

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

**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 includes the General Fund. Restricted current funds represent those operating funds on which restrictions have been imposed that limit the purposes for which such funds can be used and include auxiliary enterprise funds 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.

**Plant Funds**

The plant funds group contains four self-balancing sub-groups. 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.

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

classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

**G. INVENTORIES**

Inventories are valued at the lower of cost or market. The university uses both perpetual and periodic inventory systems and values its inventory using the first-in, first-out (FIFO) valuation method, except for the warehouse inventory, which uses the weighted average 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.

**H. DEFERRED REVENUES**

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

**I. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded 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, 1996, as provided by LSA-R.S. 39:82.

**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. No depreciation has been provided on plant assets. Construction in progress is capitalized during construction.

**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

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

**17. RESERVATIONS OF FUND BALANCES**

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

	Reserved for				Total
	Encumbrances	Inventories	Renewals and Replacements	Bond Indentures	
Current funds:					
General		\$647,114			\$647,114
Auxiliary Enterprises	\$23,395				23,395
Restricted	908,934				908,934
Plant funds:					
Unexpended plant	105,340				105,340
Renewals and Replacements			\$723,654		723,654
Retirement of Indebtedness				\$894,299	894,299
Total	<u>\$1,037,669</u>	<u>\$647,114</u>	<u>\$723,654</u>	<u>\$894,299</u>	<u>\$3,302,736</u>

**18. STUDENT LOAN FUNDS**

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

Perkins Loans	\$2,093,954
Nursing Student Loans	<u>214,762</u>
Total	<u><u>\$2,308,716</u></u>

**19. PLANT FUNDS**

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

Building use fee	\$749,474
Vehicle registration fee	<u>129,351</u>
Total	<u><u>\$878,825</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

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

The fund balance of the System Revenue Fund, included under the auxiliary enterprise fund group, is dedicated to payment of the housing system revenue bonds.

The Recreational Complex Bonds, Series 1976-B, dated February 1, 1976, are general obligation bonds of the state serviced by the state treasury that are reimbursed by the university from recreational facilities use fees and other self-generated revenues.

The General Obligation Bonds, Series 1993-B, dated February 1, 1993, are general obligation bonds of the state serviced by the state treasury that are reimbursed by the university from vehicle registration fees. The reimbursement contract requires that the university deposit \$3,825 in a reserve account with the state treasurer, annually, until the deposits total \$38,250. At June 30, 1996, the reserve totals \$11,475.

**14. GENERAL FUND**

The General Fund contributed or provided general support to the athletic department totaling \$1,907,375 for the year ended June 30, 1996.

**15. ACCOUNTING CHANGE**

The accounting change made during the year involved a change in accounting for compensated absences. Before the current fiscal year, the university did not recognize the liability for compensated absences in its financial statements, though required to do so by generally accepted accounting principles. To implement this accounting principle, the university has recorded the leave payable in the accompanying financial statements.

**16. RESTATED PRIOR-YEAR FUND BALANCES**

The following adjustments were made to restate ending fund balances at June 30, 1995, to recognize the liability for compensated absences in the financial statements:

	Fund Balance June 30, 1995	Adjustments	Fund Balance (Deficit) Restated
Current funds:			
General	\$754,167	(\$1,280,980)	(\$526,813)
Auxiliary Enterprise	2,109,321	(134,115)	1,975,206
Restricted	3,300,295	(47,432)	3,252,863

<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>Subsequent Years</u>	<u>Total</u>
				\$112,011
\$26,953	\$26,172	\$25,391		132,734
29,220	28,310	29,365	\$25,438	169,363
94,637	91,787	88,938	344,732	817,919
360,025	349,575	363,650	1,650,875	3,319,825
51,500	51,965	52,589		258,048
35,571	34,870	34,139	465,127	642,867
<u>\$597,906</u>	<u>\$582,679</u>	<u>\$594,072</u>	<u>\$2,486,172</u>	<u>\$5,452,767</u>



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

The annual requirements to amortize all bonds outstanding at June 30, 1996, including interest of \$968,184, are as follows:

<u>Issue</u>	<u>1997</u>	<u>1998</u>
Student Housing System Revenue Bonds:		
Series A of 1960	\$56,255	\$55,756
Series B of 1960	26,484	27,734
Series C of 1961	28,935	28,095
Series A of 1964	100,338	97,487
Revenue Bonds of 1965	301,650	294,050
Series 1976-B Recreational Complex Bonds	50,781	51,213
General Obligation Bonds, Series 1993-B	36,906	36,254
	<u>\$601,349</u>	<u>\$590,589</u>
Total	<u>\$601,349</u>	<u>\$590,589</u>

The following is a summary of the debt reserve requirements of the various bond issues outstanding at June 30, 1996:

<u>Bond Issue</u>	<u>Cash Reserves Available</u>	<u>Reserve Requirements</u>
Housing System Revenue Bonds	\$834,030	\$834,030
Recreational Complex Bonds	48,794	48,794
General Obligation Bonds	11,475	11,475
	<u>\$894,299</u>	<u>\$894,299</u>
Total	<u>\$894,299</u>	<u>\$894,299</u>

The housing system revenue bond agreements provide that, after all required deposits have been made to the Housing System Revenue Bonds Retirement of Indebtedness Fund, a sum of \$82,000 or such portion thereof that is available, be deposited in a Housing System Repairs and Replacement Reserve Fund until that reserve totals \$1,050,000. During the year ended June 30, 1996, required deposits totaling \$1,000 were made to the Housing System Revenue Bonds Retirement of Indebtedness Fund. In addition, \$147,606 was deposited in the Housing System Repairs and Replacement Reserve Fund.

Outstanding June 30, 1996	Maturities	Interest Rates	Interest Outstanding June 30, 1996
\$109,000	1996-1997	2.750%	\$3,011
123,000	1996-2000	3.125%	9,734
153,000	1996-2001	3.500%	16,363
700,000	1996-2003	3.800-3.850%	117,919
2,775,000	1996-2004	3.800%	544,825
219,583	1996-2001	5.600%	38,465
405,000	1996-2013	3.750-7.000%	237,867
<u>\$4,484,583</u>			<u>\$968,184</u>

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

**13. LONG-TERM DEBT**

The following is a summary of bond transactions of the university for the year ended June 30, 1996:

Bonds payable at July 1, 1995	\$4,884,642
Bonds retired	<u>(400,059)</u>
Bonds payable at June 30, 1996	<u><u>\$4,484,583</u></u>

A detailed summary of all debt outstanding at June 30, 1996, including interest payments of \$968,184, follows:

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 1995</u>	<u>Redeemed (Issued)</u>
Student Housing:				
Series A of 1960	Oct. 1, 1960	\$1,294,000	\$163,000	\$54,000
Series B of 1960	Oct. 1, 1960	524,000	146,000	23,000
Series C of 1961	Oct. 1, 1961	600,000	175,000	22,000
Series A of 1964	Apr. 1, 1964	2,000,000	775,000	75,000
Revenue Bonds of 1965	Apr. 1, 1965	6,100,000	2,950,000	175,000
Series 1976-B, Recreational Complex Bonds	Jan. 1, 1976	640,000	255,642	36,059
General Obligation Bonds, Series 1993-B	Feb. 1, 1993	460,000	420,000	15,000
Total		<u><u>\$11,618,000</u></u>	<u><u>\$4,884,642</u></u>	<u><u>\$400,059</u></u>



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

On January 6, 1995, the Board entered into an operating sub-lease agreement with England Economic and Industrial Development District. This was done on behalf of Northwestern State University for space to be used as a Child Development Center.

