

STATE OF LOUISIANA LEGISLATIVE AUDITOR

University of Louisiana at Lafayette
State of Louisiana
Lafayette, Louisiana

December 1, 1999



Financial and Compliance Audit Division

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

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LEGISLATIVE AUDITOR

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UNIVERSITY OF LOUISIANA AT LAFAYETTE
STATE OF LOUISIANA
Lafayette, 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 office of the Legislative Auditor and at the office of the parish clerk of court.

December 1, 1999

**UNIVERSITY OF LOUISIANA AT LAFAYETTE
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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October 25, 1999

Independent Auditor's Report
on the Financial Statements

UNIVERSITY OF LOUISIANA AT LAFAYETTE
STATE OF LOUISIANA
Lafayette, Louisiana

We have audited the accompanying general purpose financial statements of the University of Louisiana at Lafayette, a component unit of the State of Louisiana, as of and for the year ended June 30, 1999, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the University of Louisiana at Lafayette. 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the University of Louisiana at Lafayette at 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.

LEGISLATIVE AUDITOR

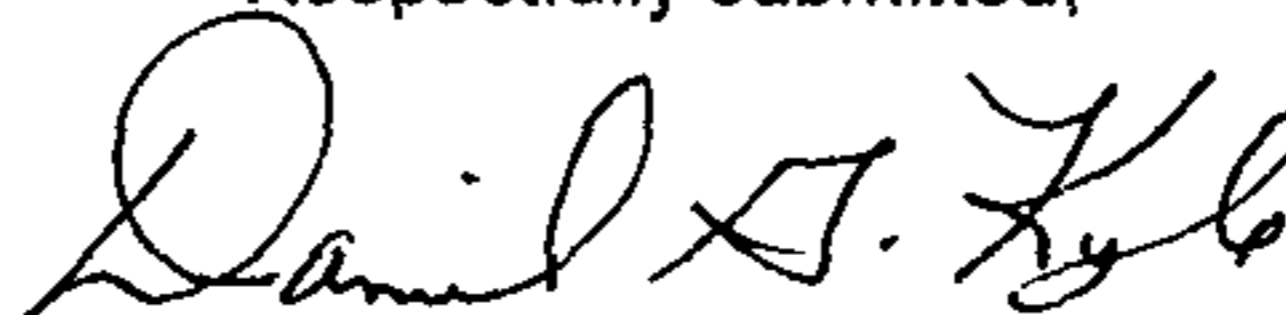
UNIVERSITY OF LOUISIANA AT LAFAYETTE
STATE OF LOUISIANA
Audit Report, June 30, 1999

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 1999, on our consideration of the University of Louisiana at Lafayette'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 Louisiana at Lafayette. 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.

The Year 2000 supplementary information on page 23 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 the University of Louisiana at Lafayette 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,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

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**UNIVERSITY OF LOUISIANA AT LAFAYETTE
STATE OF LOUISIANA
ALL FUNDS**

Balance Sheet, June 30, 1999

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
ASSETS				
Cash and cash equivalents (note 2)	\$744,257	\$3,856,830	\$10,291,245	\$1,639,507
Investments (note 3)			5,657,414	
Accounts receivable	46,497	1,335,773	4,415,218	
Notes receivable (note 4)		183,657		8,898,962
Due from others	2,395,857		1,104,567	45,668
Deferred charges and prepaid expenses	898,128	371,940	22,592	297
Inventories	108,884	1,332,683		
Institutional plant (note 15)				
Other assets	10,000	700,243		
TOTAL ASSETS	\$4,203,623	\$7,781,126	\$21,491,036	\$10,584,434
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$743,934	\$117,035	\$552,593	
Accrued liabilities	1,043,036			
Due to others		1,509,273		
Deposits held for others	43,185	332,881		
Deferred revenues	2,264,584	462,579	50,093	
Other liabilities				
Total Liabilities	4,094,739	2,421,768	602,686	NONE
Fund Equity:				
Net investment in plant				
Fund balances:				
Reserved for inventories	108,884			
Current operations:				
Unrestricted		5,359,358		
Restricted			20,888,350	
Noncurrent operations:				
Restricted (notes 13 and 15)				\$10,584,434
Endowment (note 14)				
Quasi-endowment - restricted (note 14)				
Total Fund Equity	108,884	5,359,358	20,888,350	10,584,434
TOTAL LIABILITIES AND FUND EQUITY	\$4,203,623	\$7,781,126	\$21,491,036	\$10,584,434

The accompanying notes are an integral part of this statement.

