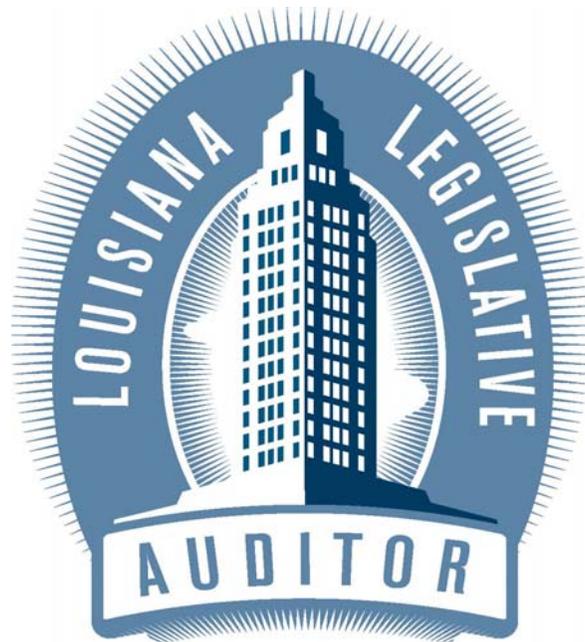


LOUISIANA STATE UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2019
ISSUED FEBRUARY 19, 2020

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.lla.la.gov.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$3.20. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 3474 or Report ID No. 80190082 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

TABLE OF CONTENTS

	Page
Independent Auditor's Report.....	3
Management's Discussion and Analysis	7
	Statement
Basic Financial Statements:	
Louisiana State University System - Statement of Net Position.....	A19
Component Units - Statement of Financial Position	B21
Louisiana State University System - Statement of Revenues, Expenses, and Changes in Net Position	C22
Component Units - Statement of Activities.....	D24
Louisiana State University System - Statement of Cash Flows.....	E26
Notes to the Financial Statements	29
	Schedule
Required Supplementary Information:	
Schedule of Proportionate Share of the Total OPEB Liability	1.....90
Schedule of the Proportionate Share of the Net Pension Liabilities of Cost Sharing Defined Benefit Pension Plans.....	2.....91
Schedule of Contributions to Cost Sharing Defined Benefit Pension Plans	3.....92
Supplemental Information Schedules:	
Combining Schedule of Net Position, by University, June 30, 2019	4.....95

	Page
Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University, for the Year Ended June 30, 2019.....5.....	99
Combining Schedule of Cash Flows, by University, for the Year Ended June 30, 2019.....6.....	103
Combining Schedule of Net Position, by University, June 30, 2018.....7.....	107
Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University, for the Year Ended June 30, 2018.....8.....	111
Combining Schedule of Cash Flows, by University, for the Year Ended June 30, 2018.....9.....	115
	Exhibit
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 18, 2020

Independent Auditor's Report

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Louisiana State University System (System), a component unit of the state of Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries; the Health Care Services Foundation and its subsidiary; and the Stephenson Technologies Corporation, which are nonprofit corporations included as blended component units in the basic financial statements representing approximately 1.83%, 0.54%, 7.53%, and 6.69% of total assets, liabilities, revenues, and expenses, respectively. We also did not audit the financial statements of the LSU Foundation, the Tiger Athletic Foundation, or the LSU Health Sciences Foundation in Shreveport, which are discretely presented component units included in the basic financial statements of the System. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts reported for these component units, are based solely on the reports of the other auditors.

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

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the System as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Pension Liabilities

As disclosed in note 7, the net pension liability for the System was \$1,529,595,891 at June 30, 2019, as determined by the Louisiana State Employees' Retirement System (LASERS) and Teachers' Retirement System of Louisiana (TRSL). The related actuarial valuations were performed by LASERS's and TRSL's actuaries using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at June 30, 2019, could be under or overstated.

Our opinion is not modified with respect to this matter.

Accounting Changes

As discussed in Note 12 to the financial statements, accounting changes have been made related to the capital lease agreement with the Academic Medical Center in New Orleans for its hospital building.

Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 7 through 18, the Schedule of Proportionate Share of the Total OPEB Liability on page 90, the Schedule of the Proportionate Share of the Net Pension Liabilities of Cost Sharing Defined Benefit Pension Plans on page 91, and the Schedule of Contributions to Cost Sharing Defined Benefit Pension Plans on page 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying supplementary information schedules including the Combining Schedule of Net Position; the Combining Schedule of Revenues, Expenses, and Changes in Net Position; and the Combining Schedule of Cash Flows on pages 95 through 106 for the year ended June 30, 2019, are presented for the purposes of additional analysis and are not required parts of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the schedules for the fiscal year ended June 30, 2019, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole for the year ended June 30, 2019.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the System as of and for the year ended June 30, 2018 (not presented herein), and have issued our report thereon dated January 23, 2019, which contained unmodified opinions on the respective financial statements of the business-type activities. The Combining Schedule of Net Position; the Combining Schedule of Revenues, Expenses, and Changes in Net Position; and the Combining Schedule of Cash Flows on pages 107 through 118 for the year ended June 30, 2018, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2018 financial statements. The combining schedules for the fiscal year ended June 30, 2018, have been subjected to the auditing procedures applied in the audit of the 2018 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the schedules for the fiscal year ended June 30, 2018, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole for the year ended, June 30, 2018.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2020, on our consideration of the 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 solely 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 effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Respectfully submitted,



Thomas H. Cole, CPA
First Assistant Legislative Auditor

REW:JPT:BH:EFS:aa

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, 2019. It should be read in conjunction with the financial statements and the notes thereto which follow this section.

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

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

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

BACKGROUND

The System is the state’s flagship system. It is also one of the most diverse and comprehensive higher education systems in the country. Headcount enrollment during the fall 2018 semester was 48,646, which was an increase from the 47,577 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, Nursing and Public Health professions are conferred.

The System also encompasses specialized campuses including the Pennington Biomedical Research Center, an internationally renowned metabolic institute extending the human health span through discoveries that remedy chronic disease such as obesity, diabetes, heart disease and cancer, and the LSU Agricultural Center, which plays a vital and integral role in supporting agricultural industries, enhancing the environment, and improving the quality of life through its 4-H youth programs, family and consumer sciences, and community development programs.

This is done through a network of 13 departments primarily located in Baton Rouge, 15 stations throughout the state and 64 parish offices.

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

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

LSU transitioned management and operations of the hospitals through cooperative endeavor agreements that were signed with various hospital systems and health care clinics across the state to deliver medical care on behalf of LSU. LSU medical and dental faculty and medical education students continue to provide medical care to patients in the partner facilities.

Although these partnerships have been in place, it should be noted that the Governor and the LSU Board of Supervisors are in the process of renegotiating the original partnership agreements. In addition, the LSU Board of Supervisors approved memorandum of understandings, or MOUs, with six additional hospital partners in an effort to expand clinical services and graduate medical education with the LSU Health Sciences Center in Shreveport.

FINANCIAL HIGHLIGHTS

GENERAL

Total operating revenues increased from the prior fiscal year by approximately \$140.9 million, while operating expenses increased by approximately \$127.3 million. The operating loss for fiscal year 2019 was \$554.6 million; the operating loss for fiscal year 2018 restated was \$568.3 million.

An overall increase in operating revenue of \$140.9 million is a result of increases and decreases in several different revenue sources. The increases primarily occurred with an increase in student fee revenue and an increase in sales and services revenue of educational departments, primarily attributable to revenues of LSU Health Science Centers' faculty practice plans, and increases in upper payment limits under Medicaid. Increases in revenues are also attributable to increased non-governmental grants and contracts revenue from the Department of Veterans Affairs Medical Center, Health and Human Services, and National Institute of Health.

The overall increase in operating expenses is attributable to several factors including increased activity in the following functional expenses categories: (1) increased instructional expenses as a result of increased compensation costs of faculty as a result of expanded clinical contracts for the LSU Health Sciences Centers and expansion of instructional offerings, including online degrees, (2) increased public service costs due to expenses related to the LSU Health Sciences Center in Shreveport's restructuring of the operations of its medical clinics (they were previously recorded in the academic support costs), (3) an increase in institutional support for LSU Health Sciences Center in Shreveport, and (4) an increase in plant maintenance and operation expenses. These functional expense increases are offset by decreases in academic support costs and hospital expenses.

If you include non-operating revenues and expenses, the System shows income before other revenues, expenses, gains, and losses of \$174.7 million for fiscal year 2018-2019. This represents an increase of \$109.5 million compared to the \$65.2 million posted in the previous year. This improvement can be attributed largely to an increase in net non-operating revenues and expenses, wherein the System experienced an 80.5% increase in gifts received and to an 822.6% increase in net investment income.

Other revenues, expenses, gains and losses which include non-recurring items such as capital appropriations and gifts were \$39.9 million in 2019 compared to \$61.4 million in 2018. The decrease of \$21.5 million was attributable to several significant capital projects being funded in 2018 that were either completed or for which funding was reduced such as the Patrick Taylor Hall, the LSU Dental School Clinic and the Advanced Clinical Care Research Center.

Overall, when accounting for the operating, non-operating and other revenues and expenses as described above, the System's net financial position improved by \$214.6 million over 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the System as a whole. The Statement of Net Position presents the financial position of the System at the end of the fiscal year and includes all assets, deferred outflows, liabilities, and deferred inflows of the System. The difference between total assets plus deferred outflows and total liabilities plus deferred inflows is one way to measure the System's financial health or position, while the change in net position is a useful indicator of whether the financial condition of the System is improving or deteriorating. Over time, increases or decreases in the System's net position can be useful in assessing whether its financial health is improving. Other 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 POSITION

Net position is divided into three major categories.

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

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

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

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

- The assets available to further the mission of the System,
- Deferred outflows and inflows representing consumption or acquisition of net resources applicable to future periods,
- The liabilities of the System which include the amount owed vendors and lending institutions, and
- The net position and availability of assets for use by the System.

Current assets total \$1.1 billion and consist primarily of cash and cash equivalents, net receivables including leases receivable, investments, amounts due from Federal government, and prepaid expenses and advances. Deferred outflows of resources total \$444.2 million and consist primarily of deferred outflows related to changes in the pension liability, deferred outflows related to debt refunding, and deferred outflows related to other post-employment benefits liability. Current liabilities total \$434.9 million and consist mainly of accounts payable and accrued liabilities, unearned revenues, the current portion of bonds payable, amounts held in custody for others, the other post-employment benefits liability to be paid within one year, and a contingent amount for uncompensated absences.

Noncurrent assets total \$4.8 billion and include capital assets of \$1.9 billion and other noncurrent assets total \$2.8 billion. The other noncurrent assets primarily include leases receivable of \$2.3 billion along with cash and investments that are externally restricted to certain programs and/or to make debt service payments or to maintain sinking or reserve funds, as well as other restricted assets. Noncurrent liabilities total \$5.5 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 liability that will not be paid within one year; (4) the net pension liability; (5) unearned revenue; and (6) other liabilities that, while scheduled to be paid within one year, are to be paid from funds classified as

noncurrent assets. Deferred inflows of resources total \$291.7 million and consist primarily of changes in the net pension liability and the other post-employment benefits liability that will be recognized as inflows in future years.

Restricted nonexpendable net position totals \$241.5 million and consists of endowment and similar type funds, which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained intact and invested for the purpose of producing income that may either be expended or added to principal.

Restricted expendable net position totals \$403.2 million and includes resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. A summarized listing of the System's assets, deferred outflows, liabilities, deferred inflows, and net position at June 30, 2019, and June 30, 2018 (restated), follows.

Louisiana State University System Statement of Net Position

	As of		Change	Percentage Change
	June 30, 2019	June 30, 2018 (Restated)		
Assets:				
Current assets	\$ 1,100,795,456	\$ 991,185,976	\$ 109,609,480	11.1%
Capital and intangible assets	1,936,391,285	1,853,442,670	82,948,615	4.5%
Other assets	2,824,794,364	2,983,117,318	(158,322,954)	(5.3%)
Total Assets	<u>5,861,981,105</u>	<u>5,827,745,964</u>	<u>34,235,141</u>	0.6%
Deferred Outflows of Resources:				
Deferred amounts on debt refunding	20,493,064	21,618,437	(1,125,373)	(5.2%)
OPEB-related deferred outflows of resources	111,948,473	44,834,988	67,113,485	149.7%
Deferred outflows related to pensions	311,801,586	269,638,573	42,163,013	15.6%
Total Deferred Outflows of Resources	<u>444,243,123</u>	<u>336,091,998</u>	<u>108,151,125</u>	32.2%
Total Assets and Deferred Outflows of Resources	<u>6,306,224,228</u>	<u>6,163,837,962</u>	<u>142,386,266</u>	2.3%
Liabilities:				
Current liabilities	434,902,248	433,158,791	1,743,457	0.4%
Noncurrent liabilities	5,512,271,527	5,608,053,323	(95,781,796)	(1.7%)
Total Liabilities	<u>5,947,173,775</u>	<u>6,041,212,114</u>	<u>(94,038,339)</u>	(1.6%)
Deferred Inflows of Resources:				
OPEB-related deferred inflows of resources	113,892,952	90,183,657	23,709,295	26.3%
Deferred inflows related to pensions	177,808,676	179,674,591	(1,865,915)	(1.0%)
Total Deferred Inflows of Resources	<u>291,701,628</u>	<u>269,858,248</u>	<u>21,843,380</u>	8.1%
Total Liabilities and Deferred Inflows of Resources	<u>\$ 6,238,875,403</u>	<u>\$ 6,311,070,362</u>	<u>\$ (72,194,959)</u>	(1.1%)
Net Position:				
Net investment in capital assets	\$ 1,300,846,705	\$ 1,437,672,926	\$ (136,826,221)	(9.5%)
Restricted - nonexpendable	241,506,179	233,971,247	7,534,932	3.2%
Restricted - expendable	403,229,374	358,602,745	44,626,629	12.4%
Unrestricted	(1,878,233,433)	(2,177,479,318)	299,245,885	13.7%
Total Net Position	<u>\$ 67,348,825</u>	<u>\$ (147,232,400)</u>	<u>\$ 214,581,225</u>	145.7%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) display information on how the System's net position changed as a result of current year operations. This statement presents the revenues received by the System, both operating and nonoperating, the expenses paid by the System, operating and non-operating, 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. Non-operating 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 non-operating because they are provided by the Legislature to the System without the Legislature directly receiving commensurate goods and services for those revenues.

The consolidated SRECNP at June 30, 2019, for the System indicates a net operating loss of \$554.6 million determined without including State appropriations, gifts, or investment earnings and before subtracting interest expenses on debt.

Operating revenues increased by \$140.9 million and operating expenses increased by \$127.3 million. Changes in operating revenues and operating expenses are identified in the financial highlights section above.

After including non-operating revenues such as State appropriations (\$422.9 million), gifts (\$134.6 million), federal non-operating revenues (\$48.2 million), investment income (\$84.6 million), and other non-operating revenues (\$59.2 million), and after subtracting interest expense (\$20.3 million), the System had a gain before other revenues, expenses, gains, and losses of \$174.7 million.

The following table summarizes the System's operating revenues for the year ending June 30, 2019 with comparative totals for the year ended June 30, 2018, as restated.

Louisiana State University System Operating Revenues

	As of			Percentage
	June 30, 2019	June 30, 2018 (Restated)	Change	Change
Tuition and fees, net	\$ 492,336,665	\$ 468,475,014	\$ 23,861,651	5.1%
Federal appropriations	13,001,295	12,263,533	737,762	6.0%
Grants and contracts	768,149,286	710,532,011	57,617,275	8.1%
Sales and services of educational departments	224,852,668	181,752,526	43,100,142	23.7%
Auxiliary enterprises, net	219,619,890	205,296,832	14,323,058	7.0%
Hospital income	72,343,752	73,066,318	(722,566)	(1.0%)
Other	25,404,984	23,405,628	1,999,356	8.5%
Total operating revenues	\$ 1,815,708,540	\$ 1,674,791,862	\$ 140,916,678	8.4%

Operating Revenues

Operating revenues for the System totaled \$1.8 billion at June 30, 2019. Major components of operating revenues are grants and contracts, representing 42.3% of the total; net tuition and fees, representing 27.1% of the total; auxiliary revenues, representing 12.1% of the total; sales and services of educational departments, representing 12.4% of the total; and hospital income, representing 4.0%.

For 2019, net tuition and fee revenue increased due to student fee increases, expansion of program offerings and other factors. Grants and contracts revenue increased, primarily because of expanded activities by the LSU Health Sciences Center that were funded by with federal and state agencies. Sales and services increased due to revenue increases of the LSU Health Science Centers' faculty practice plans and because of increases in the upper payment limit revenue under Medicaid. Auxiliary enterprise revenue increased as a result of expanded housing and retail facilities at the Baton Rouge campus.

Summarized on the next page is the Statement of Revenues, Expenses, and Changes in Net Position.

Louisiana State University System
Statement of Revenues, Expenses, and Changes in Net Position

	As of		Change	Percentage Change
	June 30, 2019	June 30, 2018 (restated)		
Operating revenues	\$ 1,815,708,540	\$ 1,674,791,862	\$ 140,916,678	8.4%
Operating expenses	2,370,340,104	2,243,066,446	127,273,658	5.7%
Operating loss	(554,631,564)	(568,274,584)	13,643,020	2.4%
Nonoperating revenues (expenses)	729,340,868	633,471,665	95,869,203	15.1%
Income before other revenues, expenses, gains, and losses	174,709,304	65,197,081	109,512,223	168.0%
Other revenues, expenses, gains, and losses	39,871,921	61,407,940	(21,536,019)	(35.1%)
Change in net position	214,581,225	126,605,021	87,976,204	69.5%
Net position at beginning of year - restated	(147,232,400)	(273,837,421)	126,605,021	46.2%
Net position at end of year	\$ 67,348,825	\$ (147,232,400)	\$ 214,581,225	145.7%

Operating Expenses

Total operating expenses for the System amounted to approximately \$2.4 billion for the year ended June 30, 2019. Instruction expenses represented 30.6% of all operating expenses and represented the largest functional component. Other major components are research expenses, 13%; public service expenses, 18.3%; operation and maintenance of plant, 8.6%; and academic support, 7.1%. Shown below in tabular format is a summary of the System's operating expenses for the fiscal year ended June 30, 2019, with comparative totals for the year ended June 30, 2018, as restated.

Louisiana State University System Operating Expenses

	As of		Change	Percentage Change
	June 30, 2019	June 30, 2018 (restated)		
Instruction	\$ 725,431,562	\$ 593,327,141	\$ 132,104,421	22.3%
Research	308,672,332	299,115,768	9,556,564	3.2%
Public service	434,161,933	360,103,720	74,058,213	20.6%
Academic support	168,481,155	254,421,593	(85,940,438)	(33.8%)
Student services	46,778,017	44,764,239	2,013,778	4.5%
Institutional support	140,793,164	114,000,619	26,792,545	23.5%
Operation and maintenance of plant	204,171,719	193,470,941	10,700,778	5.5%
Scholarships and fellowships	59,843,100	55,443,389	4,399,711	7.9%
Auxiliary enterprises	179,869,037	174,093,856	5,775,181	3.3%
Hospital	102,138,085	154,325,180	(52,187,095)	(33.8%)
Total operating expenses	\$ 2,370,340,104	\$ 2,243,066,446	\$ 127,273,658	5.7%

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2019, the System had approximately \$1.9 billion invested in a broad range of capital assets including land, buildings and improvements, equipment, construction in progress, and infrastructure, which is net of accumulated depreciation of \$2.5 billion (see the following table).

Louisiana State University System Capital Asset Summary

	As of		Change	Percentage Change
	June 30, 2019	June 30, 2018 (restated)		
Land and Non-depreciable Easements	\$ 82,018,105	\$ 80,826,363	\$ 1,191,742	1.5%
Other Capital Assets:				
Buildings and Improvements	3,117,377,292	2,845,205,454	272,171,838	9.6%
Machinery and Equipment	1,034,056,608	1,160,009,070	(125,952,462)	(10.9%)
Infrastructure	43,905,535	43,905,535		0.0%
Intangible Assets	87,578,497	91,309,103	(3,730,606)	(4.1%)
Construction/Development in Progress	25,096,782	24,112,336	984,446	4.1%
Total cost of capital assets	4,390,032,819	4,245,367,861	144,664,958	3.4%
Less accumulated depreciation and amortization	(2,453,641,534)	(2,391,925,191)	(61,716,343)	2.6%
Capital assets, net	\$1,936,391,285	\$1,853,442,670	\$ 82,948,615	4.5%

Land and Non-depreciable Easements total \$82 million, while other capital assets net of accumulated depreciation total \$1.9 billion at June 30, 2019. The overall net increase in capital assets of \$82.9 million is largely a result of an increase in buildings and improvements.

Major capital additions during 2019 included residential and retail facilities placed into service at the Baton Rouge campus under a public-private partnership known as the Nicholson Gateway Project and other construction projects that remain in progress at June 30, 2019.

Long-Term Debt

At June 30, 2019, the System had \$403.1 million in bonds outstanding, \$88.1 million in compensated absence liabilities, \$254.9 million in capital lease obligations outstanding, \$1.8 billion in OPEB obligations, \$1.5 billion in pension obligations, and \$1.6 billion in unearned revenue. Bonds outstanding decreased \$19.6 million from June 30, 2018, mainly due to regular principal payments being made according to schedule.

The OPEB liability increased by approximately \$74.2 million from the amount as of June 30, 2018 largely due to changes in the assumptions used in estimating the cost of future benefits. The net pension liability decreased approximately \$73.8 million, due to improved net position of the Louisiana Teachers' Retirement System and the Louisiana State Employees' Retirement System relative to their actuarially determined pension liabilities.

The long-term portion of unearned revenue decreased by \$1.9 billion due recognition of revenue related to hospital facility lease arrangements over the life of the respective agreements. In addition, two accounting changes for the Academic Medical Center in New Orleans (AMCNO) Hospital lease occurred for the fiscal year ending June 30, 2019. A provision in the lease agreement calls for an annual adjustment to future lease payments using the Consumer Price Index (CPI) and is now being accounted for as a contingent rental. A change was also made in accounting for the unearned interest revenue from utilizing the straight-line method of accounting to the effective interest method in order to produce a constant periodic rate of return on the net investment in the lease.

Capital lease obligations increased by \$237.9 million in order to recognize the means of financing the new residential and retail facilities recorded as capital additions as part of the Nicholson Gateway Project on the Baton Rouge campus.

ECONOMIC OUTLOOK

Since the beginning of the national recession, the state's fiscal condition has vacillated based on various changes in state tax and exemption laws. Institutions of higher education have experienced substantial cuts in state appropriated funds and state general fund direct appropriations. Tuition, fees and other self-generated revenues mitigated most of the reductions, and now comprise a significant portion of the total operating budget revenue. Considering the budgetary pressures at the state level, it is unlikely state appropriations to higher education will grow significantly in the next three to five years, making tuition and fee setting authority more

important to establish a stable funding base to maintain current academic quality and make enhancements.

The Louisiana Legislature passed the FY 2019-20 state's general appropriation bill during the 2019 Regular Session. The budget (House Bill 105) contained contingency language stating the areas of the budget that must be reduced if additional revenue was not generated to fund them. The FY 2019-20 state appropriation level at LSU increased \$5.6M from the previous fiscal year. LSU's annual state funding per FTE student ranks near the bottom of its Southern Regional Education Board (SREB) peers while LSU's graduation rates have been equal to or exceeded the SREB average and the University is graduating more students than ever before.

Act 293 of the 2017 Regular Session of the Louisiana Legislature authorized fee-setting authority for Louisiana higher education management boards. This authority sunsets as of June 30, 2020.

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

- Changes in current enrollment
- Changes in tuition and fee charges
- Changes in state appropriations
- Significant or new capital appropriations or projects
- Changes in the healthcare arrangements
- Changes in enterprise resource systems
- Changes in bond ratings
- Changes in organizational structure

CONTACTING THE LOUISIANA STATE UNIVERSITY'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of System's finances and to show Louisiana State University's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Vice President and Chief Financial Officer at 3810 West Lakeshore Drive, Suite 109, Baton Rouge, LA 70808.