Lease agreements have non-appropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period. Operating lease expenditures for fiscal year 1995-96 totaled \$167,326. Operating leases are all leases that do not meet the criteria of a capital lease. Operating leases are grouped by nature (i.e., office space, equipment, etc.) and the annual rental payments for the years following June 30, 1996, are as follows:

<u>Nature of Operating Lease</u>	<u>1996-1997</u>	<u>1997-1998</u>	<u>1998-1999</u>	<u>Total</u>
Airport space	\$6,000	\$6,000	\$2,000	\$14,000
Child Development Center	22,728			22,728
Total	<u>\$28,728</u>	<u>\$6,000</u>	<u>\$2,000</u>	<u>\$36,728</u>

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

**12. NOTES PAYABLE**

Northwestern State University has a note payable for an installment-purchase agreement for computer equipment. The installment-purchase agreement contains a non-appropriation exculpatory clause that allows for cancellation if the Louisiana Legislature does not make an appropriation for its continuation during any future fiscal period.

Balance at July 1, 1995	\$140,802
Installment payments in 1995-96	<u>(73,929)</u>
Notes payable balance at June 30, 1996	<u>\$66,873</u>

The following schedule provides detail on future note payments:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year - 1996-97	<u>\$66,873</u>	<u>\$2,787</u>	<u>\$69,660</u>

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

**8. RISK MANAGEMENT**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund or by General Fund appropriation and are not reflected in the university's financial statements. The university is involved in 12 lawsuits at June 30, 1996. In the opinion of legal counsel for the university, these lawsuits have not progressed to a point where the likelihood of the outcome or any estimate of the amount or range of potential loss can be determined.

**9. COMPENSATED ABSENCES**

At June 30, 1996, employees of the university have accumulated and vested annual leave and sick leave of \$1,108,200 and \$356,889, respectively, which was computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

**10. COMPENSATORY LEAVE**

At June 30, 1996, unclassified employees of the university have accumulated compensatory leave of \$303,151. In accordance with the University of Louisiana System Board of Trustees' policy, compensatory leave is hours accrued by unclassified employees (12-month) for work and duties performed in excess of the normal 40-hour work week. No more than 240 hours of compensatory leave may be carried forward to the new fiscal year. Upon separation of employment, the unclassified employee is not compensated for these hours.

Classified employees of the university have accumulated compensatory leave of \$13,791 at June 30, 1996. For classified employees, all unused compensatory leave earned at the time and one-half rate or hour for hour and credited to an employee shall be paid upon separation or transfer from the university. Caps on accumulation of compensatory leave for classified employees are covered by Civil Service Rule 6.25.

**11. LEASE OBLIGATIONS**

On November 1, 1993, the University of Louisiana System Board of Trustees (Board) entered into an operating lease agreement with the City of Natchitoches, Louisiana, for airport space. This was done on behalf of Northwestern State University for use by its Aviation Science Department.

On January 6, 1995, the Board entered into an operating sub-lease agreement with the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College for classroom space. This was done on behalf of Northwestern State University for purposes of higher education only. As of June 30, 1996, this lease was being negotiated for renewal.

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

**6. OPTIONAL RETIREMENT SYSTEM**

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

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

Total contributions by the university are 16.5 percent of the covered payroll. The participant's contribution (8 percent), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an 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 Teachers Retirement System of Louisiana. 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 contributions to the optional retirement plan totaled \$967,361 for the year ended June 30, 1996.

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

The university provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the university's employees become eligible for these benefits if they reach normal retirement age while working for the university. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the university. The university recognizes the cost of providing these benefits to retirees (university's portion of premiums) as an expenditure when paid during the year. These retiree benefits totaled \$670,570 for 295 retirees for the year ended June 30, 1996.



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

	Notes Receivable	Allowance for Uncollectibles	Net Statement A
Perkins Loan	\$2,439,245	\$484,525	\$1,954,720
Nursing Student Loans	218,285	29,568	188,717
Total	<u>\$2,657,530</u>	<u>\$514,093</u>	<u>\$2,143,437</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 constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (504) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (504) 922-0600.

*Funding Policy.* The contribution requirements of 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 LSA-R.S. 11:102. Employees contribute 8 percent (TRS) and 7.5 percent (LASERS) of covered salaries. The state is required to contribute 16.5 percent of covered salaries to TRS and 12 percent of covered salaries to LASERS. The university's employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The university's employer contributions to TRS for the years ended June 30, 1996, 1995, 1994, were \$2,460,296, \$2,319,870, and \$1,383,781, respectively, and to LASERS for the years ended June 30, 1996, 1995, 1994, were \$620,674, \$625,861, and \$643,275 respectively, equal to the required contributions for each year.

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

Governmental Accounting and Financial Reporting Standards Section C05.102 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.

As of June 30, 1996, the university has work-in-progress totaling \$79,225, which is reported by Facility Planning and Control.

A summary of investment in plant follows:

	July 1, 1995	Additions	Deletions	June 30, 1996
Land	\$2,605,559			\$2,605,559
Improvements	7,405,113	\$482,504		7,887,617
Buildings	67,033,559	2,789,186		69,822,745
Equipment	18,780,981	2,165,410	\$2,643,207	18,303,184
Library books	6,053,640	446,410	31,406	6,468,644
Livestock	44,185	9,170	10,055	43,300
Total	<u>\$101,923,037</u>	<u>\$5,892,680</u>	<u>\$2,684,668</u>	<u>\$105,131,049</u>

In accordance with LSA-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, 1996, follows:

	Food Services	Housing	Bookstore
Net increase (decrease) in fund balances	\$292,965	(\$367,689)	\$193,770
Net income (loss)	302,386	(148,486)	193,770
Net assets	3,128,191	(2,998,028)	1,788,529
Outstanding principal and interest on debt		3,733,933	
Annual principal and interest on debt		396,458	

The present accounting system does not provide for individual accounting of balance sheet and fixed assets accounts for each auxiliary enterprise.

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

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.

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.

