

Agreed-Upon Procedures Engagement

*L. S. U. Health Sciences Center
(Ernest C. and Yvette C. Villere Chair
for the Study of Retinal Degeneration Trust for
L. S. U. Medical Center)*

June 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

NOV 24 1999

Release Date _____



Bourgeois Bennett

Certified Public Accountants | Consultants
A Limited Liability Company

Agreed-Upon Procedures Engagement

L. S. U. Health Sciences Center
(Ernest C. and Yvette C. Villere Chair
for the Study of Retinal Degeneration Trust for
L. S. U. Medical Center)

June 30, 1999

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L. S. U. Health Sciences Center (Ernest C. and Yvette C. Villere Chair for the Study of Retinal Degeneration Trust for L. S. U. Medical Center)

June 30, 1999

Independent Accountant's Report On Applying Agreed-Upon Procedures

Attachment

- 1) Annual Report on the Eminent Scholar/Endowed Professorship Program prepared by L. S. U. Health Sciences Center
- 2) Investment Account Statement



Bourgeois Bennett

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Mr. Terry Ullrich
Assistant Vice-Chancellor for Administration
and Finance
L. S. U. Health Sciences Center

We have performed the procedures enumerated below, which were agreed to by the L. S. U. Health Sciences Center, solely to assist the users in evaluating L. S. U. Health Sciences Center's and the Ernest C. and Yvette C. Villere Chair for the Study of Retinal Degeneration Trust for L. S. U. Medical Center's (the Trust) assertions of compliance with the Louisiana State University System policies, applicable Louisiana Revised Statutes, the Board of Regents for Higher Education's (Board of Regents) policies relative to the Eminent Scholars Endowed Chairs Program, and the management agreement with the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (University) for the year ended June 30, 1999 relative to the Eminent Scholars Endowed Chairs Program and the Ernest C. and Yvette C. Villere Chair for the Study of Retinal Degeneration (the Villere Chair). This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose.

The following representations were made to us and our procedures and findings are as follows:

Representation 1 - Eminent Scholars Endowed Chairs Program funds are in compliance with provisions set forth in the Board of Regents Statement of Investment Policy and Objectives.

- A) For the Villere Chair for which the Board of Regents provided State matching funds in 1991, we verified that the Program Assets (investment assets including funds contributed by the Board of Regents, private funds contributed, and unexpended earnings on such funds) were maintained in a separate trust account by obtaining the Financial Statements (trust fund

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account statement that reports total assets at June 30, 1998, all transactions from July 1, 1998 to June 30, 1999, and total assets at June 30, 1999) of the Ernest C. and Yvette C. Villere Chair for the Study of Retinal Degeneration Trust for L. S. U. Medical Center (the Trust), prepared by Bank One, a co-trustee (the Bank Trustee) for the year ended June 30, 1999.

B) We obtained a schedule of investments held by the Trust from the Bank Trustee which is included in the Financial Statements. Investments are carried at cost and market value on the Financial Statements. Market value is used for all percentage calculations in this letter and on the Annual Report on the Eminent Scholar/Endowed Professorship Program (Annual Report) for the Villere Chair. We analyzed the schedule of investments and performed the following procedures:

- 1) We recomputed the amount of equity securities as a percentage of the total investment portfolio at June 30, 1999 to determine whether it was not greater than 60% as required by Board of Regents Statement of Investment Policy and Objectives Section B(2). The amount of the Trust's funds invested in equity securities at June 30, 1999 was 60.3% (calculated based on the investments held at June 30, 1999 before reduction for a payable to L. S. U. Health Sciences Center of \$107,500 for salary supplemental payments made to the Villere Chair professor by L. S. U. Health Sciences Center during the year ended June 30, 1999, and not reimbursed by the Trust by that date).
- 2) We verified that investments in equity securities are diversified by economic sector, industry, and size.
- 3) Individual fixed income securities in the schedule of investments were calculated as percentages of the total of all fixed income securities to determine whether investments with any one issuer, with the exception of investments in obligations of the U. S. Government and its agencies, do not exceed 5% of the total of the fixed income securities as required by Board of Regents Statement of Investment Policy and Objectives Section C(5). At June 30, 1999, all investments in all fixed income securities were in obligations of the U. S. Government.

