Total land improvements	<u>3,376,288</u>	<u>(22,348)</u>	<u>3,353,940</u>	<u>77,074</u>	<u>-</u>	<u>-</u>	<u>3,431,014</u>
Buildings	115,100,432	1,965	115,102,397	9,691	883,282		115,995,370
** Less accumulated depreciation	(102,918,954)	12,226,997	(90,691,957)	(2,263,501)	(17,666)		(92,973,124)
Total buildings	<u>12,181,478</u>	<u>12,228,962</u>	<u>24,410,440</u>	<u>(2,253,810)</u>	<u>865,616</u>	<u>-</u>	<u>23,022,246</u>
Equipment	300,610,206	(38,889,699)	261,720,507	7,304,562		(4,937,785)	264,087,284
** Less accumulated depreciation	(235,607,354)	29,157,931	(206,449,423)	(14,013,393)		4,834,413	(215,628,403)
Total equipment	<u>65,002,852</u>	<u>(9,731,768)</u>	<u>55,271,084</u>	<u>(6,708,831)</u>	<u>-</u>	<u>(103,372)</u>	<u>48,458,881</u>
Library books			-				-
** Less accumulated depreciation			-				-
Total library books	-	-	-	-	-	-	-
Total other capital assets	<u>\$ 80,560,618</u>	<u>\$ 2,474,846</u>	<u>\$ 83,035,464</u>	<u>\$ (8,885,567)</u>	<u>\$ 865,616</u>	<u>\$ (103,372)</u>	<u>\$ 74,912,141</u>
Capital Asset Summary:							
Capital assets not being depreciated	55,692,363	613,670	56,306,033	3,980,059	(886,794)	-	59,399,298
Other capital assets, at cost	<u>425,469,547</u>	<u>(43,326,238)</u>	<u>382,143,309</u>	<u>7,420,409</u>	<u>883,282</u>	<u>(4,937,785)</u>	<u>385,509,215</u>
Total cost of capital assets	481,161,910	(42,712,568)	438,449,342	11,400,468	(3,512)	(4,937,785)	444,908,513
Less accumulated depreciation	(344,908,929)	45,801,084	(299,107,845)	(16,305,976)	(17,666)	4,834,413	(310,597,074)
Capital assets, net	<u>\$ 136,252,981</u>	<u>\$ 3,088,516</u>	<u>\$ 139,341,497</u>	<u>\$ (4,905,508)</u>	<u>\$ (21,178)</u>	<u>\$ (103,372)</u>	<u>\$ 134,311,439</u>

* Should be used only for those completed projects coming out of construction-in-progress to fixed assets.

** Enter a negative number with the exception of accumulated depreciation in the retirement and prior period adjustment column.

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION
NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
FOR THE YEAR ENDED JUNE 30, 2004

F. COLLECTIONS (WORKS OF ART and HISTORICAL TREASURES) N/A

_____ (college or university) institution does not capitalize collections. These collections include the following: _____

The institution does not capitalize the collections for the following reasons:

G. DUE FROM PRIVATE FOUNDATIONS N/A

The amount of matching funds received by the university from the State pursuant to the endowed chair and professorship program and the related unexpended earnings from private foundations is \$_____ at June 30, 2004. (This represents amounts included from all of the university's foundations and is not limited to the foundations presented for GASB 39 purposes.) These funds are held and invested by the university's foundation under an agreement with the university. Amounts invested by private foundations for the university are included as *other* in the disclosures in Note C.

H. GENERAL FUND

At June 30, 2004, the General Fund had an unexpended appropriation of \$ 0 due to the State Treasury.

I. LONG-TERM LIABILITIES (Current and Noncurrent Portion)

The following is a summary of bond reimbursement contracts and other long-term debt transactions of the university for the year ended June 30, 2004: (The column "Balance at June 30, 2004" is the total amount of debt for that line item. The noncurrent portion is not listed separately, but can be determined by subtracting "Amounts due within one year" from "Balance at June 30, 2004.")