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and 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, 1996, the university has cash and cash equivalents (book balances) totaling \$9,579,746 as follows:

Cash on hand	\$26,559
Demand deposits	6,563,054
Time deposits	1,416,558
United States Treasury Bills	1,496,183
Cash in state treasury	60,269
Cash with fiscal agent	17,123
	<hr/>
Total	<u><u>\$9,579,746</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



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

The GASB recognized two models for college and university accounting and financial reporting in GASB Pronouncement 15: the AICPA College Guide model, AICPA Industry Audit Guide, *Audits of Colleges and Universities*; and the Governmental model, established by the National Council on Governmental Accounting, *Governmental Accounting and Financial Reporting Principles*. For financial reporting, the Division of Administration has chosen the former.

**B. REPORTING ENTITY**

The GASB, Code 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 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 Northwestern State University as authorized by Louisiana statutes and administrative regulations.

Northwestern State University is a publicly-supported institution of higher education. GASB Statement 14, *The Financial Reporting Entity*, establishes the institution as blended as part of the primary government, since it is a component unit, and the State of Louisiana is financially accountable.

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:

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

Original approved budget	\$37,973,460
Amendments - increase in self-generated revenue	<u>837,250</u>
Total budgeted amounts	<u><u>\$38,810,710</u></u>

The following is an appropriation budgetary comparison for the current year General Fund appropriation:

	Actual	Adjustment to Budget Basis	Actual on Budget Basis	Budget	Variance Favorable (Unfavorable)
<b>Revenues</b>					
Appropriated by legislature:					
State General Fund (direct)	\$19,863,553		\$19,863,553	\$19,863,553	
State General Fund by self-generated revenues	18,049,264		18,049,264	18,320,221	(\$270,957)
State General Fund by interagency transfers	324,500		324,500	611,936	(287,436)
Federal funds	15,000		15,000	15,000	
Total revenues	<u>38,252,317</u>	NONE	<u>38,252,317</u>	<u>38,810,710</u>	<u>(558,393)</u>
<b>Expenditures</b>					
Program expenditures	<u>38,225,074</u>	\$27,243	<u>38,252,317</u>	<u>38,810,710</u>	<u>558,393</u>
Unexpended appropriation - current year	<u>\$27,243</u>	<u>(\$27,243)</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</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**

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and United States Treasury Bills. Under state law, Northwestern State University may deposit funds within fiscal agent banks 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 (LSA-R.S) 49:327 (C) (3), the university is authorized to invest funds in direct United States Treasury obligations. These are

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

**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 Louisiana Board of Regents 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 budget amounts include the original approved budget and subsequent amendments approved as follows:

**NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA  
CURRENT FUNDS  
Statement of Revenues, Expenditures  
and Other Changes, 1996**

	<u>GENERAL</u>	<u>AUXILIARY ENTERPRISES</u>	<u>RESTRICTED</u>
Other additions (deductions):			
Excess of restricted receipts over transfers to revenues			(\$431,852)
Inventory increase (decrease)	(\$107,053)		
Refunded to grantors			(9,490)
	<u>(\$79,810)</u>	<u>(\$368,702)</u>	<u>(\$451,852)</u>
Net increase (decrease) in fund balances			

(Concluded)

The accompanying notes are an integral part of this statement.

Statement B

ENDOWMENT FUNDS	PLANT FUNDS			TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	
	(\$353,169)	\$845,855		
NONE	(394,496)	969,849	\$550,133	NONE
NONE	NONE	NONE	NONE	(\$107,053)
\$308,176	(47,888)	147,606	4,825	\$3,682,000
616,097	926,713	576,048	889,474	96,897,593
\$924,273	\$878,825	\$723,654	\$894,299	\$100,579,593

**NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA  
Statement of Changes in Fund Balances, 1996**

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
Transfers among funds - additions (deductions): (Cont.) Nonmandatory:				
Renewals and replacements		(\$492,686)		
Other	(\$1,907,375)	1,907,375		
Total transfers among funds	<u>(2,165,464)</u>	<u>781,889</u>	<u>\$205,589</u>	<u>\$52,500</u>
Inventory increase (decrease)	<u>(107,053)</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
Net increase (decrease) for the year	(79,810)	(368,702)	(451,852)	87,942
Fund balances (deficit) at July 1, 1995, restated (note 16)	<u>(526,813)</u>	<u>1,975,206</u>	<u>3,252,863</u>	<u>2,220,774</u>
Fund balances (deficit) at June 30, 1996	<u>(\$606,623)</u>	<u>\$1,606,504</u>	<u>\$2,801,011</u>	<u>\$2,308,716</u>

(Concluded)

The accompanying notes are an integral part of this statement.



Statement B

ENDOWMENT FUNDS	PLANT FUNDS			TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	
				\$42,716,330
	\$344,677			2,300,542
				147,010
				8,681,178
				1,906,504
\$180,000				654,271
8,847	30,930	\$23,612	\$42,994	136,578
				294,726
120,000				120,000
				7,870
				60,299
				\$473,988
				473,988
				5,892,680
				5,892,680
	707			224,746
<u>308,847</u>	<u>376,314</u>	<u>23,612</u>	<u>42,994</u>	<u>6,366,668</u>
				50,470,188
				5,269,355
				88,366
				72,634
				152,873
	15,422	845,855		861,277
			400,059	400,059
			187,464	187,464
				2,684,668
				2,684,668
671	14,284		779	40,488
<u>671</u>	<u>29,706</u>	<u>845,855</u>	<u>588,302</u>	<u>2,684,668</u>
				60,227,372
	(37,502)		587,523	
		123,994	(41,994)	
	(3,825)		4,604	

**NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA**

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

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
Revenues and other additions:				
Unrestricted current fund revenues	\$38,252,317	\$4,464,013		
Tuition and fees - restricted			\$1,955,865	
State appropriations - restricted			147,010	
Federal grants and contracts - restricted			8,483,333	\$197,845
State grants and contracts - restricted			1,906,504	
Private gifts, grants, and contracts			474,271	
Investment income - restricted			27,347	2,848
Sales and service of educational departments			294,726	
State funded endowments				
Auxiliary enterprise revenues			7,870	
Interest on loans receivable				60,299
Retirement of indebtedness				
Additions to plant facilities				
Other sources			211,380	12,659
<b>Total revenues and other additions</b>	<b>38,252,317</b>	<b>4,464,013</b>	<b>13,508,306</b>	<b>273,651</b>
Expenditures and other deductions:				
Educational and general	36,086,853	325,954	14,057,381	
Auxiliary enterprises		5,269,355		
Indirect costs recovered			88,366	
Refunded to grantors			9,490	63,144
Loan cancellations and write-offs				152,873
Expended for plant facilities				
Retirement of indebtedness				
Interest on indebtedness				
Disposal of plant facilities				
Other	(27,243)	19,295	10,510	22,192
<b>Total expenditures and other deductions</b>	<b>36,059,610</b>	<b>5,614,604</b>	<b>14,165,747</b>	<b>238,209</b>
Transfers among funds - additions (deductions):				
Mandatory:				
Principal and interest		(550,021)		
Loan fund matching grants	(52,500)			52,500
Renewals and replacements		(82,000)		
Other	(205,589)	(779)	205,589	

(Continued)

The accompanying notes are an integral part of this statement.