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- 4) All of the investments on the investment schedule are permissible types of investments under the Board of Regents Statement of Investment Policy and Objectives.
- C) We obtained the Annual Report for the Villere Chair for the year ended June 30, 1999 (see attachment), which was prepared and submitted by Terry Ullrich, Assistant Vice-Chancellor for Administration and Finance of L. S. U. Health Sciences Center, and performed the following procedures:
- 1) We compared the gross investment earnings and the investment fees and costs for the year to the Financial Statements, recomputed the inflation (change in Consumer Price Index multiplied by the Program Assets), and recomputed the annual real total return (gross investment earnings less investment fees and costs and inflation). We recomputed the annual real total return as a percentage of Program Assets as reported on the Annual Report to verify that it is greater than or equal to 5%. The loss for the year ended June 30, 1999 combined with the annual real total return for the year ended June 30, 1998 results in an average real total return in excess of 5% for the two year period.
 - 2) We recomputed the annual spending limit for the Villere Chair as 5% of Program Assets, and compared the annual spending limit to the actual expenses for the year to verify that expenses did not exceed the annual spending limit. For the year ended June 30, 1999, \$20,147 of expenses were incurred in excess of the 5% spending limit. Over the two year period from July 1, 1997 to June 30, 1999, expenses incurred did not exceed the 5% spending limit.

Representation 2 - The Annual Report for the Eminent Scholars Endowed Chairs Program for the Ernest C. and Yvette C. Villere Chair for the study of Retinal Degeneration (the Villere Chair) submitted to the Board of Regents for Higher Education was accurate and agreed to the accounting records of the Trust as reported on the Financial Statements prepared by Bank one, the Bank Trustee.

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- A) We obtained the Annual Report for the Villere Chair for the year ended June 30, 1999. We agreed the total gross earnings on Program Assets, investment management fees (except for investment fees/charges for specific equity securities in the equity portfolio), and expenses from the Annual Report to the Financial Statements. We agreed the "total market value of Programs Assets at the end of the trust year" to the ending total assets as reported on the Financial Statements at June 30, 1999. No exceptions were noted.
- B) We recomputed each percentage calculation and column totals for mathematical accuracy. No exceptions were noted.

Representation 3 - The L. S. U. Health Sciences Center and the Trust have developed a spending plan for endowment earnings which is in compliance with Board of Regents guidelines.

- A) We obtained a copy of the Trust's spending plan for the Board of Regents Program Assets and verified that is in compliance with the Board of Regents Statement of Investment Policy and Objectives.

Representation 4 - The proceeds of the endowment (investment earnings) were used for salaries or for other expenses related to scholarly work for eligible faculty members.

- A) For expenses paid during the year ended June 30, 1999 as reported on the Financial Statements, we agreed the total for each expense from the Financial Statements to the Annual Report. For salary supplement expenditures, we agreed the total to the L. S. U. Health Sciences Center Accounting System Report indicating monthly payments, payee, date, batch number, and total paid for the fiscal year. We agreed the payee to the L. S. U. personnel status change form to verify that the total paid and payee were approved. No exceptions were noted.

Representation 5 - L. S. U. Health Sciences Center and the Trust complied with all provisions of the Management Agreement with the University.

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- A) Compliance with the policies for investment of the State portion of the endowment (matching funds) was described in Representation 1.
- B) The fees that the Bank Trustee and investment advisor charged are reported in the Financial Statements, and these fees are included in the earnings and valuation section of the Annual Report. No exception was noted.

Representation 6 - The value of the State funds held by the Trust is equal to the amount recorded in L. S. U. Health Sciences Center's books (general ledger reports for the account).

- A) For the Villere Chair, we obtained a copy of L. S. U. Health Sciences Center's general ledger report from Terry Ullrich which indicates the amount of the State matching funds deposited in the Trust and whether the State matching funds were received on or prior to June 30, 1998, or during the year ended June 30, 1999. The Trust does not separate the private portion of this endowment. We compared the amounts reported on L. S. U. Health Sciences Center's general ledger report to the total assets as reported on the Trust's financial statements as of June 30, 1999 to verify that the total assets are at least two and one-half times the amount reported on L. S. U. Health Sciences Center's general ledger report. No exception was noted.

Representation 7 - The book balances at June 30, 1999 and June 30, 1998 of the university investments held by the Trust were \$400,000 and \$400,000, respectively.

- A) We agreed the amounts noted in Representation 7 to the copies of L. S. U. Health Sciences Center's general ledger reports which indicates the amount of State matching funds provided for June 30, 1999 and 1998. No exceptions were noted.

Representation 8 - The fair values at June 30, 1999 and June 30, 1998 of the university investments held by the Trust were \$512,069 and \$630,182, respectively.

