

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Tech University
State of Louisiana
Ruston, Louisiana

December 1, 1999



Financial and Compliance Audit Division

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

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**LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
Ruston, Louisiana**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1999
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 and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

December 1, 1999

**LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA**

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1999
With Supplemental Information Schedule

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OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

November 10, 1999

Independent Auditor's Report
on the Financial Statements

LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
Ruston, Louisiana

We have audited the accompanying general purpose financial statements of Louisiana Tech University, a component unit of the State of Louisiana, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of management of Louisiana Tech University. 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Tech University as of June 30, 1999; 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 1999, on our consideration of Louisiana Tech University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

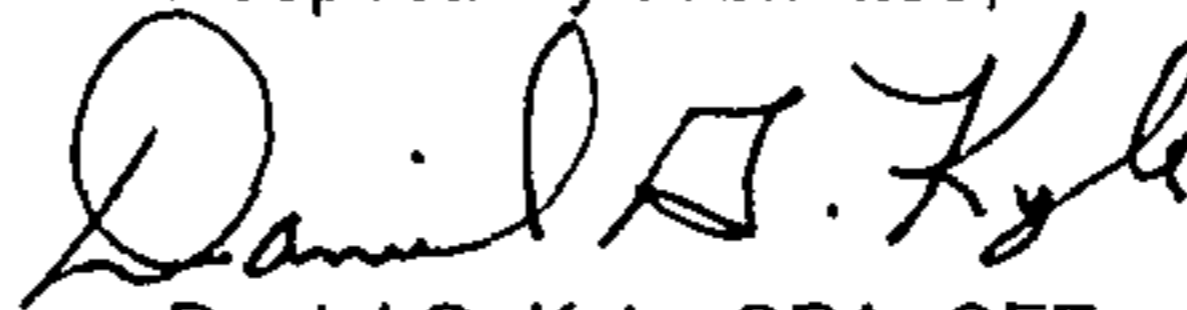
Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of Louisiana Tech University. 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 financial statements taken as a whole.

LEGISLATIVE AUDITOR

LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
Audit Report, June 30, 1999

The Year 2000 supplementary information on page 31 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Louisiana Tech University is or will become Year 2000 compliant, that the university's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the university does business are or will become Year 2000 compliant.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

CAC:MAN:DSP:dl

[LTU]

**LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
BALANCE SHEET - ALL FUNDS**

For the Year Ended June 30, 1999

	CURRENT FUNDS			STUDENT LOAN FUNDS	ENDOWMENT FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED		
ASSETS					
Cash and cash equivalents		\$1,805,995	\$2,834,365	\$10,291	\$20,939
Investments	\$2,867,667	2,997,883	558,385	150,092	7,993,587
Accrued interest (net)				105,125	
Accounts receivable (net)	48,404	423,601	2,056,090	1,042	
Notes receivable (net)				6,695,622	
Due from state treasury					
Due from private foundations					
Due from other campuses					
Due from other funds	379,023		1,031,144		
Deferred charges and prepaid expenses	893,486	228,607	49,485		
Inventories	460,097	1,271,920	13,131		
Other assets					
Institutional plant					
Assets under capital lease					
TOTAL ASSETS	\$4,648,677	\$6,728,006	\$6,542,600	\$6,962,172	\$8,014,526
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$1,183,707	\$207,214	\$641,046		
Accrued liabilities	594,606	129,992	65,924		
Due to state treasury	1,666				
Due to other funds		47,762			
Deposits held for others			6,849		
Deferred revenues	2,408,601	552,458	117,568		
Notes payable					
Compensated absences payable	3,795,445	549,290	629,445		
Bonds payable					
Obligations under capital leases					
Matured bonds and interest payable					
Total Liabilities	7,984,025	1,486,716	1,460,832	NONE	NONE
Fund Equity:					
Net investment in plant					
Fund balances - reserved	460,097	1,271,920	980,407		
Current operations - unrestricted	(3,795,445)				
Current operations - restricted		3,969,370	4,101,361		
Noncurrent operations:					
Restricted				\$6,962,172	
Endowment					\$8,014,526
Total Fund Equity	(3,335,348)	5,241,290	5,081,768	6,962,172	8,014,526
TOTAL LIABILITIES AND FUND EQUITY	\$4,648,677	\$6,728,006	\$6,542,600	\$6,962,172	\$8,014,526

The accompanying notes are an integral part of this statement.

