

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



FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2017
ISSUED MARCH 21, 2018

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TABLE OF CONTENTS

	Page
Independent Auditor’s Report.....	3
Management’s Discussion and Analysis	7
Statement	
Basic Financial Statements:	
Louisiana State University System - Statement of Net Position.....	A 19
Component Units - Statement of Financial Position	B 21
Louisiana State University System - Statement of Revenues, Expenses, and Changes in Net Position	C 22
Component Units - Statement of Activities.....	D 24
Louisiana State University System - Statement of Cash Flows.....	E 26
Notes to the Financial Statements	29
Schedule	
Required Supplementary Information:	
Schedule of Funding Progress for the Other Postemployment Benefits Plans	1 85
Schedule of the LSU System’s Proportionate Share of the Net Pension Liabilities of Cost-Sharing Defined Benefit Pension Plans	2 86
Schedule of the LSU System’s Contributions to Cost-Sharing Defined Benefit Pension Plans	3 87
Supplemental Information Schedules:	
Combining Schedule of Net Position, by University, June 30, 2017	4 90

	Page
Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University, for the Year Ended June 30, 2017	5.....94
Combining Schedule of Cash Flows, by University, for the Year Ended June 30, 2017	6.....98
Combining Schedule of Net Position, by University, June 30, 2016	7.....102
Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University, for the Year Ended June 30, 2016	8.....106
Combining Schedule of Cash Flows, by University, for the Year Ended June 30, 2016	9.....110
	Exhibit
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A
	Appendix
Management’s Corrective Action Plans and Responses to the Findings and Recommendations	A



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 28, 2018

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, 2017, 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; and the LSU Health Sciences Center – Shreveport Faculty Group Practice, which are nonprofit corporations included as blended component units in the basic financial statements representing approximately 1.2%, 0.6%, 7.0%, and 6.9% 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 Sciences Center Foundation, which are discretely presented component units included in the basic financial statements of the System. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts reported for these component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of 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, 2017, 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 \$1,825,345,845 at June 30, 2017, as determined by the Louisiana State Employees' Retirement System (LASERS) and Teachers' Retirement System of Louisiana (TRSL). The related actuarial valuation was 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, 2017, could be under or overstated.

Our opinion is not modified with respect to this matter.

Other Postemployment Benefits Liability

As discussed in note 27 to the basic financial statements, the implementation of the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal year 2018, will require the System

to recognize the remaining liability for its proportionate share of the other postemployment benefits liability. Though the System's proportionate share of these other postemployment benefits liability is currently unknown, the impact on the System's net position is expected to be significant.

Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 7 through 18, the Schedule of Funding Progress for the Other Postemployment Benefits Plans on page 85, the Schedule of the LSU System's Proportionate Share of the Net Pension Liabilities of Cost-Sharing Defined Benefit Pension Plans on page 86, and the Schedule of the LSU System's Contributions to Cost-Sharing Defined Benefit Pension Plans on page 87 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 90 through 101 for the year ended June 30, 2017, 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, 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.

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, 2016 (not presented herein), and have issued our report thereon dated December 16, 2016, 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 102 through 115 for the year ended June 30, 2016, 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 2016 financial statements. The combining schedules for the fiscal year ended June 30, 2016, have been subjected to the auditing procedures applied in the audit of the 2016 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, 2016, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole for the year ended, June 30, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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

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, 2017. 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 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 Sciences Center 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 2016 semester was 46,548, which was an increase from the 45,626 reported in the previous year.

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

The System also includes such dedicated centers as the Pennington Biomedical Research Center, which specializes in nutrition research and preventive medicine, and the LSU Agricultural Center, which plays a vital and integral role in supporting the state's agricultural industries, sustaining rural areas, and encouraging efficient use of resources through research and educational programs conducted by its 17 experiment stations and extension service.

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.

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, and its outpatient services are now managed by Lake Charles Memorial Health System. Earl K. Long Medical Center in Baton Rouge closed in April 2013. An extensive network of outpatient clinics is now managed by Our Lady of the Lake Regional Medical Center.

Bogalusa Medical Center is now operated by Franciscan Missionaries of Our Lady Health System through Our Lady of Angels. The Lallie Kemp Medical Center in Independence remains under the management of LSU.

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

Huey P. Long Medical Center closed June 30, 2014. Outpatient clinic and inpatient hospital services are now delivered by Christus St. Frances Cabrini Hospital and Rapides Regional Medical Center.

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.

In 2013, the LSU Board of Supervisors embarked on an LSU2015 planning initiative appointing a 10-member panel (Transition Advisory Team) tasked with providing information to the LSU Board of Supervisors to facilitate the reshaping of the LSU System. The goal of LSU2015 was to bring together the resources of the various units of the LSU System to create a single, globally competitive LSU with statewide reach that is more efficient and more productive in the areas of

educating its students, creating robust collaborative research, delivering effective health care, impacting economic development and conducting public service activities. In keeping with the spirit and intent of these planning efforts, an organizational and budgetary alignment of the current Board and System Administration with the LSU Agricultural and Mechanical (LSU A&M) organizational structure was completed as of July 2015.

FINANCIAL HIGHLIGHTS

GENERAL

Total operating revenues increased from the prior fiscal year by approximately \$71.2 million, while operating expenses increased by approximately \$110.6 million, thereby increasing the operating loss by \$39.3 million. The operating loss for fiscal year 2017 was \$435.2 million; the operating loss for fiscal 2016 (restated) was \$395.9 million.

The main increases in operating revenue occurred at LSU A&M and the LSU Health Sciences Centers in New Orleans due to increased tuition and fee authority and increased grant and contract activity. The increase in tuition and fee revenue is mainly attributable to the LA Granting Resources and Autonomy for Diplomas Act (GRAD Act). In exchange for a commitment to meet clearly-defined statewide performance goals, including boosting graduation rates, the universities were given increased autonomy and flexibility including authority to increase tuition and fees by up to 10%. These increases were offset by a decrease in operating revenue at the Health Care Services Division due to the continued transitioning of the management and services of the hospitals to public private partnership models. Decreases in sales and services revenue to educational departments were also experienced, further offsetting the increases stated above.

If you include nonoperating revenues and expenses, the System shows income before other revenues, expenses, gains, and losses of \$32.4 million for fiscal year 2016-2017. This represents a change from the \$113.7 million gain posted in the previous year. The gain before other revenues, expenses, gains, and losses can be attributed to strong operating revenue, again, a result of additional tuition and fee authority combined with increased grant and contract activity. Increases in operating expenses, while substantial, did not cause the income before other revenues, expense gains and losses to be negative.

The increase in operating expenses is attributable to several factors including: (1) the LSU Health Sciences Center in New Orleans's increase in instruction expenses primarily due to compensation from faculty costs related to providing additional services under the expanded clinical contracts; (2) the increase in public service expenses primarily due to inter-governmental transfer agreements with Louisiana Department of Health (LDH) in furtherance of the joint goals of LDH and LSUHSC of promoting health, including services to low income needy individuals within the State of Louisiana; (3) the LSU Health Science Center Shreveport academic support increasing \$10 million due to agreement with LDH to support their mission of protecting and promoting health and to help ensure access to medical, preventative, and rehabilitative services for all Louisiana citizens, \$18 million due to expenses related to contracts with University Health (Private Hospital Partner), and \$17 million due to expenses related to the contract with the Faculty Group Practice for Shreveport; (4) the LSU A&M budget increase of \$15.9 million for scholarships and fellowships as a result of substantially-increased tuition revenue; and

(5) increased expenses for all campuses and locations over the prior year resulting from the recognition of the cost of other postemployment benefits and pensions in accordance with GASB Statements No. 45 and 68, respectively.

Although sufficient in amount to offset the operating losses of the System, nonoperating revenues and expenses decreased from the prior year. The net decrease mainly occurred at LSU Health Sciences Center at Shreveport as a result of a decrease in State appropriations and at LSU A&M mainly due to market value adjustment decreases in LSU's non-endowed investments. In addition, other revenues, expenses, gains, and losses decreased by \$46.3 million related to decreases in both capital appropriations and capital gifts and grants. Notably, a \$30 million building donation from the Pennington Foundation was received in the prior year that was not received in 2017. Overall, activities for the year, both operating and nonoperating, positively impacted the System's net position by \$146.3 million for 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the System as a whole. The Statement of Net Position presents the financial position of the System at the end of the fiscal year and includes all assets, deferred outflows, liabilities, and deferred inflows of the System. The difference between total assets plus deferred outflows and total liabilities plus deferred inflows is one way to measure the System's financial health or position, while the change in net position is a useful indicator of whether the financial condition of the System is improving or deteriorating. Over time, increases or decreases in the System's net position can be useful in assessing whether its financial health is improving. Other non-financial factors such as the trend in enrollment and the condition of the physical plant are also useful in evaluating the overall financial health of the System. Finally, the Statement of Cash Flows presents the significant sources and uses of cash.

STATEMENT OF NET POSITION

Net position is divided into three major categories.

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

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

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

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

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

Current assets total \$941.5 million and consist primarily of cash and cash equivalents, net receivables, investments, amounts due from Federal government, and prepaid expenses and advances. Deferred Outflows of Resources total \$407.3 million and consist primarily of deferred outflows related to changes in the pension liability and deferred outflows related to debt refunding. Current liabilities total \$412.7 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 \$6.9 billion and include capital assets of \$1.8 billion and leases receivable of \$4.5 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 of \$141.7 million. Noncurrent liabilities total \$7.3 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 \$164.8 million and also consist primarily of deferred inflows related to changes in the net pension liability.

Restricted nonexpendable net position totals \$233.0 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 \$343.9 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, 2017, and restated June 30, 2016, follows.

Louisiana State University System Statement of Net Position

	As of		Change	Percentage Change
	June 30, 2017	June 30, 2016 (Restated)		
Assets:				
Current assets	\$941,496,979	\$930,854,635	\$10,642,344	1.1%
Capital and intangible assets	1,829,896,363	1,793,202,759	36,693,604	2.0%
Other assets	5,117,007,444	3,761,744,757	1,355,262,687	36.0%
Total Assets	<u>7,888,400,786</u>	<u>6,485,802,151</u>	<u>1,402,598,635</u>	21.6%
Deferred Outflows of Resources:				
Deferred amounts on debt refunding	22,743,811	6,768,834	15,974,977	236.0%
Deferred outflows related to pensions	384,605,340	266,177,920	118,427,420	44.5%
Total Deferred Outflows of Resources	<u>407,349,151</u>	<u>272,946,754</u>	<u>134,402,397</u>	49.2%
Total Assets and Deferred Outflows of Resources	8,295,749,937	6,758,748,905	1,537,001,032	22.7%
Liabilities:				
Current liabilities	412,707,315	390,327,787	22,379,528	5.7%
Noncurrent liabilities	7,319,343,209	5,812,119,139	1,507,224,070	25.9%
Total Liabilities	<u>7,732,050,524</u>	<u>6,202,446,926</u>	<u>1,529,603,598</u>	24.7%
Deferred Inflows of Resources:				
Deferred inflows related to pensions	164,832,608	303,742,083	(138,909,475)	(45.7)%
Total Deferred Inflows of Resources	<u>164,832,608</u>	<u>303,742,083</u>	<u>(138,909,475)</u>	(45.7)%
Total Liabilities and Deferred Inflows of Resources	<u>\$7,896,883,132</u>	<u>\$6,506,189,009</u>	<u>\$1,390,694,123</u>	21.4%
Net Position:				
Net investment in capital assets	\$1,397,175,611	\$1,351,216,325	\$45,959,286	3.4%
Restricted - nonexpendable	232,983,798	223,507,757	9,476,041	4.2%
Restricted - expendable	343,915,350	334,010,232	9,905,118	3.0%
Unrestricted	<u>(1,575,207,954)</u>	<u>(1,656,174,417)</u>	<u>80,966,463</u>	4.9%
Total Net Position	<u>\$398,866,805</u>	<u>\$252,559,897</u>	<u>\$146,306,908</u>	57.9%

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 nonoperating, and capital grants, contributions and other net inflows or outflows.

Generally, operating revenues are received for providing goods and services to various customers and constituencies of the System. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the System. Nonoperating revenues are revenues received for which goods and services are not provided as an exchange transaction. For example, State appropriations are required to be reported as nonoperating because they are provided by the

Legislature to the System without the Legislature directly receiving commensurate goods and services for those revenues.

The consolidated SRECNP at June 30, 2017, for the System indicates a net operating loss of \$435.2 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 \$39.3 million.

While operating revenues increased by \$71.2 million, the net operating loss increased because operating expenses increased by \$110.6 million. Major changes in operating revenues and operating expenses are identified in the financial highlights section above.

After including nonoperating revenues such as State appropriations (\$417.4 million), gifts (\$32.5 million), federal nonoperating revenues (\$43.3 million), investment income (\$15.9 million), and after subtracting interest expense (\$14.5 million) and other nonoperating expenses (\$27.0 million), the System had a gain before other revenues, expenses, gains, and losses of \$32.4 million.

The following table summarizes the System's operating revenues for the year ending June 30, 2017 with comparative totals for the year ended June 30, 2016.

Louisiana State University System Operating Revenues

	As of			Percentage Change
	June 30, 2017	June 30, 2016	Change	
Tuition and fees, net	\$461,550,962	\$429,561,479	\$31,989,483	7.4%
Federal appropriations	9,758,657	9,784,822	(26,165)	(0.3%)
Grants and contracts	693,990,827	600,868,971	93,121,856	15.5%
Sales and services of educational departments	192,819,415	238,091,654	(45,272,239)	(19.0%)
Auxiliary enterprises, net	211,572,592	206,048,003	5,524,589	2.7%
Hospital income	132,909,286	148,585,441	(15,676,155)	(10.6%)
Other	20,852,446	19,273,915	1,578,531	8.2%
Total operating revenues	<u>\$1,723,454,185</u>	<u>\$1,652,214,285</u>	<u>\$71,239,900</u>	<u>4.3%</u>

Operating Revenues

Operating revenues for the System totaled \$1.7 billion at June 30, 2017. Major components of operating revenues are hospital income, representing 7.7% of the total; sales and services of educational departments representing 11.2% of the total; auxiliary revenues representing 12.3% of the total; grants and contracts, representing 40.3%, and net tuition and fees, representing 26.8% of the total.

For 2017, hospital income decreased by \$15.7 million from the previous year due to the continued transitioning of the management and services of the hospitals to public-private partnership models. In contrast, net tuition and fee revenue increased by 7.4%, or approximately

\$32 million. This is mainly due to increases authorized under the LA GRAD Act which allows a 10% increase in resident tuition and fee rates and a 15% increase in non-resident tuition and fee rates. Grants and contracts grew \$93.1 million as a result of a \$48.8 million increase in LSU Health Sciences Center New Orleans' contract revenue attributable to adjustments made to fair market value contracts with its hospital partners, and a \$48.7 million increase in LSU Health Sciences Center in Shreveport's (LSUHSC-S) contract revenue attributable to the creation of a Faculty Group Practice. However, the grants and contract revenue increases mentioned above were offset by a decrease in sales and services revenue of \$45.3 million, primarily as a result of reduced Physician Practice Plan Activities at the LSU Health Sciences Center in Shreveport stemming from the creation of the same aforementioned Faculty Group Practice Plan.

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

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

	As of		Change	Percentage Change
	June 30, 2017	June 30, 2016 (restated)		
Operating revenues	\$1,723,454,185	\$1,652,214,285	\$71,239,900	4.3%
Operating expenses	2,158,684,246	2,048,107,362	110,576,884	5.4%
Operating loss	(435,230,061)	(395,893,077)	(39,336,984)	9.9%
Nonoperating revenues (expenses)	467,644,588	509,581,081	(41,936,493)	(8.2%)
Income before other revenues, expenses, gains, and losses	32,414,527	113,688,004	(81,273,477)	(71.5%)
Other revenues, expenses, gains, and losses	113,892,381	160,203,398	(46,311,017)	(28.9%)
Change in net position	146,306,908	273,891,402	(127,584,494)	(46.6%)
Net position at beginning of year - restated	252,559,897	(21,331,505)	273,891,402	1,284.0%
Net position at end of year	\$398,866,805	\$252,559,897	\$146,306,908	57.9%

Operating Expenses

Total operating expenses for the System amounted to approximately \$2.2 billion for the year ended June 30, 2017. Instruction expenses represented 26.0% of all operating expenses and represented the largest functional component. Other major components are hospital expenses, 6.0%; research expenses, 14.8%; and public service expenses, 17.1%. Shown below in tabular format is a summary of the System's operating expenses for the fiscal year ended June 30, 2017, with comparative totals for the year ended June 30, 2016.

Louisiana State University System Operating Expenses

	As of		Change	Percentage Change
	June 30, 2017	June 30, 2016 (restated)		
Instruction	\$560,669,734	\$540,298,560	\$20,371,174	3.8%
Research	318,362,289	322,584,868	(4,222,579)	(1.3%)
Public service	369,964,330	334,926,094	35,038,236	10.5%
Academic support	213,105,204	159,646,525	53,458,679	33.5%
Student services	40,074,475	37,641,113	2,433,362	6.5%
Institutional support	127,589,237	116,772,353	10,816,884	9.3%
Operation and maintenance of plant	167,778,446	170,570,638	(2,792,192)	(1.6%)
Scholarships and fellowships	55,986,473	38,594,224	17,392,249	45.1%
Auxiliary enterprises	176,064,803	183,307,049	(7,242,246)	(4.0%)
Hospital	129,089,255	143,765,938	(14,676,683)	(10.2%)
Total operating expenses	\$2,158,684,246	\$2,048,107,362	\$110,576,884	5.4%

CHANGE IN ACCOUNTING PRINCIPLE

The System adopted Governmental Accounting Standards Board Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*, in March 2016

This Statement clarifies the reporting of covered payroll that is reported in required supplementary information. The Statement amends Statements 67 and 68 to require the presentation of covered payroll, now defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The requirements of this statement are effective for periods beginning after June 15, 2016.

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2017, 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 \$2.3 billion (see the following table).

Louisiana State University System Capital Asset Summary

	As of		Change	Percentage Change
	June 30, 2017	June 30, 2016 (restated)		
Land and Non-depreciable Easements	\$72,498,419	\$70,981,474	\$1,516,945	2.1%
Other Capital Assets:				
Buildings and Improvements	2,551,060,817	2,505,663,736	45,397,081	1.8%
Machinery and Equipment	1,165,109,225	1,111,050,436	54,058,789	4.9%
Infrastructure	43,520,600	43,520,600		0.0%
Intangible Assets	91,804,478	100,164,807	(8,360,329)	(8.3%)
Construction/Development in Progress	238,095,003	179,274,837	58,820,166	32.8%
Total cost of capital assets	4,162,088,542	4,010,655,890	151,432,652	3.8%
Less accumulated depreciation and amortization	(2,332,192,179)	(2,217,453,131)	(114,739,048)	5.2%
Capital assets, net	\$1,829,896,363	\$1,793,202,759	\$36,693,604	2.0%

Land and Non-depreciable Easements total \$72.5 million. The increase in capital assets is a result of major capital expenditures or donations for projects such as the new Dental School campus at LSU Health Sciences Center in New Orleans and capitalization of equipment by the Health Care Services Division.

