

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

University of Southwestern Louisiana  
State of Louisiana  
Lafayette, Louisiana

December 17, 1997



*Financial and Compliance Audit Division*

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*Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor*

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

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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, 1997  
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 Lafayette Parish Clerk of Court.

December 17, 1997

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, 2007  
With Supplemental Information Schedule

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KARLENE KYLL, PH.D., CPA, CMA  
LEGISLATIVE AUDITOR

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November 3, 1997

Integrated 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, 1997, as listed in the foregoing table of contents. Those 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 accompanying general purpose financial statements related to above present fairly, in all material respects, the financial position of the University of Southwestern Louisiana at June 30, 1997, 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.

LEGISLATIVE AUDITOR

UNIVERSITY OF SOUTHWESTERN LOUISIANA  
STATE OF LOUISIANA  
Audit Report, June 30, 1997

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 1997, on our consideration of the University of Southwestern Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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. Kyles, CPA, CFE  
Legislative Auditor

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UNIVERSITY OF SOUTHWESTERN LOUISIANA  
STATE OF LOUISIANA  
ALL FUNDS

Balance Sheet, June 30, 1997

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
<b>ASSETS</b>				
Cash and cash equivalents (note 2)	\$20,487	\$1,750,070	\$2,064,148	\$1,360,000
Investments (note 2)			7,288,474	
Accounts receivable	32,650	711,229	2,990,000	
Notes receivable (note 4)		195,098		\$1,000,000
Due from other institutions				
Due from others (note 4)	2,000,000			59,875
Deferred charges and prepaid expenses	994,957	629,664	100,000	
Prepaids	624,280	1,375,000		
Intangible plant (note 10)				
Other assets	75,000	848,290		
<b>TOTAL ASSETS</b>	<b>\$3,127,364</b>	<b>\$4,679,351</b>	<b>\$5,162,618</b>	<b>\$3,080,875</b>
<b>LIABILITIES AND FUND-EQUITY</b>				
<b>Liabilities:</b>				
Accounts payable	\$481,870	\$380,848	\$200,881	
Accounts receivable	383,264			
Due to others (note 4)		600,000	281,843	
Due to other auxiliary	70,000			
Deposits held for others	78,399	854,000		
Deferred revenues	2,114,818	477,213	71,489	
Other liabilities				
<b>Total Liabilities</b>	<b>\$3,068,311</b>	<b>\$1,912,861</b>	<b>\$572,213</b>	<b>\$268,875</b>
<b>Fund Equity:</b>				
Notional fund in plant				
<b>Fund Reserves:</b>				
Reserves (note 10)	100,000	1,091,668		
Current operations:				
Unrestricted		2,175,000		
Restricted			1,000,000	
Noncurrent operations:				
Restricted				\$268,875
Endowment (note 10)				
Capital endowment - restricted (note 10)				
<b>Total Fund Equity</b>	<b>100,000</b>	<b>2,027,000</b>	<b>1,000,000</b>	<b>\$268,875</b>
<b>TOTAL LIABILITIES and Fund Equity</b>	<b>\$3,168,311</b>	<b>\$3,939,861</b>	<b>\$1,572,213</b>	<b>\$268,875</b>

The accompanying notes are an integral part of this statement.

ENCUMBRANCE FUNDS	PLANT FUNDS		ADDITIONAL FUNDS	TOTAL MEMORANDUM ORDERS
	REVENUES	EXPENDITURE IN PLANT		
\$13,774	\$4,263		\$1,238,893	\$1,880,243
\$4,827,888	\$1,898,788		\$77,887	\$5,804,563
			\$84,822	3,884,888
				3,800,066
	\$4,774			4,882,289
			\$8,888	2,222,426
				1,881,000
		\$177,488,884		1,488,887
			\$8,888	\$77,488,884
			\$8,888	\$88,888
\$4,827,888	\$1,898,888	\$177,488,884	\$1,877,887	\$222,877,888
			\$28,777	\$88,888
				\$88,888
\$884,288			\$88,888	2,222,426
				\$8,888
			\$88,888	1,222,888
				2,888,000
			\$87,777	\$88,888
\$884,288	\$888	\$888	\$877,888	\$2,877,888
		\$177,488,884		\$77,488,884
				1,222,888
				2,222,888
				1,222,888
	\$1,884,888			\$1,222,877
\$277,777				\$277,777
\$277,888				\$277,888
\$2,888,888	\$1,884,888	\$77,488,884	\$888	\$4,488,877
\$4,827,888	\$1,898,888	\$177,488,884	\$1,877,887	\$222,877,888