PLANT FUNDS					
UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	AGENCY FUNDS	TOTAL (MEMORANDUM ONLY)
\$86,584	\$894,182	\$1,530,257		\$234,791	\$7,417,404
	810,644	687,181		210,702	16,276,141
				77,429	182,554
243,244				1,636,489	4,408,870
					6,695,622
					1,410,167
		32,638			1,204,416
					1,745,148
		104,553			104,553
			\$194,616,637		194,616,637
			434,311		434,311
<u>\$329,828</u>	<u>\$1,704,826</u>	<u>\$2,354,829</u>	<u>\$195,050,948</u>	<u>\$2,159,411</u>	<u>\$234,495,823</u>
\$279,494	\$3,586	\$24,412		\$21,823	\$2,361,282
				63,191	853,713
					1,666
				1,362,405	1,410,167
				711,992	718,841
					3,078,627
			\$136,428		136,428
			16,132,341		4,974,180
			298,222		16,132,341
					298,222
		104,553			104,553
<u>279,494</u>	<u>3,586</u>	<u>128,965</u>	<u>16,566,991</u>	<u>2,159,411</u>	<u>30,070,020</u>
			178,483,957		178,483,957
	150,000	621,268			3,483,712
					(3,795,445)
					8,070,731
50,334	1,551,240	1,604,576			10,168,322
					8,014,526
<u>50,334</u>	<u>1,701,240</u>	<u>2,225,864</u>	<u>178,483,957</u>	<u>NONE</u>	<u>204,425,803</u>
<u>\$329,828</u>	<u>\$1,704,826</u>	<u>\$2,354,829</u>	<u>\$195,050,948</u>	<u>\$2,159,411</u>	<u>\$234,495,823</u>

**LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA**

**Statement of Changes in Fund Balances
For the Year Ended June 30, 1999**

	CURRENT FUNDS			STUDENT LOAN FUNDS	ENDOWMENT FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED		
Revenue and other additions:					
Unrestricted current fund revenues	\$58,189,341				
Tuition and fees - restricted			\$5,318,050		
Federal grants and contracts - restricted			8,363,792	\$74,093	
State grants and contracts - restricted			2,549,708		
Local grants and contracts - restricted			534,963		
Private gifts, grants, and contracts - restricted			2,651,869		
Sales and services of educational departments			300,734		
Investment income - restricted			48,952	12,265	
State funded endowments					\$508,499
Endowment income			45,760		72,550
Sales and services of auxiliary departments		\$22,320,108	6,000		
Interest on loans receivable				157,605	
Retirement of indebtedness					
Additions to plant facilities					
Other sources			250,172	71,500	
Total revenues and other additions	<u>58,189,341</u>	<u>22,320,108</u>	<u>20,070,000</u>	<u>315,463</u>	<u>581,049</u>
Expenditures and other deductions:					
Educational and general	56,549,806		18,736,751		
Auxiliary enterprises	1,952,026	18,911,631	158,012		
Expended for plant facilities					
Administrative and collection costs				873	
Loan cancellations and write-offs				235,761	
Retirement of indebtedness					
Interest on indebtedness					
Refunded to grantors	182				
Disposal of plant facilities					
Compensated absences	67,631	39,140	23,637		
Other					
Total expenditures and other deductions	<u>58,569,645</u>	<u>18,950,771</u>	<u>18,918,400</u>	<u>236,634</u>	<u>NONE</u>
Transfers among funds - additions (deductions):					
Mandatory:					
Principal and interest		(2,514,164)			
Loan fund matching grants			(24,698)	24,698	
Renewals and replacements		(15,000)			
Other	312,673	12,679	(325,352)		
Nonmandatory:					
Capital improvements					
Renewals and replacements		(100,000)	(61,401)		
Other			26,360		(26,360)
Total transfers among funds	<u>312,673</u>	<u>(2,616,485)</u>	<u>(385,091)</u>	<u>24,698</u>	<u>(26,360)</u>
Inventory increase	<u>16,745</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
Net increase (decrease) for the year	(50,886)	752,852	766,509	103,527	554,689
Fund balances (deficit) at July 1, 1998	<u>(3,284,462)</u>	<u>4,488,438</u>	<u>4,315,259</u>	<u>6,858,645</u>	<u>7,459,837</u>
Fund balances (deficit) at June 30, 1999	<u>(\$3,335,348)</u>	<u>\$5,241,290</u>	<u>\$5,081,768</u>	<u>\$6,962,172</u>	<u>\$8,014,526</u>

The accompanying notes are an integral part of this statement.

Statement B

PLANT FUNDS				TOTAL
UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	(MEMORANDUM ONLY)
				\$58,189,341
	\$168,993	\$327,000		5,814,043
\$1,776,772		113,349		10,328,006
931,999				3,481,707
				534,963
3,498				2,655,367
				300,734
	476	186,881		248,574
				508,499
				118,310
				22,326,108
				157,605
			\$9,322,115	9,322,115
		7,637,396	9,500,341	17,137,737
3,326				324,998
<u>2,715,595</u>	<u>169,469</u>	<u>8,264,626</u>	<u>18,822,456</u>	<u>131,448,107</u>
				75,286,557
				21,021,669
2,721,287	402,852			3,124,139
				873
				235,761
		9,322,115		9,322,115
		1,206,835		1,206,835
				182
			1,424,538	1,424,538
				130,408
			7,792,709	7,792,709
<u>2,721,287</u>	<u>402,852</u>	<u>10,528,950</u>	<u>9,217,247</u>	<u>119,545,786</u>
		2,514,164		
	15,000			
4,129		(4,129)		
	1,364,572	(1,203,171)		
	85,739	(85,739)		
<u>4,129</u>	<u>1,465,311</u>	<u>1,221,125</u>	<u>NONE</u>	<u>NONE</u>
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>16,745</u>
(1,563)	1,231,928	(1,043,199)	9,605,209	11,919,066
51,897	469,312	3,269,063	168,878,748	192,506,737
<u>\$50,334</u>	<u>\$1,701,240</u>	<u>\$2,225,864</u>	<u>\$178,483,957</u>	<u>\$204,425,803</u>

LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
CURRENT FUNDS

Statement of Revenues, Expenditures,
and Other Changes
For the Year Ended June 30, 1999

	<u>GENERAL</u>	<u>AUXILIARY ENTERPRISES</u>	<u>RESTRICTED</u>
Revenues:			
Tuition and fees	\$20,446,808	\$4,383,949	\$4,245,215
State appropriations	34,680,100		
Federal appropriations	2,369		
Governmental grants and contracts:			
Federal grants and contracts	10,000		8,323,518
State grants and contracts			2,891,997
Local grants and contracts			534,963
Private gifts, grants, and contracts			2,656,180
Sales and services of educational departments	425,371		300,734
Sales and services of auxiliary departments	43,620	17,675,812	6,000
Endowment income			45,760
Investment income	201,988	260,347	48,952
Other sources	2,379,085		250,172
Total revenues	<u>58,189,341</u>	<u>22,320,108</u>	<u>19,303,491</u>
Expenditures and transfers:			
Educational and general:			
Instruction	24,064,461		5,065,002
Research	5,287,499		4,203,871
Public service			3,775
Academic support	5,369,037		1,536,142
Student services	2,706,409		1,072,372
Institutional support	5,936,132		538,744
Operations and maintenance of plant	7,215,302		
Scholarships and fellowships	5,289,560		6,316,845
Compensated absences	67,631		23,637
Other	681,406		
Total educational and general expenditures	<u>56,617,437</u>	<u>NONE</u>	<u>18,760,388</u>

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA TECH UNIVERSITY
 STATE OF LOUISIANA
 CURRENT FUNDS
 Statement of Revenues, Expenditures,
 and Other Changes, 1999

	<u>GENERAL</u>	<u>AUXILIARY ENTERPRISES</u>	<u>RESTRICTED</u>
Expenditures and transfers: (Cont.)			
Mandatory transfers for:			
Principal and interest		\$2,514,164	
Loan fund matching grants			\$24,698
Other	(\$312,673)	2,321	325,352
Nonmandatory transfers for:			
Renewals and replacements		100,000	61,401
Other			(26,360)
Auxiliary enterprise expenditures	1,952,026	18,950,771	158,012
Total expenditures and transfers	<u>58,256,790</u>	<u>21,567,256</u>	<u>19,303,491</u>
Other additions (deductions):			
Excess of restricted receipts over transfers to revenue			766,509
Inventory increase	16,745		
Other	(182)		
Net increase (decrease) in fund balances	<u>(\$50,886)</u>	<u>\$752,852</u>	<u>\$766,509</u>

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 1999

INTRODUCTION

Louisiana Tech University 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.

Louisiana Tech University is located in Ruston, Louisiana. The university offers associate, baccalaureate, and selected masters, specialists, and doctorate degrees in the areas of business, education, liberal arts, the sciences, engineering, and engineering-related technologies. Student enrollment was approximately 4,707 (summer 1998), 9,653 (fall 1998), 8,786 (winter 1998), and 8,650 (spring 1999). The university has approximately 368 faculty and 764 support staff members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) recognizes two models for college and university accounting and financial reporting in GASB Statement No. 15: the American Institute of Certified Public Accountants (AICPA) College Guide model and the Governmental model established by the National Council on Governmental Accounting. The accompanying financial statements have been prepared in accordance with the AICPA College Guide model principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Therefore, the accompanying financial statements of the university contain sub-account information of the various funds of 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) a 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 revenue for the General Fund; (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 Louisiana Tech University, a component unit of the State of Louisiana.

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

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 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 includes the Auxiliary Enterprise Fund and gifts, grants, or contracts from governmental or private agencies.

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.

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

Plant Funds

The plant funds group contains four self-balancing subgroups. Unexpended plant funds are used for the acquisition of long-lived assets for institutional purposes. Funds for renewals and replacements are set aside from current operating revenues for the renewal and replacement of auxiliary enterprise properties. Funds for retirement of indebtedness are to service plant indebtedness of the university. 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) summer school tuition and fees and faculty salaries and related benefits for June are not prorated but are deferred to the succeeding year; and (3) 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.

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

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

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 budget amounts for the 1998-1999 year include the original approved budgets and subsequent amendments approved as follows:

<u>1998-1999</u>	
Original approved budget	\$58,986,946
Preamble addition	(734,040)
Amendments:	
Increase in appropriation from state General Fund	1,179,985
Increase in Minority Scholarships	<u>157,955</u>
 Total	 <u><u>\$59,590,846</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 and, therefore, are not presented.

**F. CASH AND CASH EQUIVALENTS
AND INVESTMENTS**

Cash includes cash on hand, demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include money market mutual funds and 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.

In accordance with Louisiana Revised Statute (R.S.) 49:327(C)(3), the university is authorized to invest funds in direct U.S. Treasury obligations. These investments are U.S. Treasury securities and are reported at market on the balance sheet. In addition, the university owns donated investments that include mutual fund shares, stocks, bonds, and diamonds. These investments are stated at market value.

