

Louisiana State University System

**Financial
Report**

For the Year Ended June 30, 1999

**LSU SYSTEM
FINANCIAL REPORT
TABLE OF CONTENTS**

	PAGE
Introduction	2
EXHIBITS	
A Consolidated Balance Sheet	6
B Consolidated Statement of Changes in Fund Balances	8
C Consolidated Statement of Current Fund Revenues, Expenditures and Other Changes	10
SCHEDULES	
C-1 Schedule of Current Fund Revenues	12
C-2 Schedule of Current Fund Expenditures	17
C-3 Schedule of Revenues and Expenditures– Restricted Auxiliary Enterprises	24
Notes to the Financial Statements	29

INTRODUCTION

The Louisiana State University System is a publicly supported institution of higher education. The University is a component unit of the State of Louisiana, within the executive branch of government. The University System is under the management and supervision of the Louisiana State University Board of Supervisors, which consists of sixteen members appointed by the Governor and one student member. The chief executive officer of the LSU System is the President.

The LSU System is comprised of nine institutions on ten campuses in five cities, nine state hospitals and one community college. The System includes LSU and A&M College, the Paul M. Hebert Law Center, and the Pennington Biomedical Research Center, all in Baton Rouge; the LSU Agricultural Center (including the Louisiana Agricultural Experiment Station and the Louisiana Cooperative Extension Service) with headquarters in Baton Rouge; the University of New Orleans; LSU in Shreveport; LSU at Alexandria and LSU at Eunice, both two-year institutions; and the LSU Health Sciences Center composed of Schools of Medicine, Dentistry, Nursing, and Allied Health Professions, and a Graduate School in New Orleans, and a School of Medicine and hospital in Shreveport. The state hospitals of the LSU Health Sciences Center's Health Care Services Division include hospitals in Baton Rouge, Monroe, Pineville, Lafayette, Lake Charles, Independence, Bogalusa, Houma and New Orleans.

This financial report presents consolidated financial data for the LSU System except for Schedule C-1 (Schedule of Current Fund Revenues), Schedule C-2 (Schedule of Current Fund Expenditures), and Schedule C-3 (Schedule of Revenues and Expenditures of Restricted Auxiliary Enterprises), which schedules provide separate data for each major segment of the University System.

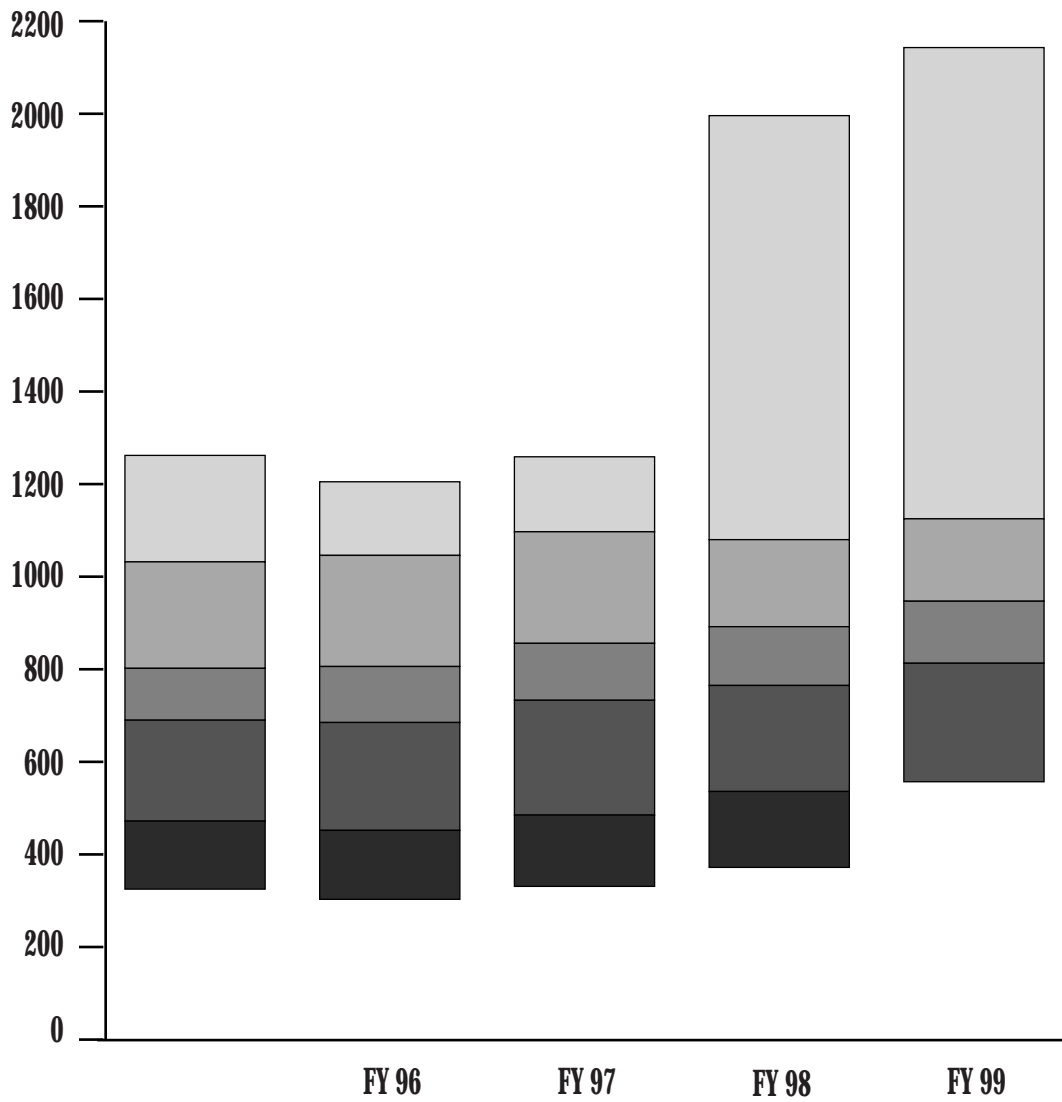
ENROLLMENT BY CAMPUS

	Fall 1998			Fall 1997		
	Under-graduate	Graduate & Professional	Total	Under-graduate	Graduate & Professional	Total
LSU and A&M College	24,773	5,108	29,881	22,725	5,352	28,077
Paul M. Hebert Law Center	-	678	678	-	621	621
University of New Orleans	11,642	3,977	15,619	11,876	3,946	15,822
LSU Health Sciences Center	830	2,012	2,842	859	2,033	2,892
LSU in Shreveport	3,678	732	4,410	3,516	743	4,259
LSU at Alexandria	2,362	-	2,362	2,409	-	2,409
LSU at Eunice	2,672	-	2,672	2,628	-	2,628
TOTALS	45,957	12,507	58,464	44,013	12,695	56,708