Statement A

ENDOWMENT FUNDS	PLANT FUNDS		AGENCY FUNDS	TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	INVESTMENT IN PLANT		
\$984,370	\$2,074,351		\$2,273,662	\$21,864,222
12,611,217	1,573,945			19,842,576
			608,216	6,405,704
				9,082,619
	201,778			3,747,870
				1,292,957
				1,441,567
		\$185,733,312		185,733,312
			10,000	720,243
<u>\$13,595,587</u>	<u>\$3,850,074</u>	<u>\$185,733,312</u>	<u>\$2,891,878</u>	<u>\$250,131,070</u>
	\$54,993		\$1,605	\$1,470,160
\$1,116,370			1,122,227	1,043,036
			1,047,802	3,747,870
				1,423,868
				2,777,256
			720,244	720,244
<u>1,116,370</u>	<u>54,993</u>	<u>NONE</u>	<u>2,891,878</u>	<u>11,182,434</u>
		\$185,733,312		185,733,312
				108,884
				5,359,358
				20,888,350
	3,795,081			14,379,515
6,951,136				6,951,136
5,528,081				5,528,081
<u>12,479,217</u>	<u>3,795,081</u>	<u>185,733,312</u>	<u>NONE</u>	<u>238,948,636</u>
<u>\$13,595,587</u>	<u>\$3,850,074</u>	<u>\$185,733,312</u>	<u>\$2,891,878</u>	<u>\$250,131,070</u>

**UNIVERSITY OF LOUISIANA AT LAFAYETTE
STATE OF LOUISIANA
ALL FUNDS**

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

	CURRENT FUNDS		
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED
Revenues and other additions:			
Unrestricted current fund revenues	\$75,373,670	\$17,768,494	
Tuition and fees - restricted			\$6,004,730
State appropriation - restricted (note 18)			3,472,902
Federal grants and contracts - restricted			22,966,787
State grants and contracts - restricted			3,317,754
Private gifts, grants, and contracts - restricted			10,477,071
Sales and services of educational departments - restricted			522,198
Investment income - restricted			620,608
State funded endowments			
Endowment income			425,805
Interest on loans receivable			
Additions to plant facilities			
Other sources			4,093,276
Total revenues and other additions	<u>75,373,670</u>	<u>17,768,494</u>	<u>51,901,131</u>
Expenditures and other deductions:			
Educational and general	73,394,214		47,877,388
Auxiliary enterprises		18,252,574	
Expended for plant facilities			
Loan cancellations and write-offs			
Disposal of plant facilities			
Other			
Total expenditures and other deductions	<u>73,394,214</u>	<u>18,252,574</u>	<u>47,877,388</u>
Transfers among funds - additions (deductions):			
Mandatory - loan fund matching	(104,456)		
Nonmandatory - other	(1,875,000)	1,875,000	
Total transfers among funds	<u>(1,979,456)</u>	<u>1,875,000</u>	<u>NONE</u>
Inventory increase	<u>11,269</u>	<u>NONE</u>	<u>NONE</u>
Net increase for the year	11,269	1,390,920	4,023,743
Fund balances at beginning of year, restated (note 12)	<u>97,615</u>	<u>3,968,438</u>	<u>16,864,607</u>
Fund balances at end of year	<u>\$108,884</u>	<u>\$5,359,358</u>	<u>\$20,888,350</u>

The accompanying notes are an integral part of this statement.