At LSU A&M, major capital expenditures or donations that were recorded in fiscal year 2017 were \$16.4 million for the University Recreation expansion; \$4.6 million for Football Operations Renovations (TAF donation); \$33.3 million for the renovation of the Patrick F. Taylor building for Engineering; \$1.6 million for Veterinary Medicine Linear Vault; and \$1.9 million for a new Greek House.

Long-Term Debt

At June 30, 2017, the System had \$441.9 million in bonds outstanding, \$7.2 million in notes payable outstanding, \$81.5 million in compensated absence liabilities, \$20.4 million in capital lease obligations outstanding, \$991.3 million in OPEB obligations, \$1.8 billion in pension obligations, and \$4.2 billion in unearned revenue. Bonds outstanding decreased from June 30, 2016, mainly due to the refunding and/or defeasing of all of the Board's outstanding Auxiliary Revenue Bonds, Series 2007 (the "Series 2007 Refunded bonds"), all of the Board's outstanding Auxiliary Revenue Bonds, Series 2008 (the Series 2008 Refunded Bonds") and all of the Board's outstanding Auxiliary Revenue and Refunding Bonds, Series 2010A, combined with principal payments on the System's other outstanding bonds.

The OPEB liability increased by approximately \$34.1 million as the actuarial computed cost of retiree health care continued to exceed the amount currently funded. The net pension liability also increased by approximately \$110.1 million as the actuarially computed pension costs continued to exceed the amount currently funded.

Unearned revenue and lease receivables increased by \$1.4 billion dollars due to the application of the Consumer Price Index (CPI) Factor identified in the New Hospital Lease for the Academic Medical Center of New Orleans (AMCNO), to each of the future Hospital Lease Payments.

Based on the CPI Indexes of February 2017 over February 2016, the factor of 2.74% 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, is recorded as a capital lease.

ECONOMIC OUTLOOK

As Louisiana's economy declined, the State imposed several budget reductions to the System since the beginning of fiscal year 2008-2009. A mid-year budget reduction that occurred in fiscal year 2008-2009 has since been followed by beginning of the year reductions in fiscal year 2009-2010, fiscal year 2010-2011, fiscal year 2011-2012, and fiscal year 2012-2013, mid-year reductions in fiscal year 2009-2010, fiscal year 2010-2011, fiscal year 2011-2012, fiscal year 2012-13, fiscal year 2014-2015, fiscal year 2015-2016 and fiscal year 2016-2017 in addition to end of the year reductions in fiscal year 2009-2010 and fiscal year 2011-2012. These reductions were mitigated to some extent by a combination of additional state support from one-time funds, Federal stimulus funds, and additional authority to increase student tuition and fees.

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

The Board of Trustees for the Louisiana Public Facilities Authority provided final approval for the issuance of bonds for the Greenhouse District Project at its July and August 2017 board meetings. The proposed project is the second phase of a public-private development venture. The project will focus on the modernization of a large portion of the University's existing housing through facility renovations and replacement. The LSU Board of Supervisors (Board) will lease the land on which the Project will be constructed to Greenhouse District Project, LLC, a wholly owned subsidiary of the LSU Property Foundation, for the life of financing. The issuer of the bonds for this project is the Louisiana Public Facilities Authority. The borrower is Provident Group-Flagship Properties, LLC. Once the project is constructed, the Borrower will lease the constructed facilities to the Board for 40 years. The debts issued are tax-exempt and taxable, fixed rate bonds at an amount of \$87,705,000. Loan payments are payable from base rent due under the Facilities Lease by the University from its Auxiliary Revenues. The closing for the bonds was October 1, 2017.

As of August 1, 2017, the agreement between the Eunice Student Housing Foundation, Inc. and Campus Living Villages will be terminated. The Bengal Village complex will be managed by LSU Eunice.

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, 2017

ASSETS

Current Assets:

Cash and cash equivalents (note 2)	\$81,435,530
Investments (note 3)	461,638,331
Receivables, net (note 4)	316,295,698
Due from State Treasury (note 14)	4,787,160
Due from federal government (note 4)	47,232,120
Inventories	8,611,108
Prepaid expenses and advances	10,667,911
Notes receivable	3,452,725
Leases receivable (note 12)	5,316,858
Other current assets	2,059,538
Total current assets	<u>941,496,979</u>

Noncurrent Assets:

Restricted Assets:

Cash and cash equivalents (note 2)	179,460,247
Investments (note 3)	251,727,294
Receivables, net (note 4)	3,879,217
Notes receivable	23,291,335
Other restricted assets (note 12)	141,725,076
Investments (note 3)	17,205,259
Lease receivable (note 12)	4,499,305,049
Other noncurrent assets	413,967
Capital assets, net (note 5)	1,829,896,363
Total noncurrent assets	<u>6,946,903,807</u>

Total assets

7,888,400,786

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on debt refunding	22,743,811
Pension-related deferred outflows of resources (note 7)	<u>384,605,340</u>

Total deferred outflows related to resources

407,349,151

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$8,295,749,937

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Position, June 30, 2017**

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities (note 6)	\$110,845,303
Due to Federal Government	5,232,506
Unearned revenues	256,816,347
Amounts held in custody for others	6,362,984
Other liabilities	2,074,605
Compensated absences (note 10 and 13)	8,076,176
Capital lease obligations (note 13)	3,422,624
Notes payable (note 13)	655,362
Bonds payable (note 13)	19,221,408
Total current liabilities	412,707,315

Noncurrent Liabilities:

Compensated absences (note 10 and 13)	73,415,500
Capital lease obligations (note 13)	16,968,193
Notes payable (note 13)	6,554,848
Net Pension Liability (note 7)	1,825,345,845
Other postemployment benefits payable (note 8)	991,318,811
Bonds payable (note 13)	422,633,408
Unearned revenues (notes 12 and 13)	3,982,601,684
Other noncurrent liabilities (note 13)	504,920
Total noncurrent liabilities	7,319,343,209

Total liabilities**7,732,050,524****DEFERRED INFLOWS OF RESOURCES**

Pension-related deferred inflows of resources (note 7)	164,832,608
Total deferred inflows of resources	164,832,608

NET POSITION

Net investment in capital assets	1,397,175,611
Restricted	
Nonexpendable (note 15)	232,983,798
Expendable (note 15)	343,915,350
Unrestricted	(1,575,207,954)

Total net position**398,866,805****TOTAL LIABILITIES, DEFERRED INFLOWS
OF RESOURCES, AND NET POSITION****\$8,295,749,937**

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

COMPONENT UNITS

Statement of Financial Position, June 30, 2017

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Center Foundation	LSU Health Sciences Foundation in Shreveport	Total Foundations
ASSETS					
Current Assets:					
Cash and cash equivalents (note 2)	\$14,571,472	\$636,386	\$1,283,900	\$1,711,652	\$18,203,410
Restricted cash and cash equivalents (note 2)	31,994,523	59,027,735			91,022,258
Investments (note 3)		4,368,450	3,253,202	7,706,927	15,328,579
Accrued interest receivable	712,996				712,996
Accounts receivable, net	554,349	1,009,202	135,103		1,698,654
Unconditional promises to give (note 23)	6,046,955	15,225,530	566,267	3,000	21,841,752
Deferred charges and prepaid expenses		539,545	43,326	31,248	614,119
Other current assets	138,083	23,097,604		139,902	23,375,589
Total current assets	54,018,378	103,904,452	5,281,798	9,592,729	172,797,357
Noncurrent Assets:					
Restricted assets:					
Cash and cash equivalents (note 2)		21,519,825		2,221,424	23,741,249
Investments (note 3)	551,484,186	96,444,051		184,859,964	832,788,201
Other	2,506,946				2,506,946
Investments (note 3)	15,137,799		132,858,701		147,996,500
Unconditional promises to give (note 23)	9,484,178	6,357,022	800,254		16,641,454
Property and equipment, net (note 5)	21,021,414	217,128,001	7,768,375	3,381,830	249,299,620
Other noncurrent assets	854,375	35,353,375			36,207,750
Total noncurrent assets	600,488,898	376,802,274	141,427,330	190,463,218	1,309,181,720
Total assets	\$654,507,276	\$480,706,726	\$146,709,128	\$200,055,947	\$1,481,979,077
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	\$8,992,543	\$941,148	\$1,087,158	\$1,026,173	\$12,047,022
Amounts held in custody for others	22,090,367	1,816,536		63,302,038	87,208,941
Deferred revenues	2,123,994	35,418,538			37,542,532
Compensated absences payable	567,631				567,631
Current portion of notes payable	24,049	2,424,508		82,606	2,531,163
Current portion of bonds payable (note 13)		8,160,000			8,160,000
Other current liabilities			51,375		51,375
Total current liabilities	33,798,584	48,760,730	1,138,533	64,410,817	148,108,664
Noncurrent Liabilities:					
Amounts held in custody for others	124,551,135	4,179,544	29,117,677		157,848,356
Notes payable	894,312	24,908,926			25,803,238
Bonds payable (note 13)		157,679,877			157,679,877
Deferred revenues		27,999,884			27,999,884
Other noncurrent liabilities	1,000,000		251,843		1,251,843
Total noncurrent liabilities	126,445,447	214,768,231	29,369,520		370,583,198
Total liabilities	160,244,031	263,528,961	30,508,053	64,410,817	518,691,862
NET ASSETS					
Unrestricted	39,065,003	142,069,390	10,019,618	14,860,492	206,014,503
Temporarily restricted	196,762,281	58,022,280	49,736,777	105,629,747	410,151,085
Permanently restricted	258,435,961	17,086,095	56,444,680	15,154,891	347,121,627
Total net assets	494,263,245	217,177,765	116,201,075	135,645,130	963,287,215
Total liabilities and net assets	\$654,507,276	\$480,706,726	\$146,709,128	\$200,055,947	\$1,481,979,077

*As of December 31, 2016

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, 2017**

OPERATING REVENUES

Student tuition and fees	\$556,549,465
Less scholarship allowances	(94,998,503)
Net student tuition and fees	<u>461,550,962</u>
Federal appropriations	9,758,657
Federal grants and contracts	152,064,868
State and local grants and contracts	81,474,544
Nongovernmental grants and contracts	460,451,415
Sales and services of educational departments	192,819,415
Hospital income	132,909,286
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 22)	227,844,242
Less scholarship allowances	(16,271,650)
Net auxiliary revenues	<u>211,572,592</u>
Other operating revenues	<u>20,852,446</u>
Total operating revenues	<u><u>1,723,454,185</u></u>

OPERATING EXPENSES

Educational and general:	
Instruction	560,669,734
Research	318,362,289
Public service	369,964,330
Academic support	213,105,204
Student services	40,074,475
Institutional support	127,589,237
Operation and maintenance of plant	167,778,446
Scholarships and fellowships	55,986,473
Auxiliary enterprises	176,064,803
Hospital	129,089,255
Total operating expenses (note 18)	<u><u>2,158,684,246</u></u>

Operating Loss (\$435,230,061)

(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, 2017**

NONOPERATING REVENUES (EXPENSES)	
State appropriations	\$417,431,089
Gifts	32,465,964
Federal nonoperating revenues	43,261,287
Net investment income	15,920,028
Interest expense	(14,461,108)
Other nonoperating revenues (expenses)	(26,972,672)
	<u>467,644,588</u>
Income Before Other Revenues, Expenses, Gains, and Losses	32,414,527
Capital appropriations	78,356,870
Capital gifts and grants	28,443,830
Additions to permanent endowments	2,756,681
Other additions, net	4,335,000
	<u>146,306,908</u>
Change in Net Position	146,306,908
Net Position at Beginning of Year, Restated (note 16)	<u>252,559,897</u>
Net Position at End of Year	<u><u>\$398,866,805</u></u>

(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, 2017

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Center Foundation	LSU Health Sciences Foundation in Shreveport	Total Foundations
Changes in unrestricted net assets:					
Contributions	\$5,830,578	\$36,134,085	\$23,302	\$889,384	\$42,877,349
Investment earnings (loss), net	3,668,561	2,012,231	1,328,420	1,125,521	8,134,733
Service fees	1,453,701		1,894,370	2,132,756	5,480,827
Other revenues	2,001,986	13,162,551	241,909	37,460	15,443,906
Total unrestricted revenues	12,954,826	51,308,867	3,488,001	4,185,121	71,936,815
Net assets released from restrictions:					
Reclassification in net assets			5,154	(67,219)	(62,065)
Satisfaction of program expenses	43,182,238	5,344,229	11,075,307	5,161,828	64,763,602
Total unrestricted revenues and other support	56,137,064	56,653,096	14,568,462	9,279,730	136,638,352
Expenses:					
Amounts paid to benefit Universities for:					
Projects specified by donors	38,928,663		6,834,465	5,168,069	50,931,197
Projects specified by the Board of Directors	1,225,861	21,706,501		1,941,942	24,874,304
Other:					
Grants and contracts			4,252,301		4,252,301
Property operations			54,414	69,987	124,401
Other		13,920,034	182,776		14,102,810
Total program expenses	40,154,524	35,626,535	11,323,956	7,179,998	94,285,013
Supporting services:					
Salaries and benefits	4,133,878	2,467,222	1,353,007	861,098	8,815,205
Occupancy	249,270	209,350	215,781	65,255	739,656
Office operations	2,085,791	155,989	322,811	60,193	2,624,784
Travel	19,586	88,686	22,841	5,928	137,041
Professional services	686,612	144,477	325,390	263,892	1,420,371
Dues and subscriptions	48,161	40,117	114,043	6,006	208,327
Meetings and development	388,897	25,071	2,298	102,032	518,298
Depreciation	408,421		250,024	59,888	718,333
Other		1,526,756	357,312	5,162	1,889,230
Total supporting services	8,020,616	4,657,668	2,963,507	1,429,454	17,071,245
Fund-raising expenses	5,627,468	2,486,109		118,835	8,232,412
Total expenses	53,802,608	42,770,312	14,287,463	8,728,287	119,588,670
Change in unrestricted net assets	\$2,334,456	\$13,882,784	\$280,999	\$551,443	\$17,049,682

(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, 2017

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Center Foundation	LSU Health Sciences Foundation in Shreveport	Total Foundations
Changes in temporarily restricted net assets:					
Contributions	\$21,835,392	\$9,170,389	\$4,888,786	\$1,737,532	\$37,632,099
Investment earnings	36,810,361	728,860	6,274,049	11,616,764	55,430,034
Transfers					
Changes in value of split interest agreements	35,076				35,076
Other	(15,992)		(28,178)		(44,170)
Total temporarily restricted revenues	58,664,837	9,899,249	11,134,657	13,354,296	93,053,039
Net assets released from restrictions:					
Reclassification in net assets			(111,144)	880,560	769,416
Satisfaction of program expenses	(43,179,286)	(5,344,229)	(11,075,307)	(5,216,157)	(64,814,979)
Change in temporarily restricted net assets	15,485,551	4,555,020	(51,794)	9,018,699	29,007,476
Changes in permanently restricted net assets:					
Contributions	8,291,751	2,711,887	1,757,862	1,611,365	14,372,865
Investment earnings				1,930,144	1,930,144
Transfers					
Net assets released from restrictions:					
Reclassification in net assets			105,990	(813,341)	(707,351)
Released from donor restrictions	(2,952)			54,329	51,377
Change in permanently restricted net assets	8,288,799	2,711,887	1,863,852	2,782,497	15,647,035
Change in net assets	26,108,806	21,149,691	2,093,057	12,352,639	61,704,193
Net assets at beginning of year	468,154,439	196,028,074	114,108,018	123,292,491	901,583,022
Net assets at end of year	\$494,263,245	\$217,177,765	\$116,201,075	\$135,645,130	\$963,287,215

*For the period ending December 31, 2016

(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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$457,852,691
Federal appropriations	8,431,480
Grants and contracts	649,417,763
Sales and services of educational departments	235,970,040
Hospital income	134,789,742
Auxiliary enterprise receipts	209,851,903
Payments for employee compensation	(1,042,145,791)
Payments for benefits	(339,433,373)
Payments for utilities	(44,012,955)
Payments for supplies and services	(648,523,156)
Payments for scholarships and fellowships	(55,034,842)
Loans to students	(5,438,288)
Collection of loans to students	3,911,376
Other receipts	18,548,646
Net cash used by operating activities	<u>(415,814,764)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES:**

State appropriations	417,409,064
Gifts and grants for other than capital purposes	33,463,143
Private gifts for endowment purposes	812,288
TOPS receipts	78,971,031
TOPS disbursements	(78,974,142)
FEMA receipts	11,281,467
FEMA disbursements	(8,255,553)
ARRA receipts	125,940
Direct lending receipts	259,197,322
Direct lending disbursements	(259,386,642)
Other receipts	43,592,498
Net cash provided by noncapital financing activities	<u>498,236,416</u>

**CASH FLOWS FROM CAPITAL
FINANCING ACTIVITIES:**

Proceeds from issuance of debt	184,216,876
Capital gifts and grants received	12,938,055
Purchase of capital assets	(71,837,813)
Principal paid on capital debt and leases	(5,655,783)
Interest paid on capital debt and leases	(13,428,101)
Refunding of bonds	(217,910,878)
Bond issuance cost	(1,290,957)
Deposits with trustees	1,500
Other uses	(1,430,220)
Net cash used by capital financing activities	<u>(\$114,397,321)</u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2017**

CASH FLOWS FROM	
INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	\$173,907,443
Interest received on investments	25,202,801
Purchase of investments	(184,107,561)
Net cash provided by investing activities	<u>15,002,683</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,972,986)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>277,868,763</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>\$260,895,777</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	(\$435,230,061)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	153,262,301
Non-Employer contributing entity revenue	4,435,055
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
(Increase) in accounts receivable, net	(12,474,107)
Decrease in inventories	571,547
(Increase) in prepaid expenses and other	(2,096,845)
(Increase) in notes receivable	(3,232)
(Increase) in deferred outflows related to pensions	(118,427,420)
(Increase) in other assets	(955,297)
(Decrease) in accounts payable and accrued liabilities	(2,032,312)
(Decrease) in unearned revenue	(3,924,167)
(Decrease) in amounts held in custody for others	(2,169,984)
(Decrease) in compensated absences	(470,477)
Increase in OPEB payable	34,076,554
Increase in net pension liability	110,149,805
(Decrease) deferred inflows related to pensions	(138,909,476)
(Decrease) in other liabilities	<u>(1,616,648)</u>
Net cash used by operating activities	<u><u>(\$415,814,764)</u></u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2017**

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

Cash and cash equivalents classified as current assets	\$81,435,530
Cash and cash equivalents classified as noncurrent assets	<u>179,460,247</u>
Cash and cash equivalents at end of the year	<u><u>\$260,895,777</u></u>

**SCHEDULE OF NONCASH INVESTING,
CAPITAL, AND FINANCING ACTIVITIES:**

Capital appropriations	\$78,356,870
Amortized borrowing expense	(115,629)
Decrease in fair market value of assets	(9,410,004)
Non-Employer contributing entity revenue	4,435,055
Capital gifts and grants	11,597,957
Transfers/disposal of capital assets	<u>(573,872)</u>
	<u><u>\$84,290,377</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

The System is comprised of nine campuses in five cities and one state hospital. In addition, the System has established public/private partnership cooperative endeavors for the management of six additional hospitals. The System includes LSU and A&M College (LSU) and the Pennington Biomedical Research Center, both in Baton Rouge; the LSU Agricultural Center (including the Louisiana Agricultural Experiment Stations and the Louisiana Cooperative Extension Service), with headquarters in Baton Rouge; LSU Shreveport; LSU Alexandria; LSU Eunice, a two-year institution; the LSU Health Sciences Center in New Orleans, which includes schools of Medicine, Dentistry, Nursing, Public Health, and Allied Health Professions, and a Graduate School in New Orleans, and the Louisiana State University School of Medicine in New Orleans Faculty Group Practice (a Louisiana nonprofit corporation doing business as LSU Healthcare Network); the Health Care Services Division; and the LSU Health Sciences Center in Shreveport. Student enrollment as of the fourteenth class day for the System for the 2016 fall semester totaled approximately 46,548. As of November 1, 2016, the System had approximately 4,244 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.