SUMMARY OF REVENUES AND EXPENDITURES

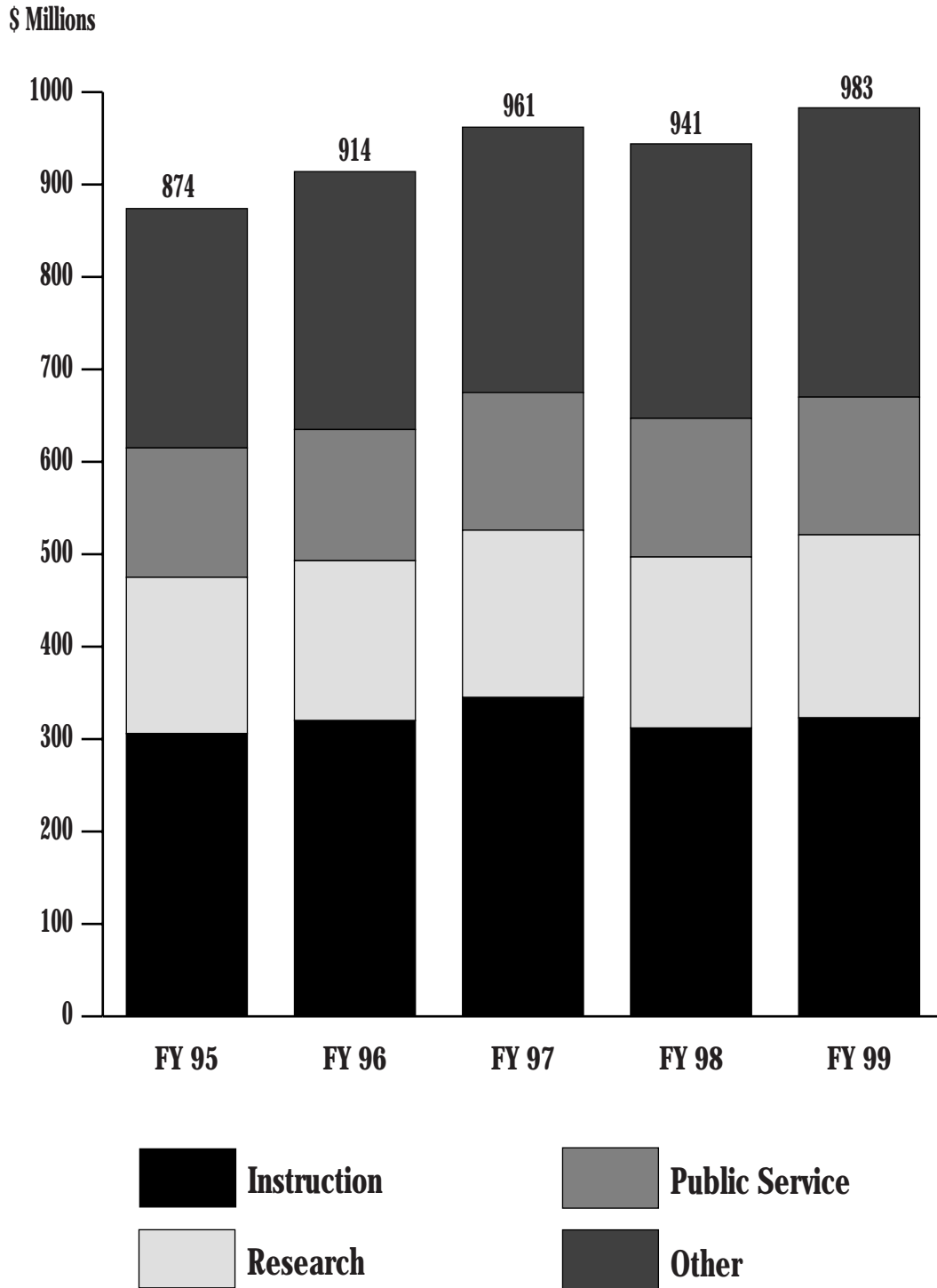
Sources of Current Revenues: The following table indicates the sources of current operating revenues for the year ended June 30, 1999, and provides a comparison with revenues for the previous year:

	<u>1999</u>	<u>Percent of Total</u>		<u>Percent</u>



LSU SYSTEM

FIVE YEAR COMPARISON OF PRIMARY MISSION EXPENDITURES TO TOTAL EDUCATIONAL AND GENERAL



**Total
All
Funds**

Unrestricted

CURRENT FUNDS
Auxiliary

Student Loan Funds	Endowment Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Net Investment in Plant	Agency Funds
\$ 3,370,953	\$ 6,845,938	\$ 12,049,470	\$ 6,668,690	\$ 1,890	–	\$ 846,629
82,061	57,743,070	36,574,138	658,972	9,097,529	–	395,028
1,173	49,543	93,706	9,421	–	–	–
–	14,896	80,010	–	–		

Exhibit B

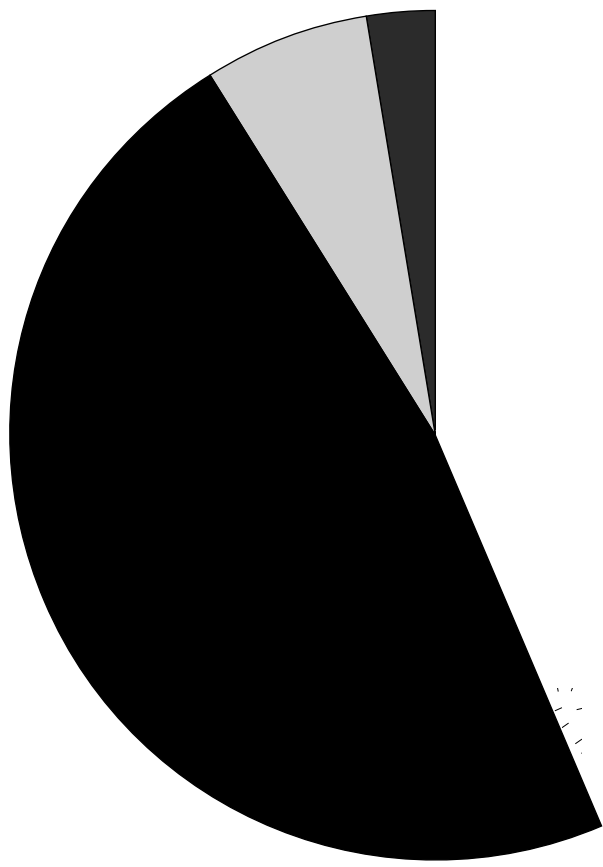
LSU SYSTEM
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 1999

		CURRENT FUNDS	
	Unrestricted	Auxiliary Enterprises	Restricted
<u>REVENUES AND OTHER ADDITIONS</u>			
Unrestricted current fund revenues	\$579,101,033	-	-
Tuition and fees—restricted	-	-	15,188,072
Federal appropriations—restricted	-	-	3,858,036
State Facility Planning and Control	-	-	(11,505)
Government grants and contracts—			
Federal	-	-	129,231,472
State	-	-	59,709,938
Local	-	-	2,493,690
Private gifts, grants and contracts	-	-	102,946,017
Sales and services of educational departments	-	-	91,544,373
Investment income—restricted	-	-	4,346,215
State funded endowments	-	-	-
Endowment income	-	-	3,010,653
Hospital income	829,570,565	-	187,877,693
Auxiliary enterprise revenues	-	134,428,122	-
Interest on loans receivable	-	-	-
Retirement of indebtedness	-	-	-
Addition to plant facilities from—			
Current funds	-	-	-

Exhibit B

Student Loan Funds	Endowment Funds	PLANT FUNDS			
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Net Investment in Plant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	37,303,483	-	-	-
232,353	-	-	-	29,723	-
-	-	-	-	-	-
-	-	-	-	-	-
25	1,554,523	-	-	-	-
-	-	-	-	-	-
104,661	58,454	3,054,057	68,754	208,441	-
-	4,320,000	-	-	-	-
-	602,540	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
653,391	-	-	-	-	-
-	-	-	-	-	6,567,759
-	-	-	-	-	43,801,638
-	-	-	-	-	74,392,915
-	-	-	-	-	4,575,100
-	-	-	-	-	1,507,811
317,106	153,921	15,714,665	-	3,339,138	2,799,004
16,136	-	-	-	-	-
<u>1,323,672</u>	<u>6,689,438</u>	<u>56,072,205</u>	<u>68,754</u>	<u>3,577,302</u>	<u>133,644,227</u>
-	-	-	-	-	-
11,917	102,790	-	-	-	-
-	-	-	-	-	-
-	-	-	1,273,870	-	-
-	-	67,129,019	-	-	-
-	-	-	-	-	-
185,541	-	-	-	-	-
-	-	-	-	5,241,230	-
-	-	-	-	5,665,705	-
183,937	-	-	-	-	-
-	-	-	-	-	16,821,665
-	-	-	-	-	2,179,799
-	-	16,399,320	-	-	-
49,245	68,157	-	-	381,281	20,314,715
<u>430,640</u>	<u>170,947</u>	<u>83,528,339</u>	<u>1,273,870</u>	<u>11,288,216</u>	<u>39,316,179</u>
-	-	-	-	8,927,733	-
134,883	-	-	-	-	-
-	-	5,168,720	(37,628)	-	-
-	-	-	1,829,413	-	-
6,580	1,227,864	-	28,616	-	-
<u>141,463</u>	<u>1,227,864</u>	<u>5,168,720</u>	<u>1,820,401</u>	<u>8,927,733</u>	<u>-</u>
-	-	-	-	-	-
<u>1,034,495</u>	<u>7,746,355</u>	<u>(22,287,414)</u>	<u>615,285</u>	<u>1,216,819</u>	<u>94,328,048</u>
<u>32,099,263</u>	<u>58,342,764</u>	<u>70,772,186</u>	<u>6,713,362</u>	<u>8,609,774</u>	<u>1,985,431,085</u>
<u>\$33,133,758</u>	<u>\$66,089,119</u>	<u>\$48,484,772</u>	<u>\$7,328,647</u>	<u>\$9,826,593</u>	<u>\$2,079,759,133</u>

