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

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2018
ISSUED FEBRUARY 11, 2019

LOUISIANA LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 23, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries; the Eunice Student Housing Foundation, Inc.; the Health Care Services Foundation and its subsidiary; the LSU Health Sciences Center – Shreveport Faculty Group Practice; and the Stephenson Technologies Corporation, which are nonprofit corporations included as blended component units in the basic financial statements representing approximately 1.19%, 0.55%, 8.62%, and 9.01% of total assets, liabilities, revenues, and expenses, respectively. We also did not audit the financial statements of the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Foundation in Shreveport, or the LSU Health Foundation, New Orleans, 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.

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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, 2018, 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 $1,603,418,307 at June 30, 2018, 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, 2018, could be under or overstated.

Our opinion is not modified with respect to this matter.

Total Other Postemployment Benefits Liability

As discussed in note 1-S and note 8 to the financial statements, the System implemented Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – superseding portions of GASB Statement No. 45 and GASB Statement No. 57, for the year ended June 30, 2018. The adoption of these standards required the System to record its proportionate share of total other postemployment benefits related to its participation in other postemployment benefit plans, restating the previous year. As a result of the implementation, the System's net position decreased by $774,332,139 as of July 1. 2017.

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 19, the Schedule of Proportionate Share of the Total OPEB Liability on page 91, the Schedule of the Proportionate Share of the Net Pension Liabilities of Cost Sharing Defined Benefit Pension Plans on page 92, and the Schedule of the Contributions to Cost Sharing Defined Benefit Pension Plans on page 93 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 97 through 108 for the year ended June 30, 2018, 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, 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.

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, 2017 (not presented herein), and have issued our report thereon dated February 28, 2018, 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 109 through 120 for the year ended June 30, 2017, 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 2017 financial statements. The combining schedules for the fiscal year ended June 30, 2017, have been subjected to the auditing procedures applied in the audit of the 2017 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, 2017, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole for the year ended, June 30, 2017.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2019, 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,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

REW:JPT:BH:EFS:aa

LSU 2018

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, 2018. 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 four foundations that will be discretely presented in its financial statements. These are the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Foundation, New Orleans, and the LSU Health Sciences Foundation in Shreveport. The financial data of each of these foundations is presented separately in a Statement of Financial Position and a Statement of Activities. Additional information about the foundations is contained in the notes to the financial statements.

BACKGROUND

The System is the state's flagship system. It is also one of the most diverse and comprehensive higher education systems in the country. Headcount enrollment during the fall 2017 semester was 47,577, which was an increase from the 46,548 reported in the previous year.

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

The System also encompasses specialized campuses including the Pennington Biomedical Research Center, which specializes in nutrition research and preventive medicine, and the LSU Agricultural Center, which plays a vital and integral role in supporting 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 its hospital 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 decreased from the prior fiscal year by approximately $38.3 million, while operating expenses increased by approximately $111.1 million, thereby increasing the operating loss by $149.5 million. The operating loss for fiscal year 2018 was $582.5 million; the operating loss for fiscal 2017 (restated) was $433.0 million.

An overall decrease in operating revenue of $38.3 million is a result of increases and decreases in several different revenue sources. The increases primarily occurred in non-governmental grants and contracts revenue, primarily because of increases in fair market value of contracts for LSU Health Science Center New Orleans and the establishment of a Faculty Group Practice at LSU Health Science Center Shreveport which experienced a full year of operations in 2018. The effects of this higher revenue were outpaced by decreases in sales and services revenue to educational departments due, in part, to the transitioning of that same revenue to the aforementioned Facility Group Practice, patient account adjustments and lower Medicaid billings. Hospital revenue also decreased due to large adjustments of amounts due from UCC upon submission of costs reports with the Louisiana Department 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 expansion of on-line educational programs and increased supplies and services costs (2) increased academic support costs due, in part, to expense related to the LSU Health Sciences Center in Shreveport’s contract with the Faculty Group Practice for Shreveport, (3) an increase in plant operations at LSU A&M due to higher depreciation and deferred maintenance costs, (4) an increase in hospital expenses for LSU Health Science Center Shreveport and (5) increases in virtually all functional expense categories for pension and other retirement benefit costs recognized in accordance with GASB Statements No. 68 and 75. These functional expense increases are offset by decreases in research and institutional support costs.

If you include non-operating revenues and expenses, the System shows income before other revenues, expenses, gains, and losses of $42.4 million for fiscal year 2017-2018. This represents a change from the $34.8 million gain posted in the previous year. The gain before other revenues, expenses, gains, and losses can be attributed to consistent operating revenues and increased, yet controlled operating expenses. Also contributing to this increased gain was an increase in non-operating revenue over expenses of $157.1 million as a result previously unearned lease payments related to the privatization of the public hospitals that were operated by the System and non-cash donations of non-capital buildings, land improvements, software, supplies and equipment.

Other revenues, expenses, gains and losses which include non-recurring items such as capital appropriations and gifts were $61.4 million in 2018 compared to $113.9 million in 2017. The decrease of $52.5 million was attributable to several significant capital projects being funded in 2017 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 financial position improved by $103.8 million over 2017. However, despite the improvement, the System is in a deficit net position due its liabilities and deferred inflows exceeding its assets and deferred outflows, as demonstrated on the Statement of Net Position on page 12. This condition is, in large part, attributable to pension and post-employment healthcare liabilities.

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.

> <u>Net investment in capital assets</u> 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.
>
> <u>Restricted net position</u> represents the System's assets that are available for spending only as legally or contractually obligated by legislative requirements, donor agreements, grant requirements, etc.
>
> <u>Unrestricted net position</u> 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 $1.0 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 $336.1 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 $434.1 million and consist mainly of accounts payable and accrued liabilities, unearned revenues, the current portion of bonds payable, amounts held in custody for others, and a contingent amount for uncompensated absences.

Noncurrent assets total $6.3 billion and include capital assets of $1.8 billion and leases receivable of $3.9 billion. Other noncurrent assets totaling $.6 billion primarily include cash and investments that are externally restricted to certain programs and/or to make debt service payments or to maintain sinking or reserve funds, as well as other restricted assets. Noncurrent liabilities total $7.2 billion and include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; (3) the other postemployment benefits liability; (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 $269.9 million and also consist primarily of deferred inflows related to changes in the net pension liability and deferred inflows related to changes in the other post-employment benefits liability.

Restricted nonexpendable net position totals $233.9 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 $359.2 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, 2018, and June 30, 2017 (restated), follows.

Louisiana State University System Statement of Net Position

	As of June 30, 2018	As of June 30, 2017 (Restated)	Change	Percentage Change
Assets:				
Current assets	$ 1,001,261,594	$ 942,911,542	$ 58,350,052	6.2%
Capital and intangible assets	1,803,091,547	1,832,927,277	(29,835,730)	(1.6%)
Other assets	4,542,642,668	5,117,007,444	(574,364,776)	(11.2%)
Total Assets	7,346,995,809	7,892,846,263	(545,850,454)	(6.9%)
Deferred Outflows of Resources:				
Deferred amounts on debt refunding	21,618,437	22,743,811	(1,125,374)	(4.9%)
OPEB-related deferred outflows of resources	44,834,988	38,198,673	6,636,315	17.4%
Deferred outflows related to pensions	269,638,573	384,605,343	(114,966,770)	(29.9%)
Total Deferred Outflows of Resources	336,091,998	445,547,827	(109,455,829)	(24.6%)
Total Assets and Deferred Outflows of Resources	7,683,087,807	8,338,394,090	(655,306,283)	(7.9%)
Liabilities:				
Current liabilities	434,144,116	413,129,392	21,014,724	5.1%
Noncurrent liabilities	7,246,749,927	8,131,874,021	(885,124,094)	(10.9%)
Total Liabilities	7,680,894,043	8,545,003,413	(864,109,370)	(10.1%)
Deferred Inflows of Resources:				
OPEB-related deferred inflows of resources	90,183,657	-	90,183,657	100%
Deferred inflows related to pensions	179,674,591	164,832,603	14,841,988	9.0%
Total Deferred Inflows of Resources	269,858,248	164,832,603	105,025,645	63.7%
Total Liabilities and Deferred Inflows of Resources	$ 7,950,752,291	$ 8,709,836,016	$ (759,083,725)	(8.7%)
Net Position:				
Net investment in capital assets	$ 1,380,774,856	$ 1,400,206,525	$ (19,431,669)	(1.4%)
Restricted - nonexpendable	233,971,247	232,983,798	987,449	0.4%
Restricted - expendable	359,221,079	345,513,741	13,707,338	4.0%
Unrestricted	(2,241,631,666)	(2,350,145,990)	108,514,324	4.6%
Total Net Position	$ (267,664,484)	$ (371,441,926)	$ 103,777,442	27.9%

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, 2018, for the System indicates a net operating loss of $582.5 million determined without including State appropriations, gifts, or investment earnings and before subtracting interest expenses on debt. As mentioned earlier, the net operating loss increased from the prior year by $149.5 million.

Operating revenues decreased by $38.3 million and operating expenses increased by $111.1 million thereby increasing the net operating loss. Major changes in operating revenues and operating expenses are identified in the financial highlights section above.

After including non-operating revenues such as State appropriations ($421.3 million), gifts ($74.6 million), federal non-operating revenues ($44.2 million), investment income ($9.2 million), and other non-operating revenues ($91.1 million), and after subtracting interest expense ($15.5 million), the System had a gain before other revenues, expenses, gains, and losses of $42.4 million.

The following table summarizes the System's operating revenues for the year ending June 30, 2018 with comparative totals for the year ended June 30, 2017.

Louisiana State University System Operating Revenues

	As of			
	June 30, 2018	June 30, 2017 (Restated)	Change	Percentage Change
Tuition and fees, net	$ 468,475,014	$ 461,550,962	$ 6,924,052	1.5%
Federal appropriations	12,263,533	9,758,657	2,504,876	25.7%
Grants and contracts	721,715,349	695,999,091	25,716,258	3.7%
Sales and services of educational departments	181,752,526	192,819,415	(11,066,889)	(5.7%)
Auxiliary enterprises, net	206,442,390	211,572,592	(5,130,202)	(2.4%)
Hospital income	73,066,318	132,909,286	(59,842,968)	(45.0%)
Other	23,405,628	20,852,446	2,553,182	12.2%
Total operating revenues	$ 1,687,120,758	$ 1,725,462,449	$ (38,341,691)	(2.2%)

Operating Revenues

Operating revenues for the System totaled $1.7 billion at June 30, 2018. Major components of operating revenues are grants and contracts, representing 42.8% of the total; net tuition and fees, representing 27.8% of the total; auxiliary revenues, representing 12.2% of the total; sales and services of educational departments, representing 10.8% of the total; and hospital income, representing 4.3%.

For 2018, net tuition and fee revenue increased slightly due to a large increase in enrollment at LSU Shreveport due to their on-line graduate programs. Non-governmental grants and contracts revenue increased, primarily because of increases in fair market value of contracts for LSU Health Science Center New Orleans and the establishment of a Faculty Group Practice at LSU Health Science Center Shreveport which experienced a full year of operations in 2018. However, the effects of this higher revenue were outpaced by decreases in sales and services revenue to educational departments due, in part, to the transitioning of that same revenue to the aforementioned Facility Group Practice, patient account adjustments and lower Medicaid billings. Hospital revenue also decreased due to large adjustments of amounts due from UCC upon submission of costs reports to the Louisiana Department of Health.

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			
	June 30, 2018	June 30, 2017 (restated)	Change	Percentage Change
Operating revenues	$ 1,687,120,758	$ 1,725,462,449	$ (38,341,691)	(2.2%)
Operating expenses	2,269,590,414	2,158,441,596	111,148,818	5.1%
Operating loss	(582,469,656)	(432,979,147)	(149,490,509)	34.5%
Nonoperating revenues (expenses)	624,839,158	467,729,955	157,109,203	33.6%
Income before other revenues, expenses, gains, and losses	42,369,502	34,750,808	7,618,694	21.9%
Other revenues, expenses, gains, and losses	61,407,940	113,892,381	(52,484,441)	(46.1%)
Change in net position	103,777,442	148,643,189	(44,865,747)	(30.2%)
Net position at beginning of year - restated	(371,441,926)	254,247,024	(625,688,950)	(246.1%)
Cummulative effect of change in accounting principle	-	(774,332,139)	774,332,139	100.0%
Net position at end of year	$ (267,664,484)	$ (371,441,926)	$ 103,777,442	27.9%

Operating Expenses

Total operating expenses for the System amounted to approximately $2.3 billion for the year ended June 30, 2018. Instruction expenses represented 26.1% of all operating expenses and represented the largest functional component. Other major components are research expenses, 13.2%; public service expenses, 16.3%; and academic support, 11.2%. Shown below in tabular format is a summary of the System's operating expenses for the fiscal year ended June 30, 2018, with comparative totals for the year ended June 30, 2017.

Louisiana State University System Operating Expenses

	As of			
	June 30, 2018	June 30, 2017 (restated)	Change	Percentage Change
Instruction	$ 593,410,867	$ 560,357,377	$ 33,053,490	5.9%
Research	299,273,320	319,490,408	(20,217,088)	(6.3%)
Public service	370,290,262	369,959,254	331,008	0.1%
Academic support	254,454,644	212,945,064	41,509,580	19.5%
Student services	44,782,773	39,961,821	4,820,952	12.1%
Institutional support	114,011,364	127,510,263	(13,498,899)	(10.6%)
Operation and maintenance of plant	192,903,850	167,523,276	25,380,574	15.2%
Scholarships and fellowships	55,443,389	55,986,473	(543,084)	(1.0%)
Auxiliary enterprises	174,911,565	176,046,107	(1,134,542)	(0.6%)
Hospital	170,108,380	128,661,553	41,446,827	32.2%
Total operating expenses	$ 2,269,590,414	$ 2,158,441,596	$ 111,148,818	5.1%

CHANGE IN ACCOUNTING PRINCIPLE

The System adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year ended June 30, 2018.

The implementation of this standard resulted in the reversal of the Net Other Post-Employment Obligation of $991,318,811 previously reported under GASB Statement 45 as of June 30, 2017 and replacing it with the Total Other Post Employment Benefit (OPEB) Liability of $1,803,849,623. This increase in liability, along with the recording of associated deferred outflows of resources and deferred inflows of resources had the effect of reducing the net position of the System by $774,332,139 as of June 30, 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2018, the System had $1.8 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 $2.4 billion (see the following table).

Louisiana State University System Capital Asset Summary

	As of			
	June 30, 2018	June 30, 2017 (restated)	Change	Percentage Change
Land and Non-depreciable Easements	$ 80,826,363	$ 72,498,419	$ 8,327,944	11.5%
Other Capital Assets:				
Buildings and Improvements	2,826,580,019	2,551,126,496	275,453,523	10.8%
Machinery and Equipment	1,159,753,379	1,167,913,244	(8,159,865)	(0.7%)
Infrastructure	44,257,598	43,520,600	736,998	1.7%
Intangible Assets	91,336,824	91,804,478	(467,654)	(0.5%)
Construction/Development in Progress	24,050,991	238,064,101	(214,013,110)	(89.9%)
Total cost of capital assets	4,226,805,174	4,164,927,338	61,877,836	1.5%
Less accumulated depreciation and amortization	(2,423,713,627)	(2,332,000,061)	(91,713,566)	3.9%
Capital assets, net	$1,803,091,547	$1,832,927,277	$ (29,835,730)	(1.6%)

Land and Non-depreciable Easements total $80.8 million, while other capital assets net of accumulated depreciation total $1.7 billion at June 30, 2018. The overall net decrease in capital assets of $29.8 million is largely a result of depreciation expense.

Major capital additions during 2018 included the Dental School Clinic building (13 million), renovations to the Patrick Taylor Engineering building (13.2 million), University Recreation Center expansion (5.9 million), and land acquisition for the Academic Medical Center of New Orleans (7 million).

Long-Term Debt

At June 30, 2018, the System had $422.7 million in bonds outstanding, $6.5 million in notes payable outstanding, $85.1 million in compensated absence liabilities, $17 million in capital lease obligations outstanding, $1.7 billion in OPEB obligations, $1.6 billion in pension obligations, and $3.5 billion in unearned revenue. Bonds outstanding decreased $19.2 million from June 30, 2017, mainly due to regular principal payments being made according to schedule.

The OPEB liability decreased by approximately $68 million from the restated amount as of June 30, 2017 largely due to a change in the assumptions used in estimating the cost of future benefits. The net pension liability also decreased, approximately $222 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.

Unearned revenue decreased by $574 million due recognition of revenue related to hospital facility lease arrangements over the life of the respective agreements.