As of the end of fiscal year 2013, LSU decided to transition management and operations of its hospitals to private hospital partnerships. This major transformation of public healthcare in Louisiana occurred in a span of months, beginning in July 2012, when Congress reduced the state's disaster recovery Federal Medical Assistance Percentage (FMAP) rate from 71.92% to a projected 65.51%, 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.

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.

In 2013, the LSU Board of Supervisors embarked on an LSU2015 planning initiative appointing a 10-member panel (Transition Advisory Team) tasked with providing information to the LSU Board of Supervisors to facilitate the reshaping of the LSU System. The goal of LSU2015 was to bring together the resources of the various units of the LSU System to create a single, globally-competitive LSU with statewide reach that is more efficient and more productive in the areas of educating its students, creating robust collaborative research, delivering effective health care, impacting economic development and conducting public service activities. In keeping with the spirit and intent of these planning efforts, an organizational and budgetary alignment of the current Board and System Administration with the LSU A&M organizational structure was completed as of July 2015.

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 Sciences Center Foundation, and the LSU Health Sciences Foundation in Shreveport, follow the provisions of the Financial Accounting Standards Board for not-for-profit organizations.

B. REPORTING ENTITY

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

Blended Component Units

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

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

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

To obtain the latest audit report of the LSU Healthcare Network, write to the LSU Healthcare Network, 1542 Tulane Ave., Suite HCN-123, 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. Bengal Village consists of 58 units and is managed by Campus Living Villages. The management agreement between the ESH Foundation and Campus Living Villages commenced August 1, 2002, and ends July 31, 2017. Thereafter, the agreement shall be automatically renewed for one-year periods unless terminated. All personnel employed in the leasing, management, maintenance, and operations of Bengal Village are employees of Campus Living Villages.

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

The Health Care Services Foundation (HCSF) and its subsidiary, Bogalusa Community Medical Center (BCMC), are blended component units of the university system and are included in the financial statements. The component units are included in the reporting entity because they are fiscally dependent on the LSU System and the LSU Health Care Services Division (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 (13) seats; six (6) of whom are appointed from LSU and seven (7) of

whom are from the community. The FGP began operations in January 2017, assisting LSU Health Sciences Center-Shreveport in carrying on its medical, educational, and research functions.

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.

Discretely Presented Component Units

The LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Foundation in Shreveport, and The LSU Health Sciences Center Foundation 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 Statement 14, as amended by GASB Statement 39. 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 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, 2017, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for \$40,154,524. 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, 2016, TAF made distributions to or on behalf of the university for both restricted and unrestricted purposes for \$21,706,501 with an additional \$1,397,104 from booster clubs and \$305,390 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, 2017, the foundation made distributions to or on behalf of the university for either restricted or unrestricted purposes for \$7,110,011. 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 Sciences Center Foundation supports LSU Health Sciences Center. During the year ended June 30, 2017, the foundation made distributions to or on behalf of the university for either restricted or unrestricted purposes for \$11,323,956. 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	\$1,013,001,854
Increases (Decreases)	
State General Fund	(5,577,489)
Self-generated	6,293,000
Interagency transfers	115,032
Statutory dedications	1,764,923
	<hr/>
Final budget	<u><u>\$1,015,597,320</u></u>

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

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

F. INVENTORIES

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

G. NONCURRENT RESTRICTED ASSETS

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

H. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair 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, other postemployment benefit 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. Investments have been reported at fair value within each plan.

S. ACCOUNTING CHANGES

Accounting Standards

One new GASB standard was implemented this fiscal year.

The GASB issued Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*, in March 2016. This Statement clarifies the reporting of covered payroll that is reported in required supplementary information. The Statement amends Statements 67 and 68 to require the presentation of covered payroll, now defined as the payroll on which contributions to a pension plan are based, and ratios that use that

measure. The requirements of this statement are effective for periods beginning after June 15, 2016.

2. CASH AND CASH EQUIVALENTS

At June 30, 2017, the System has cash and cash equivalents (book balances) of \$260,895,777 as follows:

Petty Cash	\$194,428
Demand deposits	246,750,899
Certificates of deposit	18,600
Money market funds	10,743,541
Open-end mutual fund	1,168,456
Cash held in foundation bond funds	<u>2,019,853</u>
Total	<u><u>\$260,895,777</u></u>

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

As of June 30, 2017, \$3,851,680 of the System's bank balance of \$306,011,282 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 \$132,966,917, as shown on the Statement of Financial Position, are reported under FASB ASC Topic 958, *Financial Reporting for Not-for-Profit Organizations*, which does not require the disclosures of GASB Statement 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 Sciences Center Foundation 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. 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, 2017, the System has investments totaling \$730,570,884.

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, 2017. 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 should maximize 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	Significant	Significant
		in Active Markets for Identical Assets (Level 1 Inputs)	Other Observable Inputs (Level 2 Inputs)	Unobservable Inputs (Level 3 Inputs)
Negotiable CDs	\$100,225	\$100,225		
Repurchase Agreements	1,178,731	1,178,731		
U.S. Treasury Securities	12,614,356	999,717	\$11,614,639	
U.S. Government Agency Securities				
Bonds and Notes:				
Federal National Mortgage Association	7,474,382	1,005,534	6,468,848	
Federal Home Loan Bank	102,392,598	493,469	101,899,129	
Federal Home Loan Mortgage Corporation	4,818,700		4,818,700	
Federal Farm Credit Bank	15,659,400	1,501,851	14,157,549	
Farmer Agricultural Mortgage Corporation	3,102,610		3,102,610	
Collateralized Mortgage Obligations:				
Federal National Mortgage Association	79,058		79,058	
Federal Home Loan Mortgage Corporation	3,101,660	3,101,660		
Government National Mortgage Association	90,823		90,823	
Mortgage Backed Securities:				
Federal National Mortgage Association	13,711,734	441,044	13,270,690	
Federal Home Loan Mortgage Corporation	119,803		119,803	
Small Business Administration	16,408,371		16,408,371	
Corporate debt obligations	147,995,372	1,269,510	146,725,862	
Municipal obligations	92,310,002	16,139,187	76,170,815	
Fixed income mutual funds	51,260,522	51,260,522		
Money market mutual funds	45,286,595	45,286,595		
Equity				
Equity mutual funds	27,883,730	27,883,730		
Common and preferred stock	5,779,882	5,779,882		
Other	6,304,582	6,304,582		
Investments held through Foundation (commingled)	46,659,879	46,659,879		
Investments held through Foundation (held separately):				
Bonds and Notes:				
Federal Home Loan Bank	3,783,845		3,783,845	
Collateralized Mortgage Obligations:				
Federal Home Loan Mortgage Corporation	148,237		148,237	
Mortgage Backed Securities				
Federal National Mortgage Association	126,464		126,464	
Federal Home Loan Mortgage Corporation	329		329	
Government National Mortgage Association	15,695		15,695	
Corporate debt obligations	4,365,648		4,365,648	
Municipal obligations	2,028,516		2,028,516	
Asset backed securities	276,902		276,902	
Money market mutual funds	4,076,827	4,076,827		
Equity mutual funds	31,919,510	31,919,510		
Fixed Income mutual funds	38,812,096	38,812,096		
Other commingled funds-fixed income	25,713,755			\$25,713,755
LSUE Housing Foundation	443,423	443,423		
Realty Investments	9,029,356		9,029,356	
<u>Investments Reported at Amounts Other than Fair Value</u>				
Other:				
New Orleans Regional Physician Hospital Organization	2,531,213			
Interest Receivable	2,966,053			
Total Investments	\$730,570,884	\$284,657,974	\$414,701,889	\$25,713,755

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
- Realty Investments: market approach (appraisals).

Level 3 investments listed in the above table are valued using the following approaches:

Although direct valuation techniques and methodologies for Level 3 assets are not completed internally, LSU Foundation staff and the LSU Foundation's investment consultant conduct ongoing monitoring and review of managers to ensure that reporting and valuation techniques are in accordance with industry standards and best practices. Capital statements, performance, and pertinent news regarding changes in management are scrutinized as an internal part of the due diligence process prior to hiring a manager. These same elements are monitored on an on-going basis, as a matter of regular business practice, following the hiring of a manager. Level 3 asset types for which this due diligence process and focused monitoring are applied internally are commingled funds, hedge funds, other private equity, and commodities and natural resources.

The valuation process conducted internally for those Level 3 assets categorized as Beneficial Interests in Split-Interest Agreements primarily entails a calculation of the present value of proceeds expected to be received in accordance with the terms of the agreement. Each agreement is reviewed by management to determine the amount of any contractual and/or estimated payments to income beneficiaries using available actuarial data. The present value is calculated using an assumed rate of risk as recommended by the LSU Foundation's Chief Investment Officer in conjunction with actuarial data tables published by the Social Security Administration.

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 on the next page shows the System's fixed-income investments and maturities at June 30, 2017.

Type of Investments:	Investments	Carrying Value	Investment Maturities in Years					
			Less Than 1	1 - 5	6 - 10	11 - 20	21 - 30	
Negotiable certificates of deposit	0.01%	\$100,225	\$100,225					
Repurchase Agreements	0.16%	1,178,731	1,178,731					
U.S. Treasury Securities	1.73%	12,614,356	999,717	\$3,992,960	\$7,621,679			
U.S. Government Agency Securities:								
Bonds and Notes:								
Federal National Mortgage Association	1.02%	7,474,382	1,455,698	3,077,334	2,941,350			
Federal Home Loan Bank	14.02%	102,392,598	1,503,045	25,432,772	22,591,407	\$52,865,374		
Federal Home Loan Mortgage Corporation	0.66%	4,818,700				4,818,700		
Federal Farm Credit Bank	2.14%	15,659,400	6,717,308	8,942,092				
Farmer Agricultural Mortgage Corporation	0.42%	3,102,610	2,031,260	1,071,350				
Collateralized Mortgage Obligations:								
Federal National Mortgage Association	0.01%	79,058		79,058				
Federal Home Loan Mortgage Corporation	0.42%	3,101,660	6,404	2,246,108	849,148			
Government National Mortgage Association	0.01%	90,823		90,823				
Mortgage Backed Securities:								
Federal National Mortgage Association	1.88%	13,711,734	922,566	12,348,124		441,044		
Federal Home Loan Mortgage Corporation	0.02%	119,803	119,803					
Small Business Administration	2.25%	16,408,371		2,560,904	8,627,065	5,220,402		
Corporate debt obligations	20.26%	147,995,372	2,525,430	104,234,524	33,784,367	7,451,051		
Municipal obligations	12.64%	92,310,002	1,954,323	32,184,588	33,024,106	22,560,525	\$2,586,460	
Fixed income mutual funds	7.02%	51,260,522	5,856,881		45,403,641			
Money market mutual funds	6.20%	45,286,595						
Equity								
Equity mutual funds	3.82%	27,883,730						
Common and preferred stock	0.79%	5,779,882						
Other	0.86%	6,304,582						
Investments held through Foundation (commingled)	6.39%	46,659,879						
Investments held through Foundation (held separately):								
Bonds and Notes:								
Federal Home Loan Bank	0.52%	3,783,845			156,817	3,627,028		
Collateralized Mortgage Obligations:								
Federal Home Loan Mortgage Corporation	0.02%	148,237				148,237		
Mortgage Backed Securities:								
Federal National Mortgage Association	0.02%	126,464		93,070		33,394		
Federal Home Loan Mortgage Corporation	0.00%	329				329		
Government National Mortgage Association	0.00%	15,695			4,301	11,394		
Corporate debt obligations	0.60%	4,365,648		1,467,391	2,796,615	101,642		
Municipal obligations	0.28%	2,028,516			1,813,089	215,427		
Asset backed securities	0.04%	276,902				106,284	170,618	
Money market mutual funds	0.56%	4,076,827						
Equity mutual funds	4.37%	31,919,510						
Fixed income mutual funds	5.31%	38,812,096		1,910,666	36,901,430			
Other comingled funds - fixed income	3.52%	25,713,755		19,448,406		6,265,349		
LSUE Housing Foundation	0.06%	443,423						
Realty Investments	1.24%	9,029,356						
Investments Reported at Amounts Other than Fair Value								
Other:								
New Orleans Regional Physician Hospital Organization	0.35%	2,531,213						
Interest Receivable	0.41%	2,966,053						
		\$730,570,884	\$25,371,391	\$219,180,170	\$196,515,015	\$103,866,180	\$2,757,078	

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

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

<u>Rating Agency Used</u>	<u>Rating</u>	<u>Fair Value</u>
	Unrated	\$136,456,144
Fitch	A	6,160,371
Fitch	A+	4,651,200
Fitch	AA	543,115
Fitch	AA+	6,189,875
Fitch	BBB	7,502,340
Fitch	BBB+	1,242,118
Moody's	BBB-	516,315
Moody's	A1	25,622,010
Moody's	A2	6,058,031
Moody's	A3	8,128,882
Moody's	Baa1	1,057,030
Moody's	Baa3	283,150
Moody's	Aa1	13,700,559
Moody's	Aa2	11,216,277
Moody's	Aa3	3,796,703
Moody's	Aaa	224,270
Moody's	Aaa-mf	275,126
S&P	A	19,068,637
S&P	A+	17,028,975
S&P	A-	20,060,469
S&P	AA	25,013,958
S&P	AA+	159,109,937
S&P	AA-	22,077,672
S&P	AA(f)	45,216,383
S&P	AAA	14,185,315
S&P	AAAm	14,542,358
S&P	Af	1,562,379
S&P	BB	1,660,733
S&P	BBB	2,518,821
S&P	BBB+	11,412,657
S&P	BBB-	529,445
Total		\$587,611,255

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

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

The System's concentrations are as follows:

<u>Issuer</u>	<u>Amount</u>	<u>Percent of Total</u>
Federal Home Loan Bank	<u>\$106,176,443</u>	14.53%
Total	<u><u>\$106,176,443</u></u>	

The open-end mutual fund amount of \$1,168,456, included in cash and cash equivalents, consists of \$854,601 invested in JPMorgan U.S. Government Plus Money Market Fund and \$313,855 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 \$127.57 million invested in highly sensitive investments, such as step-up notes, variable notes, and floating rate notes.

The step-up securities are comprised of \$70.14 million in U. S. government agency (Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation) bonds and notes, and \$3.16 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 November 2017 to September 2023 and initial coupon rates ranging from 1.00% to 3.00%. Final “step” dates range from March 2022 to October 2032 with final coupon rates ranging from 2.25% to 10.00%.

The variable and floating rate securities consist of \$39.53 million in corporate debt obligations and \$14.75 million in U.S. Government agency (Federal Home Loan Bank) 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 July 2036.