## Statement A

PLANT FUNDS					
UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	AGENCY FUNDS	TOTAL (MEMORANDUM ONLY)
\$899,577	\$747,667	\$911,421		\$703,252	\$9,579,746
26,679				33,208	4,147,164
					2,143,437
					180,000
				200	71,549
					647,114
					123,300
			\$105,131,049		105,131,049
					500
<u>\$926,256</u>	<u>\$747,667</u>	<u>\$911,421</u>	<u>\$105,131,049</u>	<u>\$736,660</u>	<u>\$122,023,859</u>
	\$20,061			\$67,763	\$672,370
	3,952			1,304	1,122,710
				667,593	870,869
\$47,431					3,213,991
			\$66,873		66,873
					1,465,089
			4,484,583		4,484,583
		\$17,122			17,122
<u>47,431</u>	<u>24,013</u>	<u>17,122</u>	<u>4,551,456</u>	<u>736,660</u>	<u>11,913,607</u>
			100,579,593		100,579,593
	723,654	894,299			1,617,953
					647,114
105,340					1,037,669
					(1,253,737)
					3,475,186
773,485					3,082,201
					924,273
<u>878,825</u>	<u>723,654</u>	<u>894,299</u>	<u>100,579,593</u>	<u>NONE</u>	<u>110,110,252</u>
<u>\$926,256</u>	<u>\$747,667</u>	<u>\$911,421</u>	<u>\$105,131,049</u>	<u>\$736,660</u>	<u>\$122,023,859</u>

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

**For the Year Ended June 30, 1996**

	CURRENT FUNDS			STUDENT LOAN FUNDS	ENDOWMENT FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED		
<b>ASSETS</b>					
Cash and cash equivalents	\$2,502,400	\$1,922,419	\$1,214,211	\$57,701	\$621,098
Accounts receivable	1,152,908	678,925	2,135,444		120,000
Notes receivable				2,143,437	
Due from university foundation					180,000
Deferred charges and prepaid expenses	20,922	500	49,927		
Inventories	647,114				
Accrued interest	2,601		9,527	107,997	3,175
Institutional plant					
Other assets	500				
<b>TOTAL ASSETS</b>	<b>\$4,326,445</b>	<b>\$2,601,844</b>	<b>\$3,409,109</b>	<b>\$2,309,135</b>	<b>\$924,273</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities:</b>					
Accounts payable	\$307,723	\$109,863	\$166,541	\$419	
Accrued payrolls and other liabilities	976,715	52,965	87,774		
Deposits held for others	5,000	187,738	10,538		
Deferred revenues	2,389,893	491,364	285,303		
Notes payable					
Compensated absences payable	1,253,737	153,410	57,942		
Bonds payable					
Other liabilities					
<b>Total Liabilities</b>	<b>4,933,068</b>	<b>995,340</b>	<b>608,098</b>	<b>419</b>	<b>NONE</b>
<b>Fund Equity:</b>					
Net investment in plant					
<b>Fund balances:</b>					
Reserved for debt service					
Reserved for inventories	647,114				
Reserved for encumbrances		23,395	908,934		
Current operations - unrestricted	(1,253,737)				
Current operations - restricted		1,583,109	1,892,077		
<b>Noncurrent operations:</b>					
Restricted				2,308,716	
Endowment					\$924,273
<b>Total Fund Equity</b>	<b>(606,623)</b>	<b>1,606,504</b>	<b>2,801,011</b>	<b>2,308,716</b>	<b>924,273</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$4,326,445</b>	<b>\$2,601,844</b>	<b>\$3,409,109</b>	<b>\$2,309,135</b>	<b>\$924,273</b>

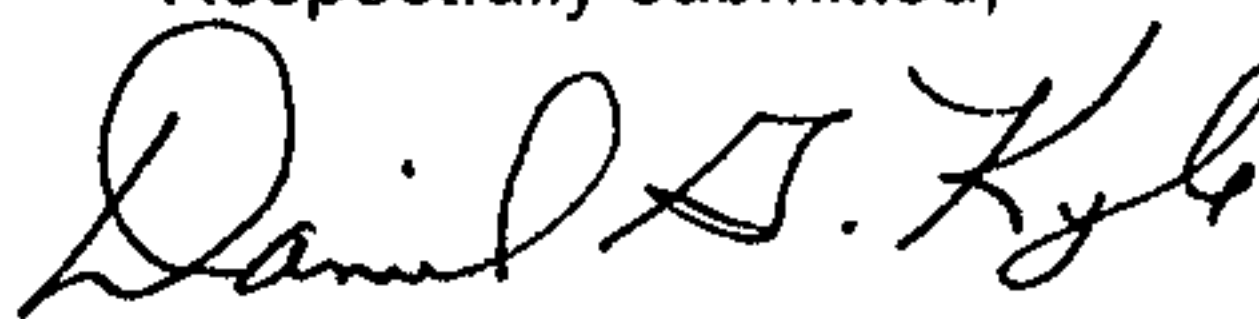
The accompanying notes are an integral part of this statement.

LEGISLATIVE AUDITOR

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

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 schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of Northwestern State 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

WJR:MAN:dl

[NSU]

**NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA**

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

**INTRODUCTION**

Northwestern State 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 Louisiana Board of Regents. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

Northwestern State University is located in Natchitoches, Louisiana, and serves as a cultural and educational center for central and northwest Louisiana. As an open admissions institution, with the Louisiana Scholars' College selective admissions component, Northwestern State University attracts students with a wide range of backgrounds. The university offers associate, baccalaureate, and selected masters and specialists degrees in the areas of liberal arts, education, music, the sciences, and science-related technologies. In addition, the university offers off-campus program activities at the Nursing Education Center in Shreveport, the Fort Polk Center in Leesville, and England Industrial Park and Louisiana State University at Alexandria. Enrollment on all campuses of the university was 9,040, 8,700, and 4,539, respectively, during the fall, spring, and summer semesters of the 1995-96 fiscal year. The university has 301 full-time faculty, 216 part-time faculty, and 421 staff members.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

In April 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. In July 1984, the GASB issued Statement 1, which provided that all statements and interpretations issued by the National Council on Governmental Accounting (NCGA) continue as generally accepted accounting principles until altered, amended, supplemented, revoked or superseded by subsequent GASB pronouncements.



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

federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1996, the university has \$9,953,713 in deposits (collected bank balances). These deposits are secured from risk by \$317,123 of federal deposit insurance (GASB Category 1) and the \$9,636,590 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Also included in cash equivalents are United States Treasury Bills totaling \$1,496,183. These treasury bills are reported in Statement A at cost, which approximates market. Securities pledged for the treasury bills are not included in the above computations as these amounts are secured by the United States government. These treasury bills are not in the name of the university but are held in the bank's customer account for Northwestern State University (GASB Category 3).