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

Statement of Net Position, June 30, 2019

ASSETS

Current Assets:

Cash and cash equivalents (note 2)	\$ 179,877,012
Investments (note 3)	477,266,658
Receivables, net (note 4)	290,211,022
Due from State Treasury (note 14)	2,628,450
Due from federal government (note 4)	46,892,062
Inventories	7,222,215
Prepaid expenses and advances	6,891,486
Notes receivable	3,458,193
Leases receivable (note 12)	84,028,325
Other current assets	2,320,033
Total current assets	<u>1,100,795,456</u>

Noncurrent Assets:

Restricted Assets:

Cash and cash equivalents (note 2)	150,280,718
Investments (note 3)	260,531,684
Receivables, net (note 4)	54,216
Notes receivable	17,482,100
Other restricted assets	10,333,555
Investments (note 3)	52,719,626
Leases receivable (note 12)	2,332,720,029
Other noncurrent assets	672,436
Capital assets, net (note 5)	1,936,391,285
Total noncurrent assets	<u>4,761,185,649</u>

Total assets

5,861,981,105

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on debt refunding	20,493,064
OPEB-related deferred outflows of resources (note 8)	111,948,473
Pension-related deferred outflows of resources (note 7)	311,801,586

Total deferred outflows of resources

444,243,123

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 6,306,224,228

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Position, June 30, 2019**

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities (note 6)	\$ 141,653,701
Due to federal government	5,280,768
Unearned revenues	183,156,775
Amounts held in custody for others	7,829,856
Other liabilities	2,310,126
Compensated absences payable (note 10 and 13)	7,129,945
Capital lease obligations (note 13)	3,336,618
Bonds payable (note 13)	19,900,931
Total OPEB liability (note 8)	64,303,528
Total current liabilities	<u>434,902,248</u>

Noncurrent Liabilities:

Compensated absences payable (note 10 and 13)	80,933,453
Capital lease obligations (note 13)	251,541,490
Bonds payable (note 13)	383,196,546
Total OPEB liability (note 8)	1,745,584,287
Net pension liability (note 7)	1,529,595,891
Unearned revenues (notes 12 and 13)	1,520,673,378
Other noncurrent liabilities (note 13)	746,482
Total noncurrent liabilities	<u>5,512,271,527</u>

Total liabilities5,947,173,775**DEFERRED INFLOWS OF RESOURCES**

OPEB-related deferred inflows of resources (note 8)	113,892,952
Pension-related deferred inflows of resources (note 7)	177,808,676
Total deferred inflows of resources	<u>291,701,628</u>

NET POSITION

Net investment in capital assets	1,300,846,705
Restricted	
Nonexpendable (note 15)	241,506,179
Expendable (note 15)	403,229,374
Unrestricted	<u>(1,878,233,433)</u>
Total net position	<u>67,348,825</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION**

\$ 6,306,224,228

(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, 2019

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Foundation in Shreveport	Total Foundations
ASSETS				
Current Assets:				
Cash and cash equivalents (note 2)	\$ 9,392,957	\$ 14,696,728	\$ 2,083,387	\$ 26,173,072
Restricted cash and cash equivalents (note 2)	17,703,787	47,474,491		65,178,278
Investments (note 3)		13,966,994	10,797,927	24,764,921
Restricted investments (note 3)		3,937,272		3,937,272
Accrued interest receivable	899,178			899,178
Accounts receivable, net	8,887,105	3,387,601	161,566	12,436,272
Unconditional promises to give, net (note 23)	5,822,181	6,238,078	1,559,285	13,619,544
Deferred charges and prepaid expenses		448,838	23,480	472,318
Other current assets	218,747	15,992,858		16,211,605
Total current assets	42,923,955	106,142,860	14,625,645	163,692,460
Noncurrent Assets:				
Restricted assets:				
Cash and cash equivalents (note 2)		17,206,503	613,378	17,819,881
Investments (note 3)	584,027,892	85,826,440	204,744,041	874,598,373
Other	4,677,779			4,677,779
Investments (note 3)	14,043,464			14,043,464
Other Receivables, net		6,667,580		6,667,580
Unconditional promises to give, net (note 23)	9,423,643	5,124,372	1,516,895	16,064,910
Property and equipment, net (note 5)	26,541,885	234,225,787	3,180,110	263,947,782
Other noncurrent assets	947,285	28,454,218		29,401,503
Total noncurrent assets	639,661,948	377,504,900	210,054,424	1,227,221,272
Total assets	\$ 682,585,903	\$ 483,647,760	\$ 224,680,069	\$ 1,390,913,732
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 4,004,648	\$ 5,587,096	\$ 1,212,805	\$ 10,804,549
Amounts held in custody for others	18,087,931	2,085,683	72,481,852	92,655,466
Deferred revenues	65,441	18,635,413		18,700,854
Compensated absences payable	565,019			565,019
Current portion of notes payable	254,171	2,722,442		2,976,613
Current portion of bonds payable (note 13)		7,969,000		7,969,000
Total current liabilities	22,977,210	36,999,634	73,694,657	133,671,501
Noncurrent Liabilities:				
Amounts held in custody for others	116,071,640	1,387,481		117,459,121
Notes payable	9,513,850	19,620,214		29,134,064
Bonds payable (note 13)		141,703,749		141,703,749
Deferred revenues		13,801,021		13,801,021
Other noncurrent liabilities	449,583			449,583
Total noncurrent liabilities	126,035,073	176,512,465		302,547,538
Total liabilities	149,012,283	213,512,099	73,694,657	436,219,039
NET ASSETS				
Without donor restrictions	45,184,263	203,406,435	20,382,721	268,973,419
With donor restrictions	488,389,357	66,729,226	130,602,691	685,721,274
Total net assets	533,573,620	270,135,661	150,985,412	954,694,693
Total liabilities and net assets	\$ 682,585,903	\$ 483,647,760	\$ 224,680,069	\$ 1,390,913,732

*As of December 31, 2018

The accompanying notes are an integral part of this statement

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and
Changes in Net Position
For the Year Ended June 30, 2019**

OPERATING REVENUES

Student tuition and fees	\$ 605,050,920
Less scholarship allowances	(112,714,255)
Net student tuition and fees	<u>492,336,665</u>
Federal appropriations	13,001,295
Federal grants and contracts	169,397,496
State and local grants and contracts	67,747,800
Nongovernmental grants and contracts	531,003,990
Sales and services of educational departments	224,852,668
Hospital income	72,343,752
Auxiliary enterprise revenues (including revenues pledged to secure debt, per note 22)	242,196,251
Less scholarship allowances	(22,576,361)
Net auxiliary revenues	<u>219,619,890</u>
Other operating revenues	25,404,984
Total operating revenues	<u><u>1,815,708,540</u></u>

OPERATING EXPENSES

Educational and general:	
Instruction	725,431,562
Research	308,672,332
Public service	434,161,933
Academic support	168,481,155
Student services	46,778,017
Institutional support	140,793,164
Operation and maintenance of plant	204,171,719
Scholarships and fellowships	59,843,100
Auxiliary enterprises	179,869,037
Hospital	102,138,085
Total operating expenses (note 18)	<u><u>2,370,340,104</u></u>

Operating Loss (554,631,564)

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and
Changes in Net Position
For the Year Ended June 30, 2019**

NONOPERATING REVENUES (EXPENSES)

State appropriations	\$ 422,962,192
Gifts	134,607,890
Federal nonoperating revenues	48,193,606
Net investment income	84,640,503
Interest expense	(20,298,841)
Other nonoperating revenues	59,235,518
	<hr/>
	729,340,868
	<hr/>
Income Before Other Revenues, Expenses, Gains, and Losses	174,709,304
Capital appropriations	20,630,451
Capital gifts and grants	12,766,463
Additions to permanent endowments	3,985,000
Other additions, net	2,490,007
Change in Net Position	214,581,225
Net Position at Beginning of Year, Restated (Note 16)	<hr/> (147,232,400)
Net Position at End of Year	<hr/> <hr/> \$ 67,348,825

(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, 2019

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Foundation in Shreveport	Total Foundations
Changes in net assets without donor restrictions:				
Operating activities				
Revenues:				
Contributions	\$ 1,306,561	\$ 35,185,806	\$ 480,873	\$ 36,973,240
Investment earnings (loss), net	3,106,071	1,740,334	1,303,983	6,150,388
Service fees	1,367,174		608,299	1,975,473
Other revenues	6,085,700	27,193,832	16,020	33,295,552
Total revenues without donor restrictions	11,865,506	64,119,972	2,409,175	78,394,653
Net assets released from donor restrictions:				
Satisfaction of purpose restrictions	34,397,596	14,472,742	4,484,907	53,355,245
Total operating revenues and other support	46,263,102	78,592,714	6,894,082	131,749,898
Expenses:				
Amounts paid to benefit Universities for:				
Projects specified by donors	29,890,910		4,323,244	34,214,154
Projects specified by the Board of Directors	1,244,826	22,423,226		23,668,052
Other:				
Property operations			68,135	68,135
Other		14,170,893		14,170,893
Total program expenses	31,135,736	36,594,119	4,391,379	72,121,234
Supporting services:				
Salaries and benefits	4,306,464	2,766,041	432,984	7,505,489
Occupancy	118,847	234,261	29,808	382,916
Office operations	1,045,665	164,669	46,038	1,256,372
Travel	17,594	80,830	1,003	99,427
Professional services	1,120,042	133,977	68,746	1,322,765
Dues and subscriptions	29,716	35,492	3,411	68,619
Meetings and development	153,902	26,963	4,739	185,604
Depreciation	619,296		57,360	676,656
Other	323,824	3,068,974		3,392,798
Total supporting services	7,735,350	6,511,207	644,089	14,890,646
Fund-raising expenses	9,656,490	2,785,211	1,034,082	13,475,783
Total expenses	48,527,576	45,890,537	6,069,550	100,487,663
Excess operating revenues over expenses	(2,264,474)	32,702,177	824,532	31,262,235
Non-operating revenues (expenses)				
Change in net assets without donor restrictions	(2,264,474)	32,702,177	824,532	31,262,235

* For the period December 31, 2018

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
COMPONENT UNITS
Statement of Activities
For the Year Ended June 30, 2019

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Foundation in Shreveport	Total Foundations
Changes in net assets with donor restrictions				
Contributions	\$ 34,013,401	\$ 8,744,708	\$ 7,156,711	\$ 49,914,820
Investment earnings (loss)	17,426,715	(1,233,549)	5,768,970	21,962,136
Changes in value of split interest agreements	183,555			183,555
Other	(1,848)			(1,848)
Net assets released from restrictions				
Satisfaction of purpose restrictions	(34,397,596)	(14,472,742)	(4,484,907)	(53,355,245)
Change in net assets with donor restrictions	<u>17,224,227</u>	<u>(6,961,583)</u>	<u>8,440,774</u>	<u>18,703,418</u>
Change in net assets	14,959,753	25,740,594	9,265,306	49,965,653
Net assets at beginning of year (restated)	<u>518,613,867</u>	<u>244,395,067</u>	<u>141,720,106</u>	<u>904,729,040</u>
Net assets at end of year	<u>\$ 533,573,620</u>	<u>\$ 270,135,661</u>	<u>\$ 150,985,412</u>	<u>\$ 954,694,693</u>

*For the period ending December 31, 2018

(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, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$ 487,583,985
Federal appropriations	12,532,552
Grants and contracts	770,084,632
Sales and services of educational departments	220,051,177
Hospital income	73,239,346
Auxiliary enterprise receipts	212,255,947
Payments for employee compensation	(1,126,151,646)
Payments for benefits	(369,921,041)
Payments for utilities	(46,504,854)
Payments for supplies and services	(698,746,790)
Payments for scholarships and fellowships	(59,280,249)
Loans to students	1,009,970
Collection of loans to students	3,784,386
Other receipts	28,843,534
Net cash used by operating activities	<u>(491,219,051)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES:**

State appropriations	422,929,832
Gifts and grants for other than capital purposes	138,329,866
Private gifts for endowment purposes	2,880,884
TOPS receipts	111,418,953
TOPS disbursements	(111,404,839)
FEMA receipts	934,300
FEMA disbursements	(85,174)
Direct lending receipts	304,319,057
Direct lending disbursements	(304,111,707)
Other receipts	36,335,868
Net cash provided by noncapital financing activities	<u>601,547,040</u>

**CASH FLOWS FROM CAPITAL
FINANCING ACTIVITIES:**

Capital gifts and grants received	3,622,470
Purchase of capital assets	(43,911,873)
Principal paid on capital debt and leases	(23,164,026)
Interest paid on capital debt and leases	(19,133,377)
Deposits with trustees	5,435
Other sources	2,744,839
Net cash used by capital financing activities	<u>(79,836,532)</u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2019**

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales and maturities of investments	\$ 277,091,340
Interest received on investments	59,349,290
Purchase of investments	(386,730,065)
Net cash used by investing activities	<u>(50,289,435)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (19,797,978)

CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR - RESTATED 349,955,708

CASH AND CASH EQUIVALENTS AT END OF THE YEAR \$ 330,157,730

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY
OPERATING ACTIVITIES:**

Operating loss	\$ (554,631,564)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	123,154,098
Non-Employer contributing entity revenue	4,660,788
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
(Increase) in accounts receivable, net	(21,747,846)
(Increase) in inventories	(543,204)
Decrease in prepaid expenses and other	1,756,247
Decrease in notes receivable	3,943,800
(Increase) in deferred outflows related to OPEB	(67,113,485)
(Increase) in deferred outflows related to pensions	(42,163,013)
(Increase) in other assets	(190,087)
Increase in accounts payable and accrued liabilities	26,735,720
Increase in unearned revenue	1,054,452
(Decrease) in amounts held in custody for others	(539,701)
Increase in compensated absences	3,015,325
Increase in total OPEB liability	74,191,672
(Decrease) in net pension liability	(73,822,416)
Increase in deferred inflows related to OPEB	23,709,295
(Decrease) in deferred inflows related to pensions	(1,865,915)
Increase in other liabilities	<u>9,176,783</u>
Net cash used by operating activities	<u><u>\$ (491,219,051)</u></u>

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2019

RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO THE STATEMENT OF NET POSITION:

Cash and cash equivalents classified as current assets	\$ 179,877,012
Cash and cash equivalents classified as noncurrent assets	150,280,718

**Cash and cash equivalents
at end of the year**

\$ 330,157,730

SCHEDULE OF NONCASH INVESTING, CAPITAL,
AND FINANCING ACTIVITIES:

Capital appropriations	\$ 20,630,451
Property acquired through capital lease	241,500,000
Amortized borrowing expense	(19,200)
Increase in fair market value of assets	27,828,866
Non-Employer contributing entity revenue	4,660,788
Capital gifts and grants	12,766,463
Transfers/disposal of capital assets	(1,253,845)
	<u>\$ 306,113,523</u>

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

The System is comprised of nine campuses in five cities and one state hospital. In addition, the System has established public/private partnership cooperative endeavors for the management of six additional hospitals. The System includes LSU and A&M College (LSU) and the Pennington Biomedical Research Center, both 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 of Alexandria; LSU Eunice, a two-year institution; the LSU Health Sciences Center in New Orleans, which includes schools of Medicine, Dentistry, Nursing, Public Health, 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 schools of Medicine, Allied Professions, and Graduate Studies. Student enrollment as of the fourteenth class day for the System for the 2018 fall semester totaled approximately 48,646. As of November 1, 2018, the System had approximately 4,287 full and part-time faculty members with the academic rank of instructor or above, including those positions with equivalent rank.

Beginning in 1997, Louisiana Revised Statute (R.S.) 17:1519.1 provided for the operation of Louisiana's public hospitals by the LSU Health Sciences Center - Health Care Services Division, under the overall management of the LSU Board of Supervisors. These hospitals serve as the primary source of health care services for the indigent population of the state. In addition, these hospitals are utilized by the LSU Health Sciences Centers as teaching hospitals wherein the medical and dental faculty and medical education students provide the medical care to patients.

In 2013, LSU transitioned management and operations of its hospitals to private hospital partnerships. Under cooperative endeavor agreements, the Louisiana Children's Medical Center (LCMC) manages the new University Medical Center. Leonard J. Chabert Medical Center in Houma is now operated by a partnership between Terrebonne General Medical Center and Southern Regional Medical Center, which delivers services through the Ochsner Health System. University Medical Center in Lafayette is managed by Lafayette General Medical Center.

W.O. Moss Regional Medical Center in Lake Charles closed as an inpatient facility in 2013, and its outpatient services are now managed by Lake Charles Memorial Health System. Earl K. Long Medical Center in Baton Rouge closed in April 2013. An extensive network of outpatient clinics is now managed by Our Lady of the Lake Regional Medical Center. Bogalusa Medical Center is operated by Franciscan Missionaries of Our Lady Health System through Our Lady of Angels. Lallie Kemp Medical Center in Independence is under the management of the System.

Beginning in October 2013, E.A. Conway Medical Center in Monroe and LSU Medical Center in Shreveport transitioned from LSU Health Sciences Center Shreveport to management by the Biomedical Research Foundation of Northwest Louisiana, and subsequently to Ochsner LSU Health System in October 2018. The management of the Shreveport Faculty Group Practice also transitioned to Ochsner LSU Health System of North Louisiana in October 2018. Huey P. Long Medical Center under the management of LSU Health Sciences Center Shreveport closed June 30, 2014. Outpatient clinic and inpatient hospital services are delivered by Christus St. Frances Cabrini Hospital and Rapides Regional Medical Center.

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 GASB.

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

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The 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 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

Louisiana State University School of Medicine in New Orleans Faculty Group Practice, a Louisiana Non-Profit Corporation, d/b/a LSU Healthcare Network (LSUHN), supports the LSU Health Sciences Center (LSUHSC) in carrying out its patient care, educational, and research functions. The Board of Directors consists of seven (7) members who are representatives of the Board of

Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU), the LSUHSC, and the LSU School of Medicine in New Orleans, as well as eight (8) public or community members who are not employees of LSU and are nominated by either the Nominating Committee or any member of the Board of Directors. Upon dissolution of LSUHN, any remaining assets would be distributed to the Board of Supervisors of LSU or its successor for distribution to LSUHSC or to the Louisiana State University Medical Center Foundation. LSUHN provides health care to the general public including, but not limited to, the delivery of physician medical services and other healthcare services to individuals. LSUHN receives compensation for these services from the Medicare and Medicaid programs, certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and directly from patients.

LSUHN's activities include services provided in both hospitals across Southern Louisiana and the clinics operated by LSUHN on behalf of LSUHSC. In August 2011, LSUHN and LSUHSC (through the Board of Supervisors of LSU) entered into a restated and amended agreement pursuant to the Uniform Affiliation Agreement. The agreement establishes support of the Board of Supervisors of LSU 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.

LSUHN remains a private entity under Louisiana Revised Statute (LRS) 17:3390 but is combined with the Louisiana State University System for financial reporting purposes and is included in the basic financial statements of the Louisiana State University System.

To obtain the latest audit report of the LSU Healthcare Network, write to the LSU Healthcare Network, 2025 Gravier Street, 6th Floor, New Orleans, Louisiana 70112.

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) and provide services exclusively to HCSF. 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 Health Care Services Foundation, Post Office Box 91308, Baton Rouge, Louisiana 70821-1308.

Stephenson Technologies Corporation (STC) is an affiliate of the Louisiana State University and Agriculture and Mechanical College (LSU) that operates primarily for scientific and educational services. STC conducts contract research and development, test and evaluation, operations and maintenance, and policy development for the government, academia, and industry. The component unit is included in the reporting entity because of the significant operational relationship with LSU, its sole corporate member. STC has its headquarters in Baton Rouge, Louisiana, and conducts operations in various corporate and client locations throughout the United States. Stephenson Technologies Corporation (STC, formerly Nascent Technologies Corporation) was established on the 8th of May 2015, began operations in October 2016, and changed its name on STC in April 2017. STC qualifies as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code.

To obtain the latest audit report for STC, write to the Stephenson Technologies Corporation, 340 East Parker Street, Suite 368, Baton Rouge, Louisiana 70803-0001.

Discretely Presented Component Units

The LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Foundation in Shreveport are included as discretely presented component units of the System in the System's basic financial statements, in accordance with the criteria outlined in GASB Codification Section 2100. The foundations are legally separate, tax-exempt organizations supporting the System. The foundations have been organized to solicit, receive, hold, invest, and transfer funds for the benefit of the 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 prepares its financial 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 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 System's financial statements because their assets, individually, equaled 3% or more of the assets of the System or the assets had equaled 3% or more of the assets of the 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, 2019, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for \$31,135,736. Complete financial statements for the foundation can be obtained at 3796 Nicholson Dr., Baton Rouge, Louisiana 70802 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, 2018, TAF made distributions to or on behalf of the university for both restricted and unrestricted purposes for \$22,423,226 with an additional \$1,415,393 from booster clubs and \$249,983 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 Foundation in Shreveport supports LSU-HSC Shreveport. During the year ended June 30, 2019, the foundation made distributions to or on behalf of the university for either restricted or unrestricted purposes for \$4,323,244. Complete financial statements for the foundation can be obtained at 920 Pierremont, Suite 506, Shreveport, Louisiana 71106 or from the foundation's website at www.lsuhsfoundation.org.

Joint Venture

On September 18, 2018 and in accordance with R.S. 39:366.11, the Joint Legislative Committee on Budget held a public hearing on the Cooperative Endeavor Agreement (CEA) by and among the State of Louisiana (State), acting by and through the Louisiana Division of Administration (DOA), Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU), and Ochsner LSU Health System of North Louisiana (OLHS-NL), a private Louisiana nonprofit corporation. The CEA and service agreements cover the hospital and clinic facilities in Shreveport and Monroe. The Joint Venture CEA, effective October 1, 2018 is for an initial term of ten (10) years. The annual base rent for the leased premises will be \$41,827,876.35 in two (2) equal installments paid directly by Ochsner LSU Hospitals, L.L.C (Lessee), a subsidiary

of OLHS-NL, to The State of Louisiana, through the Division of Administration (Lessor).

LSU and Ochsner appoint equal parties to the Board and the Joint Management Committee of OLHS-NL. LSU appoints the Chief Medical Officer of OLHS-NL (CMO) who has the authority to Act on behalf of LSU in matters pertaining to the agreement, and Ochsner appoints the Chief Executive Officer (CEO). LSUHSC-S and Ochsner LSU Hospitals, LLC (OLH) will share in other fees and cost as outlined in the shared services agreement.

OLHS-NL will operate the hospitals in a manner that assures Safety Net Services are available to the citizens of north Louisiana through the hospitals and clinic facilities. In order to help compensate OLHS-NL for its role in ensuring the availability of Safety Net Services to Medicaid and uninsured beneficiaries, the State commits to include the amount of \$294,000,000 in its Executive Budget in state fiscal years 2018-2019 and 2019-2020 for Total Medicaid payments to the Hospitals. In subsequent years, the State will continue to include the specified amount in its annual budget request and put forth reasonable good faith efforts to help insure that the Louisiana Legislature approves an appropriation.

To request a copy of the latest audit report of OLHS-NL, write to Ochsner LSU Health System of North Louisiana, 1541 Kings Highway, Shreveport, Louisiana 71103.

In addition, effective October 1, 2018, Ochsner LSU Health System of North Louisiana (OLHS-NL) became the sole member of LSU Health Sciences Center-Shreveport Faculty Group Practice (FPG) doing business as Ochsner LSU Physician Group (OLPG) which provides physician and non-physician practitioner services and medical administrative services at the hospitals by and through LSUHSC-S faculty. To request a copy of the latest audit report of the OLPG, write to the Ochsner LSU Physician Group, 1541 Kings Highway, Shreveport, Louisiana 71103.

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

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

Discrete Component Units

The foundations follow the provisions of FASB as they apply to not-for-profit organizations. The FASB has established the Accounting Standards Codification (ASC) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with generally accepted accounting principles in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions.
- Net Assets With Donor Restrictions – Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundations and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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, other postemployment benefits, and pension 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) inventories in the General Fund are recorded as expenditures at the time of purchase.

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

Original approved budget	\$ 1,026,660,906
Increases (Decreases)	
State general fund	10,522,549
Self-generated	19,190,000
Interagency transfers	(2,825,157)
Statutory dedications	<u>561,265</u>
Final budget	<u>\$ 1,054,109,563</u>

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

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The 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 Louisiana Revised Statute (R.S.) 49:327, the System is authorized to invest funds in direct U.S. government obligations, U.S. government agency obligations, mutual funds, direct security repurchase agreements, and time certificates of deposit. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. The majority of these investments are U.S. Treasury securities, mutual funds, and investments held by private foundations and are reported at fair value on the balance sheet. Changes in the carrying value of investments, resulting in unrealized gains or losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

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

F. INVENTORIES

Inventories are valued at cost or replacement cost, except for livestock at LSU and the LSU Agricultural Center and the inventory of the Dental School of the LSU Health Sciences Center in New Orleans. These inventories are valued at current market prices. The 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 System accounts for its inventories using the consumption method.

G. NONCURRENT RESTRICTED ASSETS

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

H. CAPITAL ASSETS

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

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities before the end of the fiscal year that are related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned, advanced lease payments and capital leases accounted for as unearned revenues.

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, total OPEB liabilities, and the System's proportionate share of net pension liabilities that will not be paid within the next fiscal year; (3) unearned revenues; and (4) 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 System leave schedule, faculty with 12-month appointments who have less than 10 years of State service and nonclassified employees with less than 10 years of State service can only accumulate 176 hours of annual leave; sick leave is accumulated without limitation. Effective January 1, 1994, academic and unclassified employees were given the opportunity to elect to remain under the university leave schedule or change to the Louisiana State Civil Service annual leave accrual schedule under which there is no limit on the accumulation of annual leave. Nine-month faculty members accrue sick leave but do not accrue annual leave; however, they are granted faculty leave during holiday periods when students are not in classes. Upon separation of employment, both classified and nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

L. NET POSITION

The System's net position is classified as follows:

(1) Net Investment in Capital Assets

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

(2) Restricted Net Position - Expendable

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

(3) Restricted Net Position - Nonexpendable

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

(4) Unrestricted Net Position

Unrestricted net position represents the net of assets, deferred outflows, deferred inflows, and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position. Such net resources are generally 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 System and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

M. CLASSIFICATION OF REVENUES

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

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

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

O. ELIMINATING INTERFUND ACTIVITY

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

P. USE OF ESTIMATES

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

Q. DEFERRED OUTFLOWS AND DEFERRED INFLOWS

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

R. PENSION PLANS

The System is a participating employer in two defined benefit pension plans (plans), as described in note 7. For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by each of the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Synthetic guaranteed investment contracts are reported at contract value. All other investments have been reported at fair value within each plan.

S. ACCOUNTING CHANGES

Accounting Standards

Two new GASB standards are being implemented this fiscal year for the System and one new FASB standard is being implemented for the Foundations.

GASB Statement 83 – *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for legally enforceable liabilities associated with the retirement of a tangible capital asset. This statement had no effect on the financial statements of the system.

GASB Statement 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement provides guidance for footnote disclosures related to debt, including those for direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The effects of this statement are reflected in footnote 13.

The Foundations adopted Accounting Standards Update (“ASU”) 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

2. CASH AND CASH EQUIVALENTS

At June 30, 2019, the System has cash and cash equivalents (book balances) of \$330,157,730 as follows:

Petty Cash	\$ 265,238
Demand deposits	316,838,637
Certificates of deposit	18,600
Money market funds	10,738,297
Open-end mutual fund	1,406,177
Cash held in foundation bond funds	<u>890,781</u>
Total	<u>\$ 330,157,730</u>

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

As of June 30, 2019, \$9,410,160 of the System's bank balance of \$363,149,602 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 \$109,171,231, as reported on the Statement of Financial Position, and prepared under the standards set forth by the FASB, which does not require the disclosures of GASB Statement 40, *Deposit and Investment Risk Disclosures*. However, a brief summary of the cash and cash equivalents where held and associated risk is presented below.

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

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

The LSU Health Sciences Foundation in Shreveport considers cash to include amounts on hand and amounts on deposit at financial institutions which are not held within the investment portfolio. 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, 2019, the System has investments totaling \$790,517,968.

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

Exchange, or authorized for quotations on the National Association of Securities Dealers Automated Quotations System.