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, 2017, follows:

Type of Investment	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Center	LSU Health Sciences Foundation in Shreveport	Total Investments
Money markets/certificates of deposit			\$18,375,107	\$172,865	\$18,547,972
Debt obligations	\$83,165,547	\$86,220,322	45,733,599		215,119,468
Corporate stocks, common stocks, and indexed mutual funds	108,315,693	485,151			108,800,844
Shaw Center for the Arts, LLC	15,137,799				15,137,799
Royalty interest	154,084				154,084
Mutual funds	182,120,434		62,475,364	138,437,758	383,033,556
LSU Foundation investment pool ¹		14,107,028			14,107,028
Private equity	53,675,207				53,675,207
Hedged funds	66,828,605		9,527,833		76,356,438
Group variable annuity	2,057,461				2,057,461
Municipal bonds	19,353,024				19,353,024
Separately managed accounts	35,814,131				35,814,131
Agency investments for LSUHSC Shreveport				53,956,268	53,956,268
Total Investments	\$566,621,985	\$100,812,501	\$136,111,903	\$192,566,891	\$996,113,280

*As of December 31, 2016

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

The LSU Foundation is a 50% investor in the Shaw Center for the Arts, LLC. The investment recorded on the Statement of Financial Position for \$15,137,799 at June 30, 2017, 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	\$34,817,567		\$34,817,567
Auxiliary enterprises	5,614,680		5,614,680
Contributions and gifts	8,257,379		8,257,379
Federal grants and contracts	47,232,120		47,232,120
State and private grants and contracts	158,077,488		158,077,488
Sales and services/other	23,489,468	\$645,807	22,843,661
Clinics	74,675,625	53,706,052	20,969,573
Hospital	27,304,757	19,379,780	7,924,977
Other - uncompensated care	61,669,590		61,669,590
Total	\$441,138,674	\$73,731,639	\$367,407,035

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2016	Prior Period Adjustment	Restated Balance June 30, 2016	Additions	Transfers	Retirements	Balance June 30, 2017
Capital assets not being depreciated							
Land	\$70,981,474		\$70,981,474	\$1,435,445	\$81,500		\$72,498,419
Capitalized collections	5,083,407		5,083,407	721,950			5,805,357
Construction-in-progress	185,680,895	(\$6,406,058)	179,274,837	94,570,333	(27,928,872)	(\$7,821,295)	238,095,003
Total capital assets not being depreciated	\$261,745,776	(\$6,406,058)	\$255,339,718	\$96,727,728	(\$27,847,372)	(\$7,821,295)	\$316,398,779
Other capital assets:							
Infrastructure	\$44,161,197	(\$640,597)	\$43,520,600				\$43,520,600
Less accumulated depreciation	(20,458,917)	169,123	(20,289,794)	(\$1,100,045)			(21,389,839)
Total infrastructure	23,702,280	(471,474)	23,230,806	(1,100,045)			22,130,761
Land improvements	116,294,035	541,470	116,835,505	178,585	\$477,730	(\$11,517)	117,480,303
Less accumulated depreciation	(71,181,132)	(135,365)	(71,316,497)	(3,865,969)		11,517	(75,170,949)
Total land improvements	45,112,903	406,105	45,519,008	(3,687,384)	477,730		42,309,354
Buildings	2,388,607,719	220,512	2,388,828,231	21,964,269	26,205,820	(3,417,806)	2,433,580,514
Less accumulated depreciation	(1,170,440,789)	276,186	(1,170,164,603)	(63,710,603)		3,636,545	(1,230,238,661)
Total buildings	1,218,166,930	496,698	1,218,663,628	(41,746,334)	26,205,820	218,739	1,203,341,853
Equipment (including library books)	1,105,145,452	821,577	1,105,967,029	79,489,191	1,163,822	(27,316,174)	1,159,303,868
Less accumulated depreciation	(882,263,169)	(223,766)	(882,486,935)	(57,839,172)		26,163,837	(914,162,270)
Total equipment	222,882,283	597,811	223,480,094	21,650,019	1,163,822	(1,152,337)	245,141,598
Software (internally generated and purchased)	97,180,405		97,180,405	247,431		(8,702,183)	88,725,653
Other intangibles	2,984,402		2,984,402	114,273		(19,850)	3,078,825
Less accumulated amortization - software	(70,485,092)		(70,485,092)	(26,696,607)		8,702,183	(88,479,516)
Less accumulated amortization - other intangibles	(2,710,210)		(2,710,210)	(49,905)		9,171	(2,750,944)
Total intangible assets	26,969,505		26,969,505	(26,384,808)		(10,679)	574,018
Total other capital assets	\$1,536,833,901	\$1,029,140	\$1,537,863,041	(\$51,268,552)	\$27,847,372	(\$944,277)	\$1,513,497,584
Capital asset summary:							
Capital assets not being depreciated	\$261,745,776	(\$6,406,058)	\$255,339,718	\$96,727,728	(\$27,847,372)	(\$7,821,295)	\$316,398,779
Other capital assets, at cost	3,754,373,210	942,962	3,755,316,172	101,993,749	27,847,372	(39,467,530)	3,845,689,763
Total cost of capital assets	4,016,118,986	(5,463,096)	4,010,655,890	198,721,477		(47,288,825)	4,162,088,542
Less accumulated depreciation and amortization	(2,217,539,309)	86,178	(2,217,453,131)	(153,262,301)		38,523,253	(2,332,192,179)
Capital assets, net	\$1,798,579,677	(\$5,376,918)	\$1,793,202,759	\$45,459,176	\$0	(\$8,765,572)	\$1,829,896,363

COMPONENT UNITS

	Balance June 30, 2016	Additions	Transfers	Retirements	Balance June 30, 2017
Capital assets not being depreciated					
Land	\$9,688,890			(\$1,284,803)	\$8,404,087
Capitalized collections	4,229,436	\$14,946		(22,505)	4,221,877
Construction-in-progress	12,172,741	2,287,210	(\$12,232,473)	(125,336)	2,102,142
Total Capital assets not being depreciated	<u>\$26,091,067</u>	<u>\$2,302,156</u>	<u>(\$12,232,473)</u>	<u>(\$1,432,644)</u>	<u>\$14,728,106</u>
Other capital assets:					
Land improvements	\$6,177,198				\$6,177,198
Less accumulated depreciation	(944,881)	(97,931)			(1,042,812)
Total land improvements	<u>5,232,317</u>	<u>(97,931)</u>			<u>5,134,386</u>
Buildings	257,140,968	1,082,406	\$12,232,473		270,455,847
Less accumulated depreciation	(35,044,341)	(7,101,214)			(42,145,555)
Total buildings	<u>222,096,627</u>	<u>(6,018,808)</u>	<u>12,232,473</u>		<u>228,310,292</u>
Equipment	2,178,088	1,181,873		(\$161,192)	3,198,769
Less accumulated depreciation	(1,959,078)	(260,476)		147,621	(2,071,933)
Total equipment	<u>219,010</u>	<u>921,397</u>		<u>(13,571)</u>	<u>1,126,836</u>
Total other capital assets	<u>\$227,547,954</u>	<u>(\$5,195,342)</u>	<u>\$12,232,473</u>	<u>(\$13,571)</u>	<u>\$234,571,514</u>
Capital asset summary:					
Capital assets not being depreciated	\$26,091,067	\$2,302,156	(\$12,232,473)	(\$1,432,644)	\$14,728,106
Other capital assets, at cost	265,496,254	2,264,279	12,232,473	(161,192)	279,831,814
Total cost of capital assets	<u>291,587,321</u>	<u>4,566,435</u>		<u>(1,593,836)</u>	<u>294,559,920</u>
Less accumulated depreciation	<u>(37,948,300)</u>	<u>(7,459,621)</u>		<u>147,621</u>	<u>(45,260,300)</u>
Capital assets, net	<u>\$253,639,021</u>	<u>(\$2,893,186)</u>		<u>(\$1,446,215)</u>	<u>\$249,299,620</u>

6. DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2017, were as follows:

<u>Activity</u>	<u>Amount</u>
Vendors	\$49,294,789
Salaries and benefits	56,763,801
Accrued interest	100,030
Other payables	4,686,683
Total	<u>\$110,845,303</u>

7. DEFINED BENEFIT PENSION PLANS

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

Legislature. Each system is administered by a separate board of trustees and both systems are component units of the State of Louisiana.

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

TRSL:

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

LASERS:

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

Plan Descriptions

Teachers' Retirement System of Louisiana (TRSL)

TRSL is the administrator of a cost-sharing multiple employer defined benefit plan. The plan provides retirement, disability, and survivor benefits to employees who meet the legal definition of a "teacher" as provided for in R.S. 11:701.

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:

	<u>TRSL</u>	<u>LASERS</u>
Final average salary	Highest 36 or 60 ¹	Highest 36 or 60 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	30 years any age 25 years age 55 20 years any age ² 5-10 years age 60 ⁶ 5 years age 62
Benefit percent per years of service	2.0% 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 10 years of creditable service at age 60 depending upon the plan or when hired

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

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. 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. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee (PRSAC).

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, 2017, for the System and covered employees were as follows:

	<u>System</u>	<u>Employees</u>
TRSL:		
Higher Ed Regular Plan	24.4%	8.0%
K-12 Regular Plan	25.5%	8.0%
LASERS	35.8%	7.5% - 8.0%

The LSU System's contributions made to the Retirement Systems for 2017, which equaled the required contributions, were as follows:

TRSL:	
Regular Plan	\$128,460,068
 LASERS	 \$38,462,302

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 2017 is \$4,435,055.

**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, 2016, measurement date. The System uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2017, in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2016, along with the change compared to the June 30, 2015, 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, 2017 (measured as of <u>June 30, 2016</u>)	Rate at <u>June 30, 2016</u>	Increase (Decrease) to June 30, <u>2015 Rate</u>
TRSL	\$1,362,912,524	11.61%	(.28%)
LASERS	<u>462,433,321</u>	5.89%	(.53%)
Total	<u>\$1,825,345,845</u>		

The following schedule lists the System's recognized pension expense for the year ended June 30, 2017, for each of the pension plans:

TRSL	\$126,362,691
LASERS	<u>(102,192,357)</u>
Total	<u>\$24,170,334</u>

At June 30, 2017, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows:

	<u>TRSL</u>	<u>LASERS</u>	<u>Total</u>
Differences between expected and actual experience		\$267,724	\$267,724
Changes of assumptions			
Net difference between projected and actual earnings on pension plan investments	\$99,216,878	57,596,865	156,813,743
Changes in proportion	56,345,021		56,345,021
Differences between contributions and proportionate share of contributions	3,893,730	362,752	4,256,482
Employer contributions subsequent to the measurement date	<u>128,460,068</u>	<u>38,462,302</u>	<u>166,922,370</u>
Total deferred outflow	<u>\$287,915,697</u>	<u>\$96,689,643</u>	<u>\$384,605,340</u>

Deferred Inflows:

	<u>TRSL</u>	<u>LASERS</u>	<u>Total</u>
Differences between expected and actual experience	(\$26,907,690)	(\$4,288,891)	(\$31,196,581)
Changes of assumptions			
Net difference between projected and actual earnings on pension plan investments			
Changes in proportion	(91,621,186)	(33,768,469)	(125,389,655)
Differences between contributions and proportionate share of contributions	<u>(7,769,020)</u>	<u>(477,352)</u>	<u>(8,246,372)</u>
Total deferred inflows	<u>(\$126,297,896)</u>	<u>(\$38,534,712)</u>	<u>(\$164,832,608)</u>

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

<u>Year</u>	<u>TRSL</u>	<u>LASERS</u>	<u>Total</u>
2018	(\$9,944,121)	(\$13,044,857)	(\$22,988,978)
2019	(9,944,121)	(3,385,069)	(13,329,190)
2020	36,141,914	22,383,307	58,525,221
2021	16,904,061	13,739,248	30,643,309
Total	<u>\$33,157,733</u>	<u>\$19,692,629</u>	<u>\$52,850,362</u>

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability for each pension plan as of June 30, 2016, are as follows:

	<u>TRSL</u>	<u>LASERS</u>																		
Valuation Date	June 30, 2016	June 30, 2016																		
Actuarial Cost Method	Entry Age Normal	Entry Age Normal																		
Actuarial Assumptions:																				
Expected Remaining Service Lives	5 Years	3 Years																		
Investment Rate of Return	7.75% net of investment expenses	7.75% per annum, net of investment expenses																		
Inflation Rate	2.5% per annum	3.0% per annum																		
Mortality	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 Comined Healthy Mortality Table with mortality improvement projected to 2015. 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 give 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:																		
		<table border="1"> <thead> <tr> <th>Member Type</th> <th>Lower Range</th> <th>Upper Range</th> </tr> </thead> <tbody> <tr> <td>Regular</td> <td>4.00%</td> <td>13.00%</td> </tr> <tr> <td>Judges</td> <td>3.00%</td> <td>5.50%</td> </tr> <tr> <td>Corrections</td> <td>3.60%</td> <td>14.50%</td> </tr> <tr> <td>Hazardous Duty</td> <td>3.60%</td> <td>14.50%</td> </tr> <tr> <td>Wildlife</td> <td>3.60%</td> <td>14.50%</td> </tr> </tbody> </table>	Member Type	Lower Range	Upper Range	Regular	4.00%	13.00%	Judges	3.00%	5.50%	Corrections	3.60%	14.50%	Hazardous Duty	3.60%	14.50%	Wildlife	3.60%	14.50%
Member Type	Lower Range	Upper Range																		
Regular	4.00%	13.00%																		
Judges	3.00%	5.50%																		
Corrections	3.60%	14.50%																		
Hazardous Duty	3.60%	14.50%																		
Wildlife	3.60%	14.50%																		
Cost of Living Adjustments	The system allows for the payment of ad hoc permanent benefit increases that are funded through investment earnings when recommended by the board of trustees.	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.																		

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

TRSL	LASERS
<p>The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5% and an adjustment for the effect of rebalancing/diversification. The resulting expected long term rate of return was 8.23% for 2016.</p>	<p>The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing /diversification. The expected rate of inflation was 3.25%. The resulting expected long-term rates of return are 8.72% for 2016.</p>

The following table provides a summary of the best estimates of arithmetic/geometric real rates of return for each major asset class included in each of the Retirement Systems target asset allocations as of June 30, 2016:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	TRSL	LASERS	TRSL	LASERS
Cash				(0.24%)
Domestic Equity	31.0%	25.0%	4.50%	4.31%
International Equity	19.0%	32.0%	5.31%	5.48%
Domestic fixed income	14.0%	8.0%	2.45%	1.63%
International fixed income	7.0%	6.0%	3.28%	2.47%
Alternatives:	29.0%	22.0%		7.42%
Private Equity			6.80%	
Other Private Assets			4.82%	
Global asset allocation		7.0%		2.92%
Total	100%	100%		5.30%

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 7.75% for the year ended June 30, 2016.

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

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

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
TRSL			
Rates	6.75%	7.75%	8.75%
System's share of NPL	\$1,699,969,074	\$1,362,912,524	\$1,076,100,179
LASERS			
Rates	6.75%	7.75%	8.75%
System's Share of NPL	\$568,142,134	\$462,433,321	\$372,613,970

Payables to the Pension Plans

The System recorded accrued liabilities to each of the Retirement Systems for the year ended June 30, 2017, 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, 2017, is as follows:

TRSL	\$11,497,103
LASERS	<u>3,972,512</u>
	<u>\$15,469,615</u>

Optional Retirement System

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

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

R.S. 11:927 sets the contribution requirements of ORP plan members and the employer. Employer ORP contributions to TRSL for the fiscal year 2017 totaled \$85,392,377, which represents pension expense for the System. Employee contributions totaled \$25,376,088. The

Active member and employer contribution rates were 8% and 5.69%, respectively, with an additional employer contribution of 21.2% 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.

The System offers its employees the opportunity to participate in one of two medical coverage plans. One plan is from the State's Office of Group Benefits (OGB), which also offers a life insurance plan, and the other plan is with the LSU System Health Plan (Health Plan). GASB Statement No. 45 promulgates the accounting and financial reporting requirements by employers that offer other postemployment benefits (OPEB) besides pensions. Both of the medical coverage plans and the life insurance plan available would be subject to the provisions of this statement. Information about each of these two plans is presented below.

Plan Descriptions

LSU System Health Plan (Health Plan)

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

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

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

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

State OGB Plan

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

Funding Policy

LSU System Health Plan

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

State OGB Plan

The contribution requirements of plan members and the System are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree health care based on a participation schedule. Contribution amounts vary depending on what health care provider is selected from the plan and if the member has Medicare coverage. OGB offers five self-insured healthcare plans and one fully insured plan for both active and retired employees: the Health Maintenance Organization (HMO) Plan, the Magnolia Open Access Plan, the Magnolia Local Plan, the Magnolia Local Plus Plan, the Pelican HSA 775, and the Pelican HRA 1000 Plan. Retired employees who have Medicare Part A and Part B coverage also have access to additional OGB Medicare Advantage plans (two HMO plans and one Zero-Premium HMO plan). The two HMO plans are Peoples Health HMO-POS Plan and Vantage HMO-POS Plan. There are also several plans offered under Extend Health with a state-funded health reimbursement account. The state contributes \$200 a month for employee-only and \$300 a month for employee and spouse coverage.

The plan is financed on a pay-as-you-go basis. As of June 30, 2017, the state does not use an OPEB trust. A trust was established with an effective date of July 1, 2008, but was not funded, has no assets, and hence has a funded ratio of zero.

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. 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.

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). For both plans, 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:

<u>Medical Participation</u>	<u>Contribution Percentage</u>
Under 10 years	81%
10 - 14 years	62%
15 - 19 years	44%
20+ years	25%

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of each plan's annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the plan, and changes in the plan's net OPEB obligation to the retiree health plan.

	<u>LSU System Health Plan</u>	<u>State OGB Plan</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$55,661,605	\$41,628,736	\$97,290,341
Interest on net OPEB Obligation (NOO)	16,764,965	19,610,241	36,375,206
ARC adjustment	<u>(16,415,204)</u>	<u>(19,201,120)</u>	<u>(35,616,324)</u>
Annual OPEB cost	56,011,366	42,037,857	98,049,223
Employer contributions	<u>(25,735,414)</u>	<u>(38,237,254)</u>	<u>(63,972,668)</u>
Increase in net OPEB obligation	30,275,952	3,800,603	34,076,555
Net OPEB obligation - beginning of year	<u>441,183,282</u>	<u>516,058,974</u>	<u>957,242,256</u>
Net OPEB obligation - end of year	<u><u>\$471,459,234</u></u>	<u><u>\$519,859,577</u></u>	<u><u>\$991,318,811</u></u>

Funding Trend

	<u>LSU System Health Plan</u>			<u>State OGB Plan</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
OPEB cost	\$56,011,366	\$66,957,233	\$64,434,859	\$42,037,857	\$61,105,023	\$59,306,959
Percent contributed	45.95%	37.09%	35.72%	90.96%	65.32%	64.00%
Ending NOO	\$471,459,234	\$441,183,282	\$399,058,074	\$519,859,577	\$516,058,974	\$494,866,171

Funded Status and Funding Progress

The funded status of the plans as of July 1, 2016, was as follows:

	LSU System Health	
	Plan	State OGB Plan
Actuarial accrued liability (AAL)	\$788,163,019	\$781,150,000
Actuarial value of plan assets	NONE	NONE
Unfunded actuarial accrued liability (UAAL)	<u>\$788,163,019</u>	<u>\$781,150,000</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Annual covered payroll (active plan members)	\$428,324,048	\$145,277,416
UAAL as a percentage of covered payroll	184.0%	537.7%

Actuarial Methods and Assumptions

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

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

A summary of the actuarial assumptions are presented as follows:

	LSU System Health Plan	State OGB Plan
Actuarial valuation date	July 1, 2016	July 1, 2016
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period	30 years, open	30 years, open
Asset valuation method	None	None
Actuarial assumptions		
Discount rate	3.8% annual rate	3.8% annual rate
Projected salary increases	3% per annum	3% per annum
Health care inflation rate	7% initial 4.5% ultimate	7% initial 4.5% ultimate

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 11 lawsuits that are handled by contract attorneys at June 30, 2017. The attorneys have estimated a reasonably possible unfavorable outcome to the System of \$50,000 relating to two of 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 \$114,505,881. 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
2014-15	\$8,869,000	\$100,115,308	(\$103,943,234)	\$3,438,926	\$8,480,000
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

10. COMPENSATED ABSENCES

At June 30, 2017, employees of the System have accumulated and vested annual, sick, and compensatory leave benefits of \$52,209,643, \$29,067,813, and \$214,220, 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, 2017, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed is \$13,122,166. 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, 2017:

Nature of Operating Lease	Fiscal Year						
	2018	2019	2020	2021	2022	2023-2027	2028-2032
Office space	\$10,785,395	\$10,103,545	\$8,735,998	\$8,524,809	\$8,358,849	\$40,183,740	\$40,183,740
Equipment	218,169	195,440	175,639	175,639			
Land	132,381	132,381	132,381	132,381	132,381	661,871	661,871
Other	81,084	23,122	29,528				
Total	\$11,217,029	\$10,454,488	\$9,073,546	\$8,832,829	\$8,491,230	\$40,845,611	\$40,845,611

Nature of Operating Lease	Fiscal Year							Total Future Minimum Rental Payments
	2033-2037	2038-2042	2043-2047	2048-2052	2053-2057	2058-2062	2063-2067	
Office space	\$40,183,740	\$40,183,740	\$2,009,187					\$209,252,743
Equipment								764,887
Land	661,871	661,871	661,871	\$661,871	\$661,871	\$661,871	\$176,508	6,133,381
Other								138,734
Total	\$40,845,611	\$40,845,611	\$2,671,058	\$661,871	\$661,871	\$661,871	\$176,508	\$216,289,745

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 leased office space from the LSU Alumni Association through November 30, 2016, and also leased office space from LAETC Management Company, LLC through September 2016. For the year ended June 30, 2017, rent expense incurred totaled \$75,807.