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

University	RESTATED			Balance at June 30, 2004	Amounts due within one year
	Balance June 30, 2003	Additions	Reductions		
Bonds & notes payable & capital leases:					
Bonds payable	\$ 36,600,000	\$	\$ 4,070,000	\$ 32,530,000	\$ 4,180,000
Notes payable				-	
Capital lease obligations	23,128,297	5,138,317	5,434,171	22,832,443	6,268,167
Total bonds, notes and capital leases	59,728,297	5,138,317	9,504,171	55,362,443	10,448,167
Other liabilities:					
Amounts held in custody for others				-	
Compensated absences payable	33,674,370	4,884,735	4,709,805	33,849,300	2,934,929
Contracts payable				-	
Total other liabilities	33,674,370	4,884,735	4,709,805	33,849,300	2,934,929
Total long-term liabilities	\$ 93,402,667	\$ 10,023,052	\$ 14,213,976	\$ 89,211,743	\$ 13,383,096
Component Units					
Bonds & notes payable & capital leases:					
Bonds payable	\$	\$	\$	\$ -	\$
Notes payable				-	
Capital lease obligations				-	
Total bonds, notes and capital leases	-	-	-	-	-
Other liabilities:					
Amounts held in custody for others				-	
Compensated absences payable				-	
Contracts payable				-	
Total other liabilities	-	-	-	-	-
Total long-term liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Combined Total					
Bonds & notes payable & capital leases:					
Bonds payable	\$ 36,600,000	\$ -	\$ 4,070,000	\$ 32,530,000	\$ 4,180,000
Notes payable	-	-	-	-	-
Capital lease obligations	23,128,297	5,138,317	5,434,171	22,832,443	6,268,167
Total bonds, notes and capital leases	59,728,297	5,138,317	9,504,171	55,362,443	10,448,167
Other liabilities:					
Amounts held in custody for others	-	-	-	-	-
Compensated absences payable	33,674,370	4,884,735	4,709,805	33,849,300	2,934,929
Contracts payable	-	-	-	-	-
Total other liabilities	33,674,370	4,884,735	4,709,805	33,849,300	2,934,929
Total long-term liabilities	\$ 93,402,667	\$ 10,023,052	\$ 14,213,976	\$ 89,211,743	\$ 13,383,096

A detailed summary, by issues, of all debt outstanding at June 30, 2004, including outstanding interest of \$4,967,950 is shown on Schedule 1. Schedule 2 is an amortization schedule of the outstanding debt.

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

J. SHORT-TERM DEBT N/A

The _____ LSUHSC HCSD issues short-term notes for _____.
 Short-term debt activity for the year ended June 30, 2004, was as follows:

<u>List the type of short term debt:</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	_____	_____	_____

The _____ LSUHSC HCSD uses a revolving line of credit to finance _____ prior to the issuance of related bonds. Short-term debt activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Line of credit	\$ _____	\$ _____	\$ _____	\$ _____

K. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave, but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave (K-time) earned.

Upon separation or termination of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement

Upon termination or transfer an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on employees' hourly rate of pay at termination or transfer.

The liability for unused annual leave, sick leave, and compensatory leave at June 30, 2004, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C 60.105, is estimated to be \$28,064,876, \$465,746, and \$5,318,678 respectively. The leave payable is recorded in the accompanying financial statement.

The LSUHSC HCSD liability for compensated absences (annual, sick, and compensatory leave) at June 30, 2004 is as follows:

Current Liability	2,934,929
Long-Term Liability	30,914,371
Total Liability for compensated absences	33,849,300

L. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES N/A

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

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

contributions, employee health and life insurance premiums, and salary supplements or stipends. For example, a nongovernmental fund-raising foundation affiliated with a governmental university may supplement salaries of certain university employees. Those payments constitute on-behalf payments for purposes of reporting by the university if they are made to the faculty members in their capacity as employees of the university (GASB 24). [On behalf payments from foundations are not limited to the foundations presented for GASB 39 purposes.]

The amount of on-behalf payments for fringe benefits and salaries included in the accompanying financial statement for fiscal year 2004 is \$ _____. The following on-behalf payments that are contributions to a pension plan for which the college/university is not legally responsible are:

<u>Contributor</u>	<u>Pension Plan</u>
_____	_____
_____	_____
_____	_____

M. CONTINGENT LIABILITIES

Losses arising from judgments, claims, and similar contingencies such as guarantor of mortgage loans on sorority and fraternity houses are considered state liabilities and paid upon appropriation by the Legislature and not the university. The university was involved in four lawsuits at June 30, 2004, in which the plaintiffs are seeking claims totaling \$200,000. In the opinion of the legal counsel of HCSD, the probably outcome of each case is listed as follows:

<u>Date of Action</u>	<u>(Remote, reasonably possible, or probable)</u>	<u>Primary Attorney</u>	<u>Damages Claimed</u>	<u>Insurance Coverage</u>
<u>12/29/99</u>	<u>Unknown</u>	<u>Robert Bussey, Ass</u>	<u>\$ 100,000</u>	<u>\$ Unknown</u>
<u>01/01/01</u>	<u>Favorable</u>	<u>Phillip Kennedy</u>	<u>20,000</u>	<u>None</u>
<u>11/01/02</u>	<u>Favorable</u>	<u>Phillip Kennedy</u>	<u>50,000</u>	<u>None</u>
<u>07/29/03</u>	<u>Unknown</u>	<u>Unknown (AG Staff)</u>	<u>30,000</u>	<u>None</u>
<u>Totals</u>			<u>\$ 200,000</u>	<u>\$ -</u>

1. HCSDA's legal advisor estimates that potential claims not covered by insurance would affect the financial statement in the amount of \$200,000.

2. Claims and litigation costs of \$ 1,085,303 were incurred by the (college or university) in the current year and are reflected in the accompanying financial statement.

N. RELATED PARTY TRANSACTIONS

LSUHSC HCSD had no related party transactions for the year ended June 30, 2003, as defined by FASB 57.

O. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS N/A

At June 30, 2004, _____ was not in compliance with the provisions of _____ that requires _____. The institution did _____ to correct this deficiency.

P. LEASES

Lease agreements, if any, 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

Total operating lease expenditures for fiscal year 2003-04 amounted to \$ \$ 5,299,536 . (Operating leases are all leases, which do not meet the criteria of a capital lease.) The annual rental payments for the next five years are presented as follows:

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

Nature of lease						FY2010	FY2015
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2014	FY2019
a. Office space	\$ 1,610,683	\$ 1,606,747	\$ 1,578,502	\$ 70,196	\$ 34,627	\$ -	\$ -
b. Equipment	1,771,219	1,771,219	1,771,219	1,180,813	-	-	-
c. Land	-	-	-	-	-	-	-
d. Other	1,359,494	865,596	864,696	861,996	849,896	3,146,057	-
Total minimum future rentals	\$ 4,741,396	\$ 4,243,562	\$ 4,214,417	\$ 2,113,005	\$ 884,523	\$ 3,146,057	\$ -

Rental revenue/expense for operating leases with scheduled rent increases is based on the relevant lease agreement except in those cases where a temporary rent reduction is used as an inducement to enter a lease. In those instances, rental revenue/expense is determined on either a straight-line or interest basis over the term of the lease and not in accordance with lease terms as required by GASB 13.

Capital Leases

The university records (does not record) items under capital leases as an asset and an obligation in the accompanying financial statements.

Capital leases are defined as an arrangement in which any one of the following conditions apply (1) ownership transfers at the end of the lease, (2) the lease contains a bargain purchase option, (3) the lease term is 75% of the asset life, or (4) the discounted minimum lease payments are 90% of the fair market value of the asset.

Report all capital leases [including LA Equipment Acquisition Fund (LEAF) leases] in effect as of 6/30/04 in the schedule below.

<u>UNIVERSITY CAPITAL LEASES</u>					
<u>Nature of lease</u>	<u>Date of lease</u>	<u>University gross amount of leased assets (historical cost)</u>	<u>Last payment date</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space		\$ -		\$ -	\$ -
b. Equipment		26,522,885		2,340,312	22,832,443
c. Land		-		-	-
Total assets under cap. lease		\$ 26,522,885		\$ 2,340,312	\$ 22,832,443

<u>COMPONENT UNIT CAPITAL LEASES</u>					
<u>Nature of lease</u>	<u>Date of lease</u>	<u>Comp Unit amount of leased assets (historical cost)</u>	<u>Last payment date</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space		\$ -		\$ -	\$ -
b. Equipment		-		-	-
c. Land		-		-	-
Total assets under cap. lease		\$ -		\$ -	\$ -

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2004:

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>Year ending June 30:</u>		<u>Future minimum lease payment:</u>		
			Universities:	Component Units:	Total:
2005		\$	6,895,563	\$	\$
2006			6,744,321		
2007			6,620,279		
2008			1,862,424		
2009			447,601		
2010-2014			1,242,226		
2015-2019			1,360,341		
Total minimum lease payments			25,172,755	-	-
Less: amounts representing executory costs					
Net minimum lease payments			25,172,755	-	-
Less: amounts representing interest			2,340,312		
Present value - net minimum lease payments			22,832,443	-	-

Lessor Direct Financing Leases

A lease is classified as a direct financing lease (1) when any one of the four capitalization criteria used to define a capital lease for the lessee is met and (2) when both the following criteria are satisfied:

- Collectibility of the minimum lease payments is reasonably predictable.
- No important uncertainties surround the amount of the unreimbursable costs yet to be incurred by the lessor under the lease.

