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LEGISLATIVE AUDITOR

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October 4, 1996

Independent Auditor's Report
on the Financial Statements

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Lafayette, Louisiana

We have audited the accompanying general purpose financial statements of the University of Southwestern Louisiana, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the University of Southwestern Louisiana. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1-K to the financial statements, the university has excluded the liability relating to compensated absences from the accompanying financial statements. In our opinion, generally accepted accounting principles require that such liability be reflected on the financial statements in the year in which the benefits accrue.

In our opinion, except for the effects of not recording the liability relating to compensated absences as discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the University of Southwestern Louisiana at June 30, 1996; the changes in fund balances; and the current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles.

**UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA**

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1996
With Supplemental Information Schedule

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UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Lafayette, Louisiana

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1996
With Supplemental Information Schedule

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

November 27, 1996

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LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain reports on internal control structure and compliance with laws and regulations required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report on internal control structure is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses. The report on compliance with laws and regulations is, likewise, based solely on the audit of the presented financial statements and presents, where applicable, compliance matters that would be material to the presented financial statements.

LEGISLATIVE AUDITOR

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Internal Control Report
October 4, 1996
Page 2

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined previously.

This report is intended for the information and use of the university's management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

DHM:MLD:dl

[USL]

LEGISLATIVE AUDITOR

UNIVERSITY OF SOUTHWESTERN LOUISIANA

STATE OF LOUISIANA

Compliance Report

October 4, 1996

Page 2

On November 29, 1988, the USL Alumni Association donated a 1988 Mastercraft boat and trailer costing \$15,000 to the university. On January 15, 1993, USL purchased a 1991 Mastercraft boat and trailer valued at \$17,000 with funds from the Alumni Association and by trading in the 1988 Mastercraft boat and trailer. On August 7, 1995, the 1991 boat and trailer were sold for \$8,000 and the proceeds were credited to the USL Alumni Association account in the USL Foundation, Incorporated. Because the boats and trailers were registered in the university's name, the deposit of \$8,000 in sales proceeds to the USL Alumni Association appears to violate the Louisiana Constitution. In addition, because of a lack of communication between departments, the 1988 boat and trailer were not removed from USL's movable property records at June 30, 1996, causing an overstatement of \$15,000.

USL management should consider requesting that the USL Alumni Association return the \$8,000 in proceeds from the sale of the boat and trailer. In a letter dated November 1, 1996, Mr. Ovey Hargrave, Jr., Vice President for Business and Finance, responded that "the donation of the 1988 Mastercraft boat and trailer was intended for the use of the USL Ski Team, which is funded through the USL Foundation. The ski team is not one of the athletic sports funded by the University. In essence, the boat and trailer were a donation to be handled through the USL Foundation. This was an unusual and isolated situation, and the boat and trailer were placed on the University's movable property inventory for the purpose of insurance coverage for the USL students involved with the ski team.

"There were no state funds involved in the initial transaction nor subsequent transactions involving the boat and trailer. The funds involved were from private sources and earmarked for a specific purpose and, therefore, were properly handled through the USL Foundation. However, in accordance with the recommendation in the audit report, the University will request the USL Alumni Association to return the \$8,000 proceeds from the sale of the boat and trailer, and these funds will be deposited in a USL Athletic Fund for use by the USL Ski Team.

"Our staff has contacted the Louisiana Property Assistance Agency for direction as to the disposition of this matter.

"The procedures regarding the proper certification of movable property inventory have been emphasized by the University administration, including a very strong letter from the President regarding the importance of this procedure. These efforts have proven fruitful, and it is felt that the existing inventory procedures are adequate and should preclude any further problems.

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Alpha Omicron Pi	\$36,656
Delta, Delta, Delta	36,656
Kappa Delta	36,656
Phi Mu	36,656
Sigma, Sigma, Sigma	36,655
Delta Sigma Theta	32,710
	<hr/>
Total	<u>\$215,989</u>

Notes receivable within the student loan funds, as shown on Statement A, are as follows:

Perkins Loans	\$8,251,443
Nursing Loans	258,389
Student Loans	25,724
	<hr/>
Total	<u>\$8,535,556</u>

4. DUE TO/FROM OTHERS

The following is a summary of amounts due to/from others at June 30, 1996:

Current funds:		
General	\$935,955	
Auxiliary Enterprise		\$162,238
Restricted		846,166
Student Loan Funds	86,851	
Endowment Fund		465,656
Unexpended Plant Fund	370,750	
Agency funds	80,504	
	<hr/>	<hr/>
Total	<u>\$1,474,060</u>	<u>\$1,474,060</u>

5. PENSION PLANS

Plan Description. Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined contributory benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974.