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 2018-19 state's general appropriation bill during the 2018 Second Extraordinary Session. The budget (House Bill 1) contained contingency language stating the areas of the budget that must be reduced if additional revenue was not generated to fund them. The Legislature raised the additional revenue through the renewal of sales taxes and reduction in exemptions during the 2018 Third Extraordinary Session that provided the necessary revenues to allocate stable funding to public higher education institutions across the state. Although the FY 2018-19 state appropriation level at LSU remained the same as the previous fiscal year, since FY 2008-09 state general fund support to LSU, including the SELF statutory dedicated fund, has been cut over 53% or $141 million, from $265 million to $124 million during this period. Cuts to LSU's state appropriated funds combined with annual increases in state unfunded mandates have materially eroded the financial resources supporting LSU's core missions. 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 through FY 2019-20. In the event of reductions in state general fund appropriations to universities or increases in fixed costs, the fee authority provides one mechanism to compensate for the reduction or cost increases. The fees for LSU were approved by the LSU Board of Supervisors for fiscal year 2018-19 increasing student costs by approximately 5 percent of the total tuition and fee amounts of 2017-18. The increase amounted to $282 per semester and is expected to net $11.5 million in revenue to the main campus during the fiscal year. LSU's decision to increase the student fees was made after considering a number of factors such as striking a balance between affordability and quality, growth in mandated costs, and its own reluctance to raise tuition. The LSU Board of Supervisors may exercise this fee-setting authority again for fiscal year 2019-20 if necessary to offset state funding cuts or increases in state unfunded mandates.

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, 2018

ASSETS	
Current Assets:	
Cash and cash equivalents (note 2)	$184,925,890
Investments (note 3)	401,694,149
Receivables, net (note 4)	289,524,149
Due from State Treasury (note 14)	2,596,089
Due from federal government (note 4)	39,230,719
Inventories	6,679,012
Prepaid expenses and advances	8,661,688
Notes receivable	3,080,054
Leases receivable (note 12)	62,660,716
Other current assets	2,209,128
Total current assets	1,001,261,594
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents (note 2)	171,836,997
Investments (note 3)	236,129,801
Receivables, net (note 4)	1,347,193
Notes receivable	21,621,948
Other restricted assets (note 12)	146,667,740
Investments (note 3)	17,527,881
Lease receivable (note 12)	3,947,285,426
Other noncurrent assets	225,682
Capital assets, net (note 5)	1,803,091,547
Total noncurrent assets	6,345,734,215
Total assets	7,346,995,809
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on debt refunding	21,618,437
OPEB-related deferred outflows of resources (note 8)	44,834,988
Pension-related deferred outflows of resources (note 7)	269,638,573
Total deferred outflows of resources	336,091,998
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$7,683,087,807

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Position, June 30, 2018

LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities (note 6)	$114,881,507
Due to federal government	5,201,951
Unearned revenues	272,282,563
Amounts held in custody for others	8,423,869
Other liabilities	2,223,357
Compensated absences payable (note 10 and 13)	7,804,055
Capital lease obligations (note 13)	3,543,333
Notes payable (note 13)	209,542
Bonds payable (note 13)	19,573,939
Total current liabilities	434,144,116
Noncurrent Liabilities:	
Compensated absences payable (note 10 and 13)	77,291,896
Capital lease obligations (note 13)	13,424,860
Notes payable (note 13)	6,337,405
Bonds payable (note 13)	403,078,279
Total OPEB liability (note 8)	1,735,696,143
Net pension liability (note 7)	1,603,418,307
Unearned revenues (notes 12 and 13)	3,406,777,541
Other noncurrent liabilities (note 13)	725,496
Total noncurrent liabilities	7,246,749,927
Total liabilities	7,680,894,043
DEFERRED INFLOWS OF RESOURCES	
OPEB-related deferred inflows of resources (note 8)	90,183,657
Pension-related deferred inflows of resources (note 7)	179,674,591
Total deferred inflows of resources	269,858,248
NET POSITION	
Net investment in capital assets	1,380,774,856
Restricted	
Nonexpendable (note 15)	233,971,247
Expendable (note 15)	359,221,079
Unrestricted	(2,241,631,666)
Total net position	(267,664,484)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$7,683,087,807

(Concluded)

The accompanying notes are an integral part of this statement.

Statement B

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

COMPONENT UNITS
Statement of Financial Position, June 30, 2018

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Foundation, New Orleans	LSU Health Sciences Foundation in Shreveport	Total Foundations
ASSETS					
Current Assets:					
Cash and cash equivalents (note 2)	$16,431,560	$1,633,101	$66,030	$2,953,285	$21,083,976
Restricted cash and cash equivalents (note 2)	2,538,384	58,288,873			60,827,257
Investments (note 3)		4,477,453	2,368,742	7,852,172	14,698,367
Accrued interest receivable	1,128,398				1,128,398
Accounts receivable, net	676,314	965,492	1,045,436	126,409	2,813,651
Unconditional promises to give (note 23)	7,233,525	14,465,841	416,233	200,000	22,315,599
Deferred charges and prepaid expenses		528,478	86,874	23,740	639,092
Other current assets	445,507	17,914,212			18,359,719
Total current assets	28,453,688	98,273,450	3,983,315	11,155,606	141,866,059
Noncurrent Assets:					
Restricted assets:					
Cash and cash equivalents (note 2)		24,632,121		2,750,350	27,382,471
Investments (note 3)	600,473,495	102,808,623		186,649,294	889,931,412
Other	4,823,303				4,823,303
Investments (note 3)	14,589,955		138,912,691		153,502,646
Unconditional promises to give (note 23)	9,341,965	4,702,727	666,444		14,711,136
Property and equipment, net (note 5)	20,514,359	220,763,194	8,196,028	3,237,470	252,711,051
Other noncurrent assets	885,669	47,544,983			48,430,652
Total noncurrent assets	650,628,746	400,451,648	147,775,163	192,637,114	1,391,492,671
Total assets	$679,082,434	$498,725,098	$151,758,478	$203,792,720	$1,533,358,730
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	$7,931,793	$2,420,413	$753,734	$2,460,004	$13,565,944
Amounts held in custody for others	26,408,985	2,147,243		59,612,610	88,168,838
Deferred revenues	89,982	35,536,817			35,626,799
Compensated absences payable	567,037				567,037
Current portion of notes payable	97,817	2,566,270			2,664,087
Current portion of bonds payable (note 13)		8,102,000			8,102,000
Other current liabilities			488,115		488,115
Total current liabilities	35,095,614	50,772,743	1,241,849	62,072,614	149,182,820
Noncurrent Liabilities:					
Amounts held in custody for others	121,551,894	1,921,553	29,951,198		153,424,645
Notes payable	3,226,382	22,342,656			25,569,038
Bonds payable (note 13)		149,625,313			149,625,313
Deferred revenues		29,667,766			29,667,766
Other noncurrent liabilities	594,677		200,468		795,145
Total noncurrent liabilities	125,372,953	203,557,288	30,151,666		359,081,907
Total liabilities	160,468,567	254,330,031	31,393,515	62,072,614	508,264,727
NET ASSETS					
Unrestricted	41,875,704	170,424,179	10,308,806	18,571,740	241,180,429
Temporarily restricted	207,946,940	55,938,106	51,338,975	106,848,323	422,072,344
Permanently restricted	268,791,223	18,032,782	58,717,182	16,300,043	361,841,230
Total net assets	518,613,867	244,395,067	120,364,963	141,720,106	1,025,094,003
Total liabilities and net assets	$679,082,434	$498,725,098	$151,758,478	$203,792,720	$1,533,358,730

*As of December 31, 2017

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, 2018

OPERATING REVENUES	
Student tuition and fees	$568,251,506
Less scholarship allowances	(99,776,492)
Net student tuition and fees	468,475,014
Federal appropriations	12,263,533
Federal grants and contracts	150,957,904
State and local grants and contracts	68,663,954
Nongovernmental grants and contracts	502,093,491
Sales and services of educational departments	181,752,526
Hospital income	73,066,318
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 22)	222,848,786
Less scholarship allowances	(16,406,396)
Net auxiliary revenues	206,442,390
Other operating revenues	23,405,628
Total operating revenues	1,687,120,758
OPERATING EXPENSES	
Educational and general:	
Instruction	593,410,867
Research	299,273,320
Public service	370,290,262
Academic support	254,454,644
Student services	44,782,773
Institutional support	114,011,364
Operation and maintenance of plant	192,903,850
Scholarships and fellowships	55,443,389
Auxiliary enterprises	174,911,565
Hospital	170,108,380
Total operating expenses (note 18)	2,269,590,414
Operating Loss	($582,469,656)

(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, 2018

NONOPERATING REVENUES (EXPENSES)	
State appropriations	$421,267,061
Gifts	74,581,830
Federal nonoperating revenues, net	44,185,553
Net investment income	9,175,494
Interest expense	(15,476,720)
Other nonoperating revenues	91,105,940
	624,839,158
Income Before Other Revenues, Expenses, Gains, and Losses	42,369,502
Capital appropriations	42,878,634
Capital gifts and grants	11,058,824
Additions to permanent endowments	4,723,724
Other additions, net	2,746,758
Change in Net Position	103,777,442
Net Position at Beginning of Year, Restated (Note 16)	(371,441,926)
Net Position at End of Year	($267,664,484)

(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, 2018

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Foundation, New Orleans	LSU Health Sciences Center Foundation in Shreveport	Total Foundations
Changes in unrestricted net assets:					
Contributions	$6,140,444	$35,379,086	$301,669	$570,868	$42,392,067
Investment earnings (loss), net	4,325,638	2,097,707	936,876	693,535	8,053,756
Service fees	1,485,644		1,929,557	2,249,942	5,665,143
Other revenues	2,523,345	14,690,945	615,784	37,720	17,867,794
Total unrestricted revenues	14,475,071	52,167,738	3,783,886	3,552,065	73,978,760
Net assets released from restrictions:					
Reclassification in net assets			7,643	(303,943)	(296,300)
Satisfaction of program expenses	33,891,852	13,294,608	8,466,233	7,086,863	62,739,556
Total unrestricted revenues and other support	48,366,923	65,462,346	12,257,762	10,334,985	136,422,016
Expenses:					
Amounts paid to benefit Universities for:					
Projects specified by donors	29,635,543		6,403,179	7,086,863	43,125,585
Projects specified by the Board of Directors	1,733,891	14,998,280		188,961	16,921,132
Other:					
Grants and contracts			2,622,846		2,622,846
Property operations			125,418	78,533	203,951
Other		13,393,480	252,624		13,646,104
Total program expenses	31,369,434	28,391,760	9,404,067	7,354,357	76,519,618
Supporting services:					
Salaries and benefits	3,234,978	2,618,151	1,586,240	860,894	8,300,263
Occupancy	160,789	213,273	160,334	66,443	600,839
Office operations	2,267,356	208,518	127,283	78,344	2,681,501
Travel	16,654	101,022	33,738	4,982	156,396
Professional services	1,095,378	148,118	254,884	223,229	1,721,609
Dues and subscriptions	8,598	43,838	113,670	8,328	174,434
Meetings and development	78,670	36,869		72,535	188,074
Depreciation	527,671		250,024	59,361	837,056
Other		2,509,790	38,334	8,776	2,556,900
Total supporting services	7,390,094	5,879,579	2,564,507	1,382,892	17,217,072
Fund-raising expenses	6,796,694	2,836,218		166,975	9,799,887
Total expenses	45,556,222	37,107,557	11,968,574	8,904,224	103,536,577
Change in unrestricted net assets	$2,810,701	$28,354,789	$289,188	$1,430,761	$32,885,439

(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, 2018

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Foundation, New Orleans	LSU Health Sciences Foundation in Shreveport	Total Foundations
Changes in temporarily restricted net assets:					
Contributions	$24,013,636	$8,993,110	$3,737,478	$1,626,760	$38,370,984
Investment earnings	22,245,674	2,217,324	6,885,891	7,595,434	38,944,323
Changes in value of split interest agreements	(863,347)				(863,347)
Other	(329,516)				(329,516)
Total temporarily restricted revenues	45,066,447	11,210,434	10,623,369	9,222,194	76,122,444
Net assets released from restrictions					
Reclassification in net assets			(554,938)	1,161,200	606,262
Satisfaction of program expenses	(33,881,788)	(13,294,608)	(8,466,233)	(6,884,331)	(62,526,960)
Change in temporarily restricted net assets	11,184,659	(2,084,174)	1,602,198	3,499,063	14,201,746
Changes in permanently restricted net assets:					
Contributions	10,365,326	946,687	1,725,207	948,423	13,985,643
Investment earnings				1,256,518	1,256,518
Net assets released from restrictions:					
Reclassification in net assets			547,295	(857,257)	(309,962)
Released from donor restrictions	(10,064)			(202,532)	(212,596)
Change in permanently restricted net assets	10,355,262	946,687	2,272,502	1,145,152	14,719,603
Change in net assets	24,350,622	27,217,302	4,163,888	6,074,976	61,806,788
Net assets at beginning of year	494,263,245	217,177,765	116,201,075	135,645,130	963,287,215
Net assets at end of year	$518,613,867	$244,395,067	$120,364,963	$141,720,106	$1,025,094,003

*For the period ending December 31, 2017

(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, 2018

Cash flows from operating activities	
Tuition and fees	$470,078,952
Federal appropriations	11,326,777
Grants and contracts	721,983,271
Sales and services of educational departments	186,320,205
Hospital income	130,105,681
Auxiliary enterprise receipts	207,023,950
Payments for employee compensation	(1,064,626,790)
Payments for benefits	(358,658,841)
Payments for utilities	(47,357,214)
Payments for supplies and services	(701,369,748)
Payments for scholarships and fellowships	(55,108,010)
Loans to students	(3,135,511)
Collection of loans to students	4,050,931
Other receipts	42,949,590
Net cash used by operating activities	(456,416,757)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	423,457,603
Gifts and grants for other than capital purposes	76,046,657
Private gifts for endowment purposes	2,958,042
TOPS receipts	109,796,515
TOPS disbursements	(109,827,220)
FEMA receipts	2,448,158
FEMA disbursements	(1,027,846)
ARRA receipts	81,096
Direct lending receipts	282,460,413
Direct lending disbursements	(282,213,001)
Other receipts	60,651,532
Net cash provided by noncapital financing activities	564,831,949
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Capital gifts and grants received	6,617,861
Purchase of capital assets	(71,509,259)
Principal paid on capital debt and leases	(23,307,293)
Interest paid on capital debt and leases	(14,314,281)
Bond issuance cost	(500)
Other sources	3,029,550
Net cash used by capital financing activities	(99,483,922)

(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, 2018

CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	$434,486,992
Interest received on investments	28,259,234
Purchase of investments	(376,619,038)
Net cash provided by investing activities	86,127,188
NET INCREASE IN CASH AND CASH EQUIVALENTS	95,058,458
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR - RESTATED	261,704,429
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$356,762,887
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($582,469,656)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	137,824,511
Non-employer contributing entity revenue	4,575,772
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
Decrease in accounts receivable, net	17,897,970
Decrease in inventories	1,932,096
Decrease in prepaid expenses and other	2,008,573
Decrease in notes receivable	2,042,058
(Increase) in deferred outflows related to OPEB	(6,636,315)
Decrease in deferred outflows related to pensions	114,966,770
Decrease in other assets	6,026,277
Increase in accounts payable and accrued liabilities	2,334,709
Increase in unearned revenue	9,453,363
Increase in amounts held in custody for others	2,265,687
Increase in compensated absences	3,493,344
(Decrease) in total OPEB liability	(68,153,480)
(Decrease) in net pension liability	(221,927,538)
Increase in deferred inflows related to OPEB	90,183,657
Increase in deferred inflows related to pensions	14,841,988
Increase in other liabilities	12,923,457
Net cash used by operating activities	($456,416,757)

(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, 2018

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:	
Cash and cash equivalents classified as current assets	$184,925,890
Cash and cash equivalents classified as noncurrent assets	171,836,997
Cash and cash equivalents at end of the year	$356,762,887
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Capital appropriations	$42,878,634
Amortized borrowing expense	(19,308)
Decrease in fair market value of assets	(17,487,487)
Non-Employer contributing entity revenue	4,575,772
Capital gifts and grants	6,564,172
Transfers/disposal of capital assets	(50,896)
	$36,460,887

(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 at 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, Graduate Studies, and the LSU Health Sciences Center - Shreveport Faculty Group Practice D/B/A Ochsner LSU Physician Group (OLPG). Student enrollment as of the fourteenth class day for the System for the 2017 fall semester totaled approximately 47,577. As of November 1, 2017, the System had approximately 4,193 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 and account for more than one million inpatient and outpatient visits each year. In addition, these hospitals are utilized by the LSU Health Sciences Centers as teaching hospitals wherein the medical and dental faculty and medical education students provide the medical care to patients.