Included in cash is cash available to the university within the state treasury totaling \$60,269. Securities pledged for cash in the state treasury are not included in the above computations as these amounts are secured by fiscal agent banks established by the state treasury independent of the university.

**3. ACCOUNTS RECEIVABLE**

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

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Statement A</u>
General	\$1,152,908		\$1,152,908
Auxiliary Enterprises	723,516	\$44,591	678,925
Restricted	2,135,444		2,135,444
Endowment	120,000		120,000
Unexpended Plant	26,679		26,679
Agency	33,208		33,208
Total	<u>\$4,191,755</u>	<u>\$44,591</u>	<u>\$4,147,164</u>

**4. NOTES RECEIVABLE**

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

LEGISLATIVE AUDITOR

NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA  
Compliance Report  
October 7, 1996  
Page 2

Our comments on compliance with laws and regulations are intended for the information and use of management of the university. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

WJR:MAN:dl

[NSU]

**NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA  
CURRENT FUNDS**

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

	<u>GENERAL</u>	<u>AUXILIARY ENTERPRISES</u>	<u>RESTRICTED</u>
<b>Revenues:</b>			
Tuition and fees	\$16,603,342	\$1,146,614	\$2,101,107
State appropriations	19,863,553		147,010
Federal grants and contracts	15,000		8,442,535
State grants and contracts	324,500		2,147,578
Private gifts, grants, and contracts			472,239
Sales and services of education departments	407,948		294,726
Auxiliary enterprise revenue		3,135,717	7,870
Investment income			27,347
Other sources	1,037,974	181,682	211,380
<b>Total revenues</b>	<u>38,252,317</u>	<u>4,464,013</u>	<u>13,851,792</u>
<b>Expenditures and transfers:</b>			
<b>Educational and general:</b>			
Instruction	19,122,750		3,892,322
Research	514,102		297,205
Public service	54,640		509,054
Academic support	2,732,994		372,223
Student services	2,080,827		623,966
Institutional support	5,082,986		28,262
Operations and maintenance of plant	3,380,164		290,272
Scholarships and fellowships	3,104,439	325,954	8,024,130
Other	(13,292)	19,295	30,457
<b>Total educational and general expenditures</b>	<u>36,059,610</u>	<u>345,249</u>	<u>14,067,891</u>
<b>Mandatory transfers for:</b>			
Principal and interest		550,021	
Renewals and replacements		82,779	
Loan fund matching grants	52,500		
Other	205,589		(205,589)
<b>Nonmandatory transfers for:</b>			
Renewals and replacements		492,686	
Other	1,907,375	(1,907,375)	
Auxiliary enterprises expenditures		5,269,355	
<b>Total expenditures and transfers</b>	<u>38,225,074</u>	<u>4,832,715</u>	<u>13,862,302</u>

(Continued)

The accompanying notes are an integral part of this statement.

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

**21. FOUNDATIONS**

The accompanying financial statements do not include the accounts of the Northwestern State University Foundation, Incorporated, or the Northwestern State University Alumni Association. The foundation is a separate corporation, and the alumni association is a branch of the foundation whose financial statements are subject to audit by independent certified public accountants. The foundation and alumni association were last audited for the fiscal year ended June 30, 1994.

Operating expenses of the Northwestern State University Foundation, Incorporated, for the year (assumed by Northwestern State University and included in the General Fund expenditures) are summarized as follows:

Salaries and related benefits	\$162,099
Travel	5,281
Operating services	34,843
Supplies	753
Other charges	30
Capital outlay	6,982
	<hr/>
Total	<u>\$209,988</u>

**22. LOUISIANA STATE UNIVERSITY**  
**AGRICULTURAL CENTER**

For the year ended June 30, 1996, funds were appropriated to the Louisiana State University Agricultural Center, of which \$147,010 was used at Northwestern State University for the operation of a River Water Research Station in Louisiana. This amount is included in the Restricted Funds' revenues and expenditures.

**23. RED RIVER WATERWAY COMMISSION**

On November 3, 1994, the university entered into a cooperative endeavor with the Red River Waterway Commission to construct, maintain, and operate the Red River Water Research Station in Louisiana to conduct research on the feasibility of using water for aquaculture, agriculture, and related endeavors such as sport fishing and conservation of wildlife. The terms of occupancy of the property by the university shall be for a period of 99 years from the date of the agreement.

**NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA  
Natchitoches, Louisiana**

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

**CONTENTS**

	<b>Statement</b>	<b>Page No.</b>
Independent Auditor's Report on the Financial Statements		2
General Purpose Financial Statements:		
Balance Sheet - All Funds	A	4
Statement of Changes in Fund Balances	B	6
Statement of Revenues, Expenditures, and Other Changes - Current Funds	C	10
Notes to the Financial Statements		12
	<b>Schedule</b>	<b>Page No.</b>
Supplemental Information Schedules:		
Schedule of Individual Agency Fund Balances	1	36
Schedule of Individual Endowment Fund Balances	2	37
	<b>Exhibit</b>	
Other Reports Required by <i>Government Auditing Standards</i> :		
Report on Internal Control Structure Based Solely on an Audit of the General Purpose Financial Statements	A	
Report on Compliance With Laws and Regulations	B	

**NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA  
Natchitoches, Louisiana**

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

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.

November 13, 1996



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**LEGISLATIVE AUDITOR**

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

**DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT**

**Albert J. Robinson, Jr., CPA**

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# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Northwestern State University  
State of Louisiana  
Natchitoches, Louisiana

November 13, 1996



***Financial and Compliance Audit Division***

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



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: (504) 339-3800  
FACSIMILE: (504) 339-3870

October 7, 1996

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

**NORTHWESTERN STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Natchitoches, Louisiana

We have audited the general purpose financial statements of Northwestern State University, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 7, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

The results of our tests disclosed the instances of noncompliance reported in Exhibit A in the findings titled "Controls Over Scholarships Awards," "Use of University Property for Political and Personal Activity," "Timely Deposits," "Fleet Management," and "Timely Payments to Vendors" that, although not material to the financial statements, are required to be reported herein under *Government Auditing Standards*.

We considered these instances of noncompliance in forming our opinion on whether Northwestern State University's 1996 general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and this report does not affect our report dated October 7, 1996, on those general purpose financial statements.

**EXHIBIT B**



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: (504) 339-3800  
FACSIMILE: (504) 339-3870

October 7, 1996

Independent Auditor's Report  
on the Financial Statements

**NORTHWESTERN STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Natchitoches, Louisiana

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

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements present fairly, in all material respects, the financial position of Northwestern State University as of June 30, 1996; the changes in fund balances; and the current funds' revenues, expenditures, and other changes for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 15 to the financial statements, during the fiscal year ended June 30, 1996, the university began accounting for accumulated and vested annual and sick leave earned but not taken by university employees as required by generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 7, 1996, on our consideration of the Northwestern State University's internal control structure and a report dated October 7, 1996, on its compliance with laws and regulations.