LEGISLATIVE AUDITOR

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Compliance Report
October 4, 1996
Page 3

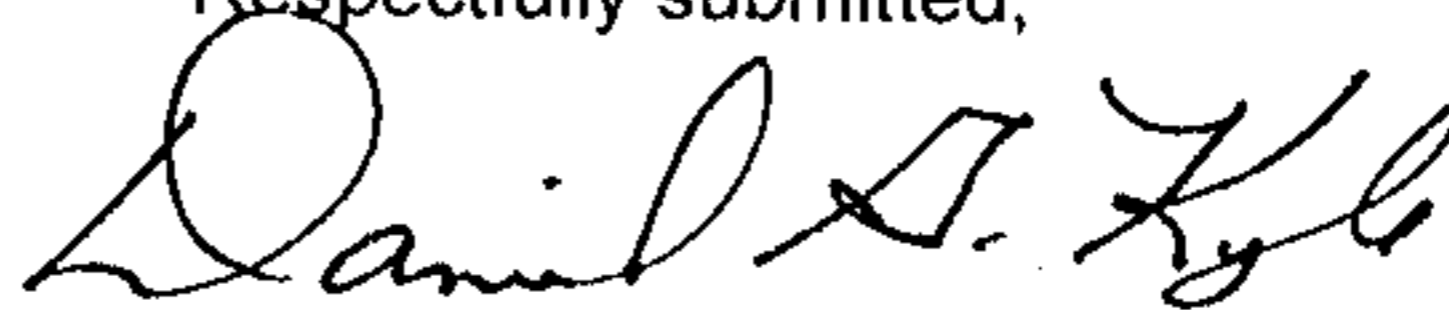
"We reiterate that the transactions involving the boat and trailer did not involve any state funds and, therefore no state laws or procedures have been violated.

"It is our feeling that the University has taken the necessary steps to ensure that further problems will not occur in our movable property inventory procedures."

We considered this instance of noncompliance in forming our opinion on whether the university's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated October 4, 1996, on those financial statements.

This report is intended for the information and use of the university's management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

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October 4, 1996

**Independent Auditor's Report on Internal Control Structure
Based Solely on an Audit of the General Purpose Financial Statements**

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Lafayette, Louisiana

We have audited the general purpose financial statements of the University of Southwestern Louisiana, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 4, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *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.

Management of the University of Southwestern Louisiana is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the University of Southwestern Louisiana for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

EXHIBIT A



OFFICE OF
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BATON ROUGE, LOUISIANA 70804-9397

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October 4, 1996

**Independent Auditor's Report on Compliance With Laws and
Regulations Material to the General Purpose Financial Statements**

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Lafayette, Louisiana

We have audited the general purpose financial statements of the University of Southwestern Louisiana, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 4, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *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.

Compliance with laws and regulations applicable to the University of Southwestern Louisiana is the responsibility of management of the university. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the university's compliance with certain provisions of laws and regulations. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed the following instance of noncompliance that, although not material to the financial statements, is required to be reported herein under *Government Auditing Standards*.

Improper Donation of Public Property

The University of Southwestern Louisiana (USL) credited the proceeds from the sale of university property to an account for the USL Alumni Association, which appears to violate Article 7, Section 14(A) of the Louisiana Constitution of 1974. Article 7, Section 14(A) states in part that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private. We also found that the university's movable property records were overstated by \$15,000, at June 30, 1996, for property no longer in the university's possession.

EXHIBIT B

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

retains the balance of the employer contribution for application to the unfunded accrued liability of the system.

Employer contributions to the optional retirement plan totaled \$2,075,581 for the year ended June 30, 1996.

**7. 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 these benefits if 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 the university. The university recognizes the cost of providing these benefits to retirees (university's portion of premiums) as an expenditure when paid during the year. These retiree benefits totaled \$1,141,652 for the year ended June 30, 1996.

8. RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. The university is involved in 44 lawsuits at June 30, 1996, in which the plaintiffs are seeking damages, all of which are handled by the Office of Risk Management.