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") 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 8 through the remainder of the term, the ground rent will be adjusted by actual CPI at the beginning of each year. During the year ended June 30, 2017, NGP received \$4 million of lease payments which included an advance of its second year ground lease payment totaling \$2 million. The advanced lease payment is recorded as deferred revenue on the statement of financial position.

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 \$71,841 in rent and equipment rental expense for the year ended June 30, 2017.

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, 2017:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	\$438,012	(\$416,839)	\$21,173
Buildings	107,522,970	(49,459,896)	58,063,074
Equipment	16,446,350	(13,745,006)	2,701,344
Land	43,552		43,552
Total	\$124,450,884	(\$63,621,741)	\$60,829,143

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2017:

Fiscal year ending June 30,	Office Space	Buildings	Equipment	Land	Other	Total
2018	\$195,243	\$29,469,574	\$1,021,242	\$517,313	\$1,509,958	\$32,713,330
2019	46,824	29,408,184		430,403	165,731	30,051,142
2020	43,440	29,067,793		328,487	57,013	29,496,733
2021	43,440	27,595,379		329,384	36,485	28,004,688
2022		26,208,109		289,631	37,580	26,535,320
2023-2027		35,069,246		1,451,614	119,641	36,640,501
2028-2032		6,628,650		1,455,280		8,083,930
2033-2037		6,628,650		1,412,697		8,041,347
2038-2042		6,628,650		7,339,533		13,968,183
2043-2047		6,628,650		11,194,347		17,822,997
2048-2052		6,628,650		4,128,629		10,757,279
2053-2057		3,730,205		672,604		4,402,809
2058-2062				32,350		32,350
2063-2067				32,350		32,350
2068-2072				32,330		32,330
2073-2077				32,300		32,300
2078-2082				32,300		32,300
2083-2087				32,300		32,300
2088-2092				15,370		15,370
2093-2097				50		50
Total	\$328,947	\$213,691,740	\$1,021,242	\$29,759,272	\$1,926,408	\$246,727,609

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume, customer usage of services provided, or the drilling operations on mineral leases. Contingent rentals amounted to \$2,943,634 for the year ended June 30, 2017.

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	04/24/2015	\$4,639,805,880	<u>NONE</u>	<u>\$4,639,805,880</u>
Less - amounts representing executor costs		<u>NONE</u>		
Minimum lease payments receivables		4,639,805,880		
Less - allowance for uncollectibles		<u>NONE</u>		
Net Minimum lease payments receivables		4,639,805,880		
Estimated residual value of leased property		<u>NONE</u>		
Subtotal		4,639,805,880		
Less - unearned income		<u>(3,885,600,452)</u>		
Net investment in direct financing-type leases		<u>\$754,205,428</u>		

The following is a schedule by year of minimum lease receivables as of June 30, 2017:

<u>Year</u>	
2018	\$8,891,858
2019	71,904,625
2020	73,774,345
2021	75,695,695
2022	77,669,632
2023-2027	419,898,638
2028-2032	478,006,362
2033-2037	565,770,861
2038-2042	674,211,031
2043-2047	769,118,795
2048-2052	877,750,449
2053-2057	<u>547,113,589</u>
Total	<u>\$4,639,805,880</u>

Unearned Revenue

In connection with the lease mentioned above, other amounts are also accounted for as unearned revenue in relation to this lease transaction as further described herein. Unearned Revenues included within Statement of Net Position in the current and noncurrent portions of long-term liabilities total \$4,152,769,833 and are related to the public/private partnerships as discussed in the Introduction and note 25 of the Notes to the Financial Statements: (1) \$103,658,877 advance lease payments for hospital and equipment leases; (2) \$163,510,504 for advance operating lease payments for the final periods of the leases; and (3) \$3,885,600,452 -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 increase of the Unearned Revenue of \$1,418,656,991 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 2017 over February 2016, the factor of 2.74% 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. \$7,816,027 was recognized to expense through June 30, 2017, leaving a balance of \$135,183,973 in Restricted Other Assets at June 30, 2017.

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, 2017:

System

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Notes and bonds payable:					
Notes payable	\$7,555,658	\$300,000	(\$645,448)	\$7,210,210	\$655,362
Bonds payable **	461,580,569	183,175,645	(202,901,398)	441,854,816	19,221,408
Subtotal	469,136,227	183,475,645	(203,546,846)	449,065,026	19,876,770
Other liabilities:					
Compensated absences payable	81,962,152	6,102,003	(6,572,479)	81,491,676	8,076,176
Capital lease obligations	23,688,663		(3,297,846)	20,390,817	3,422,624
Unearned revenues *	2,657,906,422	1,478,360,458	(87,155,924)	4,049,110,956	66,509,272
Other liabilities	201,090	318,344	(14,514)	504,920	
Subtotal	2,763,758,327	1,484,780,805	(97,040,763)	4,151,498,369	78,008,072
Total long-term liabilities	\$3,232,894,554	\$1,668,256,450	(\$300,587,609)	\$4,600,563,395	\$97,884,842

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.

**The June 30, 2016, ending balance for bonds payable balance was adjusted due to the implementation of FASB accounting standard update 2015-03 by the Health Care Services Foundation.

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, 2017:

<u>Fiscal Year Ending June 30:</u>	
2018	\$987,910
2019	514,191
2020	<u>6,616,009</u>
Total minimum installment payments	8,118,110
Less - amount representing interest	<u>(907,900)</u>
Total	<u><u>\$7,210,210</u></u>

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, 2017, including future interest payments, follow:

Bonds Payable - LSU System

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2016</u>	<u>Redeemed/Issued</u>	<u>Outstanding June 30, 2017</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Future Interest Payments June 30, 2017</u>
LSU								
2005 Auxiliary Revenue Bonds - Series A	June 2, 2005	\$18,905,000	\$505,000	(\$505,000)			3.75%	
2007 Auxiliary Revenue Bonds	December 11, 2007	71,130,000	53,170,000	(53,170,000)			4% to 5%	
2008 Auxiliary Revenue Bonds	June 27, 2008	52,815,000	38,310,000	(38,310,000)			4% to 5%	
2010 Auxiliary Revenue Bonds - Series A and B	June 24, 2010	118,875,000	107,520,000	(80,250,000)	\$27,270,000	2040	3.25% to 5.25%	\$18,129,896
2012 Auxiliary Revenue Bonds - Series A and B	August 7, 2012	41,615,000	38,340,000	(1,645,000)	36,695,000	2034	3% to 5%	12,787,076
2013 Auxiliary Revenue Bonds - Series A and B	April 25, 2013	101,180,000	99,225,000	(2,015,000)	97,210,000	2043	3% to 5%	68,862,000
2014 Auxiliary Revenue Bonds - Series A and B	October 16, 2014	81,880,000	80,860,000	(2,240,000)	78,620,000	2036	3% to 5%	40,060,189
2016A Auxiliary Revenue Bonds	November 15, 2016	137,000,000		130,990,000	130,990,000	2040	3.5% to 5%	68,671,076
2016B Auxiliary Revenue Bonds	November 15, 2016	16,320,000		14,925,000	14,925,000	2030	1.15% to 3.45%	2,733,263
LSU Health Sciences Center								
New Orleans - Building Revenue Bonds - Series 2013	September 4, 2013	12,830,000	12,780,000	(665,000)	12,115,000	2031	2% to 4.75%	4,255,638
Health Care Services Division								
Bogalusa Community Medical Center Project Series 2007 A	September 28, 2007	12,875,000	12,390,000	(12,390,000)		2017	.2466% - 7.88%	
Bogalusa Community Medical Center Project Series 2017	April 26, 2017	13,275,000		12,860,000	12,860,000	2038	2% to 4%	5,424,850
LSU at Alexandria								
2008 Auxiliary Revenue Bonds	March 18, 2008	4,200,000	3,500,000	(125,000)	3,375,000	2034	4.0% - 5.5%	1,804,225
LSU at Eunice								
1998 Auxiliary Revenue Bonds	June 1, 1998	1,650,000	235,000	(120,417)	114,583	2018	5%	5,729
Total		<u>684,550,000</u>	<u>446,835,000</u>	<u>(32,660,417)</u>	<u>414,174,583</u>			<u>\$222,733,942</u>
Premium/discounts, net		38,894,794	15,074,050	12,910,041	27,984,091			
Bonds issuance cost		<u>(318,327)</u>		<u>(303,858)</u>	<u>(303,858)</u>			
Total Bonds Payable		<u>\$723,126,467</u>	<u>\$461,909,050</u>	<u>(\$20,054,234)</u>	<u>\$441,854,816</u>			

Bonds Payable - Component Units

Issue	Date of Issue	Original Issue	Outstanding July 1, 2016	Issued (Redeemed)	Outstanding June 30, 2017	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	52,000,000	(\$3,020,000)	48,980,000	2028	2.49%
Series 2015A Bonds	November 1, 2015	53,045,000	53,045,000	(5,455,000)	47,590,000	2039	2.42%
Deferred financing costs		(795,861)	(777,559)	47,436	(730,123)		
Total Bonds Payable		<u>\$150,249,139</u>	<u>\$174,267,441</u>	<u>(\$8,427,564)</u>	<u>\$165,839,877</u>		

*As of December 31, 2016

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 2016B. 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 Agricultural 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, \$171,025,000 is outstanding as of June 30, 2017.

BCMC entered into a loan agreement with Health Care Community Development Corporation (HCCDC) on September 1, 2007. In this agreement, HCCDC loaned the proceeds of the Series 2007A Health Care Community Development Corporation Revenue Bonds and the Series 2007B Health Care Community Development Corporation Taxable Revenue Bonds. These proceeds were to be used to finance the cost of (1) the renovation of the first floor for an acute care and obstetrics unit of the hospital, (2) the acquisition of a generator and power distribution system, (3) the renovation and expansion of the clinic to be known as Family Medicine Residency Clinic, (4) refinancing the line of credit used to purchase equipment for the hospital and make repairs to the roof, (5) refinancing an existing loan with the United States Department of Agriculture, and (6) the funding of the Debt Service Reserve, capitalized interest and the payment of issuance cost.

On April 26, 2017, BCMC issued \$13,275,000 Revenue Refunding Bonds, Series 2017 to refund the previously mentioned 2007 series bonds. The Series 2017 Bonds are being issued (1) to refund outstanding maturities of the Issuer's Series 2007 A Bonds and (2) to pay the cost of issuing the Series 2017 Bonds. Within the loan agreement, BCMC agreed to assign certain rights under the Facilities Lease (including rent) and to make payments in the amount sufficient to make timely payment of principle and interest on these bonds. At June 30, 2017, the loss associated with the refunding of the Series 2007A bonds was \$313,474. The refunding resulted in a reduction of the total debt service payments by almost \$2,100,000 and gave BCMC an economic gain, related to the difference between the present values of the debt service payments on the Series 2007 bonds and Series 2017 bonds, of approximately \$1,500,000.

Debt Service Requirements

The annual requirements to amortize all System bonds outstanding at June 30, 2017, are presented in the following schedule. The schedule uses rates as of June 30, 2017, for debt service requirements of the variable-rate bonds, assuming current interest rates remain the same for their term. As rates vary, variable-rate bond interest payments will vary.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$14,584,583	\$18,176,670	\$32,761,253
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
2023-2027	93,470,000	66,020,926	159,490,926
2028-2032	102,605,000	43,658,335	146,263,335
2033-2037	88,925,000	21,749,526	110,674,526
2038-2042	44,245,000	6,231,294	50,476,294
2043-2047	6,145,000	245,800	6,390,800
Subtotal	414,174,583	222,733,942	636,908,525
Unamortized premium/discount	27,984,091	NONE	27,984,091
Bond issuance cost	(303,858)	NONE	(303,858)
Total	<u>\$441,854,816</u>	<u>\$222,733,942</u>	<u>\$664,588,758</u>

The annual principal requirements for all component unit bonds outstanding at June 30, 2017, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2018	\$8,160,000
2019	8,102,000
2020	7,969,000
2021	7,807,000
2022	7,647,000
2023-2027	41,040,000
2028-2032	49,570,000
2033-2037	29,675,000
2038-2042	6,600,000
Deferred financing costs	(730,123)
Total	<u>\$165,839,877</u>

The following is a summary of the System debt service reserve requirements of the various bond issues at June 30, 2017:

<u>Bond Issue</u>	<u>Cash/ Investment Reserves Available</u>	<u>Reserve Requirement</u>	<u>Excess/ (Deficiency)</u>
Auxiliary Plant:			
LSU A&M	\$1,639,175	\$1,611,031	\$28,144
LSU at Alexandria	313,732	313,050	682
Total	<u>\$1,952,907</u>	<u>\$1,924,081</u>	<u>\$28,826</u>
Educational Plant:			
LSU Health Sciences Center - New Orleans	\$1,178,732	\$1,174,025	\$4,707
Health Care Services Division	2,019,853	2,019,853	
Total	<u>\$3,198,585</u>	<u>\$3,193,878</u>	<u>\$4,707</u>

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

As permitted by the Bond Resolution for the Revenue (Auxiliary, Revenue) Bonds, Series 2013, the LSU Health Sciences Center New Orleans (campus) obtained a surety bond issued by an insurance company (surety bond issued by an insurance company, municipal bond debt service reserve fund policy, irrevocable letter of credit issued by a bank) 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 meets the definition as a "Reserve Fund Investment" and guarantees payment of an amount not to exceed \$134,750 to fund the Reserve Requirement.

Capital Leases

The 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, 2017:

<u>Fiscal Year Ending June 30:</u>	
2018	\$3,875,834
2019	3,903,639
2020	3,507,619
2021	3,416,663
2022	3,528,006
2023-2027	<u>3,650,884</u>
Total minimum lease payments	21,882,645
Less - amount representing interest	<u>(1,491,828)</u>
Present value of net minimum lease payments	<u>\$20,390,817</u>

14. AMOUNTS DUE FROM PRIMARY GOVERNMENT

As shown on Statement A, the System has a total of \$4,787,160 due from the Primary Government at June 30, 2017. This amount consists of the following:

Account Type	Intercompany (Fund)	Amount
Amounts due from Primary Government		
	G10 - Support Education in Louisiana First Fund	\$1,796,386
	E32 - Tobacco Tax Health Care Fund	2,611,116
	V25 - Overcollections Fund	<u>379,658</u>
	Total	<u>\$4,787,160</u>

15. RESTRICTED NET POSITION

The System's restricted nonexpendable net position of \$232,983,798 as of June 30, 2017, is comprised of endowment funds and prepaid assets.

The System had the following restricted expendable net position as of June 30, 2017:

<u>Account Title</u>	<u>Amount</u>
Student fees	\$32,644,476
Grants and contracts	79,553,517
Gifts	31,057,240
Endowment earnings	35,293,410
Auxiliary enterprises	1,338,706
Student loan funds	35,885,167
Capital construction	91,204,312
Debt service	2,035,351
Sponsored projects	2,282,054
LSU System Health Plan	32,617,511
Foundation Restricted Funds	<u>3,606</u>
Total	<u>\$343,915,350</u>

Of the total restricted net position reported on Statement A for the year ended June 30, 2017, a total of \$3,689,434 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, 2017, net appreciation of \$2,530,825 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 150, 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, 2017, the net appreciation was \$118,417, of which \$109,962 is restricted to specific purposes and available to be spent.

16. RESTATEMENT OF BEGINNING NET POSITION

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

UNIVERSITIES

Net position at June 30, 2016	\$258,136,270
LSU and Related:	
Capital asset adjustments	1,029,140
Correct deposits to State Facility Planning	(199,456)
Deferred inflow adjustment	(1)
Other	2
HCS D:	
Facility Planning and Control purchase recorded as capital appropriations	<u>(6,406,058)</u>
Net position at June 30, 2016, as restated	<u><u>\$252,559,897</u></u>

The restatements decreased the System's beginning net position by \$5,576,373. Had the error corrections affecting fiscal year 2016 been included in the June 30, 2016 Statement of Revenues, Expenses, and Changes in Net Position, the previously reported change in net position of \$279,467,775 would have been \$273,891,402.

