

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

McNeese State University  
State of Louisiana  
Lake Charles, Louisiana

December 22, 1999



***Financial and Compliance Audit Division***

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

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**LEGISLATIVE AUDITOR**

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

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**MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA  
Lake Charles, Louisiana**

**General Purpose Financial Statements  
and Independent Auditor's Reports  
As of June 30, 1999, and for the Years  
Ended June 30, 1999 and 1998  
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 22, 1999

**MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA**

General Purpose Financial Statements  
and Independent Auditor's Reports  
As of June 30, 1999, and for the Years  
Ended June 30, 1999 and 1998  
With Supplemental Information Schedule

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**MCNEESE STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
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DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

December 9, 1999

Independent Auditor's Report  
on the Financial Statements

**MCNEESE STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Lake Charles, Louisiana

We have audited the accompanying general purpose financial statements of McNeese State University, a component unit of the State of Louisiana, as of June 30, 1999, and for the years ended June 30, 1999 and 1998, as listed in the foregoing table of contents. These financial statements are the responsibility of management of McNeese State University. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the accompanying general purpose financial statements referred to above present fairly, in all material respects, the financial position of McNeese State University at June 30, 1999; the changes in fund balances; and the current funds revenues, expenditures, and other changes for the years ended June 30, 1999 and 1998, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 1999, on our consideration of McNeese State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

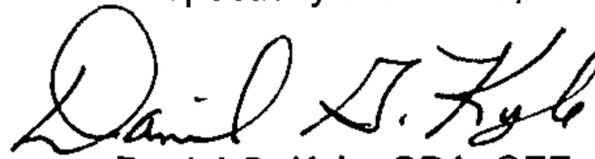
LEGISLATIVE AUDITOR

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

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 McNeese 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 general purpose financial statements taken as a whole.

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

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

DLC:DLH:DSP:dl

(MSU)

**MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA  
ALL FUNDS**

**Balance Sheet - All Funds, June 30, 1999**

	CURRENT FUNDS			STUDENT LOAN FUNDS	ENDOWMENT FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED		
<b>ASSETS</b>					
Cash and cash equivalents (note 2)	\$1,917,456	\$825,204	\$3,103,370	\$12,102	\$166,818
Investments (note 3)					2,884,030
Accounts receivable (net) (note 4)	638,464	1,011,679	933,087	119,382	
Notes receivable (net) (note 5)				2,088,138	
Deferred charges and prepaid expenses	452,907	33,549	1,635		
Due from other funds			174,593		
Inventories	18,906	734,913	3,434		
Other assets					
Institutional plant (note 15)					
<b>TOTAL ASSETS</b>	<b>\$3,027,733</b>	<b>\$2,605,345</b>	<b>\$4,216,119</b>	<b>\$2,219,622</b>	<b>\$3,050,848</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities:</b>					
Accounts payable	\$1,018,690	\$175,125	\$71,208		
Accrued liabilities	756,399				
Due to other funds	70,928			\$61	\$184,477
Deposits held for others	825	164,135			
Deferred revenues	1,161,985	308,479	249,260		
Notes payable (note 11)					
Bonds payable (note 11)					
Compensated absences payable (note 10)	1,757,633	163,382	82,863		
Other liabilities					
<b>Total Liabilities</b>	<b>4,766,460</b>	<b>811,121</b>	<b>403,331</b>	<b>61</b>	<b>184,477</b>
<b>Fund Equity:</b>					
Net investment in plant					
<b>Fund balances:</b>					
Reserved for debt service (note 11)					
Reserved for inventories	18,906		3,434		
<b>Current operations:</b>					
Unrestricted (deficit)	(1,757,633)	1,794,224			
Restricted			3,809,354		
<b>Noncurrent operations:</b>					
Restricted				2,219,561	
Endowment (note 14)					2,866,371
<b>Total Fund Equity</b>	<b>(1,738,727)</b>	<b>1,794,224</b>	<b>3,812,788</b>	<b>2,219,561</b>	<b>2,866,371</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$3,027,733</b>	<b>\$2,605,345</b>	<b>\$4,216,119</b>	<b>\$2,219,622</b>	<b>\$3,050,848</b>

The accompanying notes are an integral part of this statement.