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- A) We obtained a schedule of investment cost and fair market values at June 30, 1999 and 1998 which allocates the total market value fluctuation to the private portion and the State matching funds portion (\$400,000) on a pro-rata basis and performed the following procedures:
- 1) We agreed the total cost and market values to the Financial Statements. No exceptions were noted.
 - 2) We recomputed the market value appreciation allocated to the State matching portion for each year and the total fair value of the university investments (State matching funds of \$400,000 plus pro-rata portion of total market value appreciation) for mathematical accuracy and agreed the totals to the amounts reported in Representation 8. No exceptions were noted.

Representation 9 - All investments in the Trust are invested in the following: United States Treasury Notes, United States Treasury money market account, and equity securities.

- A) We obtained a schedule of investments held by the Trust and verified that all are in the types of securities noted in Representation 9.

Representation 10 - The fair value of the Trust's investments is based on quoted market prices for investments as reported by external sources.

- A) Investments are maintained in a Trust Account at Bank One, co-trustee, and market values are obtained by Bank One from external sources. We agreed selected items to published market quotations.

Representation 11 - Investments are held in a Trust Account at Bank One, which is a federally chartered bank and subject to federal regulatory oversight. Since the Villere Chair is the only account maintained in the Trust, it owns 100% of the earnings and assets.

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- A) We obtained the Financial Statements and verified that only assets of the Villere Chair are maintained in this trust account by Bank One. There is no pooled investment account shared by more than one legal entity or account.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the management of L. S. U. Health Sciences Center and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Bougeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, LA.,
October 25, 1999.

**Annual Report on the Eminent Scholar/Endowed
Professorship Program - Ernest C. and Yvette C. Villere Chair
for the Study of Retinal Degeneration**

Prepared and
Submitted by Terry Ullrich,
Assistant Vice-Chancellor for
Administration and Finance, L. S. U. Health Sciences Center

Board of Regents

Annual Report on Eminent Scholar/Endowed Professorship Program

Institution Name: LSU Health Sciences Center

Endowment Name; Ernest C. & Yvette C. Villere Chair for the Study of Retinal Degen.

Trust Fund Year: 1999

TRUST FUND EXPENDITURES

Spending Limit:

Option 1:

Market Value of Program Assets

at end of trust year \$ \$2,514,176

 (x) 5% x 0.05

Maximum per Option 1 \$ \$125,709

OR

Option 2:

Total Gross Earnings on Program

Assets for Trust Fund Year \$ (7,382)

 (x) 65% of earnings x 0.65

Maximum per Option 2 \$ (\$4,798)

Maximum expenditures for Trust Fund Year (Option 1 or 2)

\$125,709

Less: Actual expenditures during Trust Fund Year*

(\$145,856)

(Include bank fees, brokerage fees and other investment costs)

Variance (over)/under maximum

(\$20,147)

Actual Expenditures

Salaries and Benefits

\$110,000

Travel

Operating Services

Supplies

Professional Services

\$9,000

Other Charges

Equipment

Subtotal of Trust Fund Expenditures less Investment Cost

\$119,000

Expenditures less Investment Cost as a % of the Market Value of Program Assets

4.73%

Bank and Investment Costs

\$26,856

Total actual expenditures during Trust Fund Year *

\$145,856

Board of Regents

Annual Report on Eminent Scholar/Endowed Professorship Program

Institution Name: LSU Health Sciences Center

Endowment Name; Ernest C. & Yvette C. Villere Chair for the Study of Retinal Degen.

Trust Fund Year: 1999

EARNINGS AND VALUATION

Annual Real Total Return

Gross investment earnings during the Trust Fund Year \$ (7,382)

Less: Investment fees and costs (\$26,856)

Inflation(Market Value of Program Assets (x)
change in Consumer Price Index =1.6% (\$40,227)

Annual Real Total Return (\$74,465)

Annual Real Total Return as a % of Market Value Program Assets -2.96%

Less: Total expenditures as a % of Market Value Program Assets 4.73%

Variance (over) under -7.69%

Market Value of Program Assets at end of Trust Fund Year

Market value of:

Endowment principal \$1,000,000

Unexpended earnings from current year \$0

Unexpended earnings from prior years \$1,511,077

Unexpended current year expenditure allocation \$0

Unexpended prior year expenditure allocations \$3,099

Additional contributions to endowment \$0

Total Market Value of Program Assets-end of trust year \$2,514,176

Board of Regents

Annual Report on Eminent Scholar/Endowed Professorship Program

Institution Name: LSU Health Sciences Center

Endowment Name: Ernest C. & Yvette C. Villere Chair for the Study of Retinal Degen.