LEGISLATIVE AUDITOR

NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA  
Internal Control Report  
October 7, 1996  
Page 10

**Student Payroll Controls**

Northwestern State University does not have adequate internal accounting controls over its student payroll to ensure proper segregation of duties. An adequate system of internal accounting controls provides for the segregation of duties such that one person would not be placed in a position to both perpetrate and conceal errors or irregularities in the normal course of their duties. In our review of the controls over payroll and personnel, we noted that the student employment coordinator sets up student payroll records for all student workers, receives the time reports, reviews and submits these reports to the Computer Center for scanning, and receives and distributes all payroll checks to the students, except for off-site campuses and students working directly under the coordinator. This employee also receives all returned W-2 forms to perform follow-up work. Student payroll for the period from July 1, 1995, through March 31, 1996, amounted to \$1,181,100. Of this amount, approximately \$165,000 was for Federal Work-Study Program (CFDA 84.033) wages.

This employee has been allowed to perform these incompatible duties as a result of management's lack of emphasis over the controls affecting student payrolls. Failure to provide adequate internal accounting control over the student payroll increases the risk that errors and/or irregularities could occur and not be detected in a timely manner.

Northwestern State University should implement procedures to ensure that responsibilities for student payroll functions are segregated. Specifically, the person who sets up student payroll records, reviews, and submits the approved time reports for processing should not have access to the payroll checks. In a letter dated June 14, 1996, Dr. Randall J. Webb, President, stated that controls will be implemented to segregate the time report processing function from the disbursement of student payroll checks.

Our comments on internal control structure are intended for the information and use of management of the university. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

WJR:MAN:dl  
[NSU]

## LEGISLATIVE AUDITOR

### NORTHWESTERN STATE UNIVERSITY

### STATE OF LOUISIANA

### Internal Control Report

October 7, 1996

Page 9

segregation of incompatible duties. Good EDP general controls combined with good EDP application controls ensure that computer production is performed according to management's design and intent. Annually, the Computer Center processes information relating to approximately \$59 million of revenues as well as various other transactions of the university. Our control work revealed the following weaknesses, which were identified in our previous audits and still have not been resolved:

- Duties and responsibilities of EDP staff are not adequately defined in job descriptions.
- The university does not have an EDP internal audit function.
- The university does not have a written systems development and documentation standards manual.
- The university does not have written procedures for revisions and/or modifications to the existing system and applications.
- The university does not have written procedures in the event of hardware failure or malfunction, nor does it log in the hardware failures/malfunctions with cause and resolution.
- The university does not have a written policy and procedure manual for its EDP Department.

The following weaknesses were identified during the current year:

- Three employees have write access to data files that are incompatible with their job responsibilities.
- Three of four employees tested had access to the system for 37 to 77 days after they were terminated.

The Director of Information Services has focused more on providing users with the information to accomplish their required tasks rather than developing and implementing the necessary controls to safeguard the system.

Management of Northwestern State University should establish and implement general and application EDP controls in its Computer Center to address these weaknesses. In a letter dated June 25, 1996, Dr. Randall J. Webb, President, stated policies and procedures will be developed to address these weaknesses.



LEGISLATIVE AUDITOR

NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA  
Internal Control Report  
October 7, 1996  
Page 8

assigned to the various rooms and plans to bill the students for these calls.

Management's lack of emphasis for establishing effective controls requiring university personnel to submit receiving reports to Fiscal Affairs and process all invoices in a timely manner allowed these instances to occur. In addition, the new Director of Information Systems reassigned the person responsible for processing OTM invoices and failed to ensure that other personnel performed this function. The university is in violation of state law that could result in it having to pay vendors interest. In addition, university assets are subject to misuse or theft if sufficient controls are not in place to detect errors or irregularities in a timely manner.

Management should review and enforce existing controls until such time as management can develop and implement more comprehensive controls to ensure the timely processing of vendor invoices. In a letter dated July 1, 1996, Dr. Randall J. Webb, President, stated that corrective action is being taken to avoid such instances in the future.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of Northwestern State University for the year ended June 30, 1996.

**Electronic Data Processing Controls**

For the third consecutive audit, Northwestern State University has deficiencies relating to general electronic data processing (EDP) controls that could affect the integrity of programming, processing, and data. The control environment includes general EDP controls as well as the control procedures over application development and maintenance, logical access to systems and data, computer operations, and

## LEGISLATIVE AUDITOR

**NORTHWESTERN STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Internal Control Report  
October 7, 1996  
Page 7

procedures should ensure that personnel charged with the responsibility for compliance are notified in a timely manner. In addition, the university should request the Corps of Engineers to perform an on-site inspection to determine if the dumping area is a wetland. Furthermore, the university should disclose all related party or conflict of interest transactions. In a letter dated September 30, 1996, Dr. Randall J. Webb, President, stated that the university was made aware of the control weaknesses in November 1993, and immediately initiated corrective procedures as funds were available. The university has developed a comprehensive Environmental Health and Safety Policy and Procedures Manual, which will be disseminated in late September 1996. This manual clearly designates responsibility and mandates lines of communication be open to prevent violations. Furthermore, to avoid any future questions of conflict of interest, the Vice President of University Affairs has resigned from the Chaplin Lake Commission.

### **Timely Payments to Vendors**

Northwestern State University does not have controls in place to ensure that vendor invoices are processed timely. An adequate internal control system provides for the timely processing of payments to vendors and would also aid in the detection of errors or irregularities. Louisiana Revised Statute 39:1695(A) requires state agencies to pay vendors within 90 days of the due date. A test of 50 transactions revealed:

- A supplier of a spirometer, costing \$6,475, was paid 139 days after the invoice due date or 49 days in excess of the 90 days allowed.
- A supplier of fitness equipment, costing \$18,640, was paid 113 days after the invoice due date or 23 days in excess of the 90 days allowed.
- Office of Telecommunication Management (OTM) invoices totaling \$258,651 for the period from November 1995 through May 1996 were not processed until June 1996. Expenditures of \$125,149 were in excess of the 90 days. During this period, the university's telephone security system was compromised and unauthorized long distance calls of approximately \$51,500 were made without being detected timely. The university's telephone system is normally set up to block all student dormitory telephones from the ability to make long distance calls. However, during the period from November 1995 through May 1996, when invoices were not being processed, the system was compromised allowing long distance calls to be made from 452 rooms in 7 different dormitories. The university is attempting to determine the persons

**NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA  
ENDOWMENT FUNDS**

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

NSU Morrison Endowed Professorship in Applied Management Fund	\$104,795
NSU Coughlin-Saunders Endowed Professorship for Nursing and Allied Health Fund	103,593
Joanna Magale Endowed Professorship of Music	109,580
Carolyn-Cone Saunders Endowed Professorship for Nursing and Allied Health	102,846
Richard Lounsbery Foundation Endowed Professorship	102,669
Clyde M. Bostick, Jr. Endowed Professorship	100,790
David Morgan United Teacher Associates Insurance Company Endowed Professorship in Business	100,000
NSU Coughlin-Saunders Endowed Professorship for Nursing and Allied Health #2 Fund	100,000
NSU Coughlin-Saunders Endowed Professorship for Nursing and Allied Health #3 Fund	<u>100,000</u>
Total	<u><u>\$924,273</u></u>

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

**24. CONSULTANT FEES FOR FEASIBILITY STUDIES AND OTHER SPECIAL REPORTS**

A summary of professional services payments made for consultant fees for feasibility studies and other special reports, in compliance with Senate Concurrent Resolution No. 35 of the Extraordinary Session of 1974, is as follows:

<u>Consultant</u>	<u>Amount</u>
Lawrence & Associates Consultants, Inc.	\$23,650
Michael G. Moran	<u>400</u>
Total	<u><u>\$24,050</u></u>

**25. NATIONAL PARK SERVICE**

Under Section 4022 et seq. of Public Law 102-575, the Department of the Interior established the National Center for Preservation Technology and Training at Northwestern State University. The center was created for the purpose of (1) developing and distributing preservation and conservation skills and technologies for the identification, evaluation, treatment, monitoring, and interpretation of prehistoric and cultural resources; (2) developing and facilitating training for federal, state, tribal, and local cultural resource professionals, cultural resource managers, technicians, and others working in the preservation field; (3) applying technology benefits from research by other agencies and institutions to the preservation field; (4) facilitating the transfer of preservation technology among federal agencies, state, tribal and local governments, universities, international organizations, and the private sector; and (5) cooperating with related international organizations. Cooperative activities require substantial involvement by both parties, including collaboration on, and joint participation in, the management of individual projects in connection with the National Center for Preservation Technology and Training.

**26. 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.

**27. HOUSING FACILITY AGREEMENT**

The university entered into a Ground Lease Agreement for 8.38 acres of university property with Housing Partnership I, LTD. The purpose of this lease is to develop and construct a Student Housing Facility for Northwestern students. The housing facility will consist of 10 buildings that include approximately 160 apartment units and related facilities. The cost of



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

construction along with maintenance and management of the Student Housing Facility is the responsibility of Housing Partnership I, LTD. The term of the lease is 40 years and will expire at midnight September 1, 2034. Construction of the Student Housing Facility began during the spring of 1994 and was completed by August 1994. The housing facility was available to students for the 1994 fall semester. Compensation for the land lease will be based upon section 3.01 and 3.02 of the lease agreement described as follows:

1. Base Rent (section 3.01) - Lessee will pay an annual base rent of \$1,000 payable to the university on September 1, 1994, and like installment due on each anniversary thereafter during the term of the lease.
2. Percentage Rent (section 3.02) - Lessee will pay to the university commencing with the academic year ending August 31, 1995, and for each academic year thereafter during the term of the lease, a percentage rent in an amount equal to the product of (a) 25 percent and (b) net cash flow less an amount equal to the 5 percent of net cash flow payable to the improvements owner pursuant to the Improvement Lease. By way of example, if net cash flow during an academic year was \$100,000, the percentage rent would be \$23,750 [25% X (\$100,000 - 5%) = 25% X \$95,000 = \$23,750]. Percentage rent shall be paid to the university no later than 45 days after the close of each academic year. If there is no percentage rent due for any such academic year, any net loss shall be borne solely by lessee and shall not be carried forward in determining percentage rent for the next academic year.

**28. 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). There were no on-behalf payments for fringe benefits and salaries included in the accompanying financial statements for fiscal year 1996.

**29. FEDERAL GRANTS**

The university participates in a number of federally assisted grant programs reported in the Restricted Fund. These programs are subject to program compliance audits by the grantors, but all such audits for 1996 have not been conducted. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Based on prior experience, the university's management feels such disallowance, if any, will be immaterial.

**NORTHWESTERN STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Internal Control Report  
October 7, 1996  
Page 6

could result in state official's not approving the replacement of existing vehicles or increasing the size of the university's fleet.

Northwestern State University should establish and implement controls to ensure that the required information is gathered and reports prepared and submitted as required. The university should periodically monitor these controls to ensure that they are working as intended. In a letter dated July 31, 1996, Dr. Randall J. Webb, President, stated that in the future the university would submit the *Daily Vehicle Usage Logs* to the Louisiana Property Assistance Agency.

**Control Weaknesses Over Environmental  
Laws and Regulations**

Northwestern State University has not established formal written policies and procedures for identifying, reporting, responding, and closing environmental issues at the university in a timely manner. An adequate internal control system would ensure the university's compliance with environmental laws and regulations, thus reducing the university's financial exposure to a minimum. We noted the following instances that occurred, which appears to be violations of various environmental laws and regulations, contained in the Clean Water Act:

- *The City of Natchitoches dumped sludge material from Chaplins Lake in an area on the university campus that may be a wetland. The university's environmental safety officer recommended the university consult the Corps of Engineers before allowing the dumping; however, management refused.*
- *There appears to be a conflict of interest since the Vice President of University Affairs is a councilman for the City of Natchitoches and serves on the Chaplins Lake Commission.*
- *Asbestos had been removed from the university for 8 months before the employees responsible for the Asbestos Management Plan were notified of the removal.*

Management's lack of emphasis for developing and adhering to the control process could result in the university being assessed fines, penalties, and clean-up costs. Furthermore, the university could be vulnerable to costly litigation.

Northwestern State University should develop and implement formal written policies and procedures to ensure compliance with environmental laws and regulations. These



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

The following supplemental information schedules present the Schedule of Individual Agency Fund Balances and Schedule of Individual Endowment Fund Balances for amounts included in the totals presented on Statement A for the Agency Funds and Endowment Funds, respectively.

**NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA  
AGENCY FUNDS**

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

Argus	\$11,244
Artist Series Fee	3,206
Club Sports Fee	39,645
Current Sauce	53,793
Drama	1,862
KNWD	13,366
Potpourri	31,042
Rodeo Team	2,782
Rowing Team	795
Shreveport - Student Government Association	80,295
Student Government Association	45,295
SGA Speaker Program	618
Student Union Programs	83,253
Student Intramurals	18,945
Student Trust Fund	170,989
Union Board Drama	21,928
Warrington Campus Council	22,837
SGA Loan Fund	65,208
NSU Floral Fund	490
	<hr/>
Total	<u>\$667,593</u>

**OTHER REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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



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: (504) 339-3800  
FACSIMILE: (504) 339-3870

October 7, 1996

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

**NORTHWESTERN STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Natchitoches, Louisiana

We have audited the general purpose financial statements of Northwestern State University, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 7, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