9. COMPENSATED ABSENCES

At June 30, 1996, employees of the university have accumulated and vested \$5,215,612 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. As previously discussed, the leave payable is not recorded in the accompanying financial statements. If the financial statements were corrected for this departure from generally accepted accounting principles, \$4,163,626 would be reported in Current Funds - Unrestricted General Fund; \$463,554 would be reported in Current Funds - Unrestricted Auxiliary Funds; and \$588,432 would be reported, subject to specific criteria being met, in Restricted Funds. Also, the net increase in fund balances would be increased by \$108,030 for the year ended June 30, 1996, and an adjustment to decrease prior-year fund balances would be made for \$5,323,642.

10. LEASE OBLIGATIONS

The university does not have any capital or operating leases at June 30, 1996.

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
AGENCY FUNDS

Schedule of Individual Agency Fund Balances
For the Year Ended June 30, 1996

ACT residual testing	\$1,138
Alumni association - Alumni fee (La Louisiane)	24,669
Aerobic center	78
Art and architecture student association	8,662
Art museum	5,537
Band association fee	22,337
Book southwestern review	3,288
Chemistry laboratory breakage deposit	11,409
Choreographic design perform	180
Club sports	4,362
Concert series	126
Debate team	23,868
Geology field trip	1,113
Graduate student organization	4,878
Health service program	25,258
Health and physical education activity fee	10,171
International students testing	1,926
International student council	386
Intramural	12,195
Jazz studies	2,425
KRVS radio station:	
Regular	4,665
Reserves	54,208
L'Acadian Yearbook:	
Regular	16,639
Reserves	17,923
Lyceum fee	25,101
Motor development clinic	339
University of Southwestern Louisiana:	
Opera program	492
Percussion	2,874
Chorus	8,177
Student Government Association:	
Day care center	4,239
Student entertainment	72,106
Legal assistance fees	17,311
Reserves	38,033
Scholarship	55,417
Endowed scholarships	1,671
Student government association	6,189
Theatrics	6,261
Vermilion:	
Regular	17,339
Reserves	48,077
Publication advisor	1
Cafeteria plan administration	20,810
Other deposits	79,598
	<hr/>
Total	\$661,476
	<hr/> <hr/>

**UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULE
As of and for the Year Ended June 30, 1996**

The following supplemental information schedule presents the Schedule of Individual Agency Fund Balances for amounts included in the totals presented on Statement A for the Agency Fund.

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

whose financial statements are subject to audit by independent certified public accountants. The last audit of the foundation was for the year ended June 30, 1985; however, the Eminent Scholar and Endowed Professorship endowment funds discussed in the next paragraph have been audited for the year ended June 30, 1996.

The University of Southwestern Louisiana has contracted with the University of Southwestern Louisiana Foundation, Incorporated, to invest the university's 4 Endowed Chairs for Eminent Scholars endowment funds and 43 Endowed Professorship Program endowment funds, which were created in accordance with LSA-R.S. 17:3384. The Endowed Chairs for Eminent Scholars endowment funds are established for \$1,000,000 each, with \$600,000 of private contributions and \$400,000 of state matching portion allocated by the Board of Regents for Higher Education while the Endowed Professorship Program endowment funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. The original endowment base totaled \$8,300,000. To protect against inflation, this amount has been increased by a portion of the interest earned computed in accordance with regulations of the Board of Regents for Higher Education, bringing the endowment base to \$8,769,758. During the year ended June 30, 1996, the foundation earned \$605,980 of interest income on these endowment funds. At June 30, 1996, the foundation held in custody \$9,933,897 of Endowed Chairs for Eminent Scholars and Endowed Professorship Program funds, of which \$520,615 and \$643,524 are available for expenditure, respectively.

19. RESTRICTED FUNDS

During the year ended June 30, 1996, the restricted funds received state appropriations totaling \$1,665,491 as follows:

Louisiana Productivity Center	\$778,044
New Iberia Research Center	368,178
Apparel Computer Integrated Manufacturing Center	419,269
Educational Technology Review Center	<u>100,000</u>
Total	<u><u>\$1,665,491</u></u>

20. DEFERRED COMPENSATION PLAN

Certain employees of the University of Southwestern Louisiana participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

"Colleges and universities that follow the AICPA Industry Audit Guide, *Audits of Colleges and Universities*, should not change their accounting and reporting for depreciation of capital assets as a result of FASB Statement No. 93; the GASB has several projects under way that may affect that reporting." As reflected in note 1-D, depreciation is not currently recognized by the university.