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. Beginning in October 2013, E.A. Conway Medical Center in Monroe and LSU Medical Center in Shreveport transitioned to management by the Biomedical Research Foundation of Northwest Louisiana.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

The discrete component unit foundations, which are the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Foundation, New Orleans, 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 medical, 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 the public hospitals and the private clinics serviced by 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 Eunice Student Housing Foundation (the ESH Foundation), a nonprofit corporation with an August 31 fiscal year-end, is considered a blended component unit of the university system and is included in the basic financial statements. The component unit is included in the reporting entity because of the significance of its operational and financial relationships with the LSU System and LSU Eunice. Although the ESH Foundation is a legally separate, not-for-profit organization as outlined in the Internal Revenue Code Section 501(c)(3), it is reported as a part of the university system because its purpose is to assist LSU Eunice in carrying out its educational functions.

The ESH Foundation constructed a student apartment complex, known as Bengal Village, on the LSU Eunice campus. The management agreement between the ESH Foundation and Campus Living Villages commenced August 1, 2002, and expired July 31, 2017. Through July 31, 2017, all personnel employed in the leasing, management, maintenance, and operations of Bengal Village were employees of Campus Living Villages. Since August 1, 2017, LSU Eunice has managed Eunice Student Housing Foundation dba Bengal Village.

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

The Health Care Services Foundation (HCSF) and its subsidiary, Bogalusa Community Medical Center (BCMC), are blended component units of the university system and are included in the financial statements. The component units are included in the reporting entity because they are fiscally dependent on the LSU System and the LSU Health Care Services Division (HCSD) and provide services exclusively to HCSD. 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.

The LSU Health Sciences Center-Shreveport Faculty Group Practice (a Louisiana Nonprofit Corporation) is considered a blended component unit of the university system and is included in the financial statements. The component unit is included in the reporting entity because of the significance of its operational and financial relationships with the LSU System and the LSU Health Sciences Center - Shreveport. Although the LSU Health Sciences Center-Shreveport Faculty Group Practice (FGP) is legally separate, it is reported as a part of the university system because its purpose is to assist the LSU Health Sciences Center - Shreveport in carrying out its medical, educational, and research functions.

The governing board of the FGP was established in June 2013 and is comprised of thirteen seats; six of whom are appointed from LSU and seven of whom are from the community. A memo of understanding, dated June/July 2015, documents the relationship between the LSU Health Sciences Center - Shreveport and FGP. The agreement provides for the LSU Health Sciences Center- Shreveport and FGP to continue as autonomous organizations with separate but complimentary missions. The agreement establishes the relationship between both organizations.

In January 2017, LSU Health Sciences Center - Shreveport (through the LSU Board of Supervisors) and FGP entered into a Uniform Affiliation Agreement. The agreement establishes support of LSU Health Sciences Center - Shreveport in the attainment of its mission and goals of medical, educational, and research functions.

To obtain the latest audit report of the FGP, write to the LSU Health Sciences Center-Shreveport Faculty Group Practice, 1501 Kings Highway, Shreveport, Louisiana 71103-4228.

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, the LSU Health Sciences Foundation in Shreveport, and the LSU Health Foundation, New Orleans 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, 2018, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for $31,369,434. 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, 2017, TAF made distributions to or on behalf of the university for both restricted and unrestricted purposes for $14,998,280 with an additional $1,140,599 from booster clubs and $331,361 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, 2018, the foundation made distributions to or on behalf of the university for either restricted or unrestricted purposes for $7,275,824. 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.

The LSU Health Foundation, New Orleans, formerly known as the LSU Health Sciences Center Foundation, supports LSU Health Sciences Center. During the year ended June 30, 2018, the foundation made distributions to or on behalf of the university for either restricted or unrestricted purposes for $9,404,067. Complete financial statements for the foundation can be obtained at 2000 Tulane Ave, New Orleans, Louisiana 70112 or from the foundation's website at www.lsuhealthfoundation.org.

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

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

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

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

D. BUDGET PRACTICES

The appropriations made for the General Fund of the LSU System are annual lapsing appropriations established by legislative action and by Title 39 of the Louisiana Revised

Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs, 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	$ 1,018,019,573
Increases (Decreases)	
State general fund	7,670,377
Self-generated	7,200,000
Interagency transfers	(3,787)
Statutory dedications	1,385,265
Final budget	$ 1,034,271,428

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

Four new GASB standards are being implemented this fiscal year.

GASB Statement 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses accounting and financial reporting for other postemployment benefits (OPEB) for health care and life insurance that are provided to employees of state and local governmental employers. In addition, Statement No.75 supersedes portions of the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The implementation of this standard resulted in reversing the Net Other Post-Employment Obligation previously reported under GASB Statement 45 and the recording of the Total Other Post Employment Benefit (OPEB) Liability, and the deferred outflows of resources and deferred inflows of resources related to OPEB. This standard was applied retroactively and resulted in an increase in liabilities of $812,530,812 and an increase of deferred outflow of resources of $38,198,673 to the prior year Statement of Net Position. The net effect to the prior year as a result of adoption of GASB Statements 75 was a reduction of net position of $774,332,139.

GASB Statement 81, *Irrevocable Split Interest Agreements*. This statement provides accounting guidance on reporting irrevocable split interest agreements and specifies how to account for this type of transaction for the intermediary, the lead interest or the remainder interest in the agreement. This statement had no effect on the financial statements of the System.

GASB Statement 85, *Omnibus*. The objective of this statement is to provide guidance and clarification to practice issues identified in previously promulgated GASBs. These issues include blending component units in single column business type activity financial statements, reporting of goodwill, fair value measurement by insurance entities, reporting of money market funds at cost instead of fair value, and certain reporting matters of OPEB and pension plans. The System was already reporting matters consistent with requirements of this statement for items addressed in this statement relevant to the Systems financial report; therefore, there were no changes required.

GASB Statement 86, *Certain Debt Extinguishment Issues*. This statement establishes accounting guidance when debt is defeased with current resources instead of being defeased with refunding debt proceeds. The System did not defease any debt with current resources in the current year so the requirements of this statement are not applicable.

2. CASH AND CASH EQUIVALENTS

At June 30, 2018, the System has cash and cash equivalents (book balances) of $356,762,887 as follows:

Petty Cash	$	220,585
Demand deposits		342,975,210
Certificates of deposit		18,600
Money market funds		11,027,727
Open-end mutual fund		1,633,020
Cash held in foundation bond funds		887,745
Total	$	356,762,887

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, 2018, $19,680,825 of the System's bank balance of $398,763,851 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 $109,293,704, as reported on the Statement of Financial Position, and prepared under FASB ASC Topic 958, *Financial Reporting for Not-for-Profit Organizations*, which does not require the disclosures of GASB Statement 40, *Deposit and Investment Risk Disclosures*.

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

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

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

The LSU Health Sciences Foundation in Shreveport considers cash to include amounts on hand and amounts on deposit at financial institutions 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, 2018, the System has investments totaling $655,351,831.

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, 2018. 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		Fair Value Hierarchy		
Type of Investment	Total Value	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Obsesrvable Inputs (Level 2 Inputs)	Significant Unobservalble Inputs (Level 3 Inputs)
Negotiable CDs	$ 100,239	$ 100,239	$ -	$ -
Repurchase Agreements	1,192,537	1,192,537	-	-
U.S. Treasury Securities	6,432,190	485,630	5,946,560	-
Bonds and Notes:				
Federal National Mortgage Association	6,734,662	975,152	5,759,510	-
Federal Home Loan Bank	66,782,938	981,049	65,801,889	-
Federal Home Loan Mortgage Corporation	2,089,884	2,089,884	-	-
Federal Farm Credit Bank	38,711,112	736,600	37,974,512	-
Collateralized Mortgage Obligations:				
Federal National Mortgage Association	3,157	-	3,157	-
Government National Mortgage Association	9,037	-	9,037	-
Mortgage Backed Securities:				
Federal National Mortgage Association	12,024,387	144,226	11,880,161	-
Small Business Administration	15,409,492	-	15,409,492	-
Corporate debt obligations	120,523,539	1,697,740	118,825,799	-
Municipal obligations	90,049,939	17,097,993	72,951,946	-
Fixed income mutual funds	52,901,536	52,901,536	-	-
Money market mutual funds	31,928,666	31,928,666	-	-
Equity				
Equity mutual funds	34,848,322	34,848,322	-	-
Common and preferred stock	991,602	991,602	-	-
Other	884,738	884,738	-	-
Investments held through Foundation (commingled)	48,364,173	48,364,173	-	-
Investments held through Foundation (held separately):				
Bonds and Notes:				
Federal Home Loan Bank	4,336,048	-	4,336,048	-
Federal Farm Credit Bank	1,157,450	-	1,157,450	-
Federal National Mortgage Association	337,294	-	337,294	-
Collateralized Mortgage Obligations:				
Federal Home Loan Mortgage Corporation	103,702	-	103,702	-
Mortgage Backed Securities				
Federal National Mortgage Association	32,747	-	32,747	-
Federal Home Loan Mortgage Corporation	279	-	279	-
Government National Mortgage Association	14,983	-	14,983	-
Corporate debt obligations	6,509,411	-	6,509,411	-
Municipal obligations	2,603,354	-	2,603,354	-
Asset backed securities	114,724	-	114,724	-
Money market mutual funds	2,779,083	2,779,083	-	-
Equity mutual funds	22,552,589	22,552,589	-	-
Fixed Income mutual funds	41,204,534	41,204,534	-	-
US Treasury Securities	240,780	-	240,780	-
JP Morgan Savings Account	1,332,756	1,332,756	-	-
LSUE Housing Foundation	446,343	446,343	-	-
Realty Investments	9,029,356	-	-	9,029,356
Total Investments by Fair Value Level	622,777,583	263,735,392	350,012,835	9,029,356
Investments Measured at Net Asset Value (NAV)				
Comingled funds held through foundation (net asset value)	27,721,455			
Investments Reported at Amounts Other than Fair Value				
Other:				
New Orleans Regional Physician Hospital Organization	2,531,213			
Interest Receivable	2,321,580			
Total Investments	$ 655,351,831			

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;

- 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, 2018 are presented in the following table:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Comingled funds held through foundation	$27,721,455	$ -	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, 2018.

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	0.02%	$ 100,239	$ 100,239	$ -	$ -	$ -	$ -	$ -
Repurchase Agreements	0.18%	1,192,537	1,192,537	-	-	-	-	-
U.S. Treasury Securities	0.98%	6,432,190	4,463,590	$1,968,600	-	-	-	-
U.S. Government Agency Securities:								
Bonds and Notes:								
Federal National Mortgage Association	1.03%	6,734,662	-	2,988,542	3,746,120	-	-	-
Federal Home Loan Bank	10.19%	66,782,938	-	1,194,852	32,228,373	$33,359,713	-	-
Federal Home Loan Mortgage Corporation	0.32%	2,089,884	-	1,238,912	850,972	-	-	-
Federal Farm Credit Bank	5.91%	38,711,112	3,129,922	1,753,110	33,828,080	-	-	-
Collateralized Mortgage Obligations:								
Federal National Mortgage Association	0.00%	3,157	3,157	-	-	-	-	-
Government National Mortgage Association	0.00%	9,037	9,037	-	-	-	-	-
Mortgage Backed Securities:								
Federal National Mortgage Association	1.83%	12,024,387	-	3,826,681	8,053,480	144,226	-	-
Small Business Administration	2.35%	15,409,492	-	4,100,480	7,897,290	3,411,722	-	-
Corporate debt obligations	18.39%	120,523,539	4,727,552	37,204,448	71,451,652	7,139,887	-	-
Municipal obligations	13.74%	90,049,939	4,650,521	35,408,890	34,195,508	12,570,428	3,224,592	-
Fixed income mutual funds	8.07%	52,901,536	7,759,849	-	45,141,687	-	-	-
Money market mutual funds	4.87%	31,928,666	-	-	-	-	-	-
Equity:								
Equity mutual funds	5.32%	34,848,322	-	-	-	-	-	-
Common and preferred stock	0.15%	991,602	-	-	-	-	-	
Other	0.14%	884,738	-	-	-	-	-	
Investments held through Foundation (commingled)	7.38%	48,364,173	-	-	-	-	-	
Investments held through Foundation (held separately):								
Bonds and Notes:								
Federal Home Loan Bank	0.66%	4,336,048	-	241,871	354,199	3,739,978	-	-
Federal Farm Credit Bank	0.18%	1,157,450	-	838,479	318,971	-	-	-
Federal National Mortgage Association	0.05%	337,294	-	-	337,294	-	-	-
Collateralized Mortgage Obligations:								
Federal Home Loan Mortgage Corporation	0.02%	103,702	-	-	-	103,702	-	-
Mortgage Backed Securities:								
Federal National Mortgage Association	0.00%	32,747	209	-	-	32,538	-	-
Federal Home Loan Mortgage Corporation	0.00%	279	-	-	279	-	-	-
Government National Mortgage Association	0.00%	14,983	-	1,292	13,691	-	-	-
Corporate debt obligations	0.99%	6,509,411	121,948	3,281,693	2,514,874	-	-	590,896
Municipal obligations	0.40%	2,603,354	-	1,805,424	448,214	349,716	-	-
Asset backed securities	0.02%	114,724	-	-	114,724	-	-	-
Money market mutual funds	0.42%	2,779,083	-	-	-	-	-	-
Equity mutual funds	3.44%	22,552,589	-	-	-	-	-	-
Fixed income mutual funds	6.29%	41,204,534	-	1,085,784	40,118,750	-	-	-
US Treasury Securities	0.04%	240,780	240,780	-	-	-	-	-
JP Morgan Savings Account	0.20%	1,332,756	-	-	-	-	-	-
LSUE Housing Foundation	0.07%	446,343	-	-	-	-	-	-
Realty Investments	1.38%	9,029,356	-	-	-	-	-	-
Investments Measured at Net Asset Value (NAV)								
Comingled funds held through foundation (net asset value)	4.23%	27,721,455	-	22,054,835	-	5,666,620	-	-
Investments Reported at Amounts Other than Fair Value								
Other:								
New Orleans Regional Physician Hospital Organization	0.39%	2,531,213	-	-	-	-	-	-
Interest Receivable	0.35%	2,321,580	-	-	-	-	-	-
		$ 655,351,831	$ 26,399,341	$ 118,993,893	$ 281,614,158	$ 66,518,530	$ 3,224,592	$ 590,896

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

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

Rating Agency Used	Rating	Fair Value
	Unrated	$ 99,933,988
Fitch	A	3,006,530
Fitch	A-	1,015,720
Fitch	A+	4,817,500
Fitch	AA	519,840
Fitch	AA+	1,962,450
Fitch	BBB	3,947,215
Fitch	BBB-	590,777
Moody's	A1	22,789,408
Moody's	A2	453,738
Moody's	A3	4,701,766
Moody's	Baa1	2,368,880
Moody's	Baa3	118,367
Moody's	Aa1	16,028,458
Moody's	Aa2	6,756,019
Moody's	Aa3	2,745,844
Moody's	Aaa	735,401
Moody's	Aaa-mf	151,947
S&P	A	17,720,264
S&P	A+	4,844,065
S&P	A-	20,242,784
S&P	AA	16,920,299
S&P	AA+	141,257,433
S&P	AA-	18,474,154
S&P	AA(f)	43,624,819
S&P	AAA	15,358,309
S&P	Af	1,516,868
S&P	BB	1,838,907
S&P	BBB	4,112,721
S&P	BBB+	28,769,141
S&P	BBB-	1,018,005
Total		$ 488,341,617

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

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

The System's concentrations are as follows:

Issuer	Amount	Percent of Total
Federal Home Loan Bank	$ 71,118,986	10.85%
Federal Farm Credit Bank	39,868,562	6.08%
Total	$ 110,987,548	

The open-end mutual fund amount of $1,633,020, included in cash and cash equivalents, consists of $1,317,370 invested in JPMorgan U.S. Government Plus Money Market Fund and $315,650 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 $105.09 million invested in highly sensitive investments, such as step-up notes, variable notes, and floating rate notes.

The step-up securities are comprised of $47.8 million in U. S. government agency (Federal Home Loan Bank) bonds and notes, and $3.0 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 June 2019 to September 2023 and initial coupon rates ranging from 1.00% to 3.00%. Final "step" dates range from November 2026 to October 2032 with final coupon rates ranging from 5.00% to 10.00%.

The variable and floating rate securities consist of $39.2 million in corporate debt obligations and $15.0 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 1.50% to 6.15%. The maturity dates range from January 2019 to November 2034.