Trust Fund Year: 1999

SCHEDULE OF INVESTMENTS

NOTE: This section does not have to be complete if copies of the year end trust statements containing the same information are attached.

Statement Attached

Fixed Income Portfolio - end of trust year

| Investment | Book Value | Market Value | 1999 Earnings | Bond Rating | Maturity Date | % of Total | Check if Foreign |
|------------|------------|--------------|---------------|-------------|---------------|------------|------------------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| TOTALS | \$0 | \$0 | \$0 | | | | |

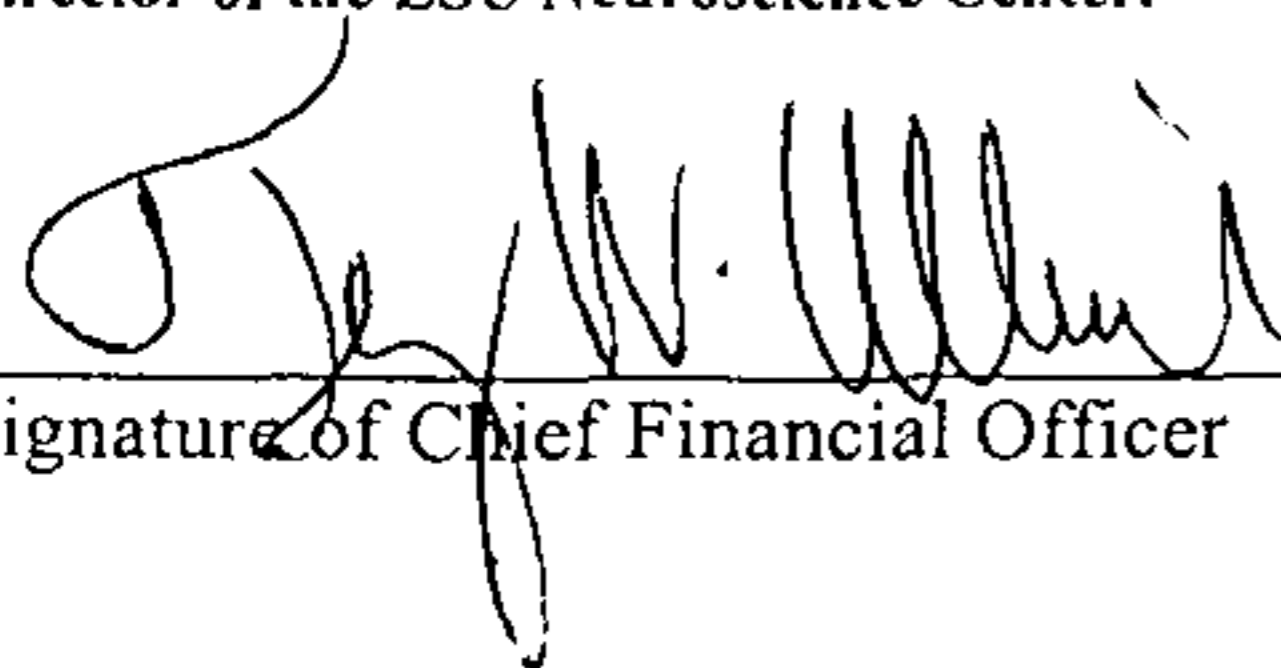
Equity Portfolio - end of trust year

| Equity / Fund Name | Manager | Book Value | Market Value | Rate of Return | Investment Fees/Charges |
|--------------------|---------|------------|--------------|----------------|-------------------------|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| TOTALS | | \$0 | \$0 | 0.00% | \$0 |

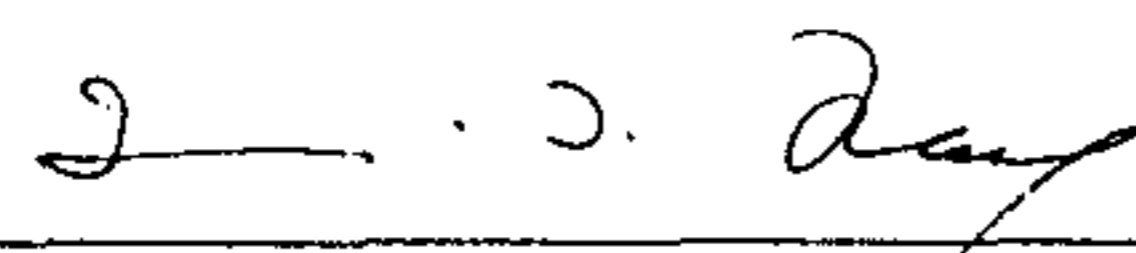
Current holder of this Chair/Professorship

Name: Nicolas Bazan, M.D., Ph.D.