Statement B

STUDENT LOAN FUNDS	ENDOWMENT FUNDS	PLANT FUNDS		TOTAL (MEMORANDUM ONLY)
		UNEXPENDED	INVESTMENT IN PLANT	
				\$93,142,164
\$15,738		\$388,906		6,409,374
				3,472,902
438,362				23,405,149
				3,317,754
				10,477,071
				522,198
51,277		182,738		854,623
	\$1,000,000			1,000,000
	891,277			1,317,082
155,091				155,091
			\$6,604,738	6,604,738
14,364		257,829		4,365,469
<u>674,832</u>	<u>1,891,277</u>	<u>829,473</u>	<u>6,604,738</u>	<u>155,043,615</u>
				121,271,602
				18,252,574
		324,288		324,288
176,730				176,730
			3,512,852	3,512,852
137,192				137,192
<u>313,922</u>	<u>NONE</u>	<u>324,288</u>	<u>3,512,852</u>	<u>143,675,238</u>
104,456				
<u>104,456</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
NONE	NONE	NONE	NONE	11,269
465,366	1,891,277	505,185	3,091,886	11,379,646
10,119,068	10,587,940	3,289,896	182,641,426	227,568,990
<u>\$10,584,434</u>	<u>\$12,479,217</u>	<u>\$3,795,081</u>	<u>\$185,733,312</u>	<u>\$238,948,636</u>

UNIVERSITY OF LOUISIANA AT LAFAYETTE
STATE OF LOUISIANA
CURRENT FUNDS

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

	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED
Revenues:			
Tuition and fees	\$28,405,541	\$1,046,851	\$6,004,730
State appropriations	45,192,080		3,472,902
Federal grants and contracts			21,898,097
State grants and contracts			3,146,835
Private gifts, grants, and contracts		546,559	9,862,609
Sales and services of educational departments	92,594		522,198
Investment income	112,175	118,522	620,608
Endowment income			166,264
Auxiliary enterprise revenue		13,580,636	
Other sources	1,571,280	2,475,926	2,183,145
Total revenues	<u>75,373,670</u>	<u>17,768,494</u>	<u>47,877,388</u>
Expenditures and transfers:			
Educational and general:			
Instruction	34,478,634		1,361,479
Research	8,468,888		25,052,959
Public service			2,068,095
Academic support	7,794,688		951,326
Student services	2,825,616		5,253,445
Institutional support	8,767,631		1,236,879
Operations and maintenance of plant	8,429,693		
Scholarships and fellowships	2,462,415		11,786,941
Other	166,649		166,264
Total educational and general expenditures	<u>73,394,214</u>	NONE	<u>47,877,388</u>
Mandatory transfers for loan fund matching	104,456		
Nonmandatory transfers - other	1,875,000		
Total transfers	<u>1,979,456</u>	NONE	NONE
Auxiliary enterprises:			
Expenditures		18,252,574	
Nonmandatory transfers - other		(1,875,000)	
Total auxiliary enterprises	NONE	<u>16,377,574</u>	NONE
Total transfers	<u>75,373,670</u>	<u>16,377,574</u>	<u>47,877,388</u>
Other additions:			
Excess of restricted receipts over transfers to revenues			4,023,743
Inventory increase	11,269		
Net increase in fund balances	<u>\$11,269</u>	<u>\$1,390,920</u>	<u>\$4,023,743</u>

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA AT LAFAYETTE
STATE OF LOUISIANA**

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

INTRODUCTION

The University of Louisiana at Lafayette 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's name was changed from the University of Southwestern Louisiana by resolution of the Board of Supervisors for the University of Louisiana System on August 27, 1999. The university is under the management and supervision of the University of Louisiana System Board of Supervisors; 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 Louisiana at Lafayette had approximately 15,950 students enrolled during the 1999 spring semester and employs approximately 1,600 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 Nursing), the Graduate School, University College, and the necessary support areas. The undergraduate units offer a wide range of degree programs within their disciplines. There are 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 LOUISIANA AT LAFAYETTE
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 Louisiana at Lafayette, 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 and auxiliary enterprise funds. 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.