Tuition and fees	\$ 156,215,597	\$ -	\$ 17,848,041	\$ 174,063,638	\$ 163,607,051
State appropriations (excluding hospital)	381,840,422	-	13,752	381,854,174	369,448,874
Federal appropriations	10,923,124	-	-	10,923,124	9,712,130
Governmental grants and contracts—					
Federal	-	-	112,069,041	112,069,041	98,333,454
State	-	-	52,172,728	52,172,728	53,024,580
Local	-	-	2,316,425	2,316,425	2,281,820
Private gifts, grants and contracts	-	-	89,212,916	89,212,916	75,006,857
Sales and services					
of educational departments	12,067,339	-	111,056,475	123,123,814	132,859,454
Investment income	3,377,089	-	2,497,353	5,874,442	7,851,564
Endowment income	-	-	3,346,506	3,346,506	2,069,083
Hospital income (including state appropriations of \$1,089,539 in 1998-99 and \$78,337 in 1997-98)	829,570,565	-	189,144,251	1,018,714,816	916,513,395



Schedule C-1

LSU SYSTEM
SCHEDULE OF CURRENT FUND REVENUES
For the Year Ended June 30, 1999

	<u>Total Revenues</u>	<u>Unrestricted</u>	<u>Restricted</u>
Board of Supervisors and System Administration			
State appropriations	\$ 1,587,821	\$ 1,587,821	\$ -
Private gifts, grants and contracts	7,350	-	7,350
Other sources	81,128	-	81,128
Total Board of Supervisors and System Administration	1,676,299	1,587,821	88,478
Pennington Biomedical Research Center			

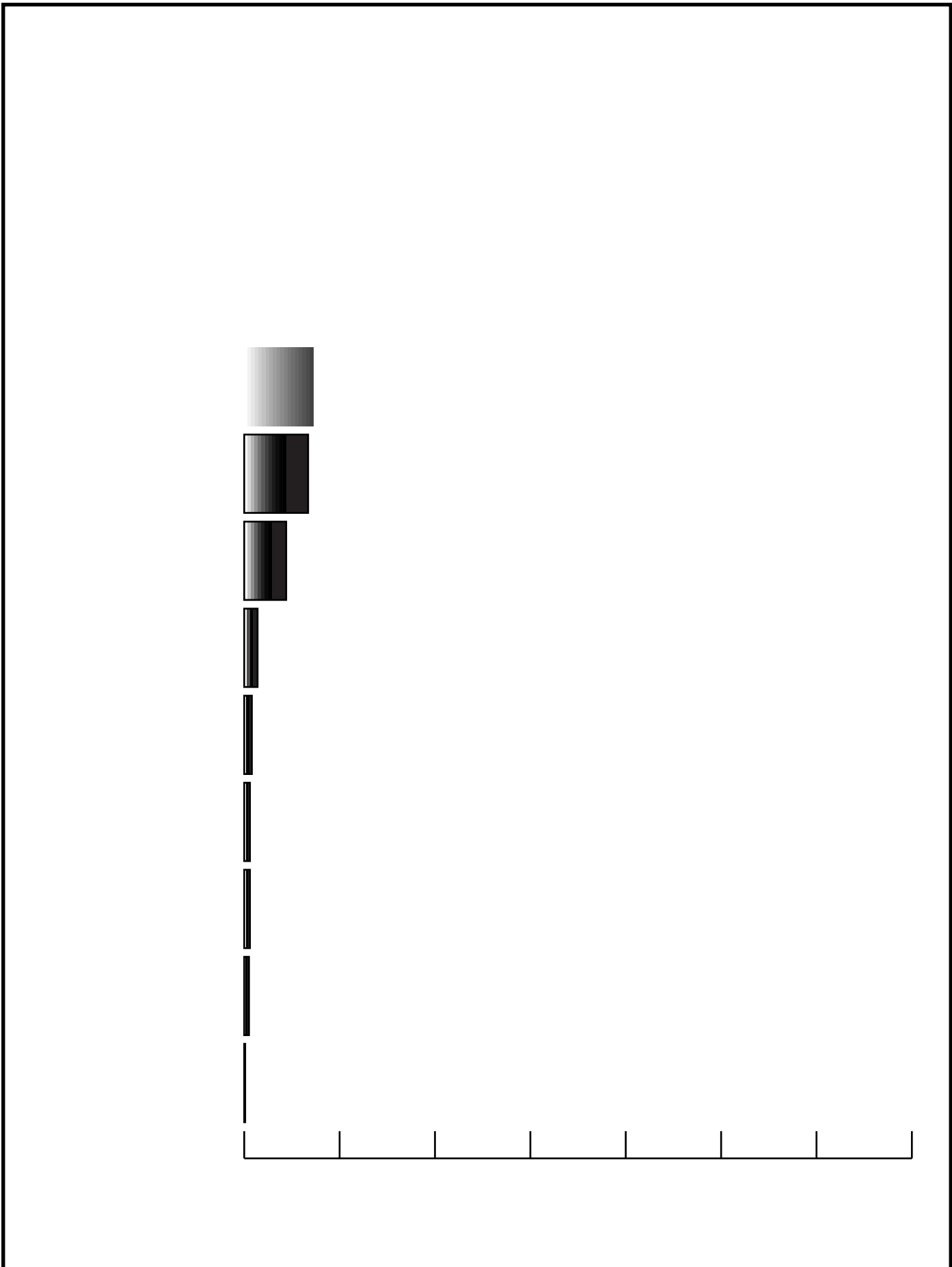
LSU SYSTEM
SCHEDULE OF CURRENT FUND REVENUES
For the Year Ended June 30, 1999

	_____	_____	_____
University of New Orleans			
Tuition and fees	\$ 45,562,942	\$ 39,360,683	\$ 6,202,259
State appropriations	42,886,572	42,886,572	-
Government grants and contracts—			
Federal	22,767,842	-	22,767,842
State	6,632,198	-	6,632,198
Local	827,391	-	827,391
Private gifts, grants and contracts	4,742,917	-	