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 follows:

Condensed Statement of Net Position

	Eunice Student Housing Foundation*	LSU Healthcare Network
Assets:		
Current assets	\$268,013	\$27,280,832
Capital assets	3,143,237	886,789
Other assets	682,460	20,150,439
Total Assets	<u>4,093,710</u>	<u>48,318,060</u>
Liabilities:		
Current liabilities	528,578	17,617,264
Long-term liabilities	6,582,137	
Total liabilities	<u>7,110,715</u>	<u>17,617,264</u>
Net Position:		
Net investment in capital assets	(3,599,647)	886,789
Restricted net position - nonexpendable	682,460	
Unrestricted net position	(99,818)	29,814,007
Total Net Position	<u>(\$3,017,005)</u>	<u>\$30,700,796</u>
	Health Care Services Foundation	Bogalusa Community Medical Center
Assets:		
Current assets	\$1,061,350	\$2,869,471
Capital assets	2,633,890	310,700
Other assets		14,419,853
Total Assets	<u>3,695,240</u>	<u>17,600,024</u>
Liabilities:		
Current liabilities	478,840	504,128
Long-term liabilities	95,644	12,032,290
Total liabilities	<u>574,484</u>	<u>12,536,418</u>
Net Position:		
Net investment in capital assets	2,633,890	310,700
Restricted net position - expendable	148	3,458
Restricted net position - nonexpendable		
Unrestricted net position	486,718	4,749,448
Total Net Position	<u>\$3,120,756</u>	<u>\$5,063,606</u>
	LSU Health Sciences Center - Shreveport Faculty Group Practice	
Assets:		
Current assets	\$20,068,893	
Capital assets	52,472	
Other assets		
Total assets	<u>20,121,365</u>	
Liabilities:		
Current liabilities	11,075,726	
Long-term liabilities		
Total liabilities	<u>11,075,726</u>	
Net Position:		
Net investment in capital assets	52,472	
Restricted net position - expendable		
Restricted net position - nonexpendable		
Unrestricted net position	8,993,167	
Total Net Position	<u>\$9,045,639</u>	

* as of August 31, 2016

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

	Eunice Student Housing Foundation	LSU Healthcare Network
Operating revenues	\$1,125,036	\$122,550,768
Operating expenses	(586,795)	(122,707,594)
Depreciation expense	(125,126)	
Net operating income	413,115	(156,826)
Nonoperating revenues (expenses):		
Investment income (loss)	1,927	2,367,240
Interest expense	(300,009)	
Changes in net position	115,033	2,210,414
Net Position, beginning of the year	(3,132,038)	28,490,382
Net Position, end of the year	(\$3,017,005)	\$30,700,796

	Health Care Services Foundation	Bogalusa Community Medical Center
Operating revenues	\$253,159	\$3,521,448
Operating expenses	(254,350)	(2,208,605)
Depreciation expense	(123,963)	
Net operating income	(125,154)	1,312,843
Nonoperating revenues (expenses):		
Investment income (loss)	24,825	67,000
Interest expense	(19,843)	(649,607)
Changes in net position	(120,172)	730,236
Net Position, beginning of the year	3,240,928	4,333,370
Net Position, end of the year	\$3,120,756	\$5,063,606

	LSU Health Sciences Center - Shreveport Faculty Group Practice
Operating revenues	\$34,771,566
Operating expenses	(25,724,708)
Depreciation expense	(1,219)
Net operating income	9,045,639
Nonoperating revenues (expenses):	
Investment income (loss)	
Interest expense	
Changes in net position	9,045,639
Net Position, beginning of the year	
Net Position, end of the year	\$9,045,639

Condensed Statement of Cash Flows

	Eunice Student Housing Foundation	LSU Healthcare Network
Net cash flows provided (used) by:		
Operating activities	\$475,661	\$4,750,397
Capital and related financing	(126,135)	(364,761)
Investing activities	(71,952)	(9,974,444)
Net increase (decrease) in cash	277,574	(5,588,808)
Cash, beginning of the year	139,081	18,167,049
Cash, end of the year	\$416,655	\$12,578,241

	Health Care Services Foundation	Bogalusa Community Medical Center
Net cash flows provided (used) by:		
Operating activities	\$504,749	\$652,480
Capital and related financing	(492,033)	(181,525)
Investing activities		(310,700)
Net increase (decrease) in cash	12,716	160,255
Cash, beginning of the year	575,161	4,173,456
Cash, end of the year	\$587,877	\$4,333,711

	LSU Health Sciences Center - Shreveport Faculty Group Practice
Net cash flows provided (used) by:	
Operating activities	\$12,043,448
Noncapital financing	(53,691)
Net increase (decrease) in cash	11,989,757
Cash, beginning of the year	
Cash, end of the year	\$11,989,757

18. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

Function	Employee Compensation	Benefits	Utilities	Supplies and Services	Scholarships and Fellowships	Depreciation	Compensated Absences	Total
Instruction	\$368,581,118	\$83,336,756	\$124,104	\$86,973,881	\$123,705	\$23,302,539	(\$1,772,369)	\$560,669,734
Research	145,090,034	50,880,155	1,729,011	85,612,447	75,201	33,703,885	1,271,556	318,362,289
Public service	219,942,983	29,454,334	6,053,751	109,742,225	79,249	4,110,867	580,921	369,964,330
Academic support	99,876,245	32,686,032	477,475	72,011,448		7,825,618	228,386	213,105,204
Student services	21,653,637	7,574,167	333,043	10,319,353	20,500	266,661	(92,886)	40,074,475
Institutional support	63,387,988	23,602,999	101,811	38,483,715		1,745,678	267,046	127,589,237
O & M of plant	35,334,017	15,538,806	28,100,723	40,483,022		48,531,767	(209,889)	167,778,446
Scholarships and fellowships	740,369	11,857		105,283	55,128,964			55,986,473
Auxiliary enterprises	55,472,297	24,659,421	6,909,644	87,665,509		1,478,906	(120,974)	176,064,803
Hospital	25,286,188	(29,404,731)	742,554	100,059,887		32,296,380	108,977	129,089,255
Total operating expenses	<u>\$1,035,364,876</u>	<u>\$238,339,796</u>	<u>\$44,572,116</u>	<u>\$631,456,770</u>	<u>\$55,427,619</u>	<u>\$153,262,301</u>	<u>\$260,768</u>	<u>\$2,158,684,246</u>

19. FOUNDATIONS

The accompanying financial statements do not include the accounts of the following foundations, which do not meet the criteria for discretely presented component units as described in note 1-B:

- LSU Alumni Association
- Pennington Biomedical Research Foundation
- Pennington Medical Foundation
- LSU Medical Alumni Association
- LSU in Shreveport Foundation
- LSU in Shreveport Alumni Association
- LSU in Shreveport Realty, L.L.C.
- Louisiana State University at Alexandria Foundation
- Louisiana State University at Eunice Foundation
- Louisiana State University System Research and Technology Foundation
- LSU 4-H Foundation
- Stephenson Technologies Corporation

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.la.gov.

21. ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. The amount of on-behalf payments for fringe benefits and salaries included in Statement C for fiscal year ended June 30, 2017, was \$256,000. There were no on-behalf payments made as contributions to a pension plan for which the System is legally responsible.

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 \$602,253,033 to secure original issued debt of \$645,570,000 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 \$225,140,490. All LSUA Union, Bookstore, and athletic revenues, totaling \$1,451,637 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 \$1,789,184 for the current period, are pledged to secure the debt of the auxiliary revenue bonds payable through 2018. Required principal and interest payments for the current year on the bonds were \$30,044,229.

LSUHSC - New Orleans has pledged future auxiliary revenues, dedicated student fee revenues, and University Enterprise Revenues of approximately \$16,329,872 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 \$1,168,595. Pledged auxiliary revenues recognized during the period were \$9,446,872.

23. UNCONDITIONAL PROMISES TO GIVE - COMPONENT UNITS

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

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Center Foundation	Sciences Foundation in Shreveport	Total
Promises to give expected to be collected in:					
Less than one year	\$6,046,955	\$15,225,530	\$888,416	\$2,000	\$22,162,901
One to five years	10,396,991	10,288,364	1,076,277	1,000	21,762,632
More than five years	3,324,699	272,477	213,084		3,810,260
Subtotal	<u>19,768,645</u>	<u>25,786,371</u>	<u>2,177,777</u>	<u>3,000</u>	<u>47,735,793</u>
Less discount on promises to give	(1,274,012)	(1,481,319)	(49,035)		(2,804,366)
Less allowance for uncollectible accounts	(2,963,500)	(2,722,500)	(762,221)		(6,448,221)
Subtotal	<u>(4,237,512)</u>	<u>(4,203,819)</u>	<u>(811,256)</u>		<u>(9,252,587)</u>
Net unconditional promises to give	<u>\$15,531,133</u>	<u>\$21,582,552</u>	<u>\$1,366,521</u>	<u>\$3,000</u>	<u>\$38,483,206</u>

*as of December 31, 2016

Total unconditional promises to give (current and noncurrent) of \$38,483,206 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, 2017, the cost of providing these benefits for eleven involuntary terminations totaled \$2,715,584.

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 \$2,487,000 to \$69,409,750 (adjusted for inflation) per year over lease terms ranging from five to 40 years associated with the Health Care Services Division hospitals. Additionally, the System will receive monthly lease payments at a minimum of \$3,725,000 (adjusted for inflation) over lease terms ranging from five to 99 years associated with the Louisiana State University Health Sciences Center in Shreveport hospitals. Per Act 601 of the 2016 Regular Session, these periodic lease payments are to be deposited to State General Fund with the State Treasury.

26. SUBSEQUENT EVENTS

The Board of Trustees for the Louisiana Public Facilities Authority provided final approval for the issuance of bonds for the Greenhouse District Project at its July and August 2017 board meetings. The proposed project is the second phase of a public-private development venture. The project will focus on the modernization of a large portion of the University's existing housing through facility renovations and replacement. The LSU Board of Supervisors (Board) will lease the land on which the Project will be constructed to Greenhouse District Project, LLC, a wholly-owned subsidiary of the LSU Property Foundation, for the life of financing. The issuer of the bonds for this project is the Louisiana Public Facilities Authority. The borrower is Provident Group-Flagship Properties, LLC. Once the project is constructed, the Borrower will lease the constructed facilities to the Board for 40 years. The debt issued are tax-exempt and taxable, fixed rate bonds at an amount of \$87,705,000. Loan payments are payable from base rent due under the Facilities Lease by the University from its Auxiliary Revenues. The closing for the bonds was October 1, 2017.

As of August 1, 2017, the agreement between the Eunice Student Housing Foundation, Inc. and Campus Living Villages will be terminated. The Bengal Village complex will be managed by LSU Eunice.

27. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* this standard will require, among other things, the System to recognize a liability for the net OPEB liability as defined by the standard. This standard effectively amends the accounting applied under Governmental Accounting Standards Statement No. 45, wherein liabilities were recognized on the Statement of net position only to the extent that required annual funding levels were not achieved. The impact to the System's net position is expected to be significant.

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the Other Postemployment Benefits Plans

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

Schedule of the LSU System's Proportionate Share of the Net Pension Liabilities of Cost-Sharing Defined Benefit Pension Plans

The Schedule of the System's Proportionate Share of the Net Pension Liabilities 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 the LSU System's Contributions to Cost-Sharing Defined Benefit Pension Plans

The Schedule of the System's 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 Funding Progress for the
Other Postemployment Benefits Plans
Fiscal Year Ended June 30, 2017**

LSU System Health Plan (LSUSHP)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
FY 2015	07/01/2014	NONE	\$1,066,641,482	\$1,066,641,482	0.0%	\$476,171,534	224.0%
FY 2016	07/01/2015	NONE	\$1,106,725,865	\$1,106,725,865	0.0%	\$438,380,254	252.5%
FY 2017	07/01/2016	NONE	\$788,163,019	\$788,163,019	0.0%	\$428,324,048	184.0%

State Office of Group Benefits Plan (SOGBP)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
FY 2015	07/01/2014	NONE	\$1,020,954,400	\$1,020,954,400	0.0%	\$180,774,079	564.8%
FY 2016	07/01/2015	NONE	\$1,047,235,409	\$1,047,235,409	0.0%	\$160,792,458	651.3%
FY 2017	07/01/2016	NONE	\$781,150,000	\$781,150,000	0.0%	\$145,277,416	537.7%

Notes to the Schedule of Funding Progress for the Other Postemployment Benefits Plans (OPEB):

The following significant factors that impacted trends in the OPEB liability for the fiscal year ended 2017 include the following changes in benefit terms and assumptions:

	LSUSHP	SOGBP
Discount Rate	Decreased from 4.0% to 3.8%	Decreased from 4.0% to 3.8%
Added	Age-graded costs applying to the Medicare supplemental plan	post-Medicare excise tax
Mortality table	RP 2014 with MP 2016 Projection Scale - which reflects longer lives	RP 2014 with MP 2016 Projection Scale - which reflects longer lives
Participation assumptions	Lowered participation rate and marriage assumptions at retirement	A decrease in spousal coverage assumption from 40% to 35%
Health Care Costs Trend Rate	Changes to the following Select benefits - Pre 65 Medical / Rx benefits 7% decreased from 8% in 2016; Post Medicare benefits 6% decreased from 7%	Changes to the following Select benefits - Pre 65 Medical / Rx benefits 7% decreased from 7.5% in 2016; Post Medicare benefits 6% decreased from 6.5%

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Schedule of the LSU System's Proportionate Share
of the Net Pension Liabilities of Cost-Sharing
Defined Benefit Pension Plans
For the Year Ended June 30, 2017***

<u>Pension Plan</u>	<u>Year</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
Teachers' Retirement System of Louisiana						
	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						
	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 June 30, 2016, 2015, and 2014 for the year ended June 30, 2017, 2016, and 2015, respectively.

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Schedule of the LSU System's Contributions to
Cost-Sharing Defined Benefit Pension Plans
For the Year Ended June 30, 2017**

<u>Pension Plan:</u>	<u>Year</u>	<u>Contractually Required Contribution¹</u>	<u>Contributions in Relation to Contractually Required Contribution²</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll³</u>	<u>Contributions as a % of Covered Employee Payroll</u>
Teachers' Retirement System of Louisiana						
	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						
	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 employee payroll

² Actual employer contributions remitted to Retirement Systems

³ Employer's covered employee payroll amount for the year ended December 31 of each year

**Notes to Required Supplementary Information
for Cost-Sharing Defined Benefit Pension Plans
For the Year Ended June 30, 2017**

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 of service credit (actuarially reduced)

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 862 of 2014

Changes of Assumptions

Teachers Retirement System of Louisiana

- There were no changes of benefit assumptions for the years presented.

Louisiana State Employees' Retirement System

- There were no changes of benefit assumptions for the years presented.

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, 2017

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, 2017

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, 2017

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, 2016

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, 2016

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, 2016

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, 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	<u>12,969,397</u>	<u>401,426,933</u>	<u>12,697,757</u>	<u>7,246,046</u>	<u>34,653,614</u>
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)	<u>100,254,220</u>	<u>1,064,556,409</u>	<u>28,028,359</u>	<u>22,213,208</u>	<u>43,626,676</u>
Total noncurrent assets	<u>112,619,330</u>	<u>1,361,200,246</u>	<u>32,739,549</u>	<u>23,570,740</u>	<u>53,073,384</u>
Total assets	<u>125,588,727</u>	<u>1,762,627,179</u>	<u>45,437,306</u>	<u>30,816,786</u>	<u>87,726,998</u>
Deferred outflow of resources					
Deferred amounts on debt refunding		22,743,811			
Pension-related deferred outflows of resources	<u>10,400,833</u>	<u>187,878,170</u>	<u>5,754,003</u>	<u>3,508,241</u>	<u>29,301,688</u>
Total Deferred outflows related to resources	<u>10,400,833</u>	<u>210,621,981</u>	<u>5,754,003</u>	<u>3,508,241</u>	<u>29,301,688</u>
Total assets and deferred outflow of resources	<u>\$135,989,560</u>	<u>\$1,973,249,160</u>	<u>\$51,191,309</u>	<u>\$34,325,027</u>	<u>\$117,028,686</u>

(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	<u>2,784,037</u>	<u>210,541,128</u>	<u>7,999,843</u>	<u>5,243,991</u>	<u>8,301,833</u>
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	<u>84,961,708</u>	<u>1,598,748,960</u>	<u>46,578,767</u>	<u>34,598,910</u>	<u>214,660,233</u>
Total liabilities	<u>87,745,745</u>	<u>1,809,290,088</u>	<u>54,578,610</u>	<u>39,842,901</u>	<u>222,962,066</u>
Deferred Inflows of Resources					
Pension-related deferred inflows of resources	<u>7,346,577</u>	<u>31,085,960</u>	<u>1,017,493</u>	<u>1,727,541</u>	<u>9,142,229</u>
Total deferred inflows of resources	<u>7,346,577</u>	<u>31,085,960</u>	<u>1,017,493</u>	<u>1,727,541</u>	<u>9,142,229</u>
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	<u>(76,534,424)</u>	<u>(827,022,146)</u>	<u>(35,474,025)</u>	<u>(25,195,381)</u>	<u>(174,451,765)</u>
Total net position	<u>40,897,238</u>	<u>132,873,112</u>	<u>(4,404,794)</u>	<u>(7,245,415)</u>	<u>(115,075,609)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$135,989,560</u>	<u>\$1,973,249,160</u>	<u>\$51,191,309</u>	<u>\$34,325,027</u>	<u>\$117,028,686</u>

(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

Schedule 5

	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

(Continued)

**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	<u>\$40,897,238</u>	<u>\$132,873,112</u>	<u>(\$4,404,794)</u>	<u>(\$7,245,415)</u>	<u>(\$115,075,609)</u>

(Continued)

	LSU Health Sciences Center in Shreveport	LSU Health Care Services Division 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

(Concluded)

**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 provided (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 (used) 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 provided (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 provided (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 (used) 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 provided (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	<u>\$12,194,617</u>	<u>\$29,564,303</u>	<u>\$3,095,813</u>	<u>\$1,815,375</u>	<u>\$23,885,672</u>
RECONCILIATION OF OPERATING 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 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 provided (used) by operating activities	<u>(\$21,289,944)</u>	<u>(\$137,216,390)</u>	<u>(\$10,681,191)</u>	<u>(\$9,843,149)</u>	<u>(\$71,392,032)</u>
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	<u>\$12,194,617</u>	<u>\$29,564,303</u>	<u>\$3,095,813</u>	<u>\$1,815,375</u>	<u>\$23,885,672</u>
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					
	<u>\$1,209,614</u>	<u>\$11,628,676</u>	<u>\$758,837</u>	<u>\$42,409</u>	<u>\$404,905</u>

(Concluded)

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
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 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 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 provided (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

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Net Position, by University
June 30, 2016**

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
ASSETS					
Current assets:					
Cash and cash equivalents	\$9,515,877	(\$93,462,413)	\$1,788,086	\$1,989,670	\$17,071,708
Investments		431,647,662	182,723	95,628	401,859
Receivables (net)	2,172,212	53,584,789	8,789,365	4,532,922	8,245,593
Leases receivable					
Due from other campuses		291,665			
Amounts Due from Primary Government	12,597	1,159,043	35,888	33,403	518,582
Due from Federal Government	978,010	8,266,858	49,765	2,118	1,216,919
Inventories	157,520	963,909	253	197,085	3,774,996
Prepaid expenses and advances		6,426,803		3,450	6,259
Notes receivable (net)		2,278,427		358	
Other current assets		1,863,804			
Total current assets	12,836,216	413,020,547	10,846,080	6,854,634	31,235,916
Noncurrent assets:					
Restricted:					
Cash and cash equivalents	5,439,043	144,196,117	688,842	218,316	5,958,643
Investments	6,816,210	154,298,563	3,370,091	827,807	3,490,637
Receivables (net)		176,750			
Notes receivable (net)		12,683,873		10,683	
Other		3,132,496			
Investments					
Lease receivable					
Other noncurrent assets					
Capital assets (net)	104,623,121	1,066,133,357	28,628,993	23,236,608	45,691,809
Total noncurrent assets	116,878,374	1,380,621,156	32,687,926	24,293,414	55,141,089
Total assets	129,714,590	1,793,641,703	43,534,006	31,148,048	86,377,005
Deferred outflow of resources					
Deferred amounts on debt refunding		6,768,834			
Pension-related deferred outflows of resources	6,226,348	139,056,790	3,120,559	2,011,382	21,922,304
Total Deferred outflows related to resources	6,226,348	145,825,624	3,120,559	2,011,382	21,922,304
Total assets and deferred outflow of resources	135,940,938	1,939,467,327	46,654,565	33,159,430	108,299,309