The following lists the components of the net investment in direct financing leases as of June 30, 2004:

<u>University</u>	<u>Date of lease</u>	<u>Minimum lease payment receivable</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office Space		\$	\$	\$
b. Equipment				
c. Land				
Less amounts representing executory costs		()()(
Minimum lease payment receivable		-	-	-
Less allowance for doubtful accounts		()()(
Net minimum lease payments receivable		-	-	-
Estimated residual values of leased property				
		-	-	-
Less unearned income		()()(
Net investment in direct financing leases		\$	\$	\$

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

Component Unit(s)		Minimum lease	Remaining	Remaining
<u>Composition of lease</u>	<u>Date of lease</u>	<u>payment</u>	<u>interest to</u>	<u>principal to</u>
		<u>receivable</u>	<u>end of lease</u>	<u>end of lease</u>
a. Office Space	_____	\$ _____	\$ _____	\$ _____
b. Equipment	_____	_____	_____	_____
c. Land	_____	_____	_____	_____
Less amounts representing executory costs		(_____)	(_____)	(_____)
Minimum lease payment receivable		-	-	-
Less allowance for doubtful accounts		(_____)	(_____)	(_____)
Net minimum lease payments receivable		-	-	-
Estimated residual values of leased property		_____	_____	_____
		-	-	-
Less unearned income		(_____)	(_____)	(_____)
Net investment in direct financing leases		<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

Minimum lease payments do not include contingent rentals, which may be received as stipulated in the lease contracts. Contingent rental payments occur if, for example, the use of the equipment, land, or building etc., exceeds a certain level of activity each year. Contingent rentals received for fiscal year 2003 were \$_____ for office space, \$_____ for equipment, and \$_____ for land.

The following is a schedule by years of minimum lease receivable for the remaining fiscal years of the lease as of June 30, 2004:

Year ending _____:	<u>Future minimum lease receivables:</u>		
	<u>University</u>	<u>Component Unit(s)</u>	<u>Total</u>
2005	\$ _____	\$ _____	\$ _____
2006	_____	_____	_____
2007	_____	_____	_____
2008	_____	_____	_____
2009	_____	_____	_____
2010-2014	_____	_____	_____
2015-2019	_____	_____	_____
2020-2024	_____	_____	_____
Total	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

Lessor - Operating Lease

When a lease agreement does not satisfy at least one of the four criteria (common to both lessee and lessor accounting), and both of the criteria for a lessor (collectibility and no uncertain reimbursable costs), the lease is classified as an operating lease. In an operating lease, there is no simulated sale and the lessor simply records rent revenues as they become measurable and available.

Provide the cost and carrying amount, if different, of property on lease or held for leasing organized by major class of property and the amount of accumulated depreciation (optional for Governmental Funds) as of June 30, 2004.

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
a. Office space	\$ _____	\$ _____	\$ _____
b. Equipment	_____	_____	_____
c. Land	_____	_____	_____
Total	\$ _____ -	\$ _____ -	\$ _____ -

The following is a schedule of minimum future rentals on noncancellable operating lease(s) as of June 30, 2004:

<u>Nature of lease</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010 FY2014</u>	<u>FY2015 FY2019</u>
a. Office space	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
b. Equipment	_____	_____	_____	_____	_____	_____	_____
c. Land	_____	_____	_____	_____	_____	_____	_____
d. Other	_____	_____	_____	_____	_____	_____	_____
Total minimum future rentals	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -

Contingent rentals received from operating leases for the fiscal year were \$ _____ for office space, \$ _____ for equipment, and \$ _____ for land.

If the interest rate is variable, list the terms by which the interest rate changes: _____

Q. NET ASSETS

The institution had the following restricted expendable net assets as of June 30, 2004:

<u>Account title</u>	<u>Amount</u>
Student Fees	\$ _____
Grants & Contracts	_____
Gifts	_____
Endowment Earnings	9,496,952
Auxiliary Enterprises	_____
Student Loan Funds	10,445
Capital Construction	_____
Debt Service	_____
Other	29,835,402
Total	39,342,799

The institution had the following restricted nonexpendable net asset as of June 30, 2004:

<u>Account title</u>	<u>Amount</u>
Endowment Fund	7,412,476
Total	46,755,275

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

R. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE

LSUHSC HCSD provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the university's employees become eligible for those benefits if they reach normal retirement age while working for the university. Those benefits for retirees and similar benefits for active employees are provided through a state operated group insurance company and various insurance companies whose monthly premiums are paid jointly by the employee and by the university. The University's cost of providing retiree health care and life insurance benefits is recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 2004, the costs of retiree benefits for 1704 retirees totaled \$ 7,471,818. As defined by GASB 12, the dependents of a retiree should be counted as a single unit if the retiree is deceased and should not be counted if the retiree is alive. The cost of retirees' benefits is net of participants' contributions.