Schedule C-1

LSU SYSTEM
SCHEDULE OF CURRENT FUND REVENUES
For the Year Ended June 30, 1999

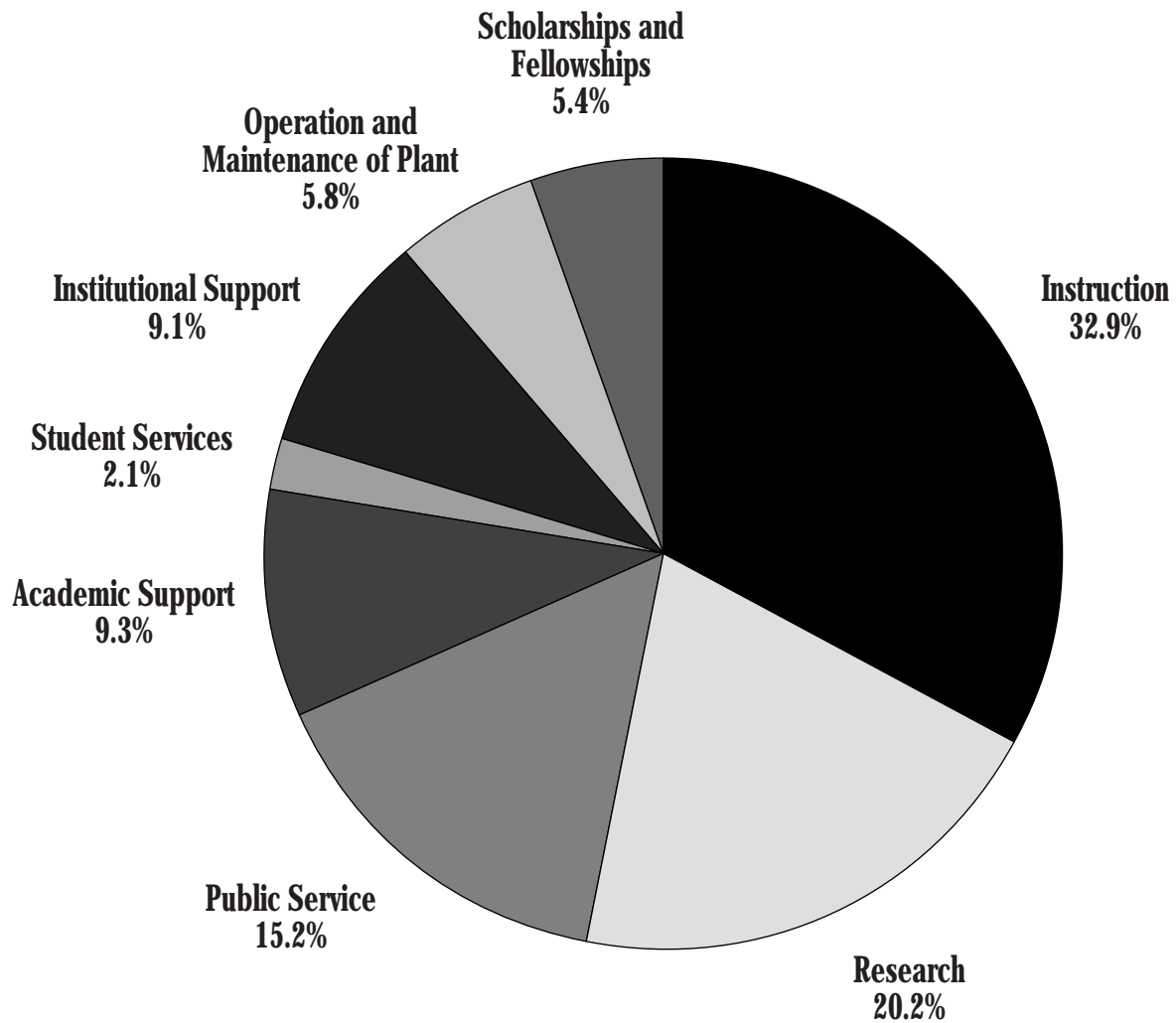
	Total Revenues	Unrestricted	Restricted
LSU at Alexandria			
Tuition and fees	\$ 2,203,898	\$ 2,124,855	\$ 79,043
State appropriations	5,318,994	5,318,994	-
Government grants and contracts—			
Federal	1,696,601	-	1,696,601
State	444,884	-	444,884
Private gifts, grants and contracts	813,955	-	813,955
Sales and services of educational departments	20,820	20,820	-
Investment income	33,280	33,280	-
Endowment income	7,245	-	7,245
Auxiliary enterprise revenues	1,601,295	-	1,601,295
Other sources	259,607	217,966	41,641
Total LSU at Alexandria	12,400,579	7,715,915	4,684,664
LSU at Eunice			
Tuition and fees	2,576,369	2,362,951	213,418
State appropriations	4,806,669	4,806,669	-
Government grants and contracts—			
Federal	3,383,055	-	3,383,055
State	974,856	-	974,856
Private gifts, grants and contracts	146,282	-	146,282
Sales and services of educational departments	639	-	639
Endowment income	7,592	-	7,592
Auxiliary enterprise revenues	1,594,136	-	1,594,136
Other sources	50,609	50,609	-
Total LSU at Eunice	13,540,207	7,220,229	6,319,978
LSU Agricultural Center			
State appropriations	63,089,996	63,089,996	-
Federal appropriations	10,923,124	10,923,124	-
Government grants and contracts—			
Federal	4,860,732	-	4,860,732
State	6,117,077	-	6,117,077
Private gifts, grants and contracts	4,258,912	-	4,258,912
Sales and services of educational departments	4,181,329	3,611,514	569,815
Investment income	277,623	150,186	127,437
Endowment income	45,570	-	45,570
Other sources	1,194,115	720,248	473,867
Total LSU Agricultural Center	94,948,478	78,495,068	16,453,410
Total Current Revenues	\$2,143,342,502	\$1,408,671,598	\$734,670,904



LSU SYSTEM

1998-99 EDUCATIONAL AND GENERAL EXPENDITURES

TOTAL \$983,173,674



LSU SYSTEM
SCHEDULE OF CURRENT FUND EXPENDITURES
For the Year Ended June 30, 1999

Schedule C-2

Board of Supervisors and System Administration

Educational and General:

Institutional support	\$ 1,601,919	\$ 1,513,441	\$ 88,478
Operation and maintenance of plant	74,380	74,380	-

Total Board of Supervisors

and System Administration

	1,676,299	1,587,821	88,478
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Pennington Biomedical Research Center

Educational and General:

Research	11,958,151	1,999,881	9,958,270
Public service	340,128	11	340,117
Academic support	1,226,736	938,627	288,109
Institutional support	2,130,715	1,378,440	752,275

LSU SYSTEM
SCHEDULE OF CURRENT FUND EXPENDITURES
For the Year Ended June 30, 1999

Schedule C-2

LSU Health Sciences Center

Educational and General:

Instruction	\$ 105,914,790	\$ 69,716,139	\$ 36,198,651
Research	46,919,483	14,905,798	32,013,685
Public service	89,552,369	486,420	89,065,949
Academic support	37,427,997	9,763,901	27,664,096
Student services	2,662,088	1,646,221	1,015,867
Institutional support	35,687,863	10,678,690	25,009,173
Operation and maintenance of plant	15,170,086	8,575,836	6,594,250
Scholarships and fellowships	2,743,067	1,483,781	1,259,286
Educational and general expenditures	336,077,743	117,256,786	218,820,957
Mandatory transfers for loan fund matching grants	47,081	28,094	18,987
Nonmandatory transfers for capital improvements	(936,507)	4,266,621	(5,203,128)
Total transfers	(889,426)	4,294,715	(5,184,141)
Total educational and general	335,188,317	121,551,501	213,636,816
Hospitals	963,463,942	769,177,591	194,286,351
Auxiliary Enterprises:			
Expenditures	27,629,554	-	27,629,554
Mandatory transfers for principal and interest	242,459	-	242,459
Nonmandatory transfers for renewals and replacements	138,055	-	138,055
Total auxiliary enterprises	28,010,068	-	28,010,068
Total LSU Health Sciences Center	1,326,662,327	890,729,092	435,933,235

LSU in Shreveport

Educational and General:

Instruction	12,166,781	10,177,143	1,989,638
Research	329,803	56,900	272,903
Public service	2,567,375	-	2,567,375
Academic support	2,896,148	2,378,231	517,917
Student services	989,306	916,165	73,141