(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	(\$775,382)	\$34,579,188	\$82,907,693	\$51,518,936		\$105,133,363
Investments	100,213	1,425,203		11,941,329		445,794,617
Receivables (net)	2,120,291	84,996,554	21,099,489	140,346,130		325,887,345
Leases receivable			3,879,721			3,879,721
Due from other campuses	5,076,767	76,694,401	72,306	374,772	(\$82,509,911)	
Amounts Due from Primary Government	84,468	1,999,337		921,954		4,765,272
Due from Federal Government	804,173	8,572,660	139,208	2,705,005		22,734,716
Inventories	1,023,947	1,462,710	1,061,207	541,028		9,182,655
Prepaid expenses and advances	769,223	1,118,948	51,432	194,952		8,571,067
Notes receivable (net)		603,537		159,469		3,041,791
Other current assets			284			1,864,088
Total current assets	9,203,700	\$211,452,538	109,211,340	208,703,575	(82,509,911)	930,854,635
Noncurrent assets:						
Restricted:						
Cash and cash equivalents	285,231		5,834,447	10,114,761		172,735,400
Investments	6,603,124	30,261,876	9,510,601	61,948,412		277,127,321
Receivables (net)						176,750
Notes receivable (net)		9,404,890		1,599,592		23,699,038
Other			138,758,973			141,891,469
Investments		4,852,861				4,852,861
Lease receivable			3,140,717,426			3,140,717,426
Other noncurrent assets		415,467	328,481			743,948
Capital assets (net)	19,796,442	243,385,904	181,798,832	85,284,611		1,798,579,677
Total noncurrent assets	26,684,797	288,320,998	3,476,948,760	158,947,376		5,560,523,890
Total assets	35,888,497	499,773,536	3,586,160,100	367,650,951	(82,509,911)	6,491,378,525
Deferred outflow of resources						
Deferred amounts on debt refunding						6,768,834
Pension-related deferred outflows of resources	4,050,437	43,593,969	20,124,277	26,071,854		266,177,920
Total Deferred outflows related to resources	4,050,437	43,593,969	20,124,277	26,071,854		272,946,754
Total assets and deferred outflow of resources	39,938,934	543,367,505	3,606,284,377	393,722,805	(82,509,911)	6,764,325,279

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Net Position, by University
June 30, 2016

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	\$252,815	\$53,243,021	\$152,590	\$324,482	\$273,795
Due to other campuses	291,665	80,427,723			
Amounts due to Primary Government					
Due to State Treasury		188			
Due to Federal Government		97,415			
Amounts held in custody for others		7,734,552	98,319	112,586	41,997
Unearned revenues	5,978,203	55,325,061	6,142,001	3,840,412	7,129,666
Other liabilities		1,863,804			
Compensated absences payable	272,258	3,402,818	85,586	62,515	786,838
Capital lease obligations		2,662,972			
Notes payable				154,893	
Bonds payable		15,760,088	125,000	120,417	
Total current liabilities	6,794,941	220,517,642	6,603,496	4,615,305	8,232,296
Noncurrent liabilities:					
Compensated absences payable	\$2,836,889	\$29,844,103	\$777,044	\$481,923	\$7,262,604
Capital lease obligations		18,767,025			
Notes payable				6,441,406	
Net pension liability	57,432,268	783,750,019	22,769,599	16,356,069	130,377,889
OPEB payable	22,819,381	283,756,471	15,495,627	9,990,485	69,147,137
Bonds payable		416,846,689	3,375,000	114,583	
Unearned revenues (advance lease payments)					
Other noncurrent liabilities		188,549		4,965	7,576
Total noncurrent liabilities	83,088,538	1,533,152,856	42,417,270	33,389,431	206,795,206
Total liabilities	89,883,479	1,753,670,498	49,020,766	38,004,736	215,027,502
Deferred Inflows of Resources					
Pension-related deferred inflows of resources	4,750,104	33,010,512	1,445,886	1,403,666	3,996,519
Total deferred inflows of resources	4,750,104	33,010,512	1,445,886	1,403,666	3,996,519
NET POSITION					
Net investment in capital assets	104,623,121	660,010,446	25,128,993	16,405,309	45,704,013
Restricted for:					
Nonexpendable	5,758,833	91,521,199	3,308,293	409,252	3,585,077
Expendable	10,717,687	207,151,880	1,932,119	2,269,896	8,852,261
Unrestricted	(79,792,286)	(805,897,208)	(34,181,492)	(25,333,429)	(168,866,063)
Total net position	\$41,307,355	\$152,786,317	(\$3,812,087)	(\$6,248,972)	(\$110,724,712)
Total liabilities, deferred inflows of resources, and net position	\$135,940,938	\$1,939,467,327	\$46,654,565	\$33,159,430	\$108,299,309

(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 accruals	\$1,570,199	\$28,650,237	\$14,155,023	\$15,006,038		\$113,628,200
Due to other campuses	18,845	201,146	1,250,237	320,295	(\$82,509,911)	
Amounts due to Primary Government						
Due to State Treasury				41,183		41,371
Due to Federal Government		5,140,475				5,237,890
Amounts held in custody for others	141,392	279,292	103,787	21,043		8,532,968
Unearned revenues	565,587	9,531,341	140,737,464	2,762,671		232,012,406
Other liabilities						1,863,804
Compensated absences payable	151,032	1,720,068	597,727	1,044,941		8,123,783
Capital lease obligations				634,874		3,297,846
Notes payable			492,033			646,926
Bonds payable		662,088	275,000			16,942,593
Total current liabilities	2,447,055	46,184,647	157,611,271	19,831,045	(82,509,911)	390,327,787
Noncurrent liabilities:						
Compensated absences payable	\$1,794,794	\$17,583,131	\$2,752,312	\$10,505,569		\$73,838,369
Capital lease obligations				1,623,792		20,390,817
Notes payable			467,326			6,908,732
Net pension liability	37,433,909	360,176,737	82,991,873	223,907,677		1,715,196,040
OPEB payable	16,687,675	131,266,778	191,073,589	217,005,113		957,242,256
Bonds payable		12,074,234	12,555,951			444,966,457
Unearned revenues (advance lease payments)			2,593,375,378			2,593,375,378
Other noncurrent liabilities						201,090
Total noncurrent liabilities	55,916,378	521,100,880	2,883,216,429	453,042,151		5,812,119,139
Total liabilities	58,363,433	567,285,527	3,040,827,700	472,873,196	(\$82,509,911)	6,202,446,926
Deferred Inflows of Resources						
Pension-related deferred inflows of resources	2,621,288	15,171,972	59,136,949	182,205,187		303,742,083
Total deferred inflows of resources	2,621,288	15,171,972	59,136,949	182,205,187		303,742,083
NET POSITION						
Net investment in capital assets	19,796,442	231,825,553	170,073,419	83,025,945		1,356,593,241
Restricted for:						
Nonexpendable	6,272,968	30,305,494	16,215,402	66,131,239		223,507,757
Expendable	2,579,637	19,849,700	7,495,962	73,360,547		334,209,689
Unrestricted	(49,694,834)	(321,070,741)	312,534,945	(483,873,309)		(1,656,174,417)
Total net position	(\$21,045,787)	(\$39,089,994)	\$506,319,728	(\$261,355,578)		\$258,136,270
Total liabilities, deferred inflows of resources, and net position	\$39,938,934	\$543,367,505	\$3,606,284,377	\$393,722,805	(\$82,509,911)	\$6,764,325,279

**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, 2016**

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
OPERATING REVENUES					
Student tuition and fees		\$405,491,020	\$14,279,482	\$7,723,951	
Less scholarship allowances		(81,559,544)	(3,295,890)	(2,281,139)	
Net student tuition and fees		323,931,476	10,983,592	5,442,812	
Federal appropriations					\$9,784,822
Federal grants and contracts	\$20,159,325	75,242,630	224,629	222,276	8,561,211
State and local grants and contracts	6,295,929	40,412,474	715,305	442,528	18,953,158
Nongovernmental grants and contracts	5,246,280	18,902,835	100,099	88,622	6,001,503
Sales and services of educational departments	599,291	25,275,569	154,241	24,444	6,971,087
Hospital income					
Auxiliary enterprise revenues (including revenues pledged to secure debt)	61,027	207,418,931	2,517,145	3,164,543	
Less scholarship allowances		(17,521,084)	(312,519)	(177,422)	
Net auxiliary revenues	61,027	189,897,847	2,204,626	2,987,121	
Other operating revenues	120,928	8,018,240	29,809	18,102	8,608,787
Total operating revenues	32,482,780	681,681,071	14,412,301	9,225,905	58,880,568
OPERATING EXPENSES					
Educational and general:					
Instruction		277,431,265	10,066,834	7,276,476	
Research	33,643,827	152,410,227	4,500	891	69,904,101
Public service	637,092	30,179,238	(9,783)	149	45,056,728
Academic support	5,365,754	83,049,702	1,931,018	638,334	4,512,186
Student services		26,296,527	1,575,689	1,304,079	
Institutional support	6,768,069	31,646,744	2,717,228	2,011,000	14,177,308
Operations and maintenance of plant	7,879,043	110,656,830	3,846,313	3,584,066	5,806,307
Scholarships and fellowships	2,516	23,239,277	2,931,769	2,731,945	167,380
Auxiliary enterprises	140,077	169,179,408	1,701,981	2,663,206	
Hospital					
Total operating expenses	54,436,378	904,089,218	24,765,549	20,210,146	139,624,010
OPERATING INCOME (LOSS)	(21,953,598)	(222,408,147)	(10,353,248)	(10,984,241)	(80,743,442)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	16,247,124	133,865,417	5,382,235	4,813,423	70,708,042
Gifts	3,181,930	22,311,200	782,326	333,122	2,765,142
Federal nonoperating revenues (expenses)		23,866,799	4,999,018	4,356,942	(1,524)
Net investment income	(216,217)	25,911,360	203,376	64,974	791,960
Interest expense		(17,870,808)	(190,075)	(378,563)	
Other nonoperating revenues (expenses)	5,477,999	2,405,196	55,365	38,420	329,410
Net nonoperating revenues (expenses)	24,690,836	190,489,164	11,232,245	9,228,318	74,593,030

(Continued)

Schedule 8

	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	\$24,893,197	\$55,267,696		\$19,071,826		\$526,727,172
Less scholarship allowances	(5,244,838)	(3,452,898)		(1,331,384)		(97,165,693)
Net student tuition and fees	19,648,359	51,814,798		17,740,442		429,561,479
Federal appropriations						9,784,822
Federal grants and contracts	1,039,368	35,548,169		10,422,780	(\$1,188,972)	150,231,416
State and local grants and contracts	4,246,669	11,343,274		5,547,908	(3,236,341)	84,720,904
Nongovernmental grants and contracts	1,909,311	215,025,689		118,722,305	(79,993)	365,916,651
Sales and services of educational departments	60,441	113,518,926		91,562,483	(74,828)	238,091,654
Hospital income			\$97,271,478	51,313,963		148,585,441
Auxiliary enterprise revenues (including revenues pledged to secure debt)	2,644,076	7,550,205		932,829	(267)	224,288,489
Less scholarship allowances	(229,461)					(18,240,486)
Net auxiliary revenues	2,414,615	7,550,205		932,829	(267)	206,048,003
Other operating revenues	104,100	1,594,034		784,163	(4,248)	19,273,915
Total operating revenues	29,422,863	436,395,095	97,271,478	297,026,873	(4,584,649)	1,652,214,285
OPERATING EXPENSES						
Educational and general:						
Instruction	14,992,707	199,183,024		31,354,122	(5,868)	540,298,560
Research	557,427	46,240,701		22,725,658	(2,902,464)	322,584,868
Public service	900,776	186,562,250		71,827,896	(228,252)	334,926,094
Academic support	4,313,861	17,906,278		41,929,392		159,646,525
Student services	2,314,791	5,393,514		760,761	(4,248)	37,641,113
Institutional support	6,007,571	34,912,835		18,898,599	(367,001)	116,772,353
Operations and maintenance of plant	2,763,641	27,220,903		9,643,220		171,400,323
Scholarships and fellowships	5,675,496	2,792,748		1,053,093		38,594,224
Auxiliary enterprises	2,929,833	7,093,873		(401,329)		183,307,049
Hospital			120,620,697	24,222,057	(1,076,816)	143,765,938
Total operating expenses	40,456,103	527,306,126	120,620,697	222,013,469	(4,584,649)	2,048,937,047
OPERATING INCOME (LOSS)	(11,033,240)	(90,911,031)	(23,349,219)	75,013,404		(396,722,762)
NONOPERATING REVENUES (EXPENSES)						
State appropriations	7,603,616	90,437,585	36,106,297	95,087,538		460,251,277
Gifts	216,199	2,234,393	74,789	(53,269)		31,845,832
Federal nonoperating revenues (expenses)	5,003,363	1,463,050	13,706,778	72,077		53,466,503
Net investment income	(77,882)	134,172	229,770	2,008,704		29,050,217
Interest expense		(516,881)	(723,967)	(150,489)		(19,830,783)
Other nonoperating revenues (expenses)	102,278	669,122	(77,856,077)	(37,821)	23,614,143	(45,201,965)
Net nonoperating revenues (expenses)	12,847,574	94,421,441	(28,462,410)	96,926,740	23,614,143	509,581,081

**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, 2016**

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	\$2,737,238	(\$31,918,983)	\$878,997	(\$1,755,923)	(\$6,150,412)
Capital appropriations	525,044	29,462,139	748,906	37,358	
Capital gifts and grants	30,408,052	65,370,423	65,819	68,028	1,620,709
Additions to permanent endowment		2,680,000	760,000		120,000
Other additions (deductions)	(54,315)	(3,203,644)	(42,054)	(11,273)	(103,154)
CHANGE IN NET POSITION	33,616,019	62,389,935	2,411,668	(1,661,810)	(4,512,857)
NET POSITION - BEGINNING OF YEAR (Restated)	7,691,336	90,396,382	(6,223,755)	(4,587,162)	(106,211,855)
NET POSITION - END OF YEAR	\$41,307,355	\$152,786,317	(\$3,812,087)	(\$6,248,972)	(\$110,724,712)

(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	\$1,814,334	\$3,510,410	(\$51,811,629)	\$171,940,144	\$23,614,143	\$112,858,319
Capital appropriations		10,125,280	21,618,697	4,817,529		67,334,953
Capital gifts and grants		614,355		692,413		98,839,799
Additions to permanent endowment	80,000	600,000		565,000		4,805,000
Other additions (deductions)	(182,804)	23,614,143		(773,052)	(23,614,143)	(4,370,296)
CHANGE IN NET POSITION	1,711,530	38,464,188	(30,192,932)	177,242,034		279,467,775
NET POSITION - BEGINNING OF YEAR (Restated)	(22,757,317)	(77,554,182)	536,512,660	(438,597,612)		(21,331,505)
NET POSITION - END OF YEAR	(\$21,045,787)	(\$39,089,994)	\$506,319,728	(\$261,355,578)		\$258,136,270

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2016**

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
CASH FLOWS FROM					
OPERATING ACTIVITIES:					
Tuition and fees		\$321,438,483	\$11,255,860	\$5,590,480	
Federal appropriations					\$10,135,538
Grants and contracts	\$28,989,214	133,875,079	966,429	600,432	31,109,363
Sales and services of educational departments	680,533	29,807,314	160,486	27,848	6,994,457
Hospital income					
Auxiliary enterprise receipts	65,899	188,654,255	2,196,160	3,003,376	
Payments for employee compensation	(24,641,510)	(402,557,160)	(10,833,742)	(6,952,249)	(66,458,696)
Payments for benefits	(9,565,069)	(140,869,489)	(4,866,225)	(3,564,709)	(32,112,082)
Payments for utilities	(1,636,442)	(14,124,490)	(729,146)	(599,134)	(2,398,229)
Payments for supplies and services	(12,683,361)	(229,385,124)	(4,270,711)	(4,764,047)	(28,921,888)
Payments for scholarships and fellowships	(2,516)	(23,134,743)	(2,931,769)	(2,731,945)	(167,380)
Loans to students		(2,573,433)	(217,080)	1,656	
Collection of loans to students		2,307,432			
Other receipts (payments)	(45,393)	11,208,782	(11,756)	18,693	8,429,999
Net cash used by operating activities	(18,838,645)	(125,353,094)	(9,281,494)	(9,369,599)	(73,388,918)
CASH FLOWS FROM NONCAPITAL					
FINANCING ACTIVITIES:					
State appropriations	16,240,822	133,449,095	5,463,333	4,867,322	70,510,014
Gifts and grants for other than capital purposes	3,305,611	21,432,851	804,892	330,338	2,725,337
Private gifts for endowment purposes	54,315	1,984,278	42,054	11,273	97,458
TOPS receipts		93,587,426	2,124,055	1,137,941	
TOPS disbursements		(93,587,426)	(2,339,184)	(1,137,941)	
FEMA receipts		35,413			
FEMA disbursements		1,436			(1,524)
ARRA revenues					
Direct lending receipts		119,638,419	8,129,987	5,524,322	
Direct lending disbursements		(119,638,419)	(8,129,987)	(5,524,322)	
Implicit loan to/from other campuses	4,490,848	(15,149,466)	462,974	1,259,847	8,935,797
Other receipts/disbursements	5,311,742	24,109,166	4,999,018	4,356,942	16,138
Net cash provided by noncapital financing activities	29,403,338	165,862,773	11,557,142	10,825,722	82,283,220

(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	\$18,390,004	\$51,609,633		\$18,531,569		\$426,816,029
Federal appropriations						10,135,538
Grants and contracts	6,436,195	246,567,881		130,881,027	(\$4,505,306)	574,920,314
Sales and services of educational departments	60,441	113,911,825		68,137,399	(75,095)	219,705,208
Hospital income			\$102,797,198	48,065,787		150,862,985
Auxiliary enterprise receipts	2,442,829	7,514,203		1,113,180		204,989,902
Payments for employee compensation	(17,285,960)	(290,842,376)	(30,566,550)	(185,027,249)		(1,035,165,492)
Payments for benefits	(7,272,008)	(57,849,327)	(32,768,886)	(53,235,993)		(342,103,788)
Payments for utilities	(626,356)	(10,377,541)	(1,975,794)	(7,077,160)		(39,544,292)
Payments for supplies and services	(8,249,557)	(150,918,870)	(66,437,175)	(97,084,283)	4,584,649	(598,130,367)
Payments for scholarships and fellowships	(5,689,534)	(2,104,969)		(1,053,093)		(37,815,949)
Loans to students		(1,774,868)		(171,590)		(4,735,315)
Collection of loans to students		1,976,410		161,854		4,445,696
Other receipts (payments)	(3,699,956)	1,549,284		714,137	(4,248)	18,159,542
Net cash used by operating activities	(15,493,902)	(90,738,715)	(28,951,207)	(76,044,415)		(447,459,989)
CASH FLOWS FROM NONCAPITAL						
FINANCING ACTIVITIES:						
State appropriations	7,519,147	89,850,411	36,106,297	94,817,317		458,823,758
Gifts and grants for other than capital purposes	216,199	3,609,022	74,789	(53,269)		32,445,770
Private gifts for endowment purposes	80,000	600,000		565,000		3,434,378
TOPS receipts	3,267,417	1,375,676		102,002		101,594,517
TOPS disbursements	(3,267,417)	(1,553,464)		(102,002)		(101,987,434)
FEMA receipts		2,161,793	16,643,790			18,840,996
FEMA disbursements		(698,743)	(3,284,281)			(3,983,112)
ARRA revenues			347,269			347,269
Direct lending receipts		57,675,326		20,034,849		211,002,903
Direct lending disbursements		(57,786,378)		(20,034,849)		(211,113,955)
Implicit loan to/from other campuses						
Other receipts/disbursements	5,003,363	(117,551)	628,940	33,859		44,341,617
Net cash provided by noncapital financing activities	12,818,709	95,116,092	50,516,804	95,362,907		553,746,707