G. INVENTORIES

Inventories are valued at the lower of cost or market. The university uses a perpetual inventory system for its general stores and postage inventory and a periodic inventory system for all other inventories. The university values its inventory using the weighted-average method for the general stores, face value for postage, retail for the bookstore, and first-in, first-out (FIFO) for all others. Inventories in the General Fund are recorded as expenditures at the time of purchase. The inventories of the auxiliary enterprise and restricted funds are expensed when sold or consumed. Year-end balances are offset by a fund balance reserve that indicates this portion of the fund balance does not constitute available spendable resources.

H. DEFERRED REVENUES

Tuition and fees collected at June 30, 1999, but applicable to the 1999 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. Encumbrances outstanding at year-end in all funds, except for the General Fund, are reported as reservations of fund balance since they do not constitute expenditures or liabilities in the year encumbered. Encumbrances of the General Fund are not included in the financial statements because the university does not have the ability to finance the liquidation of encumbrances after June 30, 1999, as provided by R.S. 39:82.

J. PLANT ASSETS

Physical plant and equipment are stated at cost at the date of acquisition, fair market value at date of donation in the case of gifts, or market value for livestock. Public domain or infrastructures are not capitalized. 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. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

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Notes to the Financial Statements (Continued)

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. Act 343 of 1993 allows members of the Louisiana State Employees Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave that would otherwise have been used to compute years of service for retirement. 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 is recorded in the accompanying financial statements.

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the classified employee's hourly rate of pay at termination or transfer.

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, 1999, the university has cash and cash equivalents (book balances) totaling \$7,417,404 as follows:

Cash on hand	\$54,153
Demand deposits	(1,544,315)
Interest-bearing demand deposits	450,446
Money market accounts	2,943,471
Money market mutual funds	5,509,534
Time deposits	<u>4,115</u>
Total	<u><u>\$7,417,404</u></u>

These deposits are stated at cost, which approximates market.

The overdraft shown in demand deposits is the amount of checks outstanding at June 30, 1999, drawn on zero-balance checking accounts for which there are rights of offset against money market accounts in the same banks. The banks transfer cash from money market accounts to these demand accounts to cover each check as it clears. The deposit balance in the money

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Notes to the Financial Statements (Continued)

market account at each bank exceeds the outstanding checks drawn on the zero-balance accounts in the bank.

Under state law, all deposits (or 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 university or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1999, the university has \$3,437,150 in deposits (collected balances). These deposits are secured from risk by \$272,942 of federal deposit insurance (GASB Category 1) and \$3,164,208 by pledged securities held in the name of the university by custodial banks acting as agents of the university (GASB Category 1).

Also included in cash and cash equivalents are money market mutual funds totaling \$5,509,534 that do not require collateralization because they are not subject to credit risk as deposits.

3. INVESTMENTS

At June 30, 1999, the university has investments totaling \$16,276,141, which are listed on the following page. Investments in securities are categorized to indicate the level of credit risk assumed by the university. The investments are reported at fair value as required by GASB Statement 31. Investments held by the private foundation in external investment pools are managed in accordance with the terms outlined in a management agreement executed between the university and the foundation. At year-end, all of the university's investments in securities are in Category 1, which includes securities that are insured or registered by the issuer in the name of the university. Risk categorization does not apply to certain other types of university investments that are listed as follows as uncategorized.

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Notes to the Financial Statements (Continued)

	<u>Market Value</u>	<u>Fund</u>
Investments held by the university:		
Category 1:		
Equity Stock	\$29,048	Endowment
U. S. Treasury notes and bonds	9,566,184	Various
Uncategorized:		
Diamonds	8,239	Endowment
Mutual Funds	16,367	Endowment
Investments held by Private Foundation - Uncategorized - External Investment Pools	<u>6,656,303</u>	Various
Total	<u><u>\$16,276,141</u></u>	

4. ACCRUED INTEREST

Accrued interest is shown on Statement A net of allowance for doubtful accounts as follows:

<u>Fund</u>	<u>Accrued Interest</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Statement A</u>
Student Loan Agency	\$187,938	\$82,813	\$105,125
	<u>77,429</u>		<u>77,429</u>
Total	<u><u>\$265,367</u></u>	<u><u>\$82,813</u></u>	<u><u>\$182,554</u></u>

5. ACCOUNTS RECEIVABLE

Accounts receivable are shown on Statement A net of an allowance for doubtful accounts as follows:

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Notes to the Financial Statements (Continued)

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Statement A</u>
General	\$48,404		\$48,404
Auxiliary	423,601		423,601
Restricted	2,056,090		2,056,090
Student Loan	1,042		1,042
Unexpended Plant Agency	243,244		243,244
	<u>1,697,728</u>	<u>\$61,239</u>	<u>1,636,489</u>
Total	<u>\$4,470,109</u>	<u>\$61,239</u>	<u>\$4,408,870</u>

6. NOTES RECEIVABLE

Notes receivable within the student loan funds are shown on Statement A net of an allowance for uncollectibles as follows:

<u>Fund</u>	<u>Notes Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Statement A</u>
Perkins Loans	<u>\$7,187,859</u>	<u>\$492,237</u>	<u>\$6,695,622</u>

Funds available for lending by the Federal Perkins Loan Fund is provided by restricted federal and state contributions and interest on notes receivable.