To the extent available, the Systems' investments are recorded at fair value as of June 30, 2019. GASB Statement No. 72 - *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques maximized the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- | | |
|---------|---|
| Level 1 | Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date. |
| Level 2 | Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly. |
| Level 3 | Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment. |

A summary of the System's investments, along with the fair value hierarchy levels of each type of investment is as follows:

Investments by Fair Value Level

Type of Investment	Total Value	Fair Value Hierarchy		
		Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)
Negotiable CDs	\$ 100,364	\$ 100,364	\$ -	\$ -
Repurchase Agreements	1,202,244	1,202,244	-	-
U.S. Treasury Securities	23,347,509	23,347,509	-	-
Bonds and Notes:				
Federal National Mortgage Association	6,996,047	995,267	6,000,780	-
Federal Home Loan Bank	76,865,664	997,495	75,868,169	-
Federal Home Loan Mortgage Corporation	6,110,825	5,127,605	983,220	-
Federal Farm Credit Bank	39,287,352	749,802	38,537,550	-
Small Business Administration	6,753,520	-	6,753,520	-
Mortgage Backed Securities:				
Federal National Mortgage Association	7,787,809	41,110	7,746,699	-
Small Business Administration	8,635,142	-	8,635,142	-
Corporate debt obligations	192,026,524	24,139,470	167,887,054	-
Municipal obligations	72,894,761	12,557,260	60,337,501	-
Fixed income mutual funds	70,531,913	68,568,516	1,963,397	-
Money market mutual funds	39,962,101	39,962,101	-	-
Equity				
Equity mutual funds	32,633,040	32,633,040	-	-
Common and preferred stock	26,428,535	26,428,535	-	-
Other	2,440,945	2,440,945	-	-
Investments held through Foundation (commingled)	48,143,757	48,143,757	-	-
Investments held through Foundation (held separately):				
Bonds and Notes:				
Federal Home Loan Bank	3,474,052	-	3,474,052	-
Federal Farm Credit Bureau	236,061	-	236,061	-
Federal National Mortgage Association	436,144	-	436,144	-
Collateralized Mortgage Obligations:				
Federal Home Loan Mortgage Corporation	34,555	-	34,555	-
Mortgage Backed Securities				
Federal National Mortgage Association	23,639	-	23,639	-
Federal Home Loan Mortgage Corporation	162	-	162	-
Government National Mortgage Association	9,251	-	9,251	-
Corporate debt obligations	4,226,514	-	4,226,514	-
Municipal obligations	1,550,591	-	1,550,591	-
Asset backed securities	79,261	-	79,261	-
Money market mutual funds	3,211,298	3,211,298	-	-
Equity mutual funds	26,173,320	26,173,320	-	-
Fixed Income mutual funds	45,841,833	45,841,833	-	-
JP Morgan Savings Account	352,725	352,725	-	-
Realty Investments	9,029,356	-	-	9,029,356
Total Investments by Fair Value Level	756,826,814	363,014,196	384,783,262	9,029,356
Investments Measured at Net Asset Value (NAV)				
Comingled funds held through foundation (net asset value)	28,518,154			
Investments Reported at Amounts Other than Fair Value				
Other:				
New Orleans Regional Physician Hospital Organization	2,531,213			
Interest Receivable	2,399,340			
BCMC Foundation Nonnegotiable Certificates of Deposit	242,447			
Total Investments	\$ 790,517,968			

Level 1 investments listed in the above table are valued using prices quoted in active markets for those securities.

Level 2 investments listed in the above table are valued using the following approaches:

- U.S. Government Agency Securities: quoted prices for similar securities in active markets, or matrix pricing based on the securities' relationship to benchmark quoted prices;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- Small Business Administration: quoted prices for similar securities in active markets;
- Fixed Income Mutual Fund: quoted prices for similar securities in active markets;
- Investments held through foundations: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and

Level 3 investments listed in the above table include realty investments. Valuation techniques utilized by the University are appraisals and other valuations typically based on management assumptions or expectations. Realty investments are generally less liquid and have no observable pricing inputs where there is little, if any, market activity for the investment.

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2019 are presented in the following table:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Comingled funds held through foundation	\$ 28,518,154	\$ -	Quarterly or less	≤ 90 days

Investments reported at amounts other than fair value include the New Orleans Regional Hospital Organization (PH Holdings, LLC), which is valued using the cost method based on the audited financial statements and the accrued interest receivable is valued at the estimated amount expected to be received on the investments listed in the above table.

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 table below identifies the System's fixed-income investments by maturity ranges at June 30, 2019.

Type of Investments:	Investments	Carrying Value	Investment Maturities in Years					
			Less Than 1	1 - 5	6 - 10	11 - 20	21 - 30	Greater than 30
Investments Reported by Fair Value Level:								
Negotiable certificates of deposit	0.01%	\$ 100,364	\$ 100,364	\$ -	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	0.15%	1,202,244	1,202,244	-	-	-	-	-
U.S. Treasury Securities	2.95%	23,347,509	2,463,747	17,646,043	3,237,719	-	-	-
U.S. Government Agency Securities:								
Bonds and Notes:								
Federal National Mortgage Association	0.88%	6,996,047	1,999,740	4,996,307	-	-	-	-
Federal Home Loan Bank	9.72%	76,865,664	-	6,325,178	32,891,198	37,649,288	-	-
Federal Home Loan Mortgage Corporation	0.77%	6,110,825	249,410	4,878,195	983,220	-	-	-
Federal Farm Credit Bank	4.97%	39,287,352	2,990,130	15,928,555	19,268,350	1,100,317	-	-
Small Business Administration	0.85%	6,753,520	-	-	2,864,584	3,888,936	-	-
Mortgage Backed Securities:								
Federal National Mortgage Association	0.99%	7,787,809	-	4,530,800	3,215,899	41,110	-	-
Small Business Administration	1.09%	8,635,142	344,002	7,531,240	759,900	-	-	-
Corporate debt obligations	24.29%	192,026,524	5,995,295	107,320,613	75,632,028	3,078,588	-	-
Municipal obligations	9.22%	72,894,761	5,097,545	25,989,161	27,752,964	13,398,154	656,937	-
Fixed income mutual funds	8.92%	70,531,913	24,274,308	-	46,257,605	-	-	-
Money market mutual funds	5.06%	39,962,101	-	-	-	-	-	-
Equity:								
Equity mutual funds	4.13%	32,633,040	-	-	-	-	-	-
Common and preferred stock	3.34%	26,428,535	-	-	-	-	-	-
Other	0.31%	2,440,945	-	-	-	-	-	-
Investments held through Foundation (commingled)	6.09%	48,143,757	-	-	-	-	-	-
Investments held through Foundation (held separately):								
Bonds and Notes:								
Federal Home Loan Bank	0.44%	3,474,052	173,937	200,649	260,245	2,839,221	-	-
Federal Farm Credit Bureau	0.03%	236,061	-	-	236,061	-	-	-
Federal National Mortgage Association	0.06%	436,144	173,862	-	262,282	-	-	-
Collateralized Mortgage Obligations:								
Federal Home Loan Mortgage Corporation	0.00%	34,555	-	-	-	34,555	-	-
Mortgage Backed Securities:								
Federal National Mortgage Association	0.00%	23,639	-	-	-	23,639	-	-
Federal Home Loan Mortgage Corporation	0.00%	162	-	-	162	-	-	-
Government National Mortgage Association	0.00%	9,251	-	715	8,536	-	-	-
Corporate debt obligations	0.53%	4,226,514	-	727,307	2,027,773	1,040,190	-	431,244
Municipal obligations	0.20%	1,550,591	-	970,285	310,740	269,566	-	-
Asset backed securities	0.01%	79,261	-	-	79,261	-	-	-
Money market mutual funds	0.41%	3,211,298	-	-	-	-	-	-
Equity mutual funds	3.31%	26,173,320	-	-	-	-	-	-
Fixed income mutual funds	5.80%	45,841,833	-	1,893,275	41,180,588	2,767,970	-	-
JP Morgan Savings Account	0.04%	352,725	-	-	-	-	-	-
Realty Investments	1.14%	9,029,356	-	-	-	-	-	-
Investments Measured at Net Asset Value (NAV)								
Comingled funds held through foundation (net asset value)	3.61%	28,518,154	-	28,518,154	-	-	-	-
Investments Reported at Amounts Other than Fair Value								
Other:								
New Orleans Regional Physician Hospital Organization	0.32%	2,531,213	-	-	-	-	-	-
Interest Receivable	0.30%	2,399,340	-	-	-	-	-	-
BCMC Foundation Nonnegotiable Certificates of Deposit	0.03%	242,447	-	-	-	-	-	-
		<u>\$ 790,517,968</u>	<u>\$ 45,064,584</u>	<u>\$ 227,456,477</u>	<u>\$ 257,229,115</u>	<u>\$ 66,131,534</u>	<u>\$ 656,937</u>	<u>\$ 431,244</u>

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

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

<u>Rating Agency Used</u>	<u>Rating</u>	<u>Fair Value</u>
	Unrated	\$ 123,887,054
Fitch	A	503,530
Fitch	A-	173,369
Fitch	AA	518,305
Moody's	A1	2,291,141
Moody's	A2	586,167
Moody's	A3	1,720,242
Moody's	Baa1	5,707,199
Moody's	Baa2	1,155,602
Moody's	Baa3	606,140
Moody's	Aa1	5,560,220
Moody's	Aa2	16,366,473
Moody's	Aa3	13,171,095
Moody's	Aaa-mf	155,083
S&P	A	18,040,099
S&P	A+	17,069,767
S&P	A-	16,825,900
S&P	AA	13,658,511
S&P	AA+	159,844,479
S&P	AA-	61,711,334
S&P	AA+(f)	44,637,462
S&P	AAA	32,236,738
S&P	A+f	1,620,143
S&P	BBB	3,933,432
S&P	BBB+	35,237,223
S&P	BBB-	1,039,320
Total		<u>\$ 578,256,028</u>

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

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

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

The System's concentrations are as follows:

<u>Issuer</u>	<u>Amount</u>	<u>Percent of Total</u>
Federal Home Loan Bank	\$ 80,339,716	10.16%
Federal Farm Credit Bank	39,523,413	5.00%
Total	<u>\$ 119,863,129</u>	

The open-end mutual fund amount of \$1,406,177, included in cash and cash equivalents, consists of \$1,089,601 invested in JPMorgan U.S. Government Plus Money Market Fund and \$316,576 of other investments. The holdings for the JPMorgan U.S. Government Plus Money Market Fund invests in high quality, short-term money market instruments which are issued and payable in U.S. dollars. The Fund principally invests in high quality commercial paper and other short-term debt securities, including floating and variable rate demand notes of U.S. and foreign corporations, debt securities issued or guaranteed by qualified U.S. and foreign banks, including certificates of deposit, time deposits, and other short-term securities, securities issued or guaranteed by the U.S. government, its agencies or instrumentalities or Government-Sponsored Enterprises ("GSEs"), asset-backed securities, repurchase agreements, and taxable municipal obligations.

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

The LSU System has \$122.1 million invested in highly sensitive investments, such as step-up notes, variable notes, and floating rate notes.

The step-up securities are comprised of 49.2 million in U. S. government agency (Federal Home Loan Bank) bonds and notes, and \$4.2 million in corporate debt obligations. The investments in step-ups are highly sensitive to changes in interest rates due to the increasing coupons combined with the call feature embedded within the notes. The call feature grants the issuer the option to call the investment on certain specified dates. The "step-up" refers to the coupon rate of the note increasing to rates specified at inception and on a specified date. These step-up notes have initial "step" dates ranging from July 2019 to September 2023 and initial coupon rates ranging from 1.00% to 3.25%. Final "step" dates range from November 2026 to October 2032 with final coupon rates ranging from 4.25% to 10.00%.

The variable and floating rate securities consist of \$46.8 million in corporate debt obligations and \$21.9 million in U.S. Government agency (Federal Home Loan Bank and Federal National Mortgage Association) bonds and notes. Variable and Floating Rate Notes are debt obligations

that have variable interest rates. These types of securities have coupon payments that correlate to a benchmark such as LIBOR and Treasury Bill rates for example. In many instances, the coupon paid is based on a spread to or as a percentage of a specified benchmark, and may include a “floor and cap” rate. The investments in variable and floating rate notes are highly sensitive to changes in interest rates due to the coupons regularly changing in relation to the corresponding benchmark. In addition, variable and floating rate notes may include a call feature. These variable and floating rate notes had coupons ranging from 1.11% to 6.15%. The maturity dates range from February 2021 to July 2054.

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.

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, 2019, follows:

Type of Investment	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Foundation in Shreveport	Total Investments
Money markets/certificates of deposit	\$ -	\$ 2,085,605	\$ 179,450	\$ 2,265,055
Debt obligations	97,447,080	85,949,624	-	183,396,704
Corporate stocks, common stocks, and indexed mutual funds	150,106,267	502,613	-	150,608,880
Shaw Center for the Arts, LLC	14,043,464	-	-	14,043,464
Royalty interest	154,084	-	-	154,084
Mutual funds	136,385,962	-	152,892,688	289,278,650
LSU Foundation investment pool ¹	-	15,192,864	-	15,192,864
Private equity	70,642,352	-	-	70,642,352
Hedged funds	65,811,448	-	-	65,811,448
Group variable annuity	-	-	-	-
Municipal bonds	17,735,554	-	-	17,735,554
Separately managed accounts	45,745,145	-	-	45,745,145
Agency investments for LSUHSC Shreveport	-	-	62,469,830	62,469,830
Total Investments	\$ 598,071,356	\$ 103,730,706	\$ 215,541,968	\$ 917,344,030

*As of December 31, 2018

¹Investments 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 \$14,043,464 at June 30, 2019, is accounted for by the equity method.

4. RECEIVABLES

Receivables and amounts due from the federal government are shown on Statement A net of an allowance for doubtful accounts, as follows:

	<u>Receivables</u>	<u>Doubtful Accounts</u>	<u>Net Receivables</u>
Student tuition and fees	\$ 34,213,374	\$ 75,082	\$ 34,138,292
Auxiliary enterprises	10,799,488	-	10,799,488
Contributions and gifts	4,082,869	-	4,082,869
Federal grants and contracts	46,892,062	-	46,892,062
State and private grants and contracts	172,070,275	1,687,245	170,383,030
Sales and services/other	37,053,911	334,950	36,718,961
Clinics	25,747,494	5,220,056	20,527,438
Hospital	17,351,536	12,746,972	4,604,564
Other - uncompensated care	9,010,596	-	9,010,596
Total	<u>\$ 357,221,605</u>	<u>\$ 20,064,305</u>	<u>\$ 337,157,300</u>

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2018	Prior Period Adjustment	Restated Balance June 30, 2018	Additions	Transfers	Retirements	Balance June 30, 2019
Capital assets not being depreciated							
Land	\$ 80,826,363	\$ -	\$ 80,826,363	\$ 1,191,742	\$ -	\$ -	\$ 82,018,105
Capitalized collections	7,856,413	-	7,856,413	375,400	-	-	8,231,813
Construction-in-progress	24,050,991	61,345	24,112,336	16,732,541	(15,748,095)	-	25,096,782
Total capital assets not being depreciated	\$ 112,733,767	\$ 61,345	\$ 112,795,112	\$ 18,299,683	\$ (15,748,095)	\$ -	\$ 115,346,700
Other capital assets:							
Infrastructure	\$ 44,257,598	\$ (352,063)	\$ 43,905,535	\$ -	\$ -	\$ -	\$ 43,905,535
Less accumulated depreciation	(22,509,618)	131,289	(22,378,329)	(1,132,187)	-	-	(23,510,516)
Total infrastructure	21,747,980	(220,774)	21,527,206	(1,132,187)	-	-	20,395,019
Land improvements	128,838,637	(109,255)	128,729,382	8,378,787	322,440	-	137,430,609
Less accumulated depreciation	(79,350,930)	108,648	(79,242,282)	(4,681,974)	-	-	(83,924,256)
Total land improvements	49,487,707	(607)	49,487,100	3,696,813	322,440	-	53,506,353
Buildings	2,697,741,382	18,734,690	2,716,476,072	248,629,298	15,425,655	(584,342)	2,979,946,683
Less accumulated depreciation	(1,298,230,477)	(918,070)	(1,299,148,547)	(77,053,567)	-	507,893	(1,375,694,221)
Total buildings	1,399,510,905	17,816,620	1,417,327,525	171,575,731	15,425,655	(76,449)	1,604,252,462
Equipment (including library books)	1,151,896,966	255,691	1,152,152,657	27,089,993	2,500,124	(155,917,979)	1,025,824,795
Less accumulated depreciation	(932,814,479)	32,457,328	(900,357,151)	(40,025,140)	(2,491,789)	59,524,913	(883,349,167)
Total equipment	219,082,487	32,713,019	251,795,506	(12,935,147)	8,335	(96,393,066)	142,475,628
Software (internally generated and purchased)	88,121,540	(27,721)	88,093,819	94,550	-	(3,896,738)	84,291,631
Other intangibles	3,215,284	-	3,215,284	71,582	-	-	3,286,866
Less accumulated amortization - software	(87,954,068)	9,241	(87,944,827)	(105,655)	-	3,896,738	(84,153,744)
Less accumulated amortization - other intangibles	(2,854,055)	-	(2,854,055)	(155,575)	-	-	(3,009,630)
Total intangible assets	528,701	(18,480)	510,221	(95,098)	-	-	415,123
Total other capital assets	\$ 1,690,357,780	\$ 50,289,778	\$ 1,740,647,558	\$ 161,110,112	\$ 15,756,430	\$ (96,469,515)	\$ 1,821,044,585
Capital asset summary:							
Capital assets not being depreciated	\$ 112,733,767	\$ 61,345	\$ 112,795,112	\$ 18,299,683	\$ (15,748,095)	\$ -	\$ 115,346,700
Other capital assets, at cost	4,114,071,407	18,501,342	4,132,572,749	284,264,210	18,248,219	(160,399,059)	4,274,686,119
Total cost of capital assets	4,226,805,174	18,562,687	4,245,367,861	302,563,893	2,500,124	(160,399,059)	4,390,032,819
Less accumulated depreciation and amortization	(2,423,713,627)	31,788,436	(2,391,925,191)	(123,154,098)	(2,491,789)	63,929,544	(2,453,641,534)
Capital assets, net	\$ 1,803,091,547	\$ 50,351,123	\$ 1,853,442,670	\$ 179,409,795	\$ 8,335	\$ (96,469,515)	\$ 1,936,391,285

COMPONENT UNITS

	Balance June 30, 2018				Balance June 30, 2019
	Restated	Additions	Transfers	Retirements	
Capital assets not being depreciated					
Land	\$ 7,818,728	\$ -	\$ -	\$ (147,468)	\$ 7,671,260
Capitalized collections	4,220,823	-	-	(1,847)	4,218,976
Construction-in-progress	9,957,825	27,646,550	(13,804,281)	-	23,800,094
Total Capital assets not being depreciated	<u>\$ 21,997,376</u>	<u>\$ 27,646,550</u>	<u>\$ (13,804,281)</u>	<u>\$ (149,315)</u>	<u>\$ 35,690,330</u>
Other capital assets:					
Land improvements	\$ 6,393,611	\$ 320,012	\$ 2,628,132	\$ -	\$ 9,341,755
Less accumulated depreciation	(1,140,742)	(252,070)	-	-	(1,392,812)
Total land improvements	<u>5,252,869</u>	<u>67,942</u>	<u>2,628,132</u>	<u>-</u>	<u>7,948,943</u>
Buildings	263,568,711	4,750,332	6,727,199	(135,000)	274,911,242
Less accumulated depreciation	(47,276,292)	(8,282,723)	-	135,000	(55,424,015)
Total buildings	<u>216,292,419</u>	<u>(3,532,391)</u>	<u>6,727,199</u>	<u>-</u>	<u>219,487,227</u>
Equipment	3,090,274	144,838	-	(112,746)	3,122,366
Less accumulated depreciation	(2,117,915)	(294,229)	-	111,060	(2,301,084)
Total equipment	<u>972,359</u>	<u>(149,391)</u>	<u>-</u>	<u>(1,686)</u>	<u>821,282</u>
Total other capital assets	<u>\$ 222,517,647</u>	<u>\$ (3,613,840)</u>	<u>\$ 9,355,331</u>	<u>\$ (1,686)</u>	<u>\$ 228,257,452</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 21,997,376	\$ 27,646,550	\$ (13,804,281)	\$ (149,315)	\$35,690,330
Other capital assets, at cost	273,052,596	5,215,182	9,355,331	(247,746)	287,375,363
Total cost of capital assets	295,049,972	32,861,732	(4,448,950)	(397,061)	323,065,693
Less accumulated depreciation	(50,534,949)	(8,829,022)	-	246,060	(59,117,911)
Capital assets, net	<u>\$ 244,515,023</u>	<u>\$ 24,032,710</u>	<u>\$ (4,448,950)</u>	<u>\$ (151,001)</u>	<u>\$ 263,947,782</u>

6. DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2019, were as follows:

<u>Activity</u>	<u>Amount</u>
Vendors	\$ 63,509,249
Salaries and benefits	53,527,692
Accrued interest	90,281
Other payables	24,526,479
Total	<u>\$ 141,653,701</u>

7. DEFINED BENEFIT PENSION PLANS

The System is a participating employer in two cost-sharing, multiple employer defined benefit pension plans. These plans are administered by two public employee retirement systems, the Teachers' Retirement System of Louisiana (TRSL), and the Louisiana State Employees' Retirement System (LASERS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of these plans to the State Legislature. Each system is administered by a separate board of trustees and both systems are component units of the State of Louisiana.

Each of the systems issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or downloading the reports as follows:

TRSL:

8401 United Plaza Blvd.
P.O. Box 94123
Baton Rouge, Louisiana
70804-9123
(225) 925-6446
www.trsl.org

LASERS:

8401 United Plaza Blvd.
P.O. Box 44213
Baton Rouge, Louisiana
70804-4213
(225) 925-0185
www.lasersonline.org

Plan Descriptions

Teachers' Retirement System of Louisiana (TRSL)

TRSL is the administrator of a cost-sharing multiple employer defined benefit plan. The plan provides retirement, disability, and survivor benefits to employees who meet the legal definition of a "teacher" as provided for in R.S. 11:701. The age and years of creditable service required for a member to receive retirement benefits are established by R.S. 11:761 and vary depending on the member's hire date. The computation for retirement benefits is defined in R.S. 11:768.

Louisiana State Employees' Retirement System (LASERS)

LASERS is the administrator of a cost-sharing multiple employer defined benefit pension plan to provide retirement, disability, and survivor's benefits to eligible State employees and their beneficiaries as defined in R.S. 11:411-417. Act 922 of the 2010 Regular Legislative Session closed existing sub-plans for members hired before January 1, 2011, and created new sub-plans for regular members, hazardous duty members, and judges. The substantial majority of the System's members are regular plan members. The System has participants in this plan who began service under the LASERS plan and later transferred to employment with the System. The age and years of creditable service required in order for a member to receive retirement benefits are established by R.S. 11:441 and vary depending on the member's hire date, employer, and job classification. The computation of retirement benefits is defined in R.S. 11:444.

A brief summary of eligibility and benefits of the plans are provided in the following table:

Final average salary	TRSL	LASERS
	Highest 36 or 60 months ¹	Highest 36 or 60 months ¹
Years of service required and/or age eligible for benefits	30 years any age ⁵ 25 years age 55 20 years any age ² 5 years age 60 5 years age 62 ⁷	30 years any age 25 years age 55 20 years any age ² 5-10 years age 60 ⁶ 5 years age 62 ⁷
Benefit percent per years of service	2% to 3.0% ⁴	2.5% to 3.5% ³

¹ Employees hired after a certain date use the revised benefit calculation based on the highest 60 months of service

² With actuarial reduced benefits

³ Members in regular plan 2.5%, hazardous duty plan 3.33%, and judges 3.5%

⁴ Benefit percent varies depending on when hired

⁵ For school food service workers, hired on or before 6-30-15, 30 years at age 55

⁶ Five to ten years of creditable service at age 60 depending upon the plan or when hired

⁷ Hired on or after 7/1/15, age eligibility is 5 years at age 62

Cost of Living Adjustments

The pension plans in which the System participates have the authority to grant cost-of-living adjustments (COLAs) on an ad hoc basis. COLAs may be granted to these systems (TRSL and LASERS) if approved with a two-thirds vote of both houses of the Legislature, provided the plan meets certain statutory criteria related to funded status and interest earnings.

Funding Policy

Employee contribution rates are established by R.S.11.62. Employer contribution rates are established annually under R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the respective pension system actuary. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Each LASERS and TRSL sub-plan pays a separate actuarially-determined employer contribution rate. However, all assets of the pension plan are used for the payment of benefits for all classes of members, regardless of their sub-plan membership.

Contributions to the plans are required and determined by state statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2019, for the System and covered employees were as follows:

	<u>System</u>	<u>Employees</u>
Teachers' Retirement System:		
Higher Ed Regular Plan	25.50%	8.00%
K-12 Regular Plan	26.70%	8.00%
State Employees' Retirement System	37.90%	7.50% - 8.00%

The LSU System's contributions made to the Retirement Systems for 2019, which equaled the required contributions, were as follows:

Teachers' Retirement System:	
Regular Plan	\$ 148,714,239
State Employees' Retirement System	\$ 39,250,864

Additionally, contributions are made to the retirement system from non-employers and those contributions are recognized as revenue for the LSU System for its proportionate share. The amount of revenue recognized for 2019 is \$4,660,788.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The following schedule lists the System's proportionate share of the Net Pension Liability allocated by each of the pension plans based on the June 30, 2018, measurement date. The System uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2019, in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2018, along with the change compared to the June 30, 2017, rate. The System's proportion of the Net Pension Liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

	Net Pension Liability at June 30, 2019 (measured as of June 30, 2018)	Rate at June 30, 2018	Increase (Decrease) to June 30, 2017 Rate
Teachers' Retirement System	\$ 1,158,178,095	11.78%	(0.02%)
State Employees' Retirement System	371,417,796	5.45%	(0.14%)
	<u>\$ 1,529,595,891</u>		

The following schedule lists the System's recognized pension expense for the year ended June 30, 2019, for each of the pension plans:

Teachers' Retirement System	\$	66,525,339
State Employees' Retirement System		8,249,208
	<u>\$</u>	<u>74,774,547</u>

At June 30, 2019, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>TRSL</u>	<u>LASERS</u>	<u>Total</u>
Deferred Outflows:			
Changes of assumptions	\$ 74,416,740	\$ 3,779,471	\$ 78,196,211
Net difference between projected and actual earnings on pension plan investments	-	4,816,057	4,816,057
Changes in proportion	35,621,453	3,376,265	38,997,718
Differences between contributions and proportionate share of contributions	1,337,928	488,569	1,826,497
Employer contributions subsequent to the measurement date	148,714,239	39,250,864	187,965,103
Total	<u>\$ 260,090,360</u>	<u>\$ 51,711,226</u>	<u>\$ 311,801,586</u>
Deferred Inflows:			
Differences between expected and actual experience	\$ (38,152,767)	\$ (4,165,069)	\$ (42,317,836)
Net difference between projected and actual earnings on pension plan investments	(74,642,342)	-	(74,642,342)
Changes in proportion	(37,046,763)	(16,850,273)	(53,897,036)
Differences between contributions and proportionate share of contributions	(6,502,672)	(448,790)	(6,951,462)
Total	<u>\$(156,344,544)</u>	<u>\$ (21,464,132)</u>	<u>\$ (177,808,676)</u>

The amount reported in the above table totaling \$187,965,103 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018 will be recognized as a reduction in Net Pension Liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>TRSL</u>	<u>LASERS</u>	<u>Total</u>
2020	\$4,854,551	\$451,225	\$5,305,776
2021	(14,681,046)	981,165	(13,699,881)
2022	(31,932,173)	(9,076,840)	(41,009,013)
2023	(3,209,755)	(1,359,320)	(4,569,075)
	<u>(\$44,968,423)</u>	<u>(\$9,003,770)</u>	<u>(\$53,972,193)</u>

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability for each pension plan as of June 30, 2018, is as follows:

	TRSL	LASERS																		
Valuation Date	June 30, 2018	June 30, 2018																		
Actuarial Cost Method	Entry Age Normal	Entry Age Normal																		
Amortization Approach	Closed	Closed																		
Actuarial Assumptions:																				
Expected Remaining Service Lives	5 years	3 years																		
Investment Rate of Return	7.65% net of investment expenses (decreased from 7.70% in 2017)	7.65% net of investment expenses (decreased from 7.70% in 2017)																		
	On November 1, 2018, the TRSL Board accelerated the discount rate reduction plan by one year and a 7.55% rate was used to determine the projected contribution requirements for the 2019/2020 fiscal year.	A 7.60% rate was used for the 2019/2020 fiscal year.																		
Inflation Rate	2.5% per annum	2.75% per annum																		
Mortality	<p>Active members – RP-2014 White Collar Employee tables, adjusted by 1.010 for males and by 0.997 for females.</p> <p>Disability retiree mortality – RP-2014 Disability tables, adjusted by 1.111 for males and by 1.134 for females.</p> <p>Non-Disabled retiree/inactive members – RP-2014 White Collar Healthy Annuitant tables, adjusted by 1.366 for males and by 1.189 for females.</p> <p>The mortality tables are adjusted from 2014 to 2018 using the MP-2017 generational improvement table, with continued future mortality improvement projected using the MP-2017 generational mortality improvement tables.</p>	<p>Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.</p> <p>Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p>																		
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five year (2012-2017) experience study of the System's members.	Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.																		
Salary Increases	<p>3.3% - 4.8% varies depending on duration of service</p> <p>Salary increases were projected based on a 2012-2017 experience study of the System's members. The projected salary increase for regular plan members ranges from 3.3% to 4.8% depending on duration of service.</p>	<p>Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:</p> <table border="1"> <thead> <tr> <th>Member Type</th> <th>Lower Range</th> <th>Upper Range</th> </tr> </thead> <tbody> <tr> <td>Regular</td> <td>3.8%</td> <td>12.8%</td> </tr> <tr> <td>Judges</td> <td>2.8%</td> <td>5.3%</td> </tr> <tr> <td>Corrections</td> <td>3.4%</td> <td>14.3%</td> </tr> <tr> <td>Hazardous Duty</td> <td>3.4%</td> <td>14.3%</td> </tr> <tr> <td>Wildlife</td> <td>3.4%</td> <td>14.3%</td> </tr> </tbody> </table>	Member Type	Lower Range	Upper Range	Regular	3.8%	12.8%	Judges	2.8%	5.3%	Corrections	3.4%	14.3%	Hazardous Duty	3.4%	14.3%	Wildlife	3.4%	14.3%
Member Type	Lower Range	Upper Range																		
Regular	3.8%	12.8%																		
Judges	2.8%	5.3%																		
Corrections	3.4%	14.3%																		
Hazardous Duty	3.4%	14.3%																		
Wildlife	3.4%	14.3%																		
Cost of Living Adjustments	Not substantively automatic	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.																		