Schedule C-2

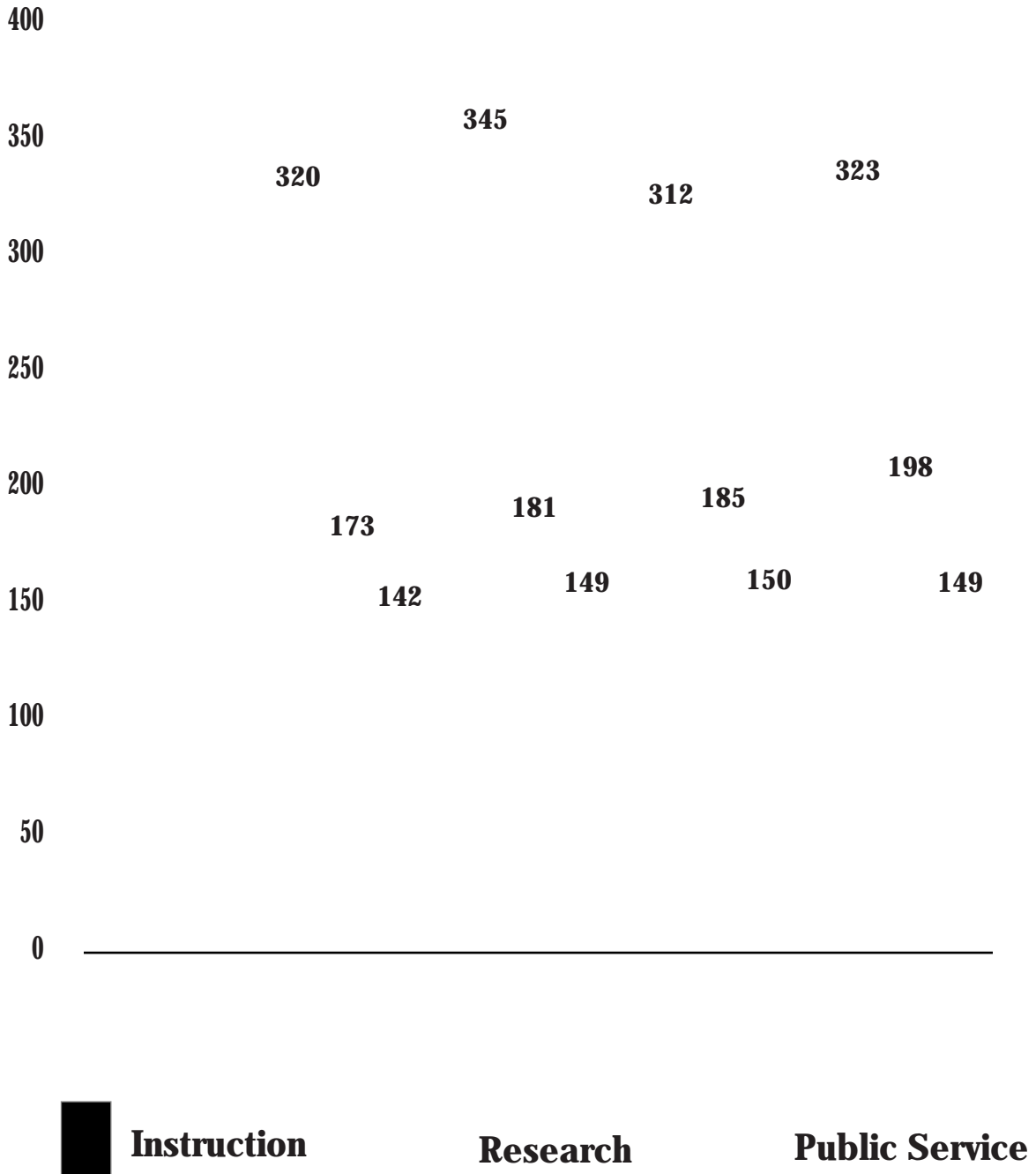
LSU SYSTEM
SCHEDULE OF CURRENT FUND EXPENDITURES
For the Year Ended June 30, 1999

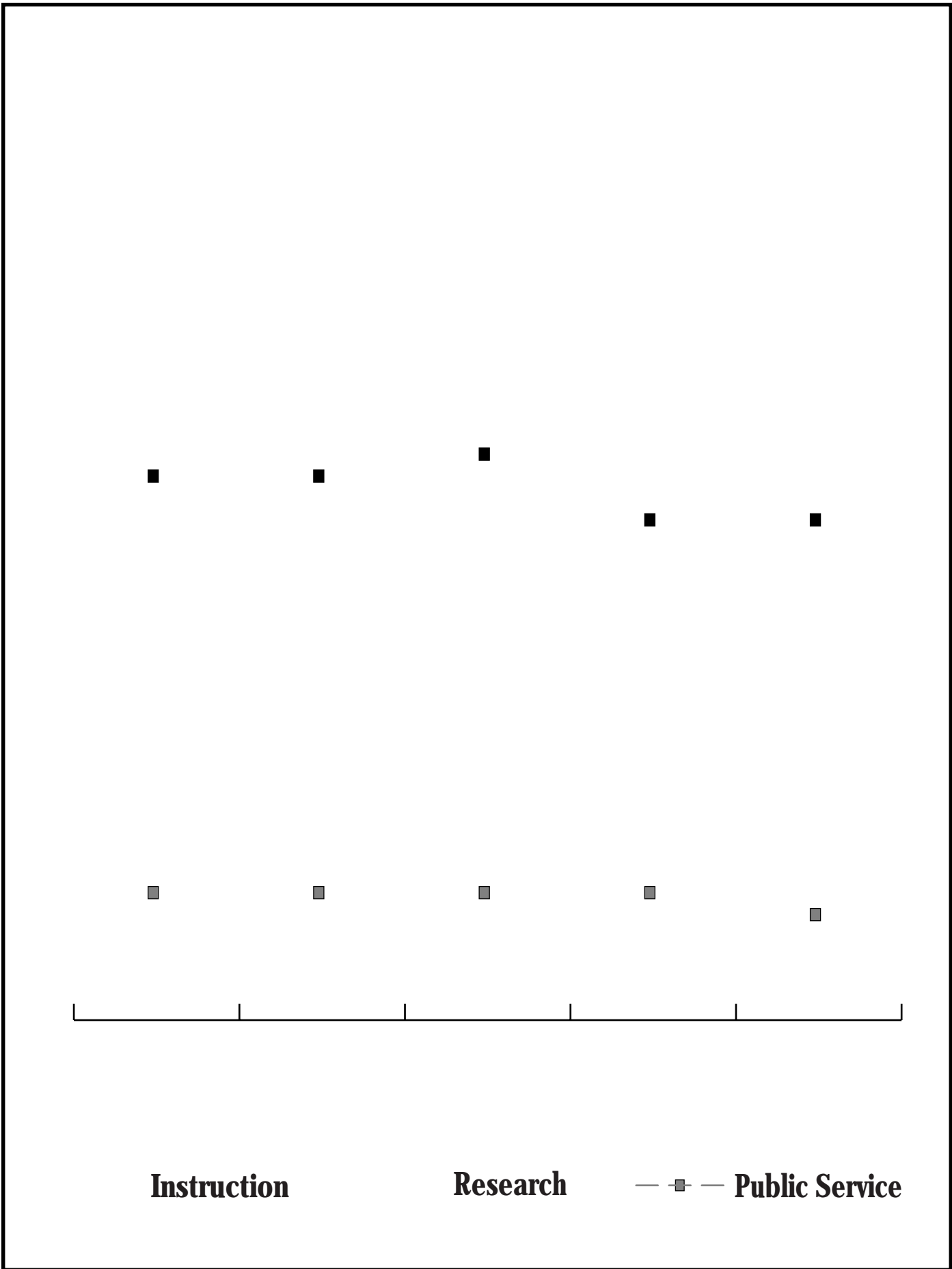
	<u>Total Expenditures</u>	<u>Unrestricted</u>	<u>Restricted</u>
LSU at Alexandria			
Educational and General:			
Instruction	\$ 5,283,149	\$ 4,183,009	\$ 1,100,140
Public service	5,859	-	5,859
Academic support	486,862	465,383	21,479
Student services	695,731	564,665	131,066
Institutional support	1,334,725	1,228,195	106,530
Operation and maintenance of plant	1,192,341	1,191,852	489
Scholarships and fellowships	1,800,617	82,811	1,717,806
Educational and general expenditures	10,799,284	7,715,915	3,083,369
Auxiliary Enterprises:			
Expenditures	1,384,707	-	1,384,707
Mandatory transfers for principal and interest	110,946	-	110,946
Nonmandatory transfers for renewals and replacements	16,548	-	16,548
Total auxiliary enterprises	1,512,201	-	1,512,201
Total LSU at Alexandria	12,311,485	7,715,915	4,595,570
 LSU at Eunice			
Educational and General:			
Instruction	4,990,631	4,086,299	904,332
Academic support	422,671	410,756	11,915
Student services	1,483,008	642,715	840,293
Institutional support	1,275,091	1,116,592	158,499
Operation and maintenance of plant	921,275	917,387	3,888
Scholarships and fellowships	2,842,204	35,289	2,806,915
Educational and general expenditures	11,934,880	7,209,038	4,725,842
Mandatory transfers for loan fund matching grants	11,191	11,191	-
Total transfers	11,191	11,191	-
Total educational and general	11,946,071	7,220,229	4,725,842
Auxiliary Enterprises:			
Expenditures	1,235,555	-	1,235,555
Manadory transfers for renewal and replacements	135,643	-	135,643
Nonmandatory transfers for renewals and replacements	13,320	-	13,320
Total auxiliary enterprises	1,384,518	-	1,384,518
Total LSU at Eunice	13,330,589	7,220,229	6,110,360

LSU SYSTEM
SCHEDULE OF CURRENT FUND EXPENDITURES
For the Year Ended June 30, 1999