Title: Boyd Professor of Biochemistry & Molecular Biology, Neurology and Ophthalmology,
Director of the LSU Neuroscience Center.



Signature of Chief Financial Officer



Signature of President/Chancellor

Investment Account Statement

**Ernest C. and Yvette C. Villere Chair for the
Study of Retinal Degeneration Trust for
L. S. U. Medical Center**

June 30, 1999

**Reconciliation of Trust Assets
to Net Program Assets**

**L. S. U. Health Sciences Center
(Ernest C. and Yvette C. Villere Chair
for the Study of Retinal Degeneration Trust
for L. S. U. Medical Center)**

June 30, 1999

| | <u>Cost</u> | <u>Fair Value</u> |
|--|---------------------|-----------------------|
| Balance of Villere Trust per Bank One Statement at June 30, 1999 | \$ 2,071,510 | \$ 2,621,676 |
| Less amount due to the LSU Health Sciences Center for unfunded salary supplement to Dr. Bazan | <u>(107,500)</u> | <u>(107,500)</u> |
| Net Program Assets | <u>\$ 1,964,010</u> | <u>\$ 2,514,176</u> |

SCHEDULE OF ASSETS
AS OF 6/30/99
VILLERE RETINAL DEGEN TRUST-LSU

VT NO. 3660047300

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| S/UNITS R VALUE | ASSET DESCRIPTION | TAX COST | MARKET VALUE | PERCENTAGE OF MARKET | ESTIMATED ANNUAL INCOME | YIELD AT MARKET/ MATURITY |
|--------------------|---|-------------|-----------------|-------------------------|-------------------------------|---------------------------------|
| INCIPAL | | | | | | |
| | CASH EQUIVALENTS | | | | | |
| 5,672.23 | ONE GROUP U.S. TREASURY SECURITIES MONEY MARKET FUND | 245,672.23 | 245,672.23 | 9.76 | 10,535.86 | 4.29 |
| | FIXED INCOME TAXABLE | | | | | |
| 3,000.00 | UNITED STATES TREAS NTS DTD 10/31/1998 4.000% DUE 10/31/2000 | 196,863.28 | 196,376.00 | 7.80 | 8,000.00 | 4.07 5.42 |
| 3,000.00 | UNITED STATES TREAS NTS DTD 05/15/1998 5.625% DUE 05/15/2001 | 199,968.75 | 200,376.00 | 7.96 | 11,250.00 | 5.61 5.51 |
| 3,000.00 | UNITED STATES TREAS NTS DTD 10/31/1997 5.75% DUE 10/31/2002 | 199,203.12 | 200,438.00 | 7.96 | 11,500.00 | 5.74 5.67 |
| 3,000.00 | UNITED STATES TREAS NTS DTD 01/31/1998 5.500% DUE 01/31/2003 | 201,324.22 | 198,626.00 | 7.89 | 11,000.00 | 5.54 5.71 |
| | TOTAL FIXED INCOME TAXABLE | 797,359.37 | 795,816.00 | 31.62 | 41,750.00 | 5.25 |
| | EQUITIES | | | | | |
| | BANKS | | | | | |
| 4,000.00 | WELLS FARGO & CO NEW | 22,727.27 | 171,000.00 | 6.80 | 3,200.00 | 1.87 |
| | CAPITAL EQUIPMENT | | | | | |
| 4,800.00 | HARMON INDS INC NEW | 45,120.00 | 95,100.00 | 3.78 | 528.00 | 0.56 |
| 6,750.00 | SCP POOL CORP | 57,150.00 | 174,656.25 | 6.94 | 0.00 | 0.00 |
| | TOTAL EQUITIES | 102,270.00 | 269,756.25 | 10.72 | 528.00 | 0.20 |