The following schedule list the methods used by each of the retirement systems in determining the long term rate of return on pension plan investments:

TRSL	LASERS
<p>The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return was 8.07% for 2018.</p>	<p>The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.83% for 2018.</p>

The following table provides a summary of the best estimates of arithmetic/geometric real rates of return for each major asset class included in each of the Retirement Systems target asset allocations as of June 30, 2018:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	TRSL	LASERS	TRSL	LASERS
Cash	-	-	-	-0.48%
Domestic equity	27.00%	23.00%	4.01%	4.31%
International equity	19.00%	32.00%	4.90%	5.26%
Domestic fixed income	13.00%	6.00%	1.36%	1.49%
International fixed income	5.50%	10.00%	2.35%	2.23%
Alternative investments		22.00%		7.67%
Risk parity		7.00%		4.96%
Private equity	25.50%		8.39%	
Other private assets	10.00%		3.57%	
Total	<u>100%</u>	<u>100%</u>		

Discount Rate

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC

taking into consideration the recommendation of the respective pension system's actuary. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for both TRSL and LASERS was 7.65% for the year ended June 30, 2018.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the System's proportionate share of the Net Pension Liability (NPL) using the discount rate of each retirement system as well as what the System's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by each of the retirement systems:

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
TRSL			
Rates	6.65%	7.65%	8.65%
Share of NPL	\$1,534,305,605	\$1,158,178,095	\$840,894,949
LASERS			
Rates	6.65%	7.65%	8.65%
Share of NPL	\$ 468,753,936	\$ 371,417,796	\$287,587,404

Payables to the Pension Plans

The System recorded accrued liabilities to each of the Retirement Systems for the year ended June 30, 2019, primarily related to the accrual for payroll. The amounts due are included in liabilities under the amounts reported as accounts, salaries, and other payables. The balance due to each of the retirement systems at June 30, 2019, is as follows:

TRSL	\$ 16,358,586
LASERS	<u>3,491,304</u>
	<u>\$ 19,849,890</u>

Optional Retirement System

The Optional Retirement Plan (ORP) was established for academic employees of public institutions of higher education who are eligible for membership in TRSL. This plan was designed to provide certain academic and unclassified employees of public institutions of higher education an optional method of funding for their retirement.

ORP is a defined contribution pension plan which provides for portability of assets and full and immediate vesting of all contributions submitted on behalf of the affected employees to the approved providers. These providers are selected by the TRSL Board of Trustees. Monthly employer and employee contributions are invested as directed by the employee to provide the employee with future retirement benefits. The amount of these benefits is entirely dependent upon the total contributions and investment returns accumulated during the employee's working lifetime. Employees in eligible positions of higher education can make an irrevocable election to participate in the ORP rather than TRSL and purchase annuity contracts – fixed, variable, or both – for benefits payable at retirement.

R.S. 11:927 sets the contribution requirements of ORP plan members and the employer. Employer ORP contributions to TRSL for the fiscal year 2019 totaled \$91,504,803, which represents pension expense for the System. Employee contributions totaled \$26,579,809. The Active member and employer contribution rates were 8% and 6.2%, respectively, with an additional employer contribution of 21.8% made to the TRSL defined benefit plan for application to the unfunded accrued liability of the system.

8. 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 and qualify for retirement under one of the pension plans in which the System participates.

The System offers its employees the opportunity to participate in one of two medical coverage plans. One plan is administered by the State of Louisiana through the Louisiana Office of Group Benefits (OGB), which also offers a life insurance plan, and the other plan is with the LSU Health Plan (Health Plan). GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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 are subject to the provisions of this statement.

These plans are not administered as formal trusts; therefore, there are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75 to pay future OPEB benefits. The plans are funded on a “pay-as-you-go basis” under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments become due. Information about each of these two plans is presented below.

General Information about each OPEB plan:Plan Description:*LSU Health Plan*

The Health Plan originally began as a pilot program within OGB, the office that provides health benefits to State employees and later the administration was transferred to the System. R.S. 42:851 grants the authority to establish or amend benefits under the plan to the System. The Health Plan does not issue a publicly-available financial report, but it is included in the System's financial report. The plan is defined as a single-employer defined benefit health OPEB plan.

State OGB Plan

System employees may also participate in the state's other OPEB Plan, a multiple-employer defined benefit OPEB Plan that provides medical, prescription drug, and life insurance to eligible active employees, retirees, and their beneficiaries. Current employees, who participate in an OGB health plan while active, are eligible for plan benefits if they are enrolled in the OGB health plan immediately before the date of retirement and retire under one of the state sponsored retirement systems (LASERS and TRSL,) or they retire from a participating employer that meets the qualifications in the Louisiana Administrative Code 32:3.303. 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 Health Plan*

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

The 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.

Employer contributions are based on plan premiums and the employer contribution percentage. Employees who participate in a Health Plan through the State of Louisiana who retire with 20 or more years of medical coverage are generally required to pay the active contribution rate for retiree and dependent coverage prior to qualifying for Medicare, and 25% of the applicable premium for coverage once eligible for Medicare. All others pay a percentage of the retiree contribution rate (which differs for pre-Medicare eligible retirees and Medicare eligible retirees) based upon years of medical coverage at retirement. For eligible retirees, the percentages are as follows:

Health Plan Medical Participation	Employer Contribution Percentage	Retiree Contribution Percentage
Under 10 years	19%	81%
10-14 years	38%	62%
15-19 years	56%	44%

State OGB Plan

The contribution requirements of plan members and the System are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree health care based on a participation schedule.

Employer contributions are based on plan premiums and the employer contribution percentage. Premium amounts vary depending on the health plan selected and if the retired member has Medicare coverage. OGB offers retirees four self-insured healthcare plans and one fully insured plan. Effective January 1, 2019, retired employees, who have Medicare Part A and Part B coverage also have access to seven fully insured Medicare Advantage plan.

Employees, who were active medical participants before January 1, 2002, and continue medical participation until retirement, pay approximately 25% of cost of medical coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). Employees who begin medical participation on or after January 1, 2002, pay a percentage of the total contribution rate upon retirement based on the following schedule:

OGB Plan Medical Participation	Employer Contribution Percentage	Retiree Contribution Percentage
Under 10 years	19%	81%
10-14 years	38%	62%
15-19 years	56%	44%
20+ Years	75%	25%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retiree and spouses of retirees subject to maximum values. Employers pay approximately 50% of monthly premiums. The retiree is responsible for 100% of the premium for dependents. Effective January 1, 2018, the total monthly premium for retirees varies according to age group. Participating retirees paid \$0.54 each month for each \$1,000 of life insurance and \$0.98 each month for each \$1,000 of spouse life insurance.

Total Collective OPEB Liability and Changes in Total Collective OPEB Liability:

The following schedule lists the System's proportionate share of the OPEB liability at June 30, 2019, allocated by LSU Health Plan and OGB along with each respective plan measurement date and actuarial valuation date, the proportionate share allocation rate, the percentage change in proportion from the prior year rate, and the amount due within one year that was determined based on the amount of benefit payments expected to be paid within one year. The System's proportionate share percentage is based on the employer's individual OPEB actuarial accrued liability (AAL) in relation to the total OPEB AAL liability for all participating entities included in the State of Louisiana reporting entity.

	Measurement Date / Actuarial Valuation Date	Total OPEB Liability	Proportion	Increase (Decrease) to Prior Proportion	Due within one year
Health Plan	June 30, 2019 / January 1, 2018	\$ 982,122,350	89.837%	(0.0665%)	\$ 27,930,769
OGB	July 1, 2018 / July 1, 2018	827,765,465	9.697%	(0.1815%)	36,372,759
		<u>\$ 1,809,887,815</u>			<u>\$ 64,303,528</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

The following schedule list the System's recognized OPEB expense for the year ended June 30, 2019 for each of the OPEB plans:

LSU Health Plan	\$ 56,236,378
State OGB Plan	<u>27,878,273</u>
Total	<u>\$ 84,114,651</u>

At June 30, 2019, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	LSU Health Plan	State OGB Plan	Total
Deferred Outflows:			
Changes of assumptions	\$ 57,841,618	\$ -	\$ 57,841,618
Difference between actual OPEB payments and proportionate share of OPEB payments	-	13,280,066	13,280,066
Change in proportion	-	4,454,030	4,454,030
OPEB benefit payments made subsequent to the measurement date	-	36,372,759	36,372,759
Total	<u>\$ 57,841,618</u>	<u>\$ 54,106,855</u>	<u>\$ 111,948,473</u>
Deferred Inflows:			
Differences between expected and actual experience	\$ -	\$ (3,607,956)	\$ (3,607,956)
Change in proportion	-	(17,372,595)	(17,372,595)
Changes of assumptions	(36,852,262)	(55,769,213)	(92,621,475)
Difference between actual OPEB payments and proportionate share of OPEB payments	-	(290,926)	(290,926)
Total	<u>\$ (36,852,262)</u>	<u>\$ (77,040,690)</u>	<u>\$ (113,892,952)</u>

Deferred outflows of resources related to OPEB resulting from the System's benefit payments subsequent to the measurement date will be recognized as a reduction of the total collective OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	LSU Health Plan	State OGB Plan	Total
2020	\$ 2,306,797	\$ (20,026,609)	\$ (17,719,812)
2021	2,306,797	(20,026,609)	(17,719,812)
2022	2,306,797	(14,527,558)	(12,220,761)
2023	2,306,798	(4,725,818)	(2,419,020)
2024	4,662,945	-	4,662,945
2025	7,099,222	-	7,099,222
	<u>\$ 20,989,356</u>	<u>\$ (59,306,594)</u>	<u>\$ (38,317,238)</u>

Sensitivity of Total OPEB Liability

Sensitivity of the proportionate share of the total collective OPEB liability to changes in the discount rate. The following presents the System's proportionate share of the total collective OPEB liability using the current discount rate as well as what the System's proportionate share of the total collective OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
<u>LSU Health Plan</u>			
Rates	2.50%	3.50%	4.50%
Total OPEB liability	\$1,191,977,607	\$982,122,350	\$821,059,276
<u>State OGB Plan</u>			
Rates	1.98%	2.98%	3.98%
Total OPEB liability	\$957,622,186	\$827,765,465	\$724,054,034

Sensitivity of the proportionate share of the total collective OPEB liability to changes in the healthcare cost trend rates. The following presents the System's proportionate share of the total collective OPEB liability using the current healthcare cost trend rates as well as what the System's proportionate share of the total collective OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	<u>1.0% Decrease</u>	<u>Current Healthcare Costs Trend Rate(s)</u>	<u>1.0% Increase</u>
<u>LSU Health Plan</u>			
Pre-65 Rates	5.0% decreasing to 3.5%	6.0% decreasing to 4.5%	7.0% decreasing to 5.5%
Post-65 Rates	4.0% decreasing to 3.5%	5.0% decreasing to 4.5%	6.0% decreasing to 5.5%
Total OPEB liability	\$824,639,274	\$982,122,350	\$1,182,460,292
<u>State OGB Plan</u>			
Pre-65 Rates	6.0% decreasing to 3.5%	7.0% decreasing to 4.5%	8.0% decreasing to 5.5%
Post-65 Rates	4.5% decreasing to 3.5%	5.5% decreasing to 4.5%	6.5% decreasing to 5.5%
Total OPEB liability	\$732,935,704	\$827,765,465	\$946,530,111

Actuarial Assumptions and Other Inputs:

The following table includes information on the actuarial assumptions and other inputs for both of the System's OPEB plans and applies to all periods included in the measurement unless otherwise specified:

	LSU Health Plan	State OGB Plan
Total OPEB liability measurement date	June 30, 2019	July 1, 2018
Actuarial valuation date	January 1, 2018	July 1, 2018
Actuarial Cost Method	Entry age normal based on level percentage of projected salary	Entry age normal, level percentage of pay. Service costs are attributed through all assumed ages of exit from active service. For current Deferred Retirement Option Plan (DROP) participants, assumed exit from active service is the date at which DROP ends.
Actuarial Assumptions:		
Expected Remaining Service Lives	6.7 years	5.44 years for 2017 measurement and 4.5 years for 2018 measurement
Discount rate	3.5% (decreased from 3.9% in 2018)	2.98% for July 1, 2018 for June 30, 2018 measurement (decreased from 3.13% in 2017) Source: S&P 20-year municipal bond index rate on June 29, 2018.
Healthcare cost trend rate(s)	Pre 65 medical/Rx benefits: 6.0% select rate, decreasing .5% annually to an ultimate rate of 4.5% Post Medicare benefits 5.0% select rate, decreasing .5% annually to an ultimate rate of 4.5%	Medical and drug pre-65: 7.0% for 2017 through 2020 and decreasing .25% from 2021 through 2029 to an ultimate rate of 4.5% Medical and drug post-65: 5.5% for 2017 through 2020 and decreasing .25% from 2021 through 2024 to an ultimate rate of 4.5% The initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building-block approach which considers Consumer Price Index, Gross Domestic Product, and technology growth.
Salary increases	2.0 % per annum	Consistent with each pension plan in which the System's employees participate. The LASERS regular member rates were assumed for employers who do not participate in one of four state retirement systems
Inflation Rate	2.8% per year	2.80% based on the consumer price index
Mortality	Non-Disabled Lives: RP-2014 trended back to 2006 using scale MP-14 and projected generationally using scale MP-17, applied on a gender-specific basis Disabled Lives: RP-2014 Disabled Retiree Generational Table trended back to 2006 and scaled forward using scale MP-18, applied on a gender specific basis	For healthy lives the RP-2014 Combined Healthy Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2018 based on information released by the Society of Actuaries in October 2018. For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2018 based on information released by the Society of Actuaries in October 2018.
Termination, Disability, and Retirement	Relied upon the pension plans covering the same participants.	Relied upon the pension plans covering the same participants
Dates of experience studies	Used the experience studies completed by the pension plan actuaries in which the System's employees participate Expected annual claim costs were developed using two years of historical claim experience through December 31, 2017.	Demographic and mortality assumptions were updated consistent with the TRSL and LASERS plan based on recent experience studies reflected in the June 30, 2018, pension valuation. The percentage of future retirees assumed to elect medical coverage was adjusted based on recent plan experience. Baseline per capita costs were updated to reflect 2018 claims and enrollment and retiree contributions were updated based on 2019 premiums. The impact of the High Costs Excise Tax was revisited, reflecting updated plan premiums. Claims experience was trended to the valuation date.

9. CONTINGENT LIABILITIES, RISK MANAGEMENT, AND CLAIMS LIABILITY

Losses arising from judgments, claims, and similar contingencies are paid by either private insurance companies or through the State's self-insurance fund operated by the Office of Risk Management (ORM), the agency responsible for the State's risk management program, or by General Fund appropriation. The System is involved in 42 lawsuits that are handled by contract attorneys at June 30, 2019. The attorneys have estimated a reasonably possible unfavorable outcome to the System of \$1,233,381 relating to the lawsuits. All other lawsuits are handled by either ORM or the Attorney General's Office. Within the passage of LA Grad Act 2.0 and the implementation of the afforded Risk Management's Autonomy at LSU A&M, the Board of Supervisors now has a hybrid insurance program made up of self-insurance, commercial insurance, and insurance provided through ORM. LSU A&M is now autonomous from ORM, with the exception of medical malpractice liability insurance. LSU A&M obtains a variety of higher education-specific insurances in the commercial marketplace, many with large self-insured retentions. All other LSU Campuses are insured primarily through ORM, with the exception of travel and accident insurance. The LSU A&M Office of Risk Management is now providing support and coordination for all LSU campuses in relation to their risk management and insurance programs through the Risk and Insurance Shared Knowledge committee. LSU Health Science Center Shreveport, LSU Health Science Center New Orleans, LSU of Alexandria, LSU Eunice, LSU Shreveport, and Pennington Biomedical Research Center have joined together to form a large retention risk pool for workers' compensation coverage under ORM, which is managed by LSU A&M Office of Risk Management.

In addition, the System 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 System employees and which began as a pilot program for the fiscal year ended June 30, 2003. Beginning in fiscal year 2011-12, estimated incurred but not reported (IBNR) claim reserve is as of December 31. This is a change in time period due to coordination with a change to LSU's health plan year. Historically, IBNR was calculated as of June 30 each year. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. According to the requirements of GASB Statement No. 10, as amended by Statements 17 and 30, total claims expenditures were \$118,197,266. 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
2016-17	\$10,217,000	\$112,308,884	(\$114,505,881)	\$1,466,997	\$9,487,000
2017-18	\$9,487,000	\$109,402,015	(\$110,332,257)	\$975,242	\$9,532,000
2018-19	\$9,532,000	\$119,229,110	(\$118,197,266)	\$558,156	\$11,122,000

10. COMPENSATED ABSENCES

At June 30, 2019, employees of the System have accumulated and vested annual, sick, and compensatory leave benefits of \$55,046,150, \$32,818,032, and \$199,216, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

11. OPERATING LEASES

For the year ended June 30, 2019, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed is \$13,838,891. 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, 2019:

Nature of Operating Lease	Fiscal Year						
	2020	2021	2022	2023	2024	2025-2029	2030-3034
Office space	\$ 9,693,397	\$ 9,078,804	\$ 8,818,648	\$ 8,292,134	\$ 8,284,302	\$ 41,421,510	\$ 41,421,510
Equipment	248,421	222,039	-	-	-	-	-
Land	132,381	132,381	132,381	132,381	132,381	661,905	661,905
Other	1,847,305	1,841,854	1,840,212	1,842,810	1,774,597	8,772,985	3,509,194
Total	\$ 11,921,504	\$ 11,275,078	\$ 10,791,241	\$ 10,267,325	\$ 10,191,280	\$ 50,856,400	\$ 45,592,609

Nature of Operating Lease	Fiscal Year						Total Future
	2035-2039	2040-2044	2045-2049	2050-2054	2055-2059	2060-2064	Minimum Rental Payments
Office space	\$ 41,421,510	\$ 35,208,284	\$ -	\$ -	\$ -	\$ -	\$ 203,640,099
Equipment	-	-	-	-	-	-	470,460
Land	661,905	661,905	661,905	661,905	661,905	573,651	5,868,891
Other	-	-	-	-	-	-	21,428,957
Total	\$ 42,083,415	\$ 35,870,189	\$ 661,905	\$ 661,905	\$ 661,905	\$ 573,651	\$ 231,408,407

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 Office Building, LLC entered into a ground lease agreement with the LSU Board of Supervisors in May 2015 to lease the land occupied by the LSU Foundation Center for Philanthropy. The term of the agreement is 40 years with two successive options to renew the lease for 30 and 25 years for a total of 95 consecutive years. The annual rent payments are \$5,000 for the first 40 years, \$7,000 for the first renewal term, and \$9,000 for the second renewal term.

Louisiana State University (“LSU”) executed a ground lease with Nicholson Gateway Project, LLC (“NGP”, wholly owned subsidiary of the LSU Foundation) to develop student housing and retail space on LSU’s campus. In furtherance of development, NGP subleased the property to Provident Group – Flagship Properties, LLC (“Provident”). The lease commenced in September 2016 and expires on the fortieth anniversary of the commencement date. Annual lease payments of \$2 million shall be paid during year three through seven of the lease. Commencing in year eight through the remainder of the term, the ground rent will be adjusted by actual CPI at the beginning of each year.

LSU Health Sciences Foundation in Shreveport - LSU Health Sciences Foundation in Shreveport (the Foundation) leases office space under an operating lease which expires on April 30, 2020. In addition, the Foundation leases a copier/printer/scanner under an operating lease which expires on November 30, 2019, and a postage machine which expires on July 9, 2021. Included in management and general and fundraising expense is \$72,900 in rent and equipment rental expense for the year ended June 30, 2019.

12. LESSOR LEASES

Operating Leases

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

The following schedule provides an analysis of the cost and carrying amount of the System’s investment in property on operating leases and property held for lease as of June 30, 2019:

<u>Nature of Lease</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	\$ 829,145	\$ (620,477)	\$ 208,668
Buildings	114,066,143	(59,820,983)	54,245,160
Equipment	86,257,292	(80,137,670)	6,119,622
Land	43,552	-	43,552
	<u>\$ 201,196,132</u>	<u>\$ (140,579,130)</u>	<u>\$ 60,617,002</u>
Total			

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2019:

Fiscal year ending June 30,	Office Space	Buildings	Equipment	Land	Other	Total
2020	\$ 517,274	\$ 28,824,952	\$ 2,634,915	\$ 504,338	\$ 355,983	\$ 32,837,462
2021	353,779	26,355,027	1,868,544	404,423	338,425	29,320,198
2022	240,465	26,008,758	1,816,618	294,257	339,520	28,699,618
2023	60,147	25,413,842	1,424,994	294,784	207,044	27,400,811
2024	25,061	21,160,023	-	294,784	113,754	21,593,622
2025-2029	-	6,668,650	-	1,474,061	57,200	8,199,911
2030-2034	-	6,628,650	-	1,482,419	-	8,111,069
2035-2039	-	6,628,650	-	1,360,898	-	7,989,548
2040-2044	-	6,628,650	-	11,320,794	-	17,949,444
2045-2049	-	6,628,650	-	10,168,678	-	16,797,328
2050-2054	-	6,628,650	-	872,689	-	7,501,339
2055-2059	-	1,078,745	-	495,726	-	1,574,471
2060-2064	-	-	-	32,850	-	32,850
2065-2069	-	-	-	32,850	-	32,850
2070-2074	-	-	-	32,810	-	32,810
2075-2079	-	-	-	32,800	-	32,800
2080-2084	-	-	-	32,800	-	32,800
2085-2089	-	-	-	32,450	-	32,450
2090-2094	-	-	-	3,360	-	3,360
2095-2099	-	-	-	500	-	500
Total	<u>\$ 1,196,726</u>	<u>\$168,653,247</u>	<u>\$ 7,745,071</u>	<u>\$ 29,168,271</u>	<u>\$ 1,411,926</u>	<u>\$ 208,175,241</u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume, customer usage of services provided, or the drilling operations on mineral leases. Contingent rentals amounted to \$2,696,006 for the year ended June 30, 2019.

Direct Financing Type Lease

A lease is classified as a direct financing type 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:

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

The System has entered into a lease agreement with the Academic Medical Center in New Orleans (AMCNO) for its hospital building and its Ambulatory Care Building & Garage. The term of the hospital lease agreement is from April 24, 2015, to April 23, 2055. The System has also entered into a lease agreement with the AMCNO for its equipment. The term of the

equipment lease agreement is from July 1, 2015, to June 30, 2020. As direct-financing type leases, the System records the lease payments as receivables and that portion of capital lease payments attributable to interest income as unearned revenue. Lease payments for the ACMNO Ambulatory Care Building & Garage have been prepaid and, therefore are not recorded as a receivable.

	<u>Date of Lease</u>	<u>Minimum Lease Payments Receivables</u>	<u>Remaining Interest to End of Lease</u>	<u>Remaining Principal to End of Lease</u>
Minimum Lease payments - Building	4/24/2015	\$ 2,405,717,300	\$ 1,579,687,125	\$ 826,030,175
Minimum Lease payments - Equipment	7/1/2015	11,031,054	1,181,467	9,849,587
Less - amounts representing executor costs		-		
Minimum lease payments receivables		2,416,748,354		
Less - allowance for uncollectibles		-		
Net Minimum lease payments receivables		2,416,748,354		
Estimated residual value of leased property		-		
Subtotal		2,416,748,354		
Less - unearned revenue		(1,580,868,592)		
Net investment in direct financing-type leases		<u>\$ 835,879,762</u>		

For fiscal year 2019, the increase in the CPI resulted in total contingent rentals related to the UCMC Hospital Building capital lease totaling \$4,067,601, all of which is reported in other nonoperating revenues.