S. ACCOUNTING CHANGES N/A

Accounting changes made during the year involved a change in accounting _____ (principle, estimate, errors, and entity). The effect of the change is being shown in _____.

T. PRIOR-YEAR RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets for June 30, 2004.

	Beginning net assets, July 1, 2003, <u>previously reported</u>	Adjustments <u>+ or (-)</u>	Beginning net assets, July 1, 2003, <u>as restated</u>
System	\$ (32,957,459)	\$ 49,954	\$ (32,907,505)
Component Unit(s)			-
Total	<u>\$ (32,957,459)</u>	<u>\$ 49,954</u>	<u>\$ (32,907,505)</u>

Explanation:

Transfer of E A Conway Medical Center to LSU Health Sciences Center-Shreveport	\$ (13,084,505)
Correction of Property Plant and Equipment, Net	\$ 16,061,324
FY03 Invoices for Medical Center of LA at New Orleans Paid in FY04	<u>\$ (2,926,865)</u>
Total	<u>\$ 49,954</u>

Each adjustment must be explained in detail on a separate sheet.

U. FEDERAL GRANTS N/A

The university participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors, but all such audits for 2004 have not been conducted. The amount, if any, of expenses that may be disallowed by the granting agencies cannot be determined at this time. Based on prior experience, the university's management feels such disallowances, if any, will be immaterial.

V. GRANT AWARDS N/A

Grant awards not yet funded and for which the institution has not yet performed services have not been considered as assets in the financial statement. The total amount of such uncollected grant awards at June 30, 2004, equals \$ _____.

W. PLEDGES OF GIFTS N/A

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

Pledges of gifts including uncollected subscriptions, subscription notes, and estate notes not reported in the financial statement amount to \$_____.

<u>Pledges</u>	<u>Gross Amount</u>	<u>Time Period of Collection</u>	<u>Restrictions</u>
\$ _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(Pledges of gifts reported in the financial statement should be accounted for at their estimated net realizable value, except as to asset classification for which pledges would be reported as a receivable, and credited to unrestricted revenues, deferred income, current restricted funds, plant funds, etc. as appropriate. Estimated net realizable value represents the present value of long-term pledges reduced for any allowance for uncollectible pledges.)

X. SEGMENT INFORMATION N/A

_____ (college or university) issues revenue bonds to finance certain of its auxiliary enterprises. The revenues generated by the auxiliary enterprise are used to pay the interest and principal of these revenue bonds. Descriptive information for each of the institution's segments is shown below:

(Types of goods or services provided by the segment are as follows: _____

Condensed financial information for each of the institution's segments follows:

CONDENSED STATEMENT OF NET ASSETS

	<u>Segment #1</u>	<u>Segment #2</u>
Assets		
Current assets	\$ _____	\$ _____
Due from other funds	_____	_____
Capital assets	_____	_____
Other assets	_____	_____
Total Assets	-	-
Liabilities		
Current liabilities	_____	_____
Due to other funds	_____	_____
Long-term liabilities	_____	_____
Total Liabilities	-	-
Net Assets		
Invested in capital assets, net of related debt	_____	_____
Restricted net assets - expendable	_____	_____
Restricted net assets - nonexpendable	_____	_____
Unrestricted net assets	_____	_____
Total Net Assets	\$ -	\$ -

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS:

	<u>Segment #1</u>	<u>Segment #2</u>
Operating Revenue	\$ _____	\$ _____
Operating Expenses	_____	_____
Depreciation Expense	_____	_____
Net Operating Income	-	-
Nonoperating Revenues (Expenses):		
Investment Income	_____	_____
Gifts of Equipment	_____	_____
Gift Income	_____	_____
Interest Expense	_____	_____
Other (net)	_____	_____
Capital contributions/additions to permanent and term endowments	_____	_____
Changes in Net Assets	-	-
Net Assets - Beginning of the Year	_____	_____
Net Assets - End of the Year	\$ _____	\$ _____

CONDENSED STATEMENT OF CASH FLOWS

	<u>Segment #1</u>	<u>Segment #2</u>
Net cash flows provided (used) by:		
Operating activities	\$ _____	\$ _____
Noncapital financing	_____	_____
Capital and related financing	_____	_____
Investing activities	_____	_____
Net increase (decrease) in cash	-	-
Cash - Beginning of the year	_____	_____
Cash - End of the year	\$ _____	\$ _____

Y. PER DIEM PAID BOARD MEMBERS N/A

Per diem payments are presented on Schedule 3. The per diem payments are authorized by Louisiana Revised Statute 17.5 and are presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Legislature.