Statement A

UNEXPENDED	PLANT FUNDS			AGENCY FUNDS	TOTAL (MEMORANDUM ONLY)
	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT		
\$2,733,402	\$300,000	\$3,680,725		\$369,437	\$13,108,514
92,128				30,329	2,884,030
					2,825,069
					2,088,138
		156,952			488,091
					331,545
					757,253
				206	206
			\$101,118,790		101,118,790
<u>\$2,825,530</u>	<u>\$300,000</u>	<u>\$3,837,677</u>	<u>\$101,118,790</u>	<u>\$399,972</u>	<u>\$123,601,636</u>
\$90				\$25,345	\$1,290,458
76,079					756,399
					331,545
				344,563	509,523
		\$93,012			1,812,736
			\$45,324		45,324
2,349,000			5,913,900		8,262,900
					2,003,878
				30,064	30,064
<u>2,425,169</u>	<u>NONE</u>	<u>93,012</u>	<u>5,959,224</u>	<u>399,972</u>	<u>15,042,827</u>
			95,159,566		95,159,566
	\$300,000	1,031,176			1,331,176
					22,340
					36,591
					3,809,354
400,361		2,713,489			5,333,411
					2,866,371
<u>400,361</u>	<u>300,000</u>	<u>3,744,665</u>	<u>95,159,566</u>	<u>NONE</u>	<u>108,558,809</u>
<u>\$2,825,530</u>	<u>\$300,000</u>	<u>\$3,837,677</u>	<u>\$101,118,790</u>	<u>\$399,972</u>	<u>\$123,601,636</u>

**MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA**

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

	CURRENT FUNDS			STUDENT LOAN FUNDS
	UNRESTRICTED		RESTRICTED	
	GENERAL	AUXILIARY ENTERPRISES		
Revenues and other additions:				
Unrestricted current fund revenues	\$35,305,674	\$7,016,278		
Tuition and fees - restricted			\$2,976,030	
Governmental grants and contracts:				
Federal			5,921,943	\$138,299
State			773,726	
Private gifts, grants, and contracts - restricted			1,242,561	
Sales and services of educational departments			1,063	
Investment income - restricted			64,043	2,466
State funded endowments				
Endowment income			175,455	
Interest on loans receivable				34,955
Retirement of indebtedness				
Additions to plant facilities (note 15)				
Other sources			1,087,546	
Total revenues and other additions	<u>35,305,674</u>	<u>7,016,278</u>	<u>12,242,367</u>	<u>175,720</u>
Expenditures and other deductions:				
Educational and general	32,526,843		11,392,052	
Auxiliary enterprises		8,052,801		
Expended for plant facilities				
Indirect costs recovered			185,266	
Loan cancellations and write-offs				98,950
Retirement of indebtedness				
Interest on indebtedness				
Disposal of plant facilities (note 15)				
Other				
Total expenditures and other deductions	<u>32,526,843</u>	<u>8,052,801</u>	<u>11,577,318</u>	<u>98,950</u>
Transfers among funds - additions (deductions):				
Mandatory:				
Principal and interest	(33,181)	(383,619)	(109,844)	
Loan fund matching grants	(22,383)			22,383
Other	(114,919)		114,919	
Nonmandatory - other	(2,547,960)	2,046,079	445,737	
Total transfers among funds	<u>(2,718,443)</u>	<u>1,662,460</u>	<u>450,812</u>	<u>22,383</u>
Inventory decrease	(15,322)	NONE	(1,361)	NONE
Net increase for the year	45,066	625,937	1,114,500	99,153
Fund balances (deficit) at beginning of year	(1,783,793)	1,168,287	2,698,288	2,120,408
Fund balances (deficit) at end of year (note 12)	<u>(\$1,738,727)</u>	<u>\$1,794,224</u>	<u>\$3,812,788</u>	<u>\$2,219,561</u>