Schedule C-2

	<u>Total Expenditures</u>	<u>Unrestricted</u>	<u>Restricted</u>
LSU Agricultural Center			
Educational and General:			
Research	\$ 49,063,219	\$ 38,318,403	\$ 10,744,816
Public service	36,717,328	31,337,666	5,379,662
Academic support	219,409	219,409	-
Institutional support	6,694,829	6,396,644	298,185
Operation and maintenance of plant	2,222,946	2,222,946	-
Scholarships and fellowships	30,747	-	30,747
Total LSU Agricultural Center	94,948,478	78,495,068	16,453,410
Total Expenditures and Transfers	\$2,077,043,340	\$1,352,438,027	\$724,605,313





Schedule C-3

LSU SYSTEM
SCHEDULE OF REVENUES AND EXPENDITURES
RESTRICTED AUXILIARY ENTERPRISES
For the Year Ended June 30, 1999

	<u>Revenues</u>	<u>Cost of Goods Sold</u>	<u>Salaries</u>	<u>Wages</u>	<u>Related Benefits</u>
LSU and A & M College					
Athletics	\$ 23,591,605	\$ -	\$ 5,861,703	\$ 1,793,439	\$1,387,775
Other athletic-related activities.....	5,809,078	1,179,438	695,239	424,426	107,847
Campus card operations	172,578	-	16,224	25,117	3,164
Continuing education center	992,211	36,181	87,418	306,700	57,428
Golf course	978,935	166,704	186,180	197,540	56,008
Graphic services	8,060,731	1,884,622	565,897	1,648,069	416,516
Laboratory school cafeteria	215,311	79,871	26,725	75,158	21,532
LSU Press	2,808,515	1,229,892	621,111	180,206	156,574
LSU Union	14,599,920	8,050,198	813,259	2,233,363	432,365
Parking, traffic and transportation	4,036,709	-	161,771	879,893	148,987
Residential life	14,085,487	-	822,101	3,151,021	603,259
Student health center	4,530,735	378,371	1,294,627	1,079,101	426,166
Student media	1,372,848	-	188,007	439,034	33,587
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Schedule C-3

Expenditures

<u>Travel</u>	<u>Supplies and Expense</u>	<u>Principal and Interest</u>	<u>Utilities</u>	<u>Renewals and Replacements</u>	<u>Total</u>	<u>Revenues over Expenditures</u>
\$2,829,751	\$ 8,258,213	\$1,772,617	\$ 408,362	\$ 443,976	\$ 22,755,836	\$ 835,769
29,550	1,249,433	-	-	82,344	3,768,277	2,040,801
1,211	125,246	-	-	36,276	207,238	(34,660)
1,935	359,811	-	76,516	22,980	948,969	43,242
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

Schedule C-3

LSU SYSTEM
SCHEDULE OF REVENUES AND EXPENDITURES
RESTRICTED AUXILIARY ENTERPRISES
For the Year Ended June 30, 1999

	<u>Revenues</u>				
		Cost of Goods Sold	Salaries	Wages	Related Benefits
LSU Health Sciences Center (cont.)					
Shreveport—					
Bookstore	\$ 2,540,392	\$ 993,345	\$ 20,636	\$ 220,268	\$ 35,643
General service stores	2,338,613	1,975,471	58,861	289,053	48,384
Gift shop	58,432	51,559	260	1,987	188
Linwood apartments	24,706	-	-	-	-
Printing services	387,394	68,049	36,075	104,812	23,127
Union	94,854	-	250	659	116
Cafeterias	2,610,761	-	62,310	399,507	61,817
Parking	290,631	-	1,451	34,517	7,033

Schedule C-3

Expenditures

		Expenditures					Revenues over Expenditures
	Travel	Supplies and Expense	Principal and Interest	Utilities	Renewals and Replacements	Total	
\$	–	\$ 772,978	\$ –	\$ 4,302	\$ 22,733	\$ 2,069,905	\$ 470,487
	–	42,830	–	18,821	19,415	2,452,835	(114,222)
	–	661	–	745	–	55,400	3,032
	–	–	–	–	–	–	24,706
	–	150,428	–	5,959	7,259	395,709	(8,315)
	–	30,174	–	783	4,308	36,290	58,564
	–	1,952,869	–	57,005	8,272	2,541,780	68,981
	–	131,632	–	10,649	–	185,282	105,349
	–	9,153	–	7,112	–	19,888	58,407
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	3,090,725	–	105,376	61,987	7,757,089	666,989
	51,823	6,003,271	242,459	474,291	138,055	28,010,068	986,457
	707	5,980	–	–	–	7,316	21,517
	4,934	102,068	–	35,000	258	1,678,392	136,492
	666	11,300	–	–	–	–	–

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LSU SYSTEM FINANCIAL REPORT

GUIDE TO NOTES

	Page
A. Summary of Significant Accounting Policies	30
1. Fund Accounting	30
2. Basis of Accounting	31
3. Budgetary Practices	31
4. Encumbered, Unencumbered and Unexpended Appropriations	31
5. Cash and Cash Equivalents	32
6. Investments	32
7. Inventories	32
8. Compensated Absences	32
9. Deferred Revenues	33
B. Pension Plans and Medicare	33
C. Postretirement Health Care and Life Insurance Benefits	34
D. Federal Grants and Contracts	34
E. Grant Awards	34
F. Changes in Long-Term Debt	34
G. Expansion of Tiger Stadium	35
H. Student Loan Funds	35
I. Accounts Receivable	35
J. Capital Leases	35

**LSU SYSTEM FINANCIAL REPORT
NOTES TO THE FINANCIAL STATEMENTS**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisiana State University System is comprised of a group of publicly-supported institutions of higher education. The University is a political subdivision of the State of Louisiana and is under the management and supervision of the Louisiana State University Board of Supervisors. As a State agency, certain operations of the University are funded through appropriations made by the Louisiana Legislature.

The Governmental Accounting Standards Board (GASB) has recognized the accounting principles established by the National Association of College and University Business Officers and published in the AICPA Industry Audit Guide for Colleges and Universities as generally accepted accounting principles for publicly-supported institutions of higher education. The accompanying financial statements have been prepared in accordance with such principles, except as described herein.

The GASB has defined the governmental reporting entity to be the State of Louisiana, and the University is considered a component unit of the State. As such, the accompanying financial statements present information only as to the transactions of the programs of the University, as authorized by Louisiana statutes and administrative regulations. Annually, the State of Louisiana issues comprehensive financial statements which include the activity contained in the accompanying financial statements. The general purpose financial statements are audited by the Legislative Auditor.

1. FUND ACCOUNTING

In order to ensure observance of limitations and restrictions placed on the use of the resources available, the accounts of the University are maintained in accordance with the principles of fund accounting. Such principles prescribe the manner in which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with the activities or objectives specified. Accounts are separately maintained for each fund. However, in the accompanying financial statements, funds having similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund groups. A brief description of each of the fund groups follows.

Current Funds

Current Funds are operating funds that will be expended in the near term. Such funds have two basic subgroups—unrestricted and restricted. Unrestricted current funds include all funds for operating purposes on which there are no restrictions, except the budgetary control provisions included in the annual legislative appropriations act. Restricted current funds represent those operating funds on which restrictions have been

**LSU SYSTEM FINANCIAL REPORT
NOTES TO THE FINANCIAL STATEMENTS**

FUND ACCOUNTING (cont.)

Plant Funds

The Plant Fund group contains four self-balancing subgroups. Unexpended plant funds are used for the acquisition, construction and renovation of long-lived assets for institutional purposes. Funds for renewal and replacement of auxiliary enterprise equipment are set aside from current operating revenues of auxiliary enterprises. Funds for retirement of indebtedness are to service plant indebtedness of the University. Investment in plant includes all long-lived assets of the University.

Agency Funds

This fund group represents funds in which the University acts as custodian or fiscal agent on behalf of others, such as student or faculty organizations.

2. **BASIS OF ACCOUNTING**

The financial statements of the University have been prepared on the accrual basis of accounting, except that depreciation is not recognized, annual and sick leave are recognized when paid, and inventories in the unrestricted and restricted funds are recorded as expenditures at the time of purchase. Tuition and fees for the summer session, collected in June, and faculty salaries and the related employee benefits for teaching that portion of the summer session that occurs prior to June 30, are recognized in the next fiscal year.