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

Student Loan Funds

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

Endowment Funds

Endowment funds are funds with respect to which donors or other outside agencies have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income that may either be expended or added to principal.

Plant Funds

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

Agency Funds

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

D. BASIS OF ACCOUNTING

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

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

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

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as expenditures in the case of normal acquisitions, repairs, and renovations; mandatory transfers in the case of required provisions for debt amortization and interest; and as transfers of a nonmandatory nature for all other cases.

E. BUDGET PRACTICES

The appropriation made for the General Fund of the university is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive branches of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) inventories in the General Fund are recorded as expenditures at the time of purchase.

The General Fund budgeted amounts do not include the restricted state appropriations totaling \$3,472,902, which are reported in the restricted fund. The budgeted amounts include the original approved budget and subsequent amendments approved as follows:

Original approved budget	\$79,982,257
Amendments:	
Preamble adjustments	(1,117,587)
Increases in state General Fund	2,666,001
Reported in other funds	<u>(3,472,902)</u>
 Total budgeted amounts	 <u><u>\$78,057,769</u></u>

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

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

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include certificates of deposit and all highly liquid investments with a maturity of three months or less when purchased. 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.

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

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, U.S. government agency obligations, and certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana. Investments at June 30, 1999, consist of U.S. government obligations that have a remaining maturity at the time of purchase of one year or less and are reported at amortized cost.

G. INVENTORIES

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

H. DEFERRED REVENUES

Tuition and fees and book sales 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. In addition, athletic ticket sales collected at June 30, 1999, but applicable to the 1999-2000 football season, are reported as deferred 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, 1999, all outstanding encumbrances are canceled and are reissued during the subsequent fiscal year.

J. PLANT ASSETS

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

UNIVERSITY OF LOUISIANA AT LAFAYETTE
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 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The liability for unused annual leave and unused sick leave, as discussed previously in note 1, is not recorded in the accompanying financial statements.

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) of \$21,864,222 as follows:

Petty cash	\$145,418
Demand deposits	\$248,377
Interest-bearing demand deposits	4,409,016
Certificates of deposit	7,168,625
Short-term U.S. government agency obligations	<u>9,892,786</u>
Total	<u><u>\$21,864,222</u></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, 1999, the university has \$17,275,506 in deposits (collected bank balances). These deposits are secured from risk by \$510,059 of federal deposit insurance (GASB Category 1) and \$16,765,447 of pledged securities held by the custodial bank for the account of the university (GASB Category 1).

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

3. INVESTMENTS

At June 30, 1999, the university has investments with carrying and market values as follows:

	<u>Reported Amount</u>	<u>Fair Value</u>
U.S. government obligations	\$21,692,019	\$21,828,599
Investments held by private foundation in external investment pool	<u>8,043,343</u>	<u>8,043,343</u>
Total	<u><u>\$29,735,362</u></u>	<u><u>\$29,871,942</u></u>

These investments are reported as follows:

Cash and cash equivalents	\$9,892,786
Investments	<u>19,842,576</u>
Total	<u><u>\$29,735,362</u></u>

The investments consisting of U.S. government obligations are issued in the name of the university and are held by the university or its agent in the university's name, which is considered to be Category 1 in applying the credit risk of GASB Codification Section 150.164. Investments held by the University of Southwestern Louisiana Foundation in an external investment pool are managed in accordance with the terms outlined in a management agreement executed between the university and the foundation. The university is a voluntary participant. These investments totaling \$8,043,343 were not categorized. Certain investments in governmental agency obligations are reported at amortized cost as allowed by GASB Statement Number 31.