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	INVESTMENT IN PLANT	
					\$42,321,952
			\$794,228		3,770,258
					6,060,242
\$100,000	\$91,828				773,726
	23,768		305,053		1,434,389
880,000					1,063
62,558					395,330
					880,000
					238,013
					34,955
				\$577,599	577,599
				5,471,755	5,471,755
					1,087,546
<u>1,042,558</u>	<u>115,596</u>	<u>NONE</u>	<u>1,099,281</u>	<u>6,049,354</u>	<u>63,046,828</u>
					43,918,895
	134,330				8,052,801
					134,330
					185,266
					98,950
			577,599		577,599
			500,760		500,760
				750,324	750,324
	448		2,843	1,370,000	1,373,291
<u>NONE</u>	<u>134,778</u>	<u>NONE</u>	<u>1,081,202</u>	<u>2,120,324</u>	<u>55,592,216</u>
					124,800
	65,000		586,444		124,800
	13,912		42,232		124,800
<u>NONE</u>	<u>78,912</u>	<u>NONE</u>	<u>628,676</u>	<u>NONE</u>	<u>124,800</u>
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>(16,683)</u>
1,042,558	59,730	NONE	646,755	3,929,030	7,562,729
1,823,813	340,631	\$300,000	3,097,910	91,230,536	100,996,080
<u>\$2,866,371</u>	<u>\$400,361</u>	<u>\$300,000</u>	<u>\$3,744,665</u>	<u>\$95,159,566</u>	<u>\$108,558,809</u>

**MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA  
CURRENT FUNDS**

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

	<u>GENERAL</u>	<u>AUXILIARY ENTERPRISES</u>	<u>RESTRICTED</u>
<b>Revenues:</b>			
Tuition and fees	\$12,909,359		\$2,195,433
State appropriations	21,821,591		
<b>Governmental grants and contracts:</b>			
Federal	10,640		5,921,997
State			861,133
Private gifts, grants, and contracts	197,421		853,225
Sales and services of education departments	33,382		1,063
Investment income	83,317		64,043
Endowment income			115,275
Auxiliary enterprise revenue		\$7,016,278	
Other sources	249,964		929,071
<b>Total revenues</b>	<u>35,305,674</u>	<u>7,016,278</u>	<u>10,941,240</u>
<b>Expenditures and transfers:</b>			
<b>Educational and general:</b>			
Instruction	18,033,579		1,952,550
Research	158,535		748,027
Public service			972,784
Academic support	3,153,944		1,799,153
Student services	1,812,720		401,059
Institutional support	4,207,683		62,508
Operations and maintenance of plant	3,476,812		154,229
Scholarships and fellowships	1,665,696		5,301,323
Other	17,874		419
<b>Total educational and general expenditures</b>	<u>32,526,843</u>	NONE	<u>11,392,052</u>
<b>Mandatory transfers for:</b>			
Principal and interest	33,181		109,844
Loan fund matching grants	22,383		
Other	114,919		(114,919)
Nonmandatory transfers - other	2,547,960		(445,737)
<b>Total educational and general and transfers</b>	<u>35,245,286</u>	NONE	<u>10,941,240</u>
<b>Auxiliary enterprises:</b>			
Expenditures		8,052,801	
Mandatory transfers for - principal and interest		383,619	
Nonmandatory transfers - other		(2,046,079)	
<b>Total auxiliary enterprises</b>	NONE	<u>6,390,341</u>	NONE
<b>Total expenditures and transfers</b>	<u>35,245,286</u>	<u>6,390,341</u>	<u>10,941,240</u>
<b>Other additions (deductions):</b>			
Excess of transfers to revenue over restricted receipts			1,301,127
Inventory decrease	(15,322)		(1,361)
Other			(185,266)
<b>Net increase in fund balances</b>	<u>\$45,066</u>	<u>\$625,937</u>	<u>\$1,114,500</u>

The accompanying notes are an integral part of this statement.

**MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA**

**Statement of Changes in Fund Balances  
For the Year Ended June 30, 1998**

	CURRENT FUNDS			STUDENT LOAN FUNDS
	UNRESTRICTED		RESTRICTED	
	GENERAL	AUXILIARY ENTERPRISES		
Revenues and other additions:				
Unrestricted current fund revenues	\$34,424,007	\$6,800,548		
Tuition and fees - restricted			\$2,291,616	
Governmental grants and contracts:				
Federal			5,224,679	\$102,607
State			758,380	
Private gifts, grants, and contracts - restricted			1,387,486	
Sales and services of educational departments			40,210	
Investment income - restricted			13,699	1,107
State funded endowments				
Endowment income			120,042	
Interest on loans receivable				27,004
Retirement of indebtedness				
Additions to plant facilities (note 15)				
Other sources			831,066	
Total revenues and other additions	<u>34,424,007</u>	<u>6,800,548</u>	<u>10,667,178</u>	<u>130,718</u>
Expenditures and other deductions:				
Educational and general	32,372,321		9,725,295	
Auxiliary enterprises		8,460,088		
Expended for plant facilities				
Indirect costs recovered			144,686	
Loan cancellations and write-offs				44,392
Retirement of indebtedness				
Interest on indebtedness				
Disposal of plant facilities (note 15)				
Interagency transfers to Office of Facility Planning and Control				
Total expenditures and other deductions	<u>32,372,321</u>	<u>8,460,088</u>	<u>9,869,981</u>	<u>44,392</u>
Transfers among funds - additions (deductions):				
Mandatory:				
Principal and interest	(182,446)	(514,166)	(156,719)	
Loan fund matching grants	(32,632)			32,632
Other	(63,212)		63,212	
Nonmandatory - other	(1,879,123)	1,939,768	(60,061)	
Total transfers among funds	<u>(2,157,413)</u>	<u>1,425,602</u>	<u>(153,568)</u>	<u>32,632</u>
Inventory increase	<u>9,819</u>	<u>NONE</u>	<u>1,749</u>	<u>NONE</u>
Net increase (decrease) for the year	(95,908)	(233,938)	645,378	118,958
Fund balances (deficit) at beginning of year	<u>(1,687,885)</u>	<u>1,402,225</u>	<u>2,052,910</u>	<u>2,001,450</u>
Fund balances (deficit) at end of year (note 12)	<u>(\$1,783,793)</u>	<u>\$1,168,287</u>	<u>\$2,698,288</u>	<u>\$2,120,408</u>

The accompanying notes are an integral part of this statement.

Statement D

ENDOWMENT FUNDS	PLANT FUNDS			INVESTMENT IN PLANT	TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS		
					\$41,224,555
			\$787,307		3,078,923
					5,327,286
					758,380
\$100,000					1,487,486
					40,210
	\$66,998		283,909		365,713
80,000					80,000
13,159					133,201
					27,004
				\$709,061	709,061
				3,291,114	3,291,114
					831,066
<u>193,159</u>	<u>66,998</u>	<u>NONE</u>	<u>1,071,216</u>	<u>4,000,175</u>	<u>57,353,999</u>
					42,097,616
					8,460,088
	433,005				433,005
					144,686
					44,392
			709,061		709,061
			554,933		554,933
				838,455	838,455
	186,885				186,885
<u>NONE</u>	<u>619,890</u>	<u>NONE</u>	<u>1,263,994</u>	<u>838,455</u>	<u>53,469,121</u>
	65,000		788,331		
	503,050		(503,634)		
<u>NONE</u>	<u>568,050</u>	<u>NONE</u>	<u>284,697</u>	<u>NONE</u>	<u>NONE</u>
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>11,568</u>
193,159	15,158	NONE	91,919	3,161,720	3,896,446
1,630,654	325,473	\$300,000	3,005,991	88,068,816	97,099,634
<u>\$1,823,813</u>	<u>\$340,631</u>	<u>\$300,000</u>	<u>\$3,097,910</u>	<u>\$91,230,536</u>	<u>\$100,996,080</u>

**MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA  
CURRENT FUNDS**

**Statement of Revenues, Expenditures,  
and Other Changes  
For the Year Ended June 30, 1998**

	<u>GENERAL</u>	<u>AUXILIARY ENTERPRISES</u>	<u>RESTRICTED</u>
Revenues:			
Tuition and fees	\$12,595,424		\$1,737,765
State appropriations	21,310,175		
Governmental grants and contracts:			
Federal			5,224,712
State			669,650
Private gifts, grants, and contracts			1,393,804
Sales and services of education departments	9,158		54,561
Investment income	133,419		13,699
Endowment income			104,821
Auxiliary enterprise revenue		\$6,800,548	
Other sources	375,831		679,851
Total revenues	<u>34,424,007</u>	<u>6,800,548</u>	<u>9,878,863</u>
Expenditures and transfers:			
Educational and general:			
Instruction	17,987,500		2,495,888
Research	238,820		317,828
Public service			889,939
Academic support	3,328,928		756,184
Student services	1,716,213		374,558
Institutional support	4,072,216		54,627
Operations and maintenance of plant	3,413,330		32,946
Scholarships and fellowships	1,615,314		4,802,999
Other			326
Total educational and general expenditures	<u>32,372,321</u>	NONE	<u>9,725,295</u>
Mandatory transfers for:			
Principal and interest	182,446		156,719
Loan fund matching grants	32,632		
Other	63,212		(63,212)
Nonmandatory transfers - other	1,879,123		60,061
Total educational and general and transfers	<u>34,529,734</u>	NONE	<u>9,878,863</u>
Auxiliary enterprises:			
Expenditures		8,460,088	
Mandatory transfers for - principal and interest		514,166	
Nonmandatory transfers - other		(1,939,768)	
Total auxiliary enterprises	NONE	<u>7,034,486</u>	NONE
Total expenditures and transfers	<u>34,529,734</u>	<u>7,034,486</u>	<u>9,878,863</u>
Other additions (deductions):			
Excess of transfers to revenue over restricted receipts			788,315
Inventory increase	9,819		1,749
Other			(144,686)
Net increase (decrease) in fund balances	<u>(\$95,908)</u>	<u>(\$233,938)</u>	<u>\$645,378</u>

The accompanying notes are an integral part of this statement.

**MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA**

Notes to the Financial Statements  
As of June 30, 1999, and for the  
Years Ended June 30, 1999 and 1998

**INTRODUCTION**

McNeese 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 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.

McNeese State University is located in Lake Charles, Louisiana. The university offers associate, baccalaureate, and selected masters and specialists degrees in the areas of business, education, liberal arts, the sciences, nursing, engineering, and engineering-related technologies. Enrollment at the university during the summer, fall, and spring semesters of fiscal years June 30, 1999 and 1998, was summer - 2,894 and 2,852; fall - 7,995 and 8,137; and spring - 7,383 and 7,283, respectively. The university has 276 faculty members and 471 staff members.

**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.

**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 McNeese State University, a component unit of the State of Louisiana.

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

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

**C. FUND ACCOUNTING**

To observe the limitations and restrictions placed on the use of available resources, the accounts of the university are maintained in accordance with the principles of fund accounting. Such principles prescribe the manner in which resources for various purposes are classified, for accounting and reporting purposes, into funds that are in accordance with specified activities or objectives. Accounts are separately maintained for each fund; however, in the accompanying financial statements, funds having similar characteristics have been combined into fund groups. Accordingly, all financial statements have been reported by fund groups. A brief description of each fund group follows:

**Current Funds**

Current funds are operating funds that will be expended in the near term. Such funds have two basic 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.

**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.

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

**Plant Funds**

The plant funds group contains four self-balancing subgroups. Unexpended plant funds are used for the acquisition of long-lived assets for institutional purposes. Funds for renewals and replacements are set aside from current operating revenues for the renewal and replacement of auxiliary enterprise properties. Funds for retirement of indebtedness are to service plant indebtedness of the university. Investment in plant includes all long-lived assets of the university. Certain plant assets are provided directly by the state and are funded by general obligation bonds of the state. While the plant assets are included in the financial statements, the general obligation bonds are not since they are funded by the state treasurer.

**Agency Funds**

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

**D. BASIS OF ACCOUNTING**

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

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

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

**E. BUDGET PRACTICES**

The appropriation made for the General Fund of the university is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive bodies of state government.