The Statement of Current Fund Revenues, Expenditures and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations for the period as would a statement of revenues and expenses. To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as expenditures in the case of normal acquisitions, repairs or renovations; as mandatory transfers in the case of required provisions for debt amortization and interest; and as transfers of a nonmandatory nature for all other cases.

3. **BUDGETARY PRACTICES**

The annual budget for the University's current unrestricted fund is established by annual legislative action and by Titles 17 and 39 of the Louisiana Revised Statutes. State law provides that any encumbered appropriation lapses at the end of the fiscal year; however, such funds are subject to reappropriation into the subsequent year provided certain approvals are obtained at the State level. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except as follows: leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; inventories in the unrestricted and restricted funds are recorded as expenditures at the time of purchase; and summer session tuition and fees, tax supported appropriations related thereto, and summer session faculty salaries and related benefits for June are not prorated, but are recognized in the succeeding fiscal year.

Although the other funds of the University are subject to internal budgeting, there are no requirements that budgets for such funds be submitted for approval through the legislative budget process.

4. **ENCUMBERED, UNENCUMBERED AND UNEXPENDED APPROPRIATIONS**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve fund balances, is employed by the University. Encumbrances outstanding at year end in all funds, except for the current unrestricted fund, are reported as reservations of fund balance since they do not constitute expenditures or liabilities in the year encumbered. Encumbrances in the current unrestricted fund are not reported as a reservation of fund balance because the University does not record as revenues in the current fiscal year any appropriated funds related to encumbrances outstanding at fiscal year end. Such orders are subject to reappropriation into the following fiscal year, provided certain approvals are obtained. There were no such encumbrances outstanding at June 30, 1999.

**LSU SYSTEM FINANCIAL REPORT
NOTES TO THE FINANCIAL STATEMENTS**

4. **ENCUMBERED, UNENCUMBERED AND UNEXPENDED APPROPRIATIONS** *(cont.)*

Louisiana statutes provide that any public university which adopts a preventative maintenance program approved by the Board of Regents may retain funds appropriated from the current unrestricted fund which remain unexpended and unencumbered at fiscal year end, provided that at least fifty percent of these funds are maintained in a preventative maintenance reserve fund to be used solely for preventative maintenance purposes in accordance with the approved plan. Retained funds are to be spent on nonrecurring projects subject to approval by the appropriate higher education management board, the Board of Regents, and the Joint Legislative Committee on the Budget. There were no such unencumbered and unexpended funds at June 30, 1999.

5. **CASH AND CASH EQUIVALENTS**

For reporting purposes, cash and cash equivalents include petty cash, demand deposits, time deposits, and certificates of deposit. Cash and cash equivalents are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. These pledged securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved.

6. **INVESTMENTS**

University investments include repurchase agreements, federated funds, registered common and preferred stock, registered bonds, and U.S. Government securities. Investments are stated either at amortized cost or market value, and investments received as gifts are recorded initially at market value at date of acquisition.

The University has implemented GASB 31, and all adjustments to record and report investments at fair value have been based on quoted market prices. Money market investments and participating interest earning

**LSU SYSTEM FINANCIAL REPORT
NOTES TO THE FINANCIAL STATEMENTS**

COMPENSATED ABSENCES (cont.)

Upon separation of employment, all personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, faculty and administrative/professional personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Upon retirement, any annual or sick leave not compensated for is used as credited service in either Louisiana Teachers' Retirement System or Louisiana State Employees' Retirement System.

The liability for unused annual and sick leave at June 30, 1999, computed in accordance with GASB 16, is estimated to be \$73,808,700 and \$21,109,000, respectively. This estimated liability for compensated absences is calculated on a maximum of 300 hours for each employee having accumulated annual leave, and on a maximum of 200 hours of accumulated sick leave for faculty and administrative/professional employees having at least 10 years of retirement system credit. The liability is not calculated on sick leave balances accumulated by classified employees, since lump sum payments for sick leave are made only to retiring faculty or administrative/professional employees.

A liability for compensated absences has not been recorded or reported in the accompanying financial statements. If the estimated amounts indicated above were recorded in the accompanying financial statements, \$78,240,400 would be reported in the unrestricted fund, \$2,711,100 would be reported in the auxiliary fund, and \$13,966,200 would be reported in the restricted fund.

9. DEFERRED REVENUES

Tuition and fees collected at June 30, 1999, but applicable to the 1999 summer session, and certain revenues for other programs or activities to be conducted primarily in the next fiscal year, are reported as deferred revenues. Expenses relating to such programs or activities, including the summer session, are reported in the period the tuition and fees are recognized as revenues.

B. PENSION PLANS AND MEDICARE

Substantially all employees of the University are members of the Louisiana Teachers' Retirement System, the Louisiana State Employees' Retirement System, the Optional Retirement Plan, or the Federal Civil Service Retirement System.

The Optional Retirement Plan was created effective July 1, 1990, for academic and administrative employees of public institutions of higher education, and was designed to assist universities in recruiting employees not expected to remain in the Teachers' Retirement System long enough for vesting purposes. The purpose of the Optional Retirement Plan is to provide retirement and death benefits, while affording the maximum portability of such benefits to the participants. Eligible employees make an irrevocable election to participate in the Optional Retirement Plan rather than the Teachers' Retirement System, and purchase retirement and death benefits through annuity contracts provided by certain designated companies. As a defined contribution plan, the Optional Retirement Plan provides full and immediate vesting of all contributions remitted to these designated companies on behalf of participating employees.

Employee and employer contributions for Optional Retirement Plan participants are remitted by the University to the Teachers' Retirement System. Upon receipt of such contributions, the Teachers' Retirement System pays over to the appropriate companies, on behalf of participating employees, both employee contributions and amounts equal to the actuarially determined employer portion of the normal cost contribution. The Teachers' Retirement System retains the balance of the University contribution for application to the unfunded accrued liability of the System.

**LSU SYSTEM FINANCIAL REPORT
NOTES TO THE FINANCIAL STATEMENTS**

PENSION PLANS AND MEDICARE (cont.)

During fiscal year 1998-99 employee contributions were 8% to the Teachers' Retirement System and to the Optional Retirement Plan, and 7.5% to the State Employees' Retirement System, for covered salaries and wages. For the Teachers' Retirement System and the Optional Retirement Plan, employer contributions were 16.5%, and for the State Employees' Retirement System, employer contributions were 12.4%. In addition to employee payroll deductions, the University is required to remit the employer share of retirement contributions to the appropriate retirement systems.

Public Law 99-272 requires that all employees hired after March 31, 1986, be covered by the medicare tax. Effective July 1, 1991, all employees not eligible for one of the above retirement systems contribute to Social Security and are also subject to the medicare tax.

The University does not guarantee the benefits granted by the retirement systems cited above.

C. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The University provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the University's employees become eligible for such benefits as they reach normal retirement age while working for the University. These benefits for retirees and similar benefits for active employees are provided through a state operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and by the University. The University's costs of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 1999, the costs of retiree benefits, net of participant contributions, totaled \$12,171,573.

D. FEDERAL GRANTS AND CONTRACTS

The University participates in a number of federally assisted grant programs which are reported in the Restricted Fund, and are included in the financial and compliance audit of the University performed by the Legislative Auditor of the State of Louisiana. These programs are subject to additional program compliance audits by the grantors, and all such audits for 1999 and prior years have not been conducted. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Based on prior experience, the University's management believes such disallowances, if any, will be immaterial.

E. GRANT AWARDS

Grant awards not yet funded and for which the University has not yet performed services have not been considered as assets in the financial statements. The total amount of such uncollected grant awards at June 30, 1999, is \$145,847,944.

F. CHANGES IN LONG-TERM DEBT

The following is a summary of bonds, reimbursement contracts and other long-term debt transactions of the University for the year ended June 30, 1999:

	<u>Totals</u>	<u>Bonds Payable</u>	<u>Reimbursement Contracts Payable</u>	<u>Notes Payable</u>
Outstanding at July 1, 1998.....	\$115,572,565	\$80,292,780	\$3,820,119	\$31,459,666
Added	20,454,313	19,012,566	-	1,441,747
Retired	(7,546,461)	(2,818,513)	(609,897)	(4,118,051)
Outstanding at June 30, 1999	<u>\$128,480,417</u>	<u>\$96,486,833</u>	<u>\$3,210,222</u>	<u>\$28,783,362</u>

Reimbursement contracts payable are long-term debt instruments issued by the Board of Supervisors to the Treasurer of the State of Louisiana. The purpose of the obligations is to reimburse the State (from University revenues) for its debt service payments on General Obligation Bonds issued by the State to finance certain University projects.