Z. PENSION PLANS

Substantially all of the employees of the university are members of the following State or Teachers_Retirement System(s):

<u>Name of retirement system or plan</u>	<u>(A, B, or C see below)</u>	<u>salaries that employees contribute</u>	<u>University's employer contributions to the plan for the year ended June 30, 2004</u>
<u>LASERS</u>	<u>C</u>	<u>7.50%</u> \$	<u>38,795,832</u>
<u>Federal</u>	<u>C</u>	<u>7.00%</u> \$	<u>_____</u>
<u>TRSL</u>	<u>C</u>	<u>8.00%</u> \$	<u>1,147,678</u>
<u>TRSL 40 yr</u>	<u>C</u>	<u>0.00%</u> \$	<u>_____</u>
<u>MPP</u>	<u>C</u>	<u>8.00%</u> \$	<u>_____</u>
<u>Deferred Comp</u>	<u>C</u>	<u>7.50%</u> \$	<u>160,163</u>

(Choose one of the following to identify the retirement plan and place the corresponding letter in the column "ID of the plan" next to the applicable retirement plan.)

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

Identification of retirement plans:

- A) single-employer defined benefit plan
- B) agent multiple-employer defined benefit plan
- C) cost-sharing multiple-employer defined benefit plan

Each system is a statewide public employee retirement system and is available to all eligible employees. Generally, all full-time employees are eligible to participate in the system(s), with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The Systems publish yearly annual financial reports that include detailed historical, financial, and actuarial information.

LRS 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education which is a defined contribution plan that provides for full and immediate vesting of all contributions remitted on behalf of the participants. Participants contribute 8.00% and the university contributes 13.8% of the covered payroll. Benefits payable to participants are not obligations of the State of Louisiana or State or Teachers Retirement System; but 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 \$1,120,417 and \$ 649,517, respectively, for the year ended June 30, 2004.

AA. ADVANCE REFUNDING OF BONDS N/A

(Provide a descriptive narrative disclosing the following information)

Issuance date _____
 Amount of issue \$ _____
 Bond Type(s) _____
 Purpose of issue _____
 Refunding Stipulations _____
 (If there is an escrow account, describe in detail)
 Refunding Results _____
 (Include description of debt reduction and economic gain, if any)

Amount of debt defeased in substance still outstanding at fiscal year end _____

DESCRIPTIVE NARRATIVE

In _____ (month, year), the _____ (entity name) issued \$ _____ of taxable (nontaxable) _____ Bonds – Series _____ and \$ _____ of _____ Bonds – Series _____. The purpose of the issues was to provide monies to advance refund portions of Series _____, _____, and _____ bonds. In order to refund the bonds, portions of the proceeds of the new issue (\$ _____), plus an additional \$ _____ million of sinking fund monies together with certain other funds and/or securities, were deposited and held in an escrow fund created pursuant to an escrow deposit agreement dated _____ between the _____ and the escrow trustee. The amount in the escrow, together with interest earnings, will be used to pay the principal, (redemption premium), and interest when due. The refunding resulted in reducing the total debt service payments by almost \$ _____ and gave the _____ an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$ _____. Of the debt considered defeased in substance, \$ _____ is outstanding as of June 30, 2004.

BB. COOPERATIVE ENDEAVORS

LRS 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The state of Louisiana has entered into cooperative endeavor agreements with certain entities aimed at developing the economy of the state.

Include contracts that are cooperative endeavor agreements, but are coded with a document type other than "COP". Examples include contracts that fall under delegated authority, Facility Planning and Control "CEA", certain federal governments contracts, contracts that the legislative auditors may have designated as such within your agency, work incumbent programs, etc. In prior years, this information was requested as supplemental documentation after the AFRs were submitted, usually in October or November.

The liability outstanding as of June 30, 2004, by funding source, is as follows:

LSUHSC HCSD had no cooperative endeavors which created a liability for the State of Louisiana in FY 2004.