UNIVERSITY OF SOUTHWESTERN LOUISIANA  
STATE OF LOUISIANA  
ALL FUNDS

Statement of Changes in Fund Balances  
For the Year Ended June 30, 1997

	CURRENT FUNDS		
	GENERAL	ENTERPRISES	POST MO/TCO
<b>Revenues and other additions:</b>			
Unrestricted current fund revenues			
Tuition and fees - restricted	571,000,000	145,200,000	64,200,000
State appropriation - restricted (Title IX)			1,000,000
Federal grants and contracts - restricted			10,400,000
State grants and contracts - restricted			2,800,000
Private gifts, grants, and contracts - restricted			8,547,000
State allocations of educational departments - restricted			500,000
Investment income - restricted			400,000
Interest of funds receivable			
State tuition endowments			200,000
Employment income			200,000
Addition to plant facilities			
Other sources			6,000,000
Total revenues and other additions	571,000,000	145,200,000	86,100,000
<b>Expenditures and other deductions:</b>			
Educational and general	50,000,000		27,200,000
Building operations		17,100,000	
Loan cancellations and write-offs			
Expended for plant facilities			
Expended for plant facilities			
Other			
Interdependencies and other deductions	50,000,000	17,100,000	27,200,000
<b>Transfers among funds - additions (deductions):</b>			
Mandatory - loan fund matching	60,000		
Nonmandatory - other	(1,000,000)	1,000,000	
Total transfers among funds	(940,000)	1,000,000	600,000
<b>Inventory increase</b>	600	600	600
<b>Net increase for the year</b>	60,000	600,000	1,000,000
<b>Fund balances at beginning of year</b>	10,000	2,000,000	10,000,000
<b>Fund balances at end of year</b>	70,000	2,600,000	11,000,000

The accompanying notes are an integral part of this statement.



UNIVERSITY OF SOUTHWESTERN LOUISIANA  
STATE OF LOUISIANA  
CURRENT FUNDS

Statement of Revenues, Expenditures,  
and Other Changes  
For the Year Ended June 30, 1967

	GENERAL	AUXILIARY	RESTRICTED
	ACCOUNTS	ACCOUNTS	ACCOUNTS
<b>Revenues:</b>			
Tuition and fees	\$27,195,000	800,000	\$4,000,000
State appropriations	49,054,000		1,000,000
Federally grants and contracts	3,731		1,041,000
State grants and contracts			2,133,000
Private gifts, grants, and contracts	300	100,000	6,400,100
Fees and services of educational departments	208,000		613,000
Auxiliary enterprise revenue		12,000,000	
- equipment income	60,000	75,400	400,000
- customer income			80,000
Other revenues	1,300,000	2,000,000	3,100,000
Total revenues	<u>71,853,000</u>	<u>12,200,000</u>	<u>27,223,000</u>
<b>Expenditures and transfers:</b>			
Educational and general:			
- instruction	31,707,000		1,000,000
- research	6,000,000		10,000,000
- public service			2,000,000
- academic support	6,000,000		1,000,000
- student services	2,000,000		4,000,000
- institutional support	2,700,000		1,000,000
- operations and maintenance - physical	6,700,000		
- scholarships and fellowships	2,000,000		10,000,000
- other	500,000		
Total educational and general expenditures	<u>70,207,000</u>	<u>6,000</u>	<u>27,223,000</u>
Non-auxiliary transfers for interfund matching	60,000		
Non-auxiliary transfers - other	1,500,000		
Total transfers	<u>1,560,000</u>	<u>6,000</u>	<u>60,000</u>
Auxiliary enterprises:			
- expenditures		17,000,000	
- non-auxiliary transfers - other		(1,000,000)	
Total auxiliary enterprises	<u>60,000</u>	<u>16,000,000</u>	<u>60,000</u>
Total transfers	<u>1,620,000</u>	<u>16,006,000</u>	<u>27,223,000</u>
<b>Other activities:</b>			
- excess of restricted funds rep.			1,000,000
- transfers to revenues			
- transfers to assets	6,000		
Net increase in total assets	<u>6,000</u>	<u>600,000</u>	<u>21,244,000</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, 1997