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

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:

	Fiscal Years	
	1999	1998
Original approved budget	\$36,829,988	\$35,204,097
Amendments:		
Preamble adjustments	(432,407)	448,835
State General Fund increase	986,541	1,013,847
<b>Total budgeted amounts</b>	<b><u>\$37,384,122</u></b>	<b><u>\$36,666,779</u></b>

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

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

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits. Under state law, the university may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the university may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

In accordance with Louisiana Revised Statute (R.S.) 49:327(C)(3), the university is authorized to invest funds in direct U.S. Treasury obligations, 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 reported at fair value and investments held by a private foundation in an external investment pool.

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

**G. INVENTORIES**

Inventories are valued at the lower of cost or market. The university uses a periodic inventory system and values its inventory using the first-in, first-out (FIFO) valuation method. Inventories in the General Fund and the Restricted Funds 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 expended when sold or used.

**H. DEFERRED REVENUES**

Tuition and fees collected at June 30, 1999, but applicable to the 1999 summer session, are reported as deferred revenues. Expenditures 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 to reserve fund balances, is employed by the university. Encumbrances outstanding at year-end in all funds, except for the General Fund, are reported as reservations of fund balance since they do not constitute expenditures or liabilities in the year encumbered. Encumbrances of the General Fund are not included in the financial statements because the university does not have the ability to finance the liquidation of encumbrances after June 30, 1999, as provided by R.S. 39:82. There are no encumbrances outstanding that would have been included in the general purpose financial statements of the State of Louisiana at June 30, 1999.

**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. No depreciation has been provided on plant assets.

**K. COMPENSATED ABSENCES**

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave

**MCNEESE STATE UNIVERSITY**  
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Notes to the Financial Statements (Continued)

during holiday periods when students are not in classes. Upon separation of employment, both classified and nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and nonclassified 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.

**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 \$13,108,514.

Petty cash	\$15,263
Demand deposits	149,477
Cash with state treasurer	33,356
Interest-bearing demand deposits	6,484,055
Time deposits	<u>6,426,363</u>
Total	<u><u>\$13,108,514</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 \$13,933,161 in deposits (collected bank balances). These deposits are secured from risk by \$525,104 of federal deposit insurance (GASB Category 1) and \$13,408,057 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Included in cash and cash equivalents is cash available to the university within the state treasury totaling \$33,356. Securities pledged for cash in the state treasury are not included in the previously mentioned computations as these amounts are secured by fiscal agent banks established by the state treasury independent of the university.

**MCNEESE STATE UNIVERSITY**  
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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	\$800,430	\$800,430
Investments held by private foundation in an external investment pool	<u>2,083,600</u>	<u>2,083,600</u>
Total	<u><u>\$2,884,030</u></u>	<u><u>\$2,884,030</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 McNeese State University Foundation, Incorporated, 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 \$2,083,600, were not categorized.

**4. 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	\$638,464		\$638,464
Auxiliary Enterprise	1,329,721	\$318,042	1,011,679
Restricted	933,087		933,087
Student Loan	119,382		119,382
Unexpended Plant	92,128		92,128
Agency	<u>30,329</u>		<u>30,329</u>
Total	<u><u>\$3,143,111</u></u>	<u><u>\$318,042</u></u>	<u><u>\$2,825,069</u></u>

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

**5. NOTES RECEIVABLE**

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

<u>Fund</u>	<u>Notes Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Statement A</u>
Perkins Loans	\$2,250,161	\$162,687	\$2,087,474
Nursing Student Loans	4,806	4,142	664
Total	<u>\$2,254,967</u>	<u>\$166,829</u>	<u>\$2,088,138</u>

**6. PENSION PLANS**

*Plan Description.* Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined contributory benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. 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 (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 Louisiana Revised Statute (R.S.) 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. For the years ended June 30, 1999 and 1998, contributions by the university are 16.5% and 16.4%, respectively, to TRS and 12.4% and 13%, respectively, to LASERS of the covered payroll. The State of Louisiana through the annual appropriation to the university funds the university's employer contribution. The university's employer contributions to TRS for the years ended June 30, 1999, 1998, and 1997, were \$1,368,229, \$1,410,000, and \$1,408,619, respectively, and to LASERS for the years ended

**MCNEESE STATE UNIVERSITY**  
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Notes to the Financial Statements (Continued)

June 30, 1999, 1998, and 1997, were \$681,119, \$701,863, and \$706,341, respectively, equal to the required contributions for each year.