4. NOTES RECEIVABLE

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

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

Alpha Omicron Pi	\$31,911
Delta, Delta, Delta	31,911
Kappa Delta	31,911
Phi Mu	31,911
Sigma, Sigma, Sigma	31,911
Delta Sigma Theta	<u>24,102</u>
Total	<u><u>\$183,657</u></u>

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

Perkins Loans	\$8,614,240
Nursing Loans	237,610
Student Loans	<u>47,112</u>
Total	<u><u>\$8,898,962</u></u>

5. PENSION PLANS

Plan Description. Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined 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 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 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 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

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

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 \$3,089,741, \$3,098,493, and \$2,932,335, respectively, and to LASERS for the years ended June 30, 1999, 1998, and 1997, were \$1,807,924, \$1,828,624, and \$1,723,079, respectively, equal to the required contributions for each year.

6. 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 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 \$2,768,022 and \$1,342,079, respectively, for the year ended June 30, 1999.

**7. POSTRETIREMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The university provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the university's employees become eligible for these benefits if they reach normal retirement age while working for the university. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly

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

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 \$1,522,803 for the year ended June 30, 1999.

8. RISK MANAGEMENT

Losses arising from judgments, claims and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. The university is involved in 29 lawsuits at June 30, 1999, in which the plaintiffs are seeking damages, all of which are handled by the Office of Risk Management.

9. COMPENSATED ABSENCES

At June 30, 1999, employees of the university have accumulated and vested \$5,698,469 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. As previously discussed, the leave payable is not recorded in the accompanying financial statements. If the financial statements were corrected for this departure from generally accepted accounting principles, \$4,443,507 would be reported in Current Funds - Unrestricted General Fund; \$492,396 would be reported in Current Funds - Unrestricted Auxiliary Funds; and \$762,566 would be reported, subject to specific criteria being met, in Restricted Funds. Also, the net increase in fund balances would be decreased by \$14,849 for the year ended June 30, 1999, and an adjustment to decrease prior-year fund balances would be made for \$5,683,620.

10. LEASE OBLIGATIONS

The university does not have any capital or operating leases at June 30, 1999.

11. LONG-TERM DEBT

The university does not have any long-term debt at June 30, 1999.

12. RESTATEMENT OF BEGINNING FUND BALANCE

The beginning fund balance for the Endowment Fund has been restated for a change in the reporting of investments. The change to the fund is as follows:

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

Fund Balance at June 30, 1998, as previously reported	\$10,739,561
Change in the reporting of investments	<u>(151,621)</u>
Fund Balance at June 30, 1999, as restated	<u><u>\$10,587,940</u></u>

13. STUDENT LOAN FUNDS

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

Perkins Loans Fund	\$9,664,275
Nursing Loans Fund	351,734
Student Loans Fund	<u>568,425</u>
Total	<u><u>\$10,584,434</u></u>

14. ENDOWMENT FUNDS

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

Endowment:	
Eminent Scholars - State Share	\$3,153,855
Endowed Professorships - State Share	3,773,076
Jefferson Caffery Endowment	14,205
Sadie Kahn Kapsinow Endowment	<u>10,000</u>
Subtotal	<u>6,951,136</u>
Quasi-endowment - restricted:	
Enhancement Endowment	3,975,763
Auxiliary Enterprise Endowment	1,406,362
Mineral Revenue Endowment	<u>145,956</u>
Subtotal	<u>5,528,081</u>
Total	<u><u>\$12,479,217</u></u>

15. PLANT FUNDS

The restricted fund balances of the unexpended plant funds at June 30, 1999, are as follows:

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

Building Use Fee Fund	\$3,334,760
Cajun Dome/Field	317,875
Mineral Lease	1,667
General Fund	<u>140,779</u>
 Total	 <u><u>\$3,795,081</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.