**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 Lake Charles, Louisiana, had approximately 15,500 students enrolled during the 1997 spring semester and employs approximately 1,800 employees. The academic functions of the university are organized into nine undergraduate units (Applied Life Sciences; The Arts; Liberal Arts; Biological, Mathematical, and Physical Sciences; Business Administration; Education; Engineering; General Studies; and Housing), 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 29 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, Francophone studies, 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**

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 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 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 trust 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 provided 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 custodial funds revenues, expenditures, and other changes is a statement of financial activities of custodial 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.

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 lump-sum appropriation established by legislative action and by Title 29 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 provided 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 \$1,905,491, which are reported in the restricted fund. The budgeted amounts include the original approved budget and subsequent amendments approved as follows:

Original approved budget	\$74,060,712
Amendments:	
Favorable adjustments	(1,879,099)
Increases in state General Fund	4,823,899
Reported in other funds	<u>(1,885,491)</u>
Total budgeted amounts	<u>\$75,099,164</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  
AND INVESTMENTS**

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

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

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.

In accordance with Louisiana Revised Statute (R.S.) 48:327(C)(3), the university is authorized to invest funds in direct United States Treasury obligations. These investments are United States Treasury securities and obligations and are reported at cost, which approximates market on the balance sheet.

**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 of the line 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, 1997, but applicable to the 1997 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, 1997, all outstanding encumbrances are canceled and are released 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 infrastructure are not capitalised. Construction in progress is not capitalized during construction based on the period of completion. No depreciation has been provided on plant assets.



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

**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 20 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 5, is not recorded in the accompanying financial statements.

**L. TOTAL COLLUMS ON STATEMENTS**

Total collumns on the statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these collumns 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, 1997, the university has cash and cash equivalents (bank balances) of \$6,660,262 as follows:

Petty cash	\$120,769
Demand deposits	76,808
Interest-bearing demand deposits	3,571,610
Time deposits	<u>3,091,075</u>
Total	<u>\$6,860,262</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, 1997, the university has \$5,085,736 in deposits (collected bank balances). These deposits are secured from risk by \$766,821 of federal deposit insurance (GAOIG Category 1) and \$7,089,916 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GAOIG Category 3).

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

3. INVESTMENTS

At June 30, 1987, the university has investments with carrying and market values totaling \$18,010,268 and \$18,187,370, respectively. The investments are United States Government Agency Obligations issued in the name of the university and held in the trust department of a custodial bank selected by the university, which is considered to be Category 1 in applying the credit risk of GASB Codification Section 150.104.

4. NOTES RECEIVABLE

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

Alpha Omicron Pi	\$35,000
Delta, Delta, Delta	35,000
Kappa Delta	35,000
Phi Kappa	35,000
Sigma, Sigma, Sigma	35,000
Delta Sigma Theta	<u>35,000</u>
Total	<u>\$205,000</u>

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

Perkins Loans	\$7,600,480
Murphy Loans	253,841
Student Loans	<u>78,280</u>
Total	<u>\$8,132,601</u>

5. DUE FROM/Others

The following is a summary of amounts due from/others at June 30, 1987:

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

	<u>Due From</u>	<u>Due To</u>
Current funds:		
General	\$2,065,530	
Auxiliary Enterprise		\$827,000
Restricted		291,213
Student Loan funds	69,810	
Endowment Fund		604,208
Unexpended Plant Fund	\$1,774	
Agency funds		503,125
	<u>                    </u>	<u>                    </u>
Total	<u>\$2,227,126</u>	<u>\$2,227,126</u>

6. 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 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. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 15 years of service. Article 10, Section 29 of the Louisiana 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 84123, Baton Rouge, Louisiana 70804-8123, or by calling (504) 825-8448, and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (504) 822-8500.