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, 2018, follows:

Type of Investment	LSU Foundation	Tiger Athletic Foundation*	LSU Health Foundation, New Orleans	LSU Health Sciences Foundation in Shreveport	Total Investments
Money markets/certificates of deposit	$ -	$ 2,062,754	$ 3,329,756	$ 179,450	$ 5,571,960
Debt obligations	105,676,140	88,261,084	41,205,645	-	235,142,869
Corporate stocks, common stocks, and indexed mutual funds	155,659,123	549,175	68,956,790	-	225,165,088
Shaw Center for the Arts, LLC	14,589,955	-	-	-	14,589,955
Royalty interest	154,084	-	-	-	154,084
Mutual funds	140,843,195	-	-	144,499,674	285,342,869
LSU Foundation investment pool [1]	-	16,413,063	-	-	16,413,063
Private equity	62,417,725	-	827,492	-	63,245,217
Hedged funds	74,285,641	-	20,171,415	-	94,457,056
Group variable annuity	45,295	-	-	-	45,295
Municipal bonds	21,412,903	-	-	-	21,412,903
Separately managed accounts	39,979,389	-	-	-	39,979,389
Agency investments for LSUHSC Shreveport	-	-	-	49,822,342	49,822,342
REITS	-	-	6,790,335	-	6,790,335
Total Investments	$ 615,063,450	$ 107,286,076	$ 141,281,433	$ 194,501,466	$ 1,058,132,425

*As of December 31, 2017

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

The LSU Foundation is a 50% investor in the Shaw Center for the Arts, LLC. The investment recorded on the Statement of Financial Position for $14,589,955 at June 30, 2018, 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:

	Receivables	Doubtful Accounts	Net Receivables
Student tuition and fees	$ 36,684,101	$ -	$ 36,684,101
Auxiliary enterprises	6,119,522	-	6,119,522
Contributions and gifts	7,022,378	-	7,022,378
Federal grants and contracts	39,230,719	-	39,230,719
State and private grants and contracts	178,258,268	-	178,258,268
Sales and services/other	21,758,013	638,412	21,119,601
Clinics	63,955,206	39,233,603	24,721,603
Hospital	23,726,794	14,880,589	8,846,205
Other - uncompensated care	8,099,664	-	8,099,664
Total	$ 384,854,665	$ 54,752,604	$ 330,102,061

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2017	Prior Period Adjustment	Restated Balance June 30, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Capital assets not being depreciated							
Land	$72,498,419	-	$72,498,419	$8,327,944	-	-	$80,826,363
Capitalized collections	5,805,357	$1,592,600	7,397,957	458,456	-	-	7,856,413
Construction-in-progress	238,095,003	(30,902)	238,064,101	34,458,732	($248,471,842)	-	24,050,991
Total capital assets not being depreciated	$316,398,779	$1,561,698	$317,960,477	$43,245,132	($248,471,842)	-	$112,733,767
Other capital assets:							
Infrastructure	$43,520,600	-	$43,520,600	-	$736,998	-	$44,257,598
Less accumulated depreciation	(21,389,839)	-	(21,389,839)	($1,119,779)	-	-	(22,509,618)
Total infrastructure	22,130,761	-	22,130,761	(1,119,779)	736,998	-	21,747,980
Land improvements	117,480,303	-	117,480,303	1,387,989	10,191,203	($220,858)	128,838,637
Less accumulated depreciation	(75,170,949)	-	(75,170,949)	(4,400,839)	-	220,858	(79,350,930)
Total land improvements	42,309,354	-	42,309,354	(3,012,850)	10,191,203	-	49,487,707
Buildings	2,433,580,514	$65,679	2,433,646,193	28,797,137	237,368,808	(2,070,756)	2,697,741,382
Less accumulated depreciation	(1,230,238,661)	-	(1,230,238,661)	(70,015,549)	-	2,023,733	(1,298,230,477)
Total buildings	1,203,341,853	65,679	1,203,407,532	(41,218,412)	237,368,808	(47,023)	1,399,510,905
Equipment (including library books)	1,159,303,868	1,211,419	1,160,515,287	35,020,759	323,263	(43,962,343)	1,151,896,966
Less accumulated depreciation	(914,162,270)	192,118	(913,970,152)	(62,049,092)	(148,430)	43,353,195	(932,814,479)
Total equipment	245,141,598	1,403,537	246,545,135	(27,028,333)	174,833	(609,148)	219,082,487
Software (internally generated and purchased)	88,725,653	-	88,725,653	60,867	-	(664,980)	88,121,540
Other intangibles	3,078,825	-	3,078,825	136,459	-	-	3,215,284
Less accumulated amortization - software	(88,479,516)	(1)	(88,479,517)	(136,140)	-	661,589	(87,954,068)
Less accumulated amortization - other intangibles	(2,750,944)	1	(2,750,943)	(103,112)	-	-	(2,854,055)
Total intangible assets	574,018	-	574,018	(41,926)	-	(3,391)	528,701
Total other capital assets	$1,513,497,584	$1,469,216	$1,514,966,800	($72,421,300)	$248,471,842	($659,562)	$1,690,357,780
Capital asset summary:							
Capital assets not being depreciated	$316,398,779	$1,561,698	$317,960,477	$43,245,132	($248,471,842)	-	$112,733,767
Other capital assets, at cost	3,845,689,763	1,277,098	3,846,966,861	65,403,211	248,620,272	(46,918,937)	4,114,071,407
Total cost of capital assets	4,162,088,542	2,838,796	4,164,927,338	108,648,343	148,430	(46,918,937)	4,226,805,174
Less accumulated depreciation and amortization	(2,332,192,179)	192,118	(2,332,000,061)	(137,824,511)	(148,430)	46,259,375	(2,423,713,627)
Capital assets, net	$1,829,896,363	$3,030,914	$1,832,927,277	($29,176,168)	$ -	($659,562)	$1,803,091,547

COMPONENT UNITS

	Balance June 30, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Capital assets not being depreciated					
Land	$8,404,087	$35,000	-	($405,332)	$8,033,755
Capitalized collections	4,221,877	-	-	(1,054)	4,220,823
Construction-in-progress	2,102,142	30,290,062	($21,440,170)	(316,533)	10,635,501
Total Capital assets not being depreciated	$14,728,106	$30,325,062	($21,440,170)	($722,919)	$22,890,079
Other capital assets:					
Land improvements	$6,177,198	-	$231,413	($15,000)	$6,393,611
Less accumulated depreciation	(1,042,812)	(97,930)	-	-	(1,140,742)
Total land improvements	5,134,386	(97,930)	231,413	(15,000)	5,252,869
Buildings	270,455,847	4,123	2,744,884	(1,289,486)	271,915,368
Less accumulated depreciation	(42,145,555)	(7,167,331)	-	993,262	(48,319,624)
Total buildings	228,310,292	(7,163,208)	2,744,884	(296,224)	223,595,744
Equipment	3,198,769	172,742	-	($74,449)	3,297,062
Less accumulated depreciation	(2,071,933)	(327,219)	-	74,449	(2,324,703)
Total equipment	1,126,836	(154,477)	-	-	972,359
Total other capital assets	$234,571,514	($7,415,615)	$2,976,297	($311,224)	$229,820,972
Capital asset summary:					
Capital assets not being depreciated	$14,728,106	$30,325,062	($21,440,170)	($722,919)	$22,890,079
Other capital assets, at cost	279,831,814	176,865	2,976,297	(1,378,935)	281,606,041
Total cost of capital assets	294,559,920	30,501,927	(18,463,873)	(2,101,854)	304,496,120
Less accumulated depreciation	(45,260,300)	(7,592,480)	-	1,067,711	(51,785,069)
Capital assets, net	$249,299,620	$22,909,447	($18,463,873)	($1,034,143)	$252,711,051

6. DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2018, were as follows:

Activity	Amount
Vendors	$ 52,101,230
Salaries and benefits	57,632,043
Accrued interest	77,539
Other payables	5,070,695
Total	$ 114,881,507

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:	LASERS:
8401 United Plaza Blvd.	8401 United Plaza Blvd.
P.O. Box 94123	P.O. Box 44213
Baton Rouge, Louisiana	Baton Rouge, Louisiana
70804-9123	70804-4213
(225) 925-6446	(225) 925-0185
www.trsl.org	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.

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. 11:411-414. 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 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.

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

	TRSL	LASERS
Final average salary	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, 2018, for the System and covered employees were as follows:

	System	Employees
Teachers' Retirement System:		
Higher Ed Regular Plan	25.40%	8.00%
K-12 Regular Plan	26.60%	8.00%
State Employees' Retirement System	37.90%	7.50% - 8.00%

The LSU System's contributions made to the Retirement Systems for 2018, which equaled the required contributions, were as follows:

Teachers' Retirement System:		
Regular Plan	$	139,754,458
State Employees' Retirement System	$	39,427,786

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 2018 is $4,575,772.

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, 2017, measurement date. The System uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2018, in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2017, along with the change compared to the June 30, 2016, 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, 2018 (measured as of June 30, 2017)	Rate at June 30, 2017	Increase (Decrease) to June 30, 2016 Rate
Teachers' Retirement System	$ 1,210,182,119	11.80%	0.19%
State Employees' Retirement System	393,236,188	5.59%	(0.30%)
	$ 1,603,418,307		

The following schedule lists the System's recognized pension expense for the year ended June 30, 2018, for each of the pension plans:

Teachers' Retirement System	$	84,317,479
State Employees' Retirement System		7,321,757
	$	91,639,236

At June 30, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRSL	LASERS	Total
Deferred Outflows:			
Changes of assumptions	$ 12,761,400	$ 1,553,532	$ 14,314,932
Net difference between projected and actual earnings on pension plan investments	-	12,787,296	12,787,296
Changes in proportion	58,748,684	1,335,238	60,083,922
Differences between contributions and proportionate share of contributions	2,636,807	633,372	3,270,179
Employer contributions subsequent to the measurement date	139,754,458	39,427,786	179,182,244
Total	$ 213,901,349	$ 55,737,224	$ 269,638,573
Deferred Inflows:			
Differences between expected and actual experience	$ (39,780,642)	$ (7,215,407)	$ (46,996,049)
Net difference between projected and actual earnings on pension plan investments	(31,256,824)	-	(31,256,824)
Changes in proportion	(65,547,165)	(27,389,414)	(92,936,579)
Differences between contributions and proportionate share of contributions	(8,416,566)	(68,573)	(8,485,139)
Total	$(145,001,197)	$ (34,673,394)	$ (179,674,591)

The amount reported in the above table totaling $179,182,244 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2017 will be recognized as a reduction in Net Pension Liability in the year ended June 30, 2019.

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

Year	TRSL	LASERS	Total
2019	($38,675,924)	($20,312,457)	($58,988,381)
2020	8,084,471	4,748,033	12,832,504
2021	(11,485,679)	5,117,234	(6,368,445)
2022	(28,777,174)	(7,916,766)	(36,693,940)
	($70,854,306)	($18,363,956)	($89,218,262)

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, 2017, is as follows:

	TRSL	LASERS
Valuation Date	June 30, 2017	June 30, 2017
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	7.70% net of investment expenses (decreased from 7.75% in 2016)	7.70% net of investment expenses (decreased from 7.75% in 2016)
Inflation Rate	2.5% per annum	2.75% per annum (decreased from 3.0% per annum in 2016)
Mortality	Non- disabled members - Mortality rates were projected based on the RP-2000 Mortality Table with projection to 2025 using Scale AA.	Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.
	Disabled members- Mortality rates were projected based on the RP-2000 Mortality Table with no projection for improvement.	Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five year (2008-2012) 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	3.50% - 10.0% varies depending on duration of service	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:

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%

	TRSL	LASERS
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
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 8.33% for 2017.	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 8.69% for 2017.

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, 2017:

	Target Allocation		Long-Term Expected Real Rate of Return	
Asset Class	TRSL	LASERS	TRSL	LASERS
Cash	-	-	-	-0.24%
Domestic equity	27.00%	25.00%	4.28%	4.31%
International equity	19.00%	32.00%	4.96%	5.35%
Domestic fixed income	13.00%	8.00%	1.98%	1.73%
International fixed income	5.50%	6.00%	2.75%	2.49%
Alternatives:	-	22.00%	-	7.41%
Private equity	25.50%	-	8.47%	-
Other private equity	10.00%	-	3.51%	-
Global tactical asset allocation	-	7.00%	-	2.84%
Total	100%	100%		

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 7.70% for the year ended June 30, 2017.

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:

	1.0% Decrease	Current Discount Rate	1.0% Increase
TRSL			
Rates	6.70%	7.70%	8.70%
Share of NPL	$1,559,347,279	$ 1,210,182,119	$ 913,155,756
LASERS			
Rates	6.70%	7.70%	8.70%
Share of NPL	$ 493,663,441	$ 393,236,188	$ 307,849,225

Payables to the Pension Plans

The System recorded accrued liabilities to each of the Retirement Systems for the year ended June 30, 2018, 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, 2018, is as follows:

TRSL	$ 9,325,477
LASERS	4,181,709
	$ 13,507,186

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 2018 totaled $102,363,782, which represents pension expense for the System. Employee contributions totaled $30,744,468. The Active member and employer contribution rates were 8% and 5.95%, respectively, with an additional employer contribution of 22.2% 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 Pension*s, promulgates the accounting and financial reporting requirements by employers that offer other postemployment benefits (OPEB) besides pensions. Both of the medical coverage plans and the life insurance plan available would be subject to the provisions of this statement.

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 obligations. 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. Within the Health Plan, members have a choice of selecting Option 1 or Option 2. Option 1, is costlier, but features both lower yearly deductibles and out-of-network coinsurance requirements.

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. Retired employees who have Medicare Part A and Part B coverage also have access to four fully insured Medicare Advantage plans.

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:

At June 30, 2018, the System reported a liability of $1,735,696,143 for its proportionate share of the total collective OPEB liability. The OGB and LSU Health plans' total collective OPEB liabilities were measured as of July 1, 2017, and June 30, 2018, respectively. The System's proportionate share of the restated total collective OPEB liability at June 30, 2017, totaling $1,803,849,623, was determined using a roll back of OGB's valuation to July 1, 2016, using the discount rate applicable on that date, and assuming no experience gains or losses. The LSU Health Plan's beginning liability was determined using a rollback approach and accounted for the discount rate changes at the beginning of the year and end of the 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.

At June 30, 2018, the System's proportion of the OGB liability was 9.88%. Because the beginning balance was restated using a roll back of the July 1, 2017 valuation assuming no experience gains or losses, there is no change to the proportion since the prior measurement date.

At June 30, 2018, the System's proportion of the LSU Health Plan liability was 89.90% which represents a decrease of .02% from the June 30, 2017, proportion of the liability (restated).