The following is a schedule by year of minimum lease receivables as of June 30, 2019:

<u>Year</u>	
2020	\$ 84,028,325
2021	63,760,243
2022	63,760,243
2023	63,760,243
2024	63,760,243
2025-2029	318,801,217
2030-2034	318,801,217
2035-2039	342,451,754
2040-2044	347,048,750
2045-2049	347,048,750
2050-2054	347,048,750
2055-2059	56,478,619
Total	<u>\$ 2,416,748,354</u>

Unearned Revenue

In connection with the lease mentioned above, other amounts are also accounted for as unearned revenue in relation to this lease transaction as further described herein. Unearned Revenues included within Statement of Net Position in the current and noncurrent portions of long-term liabilities total \$1,608,037,649 and are related to the public/private partnerships as discussed in the Introduction and note 25 of the Notes to the Financial Statements: (1) \$2,547,853 advance lease payments for hospital and equipment leases; (2) \$25,802,672 for advance operating lease payments for the final periods of the leases; and (3) \$1,579,687,124 for the Academic Medical Center in New Orleans (AMCNO) Hospital building capital lease. The AMCNO is under the management of Louisiana Children's Medical Center (LCMC). The 40-year Cooperative Endeavor Agreement between LSU and LCMC, effective April 24, 2015, resulted in a capital lease for the new hospital, as well as advance payment on the new ACB and Garage. Per Act 601 of the 2016 Regular Session, the hospital and equipment lease payments are deposited with the State Treasury into the State General Fund.

Two accounting changes for the AMCNO Hospital lease occurred for the fiscal year ending June 30, 2019. A provision in the lease agreement calls for an annual adjustment to future lease payments using the Consumer Price Index (CPI) and is now being accounted for as a contingent rental. A change was also made in accounting for the unearned interest revenue from utilizing the straight line method of accounting to the effective interest method in order to produce a constant periodic rate of return on the net investment in the lease. The effect of these changes on prior year ending net position is included in Note 16.

13. LONG-TERM LIABILITIES

The following is a summary of bonds and other long-term liability transactions of the System for the year ended June 30, 2019.

System

	Balance June 30, 2018 (Restated)		Additions		Reductions	Balance June 30, 2019	Amounts Due Within One Year
Debt payable:							
Notes payable	\$ -	**	\$ -		\$ -	\$ -	\$ -
Bonds payable	422,652,218		-		(19,554,741)	403,097,477	19,900,931
Direct borrowings or placements:							
Capital lease obligations	-		241,500,000		(46,752)	241,453,248	96,758
Subtotal	<u>422,652,218</u>		<u>241,500,000</u>		<u>(19,601,493)</u>	<u>644,550,725</u>	<u>19,997,689</u>
Other liabilities:							
Capital lease obligations	16,968,193		-		(3,543,333)	13,424,860	3,239,860
Compensated absences payable	85,048,073	**	5,719,953		(2,704,628)	88,063,398	7,129,945
Unearned revenues *	3,474,690,084		-		(1,869,200,288)	1,605,489,796	84,816,418
Other liabilities	698,820	**	427,081		(379,419)	746,482	-
Subtotal	<u>3,577,405,170</u>		<u>6,147,034</u>		<u>(1,875,827,668)</u>	<u>1,707,724,536</u>	<u>95,186,223</u>
 Total long-term liabilities	 <u>\$ 4,000,057,388</u>		 <u>\$ 247,647,034</u>		 <u>\$ (1,895,429,161)</u>	 <u>\$ 2,352,275,261</u>	 <u>\$ 115,183,912</u>

Changes in long-term liabilities for Pensions and Other Post-Employment Benefits Plan can be found in notes 7 and 8.

*Not all current unearned revenues are related to the long-term balances. Only those related are presented in this note.

**Beginning notes payable is zero due to a prior period adjustment to unblend Eunice Housing Foundation in the amount of \$6,546,947. Beginning Compensated absences payable is equal to prior year ending balance \$85,095,951 minus a prior period adjustment for Stephenson Technologies Corporation of \$47,878. Beginning other liabilities is equal to prior year ending balance \$725,496 minus a prior period adjustment to unblend Eunice Housing Foundation of \$26,676.

Bonds and Contracts Payable - System

All of the System's outstanding bonds were issued through public sale and are secured by revenue pledges that are further described in Note 22. Detailed summaries, by issues, of all bond and reimbursement contract debt outstanding at June 30, 2019, including future interest payments, follow:

Bonds Payable - LSU System

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2018</u>	<u>Redeemed/ Issued</u>	<u>Outstanding June 30, 2019</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Future Interest Payments June 30, 2019</u>
LSU								
2010B Auxiliary Revenue Bonds	June 24, 2010	\$ 31,250,000	\$ 26,545,000	\$ (750,000)	\$ 25,795,000	2040	3.25% to 5.25%	\$ 15,655,028
2012 Auxiliary Revenue Bonds	August 7, 2012	41,615,000	34,975,000	(1,780,000)	33,195,000	2034	3% to 5%	10,042,313
2013 Auxiliary Revenue Bonds	April 25, 2013	101,180,000	95,130,000	(2,140,000)	92,990,000	2043	3% to 5%	60,298,200
2014 Auxiliary Revenue Bonds	October 16, 2014	81,880,000	76,100,000	(2,600,000)	73,500,000	2036	3.5% to 5%	32,999,713
2016A Auxiliary Revenue Bonds	November 15, 2016	137,000,000	126,095,000	(5,225,000)	120,870,000	2040	3.5% to 5%	56,574,275
2016B Auxiliary Revenue Bonds	November 15, 2016	16,320,000	13,660,000	(1,335,000)	12,325,000	2030	1.65% to 3.45%	1,976,421
LSU Health Sciences Center								
2013 Building Revenue Bonds	September 4, 2013	12,830,000	11,435,000	(705,000)	10,730,000	2031	3% to 4.75%	3,302,925
Health Care Services Division								
2017 Bogalusa Community Medical Center Project	April 26, 2017	13,275,000	12,400,000	(475,000)	11,925,000	2038	3% to 4%	4,615,812
LSU of Alexandria								
2008 Auxiliary Revenue Bonds	March 18, 2008	4,200,000	3,250,000	(135,000)	3,115,000	2034	4.0% to 5.5%	1,451,642
Total		<u>439,550,000</u>	<u>399,590,000</u>	<u>(15,145,000)</u>	<u>384,445,000</u>			<u>\$ 186,916,329</u>
Premium/discounts, net		38,279,266	23,352,082	(4,424,234)	18,927,848			
Bonds issuance cost		(318,327)	(289,864)	14,493	(275,371)			
Total Bonds Payable		<u>\$ 477,510,939</u>	<u>\$422,652,218</u>	<u>\$ (19,554,741)</u>	<u>\$ 403,097,477</u>			

The System's bonds payable contain provisions for events of default that are included in the bond resolutions approved by the System's Board. These events of default could require the acceleration of payment of the amounts outstanding. Following is a summary of the events of default that are generally contained in the resolutions:

- 1 Failure to timely pay the required principal or interest when due.
- 2 Failure to perform or comply with debt covenant requirements outlined in debt agreement or remedy the failure within 30 days. Following is a listing of some of these covenants:
 - a. Failure to continue the pledge of revenue associated with each debt issue.
 - b. Failure of the Board to maintain its existence.
 - c. Granting of a security or lien that is superior to the lien on the outstanding bonds.
 - d. New debt is issued secured by the revenue pledged that is not in parity with or not subordinated by the outstanding debt.
- 3 A material false or misleading statement, warranty or representation made by the Board that is contained in the resolution.
- 4 A petition filed against the board under any bankruptcy, moratorium, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction that is not dismissed within 60 days of filing.
- 5 The Board files a petition in voluntary bankruptcy or admits insolvency or bankruptcy or its inability or pay its debts.
- 6 The State of Louisiana alters the rights or duties of the Board.

- 7 Findings or covenants in any No-Arbitrage Certificate are false or not adhered to and causes the interest on the bonds to become taxable.

Bonds Payable - Component Units

Issue	Date of Issue	Original Issue	Outstanding July 1, 2018	Issued (Redeemed)	Outstanding June 30, 2019	Maturities	Interest Rates
Tiger Athletic Foundation*							
Series 2012 Bonds	October 23, 2012	\$ 70,000,000	\$ 70,000,000	\$(2,762,000)	\$ 67,238,000	2037	Variable
Series 2015 Bonds	July 1, 2015	52,000,000	45,820,000	(3,300,000)	42,520,000	2028	2.49%
Series 2015A Bonds	November 1, 2015	53,045,000	42,590,000	(2,040,000)	40,550,000	2039	2.42%
Deferred financing costs		(795,861)	(682,687)	47,436	(635,251)		
Total Bonds Payable		<u>\$ 174,249,139</u>	<u>\$157,727,313</u>	<u>\$(8,054,564)</u>	<u>\$ 149,672,749</u>		

*As of December 31, 2018

Defeased Bonds

In November, 2016, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College issued \$137,000,000 of nontaxable Bonds - Series 2016A and \$16,320,000 of taxable Bonds – Series 2016 B. The purpose of the issues was to provide monies to refund portions of Series 2007, 2008, and 2010A bonds. In order to refund the bonds, portions of the proceeds of the new issue \$153,320,000, plus an additional \$34,805,350 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 November 1, 2016, between the Board of Supervisors of Louisiana State University and Agriculture and Mechanical College and the escrow trustee. The amount in the escrow, together with interest earnings, will be used to pay the principal, redemption premium, and interest when due. The refunding resulted in reducing the total debt service payments by almost \$40,789,458 and gave the University an economic gain of \$11,938,902. Of the debt considered defeased in substance, \$75,420,000 is outstanding as of June 30, 2019.

Debt Service Requirements

The annual requirements to amortize all System bonds outstanding at June 30, 2019, are presented in the following schedule. The schedule uses rates as of June 30, 2019, for debt service requirements of the variable-rate bonds, assuming current interest rates remain the same for their term. As rates vary, variable-rate bond interest payments will vary.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 15,740,000	\$ 17,005,074	\$ 32,745,074
2021	16,335,000	16,339,702	32,674,702
2022	16,980,000	15,665,674	32,645,674
2023	17,695,000	14,903,998	32,598,998
2024	18,450,000	14,082,645	32,532,645
2025-2029	97,360,000	57,359,444	154,719,444
2030-2034	102,480,000	34,523,046	137,003,046
2035-2039	70,605,000	14,396,358	85,001,358
2040-2044	28,800,000	2,640,388	31,440,388
Subtotal	384,445,000	186,916,329	571,361,329
Unamortized premium/discount	18,927,848	-	18,927,848
Bond issuance cost	(275,371)	-	(275,371)
Total	<u>\$ 403,097,477</u>	<u>\$ 186,916,329</u>	<u>\$ 590,013,806</u>

The annual principal requirements for all component unit bonds outstanding at June 30, 2019, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2020	\$ 7,969,000
2021	7,807,000
2022	7,647,000
2023	7,459,000
2024	7,483,000
2025-2029	47,423,000
2030-2034	42,771,000
2035-2039	20,999,000
2040-2044	750,000
Deferred financing costs	(635,251)
Total	<u>\$ 149,672,749</u>

The following is a summary of the System debt service reserve requirements of the various bond issues at June 30, 2019:

<u>Bond Issue</u>	<u>Cash/ Investment Reserves Available</u>	<u>Reserve Requirement</u>	<u>Excess/ (Deficiency)</u>
Auxiliary Plant:			
LSU A&M	\$ 1,715,010	\$ 1,611,031	\$ 103,979
LSU of Alexandria	316,570	313,050	3,520
LSU Health Sciences Center - New Orleans	1,202,244	1,174,025	28,219
Total	<u>\$ 3,233,824</u>	<u>\$ 3,098,106</u>	<u>\$ 135,718</u>
Educational Plant:			
Health Care Services Division	\$ 890,781	\$ 890,781	\$ -
Total	<u>\$ 890,781</u>	<u>\$ 890,781</u>	<u>\$ -</u>

As permitted by the Bond Resolutions for the auxiliary revenue Bonds, Series 2016 A&B, Series 2014, Series 2013, and Series 2012, LSU established no debt service reserve accounts. Neither surety bonds from an insurance company or an irrevocable letter of credit were required as a substitute for the reserve accounts.

As permitted by the Bond Resolution for the Revenue Bonds, Series 2013, the LSU Health Sciences Center New Orleans obtained a surety bond issued by an insurance company as a substitute for the reserve requirement for the bonds. The Surety Bond meets the definition as a "Reserve Fund Investment" and guarantees payment of principal and interest on the bonds when they are due in the event of nonpayment.

Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. The System's capital leases at June 30, 2019 consist of various leases as follows:

<u>Nature of Lease</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Gross amount of leased assets (historical cost)	\$ 241,500,000	\$ 37,903,655	\$ 279,403,655
Remaining interest to end of lease	342,056,791	678,312	342,735,103
Remaining principal to end of lease	241,453,248	13,424,860	254,878,108

The buildings under lease consist of the residential and retail facilities developed as part of the Nicholson Gateway Project, a Public Private Partnership with Provident Group Flagship Properties and the LSU Foundation. Payments due under the lease agreement are equal to the debt service payments on the Louisiana Public Facilities Authority Series 2016A and B lease revenue bonds issued for \$235,295,000 as conduit debt payable over the remaining 37.5 years term of the bonds.

The building capital lease is considered a financed purchase that meets the criteria of a direct borrowing and contains provisions for events of default that include failure to make timely payment of the agreed upon rental amounts. Failure to make these timely payments could result in System's inability to continue using the building facilities. The lessor does not have the ability to accelerate the base rental amounts due under the lease agreement in the event of default.

Assets under capital lease are included as capital assets in note 5, which includes the depreciation expense. 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, 2019:

Fiscal Year Ending June 30:

2020	\$ 14,725,869
2021	14,634,913
2022	14,746,256
2023	14,869,134
2024	11,218,250
2025-2029	56,091,250
2030-2034	56,091,250
2035-2039	56,091,250
2040-2044	77,252,514
2045-2049	117,457,150
2050-2054	117,452,625
2055-2059	<u>46,982,750</u>
Total minimum lease payments	597,613,211
Less - amount representing interest	<u>(342,735,103)</u>
Present value of net minimum lease payments	<u>\$ 254,878,108</u>

Line of Credit - Component Units

On May 1, 2019, LSUHN executed an agreement allowing LSUHN to borrow up to \$20,500,000. Any borrowings under this agreement bear interest at a variable rate unless LSUHN specifically requests a fixed rate. The variable rate or fixed rate would be determined at the time of the borrowing and would include an additional margin rate of 1.05%. This agreement

expires April 30, 2021 but may be terminated by either party at any time. As of June 30, 2019, no amounts had been borrowed under this agreement.

14. AMOUNTS DUE FROM PRIMARY GOVERNMENT

As shown on Statement A, the System has a total of \$2,628,450 due from the Primary Government at June 30, 2019. This amount consists of the following:

Account Type	Intercompany (Fund)	Amount
Amounts due from Primary Government		
	G10 - Support Education in Louisiana First Fund	\$ 1,755,037
	E32 - Tobacco Tax Health Care Fund	\$ 873,413
	Total	<u>\$ 2,628,450</u>

15. RESTRICTED NET POSITION

The System's restricted nonexpendable net position of \$241,506,179 as of June 30, 2019, is comprised of endowment funds and prepaid assets.

The System had the following restricted expendable net position as of June 30, 2019:

<u>Account Title</u>	<u>Amount</u>
Student fees	\$ 37,331,466
Grants and contracts	105,942,492
Gifts	29,438,716
Endowment earnings	38,538,661
Auxiliary enterprises	39,195,784
Student loan funds	36,206,788
Capital construction	76,628,044
Debt service	2,051,050
Sponsored projects	2,309,208
LSU System Health Plan	<u>35,587,165</u>
Total	<u>\$ 403,229,374</u>

Of the total restricted net position reported on Statement A for the year ended June 30, 2019, a total of \$4,775,726 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. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. At June 30, 2019, net appreciation of \$3,489,137 for LSU Health Sciences Center in Shreveport is available to be spent and is restricted to specific purposes.

LSU A&M has donor-restricted endowments. The university's policy for managing the endowment fund provides, for allocation for expenditure, the actual amount earned on the endowment fund investments. Although investments are marked to market as per the requirements of the GASB codification Section I50, there is no "total-return" policy. Unrealized gains are not made available for expenditure by the beneficiary departments.

However, in March 2010, the university obtained a \$1 million endowment from the Bernard Osher Foundation. Subsequently, in April 2013, the university obtained a second installment from the Osher Foundation of \$950,000. As per the terms of the agreement, earnings are to be calculated on a total return basis. The distribution for expenditure in each year, commencing with the university's fiscal year beginning July 1, 2010, shall not be less than the defined Minimum Amount. This endowment is not part of the university's endowment pool and is invested separately. At June 30, 2019, the net appreciation was \$75,662, which is restricted to specific purposes and available to be spent.

16. RESTATEMENT OF BEGINNING NET POSITION

LSU System

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

Net position at June 30, 2018	\$ (267,664,484)
Capital asset adjustments	21,549,763
Lab School accounting correction	246,973
Remove blended foundations	(7,050,448)
Correction of fund accounting	(204,801)
Recognize effective interest method of amortizing interest revenue for the UMCMC hospital capital lease	73,425,507
Recognize the finalized UMCMC equipment lease as capital lease	32,470,130
Other	(5,040)
Net position at June 30, 2018, as restated	<u><u>\$ (147,232,400)</u></u>

The restatements increased the System's beginning net position by \$120,432,084. Of this amount, \$21,549,763 was attributable to capital asset adjustments while a net \$37,132 was attributable to other accounting corrections and eliminations. Additionally, a net decrease of \$7,050,448 was attributable to the removal of previously blended component units. Both the Eunice Student Housing Foundation (ESHF) and Faculty Group Practice (FGP) were unblended due to a change in accounting entity. ESHF increased net position \$2,991,987, while FGP decreased net position \$10,042,435. In addition increases of \$73,425,507 and \$32,470,130 were due to accounting changes related to the UMCMC hospital lease and the recognition of the UMCMC equipment lease, respectively. The combined effects of these changes to the Statement of Revenues, Expenses and Changes in Net Position for, the year ended June 30, 2018 was of increase the change in net position by \$22,827,579.

Discretely Presented Component Units

The total beginning net assets as reflected on Statement D have been restated to reflect the following change:

Net assets at June 30, 2018	\$ 1,025,094,003
LSU Health Foundation New Orleans	<u>(120,364,963)</u>
Net assets at June 30, 2018, as restated	<u>\$ 904,729,040</u>

The restatement decreased discretely presented component units' net assets by \$120,364,963 due to removal of the LSU Health Foundation New Orleans since it no longer met the criteria required to be included as a component unit. The effect of this change to the total change in net assets reported on the Statement of Activities for the year ended June 30, 2018 was a decrease of \$4,163,888.

17. BLENDED COMPONENT UNITS

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

Condensed financial information for each of the institutions' blended component units, with amounts receivable and payable to LSU identified on the statement of net position, follows:

Condensed Statement of Net Position

	Stephenson Technologies Corporation	LSU Healthcare Network	Health Care Services Foundation	Bogalusa Community Medical Center
Assets:				
Current assets	\$ 2,267,148	\$ 28,299,512	\$ 576,142	\$ 2,787,495
Capital assets	-	2,022,101	2,394,725	310,700
Other assets	-	55,923,275	-	12,578,228
Assets due from primary government	-	-	385	-
Total Assets	2,267,148	86,244,888	2,971,252	15,676,423
Liabilities:				
Current liabilities	464,030	12,925,071	19,507	505,684
Long-term liabilities	-	-	48,489	11,115,299
Liabilities due to primary government	-	7,238,037	-	1,059
Total liabilities	464,030	20,163,108	67,996	11,622,042
Net Position:				
Net investment in capital assets	-	2,022,101	2,394,725	310,700
Restricted net position - nonexpendable	-	-	-	-
Restricted net position - expendable	-	-	-	-
Unrestricted net position	1,803,118	64,059,679	508,531	3,743,681
Total Net Position	\$ 1,803,118	\$ 66,081,780	\$ 2,903,256	\$ 4,054,381

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

	Stephenson Technologies Corporation	LSU Healthcare Network	Health Care Services Foundation	Bogalusa Community Medical Center
Operating revenues	\$ 4,247,495	\$ 155,085,205	\$ 248,523	\$ 393,354
Operating expenses	(3,899,958)	(154,576,380)	(248,524)	(353,553)
Depreciation expense	-	(389,784)	(115,202)	-
Net operating income (loss)	347,537	119,041	(115,203)	39,801
Nonoperating revenues (expenses):				
Investment income (loss)	-	35,727,280	14,098	448,533
Interest expense	-	-	-	(420,723)
Other nonoperating revenues	14,656	-	-	-
Changes in net position	362,193	35,846,321	(101,105)	67,611
Net Position, beginning of the year	1,440,925	30,235,459	3,004,361	3,986,770
Net Position, end of the year	\$ 1,803,118	\$ 66,081,780	\$ 2,903,256	\$ 4,054,381

Condensed Statement of Cash Flows				
	Stephenson Technologies Corporation	LSU Healthcare Network	Health Care Services Foundation	Bogalusa Community Medical Center
Net cash flows provided (used) by:				
Operating activities	\$ 579,279	\$ (1,564,400)	\$ 18,958	\$ 569,612
Capital and related financing	-	(1,317,950)	-	(475,000)
Noncapital financing	-	-	-	-
Investing activities	-	477,288	-	(242,447)
Net increase (decrease) in cash	579,279	(2,405,062)	18,958	(147,835)
Cash, beginning of the year	<u>1,114,546</u>	<u>9,317,188</u>	<u>545,861</u>	<u>3,313,938</u>
Cash, end of the year	<u>\$ 1,693,825</u>	<u>\$ 6,912,126</u>	<u>\$ 564,819</u>	<u>\$ 3,166,103</u>

18. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

Function	Employee Compensation	Benefits	Utilities	Supplies and Services	Scholarships and Fellowships	Depreciation	Compensated Absences	Total
Instruction	\$ 404,506,592	\$ 97,858,945	\$ 191,160	\$ 206,626,501	\$ 122,944	\$ 14,299,142	\$ 1,826,278	\$ 725,431,562
Research	153,926,264	49,453,904	1,602,682	88,617,268	69,896	14,382,368	619,950	308,672,332
Public service	243,202,116	37,031,265	2,100,533	146,732,323	56,836	5,163,519	(124,659)	434,161,933
Academic support	92,362,186	27,442,262	364,349	43,512,629	-	5,033,160	(233,431)	168,481,155
Student services	24,135,478	7,567,800	618,337	14,041,162	-	357,186	58,054	46,778,017
Institutional support	73,568,534	28,796,661	106,199	36,149,054	-	1,617,804	554,912	140,793,164
O & M of plant	41,383,344	14,177,294	34,832,885	51,418,230	-	62,390,317	(30,351)	204,171,719
Scholarships and fellowships	470,203	34,523	-	49,739	59,288,635	-	-	59,843,100
Auxiliary enterprises	63,972,333	19,523,638	7,912,855	87,107,682	-	1,253,310	99,219	179,869,037
Hospital	24,224,318	11,079,552	778,184	47,128,479	-	18,657,292	270,260	102,138,085
Total operating expenses	<u>\$ 1,121,751,368</u>	<u>\$ 292,965,844</u>	<u>\$ 48,507,184</u>	<u>\$ 721,383,067</u>	<u>\$ 59,538,311</u>	<u>\$ 123,154,098</u>	<u>\$ 3,040,232</u>	<u>\$ 2,370,340,104</u>

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 Health Sciences Center Foundation in New Orleans
- LSU in Shreveport Foundation
- LSU in Shreveport Alumni Association

- Louisiana State University of Alexandria Foundation
- Louisiana State University at Eunice Foundation
- Louisiana 4-H Foundation
- LSU Oral & Maxillofacial Surgery Alumni Association
- LSU Orthodontic Alumni Association
- LAK Foundation
- Biomedical Research Foundation Shreveport

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. There were no on-behalf payments for fringe benefits and salaries for fiscal year ended June 30, 2019.

22. REVENUE USED AS SECURITY FOR REVENUE BONDS

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

LSU and LSUA have pledged future auxiliary revenues of approximately \$540,787,592 to secure original issued debt of \$413,445,000 in Auxiliary Revenue Bonds. Proceeds from the bonds provided for the financing of construction and renovation of various auxiliary facilities or bond refundings. All auxiliary revenues of LSU have been pledged to secure the debt, which is payable through 2043. Pledged auxiliary revenues recognized during the period were \$243,077,560. All LSUA Union, Bookstore, and athletic revenues, totaling \$1,512,459 for the current period, are pledged to secure the debt of the 2008 bond, which matures in 2034. Required principal and interest payments for the current year on the bonds were \$30,739,864.

LSUHSC - New Orleans has pledged future auxiliary revenues, dedicated student fee revenues, and University Enterprise Revenues of approximately \$14,032,925 to secure its 2013 Series

Bond. Proceeds from the bonds were used to refund the 2000 series bonds. 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 \$1,171,156. Pledged auxiliary revenues recognized during the period were \$7,636,120.

23. UNCONDITIONAL PROMISES TO GIVE - COMPONENT UNITS

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

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Foundation in Shreveport	Total
Promises to give expected to be collected in:				
Less than one year	\$ 5,891,981	\$6,238,078	\$1,559,285	\$13,689,344
One to five years	10,195,278	9,048,130	1,516,895	20,760,303
More than five years	1,254,062	315,502	-	1,569,564
Subtotal	<u>17,341,321</u>	<u>15,601,710</u>	<u>3,076,180</u>	<u>36,019,211</u>
Less discount on promises to give	(2,025,697)	(1,315,760)	-	(3,341,457)
Less allowance for uncollectible accounts	<u>(69,800)</u>	<u>(2,923,500)</u>	-	<u>(2,993,300)</u>
Subtotal	<u>(2,095,497)</u>	<u>(4,239,260)</u>	-	<u>(6,334,757)</u>
Net unconditional promises to give	<u>\$ 15,245,824</u>	<u>\$11,362,450</u>	<u>\$3,076,180</u>	<u>\$29,684,454</u>

*as of December 31, 2018

Total unconditional promises to give (current and noncurrent) of \$29,684,454 are reported on Statement B.

24. 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, 2019, the cost of providing these benefits for five involuntary terminations totaled \$2,792,420.

25. PRIVATIZATION OF PUBLIC HOSPITALS

The System implemented public/private partnerships for the management and/or the services of nine of the 10 hospitals previously under the management of the Louisiana State University Health Care Services Division and the Louisiana State University Health Sciences Center in Shreveport. In consideration for these partnerships, the System will receive periodic lease payments ranging from a minimum of \$14,950 to \$69,409,750 (adjusted for inflation) per year over lease terms ranging from five to 40 years associated with the Health Care Services Division hospitals. Additionally, the System will receive monthly lease payments at a minimum of

\$3,725,000 (adjusted for inflation) over lease terms ranging from five to 99 years associated with the Louisiana State University Health Sciences Center in Shreveport hospitals. Per Act 601 of the 2016 Regular Session, these periodic lease payments are to be deposited to State General Fund with the State Treasurer.