**7. OPTIONAL RETIREMENT SYSTEM**

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the 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.

For the years ended June 30, 1999 and 1998, contributions by the university are 16.5% and 16.4%, respectively, 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 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 for the years ended June 30, 1999 and 1998, were \$1,322,482 and \$1,279,525, respectively.

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

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

**MCNEESE STATE UNIVERSITY**  
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Notes to the Financial Statements (Continued)

year. The cost of providing these retiree benefits totaled \$663,267 and \$616,600 for the years ended June 30, 1999 and 1998, respectively.

**9. RISK MANAGEMENT**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. The university is involved in 14 lawsuits at June 30, 1999, in which the plaintiffs are seeking damages, all of which are handled by the Office of Risk Management.

**10. COMPENSATED ABSENCES**

At June 30, 1999, employees of the university have accumulated and vested \$2,003,878 of employee leave benefits, which was computed in accordance with GASB Codification Section C60 and which is recorded in the accompanying financial statements.

**11. LONG-TERM DEBT**

The following is a summary of bond transactions and other long-term debt transactions of the university for the two years ended June 30, 1999:

	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Total</u>
Payable at June 30, 1997	\$9,867,344	\$292,540	\$10,159,884
Retired:			
June 30, 1998	791,500	192,561	984,061
June 30, 1999	<u>812,944</u>	<u>54,655</u>	<u>867,599</u>
Payable at June 30, 1999	<u>\$8,262,900</u>	<u>\$45,324</u>	<u>\$8,308,224</u>

A detailed summary of all debt outstanding at June 30, 1999, follows:

**MCNEESE STATE UNIVERSITY**  
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Notes to the Financial Statements (Continued)

**Notes Payable**

The university has entered into various installment purchase agreements with interest rates ranging from 5.23% to 6.02% for the purchase of data processing equipment and eight vehicles. The following is a schedule of future minimum installment payments at June 30, 1999:

Minimum installment payments - fiscal year - 1999-2000	\$46,387
Less - amount representing interest	<u>(1,063)</u>
Total	<u><u>\$45,324</u></u>

**Bonds Payable**

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 1997</u>	<u>Redeemed June 30, 1998</u>
<b>Student Housing System</b>				
Revenue Bonds:				
Series 1961-B	10/01/61	\$500,000	\$108,000	\$20,000
Series 1965	10/01/65	2,650,000	1,600,000	145,000
Series 1968	10/01/68	4,800,000	2,590,000	175,000
<b>Academic Facilities</b>				
Building Use Fee				
Revenue Bonds:				
Series 1969	10/01/69	833,000	120,000	60,000
Series 1970	12/01/70	635,000	85,000	40,000
<b>General Obligation Bonds -</b>				
Series 1985-B	05/01/85	300,000	180,344	16,500
<b>Stadium Project Series</b>				
1996	10/15/96	900,000	900,000	60,000
Parking Lot Series 1997	02/12/97	1,500,000	1,500,000	65,000
<b>Student Facilities Program</b>				
Building Bonds	04/01/97	<u>2,784,000</u>	<u>2,784,000</u>	<u>210,000</u>
Total		<u><u>\$14,902,000</u></u>	<u><u>\$9,867,344</u></u>	<u><u>\$791,500</u></u>

Redeemed June 30, 1999	Outstanding June 30, 1999	Maturities	Interest Rates	Interest Outstanding June 30, 1999
\$20,000	\$68,000	2000-2001	3.5%	\$3,640
145,000	1,310,000	2000-2005	4.0%	191,490
175,000	2,240,000	2000-2008	5.5-5.625%	658,704
60,000				
45,000				
17,944	145,900	2000-2005	9.25-9.3%	50,799
60,000	780,000	2000-2011	8.0%	405,600
65,000	1,370,000	2000-2011	6.25%	630,938
225,000	2,349,000	2000-2006	5.75%	579,456
<u>\$812,944</u>	<u>\$8,262,900</u>			<u>\$2,520,627</u>

**MCNEESE STATE UNIVERSITY**  
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Notes to the Financial Statements (Continued)