A summary of investments in plant follows:

	Balance July 1, 1995	Additions	Deletions	Balance June 30, 1996
Land and improvement	\$12,406,205	\$25,000	\$2,242	\$12,428,963
Buildings	90,437,892	9,283,918	1,236,335	98,485,475
Equipment	42,182,947	3,340,703	6,995,027	38,528,623
Library books	21,353,616	1,361,957	16,525	22,699,048
Livestock	97,600	13,600	13,100	98,100
Total	\$166,478,260	\$14,025,178	\$8,263,229	\$172,240,209

In accordance with LSA-R.S. 39:321-332, the university has complied with the Louisiana movable property statutes.

17. AUXILIARY ENTERPRISES

The university maintains various auxiliary enterprise funds that provide services to the university community. Segment information for the year ended June 30, 1996, follows:

	Food Services	Housing	Bookstore	Student Center	Others	Total
Net increase (decrease) in fund balances	\$545,356	(\$488,542)	\$443,497	(\$222,754)	(\$163,910)	\$113,647

The individual auxiliary enterprise funds of the university are operated as divisions within the System Fund. There is no outstanding debt. Additions to plant facilities made by the auxiliary enterprise funds are recorded as a part of the university's total institutional plant.

18. FOUNDATIONS

The accompanying financial statements do not include the accounts of the University of Southwestern Louisiana Foundation, Incorporated. This foundation is a separate corporation

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

G. INVENTORIES

Inventories are valued at cost, which approximates market. The university uses a periodic inventory system and values its inventory using the first-in, first-out valuation method. Inventories in the General Fund are recorded as expenditures at the time of purchase. Year-end balances are offset by a fund balance reserve that indicates this portion of the fund balance does not constitute available spendable resources. The inventories of the auxiliary enterprise funds are expensed when sold or used.

H. DEFERRED REVENUES

Tuition and fees collected at June 30, 1996, but applicable to the 1996 summer session, are reported as deferred revenues. Expenses relating to this session are reported in the period the tuition and fees are recognized as revenues.

I. ENCUMBRANCES

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 during the year. However, at June 30, 1996, all outstanding encumbrances are canceled and are reissued during the subsequent fiscal year.

J. PLANT ASSETS

Physical plant and equipment are stated at cost at the date of acquisition, estimated cost if actual cost is not known, fair market value at date of donation in the case of gifts, or market value for livestock. Public domain or infrastructures are not capitalized. Construction in progress is not capitalized during construction based on the percent of completion. No depreciation has been provided on plant assets.

K. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified 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. The liability for unused annual leave and unused sick leave, as discussed previously in note 1, is not recorded in the accompanying financial statements.

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

11. LONG-TERM DEBT

The university does not have any long-term debt at June 30, 1996.

12. RESTATEMENT OF BEGINNING FUND BALANCE

The beginning fund balances for the Restricted Funds and the Endowment Funds have been adjusted to reflect the balance of the state's share of the endowments and income derived from the Eminent Scholars and Endowed Professorship Program endowment funds. These funds are invested by contract with the University of Southwestern Louisiana Foundation, Incorporated, and have not been reported in past years. The changes to the two funds are as follows:

	Restricted Current Funds	Endowment Funds
	<u> </u>	<u> </u>
Fund balance at June 30, 1995	\$8,693,098	\$4,378,873
Adjustment for state's share of endowment principal and income	<u>349,957</u>	<u>3,216,530</u>
Fund balance at July 1, 1995, as restated	<u><u>\$9,043,055</u></u>	<u><u>\$7,595,403</u></u>

13. RESERVATIONS OF FUND BALANCES

Reservation of fund balances at June 30, 1996, as shown on Statement A, are as follows:

	<u>Current Funds</u>		
	<u>General</u>	<u>Auxiliary Enterprises</u>	<u>Total</u>
Reserved for:			
Inventories	\$97,115		\$97,115
Replacement of printing equipment		\$80,601	80,601
Extraordinary repairs		235,883	235,883
Swimming pool construction		<u>521,998</u>	<u>521,998</u>
Total	<u><u>\$97,115</u></u>	<u><u>\$838,482</u></u>	<u><u>\$935,597</u></u>