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, 2018 for each of the OPEB plans:

LSU Health Plan	$ 29,107,090
State OGB Plan	38,077,788
Total	$ 67,184,878

At June 30, 2018, 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:			
Difference between actual OPEB payments and proportionate share of OPEB payments		$ 7,854,700	$ 7,854,700
OPEB benefit payments made subsequent to the measurement date		36,980,288	36,980,288
Total	NONE	$ 44,834,988	$ 44,834,988
Deferred Inflows:			
Changes of assumptions	$ (44,693,942)	$ (45,368,709)	$ (90,062,651)
Difference between actual OPEB payments and proportionate share of OPEB payments	-	(121,006)	(121,006)
Total	$ (44,693,942)	$ (45,489,715)	$ (90,183,657)

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, 2019. 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
2019	$ (7,841,682)	$ (10,814,613)	$ (18,656,295)
2020	(7,841,682)	(10,814,613)	(18,656,295)
2021	(7,841,682)	(10,814,613)	(18,656,295)
2022	(7,841,681)	(5,191,176)	(13,032,857)
2023	(7,841,681)	-	(7,841,681)
2024	(5,485,534)	-	(5,485,534)
	$ (44,693,942)	$ (37,635,015)	$ (82,328,957)

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
LSU Health Plan			
Rates	2.90%	3.90%	4.90%
Total OPEB liability	$1,064,584,294	$877,157,084	$733,307,790
State OGB Plan			
Rates	2.13%	3.13%	4.13%
Total OPEB liability	$1,008,097,531	$858,539,059	$740,553,467

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:

	1.0% Decrease	Current Healthcare Costs Trend Rate(s)	1.0% Increase
LSU Health Plan			
Rates	5.50% decreasing to 3.50%	6.50% decreasing to 4.50%	7.50% decreasing to 5.50%
Total OPEB liability	$736,505,649	$877,157,084	$1,056,083,939
State OGB Plan			
Rates	6.0% decreasing to 3.5%	7.0% decreasing to 4.5%	8.0% decreasing to 5.5%
Total OPEB liability	$739,973,486	$858,539,059	$1,010,448,692

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, 2018	July 1, 2017
Actuarial valuation date	January 1, 2018	July 1, 2017
Actuarial Cost Method	Entry age normal based on level percentage of projected salary	Entry age normal, level percentage of pay. Service costs are atributed through all assumed ages of exit form active service. For current DROP participants, assumed exit from active service is the date at which DROP ends
Actuarial Assumptions:		
Expected Remaining Service Lives	6.7 years	4.48 years
Discount rate	3.90% end of year / 3.58% beginning of year Source: Bond buyer 20 Bond GO Index	3.13% for July 1, 2017 valuation Source: S&P 20-year municipal bond index rate on June 30, 2017. 2.71% for July 1, 2016 valuation Source: S&P 20-year municipal bond index rate on June 30, 2016.
Healthcare cost trend rate(s)	Pre 65 medical/Rx benefits: 6.5% select rate, decreasing .5% annually to an ultimate rate of 4.5% Post Medicare benefits 5.5% 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
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-2017 For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017
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 pariticipate Expected annual claim costs were developed using two years of historical claim experience through December 31, 2017.	Used the experience studies completed by the pension plan actuaries in which the System's employees pariticipate Expected per capita costs based on medical and prescription drug claims for retired participants for the period January 1, 2016 through Decemeber 31, 2017. 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 33 lawsuits that are handled by contract attorneys at June 30, 2018. The attorneys have estimated a reasonably possible unfavorable outcome to the System of $1,055,259 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 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 $110,332,257. 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
2015-16	$8,480,000	$110,252,444	($109,251,582)	$736,138	$10,217,000
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

10. COMPENSATED ABSENCES

At June 30, 2018, employees of the System have accumulated and vested annual, sick, and compensatory leave benefits of $53,079,858, $31,809,812, and $206,281, 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, 2018, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed is $14,168,764. 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, 2018:

Nature of Operating Lease	Fiscal Year 2019	2020	2021	2022	2023	2024-2028	2029-2033
Office space	$ 10,938,203	$ 9,130,445	$ 8,898,029	$ 8,641,318	$ 8,286,412	$ 40,782,440	$ 40,782,440
Equipment	243,724	201,243	201,243	23,470	-	-	-
Land	132,381	132,381	132,381	132,381	132,381	661,905	661,905
Other	78,182	40,908	4,125	-	-	-	-
Total	$ 11,392,490	$ 9,504,977	$ 9,235,778	$ 8,797,169	$ 8,418,793	$ 41,444,345	$ 41,444,345

Nature of Operating Lease	Fiscal Year 2034-2038	2039-2043	2044-2048	2049-2053	2054-2058	2059-2063	2064-2068	Total Future Minimum Rental Payments
Office space	$ 40,782,440	$ 38,743,318	$ -	$ -	$ -	$ -	$ -	$ 206,985,045
Equipment	-	-	-	-	-	-	-	669,680
Land	661,905	661,905	661,905	661,905	661,905	661,905	44,127	6,001,272
Other	-	-	-	-	-	-	-	123,215
Total	$ 41,444,345	$ 39,405,223	$ 661,905	$ 661,905	$ 661,905	$ 661,905	$ 44,127	$ 213,779,212

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 expense is $72,941 in rent and equipment rental expense for the year ended June 30, 2018.

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, 2018:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	$ 438,012	$ (418,462)	$ 19,550
Buildings	115,496,267	(56,353,181)	59,143,086
Equipment	14,642,868	(12,343,364)	2,299,504
Land	704,873	-	704,873
Total	$ 131,282,020	$ (69,115,007)	$ 62,167,013

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2018:

Fiscal year ending June 30,	Office Space	Buildings	Equipment	Land	Other	Total
2019	$ 336,856	$ 29,557,134	$ -	$ 530,435	$ 1,518,543	$ 31,942,968
2020	223,264	29,123,143	-	445,591	183,223	29,975,221
2021	220,308	27,595,379	-	332,474	184,285	28,332,446
2022	147,390	26,208,109	-	292,721	185,380	26,833,600
2023	-	25,224,582	-	293,248	39,907	25,557,737
2024-2028	-	11,170,394	-	1,452,464	80,933	12,703,791
2029-2033	-	6,628,650	-	1,457,734	-	8,086,384
2034-2038	-	6,628,650	-	1,336,082	-	7,964,732
2039-2043	-	6,628,650	-	9,319,048	-	15,947,698
2044-2048	-	6,628,650	-	11,170,202	-	17,798,852
2049-2053	-	6,628,650	-	1,937,154	-	8,565,804
2054-2058	-	2,404,475	-	647,604	-	3,052,079
2059-2063	-	-	-	32,350	-	32,350
2064-2068	-	-	-	32,350	-	32,350
2069-2073	-	-	-	32,310	-	32,310
2074-2078	-	-	-	32,300	-	32,300
2079-2083	-	-	-	32,300	-	32,300
2084-2088	-	-	-	32,300	-	32,300
2089-2093	-	-	-	8,960	-	8,960
2094-2098	-	-	-	-	-	-
Total	$ 927,818	$184,426,466	$ -	$ 29,417,627	$ 2,192,271	$ 216,964,182

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume, customer usage of services provided, or the drilling operations on mineral leases. Contingent rentals amounted to $1,710,739 for the year ended June 30, 2018.

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 for the Academic Medical Center in New Orleans for its hospital building. The term of the lease agreement is from April 24, 2015, to April 23, 2055. As a direct-financing type lease, the System records the lease payments as receivable and that portion of capital lease payments attributable to interest income as unearned revenue.

	Date of Lease	Minimum Lease Payments Receivables	Remaining Interest to End of Lease	Remaining Principal to End of Lease
Minimum Lease payments	4/24/2015	$ 4,141,555,115	$ -	$ 4,141,555,115
Less - amounts representing executor costs		-		
Minimum lease payments receivables		4,141,555,115		
Less - allowance for uncollectibles		-		
Net Minimum lease payments receivables		4,141,555,115		
Estimated residual value of leased property		-		
Subtotal		4,141,555,115		
Less - unearned revenue		(3,317,237,752)		
Net investment in direct financing-type leases		$ 824,317,363		

The following is a schedule by year of minimum lease receivables as of June 30, 2018:

Year	
2019	$ 66,235,716
2020	72,989,294
2021	74,524,096
2022	76,091,947
2023	77,694,444
2024-2028	413,787,693
2029-2033	459,524,361
2034-2038	539,012,196
2039-2043	616,335,471
2044-2048	685,510,711
2049-2053	762,685,169
2054-2058	297,164,017
Total	$ 4,141,555,115

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 $3,583,196,778 and are related to the public/private partnerships as discussed in the Introduction and note 25 of the Notes to the Financial Statements: (1) $108,506,694 advance lease payments for hospital and equipment leases; (2) $157,452,332 for advance operating lease payments for the final periods of the leases; and (3) $3,317,237,752 for the Academic Medical Center in New Orleans (AMCNO) Hospital building capital lease and advance on the AMCNO Ambulatory Care Building (ACB) and Garage. The decrease of the Unearned Revenue of $569,573,055 is attributable to the application of the Consumer Price Index (CPI) Factor, identified in the New Hospital Lease for the Academic Medical Center, to each of the future Hospital Lease Payments. Based on the CPI Indexes of February 2018 over February 2017, the factor of 2.21% was applied to each future Hospital Lease Payment. 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 a separate restricted other asset (capital lease) for the 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.

Restricted Other Asset

Because the LCMC made an advance payment of $143,000,000, representing all future rents of the ACB and Garage for the 40-year lease agreement effective April 24, 2015, the asset was classified as a Restricted Other Asset rather than a Lease Receivable in the financial statements. $11,391,027 was recognized to expense through June 30, 2018, leaving a balance of $131,608,973 in Restricted Other Assets at June 30, 2018.

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, 2018:

System

	Balance June 30, 2017 (Restated)		Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Notes and bonds payable:						
Notes payable	$ 7,210,210		$ -	$ (663,263)	$ 6,546,947	$ 209,542
Bonds payable	441,854,816		-	(19,202,598)	422,652,218	19,573,939
Subtotal	449,065,026		-	(19,865,861)	429,199,165	19,783,481
Other liabilities:						
Compensated absences payable	81,602,611	**	6,452,098	(2,958,758)	85,095,951	7,804,055
Capital lease obligations	20,390,817		-	(3,422,624)	16,968,193	3,543,333
Unearned revenues *	4,049,110,956		1,403,271	(575,824,143)	3,474,690,084	67,912,543
Other liabilities	504,920		319,484	(98,908)	725,496	-
Subtotal	4,151,609,304		8,174,853	(582,304,433)	3,577,479,724	79,259,931
Total long-term liabilities	$ 4,600,674,330		$ 8,174,853	$ (602,170,294)	$ 4,006,678,889	$ 99,043,412

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.
** Adjusted by $110,935 to add Stephenson Technologies Corporation blended component unit

Notes Payable

The universities have entered into a number of installment purchase agreements for the purchase of computer equipment, copiers, vehicles, et cetera. The agreements require scheduled payments either on a monthly, semiannual, or annual basis and have interest rates ranging from 2.70% to 4.75%.

The following is a summary of future minimum installment payments as of June 30, 2018:

Fiscal Year Ending June 30:	
2019	$ 514,191
2020	6,608,013
Total minimum installment payments	7,122,204
Less - amount representing interest	(575,257)
Total	$ 6,546,947

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

Bonds and Contracts Payable - System

Detailed summaries, by issues, of all bond and reimbursement contract debt outstanding at June 30, 2018, including future interest payments, follow:

Bonds Payable - LSU System

Issue	Date of Issue	Original Issue	Outstanding July 1, 2017	Redeemed/ Issued	Outstanding June 30, 2018	Maturities	Interest Rates	Future Interest Payments June 30, 2018
LSU								
2010B Auxiliary Revenue Bonds	June 24, 2010	$ 31,250,000	$ 27,270,000	$ (725,000)	$ 26,545,000	2040	3.25% to 5.25%	$ 16,880,680
2012 Auxiliary Revenue Bonds	August 7, 2012	41,615,000	36,695,000	(1,720,000)	34,975,000	2034	3% to 5%	11,380,294
2013 Auxiliary Revenue Bonds	April 25, 2013	101,180,000	97,210,000	(2,080,000)	95,130,000	2043	3% to 5%	64,548,900
2014 Auxiliary Revenue Bonds	October 16, 2014	81,880,000	78,620,000	(2,520,000)	76,100,000	2036	3.5% to 5%	36,492,150
2016A Auxiliary Revenue Bonds	November 15, 2016	137,000,000	130,990,000	(4,895,000)	126,095,000	2040	3.5% to 5%	62,500,300
2016B Auxiliary Revenue Bonds	November 15, 2016	16,320,000	14,925,000	(1,265,000)	13,660,000	2030	1.65% to 3.45%	2,345,485
LSU Health Sciences Center								
2013 Building Revenue Bonds	September 4, 2013	12,830,000	12,115,000	(680,000)	11,435,000	2031	3% to 4.75%	3,769,081
Health Care Services Division								
2017 Bogalusa Community Medical Center Project	April 26, 2017	13,275,000	12,860,000	(460,000)	12,400,000	2038	2% to 4%	5,015,731
LSU of Alexandria								
2008 Auxiliary Revenue Bonds	March 18, 2008	4,200,000	3,375,000	(125,000)	3,250,000	2034	4.0% - 5.5%	1,624,650
LSU at Eunice								
1998 Auxiliary Revenue Bonds	June 1, 1998	1,650,000	114,583	(114,583)	-	2018		-
Total		441,200,000	414,174,583	(14,584,583)	399,590,000			$ 204,557,271
Premium/discounts, net		38,279,266	27,984,091	(4,632,009)	23,352,082			
Bonds issuance cost		(318,327)	(303,858)	13,994	(289,864)			
Total Bonds Payable		$ 479,160,939	$441,854,816	$ (19,202,598)	$ 422,652,218			

Bonds Payable - Component Units

Issue	Date of Issue	Original Issue	Outstanding July 1, 2017	Issued (Redeemed)	Outstanding June 30, 2018	Maturities	Interest Rates
Tiger Athletic Foundation*							
Series 2012 Bonds	October 23, 2012	$ 46,000,000	$ 70,000,000	$ -	$ 70,000,000	2037	Variable
Series 2015 Bonds	July 1, 2015	52,000,000	48,980,000	(3,160,000)	45,820,000	2028	Variable
Series 2015A Bonds	November 1, 2015	53,045,000	47,590,000	(5,000,000)	42,590,000	2039	Variable
Deferred financing costs		(795,861)	(730,123)	47,436	(682,687)		
Total Bonds Payable		$ 150,249,139	$165,839,877	$(8,112,564)	$ 157,727,313		

*As of December 31, 2017

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, $113,300,000 is outstanding as of June 30, 2018.

Debt Service Requirements

The annual requirements to amortize all System bonds outstanding at June 30, 2018, are presented in the following schedule. The schedule uses rates as of June 30, 2018, for debt service requirements of the variable-rate bonds, assuming current interest rates remain the same for their term. As rates vary, variable-rate bond interest payments will vary.

Fiscal Year	Principal	Interest	Total
2019	$ 15,145,000	$ 17,640,939	$ 32,785,939
2020	15,740,000	17,005,074	32,745,074
2021	16,335,000	16,339,703	32,674,703
2022	16,980,000	15,665,675	32,645,675
2023	17,695,000	14,903,998	32,598,998
2024-2028	95,340,000	61,733,389	157,073,389
2029-2033	102,725,000	39,039,972	141,764,972
2034-2038	80,235,000	17,911,946	98,146,946
2039-2043	39,395,000	4,316,575	43,711,575
Subtotal	399,590,000	204,557,271	604,147,271
Unamortized premium/discount	23,352,082	-	23,352,082
Bond issuance cost	(289,864)	-	(289,864)
Total	$ 422,652,218	$ 204,557,271	$ 627,209,489

The annual principal requirements for all component unit bonds outstanding at June 30, 2018, are as follows:

Fiscal Year	Principal
2019	$ 8,102,000
2020	7,969,000
2021	7,807,000
2022	7,647,000
2023	7,459,000
2024-2028	44,237,000
2029-2033	46,035,000
2034-2038	27,654,000
2039-2043	1,500,000
Deferred financing costs	(682,687)
Total	$ 157,727,313

The following is a summary of the System debt service reserve requirements of the various bond issues at June 30, 2018:

Bond Issue	Cash/ Investment Reserves Available	Reserve Requirement	Excess/ (Deficiency)
Auxiliary Plant:			
LSU A&M	$ 1,672,093	$ 1,611,031	$ 61,062
LSU of Alexandria	315,112	313,050	2,062
LSU Health Sciences Center - New Orleans	1,192,537	1,174,025	18,512
Total	$ 3,179,742	$ 3,098,106	$ 81,636
Educational Plant:			
Health Care Services Division	$ 887,745	$ 887,745	$ -
Total	$ 887,745	$ 887,745	$ -

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.

As permitted by the Bond Resolution for the Auxiliary Revenue Bonds, Series 1998 (LSU at Eunice Project), the System obtained a surety bond issued by an insurance company as a substitute for the Reserve Requirement for the bonds. The surety bond met the definition as a "Reserve Fund Investment" and guaranteed payment of an amount not to exceed $134,750 to fund the Reserve Requirement. The term of the surety bond expired on June 1, 2018, when the last bond payment was made.

Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. Assets under capital lease are included as capital assets in note 5. The following is a schedule of future minimum lease payments under capital leases, together with the present value of minimum lease payments at June 30, 2018:

Fiscal Year Ending June 30:	
2019	$ 3,903,639
2020	3,507,619
2021	3,416,663
2022	3,528,006
2023	3,650,884
2024-2028	-
Total minimum lease payments	18,006,811
Less - amount representing interest	(1,038,618)
Present value of net minimum lease payments	$ 16,968,193

14. AMOUNTS DUE FROM PRIMARY GOVERNMENT

As shown on Statement A, the System has a total of $2,596,089 due from the Primary Government at June 30, 2018. This amount consists of the following:

Account Type	Intercompany (Fund)	Amount
Amounts due from Primary Government		
	G10 - Support Education in Louisiana First Fund	$ 1,754,825
	E32 - Tobacco Tax Health Care Fund	841,264
	Total	$ 2,596,089

15. RESTRICTED NET POSITION

The System's restricted nonexpendable net position of $233,971,247 as of June 30, 2018, is comprised of endowment funds and prepaid assets.