On September 18, 2018 and in accordance with R.S. 39:366.11, the Joint Legislative Committee on Budget held a public hearing on the Cooperative Endeavor Agreement (CEA) by and among the State of Louisiana (State), acting by and through the Louisiana Division of Administration (DOA), Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU), and Ochsner LSU Health System of North Louisiana (OLHS-NL), a private Louisiana nonprofit corporation. The CEA and service agreements cover the hospital and clinic facilities in Shreveport and Monroe. The Joint Venture CEA, effective October 1, 2018 is for an initial term of ten (10) years. The annual base rent for the leased premises will be \$41,827,876.35 in two (2) equal installments paid directly by Ochsner LSU Hospitals, L.L.C (Lessee), a subsidiary of OLHS-NL, to The State of Louisiana, through the Division of Administration (Lessor).

In addition, effective October 1, 2018, Ochsner LSU Health System of North Louisiana (OLHS-NL) became the sole member of LSU Health Sciences Center-Shreveport Faculty Group Practice (FPG) doing business as Ochsner LSU Physician Group (OLPG) which provides physician and non-physician practitioner services and medical administrative services at the hospitals by and through LSUHSC-S faculty.

26. SUBSEQUENT EVENTS

The Board of Trustees for the Louisiana Public Facilities Authority (LPFA) provided final approval for the issuance of bonds for the Greenhouse District Project – Phase 3 at its April and May board meetings. The project is the third phase of a public-private development venture. The broader project focuses on the modernization of a large portion of the University's existing housing through facility renovations and replacement. The LSU Board of Supervisors (Board) will lease the land on which the Phase 3 project will be constructed to Greenhouse District Project, LLC, a wholly-owned subsidiary of the LSU Real Estate and Facilities Foundation (REFF), for the life of financing. The issuer of the bonds for this project is the Louisiana Public Facilities Authority. The borrower is Provident Group-Flagship Properties, LLC. Once the project is constructed, the borrower will lease the constructed facilities to the Board for 40 years. The debt issued for Phase 3 are tax-exempt and taxable, fixed rate bonds at an amount of \$80,635,000. Loan payments are payable from base rent due under the Facilities Lease by the University from its Auxiliary Revenues. The closing for the bonds was September 26, 2019.

At the September 2019 Board of Supervisors meeting, the Board provided approval for the buyout of the LSU Shreveport Student Housing apartments from the current owner, Campus Living Villages (CLV) for \$3.25M. An additional \$2.05M will be borrowed for improvements to the housing and legal and consulting fees. The financing will be a taxable term loan issued for a fixed rate for 7 years. It will be interest only for 1 year followed by a 24 year straight-line amortization. LSU Real Estate Facilities Foundation (REFF) will be buying out the remaining 14 year term of the existing ground lease between LSU & CLV. LSUS will enter into a ground

lease with REFF for the land. REFF will enter into a facilities lease with LSUS under which LSUS agrees to be responsible for managing the financial and student life functions of the housing, including making room assignments, collecting rents, providing resident assistants, and similar functions and for operating and maintaining the facilities. LSUS will make lease payments to REFF for the facility and REFF will in turn make the debt service payments.

On October 23rd 2019 at 2:30 a.m., the LSUE Campus was the subject of a ransomware attack that brought all digital/electronic services to a halt. The Campus is in the restoration phase and it is projected that this will continue well into the Spring 2020 semester. This attack has had and will have a material effect on business processes and productivity through loss of equipment and possible loss of business revenue.

In December, 2019, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College issued \$72,355,000 of Taxable Auxiliary Revenue Refunding Bonds, Series 2019. The issue provided monies to refund all of Series 2010B and a portion of Series 2013. The refunding reduced the future debt service payments by \$12.8 million, resulting in a net present value savings of \$6.6 million.

The former Charity Hospital building, owned by the LSU Board of Supervisors, has been vacant and unused since it was evacuated after Hurricane Katrina. In September 2017, the LSU Board approved an Intent to Lease of the building to the LSU Real Estate and Facilities Foundation (REFF), which established a process to competitively select a Developer under a long-term lease. After a competitive selection process and extensive negotiations between the chosen Developer and REFF, at the October 2019 Board of Supervisors meeting, the LSU Board approved a 99-year lease between LSU and Charity Hospital Redevelopment, LLC (“CHR,” a special-purpose entity established and controlled by REFF), and a 99-year sublease from CHR to 1532 Tulane Partners HOLDCO, LLC. Under the terms of the lease agreements, the Developer (1532 Tulane Partners, Inc.) is solely responsible for improvements to and operations and maintenance of the building. The Developer is using a mix of capital sources, and LSU has no involvement or control over their funding. Under the terms of the lease agreements, the Developer will pay initial up-front rent totaling \$11,800,000 and annual rent of \$250,000, with an inflationary adjustment every 10 years. CHR and/or REFF will retain 30% of the initial up-front rent and 50% of the annual rent. The remainder of the rent will go to the LSU Health Sciences Center – New Orleans campus (LSUHSC-NO). LSUHSC-NO has spent approximately \$1 million annually to maintain the vacant building since Hurricane Katrina; the Developer is now responsible for those costs and all other operations and maintenance costs of the building.

27. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

Governmental Accounting Standards Board - University

Following is a summary of accounting standards adopted by the Governmental Accounting Standards Board (GASB) that are scheduled to be implemented in the future that may affect the Systems financial report:

GASB Statement 84, *Fiduciary Activities*. This standard defines and establishes criteria for identifying and reporting fiduciary activities. The focus of the criteria is on (1) whether the

System controls the assets in a fiduciary activity and (2) there are separate identifiable beneficiaries with whom a fiduciary relationship exists. The standard also clarifies the reporting of fiduciary activities in the financial statement of a business-type activity. The standard is effective for annual reporting periods beginning after December 15, 2018. The System will include the requirements of this standard, as applicable, in its June 30, 2020 financial statement. The effect of this standard or its applicability to the System are unknown at this time.

GASB Statement 87, *Leases*. This standard will require all leases to be reported on the statement of net position under a single accounting model for both lessors and lessees. The statement will require the recognition of lease assets or liabilities for leases previously reported as operating leases. Both operating and capital leases will be reported under this single accounting method and reported by lessees as an intangible right to use asset and by lessors as a receivable with both reporting a deferred inflow of resources. The standard is effective for annual reporting periods beginning after December 15, 2019. The System will include the requirements of this standard, as applicable, in its June 30, 2021 financial statement. All of the Systems lease agreements will need to be evaluated to determine the impact of implementing this standard; however, the effect of this standard or its applicability to the System are unknown at this time.

Following is a summary of accounting standards adopted by the Financial Accounting Standards Board (FASB) that are scheduled to be implemented in the future that may affect the discretely presented component units' financial information included in the System's financial report:

Financial Accounting Standards Board (Component Units)

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, to update its revenue recognition standard to clarify the principals of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This standard will be effective for periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the consolidated statement of financial position as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2020.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU is effective for the Foundations for the annual period beginning after December 15, 2018.

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Total OPEB Liability

The Schedule of Proportionate Share of the Total OPEB Liability presents the System's share of the overall plans' Total OPEB liability along with the associated covered employee payroll and the percentage of the proportionate share of the Total OPEB liability to the covered employee payroll.

Schedule of the Proportionate Share of the Net Pension Liabilities of Cost Sharing Defined Benefit Pension Plans

The Schedule of the Proportionate Share of the Net Pension Liabilities of Cost Sharing Defined Benefit Pension Plans presents the System's share of the overall net pension liability of each of the cost sharing defined benefit pension plans in which it participates: the Teachers' Retirement System of Louisiana and the Louisiana State Employees' Retirement System, along with other information regarding plan funding.

Schedule of Contributions to Cost Sharing Defined Benefit Pension Plans

The Schedule of Contributions to the Cost Sharing Defined Benefit Pension Plans presents the contributions to the defined benefit pension plans in which it participates in relation to the required contributions and the covered payroll.

**Louisiana State University System
State of Louisiana**

**Schedule of Proportionate Share
of the Total OPEB Liability**

OPEB Plan	Fiscal Year Ended June 30,	Proportion of total OPEB liability	Proportionate share of total OPEB liability	Covered-employee payroll	Proportionate share of the total OPEB liability as a percentage of its covered employee payroll
LSU Health Plan					
	2019	89.84%	\$ 982,122,350	\$ 461,412,734	212.85%
	2018	89.90%	\$ 877,157,084	\$ 447,946,926	195.82%
	2017	89.92%	\$ 907,554,665	\$ 428,324,048	211.89%
State OGB Plan *					
	2019	9.70%	\$ 827,765,465	\$ 149,671,018	553.06%
	2018	9.88%	\$ 858,539,059	\$ 145,277,416	590.97%
	2017	9.88%	\$ 896,294,959	\$ 160,792,458	557.42%

Notes to Schedule:

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available

* The amounts presented for each fiscal year were determined as of the beginning of the fiscal year (on the measurement date).

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB 75 for this OPEB plan.

Benefit Changes.

LSU Health Plan

June 30, 2018 Measurement

- Plan design changes were updated as of January 1, 2018
- Claims cost were updated for the expected retiree health costs

Changes of Assumptions.

State OGB Plan

- The discount rate changed from 2.71% as of July 1, 2016, to 3.13% as of July 1, 2017.
- The discount rate changed from 3.13% as of July 1, 2017, to 2.98% as of July 1, 2018.

- OGB relies on demographic and mortality assumptions consistent with TRSL and LASERS plan based on recent experience studies reflected in the June 30, 2018 pension valuation. OGB updated the mortality assumption for members in LASERS using projection scale MP-2018 based on information released by the Society of Actuaries in October 2018.

- The percentage of future retirees assumed to elect medical coverage was modified based on recent plan experience.

- Baseline per capita costs were updated to reflect 2018 claims, enrollment and retiree contributions were updated based on 2019 premiums. The impact of the High Cost Excise Tax was revised.

LSU Health Plan

- The discount rate changed from 3.58% as of June 30, 2017, to 3.90% as of June 30, 2018.
- The discount rate changed from 3.90% as of June 30, 2018, to 3.50% as of June 30, 2019.

**Louisiana State University System
State of Louisiana
Schedule of the Proportionate Share of the Net Pension Liabilities of
Cost Sharing Defined Benefit Pension Plans
For the Year Ended June 30, 2019 (*)**

Pension Plan	Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Teachers Retirement System of Louisiana						
	2019	11.78%	\$ 1,158,178,095	\$ 591,440,763	195.8232%	68.17%
	2018	11.80%	\$ 1,210,182,119	\$ 567,166,958	213.3732%	65.55%
	2017	11.61%	\$ 1,362,912,524	\$ 569,301,671	239.4008%	59.90%
	2016	11.89%	\$ 1,278,748,342	\$ 574,715,036	222.5013%	62.50%
	2015	11.90%	\$ 1,215,849,099	\$ 565,794,440	214.8924%	63.70%
Louisiana State Employees Retirement System						
	2019	5.45%	\$ 371,417,796	\$ 104,075,528	356.8733%	64.30%
	2018	5.59%	\$ 393,236,188	\$ 107,409,839	366.1082%	62.54%
	2017	5.89%	\$ 462,433,321	\$ 114,364,013	404.3521%	57.70%
	2016	6.42%	\$ 436,447,698	\$ 124,105,292	351.6753%	62.70%
	2015	6.82%	\$ 426,523,299	\$ 168,650,353	252.9039%	65.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(*) The amounts presented have a measurement date of the previous fiscal year end.

**Louisiana State University System
State of Louisiana
Schedule of Contributions to
Cost Sharing Defined Benefit Pension Plans
For the Year Ended June 30, 2019**

Pension Plan:	Year	Contractually Required Contribution ¹	Contributions in Relation to Contractually Required Contribution ²	Contribution Deficiency (Excess)	Employer's Covered Payroll ³	Contributions as a % of Covered Payroll
Teachers Retirement System of Louisiana						
	2019	\$ 148,714,239	\$ 148,714,239	-	\$ 617,923,864	24.0668%
	2018	\$ 139,754,458	\$ 139,754,458	-	\$ 591,440,763	23.6295%
	2017	\$ 128,460,068	\$ 128,460,068	-	\$ 567,166,958	22.6494%
	2016	\$ 133,240,275	\$ 133,240,275	-	\$ 569,301,671	23.4042%
	2015	\$ 140,955,881	\$ 140,955,881	-	\$ 574,715,036	24.5262%
Louisiana State Employees Retirement System						
	2019	\$ 39,250,864	\$ 39,250,864	-	\$ 104,905,474	37.4155%
	2018	\$ 39,427,786	\$ 39,427,786	-	\$ 104,075,528	37.8838%
	2017	\$ 38,462,302	\$ 38,462,302	-	\$ 107,409,839	35.8089%
	2016	\$ 42,573,481	\$ 42,573,481	-	\$ 114,364,013	37.2263%
	2015	\$ 45,776,471	\$ 45,776,471	-	\$ 124,105,292	36.8852%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

For reference only:

¹ Employer contribution rate multiplied by employer's covered payroll

² Actual employer contributions remitted to Retirement Systems

³ Employer's covered payroll amount for each of the fiscal year ended June 30

**Notes to Required Supplementary Information
for Contributions to
Cost-Sharing Defined Benefit Pension Plans
For the Year Ended June 30, 2019**

Changes in benefit terms:

TRSL:

- 2015 - A 1.5% COLA, effective July 1, 2014, provided by Act 204 of the 2014 Louisiana Regular Legislative Session
- 2016 - Members employed on or after July 1, 2015 – can retire at age 62 with a 2.5% benefit factor with at least 5 years of service credit or at any age after 20 years of service credit (actuarially reduced)
- 2017 - A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session

LASERS:

- 2015 - A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session
- 2015 - Improved benefits for certain members employed by the Office of Adult and Parole within the Department of Public Safety and Corrections per Act 852 of 2014
- 2017 - A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session
- 2017 - Added benefits for members of the Harbor Police Retirement System which was merged with LASERS effective July 1, 2015

Changes in assumptions:

The following discount rate changes were made to the pension plans identified in the following table:

Discount Rate:

Fiscal Year (*)	Rate	Change			
TRSL			LASERS		
2019	7.650%	-0.05%	2019	7.650%	-0.05%
2018	7.700%	-0.05%	2018	7.700%	-0.05%
2015-2017	7.750%	0.00%	2015-2017	7.750%	0.00%

The following inflation rate changes were made to the pension plans identified in the following table:

Inflation Rate:

Fiscal Year (*)	Rate	Change
LASERS		
2018-2019	2.750%	-0.250%
2015-2017	3.000%	0.000%

The following changes to projected salary increases were made to the pension plans identified in the following table:

Salary Increases:

Fiscal Year (*)	Range		
TRSL		LASERS	
2019	3.3% to 4.8% varies depending on duration of service	2018-2019	2.80% to 14.30% for various member types
2015-2018	3.5% to 10% varies depending on duration of service	2015-2017	3.00% to 14.50% for various member types

Mortality table:

Fiscal Year (*)	
TRSL	
2019	Active members – RP-2014 White Collar Employee tables, adjusted by 1.010 for males and by 0.997 for females. Non-Disabled retiree/inactive members – RP-2014 White Collar Healthy Annuitant tables, adjusted by 1.366 for males and by 1.189 for females. Disability retiree mortality – RP-2014 Disability tables, adjusted by 1.111 for males and by 1.134 for females. These base tables are adjusted from 2014 to 2018 using the MP-2017 generational improvement table, with continued future mortality improvement projected using the MP-2017 generational mortality improvement tables.
2015-2018	Mortality rates were projected based on the RP-2000 Mortality Table with projection to 2025 using Scale AA.

Termination and

Disability table:

Fiscal Year (*)	
TRSL	
2019	Termination, disability, and retirement assumptions were projected based on a five year (2012–2017) experience study of the System’s members.
2015-2018	Termination, disability, and retirement assumptions were projected based on a five year (2008-2012) experience study of the System’s members.

(*) The amounts presented have a measurement date of the previous fiscal year end.

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 Position, by University, June 30, 2019

Schedule 4 presents the current and long-term portions of assets and liabilities and net position for each university within the LSU System. Included in Schedule 4 are amounts due to and due from the other campuses. While these due to and due from amounts have been eliminated in the consolidated statements, they are shown when presenting individual campus financial information.

Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University, for the Fiscal Year Ended June 30, 2019

Schedule 5 presents information showing how the net position of each university changed as a result of current year operations.

Combining Schedule of Cash Flows, by University, for the Fiscal Year Ended June 30, 2019

Schedule 6 presents information showing how each university's cash changed as a result of current year operations.

Combining Schedule of Net Position, by University, June 30, 2018

Schedule 7 presents the current and long-term portions of assets and liabilities and net position for each university within the LSU System.

Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University, for the Fiscal Year Ended June 30, 2018

Schedule 8 presents information showing how the net position of each university changed as a result of current year operations.

Combining Schedule of Cash Flows, by University, for the Fiscal Year Ended June 30, 2018

Schedule 9 presents information showing how each university's cash changed as a result of current year operations.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Position, by University
June 30, 2019

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,787,870	\$ (65,707,934)	\$ 1,109,858	\$ (212,699)	\$ 12,717,293
Investments		411,302,938	373,268	63,346	435,118
Receivables (net)	2,180,588	58,843,738	11,630,342	7,040,198	8,503,008
Leases receivable					
Due from other campuses		478,778			
Due from State Treasury	8,419	774,611	23,985	22,324	464,902
Due from federal government	2,704,047	14,872,149	395,281	161,450	4,070,427
Inventories	142,144	1,108,337	549	279,650	2,489,240
Prepaid expenses and advances		4,883,675			29,671
Notes receivable		2,160,505			
Other current assets		2,310,126			
Total current assets	6,823,068	431,026,923	13,533,283	7,354,269	28,709,659
Noncurrent assets:					
Restricted:					
Cash and cash equivalents	5,290,505	131,628,333	839,566	214,104	4,974,169
Investments	6,887,398	118,239,218	3,699,336	436,205	3,763,390
Receivables (net)		54,216			
Notes receivable		11,236,710		11,041	
Other restricted assets		10,333,555			
Investments					
Leases receivable					
Capital assets (net)	92,660,571	1,294,098,694	25,752,809	17,258,064	42,496,044
Other noncurrent assets					
Total noncurrent assets	104,838,474	1,565,590,726	30,291,711	17,919,414	51,233,603
Total assets	111,661,542	1,996,617,649	43,824,994	25,273,683	79,943,262
DEFERRED OUTFLOW OF RESOURCES					
Deferred amounts on debt refunding		20,493,064			
Asset retirement obligations					
OPEB-related deferred outflows of resources	1,120,571	33,060,248	1,138,537	1,393,347	9,118,317
Pension-related deferred outflows of resources	11,600,910	140,614,811	7,048,237	6,030,938	25,112,377
Total Deferred outflows of resources	12,721,481	194,168,123	8,186,774	7,424,285	34,230,694
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 124,383,023	\$ 2,190,785,772	\$ 52,011,768	\$ 32,697,968	\$ 114,173,956

(Continued)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Service Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 16,005,850	\$ 42,801,604	\$ 82,695,499	\$ 88,679,671		\$ 179,877,012
Investments	100,364	2,226,579		62,765,045		477,266,658
Receivables (net)	3,684,923	118,719,398	10,655,885	68,952,942		290,211,022
Leases receivable			84,028,325			84,028,325
Due from other campuses		97,816,002	64,439	121,072	(98,480,291)	
Due from State Treasury	56,452	369,206		908,551		2,628,450
Due from federal government	5,591,166	15,605,834	123,822	3,367,886		46,892,062
Inventories	5,543	1,769,227	1,105,057	322,468		7,222,215
Prepaid expenses and advances	559	1,747,105	47,475	183,001		6,891,486
Notes receivable		1,019,128		278,560		3,458,193
Other current assets			9,907			2,320,033
Total current assets	25,444,857	282,074,083	178,730,409	225,579,196	(98,480,291)	1,100,795,456
Noncurrent assets:						
Restricted:						
Cash and cash equivalents	243,412		4,665,284	2,425,345		150,280,718
Investments	7,513,958	32,649,251	9,651,888	77,691,040		260,531,684
Receivables (net)						54,216
Notes receivable		5,360,705		873,644		17,482,100
Other restricted assets						10,333,555
Investments		52,719,626				52,719,626
Leases receivable			2,332,720,029			2,332,720,029
Capital assets (net)	17,701,853	270,395,247	106,724,672	69,303,331		1,936,391,285
Other noncurrent assets		672,436				672,436
Total noncurrent assets	25,459,223	361,797,265	2,453,761,873	150,293,360		4,761,185,649
Total assets	50,904,080	643,871,348	2,632,492,282	375,872,556	(98,480,291)	5,861,981,105
DEFERRED OUTFLOW OF RESOURCES						
Deferred amounts on debt refunding						20,493,064
Asset retirement obligations						-
OPEB-related deferred outflows of resources	3,513,737	13,067,420	28,366,033	21,170,263		111,948,473
Pension-related deferred outflows of resources	18,801,470	61,608,085	9,801,641	31,183,117		311,801,586
Total Deferred outflows of resources	22,315,207	74,675,505	38,167,674	52,353,380		444,243,123
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 73,219,287	\$ 718,546,853	\$ 2,670,659,956	\$ 428,225,936	\$ (98,480,291)	\$ 6,306,224,228

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Net Position, by University
June 30, 2019

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	\$ 769,678	\$ 53,168,918	\$ 409,089	\$ 141,932	\$ 1,192,044
Due to other campuses		97,223,145			
Due to federal government		4,475			
Amounts held in custody for others		6,036,849	282,346	407,800	53,044
Unearned revenues	439,966	64,096,677	7,490,207	4,651,776	6,089,220
Other liabilities		2,310,126			
Compensated absences payable	154,493	2,856,410	74,761	38,666	626,172
Capital lease obligations		3,091,758			
Bonds payable		18,563,843	140,000		
Total OPEB liability	278,730	15,904,121	576,191	629,310	6,522,096
Total current liabilities	1,642,867	263,256,322	8,972,594	5,869,484	14,482,576
Noncurrent liabilities:					
Compensated absences payable	3,502,432	34,631,456	880,516	631,933	8,036,989
Capital lease obligations		251,541,490			
Bonds payable		359,128,278	2,975,000		
Total OPEB liability	22,892,895	585,506,236	22,159,202	19,361,902	147,645,946
Net pension liability	51,283,740	718,821,100	24,918,716	18,186,965	116,464,811
Unearned revenues (advance lease payments)					
Other noncurrent liabilities	18,795	594,315		4,949	52,435
Total noncurrent liabilities	77,697,862	1,950,222,875	50,933,434	38,185,749	272,200,181
Total liabilities	79,340,729	2,213,479,197	59,906,028	44,055,233	286,682,757
DEFERRED INFLOW OF RESOURCES					
OPEB-related deferred inflows of resources	1,588,609	36,788,606	1,493,238	887,027	9,023,042
Pension-related deferred inflows of resources	7,253,914	66,923,391	1,924,451	1,615,357	11,079,391
Total deferred inflows of resources	8,842,523	103,711,997	3,417,689	2,502,384	20,102,433
NET POSITION					
Net investment in capital assets	92,660,571	682,111,305	22,637,809	17,258,064	42,496,044
Restricted for:					
Nonexpendable	5,445,830	100,785,189	3,566,268	450,838	3,785,504
Expendable	10,143,076	224,896,639	4,389,102	977,674	10,371,076
Unrestricted	(72,049,706)	(1,134,198,555)	(41,905,128)	(32,546,225)	(249,263,858)
Total net position	\$ 36,199,771	\$ (126,405,422)	\$ (11,311,949)	\$ (13,859,649)	\$ (192,611,234)
Total liabilities, deferred inflows of resources, and net position	\$ 124,383,023	\$ 2,190,785,772	\$ 52,011,768	\$ 32,697,968	\$ 114,173,956

(Concluded)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Service Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
LIABILITIES						
Current liabilities:						
Accounts payable and accruals	\$ 981,310	\$ 38,568,259	\$ 13,278,004	\$ 33,144,467		\$ 141,653,701
Due to other campuses	348,318	154,131	251,477	503,220	\$(98,480,291)	
Due to federal government		5,276,293				5,280,768
Amounts held in custody for others	206,857	145,390	10,277	687,293		7,829,856
Unearned revenues	10,174,981	1,496,305	87,364,271	1,353,372		183,156,775
Other liabilities						2,310,126
Compensated absences payable	133,916	1,723,374	451,030	1,071,123		7,129,945
Capital lease obligations				244,860		3,336,618
Bonds payable		717,088	480,000			19,900,931
Total OPEB liability	1,256,203	6,265,435	19,004,077	13,867,365		64,303,528
Total current liabilities	13,101,585	54,346,275	120,839,136	50,871,700	(98,480,291)	434,902,248
Noncurrent liabilities:						
Compensated absences payable	1,569,858	18,604,772	2,303,720	10,771,777		80,933,453
Capital lease obligations						251,541,490
Bonds payable		9,977,969	11,115,299			383,196,546
Total OPEB liability	34,383,539	237,274,074	363,931,156	312,429,337		1,745,584,287
Net pension liability	37,032,623	326,955,832	58,557,993	177,374,111		1,529,595,891
Unearned revenues (advance lease payments)			1,520,673,378			1,520,673,378
Other noncurrent liabilities	75,988					746,482
Total noncurrent liabilities	73,062,008	592,812,647	1,956,581,546	500,575,225		5,512,271,527
Total liabilities	86,163,593	647,158,922	2,077,420,682	551,446,925	(98,480,291)	5,947,173,775
DEFERRED INFLOW OF RESOURCES						
OPEB-related deferred inflows of resources	1,856,485	13,528,836	27,664,420	21,062,689		113,892,952
Pension-related deferred inflows of resources	9,252,174	35,372,440	14,636,274	29,751,284		177,808,676
Total deferred inflows of resources	11,108,659	48,901,276	42,300,694	50,813,973		291,701,628
NET POSITION						
Net investment in capital assets	17,701,853	260,902,434	96,020,154	69,058,471		1,300,846,705
Restricted:						
Nonexpendable	7,183,802	34,178,592	13,183,943	72,926,213		241,506,179
Expendable	11,439,369	19,306,708	10,924,300	110,781,430		403,229,374
Unrestricted	(60,377,989)	(291,901,079)	430,810,183	(426,801,076)		(1,878,233,433)
Total net position	\$ (24,052,965)	\$ 22,486,655	\$ 550,938,580	\$ (174,034,962)		\$ 67,348,825
Total liabilities, deferred inflows of resources, and net position	\$ 73,219,287	\$ 718,546,853	\$ 2,670,659,956	\$ 428,225,936	\$(98,480,291)	\$ 6,306,224,228

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Revenues, Expenses,
and Changes in Net Position, by University
For the Fiscal Year Ended June 30, 2019**