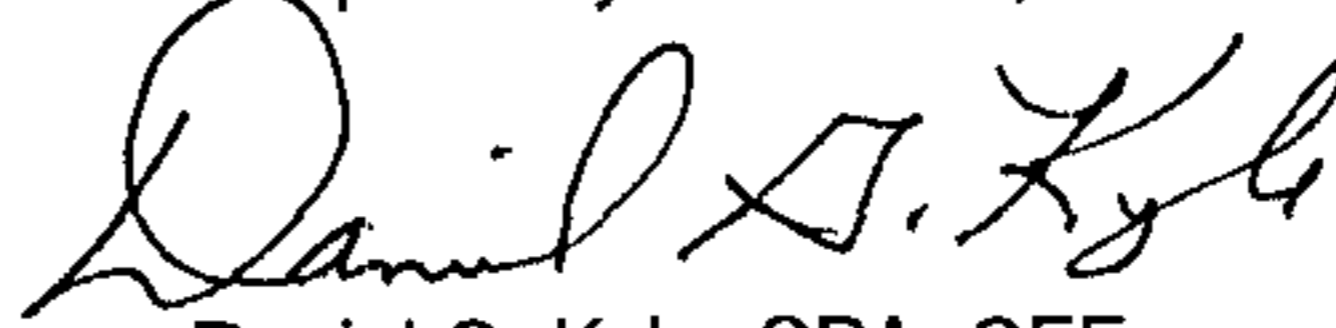
LEGISLATIVE AUDITOR

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Audit Report, June 30, 1996

We have also issued separate reports dated October 4, 1996, on internal control structure and compliance with laws and regulations as required by *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the University of Southwestern Louisiana. Such information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

DHM:MLD:dl

[USL]

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (504) 925-6446, and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (504) 922-0600.

Funding Policy. The contribution requirements of employee plan members and the university are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in Louisiana Revised Statute (LSA-R.S.) 11:102. Employees contribute 8 percent (TRS) and 7.5 percent (LASERS) of covered salaries. The state is required to contribute 16.5 percent of covered salaries to TRS and 12 percent of covered salaries to LASERS. The university's employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The university's employer contributions to TRS for the years ended June 30, 1996, 1995, 1994, were \$2,781,081, \$2,741,212, and \$2,951,461, respectively, and to LASERS for the years ended June 30, 1996, 1995, 1994, were \$1,661,545, \$1,638,085, and \$1,615,340, respectively, equal to the required contributions for each year.

6. OPTIONAL RETIREMENT SYSTEM

LSA-R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the Louisiana Teachers Retirement System (TRS) for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the university are 16.5 percent of the covered payroll. The participant's contribution (8 percent), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRS

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

L. TOTAL COLUMNS ON STATEMENTS

Total columns on the statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither is such data comparable to a consolidation.

2. CASH AND CASH EQUIVALENTS

At June 30, 1996, the university has cash and cash equivalents (book balances) of \$18,951,619 as follows:

Petty cash	\$115,579
Demand deposits	30,900
Interest-bearing demand deposits	4,136,340
Time deposits	<u>14,668,800</u>
Total	<u>\$18,951,619</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The 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 pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1996, the university has \$22,019,128 in deposits (collected bank balances). These deposits are secured from risk by \$600,000 of federal deposit insurance (GASB Category 1) and \$21,419,128 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

3. NOTES RECEIVABLE

Notes receivable in the Auxiliary Enterprise Fund represent promissory notes of six sororities to construct buildings on the university campus as follows:

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
ALL FUNDS

Statement of Changes in Fund Balances
For the Year Ended June 30, 1996

	CURRENT FUNDS		
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED
Revenues and other additions:			
Unrestricted current fund revenues	\$69,365,447	\$15,534,191	
Tuition and fees - restricted			\$4,035,704
State appropriation - restricted (note 19)			1,665,491
Federal grants and contracts - restricted			18,490,987
State grants and contracts - restricted			2,634,519
Private gifts, grants, and contracts - restricted			5,637,457
Sales and services of educational departments - restricted			522,098
Investment income - restricted			384,153
Interest on loans receivable			
State funded endowments			
Endowment income			
Additions to plant facilities			
Other sources			3,693,635
Total revenues and other additions	<u>69,365,447</u>	<u>15,534,191</u>	<u>37,064,044</u>
Expenditures and other deductions:			
Educational and general	67,572,582		35,703,150
Auxiliary enterprises		16,945,544	
Loan cancellations and write-offs			
Expended for plant facilities			
Disposal of plant facilities			
Other			
Total expenditures and other deductions	<u>67,572,582</u>	<u>16,945,544</u>	<u>35,703,150</u>
Transfers among funds - additions (deductions):			
Mandatory - loan fund matching	(116,667)		
Nonmandatory - other	(1,676,198)	1,525,000	
Total transfers among funds	<u>(1,792,865)</u>	<u>1,525,000</u>	<u>NONE</u>
Inventory decrease	4,843	NONE	NONE
Net increase for the year	4,843	113,647	1,360,894
Fund balances at beginning of year, as restated (note 12)	<u>92,272</u>	<u>2,485,194</u>	<u>9,043,055</u>
Fund balances at end of year	<u>\$97,115</u>	<u>\$2,598,841</u>	<u>\$10,403,949</u>

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
ALL FUNDS**

Balance Sheet, June 30, 1996

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
ASSETS				
Cash and cash equivalents (note 2)	\$1,222,349	\$408,302	\$8,670,594	\$570,690
Accounts receivable	17,174	771,170	2,409,741	
Notes receivable (note 3)		215,989		8,535,556
Due from private foundation				
Due from others (note 4)	935,955			86,851
Deferred charges and prepaid expenses	864,986	48,351	409,624	
Inventories	97,115	1,485,676		
Institutional plant (note 16)				
Other assets	10,000	718,967		
TOTAL ASSETS	\$3,147,579	\$3,648,455	\$11,489,959	\$9,193,097
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$405,793	\$91,904	\$193,192	
Accrued liabilities	390,552			
Due to others (note 4)		162,238	846,166	
Due to state treasury	38,716		111	
Deposits held for others	36,473	157,574		
Deferred revenues	2,178,930	637,898	46,541	
Other liabilities				
Total Liabilities	3,050,464	1,049,614	1,086,010	NONE
Fund Equity:				
Net investment in plant				
Fund balances:				
Reserved (note 13)	97,115	838,482		
Current operations - restricted		1,760,359	10,403,949	
Noncurrent operations:				
Restricted				\$9,193,097
Endowment				
Total Fund Equity	97,115	2,598,841	10,403,949	9,193,097
TOTAL LIABILITIES AND FUND EQUITY	\$3,147,579	\$3,648,455	\$11,489,959	\$9,193,097

The accompanying notes are an integral part of this statement.

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

14. STUDENT LOAN FUNDS

The fund balances of the student loan funds at June 30, 1996, are as follows:

Perkins Loans Fund	\$8,429,381
Nursing Loans Fund	324,423
Student Loans Fund	<u>439,293</u>
 Total	 <u><u>\$9,193,097</u></u>

15. ENDOWMENT FUNDS

The fund balances of the endowment funds at June 30, 1996, are as follows:

Jefferson Caffery Endowment	\$12,721
Enhancement Endowment	3,435,417
Auxiliary Enterprise Endowment	1,203,280
Nalley Distinguished Professor	180,000
Mineral Revenue Endowment	125,000
Eminent Scholars - State Share	1,721,815
Endowed Professorships - State Share	<u>1,786,088</u>
 Total	 <u><u>\$8,464,321</u></u>

16. PLANT FUNDS

The restricted fund balances of the unexpended plant funds at June 30, 1996, are as follows:

Building Use Fee Fund	\$1,942,123
Cajun Dome/Field	284,050
Mineral Lease	1,587
General Fund 94-95 Projects	<u>151,198</u>
 Total	 <u><u>\$2,378,958</u></u>

In August 1987, the Financial Accounting Standards Board (FASB) issued Statement No. 93, *Recognition of Depreciation by Not-for-Profit Organizations*, which requires not-for-profit organizations, including colleges and universities, to recognize depreciation of their long-lived tangible assets in their financial statements. In January 1988, the GASB issued Statement No. 8, which addresses the implementation of FASB Statement No. 93. Codification of Governmental Accounting and Financial Reporting Standards Section Co5.102 states that