**LSU SYSTEM FINANCIAL REPORT
NOTES TO THE FINANCIAL STATEMENTS**

CHANGES IN LONG-TERM DEBT *(cont.)*

Included in the notes payable outstanding at July 1, 1998 and at June 30, 1999, is a loan agreement between the University and the Louisiana Public Facilities Authority (LPFA) totaling \$28,000,000. This debt is being amortized over 261 monthly installments which began in December, 1988. Interest due on this loan is computed weekly, using floating interest rates as a basis for such calculations. At June 30, 1999, the outstanding balance is \$21,262,496.

The long term debt retirement requirements for the next five fiscal years are as follows: \$13,783,772 due in fiscal 1999-00; \$12,922,188 due in fiscal 2000-01; \$14,408,442 due in fiscal 2001-02; \$10,592,607 due in fiscal 2002-03; and \$9,735,168 due in fiscal 2003-04.

G. EXPANSION OF TIGER STADIUM

The Tiger Athletic Foundation, a separate corporation created in behalf of the University's intercollegiate athletics program, issued in March, 1999, long-term debt instruments for the expansion of Tiger Stadium. The project, expected to cost \$55 million, will be completely financed by the Tiger Athletic Foundation through the sale of bonds through the Louisiana Public Facilities Authority and through a bank loan. The bonds will finance 75% of the cost of the project and the bank loan will finance the remaining balance. The University will lease the space to the Tiger Athletic Foundation for the stadium improvements, and in turn, lease the completed stadium improvements from the Tiger Athletic Foundation in accordance with the terms of a cooperative endeavor agreement. The stadium improvements will be owned by the Tiger Athletic Foundation, but upon payment of the bonds and expiration of the lease, the Tiger Athletic Foundation intends to donate the stadium improvements to the University. Revenues of the Tiger Athletic Foundation from the sale of the ticket premiums related to the stadium improvements are pledged to finance the debt service.

H. STUDENT LOAN FUNDS

The fund balances of the Student Loan Funds at June 30, 1999, are comprised of the following:

Perkins Loan Fund	\$23,665,973
Health Professions Loan Fund	8,524,053
Other Loan Funds	<u>943,732</u>
Total	<u>\$33,133,758</u>

I. ACCOUNTS RECEIVABLE

An allowance for doubtful accounts of \$254,871,000 is netted against accounts receivable on the balance sheet. This allowance relates to accounts receivable of \$483,280,000 in current funds representing amounts due from patients served at the LSU Health Sciences Center clinics and hospitals.

J. CAPITAL LEASES

The University has certain lease agreements in effect which are considered capital leases. Capital lease obligations are reported as liabilities in the Net Investment in Plant fund, as such obligations relate to the use and acquisition of plant assets. Assets acquired under such capital lease agreements amounted to \$5,995,292 at June 30, 1998, and \$7,152,883 at June 30, 1999, which balances have not been included in the Physical Plant assets reflected below in footnote K. All lease agreements contain appropriation clauses providing that continuation is subject to funding by the legislature.

CAPITAL LEASES (cont.)

The following is a schedule of future minimum lease payments under capital leases together with the present value of net minimum lease payments as of June 30, 1999.

Fiscal year ending June 30:	
2000	\$ 1,399,062
2001	1,144,037
2002	937,564
2003	457,500
2004	49,898
Total minimum lease payments	3,988,061
Less amount representing interest	(331,466)
Present value of net minimum lease payments	<u>\$ 3,656,595</u>

K. PHYSICAL PLANT

Physical plant and equipment are stated at estimated cost at June 30, 1939, plus subsequent net additions representing purchases at cost and gifts either at stated cost to donors or estimated values. Depreciation on physical plant and equipment is not recorded. Footnote J addresses capital leases and includes information on capitalized leased assets not included in the totals reflected below.

	July 1, 1998	Net Additions	June 30, 1999
Educational plant:			
Land and nonstructural improvements	\$ 112,783,497	\$ (954,526)	\$ 111,828,971
Buildings	722,797,543	48,762,715	771,560,258
Movable equipment	473,594,288	16,670,743	490,265,031
Library books	134,908,014	7,657,753	142,565,767
Total educational plant	1,444,083,342	72,136,685	1,516,220,027
Hospitals:			
Land and nonstructural improvements	24,652,337	9,802	24,662,139
Buildings	233,459,422	15,701,180	249,160,602
Movable equipment	224,436,677	(411,961)	224,024,716
Total hospitals	482,548,436	15,299,021	497,847,457
Auxiliary plant:			
Nonstructural improvements	2,423,180	2,442,409	4,865,589
Buildings	139,868,503	15,046,747	154,915,250
Movable equipment	29,521,593	1,373,346	30,894,939
Total auxiliary plant	171,813,276	18,862,502	190,675,778
Total plant investment	\$2,098,445,054	\$ 106,298,208	\$2,204,743,262

L. OTHER CONTINGENT LIABILITIES,

The University is involved in a number of lawsuits at June 30, 1999. In the opinion of legal counsel for the University, the ultimate outcome of these lawsuits cannot be determined; however, any losses, with few exceptions, would be fully covered by insurance. 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.

At June 30, 1999, the University is contingently liable for \$422,947 as guarantor of mortgage loans on sorority and fraternity houses built on University property.

M. DUE FROM PRIVATE FOUNDATIONS

Included in the Investments reported on the Balance Sheet are assets of \$39,512,659 identified in the underlying accounting records as "Due from Private Foundations." This amount represents matching funds received by the University from the State pursuant to the endowed chair and professorship programs administered by the Board of Regents, and the related unexpended earnings. These funds are held and invested by the University's foundations at June 30, 1999, under agreement with the University. These assets are considered to be an external investment pool, and are reported in the accompanying financial statements at market value, in accordance with the requirements of GASB 31.

N. REVENUE TRANSFERS

PRIOR PERIOD ADJUSTMENTS *(cont.)*

Investment in Plant Fund

As indicated above, the Baton Rouge Community College (BRCC) is no longer included as part of the LSU System, effective July 1, 1998. As a result, a prior period adjustment of \$8,170,083 has been recorded in the Investment in Plant fund to remove the net plant assets of the BRCC. The University of New Orleans moved all the bonds payable outstanding at June 30, 1998 in its Unexpended Plant fund to the Investment in Plant fund, effective July 1, 1998. As a result, a prior period adjustment of \$6,221,955 has been recorded in the Investment in Plant fund to move this liability, net of the related unamortized discount. In addition, certain capital assets of the LSU Health Sciences Center were understated at June 30, 1998. As a result, a prior period adjustment of \$5,441,492 has been recorded in the Investment in Plant fund to record such assets. Accordingly, the Investment in Plant fund balance, originally reported as \$1,994,381,631 at June 30, 1998, has been restated as \$1,985,431,085 at July 1, 1998.

Q. ACCOUNTING CHANGES

There were no accounting changes made during the year that have a material effect on the financial statements.

R. TOTAL COLUMNS ON COMBINED STATEMENTS

The total columns on the combined statements are presented only to facilitate financial analysis. Data in these columns do not necessarily present financial position or results of operations in conformity with generally accepted accounting principles, nor are such data comparable to a consolidation.

S. SUBSEQUENT EVENTS

The University entered into a master agreement for performance-based energy equipment and services with Johnson Controls, Inc. (JCI) on behalf of the University of New Orleans (UNO) on October 30, 1998. The contract provides for the design and installation of \$13,476,377 of equipment, controls, and other energy efficiency improvements by JCI and the leasing of those improvements to UNO for a term of 20 years with semiannual payments of \$588,702. The University was not obligated to make payment until the latter of April 30, 1999 or substantial completion executed by a certificate of substantial completion. As of June 30, 1999, substantial completion had not occurred. As a result, UNO did not record either the first rental payment expense or the long-term debt associated with the capital lease.

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