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
OPERATING REVENUES					
Student tuition and fees		\$ 446,352,613	\$ 18,745,503	\$ 11,001,350	
Less scholarship allowances		(94,389,614)	(4,107,237)	(3,406,604)	
Net student tuition and fees		351,962,999	14,638,266	7,594,746	
Federal appropriations					\$ 13,001,295
Federal grants and contracts	\$ 19,267,329	85,181,413	222,716	161,450	6,412,552
State and local grants and contracts	2,426,252	33,940,570	131,852	397,899	17,116,096
Nongovernmental grants and contracts	9,178,523	21,599,687	78,589	5,000	5,067,937
Sales and services of educational departments	516,641	22,794,479	74,182	24,591	5,686,499
Hospital income					
Auxiliary enterprise revenues (including revenues pledged to secure debt)	83,516	225,825,137	2,307,232	3,446,869	
Less scholarship allowances		(21,075,853)	(333,012)	(951,785)	
Net auxiliary revenues	83,516	204,749,284	1,974,220	2,495,084	
Other operating revenues	77,390	12,167,926	55,041	29,987	9,591,858
Total operating revenues	31,549,651	732,396,358	17,174,866	10,708,757	56,876,237
OPERATING EXPENSES					
Educational and general:					
Instruction		380,091,054	13,419,308	8,785,472	
Research	32,072,889	141,106,266	30,378	10,481	61,404,166
Public service	1,102,277	30,734,431	16,112	999	44,008,145
Academic support	6,222,300	90,972,487	1,996,914	703,097	4,291,301
Student services		31,205,853	2,169,523	1,791,398	
Institutional support	6,460,873	37,614,376	3,004,274	2,779,015	15,866,912
Operations and maintenance of plant	8,843,889	124,291,365	4,286,740	3,440,956	6,058,156
Scholarships and fellowships		46,324,163	4,142,478	3,708,009	105,361
Auxiliary enterprises	65,815	166,560,769	2,096,654	1,741,520	
Hospital					
Total operating expenses	54,768,043	1,048,900,764	31,162,381	22,960,947	131,734,041
OPERATING INCOME (LOSS)	(23,218,392)	(316,504,406)	(13,987,515)	(12,252,190)	(74,857,804)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	17,274,069	136,213,866	5,223,028	4,965,189	71,831,537
Gifts	1,853,341	125,909,366	489,485	588,923	2,593,416
Federal nonoperating revenues (expenses)		28,141,908	6,526,482	5,720,954	36,482
Net investment income (loss)	(321,105)	32,055,600	198,690	27,010	661,387
Interest expense		(19,174,848)	(173,008)		
Other nonoperating revenues (expenses)	168,926	2,355,628	71,847	52,323	330,930
Net nonoperating revenues (expenses)	\$ 18,975,231	\$ 305,501,520	\$ 12,336,524	\$ 11,354,399	\$ 75,453,752

(Continued)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
OPERATING REVENUES						
Student tuition and fees	\$ 45,835,994	\$ 61,563,458		\$ 21,472,173	\$ 79,829	\$ 605,050,920
Less scholarship allowances	(5,245,216)	(3,962,177)		(1,603,407)		(112,714,255)
Net student tuition and fees	40,590,778	57,601,281		19,868,766	79,829	492,336,665
Federal appropriations		-				13,001,295
Federal grants and contracts	579,105	42,390,800		15,561,856	(379,725)	169,397,496
State and local grants and contracts	493,660	13,428,965		4,238,236	(4,425,730)	67,747,800
Nongovernmental grants and contracts	41,044	282,383,103		212,651,936	(1,829)	531,003,990
Sales and services of educational departments	282,691	164,228,901		31,365,711	(121,027)	224,852,668
Hospital income			\$ 62,297,984	10,238,227	(192,459)	72,343,752
Auxiliary enterprise revenues (including revenues pledged to secure debt)	2,296,384	7,590,154		648,231	(1,272)	242,196,251
Less scholarship allowances	(215,711)	-				(22,576,361)
Net auxiliary revenues	2,080,673	7,590,154		648,231	(1,272)	219,619,890
Other operating revenues	961,565	1,570,374		1,035,215	(84,372)	25,404,984
Total operating revenues	45,029,516	569,193,578	62,297,984	295,608,178	(5,126,585)	1,815,708,540
OPERATING EXPENSES						
Educational and general:						
Instruction	32,021,131	219,800,281		71,340,774	(26,458)	725,431,562
Research	521,228	38,569,479		37,220,634	(2,263,189)	308,672,332
Public service	915,047	263,846,701		93,699,295	(161,074)	434,161,933
Academic support	4,854,899	22,131,835		37,319,630	(11,308)	168,481,155
Student services	3,539,288	6,519,714		1,557,197	(4,956)	46,778,017
Institutional support	6,860,579	35,587,758		32,703,939	(84,562)	140,793,164
Operations and maintenance of plant	5,519,283	40,264,482		11,466,848		204,171,719
Scholarships and fellowships	1,652,350	2,811,085		1,099,654		59,843,100
Auxiliary enterprises	2,252,743	6,772,004		379,532		179,869,037
Hospital			82,941,021	21,777,058	(2,579,994)	102,138,085
Total operating expenses	58,136,548	636,303,339	82,941,021	308,564,561	(5,131,541)	2,370,340,104
OPERATING INCOME (LOSS)	(13,107,032)	(67,109,761)	(20,643,037)	(12,956,383)	4,956	(554,631,564)
NONOPERATING REVENUES (EXPENSES)						
State appropriations	8,673,053	82,043,839	30,478,413	66,259,198		422,962,192
Gifts	1,241,277	1,868,881	5,350	57,851		134,607,890
Federal nonoperating revenues (expenses)	4,873,003	2,057,386	795,302	42,089		48,193,606
Net investment income (loss)	(13,777)	40,299,783	2,146,141	9,586,774		84,640,503
Interest expense		(487,048)	(420,728)	(43,209)		(20,298,841)
Other nonoperating revenues (expenses)	122,851	972,572	64,887,627	(9,722,230)	(4,956)	59,235,518
Net nonoperating revenues (expenses)	\$ 14,896,407	\$ 126,755,413	\$ 97,892,105	\$ 66,180,473	\$ (4,956)	\$ 729,340,868

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses,
and Changes in Net Position, by University
June 30, 2019**

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	\$ (4,243,161)	\$ (11,002,886)	\$ (1,650,991)	\$ (897,791)	\$ 595,948
Capital appropriations	257,449	226,463			
Capital gifts and grants		12,276,387	84,071	(3,874)	213,297
Additions to permanent endowment		480,000	40,000	10,000	20,000
Other additions (deductions)	554,116	1,835,865	195,304	(7,060)	126,382
Transfer (to)/from other system institution		63,265			(63,265)
CHANGE IN NET POSITION	(3,431,596)	3,879,094	(1,331,616)	(898,725)	892,362
NET POSITION - BEGINNING OF YEAR (Restated)	39,631,367	(130,284,516)	(9,980,333)	(12,960,924)	(193,503,596)
NET POSITION - END OF YEAR	\$ 36,199,771	\$ (126,405,422)	\$ (11,311,949)	\$ (13,859,649)	\$ (192,611,234)

(Concluded)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
INCOME (Loss) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	\$ 1,789,375	\$ 59,645,652	\$ 77,249,068	\$ 53,224,090		\$ 174,709,304
Capital appropriations		454,354	17,441,252	2,250,933		20,630,451
Capital gifts and grants	11,985	116,184	68,413			12,766,463
Additions to permanent endowment		840,000		2,595,000		3,985,000
Other additions (deductions)		8,335		(222,935)		2,490,007
Transfer (to)/from other system institution						-
CHANGE IN NET POSITION	1,801,360	61,064,525	94,758,733	57,847,088		214,581,225
NET POSITION - BEGINNING OF YEAR (Restated)	(25,854,325)	(38,577,870)	456,179,847	(231,882,050)		(147,232,400)
NET POSITION- END OF YEAR	\$ (24,052,965)	\$ 22,486,655	\$ 550,938,580	\$ (174,034,962)		\$ 67,348,825

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2019

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
CASH FLOWS FROM OPERATING ACTIVITIES:					
Tuition and fees		\$ 351,049,073	\$ 14,644,407	\$ 7,636,711	
Federal appropriations					\$ 12,532,552
Grants and contracts	\$ 29,030,599	147,634,246	134,237	346,203	28,000,417
Sales and services of educational departments	516,644	21,160,980	71,545	24,593	5,697,951
Hospital income					
Auxiliary enterprise receipts	83,265	198,058,441	1,976,761	1,905,128	
Payments for employee compensation	(26,880,669)	(438,400,832)	(13,001,722)	(8,948,353)	(66,620,042)
Payments for benefits	(10,240,391)	(154,089,648)	(5,613,882)	(4,287,460)	(32,712,410)
Payments for utilities	(1,779,690)	(18,388,116)	(795,189)	(517,530)	(2,381,317)
Payments for supplies and services	(13,115,399)	(334,691,040)	(5,763,385)	(3,960,746)	(29,642,798)
Payments for scholarships and fellowships		(46,066,101)	(4,142,478)	(3,708,009)	(105,361)
Loans to students		(11,436)	718,725		
Collection of loans to students		2,013,516			
Other receipts (payments)	77,143	14,584,114	57,366	28,470	9,632,177
Net cash provided (used) by operating activities	(22,308,498)	(257,146,803)	(11,713,615)	(11,480,993)	(75,598,831)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
State appropriations	17,274,068	136,213,773	5,223,025	4,965,186	71,818,179
Gifts and grants for other than capital purposes	1,901,715	127,715,085	335,709	578,038	2,622,216
Private gifts for endowment purposes	(554,116)				
TOPS receipts		101,905,124	2,713,025	1,436,654	
TOPS disbursements		(101,905,124)	(2,713,025)	(1,436,654)	
FEMA receipts					138,998
FEMA disbursements		(121,656)			36,482
Direct lending receipts		155,065,645	11,517,143	6,625,118	
Direct lending disbursements		(155,065,645)	(11,517,143)	(6,625,118)	
Implicit loan to/from other campuses		(348,318)			
Other receipts (disbursements)		28,210,964	6,526,482	5,720,954	(51,265)
Net cash provided (used) by noncapital financing activities	18,621,667	291,669,848	12,085,216	11,264,178	74,564,610
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Capital gifts and grants received		3,978,687	(34,552)	(3,887)	(329,763)
Purchase of capital assets	(565,706)	(21,485,974)	(93,629)	(170,700)	(4,440,770)
Principal paid on capital debt and leases		(21,143,604)	(135,000)		
Interest paid on capital debt and leases		(18,049,475)	(173,008)		
Deposit with trustees					
Other sources (uses)	554,116	1,835,865	195,304	(7,060)	126,382
Net cash provided (used) by capital financing activities	(11,590)	(54,864,501)	(240,885)	(181,647)	(4,644,151)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments		212,976,222			
Interest received on investments	197,243	12,664,402	21,415	24,176	518,609
Purchase of investments		(235,349,626)			
Net cash provided (used) by investing activities	\$ 197,243	\$ (9,709,002)	\$ 21,415	\$ 24,176	\$ 518,609

(Continued)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Tuition and fees	\$ 42,905,597	\$ 51,381,560		\$ 19,886,808	\$ 79,829	\$ 487,583,985
Federal appropriations		-				12,532,552
Grants and contracts	1,373,650	318,956,547		249,416,017	(4,807,284)	770,084,632
Sales and services of educational departments	282,497	166,372,569		26,045,425	(121,027)	220,051,177
Hospital income			\$ 59,206,184	14,225,621	(192,459)	73,239,346
Auxiliary enterprise receipts	1,347,494	8,237,426		648,704	(1,272)	212,255,947
Payments for employee compensation	(22,893,186)	(331,966,696)	(24,318,312)	(193,121,834)		(1,126,151,646)
Payments for benefits	(9,242,661)	(69,835,446)	(28,480,324)	(55,418,819)		(369,921,041)
Payments for utilities	(866,519)	(12,818,534)	(751,015)	(8,206,944)		(46,504,854)
Payments for supplies and services	(21,465,866)	(204,136,849)	(41,248,406)	(49,853,842)	5,131,541	(698,746,790)
Payments for scholarships and fellowships	(1,652,350)	(2,506,296)		(1,099,654)		(59,280,249)
Loans to students	408,632	(105,951)				1,009,970
Collection of loans to students		1,516,648		254,222		3,784,386
Other receipts (payments)	1,519,151	1,357,207		1,672,278	(84,372)	28,843,534
Net cash provided (used) by operating activities	(8,283,561)	(73,547,815)	(35,591,873)	4,447,982	4,956	(491,219,051)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
State appropriations	8,673,046	82,043,795	30,478,413	66,240,347		422,929,832
Gifts and grants for other than capital purposes	1,187,635	3,926,267	5,350	57,851		138,329,866
Private gifts for endowment purposes		840,000		2,595,000		2,880,884
TOPS receipts	3,091,434	2,096,295		176,421		111,418,953
TOPS disbursements	(3,091,434)	(2,082,181)		(176,421)		(111,404,839)
FEMA receipts			795,302			934,300
FEMA disbursements						(85,174)
Direct lending receipts	42,048,390	65,100,398		23,962,363		304,319,057
Direct lending disbursements	(42,048,390)	(64,893,048)		(23,962,363)		(304,111,707)
Implicit loan to/from other campuses	348,318					
Other receipts (disbursements)	4,873,003	(72,848)	1,347,012	(10,213,478)	(4,956)	36,335,868
Net cash provided (used) by noncapital financing activities	15,082,002	86,958,678	32,626,077	58,679,720	(4,956)	601,547,040
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Capital gifts and grants received	11,985					3,622,470
Purchase of capital assets	(995,414)	(11,661,513)	(263,354)	(4,234,813)		(43,911,873)
Principal paid on capital debt and leases		(702,089)	(475,000)	(708,333)		(23,164,026)
Interest paid on capital debt and leases		(466,157)	(401,528)	(43,209)		(19,133,377)
Deposit with trustees		5,435				5,435
Other sources (uses)		(91,082)		131,314		2,744,839
Net cash provided (used) by capital financing activities	(983,429)	(12,915,406)	(1,139,882)	(4,855,041)		(79,836,532)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sales and maturities of investments		55,594,024		8,521,094		277,091,340
Interest received on investments	121,232	38,520,729	2,146,141	5,135,343		59,349,290
Purchase of investments		(88,750,134)	(242,447)	(62,387,858)		(386,730,065)
Net cash provided (used) by investing activities	\$ 121,232	\$ 5,364,619	\$ 1,903,694	\$ (48,731,421)		\$ (50,289,435)

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2019

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (3,501,178)	\$ (30,050,458)	\$ 152,131	\$ (374,286)	\$ (5,159,763)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR - RESTATED	10,579,553	95,970,857	1,797,293	375,691	22,851,225
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 7,078,375	\$ 65,920,399	\$ 1,949,424	\$ 1,405	\$ 17,691,462
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (23,218,392)	\$ (316,504,406)	\$ (13,987,515)	\$ (12,252,190)	\$ (74,857,804)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	4,767,787	61,966,319	1,309,532	1,044,296	4,203,594
Non-Employer contributing entity revenue	168,926	2,295,105	71,847	52,323	318,930
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
(Increase) decrease in accounts receivable, net	(1,422,724)	(6,711,945)	496,432	(709,773)	(1,650,169)
(Increase) decrease in inventories	(6,719)	(34,906)	(211)	(23,596)	(89,570)
(Increase) decrease in prepaid expenses and other		1,083,718			(24,500)
(Increase) decrease in notes receivable		2,144,066			
(Increase) decrease in deferred outflows related to OPEB	(1,014,709)	(23,213,743)	(560,506)	(1,195,759)	(5,763,453)
(Increase) decrease in deferred outflows related to pensions	(2,372,333)	(15,062,867)	(2,094,409)	(1,906,984)	(5,590,261)
(Increase) decrease in other assets		(182,077)			
Increase (decrease) in accounts payable and accrued liabilities	235,862	6,143,033	90,743	75,391	26,416
Increase (decrease) in unearned revenue	(458,963)	799,312	(61,316)	53,793	478,415
Increase (decrease) in amounts held in custody for others		(555,798)	172,003	(124,997)	2,236
Increase (decrease) in compensated absences	255,606	2,669,805	(64,718)	(25,409)	(143,304)
Increase (decrease) in OPEB liability	2,001,560	31,147,992	1,038,120	2,113,178	8,234,441
Increase (decrease) in net pension liability	(1,762,249)	(30,881,047)	970,829	1,418,902	(1,649,846)
Increase (decrease) in deferred inflows related to OPEB	290,700	6,988,432	294,012	(37,200)	1,162,098
Increase (decrease) in deferred inflows related to pensions	218,191	13,840,967	611,542	37,048	(268,153)
Increase (decrease) in other liabilities	8,959	6,921,237		(16)	12,099
Net cash provided (used) by operating activities	\$ (22,308,498)	\$ (257,146,803)	\$ (11,713,615)	\$ (11,480,993)	\$ (75,598,831)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:					
Cash and cash equivalents classified as current assets	\$ 1,787,870	\$ (65,707,934)	\$ 1,109,858	\$ (212,699)	\$ 12,717,293
Cash and cash equivalents classified as noncurrent assets	5,290,505	131,628,333	839,566	214,104	4,974,169
Cash and cash equivalents at end of the year	\$ 7,078,375	\$ 65,920,399	\$ 1,949,424	\$ 1,405	\$ 17,691,462
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Capital appropriations	\$ 257,449	\$ 226,463			
Property acquired through capital lease		241,500,000			
Amortized borrowing expense					
Increase (Decrease) in fair market value of assets	(518,348)	21,827,486	\$ 217,738	\$ 26,251	\$ 223,147
Non-Employer contributing entity revenue	168,926	2,295,105	71,847	52,323	318,930
Capital gifts and grants		12,276,387	84,071	(3,874)	213,297
Transfers/disposal of capital assets		(105,419)	65,129	(20,898)	-
	\$ (91,973)	\$ 278,020,022	\$ 438,785	\$ 53,802	\$ 755,374

(Concluded)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 5,936,244	\$ 5,860,076	\$ (2,201,984)	\$ 9,541,240		\$ (19,797,978)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR - RESTATED	10,313,018	36,941,528	89,562,767	81,563,776		349,955,708
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 16,249,262	\$ 42,801,604	\$ 87,360,783	\$ 91,105,016		\$ 330,157,730
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (13,107,032)	\$ (67,109,761)	\$ (20,643,037)	\$ (12,956,383)	\$ 4,956	\$ (554,631,564)
Adjustments to reconcile operating loss to net cash used by operating activities:						
Depreciation expense	1,447,837	24,654,699	10,136,120	13,623,914		123,154,098
Non-Employer contributing entity revenue	122,851	1,045,420	52,049	533,337		4,660,788
Changes in assets, deferred outflows, liabilities, and deferred inflows:						
(Increase) decrease in accounts receivable, net	(3,310,992)	(23,582,718)	(3,143,807)	18,287,850		(21,747,846)
(Increase) decrease in inventories	(1,103)	(348,494)	(50,529)	11,924		(543,204)
(Increase) decrease in prepaid expenses and other	333,956	328,494	1,897	32,682		1,756,247
(Increase) decrease in notes receivable		1,592,788		206,946		3,943,800
(Increase) decrease in deferred outflows related to OPEB	(2,932,666)	(8,906,678)	(12,999,298)	(10,526,673)		(67,113,485)
(Increase) decrease in deferred outflows related to pensions	(85,902)	(11,378,004)	3,093,444	(6,765,697)		(42,163,013)
(Increase) decrease in other assets		(537)	(7,473)			(190,087)
Increase (decrease) in accounts payable and accrued liabilities	571,723	9,234,515	(3,424,058)	13,782,095		26,735,720
Increase (decrease) in unearned revenue	6,603,141	(6,375,660)		15,730		1,054,452
Increase (decrease) in amounts held in custody for others	(456,839)	(213,167)	(202)	637,063		(539,701)
Increase (decrease) in compensated absences	68,571	215,147	79,484	(39,857)		3,015,325
Increase (decrease) in OPEB liability	4,296,758	13,673,791	3,818,409	7,867,423		74,191,672
Increase (decrease) in net pension liability	346,456	(21,729,678)	(7,535,965)	(12,999,818)		(73,822,416)
Increase (decrease) in deferred inflows related to OPEB	182,435	1,438,669	8,586,178	4,803,971		23,709,295
Increase (decrease) in deferred inflows related to pensions	(2,407,728)	11,723,828	(13,555,085)	(12,066,525)		(1,865,915)
Increase (decrease) in other liabilities	44,973	2,189,531				9,176,783
Net cash provided (used) by operating activities	\$ (8,283,561)	\$ (73,547,815)	\$ (35,591,873)	\$ 4,447,982	\$ 4,956	\$ (491,219,051)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:						
Cash and cash equivalents classified as current assets	\$ 16,005,850	\$ 42,801,604	\$ 82,695,499	\$ 88,679,671		\$ 179,877,012
Cash and cash equivalents classified as noncurrent assets	243,412		4,665,284	2,425,345		150,280,718
Cash and cash equivalents at end of the year	\$ 16,249,262	\$ 42,801,604	\$ 87,360,783	\$ 91,105,016		\$ 330,157,730
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital appropriations		\$ 454,354	\$ 17,441,252	\$ 2,250,933		\$ 20,630,451
Property acquired through capital lease						241,500,000
Amortized borrowing expense			(19,200)			(19,200)
Increase (Decrease) in fair market value of assets	\$ (135,134)	2,022,421	(30,256)	4,195,561		27,828,866
Non-Employer contributing entity revenue	122,851	1,045,420	52,049	533,337		4,660,788
Capital gifts and grants	11,985	116,184	68,413			12,766,463
Transfers/disposal of capital assets		8,335	(301,943)	(899,049)		(1,253,845)
	\$ (298)	\$ 3,646,714	\$ 17,210,315	\$ 6,080,782		\$ 306,113,523

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Position, by University
June 30, 2018

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
ASSETS					
Current assets:					
Cash and cash equivalents	\$5,142,333	(\$45,318,661)	\$714,086	\$167,353	\$17,783,731
Investments		378,135,310	529,628	99,623	632,646
Receivables (net)	1,469,448	56,474,050	10,775,921	6,485,136	7,603,068
Due from other campuses		51,815			
Due from State Treasury	8,418	774,518	23,981	22,321	451,544
Due from federal government	2,040,837	12,172,721	1,592,359		3,453,784
Inventories	135,425	1,073,431	338	256,054	2,399,670
Prepaid expenses and advances		5,967,393			5,171
Notes receivable		2,258,478		552	
Leases receivable					
Other current assets		2,206,694			
Total current assets	8,796,461	413,795,749	13,636,313	7,031,039	32,329,614
Noncurrent assets:					
Restricted:					
Cash and cash equivalents	5,437,220	141,289,518	1,083,207	381,809	5,067,494
Investments	6,851,630	109,168,039	3,325,701	833,437	3,403,084
Receivables (net)		1,320,319			26,874
Notes receivable		13,282,803		10,489	
Other restricted assets		15,058,767			
Investments					
Lease receivable					
Other noncurrent assets					
Capital assets (net)	96,605,203	1,058,025,018	26,878,468	21,205,609	41,979,360
Total noncurrent assets	108,894,053	1,338,144,464	31,287,376	22,431,344	50,476,812
Total assets	117,690,514	1,751,940,213	44,923,689	29,462,383	82,806,426
DEFERRED OUTFLOW OF RESOURCES					
Deferred amounts on debt refunding		21,618,437			
OPEB-related deferred outflows of resources	105,862	9,846,505	578,031	197,588	3,354,864
Pension-related deferred outflows of resources	9,228,577	125,551,944	4,953,828	4,123,954	19,522,116
Total Deferred outflows of resources	9,334,439	157,016,886	5,531,859	4,321,542	22,876,980
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$127,024,953	\$1,908,957,099	\$50,455,548	\$33,783,925	\$105,683,406

(Continued)

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Service Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$10,032,987	\$36,941,528	\$84,900,520	\$74,562,013		\$184,925,890
Investments	100,239	2,166,152		20,030,551		401,694,149
Receivables (net)	3,676,201	105,551,107	7,564,085	89,925,133		289,524,149
Due from other campuses		90,478,169	4,741	32,515	(\$90,567,240)	
Due from State Treasury	56,445	369,162		889,700		2,596,089
Due from federal government	2,223,269	13,421,817	131,513	4,194,419		39,230,719
Inventories	4,440	1,420,733	1,054,529	334,392		6,679,012
Prepaid expenses and advances	334,515	2,075,599	49,372	229,638		8,661,688
Notes receivable		569,681		251,343		3,080,054
Leases receivable			62,660,716			62,660,716
Other current assets			2,434			2,209,128
Total current assets	<u>16,428,096</u>	<u>252,993,948</u>	<u>156,367,910</u>	<u>190,449,704</u>	<u>(90,567,240)</u>	<u>1,001,261,594</u>
Noncurrent assets:						
Restricted:						
Cash and cash equivalents	280,031		4,662,247	13,635,471		171,836,997
Investments	7,649,092	33,351,782	9,439,697	62,107,339		236,129,801
Receivables (net)						1,347,193
Notes receivable		7,220,849		1,107,807		21,621,948
Other restricted assets			131,608,973			146,667,740
Investments		17,527,881				17,527,881
Lease receivable			3,947,285,426			3,947,285,426
Other noncurrent assets		225,682				225,682
Capital assets (net)	18,180,079	282,809,560	180,025,682	77,382,568		1,803,091,547
Total noncurrent assets	<u>26,109,202</u>	<u>341,135,754</u>	<u>4,273,022,025</u>	<u>154,233,185</u>		<u>6,345,734,215</u>
Total assets	<u>42,537,298</u>	<u>594,129,702</u>	<u>4,429,389,935</u>	<u>344,682,889</u>	<u>(90,567,240)</u>	<u>7,346,995,809</u>
DEFERRED OUTFLOW OF RESOURCES						
Deferred amounts on debt refunding						21,618,437
OPEB-related deferred outflows of resources	581,071	4,160,742	15,366,735	10,643,590		44,834,988
Pension-related deferred outflows of resources	18,715,568	50,230,081	12,895,085	24,417,420		269,638,573
Total Deferred outflows of resources	<u>19,296,639</u>	<u>54,390,823</u>	<u>28,261,820</u>	<u>35,061,010</u>		<u>336,091,998</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$61,833,937</u>	<u>\$648,520,525</u>	<u>\$4,457,651,755</u>	<u>\$379,743,899</u>	<u>(\$90,567,240)</u>	<u>\$7,683,087,807</u>

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Net Position, by University
June 30, 2018**