7. 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 10 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 94123, Baton Rouge, Louisiana

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Notes to the Financial Statements (Continued)

70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of 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 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 16.5% of covered salaries to TRS and 12.4% 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, 1999, 1998, and 1997, were \$1,975,231, \$2,037,636, and \$2,076,011, respectively, and to LASERS for the years ended June 30, 1999, 1998, and 1997, were \$1,347,299, \$1,324,598, and \$1,242,871, respectively, equal to the required contributions for each year.

8. 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 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% of the covered payroll. The participant's contribution (8%), 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 an actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system.

Employer contributions to the optional retirement plan total \$1,738,542, for the year ended June 30, 1999.

**9. 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, for 495 retirees, totaled \$1,225,124 for the year ended June 30, 1999.

10. 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 26 lawsuits at June 30, 1999. All of these lawsuits are insured by the Office of Risk Management.

11. COMPENSATED ABSENCES

At June 30, 1999, employees of the university have accumulated and vested \$4,974,180 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

**12. ON-BEHALF PAYMENTS FOR FRINGE
BENEFITS AND SALARIES**

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. For example, a nongovernmental fund-raising foundation affiliated with a governmental university may supplement salaries of certain university faculty. Those payments constitute on-behalf payments for purposes of reporting by the university if they are made to the faculty members in their capacity as employees of the university (GASB 24).

The amount of on-behalf payments for fringe benefits and salaries included in the accompanying financial statements totaled \$300,035 for fiscal year 1999. The following on-behalf payments that are contributions to a pension plan for which the university is not legally responsible are:

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Notes to the Financial Statements (Continued)

<u>Contributor</u>	<u>Pension Plan</u>
Louisiana Tech University Foundation	Bank One Division

13. LEASE OBLIGATIONS

Capital Leases

The university records items under capital leases as an asset and obligation in the accompanying financial statements. The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments at June 30, 1999:

Year ending June 30:	
2000	\$99,268
2001	91,744
2002	90,384
2003	44,164
Total minimum lease payments	<u>325,560</u>
Less - amount representing interest	<u>(27,338)</u>
Present value of net minimum lease payments	<u><u>\$298,222</u></u>

Operating Leases

The annual rental payments for noncancelable operating leases during the next fiscal year are presented as follows:

<u>Nature of Operating Lease</u>	
Office space	\$13,846
Equipment	48,073
Land	31,026
Other - software	47,114
Total	<u><u>\$140,059</u></u>

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Notes to the Financial Statements (Continued)

14. LONG-TERM DEBT

The following is a summary of bond transactions of the university for the year ended June 30, 1999:

Bonds payable at July 1, 1998	\$17,674,456
For the year ended June 30, 1999:	
Bonds retired	(9,322,115)
Bonds issued	<u>7,780,000</u>
Bonds payable at June 30, 1999	<u>\$16,132,341</u>

A detailed summary of all debt outstanding for the year ended June 30, 1999, including interest payments of \$5,118,726, is as follows:

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 1998</u>
Revenue Fund System Bonds:			
1962 Dormitory	April 1, 1962	\$2,014,000	\$97,000
1963 Dormitory	April 1, 1963	3,200,000	100,000
1965 Student Housing and Dining Hall	April 1, 1965	4,750,000	2,715,000
1966 Student Union and Housing	April 1, 1966	4,200,000	1,515,000
Academic Facilities Extension			
Use Fee Revenue Bonds:			
Series A	July 1, 1969	838,000	94,000
Series B	July 1, 1972	4,750,000	3,550,000
Intramural Complex General			
Obligation Bonds - Series C	September 1, 1978	450,000	171,951
Dormitory Renovation General Obligation			
Demand Bonds - Series 1991 - A and B	July 31, 1984	6,385,000	4,011,505
Revenue Refunding Bonds:			
1995 Series	March 30, 1995	5,020,000	3,565,000
1996 Series	May 15, 1996	2,510,000	1,855,000
1999 Series	June 1, 1999	<u>7,780,000</u>	
Total		<u>\$41,897,000</u>	<u>\$17,674,456</u>

<u>Redeemed (Issued)</u>	<u>Outstanding June 30, 1999</u>	<u>Final Maturity Year</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 1999</u>
\$85,000	\$12,000	2000	3.50%	\$420
100,000		Retired	3.75%	
2,715,000		Defeased	3.85%	
1,515,000		Defeased	4.875-5.0%	
45,000	49,000	2000	3.00%	735
110,000	3,440,000	2012	5.9-6.25%	1,741,223
25,610	146,341	2004	5.125-5.2%	19,785
4,011,505		Defeased	Variable	
450,000	3,115,000	2005	4.75-6.65%	715,370
265,000	1,590,000	2004	5.3-6.2%	304,793
(7,780,000)	7,780,000	2008	3.25-4.5%	2,336,400
<u>\$1,542,115</u>	<u>\$16,132,341</u>			<u>\$5,118,726</u>

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Notes to the Financial Statements (Continued)

The annual requirements to amortize bonds outstanding at June 30, 1999, including interest of \$5,118,726, are as follows:

2000	\$1,745,683
2001	1,997,095
2002	1,997,742
2003	2,002,566
2004	1,998,240
Subsequent years	<u>11,509,741</u>
Total	<u><u>\$21,251,067</u></u>