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2016**

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
CASH FLOWS FROM CAPITAL					
FINANCING ACTIVITIES:					
Capital appropriations received		\$328			(\$967)
Capital gifts and grants received		8,949,431	(\$1,665)	(\$52,849)	614,321
Proceeds from sale of capital assets		87,129			
Purchase of capital assets	(\$371,876)	(60,763,152)	(718,714)	(128,042)	(2,463,861)
Principal paid on capital debt and leases		(17,777,837)	(100,000)	(257,988)	
Interest paid on capital debt and leases		(17,532,364)	(190,075)	(378,563)	
Deposit with trustees					
Other sources	(54,315)	(3,203,644)	(42,054)	(11,273)	(103,154)
Net cash used by capital financing activities	(426,191)	(90,240,109)	(1,052,508)	(828,715)	(1,953,661)
CASH FLOWS FROM					
INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments		145,804,898	19,242		
Interest received on investments	29,018	14,209,424	94,693	50,839	630,116
Purchase of investments		(72,235,364)		(441,568)	
Net cash provided (used) by investing activities	29,018	87,778,958	113,935	(390,729)	630,116
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,167,520	38,048,528	1,337,075	236,679	7,570,757
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	4,787,400	12,685,176	1,139,853	1,971,307	15,459,594
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$14,954,920	\$50,733,704	\$2,476,928	\$2,207,986	\$23,030,351

(Continued)

Schedule 9

	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 CAPITAL						
FINANCING ACTIVITIES:						
Capital appropriations received						(\$639)
Capital gifts and grants received				\$134,735		9,643,973
Proceeds from sale of capital assets						87,129
Purchase of capital assets	(\$465,428)	(\$7,330,568)	(\$10,525,739)	(10,354,732)		(93,122,112)
Principal paid on capital debt and leases		(47,088)	(748,983)	(601,053)		(19,532,949)
Interest paid on capital debt and leases		(516,881)	(723,967)	(150,489)		(19,492,339)
Deposit with trustees		(400)				(400)
Other sources						(3,414,440)
Net cash used by capital financing activities	(465,428)	(7,894,937)	(11,998,689)	(10,971,539)		(125,831,777)
CASH FLOWS FROM						
INVESTING ACTIVITIES:						
Proceeds from sales and maturities of investments		1,159,756	22,760	\$21,053,257		168,059,913
Interest received on investments	264,636	2,230,653	229,770	1,897,242		19,636,391
Purchase of investments	(134,591)	(1,006,414)		(15,467,120)		(89,285,057)
Net cash provided (used) by investing activities	130,045	2,383,995	252,530	7,483,379		98,411,247
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,010,576)	(1,133,565)	9,819,438	15,830,332		78,866,188
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,520,425	35,712,753	78,922,702	45,803,365		199,002,575
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(\$490,151)	\$34,579,188	\$88,742,140	\$61,633,697		\$277,868,763

**LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by University
For the Fiscal Year Ended June 30, 2016**

	Pennington Biomedical Research Center	LSU	LSU at Alexandria	LSU at Eunice	Agricultural Center
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:					
Operating income (loss)	(\$21,953,598)	(\$222,408,147)	(\$10,353,248)	(\$10,984,241)	(\$80,743,442)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	5,738,708	79,454,959	1,394,295	1,254,153	3,821,892
Non-Employer contributing entity revenues	166,258	2,125,981	55,364	38,420	313,270
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
(Increase) decrease in accounts receivable, net	(90,877)	172,934	(295,432)	(436,294)	(918,542)
(Increase) decrease in inventories	4,700	(102,232)	159	32,846	1,885,006
(Increase) decrease in prepaid expenses and other		906,510			21,360
(Increase) decrease in notes receivable		(125,594)		1,656	
(Increase) decrease in deferred outflows related to pensions	1,066,729	1,167,094	220,831	256,049	4,440,109
(Increase) decrease in other assets		381,341			
Increase (decrease) in accounts payable and accrued liabilities	(29,497)	995,807	(57,668)	(44,943)	(192,440)
Increase (decrease) in unearned revenue	(2,528,776)	(6,575,688)	261,079	378,070	(1,045,592)
Increase (decrease) in amounts held in custody for others		885,617	(510,380)	18,414	(16,852)
Increase (decrease) in compensated absences	128,986	(270,508)	53,828	(154,502)	(791,308)
Increase in OPEB payable	2,184,780	28,906,707	1,328,117	1,326,360	5,512,412
Increase (decrease) in net pension liability	40,144	56,163,579	333,033	(135,117)	7,595,924
(Decrease) in deferred inflows related to pensions	(3,399,534)	(71,131,574)	(1,711,472)	(917,949)	(13,275,580)
Increase (decrease) in other liabilities	(166,668)	4,100,120		(2,521)	4,865
Net cash provided (used) by operating activities	(\$18,838,645)	(\$125,353,094)	(\$9,281,494)	(\$9,369,599)	(\$73,388,918)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:					
Cash and cash equivalents classified as current assets	\$9,515,877	(\$93,462,413)	\$1,788,086	\$1,989,670	\$17,071,708
Cash and cash equivalents classified as noncurrent assets	5,439,043	144,196,117	688,842	218,316	5,958,643
Cash and cash equivalents at end of the year	\$14,954,920	\$50,733,704	\$2,476,928	\$2,207,986	\$23,030,351
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Capital appropriations	\$525,044	\$29,462,139	\$748,906	\$37,358	
Non-Employer contributing entity revenue	166,258	2,125,981	55,364	38,420	\$313,270
Capital gifts and grants	30,473,152	55,019,380		17,000	1,311,045
	\$31,164,454	\$86,607,500	\$804,270	\$92,778	\$1,624,315

(Concluded)

	LSU in Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
RECONCILIATION OF OPERATING LOSS						
TO NET CASH USED BY						
OPERATING ACTIVITIES:						
Operating income (loss)	(\$11,033,240)	(\$90,911,031)	(\$23,349,219)	\$75,013,404		(\$396,722,762)
Adjustments to reconcile operating loss to net cash used by operating activities:						
Depreciation expense	1,484,728	21,322,093	17,251,676	19,025,914		150,748,418
Non-Employer contributing entity revenues	102,278	988,908	94,334	566,149		4,450,962
Changes in assets, deferred outflows, liabilities, and deferred inflows:						
(Increase) decrease in accounts receivable, net	(877,678)	(17,325,650)	5,825,241	(27,358,026)		(41,304,324)
(Increase) decrease in inventories	(258,834)	145,331	90,495	(116,905)		1,680,566
(Increase) decrease in prepaid expenses and other	(93,340)	93,494	(8,156)	26,962		946,830
(Increase) decrease in notes receivable				(32,636)		(156,574)
(Increase) decrease in deferred outflows related to pensions	202,963	(467,333)	6,355,740	7,205,202		20,447,384
(Increase) decrease in other assets	(3,925,646)	444,774	305,311			(2,794,220)
Increase (decrease) in accounts payable and accrued liabilities	382,345	(3,102,581)	(3,124,847)	(4,582,692)		(9,756,516)
Increase (decrease) in unearned revenue	(1,111,616)	(2,793,406)		(89,981)		(13,505,910)
Increase (decrease) in amounts held in custody for others	(1,751)	156,793	93,772	(70,025)		555,588
Increase (decrease) in compensated absences	(92,876)	36,898	(643,945)	(646,106)		(2,379,533)
Increase in OPEB payable	1,917,501	12,129,094	1,837,664	8,175,376		63,318,011
Increase (decrease) in net pension liability	446,341	20,442,852	(539,479)	(11,523,635)		72,823,642
(Decrease) in deferred inflows related to pensions	(2,635,077)	(33,809,183)	(33,139,794)	(141,637,416)		(301,657,579)
Increase (decrease) in other liabilities		1,910,232				5,846,028
Net cash provided (used) by operating activities	(\$15,493,902)	(\$90,738,715)	(\$28,951,207)	(\$76,044,415)		(\$447,459,989)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:						
Cash and cash equivalents classified as current assets	(\$775,382)	\$34,579,188	\$82,907,693	\$51,518,936		\$105,133,363
Cash and cash equivalents classified as noncurrent assets	285,231		5,834,447	10,114,761		172,735,400
Cash and cash equivalents at end of the year	(\$490,151)	\$34,579,188	\$88,742,140	\$61,633,697		\$277,868,763
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital appropriations		\$10,125,280	\$21,618,697	\$4,817,529		\$67,334,953
Non-Employer contributing entity revenue	\$102,278	988,908	94,334	566,149		4,450,962
Capital gifts and grants		614,355		557,678		87,992,610
	\$102,278	\$11,728,543	\$21,713,031	\$5,941,356		\$159,778,525

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

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



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 28, 2018

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, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated February 28, 2018. Our report was modified to include emphasis of matter paragraphs regarding actuarial assumptions and a new accounting standard not yet effective.

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; and the LSU Health Sciences Center – Shreveport Faculty Group Practice, 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 Sciences Center Foundation, 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 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 deficiencies in the System's internal control that we consider to be material weaknesses.

Weaknesses in Internal Controls over the Louisiana State University System Financial Report

The Louisiana State University System (System) did not have adequate controls over the preparation of the System's financial statements, related note disclosures, and required supplementary information (Financial Report) for fiscal year 2017. Examples of errors identified in the System's Financial Report that required adjustment are noted below:

- Financial statements:
 - The Statement of Financial Position and the Statement of Activities had errors due to the reported amounts not agreeing to the audited financial statements of the System's discrete component units. For example, we noted a \$6.7 million dollar overstatement in temporarily restricted net assets and a \$6.7 million dollar understatement in permanently restricted net assets for the LSU Health Sciences Center Foundation on the Statement of Financial Position.
 - The Statement of Cash Flows for the System did not include noncash activity for the change in fair market value of investments.
- Notes to the financial statements:
 - The System understated by \$48.3 million its disclosure of pension expense for defined benefit pension plans.

- The System overstated by \$84.2 million the building cost and carrying amount for investment in property on operating leases and property held for lease.
- Several errors were noted on the bonds payable schedule including an overstatement in the totals for the original issue amount of \$97.1 million, understatement of future interest payments in the amount of \$5.4 million, and incorrect interest rates.
- Multiple errors were identified in the investments disclosures related to fair market value, credit ratings, interest rate risk, concentration of credit risk, and the recording of highly sensitive investments. Examples of these errors include the following:
 - For the fair market value disclosure a total of \$8.1 million in investments were reported with the wrong description, with another \$53.9 million being reported as held by the foundation, when the investments were actually held by an LSU System Campus.
 - Multiple errors in credit rating disclosures were noted including a \$17.6 million overstatement in the S&P AA+ rating and \$12.8 million of investments were disclosed with ratings when they were unrated.
 - The concentration of credit risk disclosure was overstated \$45.2 million due to including securities that were not subject to the disclosure.
 - For the highly sensitive investments, the held by foundation amounts totaling \$6.87 million were excluded from the note.
 - The System had multiple errors in its disclosure of the blended component unit condensed financial information. For example, more than \$300,000 was misclassified on the condensed statement of net position and more than \$400,000 was misclassified on the condensed statement of cash flows
- Required supplementary information:
 - The Schedule of Funding Progress for the Other Postemployment Benefit Plans had the following errors/omissions:
 - The FY 2017 unfunded AAL amount was understated by \$26 million.
 - Factors that significantly affect the identification of trends in the amounts reported were not included as required.

- The Schedule of the LSU System's Proportionate Share of the Net Pension Liabilities of Cost-Sharing Defined Benefit Pension Plans and the Schedule of the LSU System's Contributions to Cost-Sharing Defined Benefit Pension Plans did not include information about changes of benefit terms as required.

These errors resulted from the lack of adequate controls in place to ensure an independent and thorough review was performed on the System's Financial Report. For fiscal year 2017, the System's Financial Report was compiled by an outside CPA firm; however, adequate internal controls were not in place at the System level to ensure the Financial Report was free from material misstatement once compiled.

Management should strengthen controls over the System's Financial Report compilation and preparation process to ensure that the Financial Report is adequately reviewed and free from material misstatement. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Weaknesses in Agreements for Use of State Assets

For the second consecutive year, the LSU Health Sciences Center, Health Care Services Division (HCSO), and Louisiana State University administration (LSU) did not have complete, signed agreements for all equipment being utilized by the partner managing the University Medical Center New Orleans (UMCNO). Allowing the partner to use State assets without complete, signed agreements increases the risk that the State has not been properly compensated and assets will be misused, misappropriated, or become unlocated. In addition, there is an increased risk of misunderstandings and/or nonpayment without protection for the State, including remedies for default.

University Medical Center New Orleans Equipment

The agreement for the use of equipment purchased by the State for UMCNO remained unsigned as of June 30, 2017. However, the private partner began utilizing that equipment in August 2015 with the opening of the new hospital facility and has made payments to HCSO based on a five-year payment schedule prepared by the partner. In fiscal year 2017, HCSO completed a reconciliation of the equipment purchases and determined the value of leased equipment to be approximately \$99 million. As of June 30, 2017, HCSO has received payments totaling approximately \$75 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 2017 Annual Fiscal 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.

Interim LSU Public Hospital in New Orleans Equipment

The agreement for the partner's use of equipment located in the Interim LSU Public Hospital, effective on June 24, 2013, with a lease term of 10 years, did not contain an agreed-upon Exhibit A listing the annual lease payment by equipment item as required by the agreement. As of June 30, 2017, Exhibit A had not been finalized and agreed upon by all parties; therefore, there is insufficient information to determine if the partner has paid adequate rent for these items.

Since fiscal year 2013, the partner has made annual rental payments totaling approximately \$25 million based on a schedule that was not agreed upon by all parties and only outlined rental payments through fiscal year 2016. During fiscal year 2017, the partner made a pre-payment of \$1.4 million for the fiscal year 2018 rent. In its fiscal year 2017 AFR, HCSD reported all payments received on this lease agreement as unearned revenue until the payment terms and listing of assets is finalized and the revenue can be properly recognized in accordance with lease accounting standards.

The uncertainties relating to agreements for the use of additional buildings and parking lots outlined in the prior finding were resolved during fiscal year 2017, and HCSD appropriately accounted for these transactions within its AFR.

Management of HCSD and LSU should ensure all agreements with the partners are complete and 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 the State receives the agreed-upon payments. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 2-3).

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 Responses to Findings

Management's responses to the findings identified in this report are attached in Appendix A. Management's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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; and the LSU Health Sciences Center – Shreveport Faculty Group Practice, which are blended component units included in the System's basic financial statements for the year ended June 30, 2017. In addition, other external auditors audited the LSU Foundation, the Tiger Athletic Foundation, the LSU Health Sciences Foundation in Shreveport, and the LSU Health Sciences Center Foundation, 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 to 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 2017

APPENDIX A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



Finance & Administration

February 21, 2018

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

Dear Mr. Purpera:

In conjunction with the FY 2017 audit of Louisiana State University System's Financial Report, we wish to respond to the audit finding concerning the lack of adequate controls of an independent and thorough review.

Finding:

"Weaknesses in Controls over the Louisiana State University System Financial Report"

On July 1, 2016, several of the LSU System campuses transitioned from an almost 40 year old mainframe system to a new Human Capital Management, Payroll and Financial enterprise solution. This conversion resulted in a complete transformation of all existing processes. Therefore, in FY 2017, priority was given to ensuring the integrity of all financial transactions. The effective transactional controls were evident in the quality of the financial statements produced. As noted in your finding, an external CPA firm was engaged to assist with the preparation and consolidation of the LSU System Financial Report in an effort to meet required deadlines. A lack of attention to detail on their part resulted in several of the misstatements noted in the finding which unfortunately were not caught by LSU staff before finalizing the report. A more stringent internal review process over these activities will be adhered to now that the first fiscal year-end process in the new enterprise solution has been completed.

Financial Accounting and Reporting concurs with the above finding. The additional level of review over financial statement preparation and consolidation will be reinforced for FY 2018. The independent, thorough review of the Louisiana State University System's Financial Report will be conducted by Financial Accounting and Reporting to confirm the preparation and consolidation is free from material misstatement.

The responsible parties for the corrective action plan are the Director and Associate Director of Financial Accounting and Reporting.

Thank you for the time your staff spent helping to ensure we maintain strong controls of financial reporting.

Sincerely,

Daniel T. Layzell
Executive Vice President for
Finance and Administration/CFO



November 17, 2017

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:

The LSU Health System, Health Care Services Division (HCSD) concurs with the audit finding, Weaknesses in Agreements for Use of State Assets for the Fiscal Year Ended June 30, 2017.

Corrective Action Plan

University Medical Center New Orleans Equipment

LSU HCSD and UMCNO finalized and agreed to the exhibit for the New Equipment Lease. The value of the Leased Equipment is \$99,059,012.45. The Payment Schedule for the Equipment Lease has also been agreed upon by both parties and UMCNO has made the scheduled payments from the inception of the lease thru June 30, 2017, even though the lease wasn't signed. University Medical Center Management Corporation (UMCMC) has delayed signing the equipment lease until they could make a final decision on the purchase of equipment with an original purchase price of less than \$1,000. If the partner did not agree to purchase this small equipment, that equipment would have to be included in the equipment lease. UMCNO has just recently agreed to purchase this small equipment removing the remaining obstacle to execution of the equipment lease, which they have indicated they will do. We are awaiting receipt of the executed lease document. Once the Lease Document is executed with the payment schedule and the Exhibit attached, copies will be distributed to all interested parties.



LSU HCSD and UMCNO have agreed to execute the documents associated with the purchase of small equipment by UMCNO that was not included in the equipment lease schedule above. Both parties have agreed to the payment schedule and those documents are being drafted and reviewed.

Interim LSU Public Hospital in New Orleans Equipment

LSU HCSD received the payment calculations for the Interim LSU Public Hospital Equipment lease from UMCNO after the receipt of this audit finding. Those calculations have been forwarded to the LSU HCSD Legislative audit team. The schedule includes a detailed listing of the equipment associated with this lease. LSU HCSD is currently reviewing the calculations and schedules. UMCNO is current on the ILH Equipment Lease payments as of June 30, 2017, pre-paying the lease for FY_2018. All payments received for this lease has been forwarded to the State Treasury as required by the Lease Agreement.

LSU HCSD will make the appropriate accounting adjustments in FY_2018, once the lease documents are executed.

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,

A handwritten signature in blue ink, appearing to read "Lanette Buie".

Lanette Buie
Deputy Chief Executive Officer