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	\$533,816	\$47,139,975	\$318,346	\$168,589	\$1,169,803
Due to other campuses		90,355,972			
Due to federal government		10,270			
Amounts held in custody for others		6,839,620	110,343	549,977	50,808
Unearned revenues	898,929	64,047,441	7,586,225	4,603,041	5,958,227
Other liabilities		2,206,694			
Compensated absences payable	216,032	2,965,866	72,513	59,346	771,698
Capital lease obligations		2,835,000			
Notes payable				209,542	
Bonds payable		18,261,851	135,000		
Total current liabilities	1,648,777	234,662,689	8,222,427	5,590,495	7,950,536
Noncurrent liabilities:					
Compensated absences payable	3,185,287	31,900,073	947,482	636,662	8,034,767
Capital lease obligations		13,180,000			
Notes payable				6,337,405	
Bonds payable		377,692,122	3,115,000		
Total OPEB liability	21,170,065	570,262,365	21,697,273	17,878,034	145,933,601
Net pension liability	53,045,989	749,702,147	23,947,887	16,768,063	118,114,657
Unearned revenues (advance lease payments)					
Other noncurrent liabilities	9,836	643,683		31,641	40,336
Total noncurrent liabilities	77,411,177	1,743,380,390	49,707,642	41,651,805	272,123,361
Total liabilities	79,059,954	1,978,043,079	57,930,069	47,242,300	280,073,897
DEFERRED INFLOW OF RESOURCES					
OPEB-related deferred inflows of resources	1,297,909	29,800,174	1,199,226	924,227	7,860,944
Pension-related deferred inflows of resources	7,035,723	53,082,424	1,312,909	1,578,309	11,347,544
Total deferred inflows of resources	8,333,632	82,882,598	2,512,135	2,502,536	19,208,488
NET POSITION					
Net investment in capital assets	96,605,203	667,826,429	23,628,468	14,658,662	41,979,360
Restricted for:					
Nonexpendable	5,964,178	94,482,916	3,316,142	416,102	3,551,580
Expendable	8,967,843	217,630,339	4,592,792	2,378,275	11,541,586
Unrestricted	(71,905,857)	(1,131,908,262)	(41,524,058)	(33,413,950)	(250,671,505)
Total net position	\$39,631,367	(\$151,968,578)	(\$9,986,656)	(\$15,960,911)	(\$193,598,979)
Total liabilities, deferred inflows of resources, and net position	\$127,024,953	\$1,908,957,099	\$50,455,548	\$33,783,925	\$105,683,406

(Concluded)

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Service Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	\$438,358	\$27,870,456	\$16,818,280	\$20,423,884		\$114,881,507
Due to other campuses	31,015	5,584	118,596	56,073	(\$90,567,240)	
Due to federal government		5,191,681				5,201,951
Amounts held in custody for others	663,696	153,756	10,479	50,230	(5,040)	8,423,869
Unearned revenues	3,559,855	7,871,965	176,419,238	1,337,642		272,282,563
Other liabilities			16,663			2,223,357
Compensated absences payable	165,149	1,816,759	646,282	1,090,410		7,804,055
Capital lease obligations				708,333		3,543,333
Notes payable						209,542
Bonds payable		702,088	475,000			19,573,939
Total current liabilities	4,858,073	43,612,289	194,504,538	23,666,572	(90,572,280)	434,144,116
Noncurrent liabilities:						
Compensated absences payable	1,470,054	18,296,240	2,028,984	10,792,347		77,291,896
Capital lease obligations				244,860		13,424,860
Notes payable						6,337,405
Bonds payable		10,695,058	11,576,099			403,078,279
Total OPEB liability	31,342,984	229,865,718	379,116,824	318,429,279		1,735,696,143
Net pension liability	36,686,167	348,685,510	66,093,958	190,373,929		1,603,418,307
Unearned revenues (advance lease payments)			3,406,777,541			3,406,777,541
Other noncurrent liabilities						725,496
Total noncurrent liabilities	69,499,205	607,542,526	3,865,593,406	519,840,415		7,246,749,927
Total liabilities	74,357,278	651,154,815	4,060,097,944	543,506,987	(90,572,280)	7,680,894,043
DEFERRED INFLOW OF RESOURCES						
OPEB-related deferred inflows of resources	1,674,050	12,090,167	19,078,242	16,258,718		90,183,657
Pension-related deferred inflows of resources	11,659,902	23,648,612	28,191,359	41,817,809		179,674,591
Total deferred inflows of resources	13,333,952	35,738,779	47,269,601	58,076,527		269,858,248
NET POSITION						
Net investment in capital assets	18,180,079	272,604,951	168,862,329	76,429,375		1,380,774,856
Restricted:						
Nonexpendable	7,318,936	34,194,210	16,126,321	68,600,862		233,971,247
Expendable	9,161,785	19,423,301	6,931,789	78,593,369		359,221,079
Unrestricted	(60,518,093)	(364,595,531)	158,363,771	(445,463,221)	5,040	(2,241,631,666)
Total net position	(\$25,857,293)	(\$38,373,069)	\$350,284,210	(\$221,839,615)	\$5,040	(\$267,664,484)
Total liabilities, deferred inflows of resources, and net position	\$61,833,937	\$648,520,525	\$4,457,651,755	\$379,743,899	(\$90,567,240)	\$7,683,087,807

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Revenues, Expenses,
and Changes in Net Position, by University
For the Fiscal Year Ended June 30, 2018**

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
OPERATING REVENUES					
Student tuition and fees		\$422,884,848	\$17,232,980	\$9,638,341	
Less scholarship allowances		(83,108,278)	(3,170,149)	(2,545,221)	
Net student tuition and fees		339,776,570	14,062,831	7,093,120	
Federal appropriations					\$12,263,533
Federal grants and contracts	\$19,378,692	76,749,642	188,294	121,566	6,957,169
State and local grants and contracts	1,060,022	36,244,731	602,245	399,457	16,215,471
Nongovernmental grants and contracts	8,021,870	18,619,468	78,236	46,383	5,537,283
Sales and services of educational departments	469,639	22,564,584	206,767	7,067	6,400,892
Hospital income					
Auxiliary enterprise revenues (including revenues pledged to secure debt)	85,293	204,174,037	2,556,116	3,359,679	
Less scholarship allowances		(15,636,010)	(272,814)	(313,985)	
Net auxiliary revenues	85,293	188,538,027	2,283,302	3,045,694	
Other operating revenues	57,830	10,103,355	75,031	56,929	8,806,908
Total operating revenues	29,073,346	692,596,377	17,496,706	10,770,216	56,181,256
OPERATING EXPENSES					
Educational and general:					
Instruction		307,720,694	11,599,516	8,203,987	
Research	30,573,848	137,574,990	14,223	10,359	62,833,596
Public service	1,063,173	29,353,220	5,659	1,452	42,621,871
Academic support	6,726,451	85,874,463	1,917,019	613,967	4,087,654
Student services		29,606,609	2,164,443	1,460,712	
Institutional support	6,570,970	37,580,523	3,122,509	2,496,315	15,899,661
Operations and maintenance of plant	9,042,048	120,833,732	4,236,539	3,273,562	7,171,336
Scholarships and fellowships		41,814,706	4,648,096	3,354,564	96,261
Auxiliary enterprises	102,118	158,224,852	1,873,385	2,673,167	
Hospital					
Total operating expenses	54,078,608	948,583,789	29,581,389	22,088,085	132,710,379
OPERATING INCOME (LOSS)	(25,005,262)	(255,987,412)	(12,084,683)	(11,317,869)	(76,529,123)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	16,276,618	137,809,558	5,115,368	4,870,045	72,404,825
Gifts	2,450,520	65,713,140	366,775	430,519	2,642,012
Federal nonoperating revenues (expenses)		25,612,779	6,073,470	5,046,692	(1,416,525)
Net investment income	322,605	341,821	194,036	30,154	645,877
Interest expense		(13,953,596)	(179,575)	(323,472)	
Other nonoperating revenues	169,043	2,420,975	62,894	44,117	398,157
Net nonoperating revenues (expenses)	19,218,786	217,944,677	11,632,968	10,098,055	74,674,346

(Continued)

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
OPERATING REVENUES						
Student tuition and fees	\$38,415,036	\$58,684,545		\$21,395,756		\$568,251,506
Less scholarship allowances	(5,277,340)	(4,129,272)		(1,546,232)		(99,776,492)
Net student tuition and fees	33,137,696	54,555,273		19,849,524		468,475,014
Federal appropriations						12,263,533
Federal grants and contracts	454,763	36,008,851		11,906,855	(\$807,928)	150,957,904
State and local grants and contracts	706,662	11,575,907		3,930,845	(2,071,386)	68,663,954
Nongovernmental grants and contracts	9,019	273,388,720		196,466,968	(74,456)	502,093,491
Sales and services of educational departments	349,545	138,171,355		13,605,770	(23,093)	181,752,526
Hospital income			\$74,762,119	(1,174,170)	(521,631)	73,066,318
Auxiliary enterprise revenues (including revenues pledged to secure debt)	2,881,746	8,391,068		1,401,849	(1,002)	222,848,786
Less scholarship allowances	(183,587)					(16,406,396)
Net auxiliary revenues	2,698,159	8,391,068		1,401,849	(1,002)	206,442,390
Other operating revenues	892,216	2,169,260		1,244,099		23,405,628
Total operating revenues	38,248,060	524,260,434	74,762,119	247,231,740	(3,499,496)	1,687,120,758
OPERATING EXPENSES						
Educational and general:						
Instruction	25,666,671	196,713,129		43,874,104	(367,234)	593,410,867
Research	624,978	35,759,542		34,011,562	(2,129,778)	299,273,320
Public service	865,275	242,558,383		54,182,142	(360,913)	370,290,262
Academic support	3,981,440	20,172,192		131,084,281	(2,823)	254,454,644
Student services	3,433,301	6,653,079		1,469,669	(5,040)	44,782,773
Institutional support	5,817,644	34,862,102		7,751,231	(89,591)	114,011,364
Operations and maintenance of plant	4,312,899	39,347,348		4,686,386		192,903,850
Scholarships and fellowships	1,711,215	2,747,285		1,071,262		55,443,389
Auxiliary enterprises	3,028,592	7,992,942		1,016,509		174,911,565
Hospital			112,397,779	58,259,758	(549,157)	170,108,380
Total operating expenses	49,442,015	586,806,002	112,397,779	337,406,904	(3,504,536)	2,269,590,414
OPERATING INCOME (LOSS)	(11,193,955)	(62,545,568)	(37,635,660)	(90,175,164)	5,040	(582,469,656)
NONOPERATING REVENUES (EXPENSES)						
State appropriations	8,245,429	82,568,514	28,447,326	65,529,378		421,267,061
Gifts	1,150,634	1,798,340		29,890		74,581,830
Federal nonoperating revenues (expenses)	4,723,991	2,795,986	1,270,356	78,804		44,185,553
Net investment income	519,778	2,979,880	1,377,939	2,763,404		9,175,494
Interest expense		(504,698)	(434,436)	(80,943)		(15,476,720)
Other nonoperating revenues	113,164	3,356,745	69,010,509	15,530,336		91,105,940
Net nonoperating revenues (expenses)	14,752,996	92,994,767	99,671,694	83,850,869		624,839,158

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses,
and Changes in Net Position, by University
June 30, 2018**

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	(\$5,786,476)	(\$38,042,735)	(\$451,715)	(\$1,219,814)	(\$1,854,777)
Capital appropriations	866,646	12,731,540			
Capital gifts and grants	620,653	9,116,169		100,000	301,027
Additions to permanent endowment		3,473,724			
Other additions (deductions)	(114,318)	2,869,232	(48,728)	(5,348)	(24,747)
CHANGE IN NET POSITION	(4,413,495)	(9,852,070)	(500,443)	(1,125,162)	(1,578,497)
NET POSITION - BEGINNING OF YEAR (Restated)	44,044,862	(142,116,508)	(9,486,213)	(14,835,749)	(192,020,482)
NET POSITION - END OF YEAR	<u>\$39,631,367</u>	<u>(\$151,968,578)</u>	<u>(\$9,986,656)</u>	<u>(\$15,960,911)</u>	<u>(\$193,598,979)</u>

(Concluded)

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
INCOME (Loss) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	\$3,559,041	\$30,449,199	\$62,036,034	(\$6,324,295)	\$5,040	\$42,369,502
Capital appropriations		13,094,151	11,637,555	4,548,742		42,878,634
Capital gifts and grants		65,120	816,336	39,519		11,058,824
Additions to permanent endowment		840,000		410,000		4,723,724
Other additions (deductions)				70,667		2,746,758
CHANGE IN NET POSITION	3,559,041	44,448,470	74,489,925	(1,255,367)	5,040	103,777,442
NET POSITION - BEGINNING OF YEAR (Restated)	(29,416,334)	(82,821,539)	275,794,285	(220,584,248)		(371,441,926)
NET POSITION- END OF YEAR	<u>(\$25,857,293)</u>	<u>(\$38,373,069)</u>	<u>\$350,284,210</u>	<u>(\$221,839,615)</u>	<u>\$5,040</u>	<u>(\$267,664,484)</u>

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2018

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
CASH FLOWS FROM OPERATING ACTIVITIES:					
Tuition and fees		\$341,335,359	\$13,804,193	\$6,349,179	
Federal appropriations					\$11,326,777
Grants and contracts	\$29,841,717	141,594,127	834,794	660,586	30,880,744
Sales and services of educational departments	469,639	22,565,877	211,837	7,067	6,384,150
Hospital income					
Auxiliary enterprise receipts	85,410	189,421,285	2,287,135	3,529,632	
Payments for employee compensation	(25,833,641)	(413,705,990)	(12,217,616)	(8,624,063)	(64,623,985)
Payments for benefits	(10,032,848)	(148,468,370)	(5,382,982)	(4,153,610)	(31,967,726)
Payments for utilities	(1,845,684)	(19,374,874)	(897,002)	(472,976)	(2,248,622)
Payments for supplies and services	(12,721,785)	(270,451,563)	(5,077,913)	(4,943,924)	(32,914,602)
Payments for scholarships and fellowships		(41,986,146)	(4,648,096)	(3,354,564)	(96,261)
Loans to students		(1,789,296)	(1,484,503)	37,593	
Collection of loans to students		2,243,077			
Other receipts (payments)	56,010	22,778,767	77,669	45,894	8,784,713
Net cash used by operating activities	(19,981,182)	(175,837,747)	(12,492,484)	(10,919,186)	(74,474,812)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
State appropriations	16,276,817	137,827,901	5,115,936	4,870,045	72,464,318
Gifts and grants for other than capital purposes	2,459,884	65,178,762	392,725	388,660	1,796,105
Private gifts for endowment purposes	114,318	1,593,724			
TOPS receipts		100,619,456	2,565,703	1,412,496	
TOPS disbursements		(100,619,456)	(2,565,703)	(1,412,496)	
FEMA receipts		242,257			273,144
FEMA disbursements		12,365			(296,714)
ARRA receipts					
Direct lending receipts		145,433,098	10,962,370	6,216,486	
Direct lending disbursements		(145,433,098)	(10,962,370)	(6,216,486)	
Implicit loan to/from other campuses		876,337			
Other receipts		25,917,726	6,073,470	5,046,692	86,874
Net cash provided by noncapital financing activities	18,851,019	231,649,072	11,582,131	10,305,397	74,323,727
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Capital gifts and grants received	615,471	5,131,119	34,702	100,000	736,569
Purchase of capital assets	(1,214,751)	(38,055,324)	(226,790)	(158,922)	(2,245,735)
Principal paid on capital debt and leases		(20,596,761)	(125,000)	(310,520)	
Interest paid on capital debt and leases		(12,828,223)	(179,575)	(323,472)	
Bond issuance cost					
Other sources (uses)	(114,318)	2,869,232	(48,728)	(5,348)	(24,747)
Net cash used by capital financing activities	(713,598)	(63,479,957)	(545,391)	(698,262)	(1,533,913)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments		410,071,419			
Interest received on investments	228,697	18,147,966	157,224	48,758	650,551
Purchase of investments		(354,952,851)		(2,920)	
Net cash provided by investing activities	228,697	73,266,534	157,224	45,838	650,551

(Continued)

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Tuition and fees	\$34,919,717	\$55,008,877		\$18,661,627		\$470,078,952
Federal appropriations						11,326,777
Grants and contracts	1,294,874	300,049,711		219,780,488	(\$2,953,770)	721,983,271
Sales and services of educational departments	350,203	142,512,851		13,841,674	(23,093)	186,320,205
Hospital income			\$77,517,152	53,110,160	(521,631)	130,105,681
Auxiliary enterprise receipts	1,435,473	8,866,898		1,399,119	(1,002)	207,023,950
Payments for employee compensation	(20,405,139)	(307,508,998)	(23,793,564)	(187,913,794)		(1,064,626,790)
Payments for benefits	(8,712,057)	(70,099,747)	(29,074,942)	(50,766,559)		(358,658,841)
Payments for utilities	(817,869)	(12,300,290)	(780,792)	(8,619,105)		(47,357,214)
Payments for supplies and services	(16,767,033)	(184,627,104)	(50,135,607)	(127,234,753)	3,504,536	(701,369,748)
Payments for scholarships and fellowships	(1,619,650)	(2,332,031)		(1,071,262)		(55,108,010)
Loans to students	393,716	(293,021)				(3,135,511)
Collection of loans to students		1,588,098		219,756		4,050,931
Other receipts (payments)	7,846,235	2,114,914		1,250,428	(5,040)	42,949,590
Net cash used by operating activities	(2,081,530)	(67,019,842)	(26,267,753)	(67,342,221)		(456,416,757)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
State appropriations	8,246,766	84,280,875	28,826,984	65,547,961		423,457,603
Gifts and grants for other than capital purposes	1,206,305	4,594,326		29,890		76,046,657
Private gifts for endowment purposes		840,000		410,000		2,958,042
TOPS receipts	3,036,572	1,982,108		180,180		109,796,515
TOPS disbursements	(3,036,572)	(2,012,813)		(180,180)		(109,827,220)
FEMA receipts			1,932,757			2,448,158
FEMA disbursements			(743,497)			(1,027,846)
ARRA receipts			81,096			81,096
Direct lending receipts	34,512,608	61,713,336		23,622,515		282,460,413
Direct lending disbursements	(34,512,608)	(61,465,924)		(23,622,515)		(282,213,001)
Implicit loan to/from other campuses	(876,337)					
Other receipts	4,723,991	2,315,299	1,408,676	15,078,804		60,651,532
Net cash provided by noncapital financing activities	13,300,725	92,247,207	31,506,016	81,066,655		564,831,949
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Capital gifts and grants received						6,617,861
Purchase of capital assets	(1,034,842)	(14,910,565)	(4,293,195)	(9,369,135)		(71,509,259)
Principal paid on capital debt and leases		(677,088)	(927,325)	(670,599)		(23,307,293)
Interest paid on capital debt and leases		(486,556)	(415,512)	(80,943)		(14,314,281)
Bond issuance cost			(500)			(500)
Other sources (uses)		(21,541)		375,000		3,029,550
Net cash used by capital financing activities	(1,034,842)	(16,095,750)	(5,636,532)	(9,745,677)		(99,483,922)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sales and maturities of investments		7,971,377	6,189	16,438,007		434,486,992
Interest received on investments	128,665	4,703,436	1,377,939	2,815,998		28,259,234
Purchase of investments		(11,297,764)		(10,365,503)		(376,619,038)
Net cash provided by investing activities	128,665	1,377,049	1,384,128	8,888,502		86,127,188

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2018

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(\$1,615,064)	\$65,597,902	(\$1,298,520)	(\$1,266,213)	(\$1,034,447)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR - RESTATED	12,194,617	30,372,955	3,095,813	1,815,375	23,885,672
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$10,579,553	\$95,970,857	\$1,797,293	\$549,162	\$22,851,225
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:					
Operating loss	(\$25,005,262)	(\$255,987,412)	(\$12,084,683)	(\$11,317,869)	(\$76,529,123)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	5,655,634	56,397,161	1,376,681	1,177,358	3,943,688
Non-Employer contributing entity revenue	169,043	2,241,718	62,894	44,117	311,283
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
(Increase) decrease in accounts receivable, net	2,586,468	4,810,356	(1,924,292)	(886,839)	983,086
(Increase) decrease in inventories	17,691	36,101	(208)	(10,458)	471,737
(Increase) decrease in prepaid expenses and other		445,908		3,450	1,550
(Increase) decrease in notes receivable		553,185			
(Increase) decrease in deferred outflows related to OPEB	106,379	(1,360,354)	42,999	(52,881)	(870,430)
(Increase) decrease deferred outflows related to pensions	1,172,256	62,326,226	800,175	(615,712)	9,779,572
(Increase) decrease in other assets		(200,934)			
Increase (decrease) in accounts payable and accrued liabilities	162,227	2,780,034	17,170	(278,189)	(937,786)
Increase (decrease) in unearned revenue	(1,247,370)	8,082,834	179,059	279,245	243,961
Increase (decrease) in amounts held in custody for others		1,432,616	(5,129)	467,428	4,690
Increase (decrease) in compensated absences	120,231	1,411,959	107,079	139,351	286,644
Increase (decrease) in OPEB liability	(371,532)	(18,436,147)	(601,409)	(486,281)	(5,328,321)
Increase (decrease) in net pension liability	(4,339,627)	(104,512,574)	(1,957,462)	(156,901)	(16,931,512)
Increase (decrease) in deferred inflows related to OPEB	1,297,909	29,800,174	1,199,226	924,227	7,860,944
Increase (decrease) in deferred inflows related to pensions	(310,854)	21,996,464	295,416	(149,232)	2,205,315
Increase (decrease) in other liabilities	5,625	12,344,938			29,890
Net cash used by operating activities	(\$19,981,182)	(\$175,837,747)	(\$12,492,484)	(\$10,919,186)	(\$74,474,812)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:					
Cash and cash equivalents classified as current assets	\$5,142,333	(\$45,318,661)	\$714,086	\$167,353	\$17,783,731
Cash and cash equivalents classified as noncurrent assets	5,437,220	141,289,518	1,083,207	381,809	5,067,494
Cash and cash equivalents at end of the year	\$10,579,553	\$95,970,857	\$1,797,293	\$549,162	\$22,851,225
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Capital appropriations	\$866,646	\$12,731,540			
Amortized borrowing expense					
Increase (Decrease) in fair market value of assets	93,908	(19,063,422)	(\$198,162)	(\$23,646)	(\$204,224)
Non-Employer contributing entity revenue	169,043	2,241,718	62,894	44,117	311,283
Capital gifts and grants		5,643,197			
Transfers/disposal of capital assets		(76,332)			29,309
	\$1,129,597	\$1,476,701	(\$135,268)	\$20,471	\$136,368

(Concluded)

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$10,313,018	\$10,508,664	\$985,859	\$12,867,259		\$95,058,458
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR - RESTATED		26,432,864	88,576,908	75,330,225		261,704,429
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$10,313,018	\$36,941,528	\$89,562,767	\$88,197,484		\$356,762,887
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:						
Operating loss	(\$11,193,955)	(\$62,545,568)	(\$37,635,660)	(\$90,175,164)	\$5,040	(\$582,469,656)
Adjustments to reconcile operating loss to net cash used by operating activities:						
Depreciation expense	1,494,019	23,847,540	26,453,465	17,478,965		137,824,511
Non-Employer contributing entity revenue	113,164	1,041,443	61,774	530,336		4,575,772
Changes in assets, deferred outflows, liabilities, and deferred inflows:						
(Increase) decrease in accounts receivable, net	(787,302)	(22,701,839)	2,797,732	33,020,600		17,897,970
(Increase) decrease in inventories	1,139,362	189,827	48,564	39,480		1,932,096
(Increase) decrease in prepaid expenses and other	(241,163)	1,877,304	(6,714)	(71,762)		2,008,573
(Increase) decrease in notes receivable		1,295,073		193,800		2,042,058
(Increase) decrease in deferred outflows related to OPEB	(108,321)	(63,925)	(2,805,223)	(1,524,559)		(6,636,315)
(Increase) decrease deferred outflows related to pensions	(11,353,840)	28,523,051	8,913,683	15,421,359		114,966,770
(Increase) in other assets	6,098,528	129,137	(454)			6,026,277
Increase (decrease) in accounts payable and accrued liabilities	(101,637)	(2,396,189)	1,210,955	1,878,124		2,334,709
Increase (decrease) in unearned revenue	2,316,780	491,338		(892,484)		9,453,363
Increase (decrease) in amounts held in custody for others	419,012	(54,346)	126	6,330	(5,040)	2,265,687
Increase (decrease) in compensated absences	90,423	644,998	(52,506)	745,165		3,493,344
Increase (decrease) in OPEB liability	(1,033,948)	(8,493,332)	(19,240,094)	(14,162,416)		(68,153,480)
Increase (decrease) in net pension liability	10,948,061	(50,772,209)	(19,496,701)	(34,708,613)		(221,927,538)
Increase (decrease) in deferred inflows related to OPEB	1,674,050	12,090,167	19,078,242	16,258,718		90,183,657
Increase (decrease) in deferred inflows related to pensions	(1,492,823)	9,272,744	(5,594,942)	(11,380,100)		14,841,988
Increase (decrease) in other liabilities	(61,940)	604,944				12,923,457
Net cash used by operating activities	(\$2,081,530)	(\$67,019,842)	(\$26,267,753)	(\$67,342,221)		(\$456,416,757)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:						
Cash and cash equivalents classified as current assets	\$10,032,987	\$36,941,528	\$84,900,520	\$74,562,013		\$184,925,890
Cash and cash equivalents classified as noncurrent assets	280,031		4,662,247	13,635,471		171,836,997
Cash and cash equivalents at end of the year	\$10,313,018	\$36,941,528	\$89,562,767	\$88,197,484		\$356,762,887
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital appropriations		\$13,094,151	\$11,637,555	\$4,548,742		\$42,878,634
Amortized borrowing expense			(19,308)			(19,308)
Increase (Decrease) in fair market value of assets	\$391,099	1,571,029	(3,516)	(50,553)		(17,487,487)
Non-Employer contributing entity revenue	113,164	1,041,443	61,774	530,336		4,575,772
Capital gifts and grants		65,120	816,336	39,519		6,564,172
Transfers/disposal of capital assets			(308,206)	304,333		(50,896)
	\$504,263	\$15,771,743	\$12,184,635	\$5,372,377		\$36,460,887

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. The report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 18, 2020

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

Independent Auditor's Report

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component units of the Louisiana State University System (System), a component unit of the state of Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated February 18, 2020. Our report was modified to include emphasis of matter paragraphs regarding actuarial assumptions and accounting changes.

Our report includes a reference to other auditors who audited 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 Health Care Services Foundation and its subsidiary; and the Stephenson Technologies Corporation, which are nonprofit corporations included as blended component units in the basic financial statements of the System. Other auditors also audited the financial statements of the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Foundation in Shreveport, which are discretely presented component units in the basic financial statements of the System as described in our report on the System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Stephenson Technologies Corporation, the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Foundation in Shreveport, which were audited by other auditors, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 Health Care Services Foundation and its subsidiary; and the Stephenson Technologies Corporation, which are blended component units included in the System's basic financial statements for the year ended June 30, 2019. In addition, other external auditors audited the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Foundation in Shreveport, which are discretely presented component units included in the basic financial statements of the System. To obtain copies of those reports, refer to note 1-B of the basic financial statements for mailing addresses.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Thomas H. Cole". The signature is written in a cursive style with a large, stylized "C" at the end.

Thomas H. Cole, CPA
First Assistant Legislative Auditor

REW:JPT:BH:EFS:aa

LSU 2019