The System had the following restricted expendable net position as of June 30, 2018:

Account Title	Amount
Student fees	$ 34,697,179
Grants and contracts	72,505,386
Gifts	27,218,942
Endowment earnings	24,448,571
Auxiliary enterprises	37,392,236
Student loan funds	36,103,106
Capital construction	85,105,762
Debt service	2,363,831
Sponsored projects	2,402,259
LSU System Health Plan	36,980,349
Foundation Restricted Funds	3,458
Total	$ 359,221,079

Of the total restricted net position reported on Statement A for the year ended June 30, 2018, a total of $3,998,589 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, 2018, net appreciation of $3,055,837 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, 2018, the net appreciation was $50,604, which is restricted to specific purposes and available to be spent.

16. RESTATEMENT OF BEGINNING NET POSITION

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

Net position at June 30, 2017	$	398,866,805
Change in accounting principle:		
GASB 75 - Other post employment benefit liability		(774,332,139)
Capital asset adjustments		3,030,914
Endowment investment income reclass - Restricted expendable		1,587,786
Endowment investment income reclass - Unrestricted		(1,587,786)
Deferred outlows related to pensions		3
Deferred inflows related to pensions		5
Stephenson Technology Corporation blended component unit		777,367
Correction of fund accounting		204,804
Other		10,315
Net position at June 30, 2017, as restated	$	(371,441,926)

The restatements decreased the System's beginning net position by $770,308,731. Of this amount, $774,332,139 was attributable to a change in accounting principle to implement the provisions of GASB 75 for other post-employment benefits accounting. Also, $777,367 was attributable to the blending of a newly formed component unit - Stephenson Technologies Corporation. The other restatements were due to correction of accounting errors primarily involving misapplication of capitalization thresholds for capital assets. Had the error corrections affecting fiscal year 2017 and the newly blended component unit been included in the June 30, 2017 Statement of Revenues, Expenses, and Changes in Net Position, the previously reported change in net position of $146,306,908 would have been $148,643,189.

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

	Eunice Student Housing Foundation*	Stephenson Technologies Corporation	LSU Healthcare Network	Health Care Services Foundation	Bogalusa Community Medical Center	LSU Health Sciences Center - Shreveport Faculty Group Practice
Assets:						
Current assets	$ 5,639	$ 1,641,970	$ 26,036,369	$ 548,746	$ 2,458,413	$ 14,892,956
Capital assets	3,081,949	-	1,093,935	2,509,927	310,700	586,821
Other assets	618,334	-	20,673,283	-	887,745	-
Amounts receivable from LSU	-	-	-	2,967	12,403,314	-
Total Assets	3,705,922	1,641,970	47,803,587	3,061,640	16,060,172	15,479,777
Liabilities:						
Current liabilities	333,828	175,644	11,041,114	8,790	496,849	614,365
Long-term liabilities	6,364,081	-	-	-	11,576,099	-
Amounts payable to LSU	-	25,401	6,527,014	48,489	454	4,822,977
Total liabilities	6,697,909	201,045	17,568,128	57,279	12,073,402	5,437,342
Net Position:						
Net investment in capital assets	(3,464,998)	-	1,093,935	2,509,927	310,700	586,821
Restricted net position - nonexpendable	-	-	-	-	-	-
Restricted net position - expendable	618,334	-	-	-	3,458	-
Unrestricted net position	(145,323)	1,440,925	29,141,524	494,434	3,672,612	9,455,614
Total Net Position	$ (2,991,987)	$ 1,440,925	$ 30,235,459	$ 3,004,361	$ 3,986,770	$ 10,042,435

* as of August 31, 2017

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

	Eunice Student Housing Foundation*	Stephenson Technologies Corporation	LSU Healthcare Network	Health Care Services Foundation	Bogalusa Community Medical Center	LSU Health Sciences Center - Shreveport Faculty Group Practice
Operating revenues	$ 1,145,558	$ 3,362,571	$ 130,025,489	$ 262,467	$ 798,723	$ 70,037,535
Operating expenses	(680,185)	(2,740,765)	(128,987,512)	(264,617)	(1,874,675)	(68,924,655)
Depreciation expense	(124,702)	-	(367,406)	(123,963)	-	(116,084)
Net operating income	340,671	621,806	670,571	(126,113)	(1,075,952)	996,796
Nonoperating revenues (expenses):						
Investment income (loss)	2,090	-	(1,135,908)	16,111	427,159	-
Interest expense	(317,743)	-	-	(6,393)	(428,043)	-
Other nonoperating revenues	-	41,752	-	-	-	-
Changes in net position	25,018	663,558	(465,337)	(116,395)	(1,076,836)	996,796
Net Position, beginning of the year	(3,017,005)	777,367	30,700,796	3,120,756	5,063,606	9,045,639
Net Position, end of the year	$ (2,991,987)	$ 1,440,925	$ 30,235,459	$ 3,004,361	$ 3,986,770	$ 10,042,435

* as of August 31, 2017

Condensed Statement of Cash Flows

	Eunice Student Housing Foundation*	Stephenson Technologies Corporation	LSU Healthcare Network	Health Care Services Foundation	Bogalusa Community Medical Center	LSU Health Sciences Center - Shreveport Faculty Group Practice
Net cash flows provided (used) by:						
Operating activities	$ 335,353	$ 305,894	$ (845,658)	$ 425,310	$ (559,273)	$ (4,705,616)
Capital and related financing	(514,293)	-	(574,551)	(467,326)	(460,500)	(650,433)
Noncapital financing	-	-	-	-	-	-
Investing activities	(64,244)	-	(1,840,844)	-	-	-
Net increase (decrease) in cash	(243,184)	305,894	(3,261,053)	(42,016)	(1,019,773)	(5,356,049)
Cash, beginning of the year	416,655	808,652	12,578,241	587,877	4,333,711	11,989,757
Cash, end of the year	$ 173,471	$ 1,114,546	$ 9,317,188	$ 545,861	$ 3,313,938	$ 6,633,708

* as of August 31, 2017

18. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

Function	Employee Compensation	Benefits	Utilities	Supplies and Services	Scholarships and Fellowships	Depreciation	Compensated Absences	Total
Instruction	$ 366,930,577	$ 95,199,677	$ 191,419	$ 117,085,947	$ 196,682	$ 13,739,837	$ 66,728	$ 593,410,867
Research	147,325,680	49,484,261	1,801,134	85,645,062	50,694	14,559,060	407,429	299,273,320
Public service	210,266,731	38,846,857	6,048,446	108,555,151	29,418	5,028,232	1,515,427	370,290,262
Academic support	133,610,076	31,903,882	414,307	81,258,569	-	6,536,112	731,698	254,454,644
Student services	23,897,051	7,727,974	672,969	11,990,000	27,200	385,562	82,017	44,782,773
Institutional support	64,402,906	25,504,305	109,509	21,387,125	-	2,311,036	296,483	114,011,364
O & M of plant	36,360,033	14,555,422	30,402,818	55,291,325	-	56,182,815	111,437	192,903,850
Scholarships and fellowships	577,916	2,611	-	138,721	54,724,141	-	-	55,443,389
Auxiliary enterprises	57,774,942	18,164,674	7,249,753	90,025,492	-	1,392,733	303,971	174,911,565
Hospital	23,489,048	10,990,305	810,943	96,750,396	-	37,689,124	378,564	170,108,380
Total operating expenses	$ 1,064,634,960	$ 292,379,968	$ 47,701,298	$ 668,127,788	$ 55,028,135	$ 137,824,511	$ 3,893,754	$ 2,269,590,414

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 in Shreveport Foundation
- LSU in Shreveport Alumni Association
- Louisiana State University of Alexandria Foundation

- Louisiana State University at Eunice Foundation
- Louisiana State University System Research and Technology Foundation
- Louisiana 4-H Foundation

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

20. DEFERRED COMPENSATION PLAN

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

21. ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. There were no on-behalf payments for fringe benefits and salaries for fiscal year ended June 30, 2018.

22. REVENUE USED AS SECURITY FOR REVENUE BONDS

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

LSU, LSUA, and LSUE have pledged future auxiliary revenues of approximately $571,527,459 to secure original issued debt of $415,095,000 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 $222,728,696. All LSUA Union, Bookstore, and athletic revenues, totaling $1,619,525 for the current period, are pledged to secure the debt of the 2008 bond, which matures in 2034. All LSUE Union and Bookstore revenues, totaling $1,742,658 for the current period, were pledged to secure the debt of the auxiliary revenue bonds, which were payable through 2018. Required principal and interest payments for the current year on the bonds were $30,725,578.

LSUHSC - New Orleans has pledged future auxiliary revenues, dedicated student fee revenues, and University Enterprise Revenues of approximately $15,204,081 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 $1,166,556. Pledged auxiliary revenues recognized during the period were $8,425,438.

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 Foundation, New Orleans	LSU Health Science Center Foundation in Shreveport	Total
Promises to give expected to be collected in:					
Less than one year	$9,013,790	$14,465,841	$640,358	$93,500	$24,213,489
One to five years	11,245,072	9,583,101	844,251	106,500	21,778,924
More than five years	1,462,518	76,779	231,743	-	1,771,040
Subtotal	21,721,380	24,125,721	1,716,352	200,000	47,763,453
Less discount on promises to give	(2,093,425)	(1,445,553)	(32,955)	-	(3,571,933)
Less allowance for uncollectible accounts	(3,052,465)	(3,511,600)	(600,720)	-	(7,164,785)
Subtotal	(5,145,890)	(4,957,153)	(633,675)	-	(10,736,718)
Net unconditional promises to give	$16,575,490	$19,168,568	$1,082,677	$200,000	$37,026,735

*as of December 31, 2017

Total unconditional promises to give (current and noncurrent) of $37,026,735 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, 2018, the cost of providing these benefits for four involuntary terminations totaled $3,606,242.

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 $2,502,000 to $73,629,243 (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.

26. SUBSEQUENT EVENTS

In September 2018 and in accordance with R.S. 39:366.11, the Board of Supervisors and Joint Legislative Committee on Budget approved 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, for an initial term of ten (10) years, replaces the BRFHH Public-Private Partnership CEA. 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) to The State of Louisiana, through the Division of Administration (Lessor).

Also effective October 1, 2018, Ochsner LSU Health System of North Louisiana (OLHS-NL) became the sole member of Ochsner LSU Physician Group (OLPG) which operates the clinical practices of HSC-S Physicians and HSC-S Practitioners. Prior to this change, OLPG operated as the practice plan of the Medical School faculty under a memorandum of understanding through which the FGP contracted with HSC-S for clinical and other services of HSC-S Physicians and HSC-S Practitioners.

27. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

<u>Governmental Accounting Standards Board - University</u>

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 83, *Certain Asset Retirement Obligations (ARO)*. This standard establishes criteria for determining the timing and pattern of recognition of an ARO liability and a corresponding deferred outflow of resources. An ARO is a legally enforceable liability associated with the sale, recycling, retirement, abandonment or disposal in some other manner of a tangible capital asset permanently removed from service. The standard is effective for annual reporting periods beginning after June 15, 2018. The System will include the requirements of this standard, as applicable, in its June 30, 2019 financial statement. The effect of this standard or its applicability to the System are unknown at this time.

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:

<u>Financial Accounting Standards Board (Component Units)</u>

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.

On August 18, 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under the ASU, the number of net asset classes is decreased from three to two; enhances disclosure of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the consolidated financial statements on how it manages its liquid available resources and liquidity risk is required. This ASU is effective for fiscal years beginning after December 15, 2017.

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, 2019.

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.

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 plan's 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					
	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					
	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.

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

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

Changes of Assumptions.

State OGB Plan

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

LSU Health Plan

A. The discount rate changed from 3.58% as of beginning of the year to 3.90% as of end of the year.

Louisiana State University System
State of Louisiana

Schedule of the Proportionate Share of the Net Pension Liabilities
Cost Sharing Defined Benefit Pension Plans
For the Year Ended June 30, 2018 (*)

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						
	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						
	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, 2018

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						
	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						
	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 Cost Sharing Defined Benefit Pension Plans
For the Year Ended June 30, 2018

Changes of Benefit Terms include:

Teachers Retirement System of Louisiana

- 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 or 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

Louisiana State Employees' Retirement System.

- 2015 –
    - A 1.5% COLA, effective July 1, 2014, provided by Act 204 of the 2014 Louisiana Regular Legislative Session
    - 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
    - Added benefits for members of the Harbor Police Retirement System which was merged with LASERS effective July 1, 2015

Changes of Assumptions

Teachers Retirement System of Louisiana

- 2018 –

  - There were several changes in assumptions for the June 30, 2017, valuation. The TRSL Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017, valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019. The projected contribution requirement for fiscal year 2018/2019 includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016.

Louisiana State Employees' Retirement System

- 2018 –

  - There were several changes in assumptions for the June 30, 2017, valuation. The Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017, valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019. The projected contribution requirement for fiscal year 2018/2019 includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016. The Board also reduced the inflation assumption from 3.0% to 2.75%, effective July 1, 2017. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by .25%.

Changes to Covered Payroll:

- Due to the implementation of GASBS 82 in fiscal year 2017, prior amounts presented for covered payroll were restated to reflect payroll on which contributions are based.

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, 2018

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, 2018

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, 2018

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, 2017

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, 2017

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, 2017

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, 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	16,428,096	252,993,948	156,367,910	190,449,704	(90,567,240)	1,001,261,594
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	26,109,202	341,135,754	4,273,022,025	154,233,185		6,345,734,215
Total assets	42,537,298	594,129,702	4,429,389,935	344,682,889	(90,567,240)	7,346,995,809
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	19,296,639	54,390,823	28,261,820	35,061,010		336,091,998
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$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 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	$39,631,367	($151,968,578)	($9,986,656)	($15,960,911)	($193,598,979)

(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	($25,857,293)	($38,373,069)	$350,284,210	($221,839,615)	$5,040	($267,664,484)

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

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Position, by University
June 30, 2017

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
ASSETS					
Current assets:					
Cash and cash equivalents	$6,701,547	($121,435,010)	$1,949,771	$1,326,635	$18,087,663
Investments		436,820,970	253,369	91,054	391,705
Receivables (net)	2,649,006	58,976,442	10,102,838	5,490,220	8,552,355
Leases receivable					
Due from other campuses		876,353			
Amounts due from primary government	8,617	792,861	24,549	22,850	511,037
Due from federal government	3,457,111	13,371,595	367,100	65,689	4,232,726
Inventories	153,116	1,109,532	130	245,596	2,871,407
Prepaid expenses and advances		6,410,951		3,450	6,721
Notes receivable (net)		2,445,681		552	
Other current assets		2,057,558			
Total current assets	12,969,397	401,426,933	12,697,757	7,246,046	34,653,614
Noncurrent assets:					
Restricted:					
Cash and cash equivalents	5,493,070	150,999,313	1,146,042	488,740	5,798,009
Investments	6,872,040	121,575,419	3,565,148	858,303	3,648,699
Receivables (net)		3,879,217			
Notes receivable (net)		13,648,785		10,489	
Other		6,541,103			
Investments					
Lease receivable					
Other noncurrent assets					
Capital assets (net)	100,254,220	1,064,556,409	28,028,359	22,213,208	43,626,676
Total noncurrent assets	112,619,330	1,361,200,246	32,739,549	23,570,740	53,073,384
Total assets	125,588,727	1,762,627,179	45,437,306	30,816,786	87,726,998
Deferred outflow of resources					
Deferred amounts on debt refunding		22,743,811			
Pension-related deferred outflows of resources	10,400,833	187,878,170	5,754,003	3,508,241	29,301,688
Total Deferred outflows related to resources	10,400,833	210,621,981	5,754,003	3,508,241	29,301,688
Total assets and deferred outflow of resources	135,989,560	1,973,249,160	51,191,309	34,325,027	117,028,686

(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	($285,231)	$26,432,864	$82,784,358	$65,872,933		$81,435,530
Investments	100,225	1,427,964		22,553,044		461,638,331
Receivables (net)	2,641,887	94,549,511	10,511,207	122,822,232		316,295,698
Leases receivable			5,316,858			5,316,858
Due from other campuses	5,222,191	72,704,533	49,340	383,737	($79,236,154)	
Amounts due from primary government	57,782	2,081,523	379,658	908,283		4,787,160
Due from federal government	2,515,638	18,766,886	129,612	4,325,763		47,232,120
Inventories	1,143,802	1,610,560	1,103,093	373,872		8,611,108
Prepaid expenses and advances	93,352	3,952,903	42,658	157,876		10,667,911
Notes receivable (net)		640,000		366,492		3,452,725
Other current assets			1,980			2,059,538
Total current assets	11,489,646	$222,166,744	100,318,764	217,764,232	(79,236,154)	941,496,979
Noncurrent assets:						
Restricted:						
Cash and cash equivalents	285,231		5,792,550	9,457,292		179,460,247
Investments	7,257,993	32,803,566	9,436,181	65,709,945		251,727,294
Receivables (net)						3,879,217
Notes receivable (net)		8,445,603		1,186,458		23,291,335
Other			135,183,973			141,725,076
Investments		17,205,259				17,205,259
Lease receivable			4,499,305,049			4,499,305,049
Other noncurrent assets		413,967				413,967
Capital assets (net)	18,602,918	278,587,264	192,818,840	81,208,469		1,829,896,363
Total noncurrent assets	26,146,142	337,455,659	4,842,536,593	157,562,164		6,946,903,807
Total assets	37,635,788	559,622,403	4,942,855,357	375,326,396	(79,236,154)	7,888,400,786
Deferred outflow of resources						
Deferred amounts on debt refunding						22,743,811
Pension-related deferred outflows of resources	7,361,729	78,753,132	21,808,765	39,838,779		384,605,340
Total Deferred outflows related to resources	7,361,729	78,753,132	21,808,765	39,838,779		407,349,151
Total assets and deferred outflow of resources	44,997,517	638,375,535	4,964,664,122	415,165,175	(79,236,154)	8,295,749,937