**EXHIBIT A**

## LEGISLATIVE AUDITOR

**NORTHWESTERN STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Internal Control Report  
October 7, 1996  
Page 2

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

### **Controls Over Scholarship Awards**

Northwestern State University (NSU) does not have adequate controls in place to ensure that scholarships are awarded to eligible students in accordance with criteria set by the university. An adequate internal control system would provide formal written policies and procedures that ensure that only eligible students meeting university established criteria receive scholarships. A test of 87 students receiving scholarships disclosed the following:

- Thirty-six students receiving \$24,106 of NSU Award Scholarships did not have an application or award letter on file that indicated the award was properly authorized.
- Three students receiving \$9,000 of Louisiana Scholars' College Scholarships (LSCS) did not have an acceptance letter or award letter indicating that the award was properly authorized.
- Five students receiving \$15,000 of LSCS did not have the ACT or SAT test score to qualify for the scholarships.
- Four students receiving \$2,550 of Outstanding Student Award Scholarships (OSAS) did not have applications and award letters on file. We found no documentation that these awards were authorized.
- The ACT or SAT scores for 16 students receiving \$11,475 of OSAS were not documented or were below established standards.
- Nine students received \$3,825 of OSAS in the Spring 1996 semester even though they did not have the required 2.5 grade point average in the Fall 1995 semester.



**NORTHWESTERN STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Internal Control Report  
October 7, 1996  
Page 3

It was also noted that there is a lack of separation of duties in the Financial Aid Office. The Director of Financial Aid performs all functions relating to NSU Award Scholarships. All financial aid office personnel, except the student worker coordinator and student workers, have access to scholarship records.

Management's lack of emphasis for establishing a control system that would ensure that scholarships are awarded to qualified recipients has resulted in ineligible students receiving scholarships.

Northwestern State University should develop and implement formal written policies and procedures to ensure that scholarships are awarded to eligible students in accordance with established criteria. The university should also ensure that there is an adequate separation of duties in the Financial Aid Office. In a letter dated July 31, 1996, Dr. Randall J. Webb, President, stated that formal written policies and procedures for awarding and administering scholarships have been established.

**Use of University Property for Political and Personal Activity**

Northwestern State University does not have adequate controls in place to prevent the Vice President of University Affairs (unclassified employee), who is also a councilman for the City of Natchitoches, and his secretary (classified employee) from conducting political and personal activity, using university assets. Adequate internal controls would include controls that would ensure that employees not participate in political or personal activities during their normal work day. Article 10, Section 9 of the Louisiana State Constitution of 1974 and Civil Service Rule 14.1 (e), (f), and (g) prohibit a state classified employee from participating in political activities. In addition, Chapter 3, Section 7(A)(6), of the Rules of the Board of Trustees for State Colleges and Universities, states that institutional resources shall not be used for personal gain. A review of the computer files in the vice president's office disclosed the following items:

- Correspondence concerning his re-election campaign for District 3 City Councilman.
- Correspondence to a financial supporter of his re-election campaign.
- A request to the Director of Housing for the City of Natchitoches to provide public housing for a mother of three.
- Funding projections for the City of Natchitoches recreation complex.



## LEGISLATIVE AUDITOR

### NORTHWESTERN STATE UNIVERSITY

### STATE OF LOUISIANA

Internal Control Report

October 7, 1996

Page 4

- A letter of resignation from the Martin Luther King Jr., Recreation Board of Direction.
- A thank you letter to the retiring senator from the thirty-first senatorial district for all the projects provided to Natchitoches Parish.
- Other files for the vice-president and his secretary relating to personal business, church, and social activities.

The vice president stated that he exercised poor judgment when conducting political and personal activities at the university. As a result, the vice president appears to have misused university assets for his own personal gain which may violate state laws and regulations. In addition, the vice president's secretary may have violated state law and civil service regulations and may be subject to disciplinary action by the Department of State Civil Service.

Management of Northwestern State University should implement policies that prohibit university employees from participating in political or personal activity which violates state laws and regulations. Management should also develop and implement procedures for the early detection of the type instances discussed above, and take the appropriate action if these type instances are detected. In a letter dated July 22, 1996, Dr. Randall J. Webb, President, stated that the university will develop a specific procedure to address the use of university equipment, materials or supplies, and will issue a policy statement to all employees specifically addressing the use of personal computer hardware and software.

#### **Timely Deposits**

Northwestern State University has not made timely deposits of tuition and fees from its branch campuses and library. Article VII, Section 9 of the 1974 Louisiana Constitution requires that all money received by state agencies be deposited, immediately upon receipt, in the state treasury. University Fiscal Affairs Policy (II-A-34-1 and II-A-22-1) requires deposits be made daily where practical. Furthermore, management is responsible to maintain an adequate internal control structure to safeguard university assets, to include the timely deposit of funds. We examined deposits amounting to \$223,010 and found that \$54,381, or 24.4 percent, of these deposits were made between three and six days after collection. The breakdown by department and campus is as follows:

## LEGISLATIVE AUDITOR

**NORTHWESTERN STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Internal Control Report  
October 7, 1996  
Page 5

- We examined 93 deposits (\$120,353) collected through the Continuing Education Department for the period January 1, 1996, through May 31, 1996. These deposits are for the Natchitoches and the branch campuses. Of these 93 deposits, four (4.3 percent), amounting to \$1,881, or 1.5 percent, were made between three and six working days after students paid the tuition and fees. The Jonesville campus was responsible for \$20 made three days after receipt; Marksville was responsible for \$80 made five days after receipt; and Vidalia was responsible for \$1,781 made between five and six days after receipt.
- We examined two deposits from the Leesville campus for the spring 1996 registration amounting to \$101,255. One deposit of \$51,471 was made three days after date of collection.
- We examined three deposits from the library on the Natchitoches campus, amounting to \$1,402. Two of these deposits amounting to \$1,029 were made three days after date of collection.

Lack of emphasis by management of the departments cited above resulted in deposits not being made timely. Failure to make timely deposits exposes public funds to loss due to theft or mishandling and a loss of interest revenue to the state.

Management should take the steps necessary to ensure that all deposits are made timely. In a letter dated June 17, 1996, Dr. Randall J. Webb, President, stated that controls will be improved during the 1996 fall semester with the opening of bank accounts at certain branch campuses and the implementation of an on-line cashiering system.

### **Fleet Management**

Northwestern State University did not maintain daily vehicle logs for all of its vehicles as required by the State Fleet Management Regulations. State Fleet Management Regulations, Title 34, Part XI, Section 103 B.7(a)(iii) states that it is the responsibility of the agency transportation coordinator to ensure that all daily vehicle logs (DOA Form MV3), are completed, approved, and forwarded to the state fleet manager by the 30th day following the end of the month to which the report pertains. The reports were not prepared or submitted due to a high turnover in motor pool personnel and a lack of management emphasis. As a result, the university is not in compliance with the State Fleet Management Regulations that could result in higher maintenance cost and a shorter than expected life of the vehicles. In addition, failure to file the required reports