A summary of changes in investments in plant follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land and improvements	\$12,428,963	\$65,000		\$12,493,963
Buildings	101,420,186	142,000	\$1,354,000	100,208,186
Equipment	43,295,751	4,713,925	2,076,056	45,933,620
Library books	25,376,141	1,602,614	54,260	26,924,495
Livestock	120,385	81,199	28,536	173,048
 Total	 <u>\$182,641,426</u>	 <u>\$6,604,738</u>	 <u>\$3,512,852</u>	 <u>\$185,733,312</u>

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

16. 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, follows:

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

	<u>Food Services</u>	<u>Housing</u>	<u>Bookstore</u>	<u>Student Center</u>	<u>Athletics</u>	<u>Others</u>	<u>Total</u>
Net increase (decrease) in fund balances	<u>\$542,963</u>	<u>\$393,425</u>	<u>\$410,238</u>	<u>(\$137,042)</u>	<u>\$3,365</u>	<u>\$177,971</u>	<u>\$1,390,920</u>

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.

17. 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, 1999.

The University of Louisiana at Lafayette has contracted with the University of Southwestern Louisiana Foundation, Incorporated, to invest the university's seven Endowed Chairs for Eminent Scholars endowment funds and 83 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, while the Endowed Professorship Program endowment funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. The original endowment base totaled \$15,300,000. To protect against inflation, this amount has been increased in accordance with regulations of the Board of Regents for Higher Education, bringing the endowment base to \$17,317,325. During the year ended June 30, 1999, the foundation earned \$2,732,784 of interest income on these endowment funds. Of this interest earned, \$1,104,173 is due to unrealized gains as a result of valuing investments at market value at June 30, 1999. At June 30, 1999, the foundation held in custody \$20,108,356 of Endowed Chairs for Eminent Scholars and Endowed Professorship Program funds, of which \$1,270,766 and \$1,520,265 are available for expenditure, respectively.

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

18. RESTRICTED FUNDS

During the year ended June 30, 1999, the restricted funds received state appropriations totaling \$3,472,902 as follows:

Library	\$1,320,343
Louisiana Productivity Center	778,044
New Iberia Research Center	368,178
Apparel Computer Integrated Manufacturing Center	419,269
Educational Technology Review Center	100,000
Settlement Agreement	187,068
Micro-Business Development Center	<u>300,000</u>
Total	<u><u>\$3,472,902</u></u>

19. DEFERRED COMPENSATION PLAN

Certain employees of the University of Louisiana at Lafayette 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.

**UNIVERSITY OF LOUISIANA AT LAFAYETTE
STATE OF LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 1999**

YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the university's operations as early as 1999.

The university has completed an inventory of computer systems and other equipment necessary to conduct university operations. The university has identified the following systems requiring Year 2000 remediation:

- Administrative programs and systems. The database used by the university was designed with a four-digit century date. The administrative programs, including the student information system, have been assessed, remediated, and tested and validated. The manufacturers of the hardware and operating systems on which the administrative programs run have certified that these systems are Year 2000 compliant.
- Security and utility systems. These systems have been assessed, remediated, and tested and validated. The primary suppliers have been contacted about their supply systems, and the university has been notified that the suppliers have inventoried their systems and certified that the systems are Year 2000 compliant.
- Student telephone registration hardware and software (Periphonics). This system and software have been assessed, remediated, and tested and validated.
- Voice mail software system (Lucent Audix). This software system has been assessed, remediated, and tested and validated.
- Student financial aid software. The student financial aid software provided by the Student Aid Management System (SAM) was assessed and was determined to be noncompliant. The software was no longer supported by SAM. A new vendor for the student financial aid software was contracted and the conversion was completed in October 1999 at a total cost of \$9,056. Certification as to Year 2000 compliance was included in the purchase of the new software.

University staff did the inventory, assessment, remediation, and validation and testing. The university anticipates no significant additional costs to make the systems Year 2000 compliant.

UNIVERSITY OF LOUISIANA AT LAFAYETTE
STATE OF LOUISIANA
Required Supplementary Information (Concluded)

Management believes that the university will be able to process date and/or date-related information correctly before and after January 1, 2000. However, because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determined until the Year 2000 and thereafter. Consequently, management cannot ensure that the university's remediation efforts will be successful in whole or in part, or that parties with whom the university does business will be Year 2000 compliant.