NOTE: Amounts in excess of contract limits **cannot** be used to reduce the outstanding contract balance at June 30, 2004. For example, if a contract specifies a percentage of usage for each month (25%) and usage exceeds that percentage (75%), you cannot claim actual usage that exceeds contract requirements (50%).

NOTE: In order to compute your ending balances by funding source, you should begin with your balances at June 30, 2003. These amounts will be increased by amounts for new contracts and amendments and decreased for payments as well as for liquidations.

CC. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) N/A

The following government-mandated nonexchange transactions (grants) were received during fiscal year 2003-2004:

<u>CFDA Number</u>	<u>Program name</u>	<u>State Match Percentage</u>		<u>Total Amount of Grant</u>
			%	\$
_____	_____	_____		_____
_____	_____	_____		_____
_____	_____	_____		_____
_____	_____	_____		_____
_____	_____	_____		_____
_____	_____	_____		_____
_____	_____	_____		_____
_____	_____	_____		_____
_____	_____	_____		_____
Total government-mandated nonexchange transactions (grants)				\$ _____

DD. DONOR RESTRICTED ENDOWMENTS N/A

If a donor has not provided specific instructions, state law permits the _____ (governing board) to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

At June 30, 2004, net appreciation of \$ _____ is available to be spent, of which \$ _____ is restricted to specific purposes (net appreciation during the fiscal year).

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 NOTES TO THE FINANCIAL STATEMENTS with Audit Adjustments
 FOR THE YEAR ENDED JUNE 30, 2004

State the policy for authorizing and spending investment income, such as a spending rate or total-return policy.

EE. REVENUE USED AS SECURITY FOR REVENUE BONDS N/A

<u>Auxiliary enterprises</u>	<u>Revenue used as security for bonds (FY 2003)</u>	<u>Revenue used as security for bonds (FY 2002)</u>	<u>Type of bonds</u>	<u>Year(s) bonds issued</u>
Residential life	\$ _____	\$ _____	_____	_____
Student union services, including bookstore	_____	_____	_____	_____
Health, physical education, and recreation	_____	_____	_____	_____
Athletics	_____	_____	_____	_____

FF. DISAGGREGATION OF PAYABLE BALANCES N/A

<u>Activity</u>	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other Payables</u>	<u>Total Payables</u>
Health Care Services Division	\$ 34,594,960	\$ 16,914,029	\$ _____	\$ 161,636,629	\$ 213,145,618
_____	_____	_____	_____	_____	0
_____	_____	_____	_____	_____	0
Total payables	\$ 34,594,960	\$ 16,914,029	\$ -	\$ 161,636,629	\$ 213,145,618
Cost Report/UCC in above	██████████	██████████	██████████	(160,925,820)	██████████

The Health Sciences Center New Orleans, the Health Sciences Center Shreveport, and the Health Care Services Division must be shown separately and not combined into one reporting entity for this note.

Any Uncompensated Care Cost payable should be included in the column for "Other Payables" with the amount of UCC reported there detailed below.

GG. SUBSEQUENT EVENTS N/A

No events of a material nature have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the accompanying financial statement, except as noted below:

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION

SCHEDULE OF BONDS PAYABLE
 June 30, 2004

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/03	(Redeemed) Issued	Principal Outstanding 6/30/04	Interest Rates	Interest Outstanding 6/30/04
Hotel Dieu F	12/01/02	36,600,000	36,600,000	(4,070,000)	32,530,000	3.121%	4,967,950

*Send copies of new amortization schedules

SCHEDULE 1-A

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION

SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2004

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 4,180,000	\$ 1,204,700	5,384,700
2006	4,300,000	1,077,500	5,377,500
2007	4,445,000	924,100	5,369,100
2008	4,615,000	742,900	5,357,900
2009	4,790,000	554,800	5,344,800
2010	4,990,000	346,725	5,336,725
2011	5,210,000	117,225	5,327,225
2012	_____	_____	0
2013	_____	_____	0
2014	_____	_____	0
2015	_____	_____	0
2016	_____	_____	0
2017	_____	_____	0
2018	_____	_____	0
2019	_____	_____	0
2020	_____	_____	0
2021	_____	_____	0
2022	_____	_____	0
2023	_____	_____	0
2024	_____	_____	0
2025	_____	_____	0
2026	_____	_____	0
2027	_____	_____	0
2028	_____	_____	0
2029	_____	_____	0
2030	_____	_____	0
2031	_____	_____	0
2032	_____	_____	0
2033	_____	_____	0
2034	_____	_____	0
Total	\$ <u>32,530,000</u>	\$ <u>4,967,950</u>	<u>37,497,950</u>

List the terms by which interest rate changes for variable-rate debt: _____

STATE OF LOUISIANA

(Component Unit)

SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2004

Fiscal Year Ending:	Principal	Interest
2005	\$ _____	\$ _____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
2030	_____	_____
2031	_____	_____
2032	_____	_____
2033	_____	_____
2034	_____	_____
Total	\$ _____ _____	\$ _____ _____

List the terms by which interest rate changes for variable-rate debt: _____

Note: Include a separate amortization schedule for each bond issuance for the component units included in the university's financial statements.