*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 R.S. 11:102. Employees contribute 6 percent (TRS) and 7.5 percent (LASERS) of covered salaries. The state is required to contribute 10.3 percent of covered salaries to TRS and 12.4 percent of covered salaries to LASERS. The university's employer contributions 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, 1997, 1998, 1999, were \$2,632,335, \$2,781,091, and \$2,741,212, respectively, and to LASERS for the years ended June 30, 1997, 1998, 1999, were \$1,720,078, \$1,661,846, and \$1,638,065, respectively, equal to the required contributions for each year.

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

**7. OPTIONAL RETIREMENT SYSTEM**

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 decision 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 15.3 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 retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer and employee contributions to the optional retirement plan totaled \$2,268,054 and \$1,122,626, respectively, for the year ended June 30, 1997.

**8. 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 \$1,302,600 for the year ended June 30, 1997.

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

**9. 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's, the agency responsible for the state's risk management program, or by General Fund appropriation. The university is involved in 37 lawsuits at June 30, 1997, in which the plaintiffs are seeking damages, all of which are handled by the Office of Risk Management.

**10. COMPENSATED ABSENCES**

At June 30, 1997, employees of the university have accumulated and vested \$5,579,552 of employee leave benefits, which was computed in accordance with GASB Codification Section C89. 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, \$4,428,522 would be reported in Current Funds - Unrestricted General Fund; \$403,524 would be reported in Current Funds - Unrestricted Auxiliary Funds; and \$747,548 would be reported, subject to specific criteria being met, in Restricted Funds. Also, the net increase in fund balances would be decreased by \$553,040 for the year ended June 30, 1997, and an adjustment to decrease prior-year fund balances would be made for \$5,215,612.

**11. LEASE OBLIGATIONS**

The university does not have any capital or operating leases at June 30, 1997.

**12. LONG-TERM DEBT**

The university does not have any long-term debt at June 30, 1997.

**13. RESERVATIONS OF FUND BALANCES**

Reservations of fund balances at June 30, 1997, as shown on Statement A, are as follows:

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

	Current Funds		Total
	General	Auxiliary Enterprise	
Reserved for:			
Inventories	\$103,383		\$103,383
Replacement of printing equipment		77,793	77,793
Extraordinary repairs		235,883	235,883
Swimming pool construction		775,320	775,320
Total	<u>\$103,383</u>	<u>\$1,091,006</u>	<u>\$1,194,389</u>

14. STUDENT LOAN FUNDS

The fund balances of the student loan funds at June 30, 1987, are as follows:

Parkins Loans Fund	\$9,757,624
Nursing Loans Fund	323,265
Student Loans Fund	<u>477,363</u>
Total	<u>\$9,558,252</u>

15. ENDOWMENT FUNDS

The fund balances of the endowment funds at June 30, 1987, are as follows:

Endowment:	
Eminent Scholars - State Share	\$1,751,900
Endowed Professorships - State Share	3,290,900
Jefferson Caffery Endowment	13,496
Sadie Kahn Kapslow Endowment	<u>70,000</u>
Subtotal	<u>4,826,296</u>
Quasi-endowment - restricted:	
Enhancement Endowment	3,887,001
Auxiliary Enterprise Endowment	<u>1,290,329</u>
Mineral Revenue Endowment	<u>129,836</u>
Subtotal	<u>4,877,166</u>
Total	<u>\$9,549,648</u>

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

16. PLANT FUNDS

The restricted fund balances of the unexpended plant funds at June 30, 1987, are as follows:

Building Use Fee Fund	\$2,367,631
Cajun Dome/Field	201,911
Mineral Lease	1,687
General Fund	<u>33,478</u>
Total	<u>\$2,694,685</u>

In August 1987, the Financial Accounting Standards Board (FASB) issued Statement No. 89, 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 1993, the GASB issued Statement No. 8, which addresses the implementation of FASB Statement No. 89. Codification of Governmental Accounting and Financial Reporting Standards Section CoS.100 states that "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. 89; 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 changes in investments in plant follows:

	Balance July 1, 1986	Additions	Deletions	Balance June 30, 1987
Land and Improvements	\$12,428,885			\$12,428,885
Buildings	98,489,475	\$2,771,411		101,260,886
Equipment	38,528,833	2,787,848	\$1,688,798	39,627,883
Library books	22,688,848	1,215,812	5,185	23,909,475
Livestock	88,180	38,235	38,280	88,135
Total	<u>\$172,243,221</u>	<u>\$6,793,294</u>	<u>\$1,691,139</u>	<u>\$177,435,376</u>

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

**UNIVERSITY OF SOUTHWESTERN LOUISIANA  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

**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, 1987, follows:

	Fund Balance	Receipts	Expenses	Market Value	Other	Total
Revenues-generated in institutional	\$200,004	\$207,000	\$488,000	\$200,000	\$80,100	\$600,104

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 whose financial statements are subject to audit by independent certified public accountants. The foundation has been audited for the year ended June 30, 1987.