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Net Position, by University
June 30, 2017

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	$371,589	$44,399,457	$301,176	$463,831	$2,057,979
Due to other campuses		78,345,844			
Due to federal government		58,597			
Amounts held in custody for others		5,407,004	115,473	82,549	46,118
Unearned revenues	2,151,481	56,496,683	7,372,464	4,323,796	5,449,945
Other liabilities		2,057,558			
Compensated absences payable	260,967	3,179,223	85,730	71,196	747,791
Capital lease obligations		2,752,025			
Notes payable				188,036	
Bonds payable		17,844,737	125,000	114,583	
Total current liabilities	2,784,037	210,541,128	7,999,843	5,243,991	8,301,833
Noncurrent liabilities:					
Compensated absences payable	3,020,121	30,163,824	827,186	485,461	7,772,030
Capital lease obligations		16,015,000			
Notes payable				6,554,848	
Net pension liability	57,385,616	854,214,721	25,905,349	16,924,964	135,046,169
OPEB payable	24,553,435	301,941,759	16,596,232	10,601,383	71,831,588
Bonds payable		395,953,972	3,250,000		
Unearned revenues					
Other noncurrent liabilities	2,536	459,684		32,254	10,446
Total noncurrent liabilities	84,961,708	1,598,748,960	46,578,767	34,598,910	214,660,233
Total liabilities	87,745,745	1,809,290,088	54,578,610	39,842,901	222,962,066
Deferred Inflows of Resources					
Pension-related deferred inflows of resources	7,346,577	31,085,960	1,017,493	1,727,541	9,142,229
Total deferred inflows of resources	7,346,577	31,085,960	1,017,493	1,727,541	9,142,229
NET POSITION					
Net investment in capital assets	100,254,220	665,527,181	24,653,359	15,355,741	43,626,676
Restricted for:					
Nonexpendable	5,870,270	95,018,959	3,503,349	437,893	3,743,139
Expendable	11,307,172	199,349,118	2,912,523	2,156,332	12,006,341
Unrestricted	(76,534,424)	(827,022,146)	(35,474,025)	(25,195,381)	(174,451,765)
Total net position	$40,897,238	$132,873,112	($4,404,794)	($7,245,415)	($115,075,609)
Total liabilities, deferred inflows of resources, and net position	$135,989,560	$1,973,249,160	$51,191,309	$34,325,027	$117,028,686

(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	$565,425	$28,457,744	$15,635,755	$18,592,347		$110,845,303
Due to other campuses	92,955	338,638	90,166	368,551	($79,236,154)	
Due to federal government		5,173,909				5,232,506
Amounts held in custody for others	244,684	412,903	10,353	43,900		6,362,984
Unearned revenues	1,243,075	7,380,627	170,168,150	2,230,126		256,816,347
Other liabilities			17,047			2,074,605
Compensated absences payable	173,069	1,809,629	650,632	1,097,939		8,076,176
Capital lease obligations				670,599		3,422,624
Notes payable			467,326			655,362
Bonds payable		677,088	460,000			19,221,408
Total current liabilities	2,319,208	44,250,538	187,499,429	23,003,462	(79,236,154)	412,707,315
Noncurrent liabilities:						
Compensated absences payable	1,371,711	17,658,374	2,077,140	10,039,653		73,415,500
Capital lease obligations				953,193		16,968,193
Notes payable				-		6,554,848
Net pension liability	25,738,106	399,457,719	85,590,659	225,082,542		1,825,345,845
OPEB payable	17,742,553	140,090,900	187,652,625	220,308,336		991,318,811
Bonds payable		11,397,146	12,032,290			422,633,408
Unearned revenues			3,982,601,684			3,982,601,684
Other noncurrent liabilities						504,920
Total noncurrent liabilities	44,852,370	568,604,139	4,269,954,398	456,383,724		7,319,343,209
Total liabilities	47,171,578	612,854,677	4,457,453,827	479,387,186	(79,236,154)	7,732,050,524
Deferred Inflows of Resources						
Pension-related deferred inflows of resources	13,152,726	14,375,869	33,786,304	53,197,909		164,832,608
Total deferred inflows of resources	13,152,726	14,375,869	33,786,304	53,197,909		164,832,608
NET POSITION						
Net investment in capital assets	18,602,918	267,691,762	181,879,077	79,584,677		1,397,175,611
Restricted:						
Nonexpendable	6,927,837	33,097,859	16,116,401	68,268,091		232,983,798
Expendable	6,706,943	19,972,124	8,567,963	80,936,834		343,915,350
Unrestricted	(47,564,485)	(309,616,756)	266,860,550	(346,209,522)		(1,575,207,954)
Total net position	($15,326,787)	$11,144,989	$473,423,991	($117,419,920)		$398,866,805
Total liabilities, deferred inflows of resources, and net position	$44,997,517	$638,375,535	$4,964,664,122	$415,165,175	($79,236,154)	$8,295,749,937

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, 2017

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
OPERATING REVENUES					
Student tuition and fees		$420,892,786	$16,052,460	$9,766,179	
Less scholarship allowances		(79,211,594)	(3,219,656)	(2,771,368)	
Net student tuition and fees		341,681,192	12,832,804	6,994,811	
Federal appropriations					$9,758,657
Federal grants and contracts	$23,856,398	70,274,136	156,538	117,184	6,814,638
State and local grants and contracts	1,904,229	37,873,636	301,055	296,767	16,930,144
Nongovernmental grants and contracts	7,782,280	16,262,480	118,323	106,505	5,034,951
Sales and services of educational departments	688,312	25,199,594	223,569	7,727	5,832,877
Hospital income					
Auxiliary enterprise revenues (including revenues pledged to secure debt)	104,444	208,331,481	1,944,929	3,379,030	
Less scholarship allowances		(15,692,103)	(258,896)	(215,551)	
Net auxiliary revenues	104,444	192,639,378	1,686,033	3,163,479	
Other operating revenues	68,407	9,722,587	32,120	44,022	8,640,694
Total operating revenues	34,404,070	693,653,003	15,350,442	10,730,495	53,011,961
OPERATING EXPENSES					
Educational and general:					
Instruction		284,958,173	11,384,506	7,871,572	
Research	33,366,828	152,421,173	68,440	44,477	60,440,522
Public service	1,137,910	34,131,843	(1,550)	1,003	40,707,119
Academic support	6,551,575	87,698,354	1,879,846	529,555	5,682,760
Student services		27,905,521	1,878,798	956,795	
Institutional support	6,434,383	42,753,569	3,548,775	2,591,187	18,390,644
Operations and maintenance of plant	7,532,362	96,828,761	4,473,216	3,726,021	7,758,912
Scholarships and fellowships		39,142,485	4,016,533	3,035,203	109,792
Auxiliary enterprises	922	159,888,635	1,330,898	2,597,615	
Hospital					
Total operating expenses	55,023,980	925,728,514	28,579,462	21,353,428	133,089,749
OPERATING INCOME (LOSS)	(20,619,910)	(232,075,511)	(13,229,020)	(10,622,933)	(80,077,788)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	15,982,394	131,749,329	5,275,177	4,716,864	71,137,106
Gifts	2,923,112	22,805,636	801,060	364,140	2,396,902
Federal nonoperating revenues (expenses)		23,704,583	5,290,013	4,847,125	1,080,321
Net investment income	230,894	1,055,437	203,175	51,351	688,022
Interest expense		(12,665,152)	(185,356)	(311,759)	
Other nonoperating revenues (expenses)	157,352	3,169,754	484,905	38,343	302,247
Net nonoperating revenues (expenses)	19,293,752	169,819,587	11,868,974	9,706,064	75,604,598

(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	$29,439,713	$58,996,059		$21,402,268		$556,549,465
Less scholarship allowances	(4,124,796)	(4,160,671)		(1,510,418)		(94,998,503)
Net student tuition and fees	25,314,917	54,835,388		19,891,850		461,550,962
Federal appropriations						9,758,657
Federal grants and contracts	499,497	38,016,221		12,330,256		152,064,868
State and local grants and contracts	3,843,458	11,743,501		10,593,240	($2,011,486)	81,474,544
Nongovernmental grants and contracts	3,107	263,777,094		167,366,675		460,451,415
Sales and services of educational departments	394,368	131,219,131		29,318,159	(64,322)	192,819,415
Hospital income			$73,237,513	59,671,773		132,909,286
Auxiliary enterprise revenues (including revenues pledged to secure debt)	2,616,419	9,431,572		2,037,351	(984)	227,844,242
Less scholarship allowances	(105,100)					(16,271,650)
Net auxiliary revenues	2,511,319	9,431,572		2,037,351	(984)	211,572,592
Other operating revenues	820,192	981,968		542,456		20,852,446
Total operating revenues	33,386,858	510,004,875	73,237,513	301,751,760	(2,076,792)	1,723,454,185
OPERATING EXPENSES						
Educational and general:						
Instruction	17,850,760	213,767,503		24,837,220		560,669,734
Research	462,051	47,754,545		24,404,384	(600,131)	318,362,289
Public service	782,929	244,228,167		48,976,909		369,964,330
Academic support	3,084,481	18,759,637		88,918,996		213,105,204
Student services	2,532,812	6,394,263		406,286		40,074,475
Institutional support	5,120,443	32,339,843		16,898,995	(488,602)	127,589,237
Operations and maintenance of plant	3,625,275	37,450,451		6,383,448		167,778,446
Scholarships and fellowships	5,559,810	3,088,041		1,034,609		55,986,473
Auxiliary enterprises	2,741,966	8,868,957		635,810		176,064,803
Hospital			105,651,885	24,425,429	(988,059)	129,089,255
Total operating expenses	41,760,527	612,651,407	105,651,885	236,922,086	(2,076,792)	2,158,684,246
OPERATING INCOME (LOSS)	(8,373,669)	(102,646,532)	(32,414,372)	64,829,674		(435,230,061)
NONOPERATING REVENUES (EXPENSES)						
State appropriations	7,431,333	91,353,563	25,044,224	64,741,099		417,431,089
Gifts	1,148,512	2,138,240	281	(111,919)		32,465,964
Federal nonoperating revenues (expenses)	4,640,439	924,137	2,733,050	41,619		43,261,287
Net investment income	781,277	8,018,591	402,403	4,488,878		15,920,028
Interest expense		(512,723)	(669,450)	(116,668)		(14,461,108)
Other nonoperating revenues (expenses)	56,418	3,408,643	(35,354,534)	764,200		(26,972,672)
Net nonoperating revenues (expenses)	14,057,979	105,330,451	(7,844,026)	69,807,209		467,644,588

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses,
and Changes in Net Position, by University
June 30, 2017

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	($1,326,158)	($62,255,924)	($1,360,046)	($916,869)	($4,473,190)
Capital appropriations	940,825	18,386,081			
Capital gifts and grants		22,838,633	616,107		49,291
Additions to permanent endowment		1,641,681	120,000	20,000	80,000
Other additions (deductions)	(27,353)	(1,334,525)	31,232	(99,574)	
CHANGE IN NET POSITION	(412,686)	(20,724,054)	(592,707)	(996,443)	(4,343,899)
NET POSITION - BEGINNING OF YEAR (Restated)	41,309,924	153,597,166	(3,812,087)	(6,248,972)	(110,731,710)
NET POSITION - END OF YEAR	$40,897,238	$132,873,112	($4,404,794)	($7,245,415)	($115,075,609)

(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	$5,684,310	$2,683,919	($40,258,398)	$134,636,883		$32,414,527
Capital appropriations		36,033,928	13,768,719	9,227,317		78,356,870
Capital gifts and grants	11,425	4,904,734		23,640		28,443,830
Additions to permanent endowment		360,000		535,000		2,756,681
Other additions (deductions)		6,252,402		(487,182)		4,335,000
CHANGE IN NET POSITION	5,695,735	50,234,983	(26,489,679)	143,935,658		146,306,908
NET POSITION - BEGINNING OF YEAR (Restated)	(21,022,522)	(39,089,994)	499,913,670	(261,355,578)		252,559,897
NET POSITION- END OF YEAR	($15,326,787)	$11,144,989	$473,423,991	($117,419,920)		$398,866,805

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2017

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
CASH FLOWS FROM OPERATING ACTIVITIES:					
Tuition and fees		$339,275,929	$13,339,653	$6,625,830	
Federal appropriations					$8,431,480
Grants and contracts	$26,938,049	115,412,541	455,567	572,473	26,114,483
Sales and services of educational departments	685,535	24,970,897	250,420	7,727	5,838,347
Hospital income					
Auxiliary enterprise receipts	103,325	192,617,959	1,425,692	2,963,550	
Payments for employee compensation	(25,092,772)	(404,477,002)	(11,472,247)	(7,431,137)	(62,381,755)
Payments for benefits	(9,371,929)	(140,541,437)	(4,912,461)	(3,631,703)	(29,768,714)
Payments for utilities	(1,732,356)	(17,093,368)	(848,546)	(650,325)	(2,612,456)
Payments for supplies and services	(12,596,498)	(214,697,296)	(4,399,319)	(5,268,714)	(25,693,252)
Payments for scholarships and fellowships		(39,233,593)	(4,016,533)	(3,035,203)	(109,792)
Loans to students		(3,441,408)	(537,413)		
Collection of loans to students		2,224,923			
Other receipts (payments)	(223,298)	7,765,465	33,996	4,353	8,789,627
Net cash used by operating activities	(21,289,944)	(137,216,390)	(10,681,191)	(9,843,149)	(71,392,032)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
State appropriations	15,986,374	132,115,374	5,286,517	4,727,417	71,144,651
Gifts and grants for other than capital purposes	2,813,883	23,126,104	799,174	369,991	2,346,343
Private gifts for endowment purposes	55,607	(138,319)			
TOPS receipts		72,983,201	1,576,093	939,772	
TOPS disbursements		(72,983,201)	(1,576,093)	(939,772)	
FEMA receipts		(46,669)			296,729
FEMA disbursements		(712,081)			(39,490)
ARRA revenues					
Direct lending receipts		132,176,638	10,203,454	6,279,692	
Direct lending disbursements		(132,176,638)	(10,203,454)	(6,279,692)	
Implicit loan to/from other campuses		(876,337)			
Other receipts		24,692,214	5,715,892	4,847,126	
Net cash provided by noncapital financing activities	18,855,864	178,160,286	11,801,583	9,944,534	73,748,233
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Proceeds from issuance of debt		170,709,306		297,090	
Capital gifts and grants received	(59,918)	13,162,908	61,999	(18,773)	(219,586)
Purchase of capital assets	(358,409)	(54,176,966)	(341,854)	(162,776)	(1,901,408)
Principal paid on capital debt and leases		(3,055,866)	(125,000)	(270,922)	
Interest paid on capital debt and leases		(11,539,779)	(185,356)	(311,759)	
Refunding of bonds		(205,225,700)			
Bond issuance cost		(999,130)			
Deposit with trustees					
Other sources (uses)	(27,353)	(1,334,525)	31,232	(99,574)	
Net cash used by capital financing activities	(445,680)	(92,459,752)	(558,979)	(566,714)	(2,120,994)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments		134,896,636			
Interest received on investments	119,457	16,031,833	57,472	74,573	620,114
Purchase of investments		(120,582,014)		(1,855)	
Net cash provided (used) by investing activities	119,457	30,346,455	57,472	72,718	620,114