SCHEDULE OF ASSETS
AS OF 6/30/99
VILLERE RETINAL DEGEN TRUST-LSU

| SHARES/UNITS OR VALUE | ASSET DESCRIPTION | TAX COST | MARKET VALUE | PERCENTAGE OF MARKET | ESTIMATED ANNUAL INCOME | YIELD AT MARKET/MATURITY |
|-----------------------|---|------------|--------------|----------------------|-------------------------|--------------------------|
| | EQUITIES (CONT) | | | | | |
| | CONSUMER CAPITAL SPENDING | | | | | |
| 3,000.00 | LEGETT & PLATT INC | 26,325.00 | 83,437.50 | 3.32 | 1,080.00 | 1.29 |
| | CONSUMER CYCLICAL | | | | | |
| 1,900.00 | BLOCK H & R INC | 83,315.76 | 95,000.00 | 3.78 | 2,090.00 | 2.20 |
| 7,500.00 | O CHARLEYS INC CDM | 63,768.75 | 120,000.00 | 4.77 | 0.00 | 0.00 |
| 5,000.00 | PROFESSIONAL STAFF PLC SPONSORED ADR | 83,125.00 | 32,500.00 | 1.29 | 0.00 | 0.00 |
| 6,750.00 | STEWART ENTERPRISES INC CL A | 39,000.00 | 98,296.88 | 3.91 | 540.00 | 0.55 |
| | CONSUMER NON-DURABLE | | | | | |
| 2,600.00 | AMERICAN ITALIAN PASTA CO CL A | 60,160.00 | 78,975.00 | 3.14 | 0.00 | 0.00 |
| | ENERGY | | | | | |
| 3,500.00 | GULF IS FABRICATION INC | 69,480.60 | 41,781.25 | 1.66 | 0.00 | 0.00 |
| 2,500.00 | STONE ENERGY CORP | 54,375.00 | 105,937.50 | 4.21 | 0.00 | 0.00 |
| | | 123,855.60 | 147,710.75 | 5.87 | 0.00 | 0.00 |

SCHEDULE OF ASSETS
AS OF 6/30/99
VILLERE RETINAL DEGEN TRUST-LSU

JNT NO. 3660047300

| ES/UNITS OR VALUE | ASSET DESCRIPTION | TAX COST | MARKET VALUE | PERCENTAGE OF MARKET | ESTIMATED ANNUAL INCOME | YIELD AT MARKET/ MATURITY |
|------------------------|---|--------------|-----------------|-------------------------|-------------------------------|---------------------------------|
| EQUITIES (CONT) | | | | | | |
| HEALTH CARE | | | | | | |
| 3,000.00 | CERNER CORP | 68,803.20 | 62,906.40 | 2.50 | 0.00 | 0.00 |
| INDUSTRIAL COMMODITIES | | | | | | |
| 3,000.00 | PITTMAY CORP DEL CL A | 57,448.59 | 102,562.50 | 4.08 | 360.00 | 0.35 |
| TECHNOLOGY | | | | | | |
| 2,200.00 | HENRY JACK & ASSOC INC | 69,437.50 | 86,350.00 | 3.43 | 704.00 | 0.82 |
| 7,600.00 | OPTIMAL ROBOTICS CORP CL A NEW | 68,400.00 | 75,525.00 | 3.00 | 0.00 | 0.00 |
| 7,500.00 | VIITECH AMER INC | 104,153.65 | 78,750.00 | 3.13 | 0.00 | 0.00 |
| OTHER | | | | | | |
| 1,725.00 | HANCOCK HLD | 55,687.50 | 77,409.38 | 3.08 | 1,725.00 | 2.23 |
| 3,850.00 | INTERCONTINENTAL TELECOMMUNICATIONS CORP WT EXP 04/30/2002 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL EQUITIES | | | | | | |
| | | 1,028,478.82 | 1,580,187.66 | 62.79 | 10,227.00 | 0.65 |
| CASH | | | | | | |
| | | 105,134.84- | 105,134.84- | 4.18- | 0.00 | 0.00 |
| TOTAL PRINCIPAL | | | | | | |
| | | 1,966,375.58 | 2,516,541.05 | 100.00 | 62,512.86 | 2.48 |
| INCOME CASH | | | | | | |
| | | 105,134.84 | 105,134.84 | | 0.00 | 0.00 |

UNIT NO. 3660047300

SCHEDULE OF ASSETS
AS OF 6/30/99
VILLERE RETINAL DEGEN TRUST-LSU

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| ES/UNITS OR VALUE | ASSET DESCRIPTION | TAX COST | MARKET VALUE | PERCENTAGE OF MARKET | ESTIMATED ANNUAL INCOME | YIELD AT MARKET/ MATURITY |
|----------------------|-------------------|--------------|-----------------|-------------------------|-------------------------------|---------------------------------|
| | TOTAL ACCOUNT | 2,071,510.42 | 2,621,675.89 | | 62,512.86 | 2.38 |