The University of Southwestern Louisiana has contracted with the University of Southwestern Louisiana Foundation, Incorporated, to invest the university's four Endowed Chairs for Eminent Scholars endowment funds and 15 Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:304. 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 \$80,000 of private contributions and \$20,000 of state matching portion allocated by the Board of Regents for Higher Education. The original endowment base totaled \$2,500,000. 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 \$10,520,751. During the year ended June 30, 1987, the foundation earned \$872,394 of interest income on these endowment funds. At June 30, 1987, the foundation held in custody \$11,031,471 of Endowed Chairs for Eminent Scholars and Endowed Professorship Program funds, of which \$810,148 and \$862,572 are available for expenditures, respectively.

**19. RESTRICTED FUNDS**

During the year ended June 30, 1987, the restricted funds received state appropriations totaling \$1,905,481 as follows:



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

Louisiana Productivity Center	\$778,044
New Iberia Research Center	388,178
Agropur Computer Integrated Manufacturing Center	419,250
Educational Technology Review Center	100,000
Micro-Business Development Center	<u>300,000</u>
Total	<u>\$1,985,491</u>

**38. 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  
SUPPLEMENTAL INFORMATION SCHEDULE  
As of and for the Year Ended June 30, 1997

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  
AGENCY FUNDS

Schedule of Individual Agency Fund Balances  
For the Year Ended June 30, 1997

ACT residual testing	5651
Alumni Association:	
Regular	49,637
Alumni fee (La. Louisiana)	54,702
Aerobic center	42
Art and architecture student association	12,910
Art museum	15,043
Band association fee	45,153
Book southwestern online	3,505
Chemistry laboratory book/age deposit	12,979
Choreographic design perform	209
Club sports	3,257
Concert series	2,202
Debate team	20,357
Geology field trip	1,099
Graduate student organization	1,829
Health and physical education activity fee	13,541
International students testing	2,435
International student council	41
Intramural	11,315
Jazz studies	3,851
KRVS Radio Station:	
Regular	1,595
Reserves	54,423
L'Acadian Yearbook:	
Regular	(575)
Reserves	35,815
Lycium fee	27,741
Motor development clinic	487
University of Southwestern Louisiana:	
Percussion	1,148
Chorus	8,079
Orchestra	623

(Continued)

UNIVERSITY OF SOUTHWESTERN LOUISIANA  
 STATE OF LOUISIANA  
 AGENCY FUNDS  
 Schedule of Individual Agency Fund Balances, 1987

Student Government Association:	
Day care center	91,809
Student entertainment	73,147
Legal assistance fees	24,800
Reserves	48,017
Scholarship	37,488
Endowed scholarships	37,559
Theatrics	14,880
The Vermilion:	
Regular	8,240
Reserves	50,573
Publication advisor	3,400
Cafeteria plus administration	25,544
Other deposits	<u>85,000</u>
 Total	 <u><u>8790,386</u></u>

(Concluded)

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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



EMILE A. D'ARCY, JR., CPA, CFF  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-0390

1200 NORTH THIRD STREET  
FIRST FLOOR SUITE 400  
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PHONE: (504) 383-2000  
FAX: (504) 383-2000

November 3, 1997

**Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of the Financial Statements  
Performed in Accordance With Government Auditing Standards**

**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, 1997, and have issued our report thereon dated November 3, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the University of Southwestern Louisiana's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 over financial reporting and its operation that we consider to be material weaknesses.

**EXHIBIT A**

LEGISLATIVE AUDITOR

UNIVERSITY OF SOUTHWESTERN LOUISIANA  
STATE OF LOUISIANA  
Compliance and Internal Control Report  
November 5, 1997  
Page 2

This report is intended for the information and use of the university and its 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

DLC:DLH:8

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