(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	$25,660,356	$53,388,771		$19,562,152		$457,852,691
Federal appropriations						8,431,480
Grants and contracts	4,663,420	291,593,511		185,679,205	($2,011,486)	649,417,763
Sales and services of educational departments	332,850	141,992,400		61,957,170	(65,306)	235,970,040
Hospital income			$83,825,795	50,963,947		134,789,742
Auxiliary enterprise receipts	1,415,224	9,248,999		2,077,154		209,851,903
Payments for employee compensation	(17,652,656)	(297,988,801)	(25,982,219)	(189,667,202)		(1,042,145,791)
Payments for benefits	(8,835,172)	(61,220,597)	(30,363,768)	(50,787,592)		(339,433,373)
Payments for utilities	(774,012)	(13,213,393)	(713,713)	(6,374,786)		(44,012,955)
Payments for supplies and services	(12,188,773)	(210,292,617)	(53,475,182)	(111,988,297)	2,076,792	(648,523,156)
Payments for scholarships and fellowships	(5,075,925)	(2,529,187)		(1,034,609)		(55,034,842)
Loans to students	(960,144)	(402,699)		(96,624)		(5,438,288)
Collection of loans to students		1,325,522		360,931		3,911,376
Other receipts (payments)	(35,348)	1,115,579		1,098,272		18,548,646
Net cash used by operating activities	(13,450,180)	(86,982,512)	(26,709,087)	(38,250,279)		(415,814,764)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
State appropriations	7,458,018	91,271,377	24,664,566	64,754,770		417,409,064
Gifts and grants for other than capital purposes	1,056,909	3,062,377	281	(111,919)		33,463,143
Private gifts for endowment purposes		360,000		535,000		812,288
TOPS receipts	2,166,845	1,200,729		104,391		78,971,031
TOPS disbursements	(2,166,845)	(1,203,840)		(104,391)		(78,974,142)
FEMA receipts		920,315	10,111,092			11,281,467
FEMA disbursements			(7,503,982)			(8,255,553)
ARRA revenues			125,940			125,940
Direct lending receipts	26,732,117	60,798,486		23,006,935		259,197,322
Direct lending disbursements	(26,732,117)	(60,987,806)		(23,006,935)		(259,386,642)
Implicit loan to/from other campuses	876,337					
Other receipts	4,640,439	1,455,759	1,742,776	498,292		43,592,498
Net cash provided by noncapital financing activities	14,031,703	96,877,397	29,140,673	65,676,143		498,236,416
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Proceeds from issuance of debt			13,210,480			184,216,876
Capital gifts and grants received	11,425					12,938,055
Purchase of capital assets	(229,193)	(10,006,570)	(1,567,211)	(3,093,426)		(71,837,813)
Principal paid on capital debt and leases		(662,088)	(907,033)	(634,874)		(5,655,783)
Interest paid on capital debt and leases		(506,507)	(768,032)	(116,668)		(13,428,101)
Refunding of bonds			(12,685,178)			(217,910,878)
Bond issuance cost			(291,827)			(1,290,957)
Deposit with trustees		1,500				1,500
Other sources (uses)						(1,430,220)
Net cash used by capital financing activities	(217,768)	(11,173,665)	(3,008,801)	(3,844,968)		(114,397,321)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sales and maturities of investments		5,560,483	9,580	33,440,744		173,907,443
Interest received on investments	126,396	5,102,996	402,403	2,667,557		25,202,801
Purchase of investments		(17,531,023)		(45,992,669)		(184,107,561)
Net cash provided (used) by investing activities	126,396	(6,867,544)	411,983	(9,884,368)		15,002,683

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2017

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	($2,760,303)	($21,169,401)	$618,885	($392,611)	$855,321
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	14,954,920	50,733,704	2,476,928	2,207,986	23,030,351
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$12,194,617	$29,564,303	$3,095,813	$1,815,375	$23,885,672
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:					
Operating income (loss)	($20,619,910)	($232,075,511)	($13,229,020)	($10,622,933)	($80,077,788)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:					
Depreciation expense	5,670,704	78,182,592	1,481,257	1,203,229	4,001,855
Non-Employer contributing entity revenue	157,352	2,177,084	59,026	38,342	302,247
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
(Increase) decrease in accounts receivable, net	(2,846,666)	(10,519,645)	(1,628,923)	(1,026,720)	(2,479,578)
(Increase) decrease in inventories	4,404	(145,623)	123	(48,511)	903,589
(Increase) decrease in prepaid expenses and other		15,852			(462)
(Increase) decrease in notes receivable		(1,132,166)			
(Increase) decrease deferred outflows related to pensions	(4,174,485)	(48,821,380)	(2,633,444)	(1,496,859)	(7,379,384)
(Increase) decrease in other assets		97,895			
Increase (decrease) in accounts payable and accrued liabilities	118,774	(9,403,057)	163,925	122,296	1,776,621
Increase (decrease) in unearned revenue	(3,766,804)	1,530,731	1,230,463	502,157	(1,414,943)
Increase (decrease) in amounts held in custody for others		(2,327,548)	17,154	(30,037)	4,121
Increase (decrease) in compensated absences	171,941	96,126	50,286	12,219	470,379
Increase in OPEB payable	1,734,054	18,185,288	1,100,605	610,898	2,684,451
(Increase) decrease in net pension liability	(46,652)	70,464,702	3,135,750	568,895	4,668,280
(Increase) decrease in deferred inflows related to pensions	2,596,473	(1,924,552)	(428,393)	323,875	5,145,710
Increase (decrease) in other liabilities	(289,129)	(1,617,178)			2,870
Net cash used by operating activities	($21,289,944)	($137,216,390)	($10,681,191)	($9,843,149)	($71,392,032)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:					
Cash and cash equivalents classified as current assets	$6,701,547	($121,435,010)	$1,949,771	$1,326,635	$18,087,663
Cash and cash equivalents classified as noncurrent assets	5,493,070	150,999,313	1,146,042	488,740	5,798,009
Cash and cash equivalents at end of the year	$12,194,617	$29,564,303	$3,095,813	$1,815,375	$23,885,672
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Capital appropriations	$940,825	$18,386,081			
Amortized Borrowing Expense					
Increase (Decrease) in fair market value of assets	111,437	(15,015,214)	$145,703	$4,067	$67,908
Non-Employer contributing entity revenue	157,352	2,177,084	59,026	38,342	302,247
Capital gifts and grants		6,080,725	554,108		34,750
Transfers/ disposal of capital assets					
	$1,209,614	$11,628,676	$758,837	$42,409	$404,905

(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	$490,151	($8,146,324)	($165,232)	$13,696,528		($16,972,986)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(490,151)	34,579,188	88,742,140	61,633,697		277,868,763
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		$26,432,864	$88,576,908	$75,330,225		$260,895,777
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:						
Operating income (loss)	($8,373,669)	($102,646,532)	($32,414,372)	$64,829,674		($435,230,061)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:						
Depreciation expense	1,494,413	21,975,868	23,319,042	15,933,341		153,262,301
Non-Employer contributing entity revenue	56,418	1,032,569	79,059	532,958		4,435,055
Changes in assets, deferred outflows, liabilities, and deferred inflows:						
(Increase) decrease in accounts receivable, net	(2,141,457)	(18,120,706)	10,620,844	15,668,744		(12,474,107)
(Increase) decrease in inventories	(119,855)	(147,850)	(41,886)	167,156		571,547
(Increase) decrease in prepaid expenses and other	675,871	(2,833,956)	8,774	37,076		(2,096,845)
(Increase) decrease in notes receivable		922,823		206,111		(3,232)
(Increase) decrease deferred outflows related to pensions	(3,311,292)	(35,159,163)	(1,684,488)	(13,766,925)		(118,427,420)
(Increase) in other assets	(1,021,761)	(29,735)	(1,696)			(955,297)
Increase (decrease) in accounts payable and accrued liabilities	(1,053,205)	2,354,790	294,161	3,593,383		(2,032,312)
Increase (decrease) in unearned revenue	677,488	(2,150,714)		(532,545)		(3,924,167)
Increase (decrease) in amounts held in custody for others	103,292	133,611	(93,434)	22,857		(2,169,984)
Increase (decrease) in compensated absences	(401,046)	164,804	(622,268)	(412,918)		(470,477)
Increase in OPEB payable	1,054,878	8,824,122	(3,420,964)	3,303,222		34,076,554
(Increase) decrease in net pension liability	(11,695,803)	39,280,982	2,598,786	1,174,865		110,149,805
(Increase) decrease deferred inflows related to pensions	10,531,438	(796,104)	(25,350,645)	(129,007,278)		(138,909,476)
Increase (decrease) in other liabilities	74,110	212,679				(1,616,648)
Net cash used by operating activities	($13,450,180)	($86,982,512)	($26,709,087)	($38,250,279)		($415,814,764)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:						
Cash and cash equivalents classified as current assets	($285,231)	$26,432,864	$82,784,358	$65,872,933		$81,435,530
Cash and cash equivalents classified as noncurrent assets	285,231		5,792,550	9,457,292		179,460,247
Cash and cash equivalents at end of the year		$26,432,864	$88,576,908	$75,330,225		$260,895,777
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital appropriations		$36,033,928	$13,768,719	$9,227,317		$78,356,870
Amortized Borrowing Expense			(115,629)			(115,629)
Increase (Decrease) in fair market value of assets	$654,881	2,894,088	(64,530)	1,791,656		(9,410,004)
Non-Employer contributing entity revenue	56,418	1,032,569	79,059	532,958		4,435,055
Capital gifts and grants		4,904,734		23,640		11,597,957
Transfers/disposal of capital assets		6,252,404	(6,826,276)			(573,872)
	$711,299	$51,117,723	$6,841,343	$11,575,571		$84,290,377

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

January 23, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated January 23, 2019. Our report was modified to include emphasis of matter paragraphs regarding actuarial assumptions and financial statement comparability.

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 Eunice Student Housing Foundation, Inc.; the Health Care Services Foundation and its subsidiary; the LSU Health Sciences Center – Shreveport Faculty Group Practice; 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, the LSU Health Sciences Foundation in Shreveport, and the LSU Health Foundation, New Orleans, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified the following deficiency in the System's internal control that we consider to be a material weakness.

Weaknesses in Agreements for Use of State Assets

For the third consecutive year, LSU Health Sciences Center, Health Care Services Division (HCSD) and Louisiana State University administration (LSU) did not have a final, signed agreement for the equipment being utilized by the partner managing University Medical Center New Orleans (UMCNO). In addition, the state has not been reimbursed for supplies and other items purchased related to a separate agreement.

Allowing the partner to use state assets without final, signed agreements increases the risk that the state has not been properly compensated and assets will be misused, misappropriated, or become unlocated. There is also an increased risk of misunderstandings and/or nonpayment without protection for the state, including remedies for default. In addition, not following existing agreements that require reimbursement from the partner reduces the availability of state funds for other purposes.

The agreement for the use of equipment purchased by the state for UMCNO remained unsigned as of June 30, 2018. However, the private partner began utilizing that equipment in August 2015 with the opening of the new hospital facility and has made payments to HCSD based on a five-year payment schedule prepared by the partner. In fiscal year 2018, HCSD completed a reconciliation of the equipment purchases and determined the value of leased equipment to be approximately $99 million. As of June 30, 2018, HCSD has received payments totaling approximately $82 million for use of this equipment. Due to the lack of a signed agreement, there is insufficient information to determine if the partner has paid adequate rent for these items.

In addition, a bill of sale for supplies and other items purchased by the state totaling $8.4 million has not yet been executed. The UMCNO master hospital lease agreement requires the partner to pay for the cost of these items; however, repayment has not yet been made.

The accounting standards for leases require that agreements be in writing, signed by all parties, and should specifically set forth the principal provisions of the agreement. If any of the principal provisions are yet to be negotiated, the agreement or commitment does not qualify for lease accounting. In its fiscal year 2018 Annual Financial Report (AFR), HCSD reported all payments received on this unexecuted lease agreement as unearned revenue until the agreement is finalized and the revenue can be properly recognized in accordance with lease accounting standards.

Management of HCSD and LSU should ensure final agreements with the partners are signed and executed prior to the effective date. Once the agreements have been signed, management should ensure that all necessary information needed to evaluate the agreements for proper lease accounting is compiled and analyzed prior to inclusion within the AFR. In addition, HCSD should ensure that the state receives all agreed-upon payments. Management concurred with the finding and is in the final stages of negotiating an agreement with UMCNO. Management also noted that options are being considered to resolve items purchased by HCSD but not reimbursed by UMCNO (see Appendix A).

Compliance and Other Matters

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

Management Response to the Finding

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

Other Reports

Other external auditors audited the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries; the Eunice Student Housing Foundation, Inc.; the Health Care Services Foundation and its subsidiary; the LSU Health Sciences Center – Shreveport Faculty Group Practice; and the Stephenson Technologies Corporation, which are blended component units included in the System's basic financial statements for the year ended June 30, 2018. In addition, other external auditors audited the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Foundation in Shreveport, and the LSU Health Foundation, New Orleans, 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,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

REW:JPT:BH:EFS:aa

LSU 2018

APPENDIX A

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

LSUHealth
ADMINISTRATION AND BUSINESS OFFICE

November 28, 2018

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

RE: Weakness in Agreements for Use of State Assets

Dear Mr. Purpera:

We concur with the finding that LSU Health Care Services Division (HCSD) does not have a final signed equipment lease with the University Medical Center Management Corporation (UMCMC). There have been extenuating circumstances that have delayed the signing and execution of the lease agreement that are not under the control of HCSD.

UMCMC has been making estimated equipment lease payments since occupancy of the new hospital facility in New Orleans since 2015. The equipment purchased for the hospital was from several sources of funding and by separate entities. Both HCSD and the Office of Facility Planning and Control (FPC) in the Division of Administration made purchases of equipment for the new hospital in New Orleans. HCSD made equipment purchases using FEMA funding from the Charity Hospital contents Project Worksheet. FPC made equipment purchases from several sources of funding, through Act 335 of 2013 (Act 335) and subsequent Capital Outlay appropriations as well as project funds. Act 335 exempted UMCMC from paying for this equipment or making lease payments for this equipment. UMCMC and HCSD needed clarification of the following issues:

- The Division of Administration (DOA) needed to clarify the amount of funding tied to Act 335. HCSD has sought clarification from the DOA since January of 2018.
- The DOA needed to clarify the question of ownership of this equipment and the impact of this on the equipment lease.
- The DOA needed to provide a listing of the equipment purchased by FPC pursuant to Act 335, which were not subject to lease payments.

The questions regarding these issues delayed the development of the equipment list, an exhibit to the lease. HCSD and UMCMC could not determine the total dollar amount of the equipment lease without the equipment exhibit, which has delayed the signing of the Equipment Lease by the Lessee, UMCMC.

LSU Health
ADMINISTRATION AND BUSINESS OFFICE

UMCMC believed Act 335 granted them ownership of the equipment purchased pursuant to the Act and therefore believed this equipment was not subject to the lease. UMCMC also believed that they were due a credit from the estimated lease payments they have been paying which they felt included the Act 335 equipment. UMCMC also believed that the amount of equipment for which they should receive credit was the amount included in the Capital Outlay appropriation and not the amount actually funded at the State Bond Commission.

LSU HCSD was not privy to the discussions precipitating the passage Act 335 as well as subsequent Capital Outlay appropriations made pursuant to this act and have sought clarification from the Division of Administration regarding the equipment purchased by FPC in accordance with the Act. The Equipment Lease requires a list of equipment as an exhibit to the lease agreement. Finalization of the equipment list could not occur until the DOA clarified the following:

- **The intent of Act 335** (Capital Outlay appropriation was to the LSU Health Science Center and therefore subject to the lease agreement but with no lease charges for the equipment per the Act)
- **Whether the appropriated amount or the funded amount would apply to any credit owed to UMCMC pursuant to estimated equipment lease payments made by UMCMC.** (There is a difference between the dollar amount appropriated in Capital Outlay and the amount subsequently funded by the State Bond Commission by the granting of a cash line of credit. HCSD and UMCMC needed clarification as to the amount of credit owed to UMCMC, the appropriated amount or actual funding the appropriation received at the State Bond Commission. DOA clarified that UMCMC would only receive credit for lease payments made up to the amount of funding by the State Bond Commission.)
- **Provide LSU HCSD and UMCMC with a list of equipment purchased by FPC pursuant to Act 335.** (list of purchases made by FPC pursuant to Act 335 were provided to both UMCMC and HCSD on, October 29, 2018)

There was a meeting on, October 29, 2018 with DOA, UMCMC and HCSD wherein DOA provided the clarifications noted above. We are now in the final stages of lease negotiations with UMCMC.

A second issue raised in this audit finding is the fact that UMCMC has not yet paid \$8.4M for "supplies and other items" and a bill of sale has not been executed for this equipment. The items in question are equipment purchases with an original purchase price of less than \$1,000. UMCMC is reviewing its option to either add this equipment to the leased equipment list with the incumbent responsibility to tag and track the equipment or purchase this equipment outright.

LSUHealth
ADMINISTRATION AND BUSINESS OFFICE

Person Responsible for Corrective Action Plan

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

Sincerely,

Lanette Buie

Lanette Buie
Deputy Chief Executive Officer