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 1999:

<u>Bond Issue</u>	<u>Cash/ Investment Reserves Available</u>	<u>Reserve Requirement</u>	<u>Excess</u>
Revenue Fund System Bonds	\$198,800	\$198,800	
Academic Facilities Bonds	940,777	389,650	\$551,127
Intramural Complex Bonds	32,838	32,838	
Total	<u><u>\$1,172,415</u></u>	<u><u>\$621,288</u></u>	<u><u>\$551,127</u></u>

The 1962 Revenue Fund System Bond agreement requires that, after all required deposits have been made to the Revenue Fund System Bonds Retirement of Indebtedness Fund, a sum of \$15,000 per annum be transferred to the Renewals and Replacement Fund until that reserve totals \$150,000. At June 30, 1999, the university obligated \$1,551,240 as provided in the bond agreement. The cash reserve available at June 30, 1999, is \$1,701,240.

On May 28, 1999, the Board of Supervisors for the University of Louisiana System authorized the defeasement of two Revenue Fund System Bonds and the Dormitory Renovation General Obligation Bond issue, which are due in fiscal years 1999-2005 (\$3,835,965) and 1999-2004 (\$3,648,180), with the issuance of a \$7,780,000 1999 Series Revenue Refunding Bond issue. The refunding issue was approved by the State Bond Commission under application No. 99-35 on May 20, 1999. The cost of issuance (including bond insurance, surety premium and underwriter's discount) totaled \$230,224. The bonds are considered fully defeased as of June 1, 1999, at which time the liability for that portion of the bonds was removed from the Investment in Plant Fund.

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Notes to the Financial Statements (Continued)

The following table enumerates the principal balances of previously outstanding bond issues considered defeased at June 30, 1999:

<u>Bond Issue</u>	<u>Date</u>	<u>Maturity Date</u>	<u>Amount Defeased</u>	<u>Outstanding at June 30, 1999</u>
1965 Student Housing and Dinning Hall	April 1, 1965	Various	\$2,425,000	\$2,425,000
1966 Student Union and Housing	April 1, 1966	Various	1,350,000	1,350,000

The Dormitory Renovation General Obligation Demand Bonds - Series 1991 - A and B, outstanding principal totaling \$3,624,893, were issued by the State of Louisiana. The university was notified by the State Treasury that the obligation related to this issue was satisfied in full. Any outstanding debt for this issue would be reported in the State of Louisiana's Comprehensive Annual Financial Report (CAFR) at June 30, 1999.

The university did not refund the prior bond issues to achieve a savings. The university refunded the prior obligations to provide annual cash flow relief (aggregate \$4,740,000 over the next 5 years) and to free up reserve funds (approximately \$1,200,000), which were established in connection with the prior obligations, in order to use those monies to finance immediate dormitory renovations. The university considers this to be less expensive than borrowing through a new bond issue to accomplish the same goal. The refunding bonds resulted in an economic loss (difference between the present value of the old debt service payments and the new debt) of \$99,954.

15. GENERAL FUND - DUE TO STATE TREASURY

As shown by Statement A, the General Fund has a total of \$1,666 due to the state treasury at June 30, 1999. This amount, after adjustment, should be remitted to the state treasury as follows:

Current-year unexpended appropriation	\$182
Income not available	<u>1,484</u>
Total due to state treasury	<u><u>\$1,666</u></u>

16. RESERVATIONS OF FUND BALANCES

Reservations of fund balances at June 30, 1999, as shown on Statement A, are as follows:

LOUISIANA TECH UNIVERSITY
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Notes to the Financial Statements (Continued)

	<u>Encumbrances</u>	<u>Inventories</u>	<u>Bond Indentures</u>	<u>Total</u>
Current Funds:				
General		\$460,097		\$460,097
Auxiliary Enterprises		1,271,920		1,271,920
Restricted	\$967,276	13,131		980,407
Plant Funds:				
Renewals and Replacements			\$150,000	150,000
Retirement of Indebtedness			621,288	621,288
Total	<u>\$967,276</u>	<u>\$1,745,148</u>	<u>\$771,288</u>	<u>\$3,483,712</u>

17. FUND EQUITY (Deficit)

Fund balances (deficit) at June 30, 1999, as shown on Statement A, are as follows:

	<u>Unrestricted</u>	<u>Internally Designated</u>	<u>Internally Restricted</u>	<u>Externally Restricted</u>	<u>Total</u>
Current Funds:					
General	(\$3,795,445)	\$460,097			(\$3,335,348)
Auxiliary Enterprises			\$5,241,290		5,241,290
Restricted			3,617,937	\$1,463,831	5,081,768
Noncurrent Funds:					
Student Loan Funds				6,962,172	6,962,172
Endowment Funds				8,014,526	8,014,526
Plant Funds:					
Unexpended Plant			50,334		50,334
Renewals and Replacements			1,551,240	150,000	1,701,240
Retirement of Indebtedness				2,225,864	2,225,864
Total	<u>(\$3,795,445)</u>	<u>\$460,097</u>	<u>\$10,460,801</u>	<u>\$18,816,393</u>	<u>\$25,941,846</u>

As shown on Statement A, as of June 30, 1999, the General Fund has a deficit of \$3,335,348 as a result of accounting for compensated absences in accordance with GASB Codification Section C60. This deficit will be liquidated with future financial resources.