Statement A

ENDOWMENT FUNDS	PLANT FUNDS		AGENCY FUNDS	TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	INVESTMENT IN PLANT		
\$4,956,418	\$2,008,208		\$1,115,058	\$18,951,619
			252,222	3,450,307
				8,751,545
3,973,559				3,973,559
	370,750		80,504	1,474,060
				1,322,961
				1,582,791
		\$172,240,209		172,240,209
			10,000	738,967
<u>\$8,929,977</u>	<u>\$2,378,958</u>	<u>\$172,240,209</u>	<u>\$1,457,784</u>	<u>\$212,486,018</u>
			\$7,566	\$698,455
			49,775	440,327
\$465,656				1,474,060
				38,827
			661,476	855,523
				2,863,369
			738,967	738,967
<u>465,656</u>	<u>NONE</u>	<u>NONE</u>	<u>1,457,784</u>	<u>7,109,528</u>
		\$172,240,209		172,240,209
				935,597
				12,164,308
	\$2,378,958			11,572,055
8,464,321				8,464,321
<u>8,464,321</u>	<u>2,378,958</u>	<u>172,240,209</u>	<u>NONE</u>	<u>205,376,490</u>
<u>\$8,929,977</u>	<u>\$2,378,958</u>	<u>\$172,240,209</u>	<u>\$1,457,784</u>	<u>\$212,486,018</u>

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

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, and renovations; mandatory transfers in the case of required provisions for debt amortization and interest; and as transfers of a nonmandatory nature for all other cases.

E. BUDGET PRACTICES

The appropriation made for the General Fund of the university is an annual lapsing appropriation 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 branches of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. 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 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 General Fund budgeted amounts do not include the restricted state appropriations totaling \$1,665,491, which are reported in the restricted fund. The original approved budget and subsequent amendments are approved as follows:

Original approved budget	\$73,393,181
Amendments:	
Increases in state General Fund	55,246
Reported in other funds	<u>(1,665,491)</u>
Total budgeted amounts	<u><u>\$71,782,936</u></u>

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

F. CASH AND CASH EQUIVALENTS

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits. Under state law, the university 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. Furthermore, the university may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Statement B

STUDENT LOAN FUNDS	ENDOWMENT FUNDS	PLANT FUNDS		TOTAL (MEMORANDUM ONLY)
		UNEXPENDED	INVESTMENT IN PLANT	
				\$84,899,638
\$15,500		\$388,587		4,439,791
				1,665,491
414,992				18,905,979
				2,634,519
		197,106		5,834,563
				522,098
18,722	\$272,545	101,809		777,229
160,841				160,841
	240,000			240,000
	51,373			51,373
			\$14,025,178	14,025,178
15,384	180,000	22,468		3,911,487
<u>625,439</u>	<u>743,918</u>	<u>709,970</u>	<u>14,025,178</u>	<u>138,068,187</u>
				103,275,732
				16,945,544
134,471				134,471
		514,295		514,295
			8,263,229	8,263,229
6,703				6,703
<u>141,174</u>	<u>NONE</u>	<u>514,295</u>	<u>8,263,229</u>	<u>129,139,974</u>
116,667				
	125,000	26,198		
<u>116,667</u>	<u>125,000</u>	<u>26,198</u>	<u>NONE</u>	<u>NONE</u>
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>4,843</u>
600,932	868,918	221,873	5,761,949	8,933,056
<u>8,592,165</u>	<u>7,595,403</u>	<u>2,157,085</u>	<u>166,478,260</u>	<u>196,443,434</u>
<u>\$9,193,097</u>	<u>\$8,464,321</u>	<u>\$2,378,958</u>	<u>\$172,240,209</u>	<u>\$205,376,490</u>

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
CURRENT FUNDS

Statement of Revenues, Expenditures,
and Other Changes
For the Year Ended June 30, 1996