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

INDIVIDUAL AGENCY FUND BALANCES

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 LOUISIANA AT LAFAYETTE
STATE OF LOUISIANA
AGENCY FUNDS**

**Schedule of Individual Agency Fund Balances
For the Year Ended June 30, 1999**

ACT residual testing	\$1,969
Alumni Association:	
Regular	200,257
Alumni fee (La Louisiane)	21,597
Aerobic center	222
Art and architecture student association	21,821
Art museum	26,055
Band association fee	10,123
Book southwestern review	4,590
Chemistry laboratory breakage deposit	9,782
Choreographic design perform	1,110
Club sports	5,903
Concert series	3,543
Debate team	1,225
Geology field trip	2,615
Graduate student organization	12,019
Health and physical education activity fee	10,697
International students testing	3,262
International student council	1,211
Intramural	37,502
Jazz studies	5,253
KRVS Radio Station:	
Regular	1
Reserves	73,354
L'Acadian Yearbook - reserves	62,378
Lyceum fee	40,181
Motor development clinic	220
University of Louisiana:	
Opera	100
Percussion	770
Chorus	4,931
Orchestra	2,182
Symphony Orchestra	7,260
Student Government Association:	
Regular	1
Day care center	22,742
Student entertainment	79,372
Legal assistance fees	1
Reserves	139,747

(Continued)

UNIVERSITY OF LOUISIANA AT LAFAYETTE
STATE OF LOUISIANA
AGENCY FUNDS
Schedule of Individual Agency Fund Balance, 1999

Student Government Association: (Cont.)	
Scholarship	\$1
Endowed scholarships	30,102
Theatrics	16,983
<i>The Vermilion:</i>	
Regular	1
Reserves	37,594
Publication advisor	2,880
Cafeteria plan administration	19,308
Other deposits	126,937
	<hr/>
Total	\$1,047,802
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(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.



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

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

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October 25, 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

UNIVERSITY OF LOUISIANA AT LAFAYETTE
STATE OF LOUISIANA
Lafayette, Louisiana

We have audited the general purpose financial statements of the University of Louisiana at Lafayette, 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 October 25, 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 the University of Louisiana at Lafayette'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 the University of Louisiana at Lafayette'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 general

EXHIBIT A

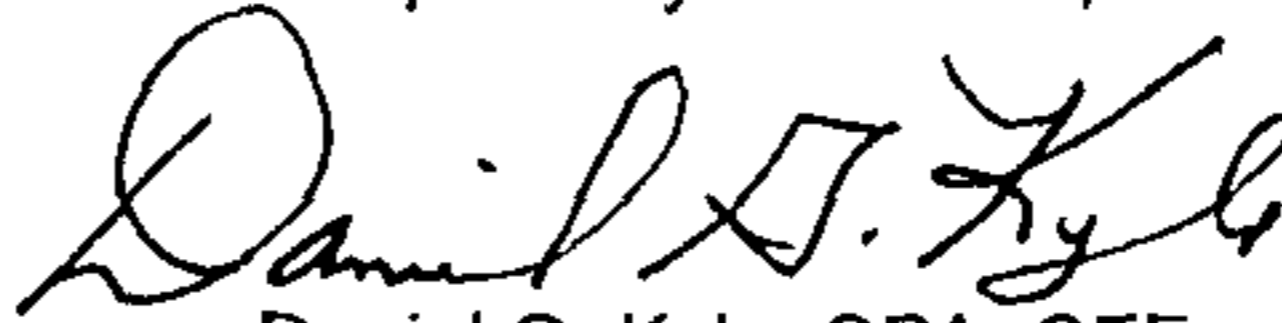
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UNIVERSITY OF LOUISIANA AT LAFAYETTE
STATE OF LOUISIANA
Compliance and Internal Control Report
October 25, 1999
Page 2

purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

DLC:DLH:PEP:dl

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EXHIBIT A