18. STUDENT LOAN FUNDS

The fund balances of the student loan funds at June 30, 1999, are as follows:

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Notes to the Financial Statements (Continued)

Perkins Loans	\$6,868,333
Emergency Loan Fund	50,000
Vivan Wood Pearson Loan Fund	37,292
Sarah Standifer Gunby Loan Fund	1,025
Tech Loan Fund	<u>5,522</u>
Total	<u><u>\$6,962,172</u></u>

19. PLANT FUNDS

The restricted fund balances of the Unexpended Plant and Renewals and Replacements funds at June 30, 1999, are as follows:

Unexpended Plant:	
Mize Truck and Field Improvements	\$334
Auditorium enhancements	<u>50,000</u>
Total	<u><u>\$50,334</u></u>
Renewals and Replacements:	
Parking construction and repairs	\$233,929
Telephone system maintenance	283,668
Recreational repair and replacement	1,311
Repair and Replacement Dormitories	<u>1,032,332</u>
Total	<u><u>\$1,551,240</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, "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.

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A summary of investment in plant follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land and improvements	\$10,397,340	\$44,506		\$10,441,846
Buildings	124,022,452	5,943,716		129,966,168
Equipment	35,488,898	4,328,287	\$1,404,708	38,412,477
Library books	13,152,405	966,782	19,830	14,099,357
Construction in progress	3,914,050	3,426,588	5,209,538	2,131,100
Total	\$186,975,145	\$14,709,879	\$6,634,076	\$195,050,948

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

20. AUXILIARY ENTERPRISES

The university maintains various auxiliary enterprise funds that provide services to the university community. Segment information for the year ended June 30, 1999, is shown as follows:

	Food Service	Housing	Bookstore	Student Center	Athletics	Other	Total
Net increase (decrease) in fund balances	\$139,722	\$513,155	\$392,156	\$200,309	\$70,417	(\$562,907)	\$752,852
Net income	305,655	1,934,917	490,912	575,758	64,914	(76,168)	3,295,988
Net assets	(101,099)	2,454,249	3,411,399	2,887,008	184,298	(3,594,565)	5,241,290
Outstanding principal and interest on debt	1,114,576	9,179,901	603,690	2,194,976		2,926,966	16,020,109
Annual principal and interest on debt	165,933	1,306,762	100,413	376,795		564,261	2,514,164

21. FOUNDATIONS

The accompanying financial statements do not include the accounts of Louisiana Tech University Foundation or the Louisiana Tech University Alumni Association. These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

Louisiana Tech University has contracted with the Louisiana Tech Foundation to invest the university's 7 Endowed Chairs for Eminent Scholars endowment funds and 56 Endowed Professorship Program endowment funds, which were created in accordance with 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. The Endowed Professorship Program endowment

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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 \$12,600,000. 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 \$13,190,192 at June 30, 1998. During the year ended June 30, 1999, the foundation earned \$1,256,346 of interest income on these endowment funds. At June 30, 1999, the foundation held in its custody \$16,640,758 of Endowed Chairs for Eminent Scholars and Endowed Professorship Programs funds. The university's 40% portion, totaling \$6,653,303, is included in investments on Statement A in the Endowment Fund and on Schedule 1.

22. DEFERRED COMPENSATION PLAN

Certain employees of the university 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.

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

The following pages contain supplementary information as required by *Technical Bulletin 98-1*, issued by the Governmental Accounting Standards Board (GASB) in October 1998. The provisions of the GASB technical bulletin, effective for financial statements dated after October 31, 1998, require disclosures in the notes to the financial statements about the governmental entity's readiness in addressing Year 2000 issues for its computer systems and other electronic equipment. In March 1999, GASB issued *Technical Bulletin 99-1*, which allowed the disclosure of Year 2000 issues in required supplementary information.

**LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 1999**

YEAR 2000 ISSUE

Pursuant to GASB *Technical Bulletins 98-1 and 99-1* and Executive Orders MJF-96-50 and MJF-98-04, Louisiana Tech University has engaged in a concerted effort to identify and assure that its mission critical software and electronic systems are Year 2000 compliant. Mission critical systems are identified in the chart on the following page. The chart identifies each stage of work and whether that stage is complete. The stages are as follows:

Awareness Stage - The organization encompasses establishing a budget and project plan (e.g., a time line or chart noting major tasks and due dates) for dealing with Year 2000 issue.

Assessment Stage - The organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of those systems. An organization may decide to review all system components or, through risk analysis, identify only mission critical systems, and equipment critical to conducting operations.

Remediation Stage - The organization actually makes changes to systems and equipment. This stage deals primarily with the technical issues of converting existing systems or switching to compliant systems. During this stage, decisions are made on how to address Year 2000 system or equipment issues, and the required changes are made.

Validation/Testing Stage - The organization validates and tests changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the test results show anomalies, the tested area needs to be corrected and retested.