	<u>GENERAL</u>	<u>AUXILIARY ENTERPRISES</u>	<u>RESTRICTED</u>
Revenues:			
Tuition and fees	\$27,824,387	\$710,440	\$4,035,704
State appropriations	39,565,737		1,688,224
Federal grants and contracts	3,885		18,069,751
State grants and contracts	228,000		2,987,591
Private gifts, grants, and contracts		682,049	5,346,672
Sales and services of educational departments	201,541		522,098
Sales and services of auxiliary departments		11,331,630	
Investment income	88,152	69,154	384,017
Other sources	1,453,745	2,740,918	2,669,093
Total revenues	<u>69,365,447</u>	<u>15,534,191</u>	<u>35,703,150</u>
Expenditures and transfers:			
Educational and general:			
Instruction	29,787,109		1,305,782
Research	7,763,720		14,799,423
Public service			1,833,616
Academic support	8,131,343		1,233,948
Student services	2,884,303		4,477,843
Institutional support	6,628,258		1,359,943
Operations and maintenance of plant	9,988,769		
Scholarships and fellowships	2,389,080		10,692,595
Total educational and general expenditures	<u>67,572,582</u>	NONE	<u>35,703,150</u>
Mandatory transfers for loan fund matching	116,667		
Nonmandatory transfers - other	1,676,198	(1,525,000)	
Auxiliary enterprises expenditures		16,945,544	
Total expenditures and transfers	<u>69,365,447</u>	<u>15,420,544</u>	<u>35,703,150</u>
Other deductions:			
Excess of restricted receipts over transfers to revenues			1,360,894
Inventory increase	4,843		
Net increase in fund balances	<u>\$4,843</u>	<u>\$113,647</u>	<u>\$1,360,894</u>

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 1996

INTRODUCTION

The University of Southwestern Louisiana 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 is under the management and supervision of the University of Louisiana System Board of Trustees; however, the annual budget of the university and changes to the degree programs, departments of instruction, et cetera, require the approval of the Board of Regents for Higher Education. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

The University of Southwestern Louisiana, located in Lafayette, Louisiana, had approximately 16,000 students enrolled during the 1996 spring semester and employs approximately 1,600 employees. The academic functions of the university are organized into nine undergraduate units (Applied Life Sciences; Art and Architecture; Arts, Humanities, and Behavioral Sciences; Biological, Mathematical, and Physical Sciences; Business Administration; Education; Engineering; General Studies; and Nursing), the Graduate School, University College, and the necessary support areas. The undergraduate units offer a wide range of degree programs within their disciplines. There are 31 authorized degrees at the master's level and the university also offers the Educational Specialist degree in several fields and offers the Doctor of Philosophy degree in the fields of environmental and evolutionary biology, computer science, computer engineering, English, mathematics, or statistics.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) considers both the American Institute of Certified Public Accountants (AICPA) College Guide model and the governmental model to be acceptable for accounting and financial reporting by governmental colleges and universities. The accompanying financial statements have been prepared in accordance with the AICPA College Guide model principles, except for the recognition of compensated absences. The university recognizes the liability for unused annual and sick leave when paid because major portions of the liability will be paid from the university's General Fund from future appropriations made by the Louisiana Legislature.

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The university 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) the majority of the members of the governing boards are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the university primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the University of Southwestern Louisiana, a component unit of the State of Louisiana.

Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements. The general purpose financial statements are audited by the Louisiana Legislative Auditor.

C. FUND ACCOUNTING

In order to observe the limitations and restrictions placed on the use of available resources, 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 specified activities or objectives. 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 statements have been reported by fund groups. A brief description of each fund group follows:

Current Funds

Current funds are operating funds that will be expended in the near term. Such funds have two basic sub-groups, 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 appropriation act, and include the General Fund. Restricted current funds represent those operating funds on which restrictions have been imposed that limit the purposes for which such funds can be used and include gifts, grants, or contracts from governmental or private agencies and include auxiliary enterprise funds.

UNIVERSITY OF SOUTHWESTERN LOUISIANA
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Student Loan Funds

The student loan funds group accounts for resources available for loans to students.

Endowment Funds

Endowment funds are funds with respect to which donors or other outside agencies 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 that may either be expended or added to principal.

Plant Funds

The plant funds group contains two self-balancing subgroups. Unexpended plant funds are used for the acquisition of long-lived assets for institutional purposes. Investment in plant includes all long-lived assets of the university. Certain plant assets are provided directly by the state and are funded by general obligation bonds of the state. While the plant assets are included in the financial statements, the general obligation bonds are not since they are funded by the state treasurer.

Agency Funds

Agency funds are deposits in which the university acts as custodian or fiscal agent on behalf of others, such as student or faculty organizations and workshops.

D. BASIS OF ACCOUNTING

The financial statements of the university have been prepared on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) annual and sick leave are recognized when paid; (3) summer school tuition and fees and faculty salaries and related benefits for June are not prorated but are deferred to the succeeding year; and (4) inventories of the General Fund are recorded as expenditures at the time of purchase.

The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds relating to the current reporting period. It does not purport to present the results of operations (net income or loss) for the period as would a statement of revenues and expenses.