STATE OF LOUISIANA
 LSUHSC HEALTH CARE SERVICES DIVISION
 SCHEDULE OF NOTES PAYABLE AMORTIZATION
 For The Year Ended June 30, 2004

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2005	\$ _____	\$ _____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010-2014	_____	_____
2015-2019	_____	_____
2020-2024	_____	_____
2025-2029	_____	_____
2030-2034	_____	_____
Total	\$ _____ -	\$ _____ -

List the terms by which interest rate changes for variable-rate debt: _____

STATE OF LOUISIANA

(Component Unit)

SCHEDULE OF NOTES PAYABLE AMORTIZATION

For The Year Ended June 30, 2004

<u>Fiscal Year</u> <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ _____	\$ _____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010-2014	_____	_____
2015-2019	_____	_____
2020-2024	_____	_____
2025-2029	_____	_____
2030-2034	_____	_____
Total	\$ _____ -	\$ _____ -

List the terms by which interest rate changes for variable-rate debt: _____

SCHEDULE 2-B (Component Unit)

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION

SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 2004

Fiscal Year Ending	Beginning Balance	Payment	Interest	Principal	Balance
2005	22,832,443	6,895,563	627,396	6,268,167	16,564,276
2006	16,564,276	6,744,321	454,016	6,290,305	10,273,971
2007	10,273,971	6,620,279	278,352	6,341,927	3,932,044
2008	3,932,044	1,862,424	155,888	1,706,536	2,225,508
2009	2,225,508	447,601	123,771	323,830	1,901,678
2010-2014	1,901,678	1,242,227	476,151	766,076	1,135,602
2015-2024	1,135,602	1,360,340	224,738	1,135,602	-
TOTAL		25,172,755	2,340,312	22,832,443	

List the terms by which interest rate changes for variable-rate debt: _____

STATE OF LOUISIANA

(Component Unit)

SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 2004

Fiscal Year Ending:	Beginning Balance	Payment	Interest	Principal	Balance
2005	\$ _____	\$ _____	\$ _____	\$ _____	\$ -
2006	_____	_____	_____	_____	-
2007	_____	_____	_____	_____	-
2008	_____	_____	_____	_____	-
2009	_____	_____	_____	_____	-
2010-2014	_____	_____	_____	_____	-
2015-2019	_____	_____	_____	_____	-
2020-2024	_____	_____	_____	_____	-
2025-2029	_____	_____	_____	_____	-
2030-2034	_____	_____	_____	_____	-
Total	\$ <u> - </u>	\$ <u> - </u>	\$ <u> - </u>	<u> - </u>	<u> - </u>

List the terms by which interest rate changes for variable-rate debt: _____

SCHEDULE 2-C (Component Unit)

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
For The Year Ended June 30, 2004

Fiscal Year <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ _____	\$ _____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
2030	_____	_____
2031	_____	_____
2032	_____	_____
2033	_____	_____
2034	_____	_____
Total	\$ _____ _____	\$ _____ _____

List the terms by which interest rate changes for variable-rate debt: _____

Note: Include a separate amortization schedule for each bond issuance for the component units included in the university's financial statements.

STATE OF LOUISIANA

(Component Unit)

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
For The Year Ended June 30, 2004

Fiscal Year Ending:	Principal	Interest
2005	\$ _____	\$ _____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
2030	_____	_____
2031	_____	_____
2032	_____	_____
2033	_____	_____
2034	_____	_____
Total	\$ <u> -</u>	\$ <u> -</u>

List the terms by which interest rate changes for variable-rate debt: _____

Note: Include a separate amortization schedule for each bond issuance for the component units included in the university's financial statements.

STATE OF LOUISIANA
LSUHSC HEALTH CARE SERVICES DIVISION

SCHEDULE OF PER DIEM PAID
For The Year Ended June 30, 2004

Name	Amount
_____	\$ _____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
Total	\$ _____

Prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