The university's mission critical systems are in the following stages of work:

**LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
Year 2000 Issues (Concluded)**

<u>Functional Systems</u>	<u>Awareness Stage</u>	<u>Assessment Stage</u>	<u>Remediation Stage</u>	<u>Validation/ Testing Stage</u>
Operating Systems Software/ Hardware VM	C	C	C	C
Production Data:				
Human Resources	C	C	C	C
SIS	C	C	C	C
Bookstore	C	C	C	C
FIS	C	C	C	C
Student Accounts	C	C	C	C

C = Complete
P = In process
A = To be addressed

Year 2000 compliance of software can be confirmed only to the degree that the vendor assures it as such. Completion of these stages is not a guarantee that systems and equipment will be Year 2000 compliant. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter.

Amounts Committed - Year 2000 Disclosure

Significant amounts of resources expended to mission critical systems for the fiscal year ended June 30, 1999, to address Year 2000 issues were as follows:

<u>Systems</u>	<u>Amount Expended</u>
Applications	\$317,499
Mainframe Computer	871,000

There were no significant commitments (contracts) outstanding with vendors at June 30, 1999.

**LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULE
As of and for the Year Ended June 30, 1999**

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

**LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA**

**Schedule of Individual Agency Funds - Deposits
Held for Others and Endowment Funds Balances
For the Year Ended June 30, 1999**

AGENCY FUNDS - DEPOSITS HELD FOR OTHERS

A. E. Phillips deposits	\$47,413
Folk/Hedgepeth	7,356
Intramural Team	15,749
Personal Money	14,235
Phi Kappa Phi	8,877
Recreation Park	29,761
Sectam XVII	5,297
Student Government Association	1,912
Student Government Association Project Fund	32,363
Student Accident and Hospital Insurance	17,547
Student Government Association Loan Fund	54,277
Student Credits	170,061
Tuition Management Systems, Inc.	22,960
Union Board	80,146
Union Board Emergency Fund	78,615
University Senate	87,741
Others	37,682
	<hr/>
Total	<u>\$711,992</u>

ENDOWMENT FUNDS

Arthur Taylor Prescott Library Endowment	\$2,470
Aukar, Butros Memorial Scholarship Endowment	7,549
Elva J. Mann Estate	252,462
Elva Leggett Smith	43,645
Faulk Chair of Journalism	4,280
Human Ecology Investments	21,830
Jack Thigpen Mechanical Engineer Scholarship	47,484
Kaiser Aluminum Scholarship Program	118,577
Lloyd P. Blackwell Scholarship Fund	11,417
Louisiana Association for Public Community and Adult Education	35,144
Marvin Morse - Diamond Collector	32,717
McGee Scholarship Trust	297,912
Mendal Heller Scholarship	6,009
Museum Endowment Fund	1,028
Pearce Memorial Scholarship Trust	10,805

(Continued)

LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
Schedule of Individual Agency Funds - Deposits
Held for Others and Endowment Funds Balances, 1999

ENDOWMENT FUNDS (CONT.)

Reggie Reeves Scholarship Endowment	\$7,906
Riverwood-Manville Endowment Scholarship	9,881
Roy T. Sessums Scholarship Fund	294,043
Sachs English Collection	4,611
Sada Carey Scholarship Fund	9,911
Sisk Trust Fund	12,352
W. H. Talbot Scholarship Fund	89,789
W. L. Browder Scholarship Endowment	15,675
Willie Lou Durrett Scholarship Endowment	20,726
Investments Held By Private Foundations	<u>6,656,303</u>
Total	<u><u>\$8,014,526</u></u>

(Concluded)

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal controls 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.



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

November 10, 1999

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

LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
Ruston, Louisiana

We have audited the general purpose financial statements of Louisiana Tech University, a component unit of the State of Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated November 10, 1999. 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 Louisiana Tech University's general purpose 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 those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana Tech University'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.

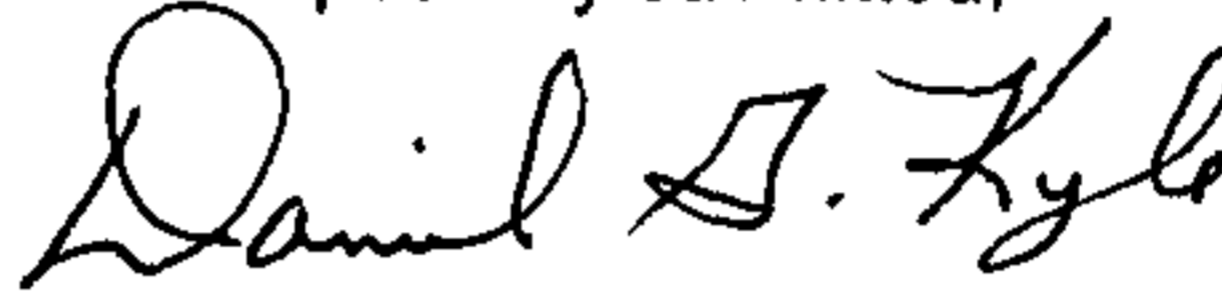
EXHIBIT A

LEGISLATIVE AUDITOR

LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
Compliance and Internal Control Report
November 10, 1999
Page 2

This report is intended solely for the information and use of Louisiana Tech University and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel G. Kyle". The signature is written in a cursive style with a large initial 'D'.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

CAC:MAN:DSP:dl

[LTU]

EXHIBIT A