The annual requirements to amortize all bonds outstanding at June 30, 1999, including interest of \$2,520,627, are as follows:

<u>Issue</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Student Housing System Revenue Bonds:			
Series 1961-B	\$23,995	\$23,225	\$24,420
Series 1965	203,067	201,925	205,490
Series 1968	294,719	309,281	298,031
General Obligation Bonds - Series 1985-B	33,083	32,975	32,858
Stadium Project Series 1996	120,000	115,200	110,400
Parking Lot Series 1997	153,438	153,906	154,063
Student Facilities Program Building Bonds	<u>368,168</u>	<u>368,936</u>	<u>363,986</u>
<b>Total</b>	<b><u>\$1,196,470</u></b>	<b><u>\$1,205,448</u></b>	<b><u>\$1,189,248</u></b>

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

<u>Bond Issue</u>	Cash		
	<u>Reserves Available</u>	<u>Reserve Requirements</u>	<u>Excess</u>
Student Housing System Revenue Bonds	\$1,044,418	\$997,820	\$46,598
Expansion of Baseball Field	<u>33,356</u>	<u>33,356</u>	
<b>Total</b>	<b><u>\$1,077,774</u></b>	<b><u>\$1,031,176</u></b>	<b><u>\$46,598</u></b>

The student housing system revenue bond agreements require that, after all deposits have been made to the Student Housing System Revenue Bonds Retirement of Indebtedness Fund, a sum of \$35,000 per annum be transferred to the Student Housing System Revenue Bonds Renewals and Replacement Reserve Fund until the reserve in that fund totals \$300,000. At June 30, 1999, the Renewals and Replacement Reserve Fund has a balance of \$300,000.

<u>2003</u>	<u>2004</u>	<u>Subsequent Years</u>	<u>Total</u>
			\$71,640
\$223,373	\$220,670	\$446,965	1,501,490
301,360	298,985	1,396,328	2,898,704
32,731	32,594	32,458	196,699
105,600	100,800	633,600	1,185,600
153,906	153,438	1,232,187	2,000,938
<u>368,174</u>	<u>366,355</u>	<u>1,092,837</u>	<u>2,928,456</u>
<u>\$1,185,144</u>	<u>\$1,172,842</u>	<u>\$4,834,375</u>	<u>\$10,783,527</u>

**MCNEESE STATE UNIVERSITY**  
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Notes to the Financial Statements (Continued)

**12. FUND DEFICIT**

As shown on Statements B and D, the General Fund had deficits of \$1,738,727 and \$1,783,793 for fiscal years 1999 and 1998, respectively, as a result of the liability for compensated absences. The deficit will be funded by future General Fund appropriations and other revenues.

**13. STUDENT LOAN FUNDS**

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

Perkins Loans Fund	\$2,216,344
Nursing Student Loans	<u>3,217</u>
Total	<u><u>\$2,219,561</u></u>

**14. ENDOWMENT FUNDS**

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

William T. and Ethel Lewis Burton College of Education Endowment	\$900,000
Fanny Edith Winn Educational Trust Endowment	45,000
Eminent Scholars - State Share	838,208
Endowed Professorships - State Share	<u>1,083,163</u>
Total	<u><u>\$2,866,371</u></u>

**15. PLANT FUNDS**

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

**MCNEESE STATE UNIVERSITY**  
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Notes to the Financial Statements (Continued)

Fields - Satellite	\$4,908
Fire Code Updates	4,087
King-Abatement and Renovation	(90)
Alumni Renovations	14,780
Smith Hall Renovations	6,000
Parking Lot Improvement	<u>370,676</u>
<b>Total</b>	<b><u><u>\$400,361</u></u></b>

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, "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 investment in plant follows:

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998	Additions	Deletions	Balance June 30, 1999
Land	\$1,960,202			\$1,960,202			\$1,960,202
Improvements	11,310,314	\$1,555,324		12,865,638	\$3,424,747		16,290,385
Buildings	58,608,237			58,608,237		\$175,000	58,433,237
Equipment	14,469,211	1,277,690	\$731,917	15,014,984	1,536,436	522,329	16,029,091
Library books	7,412,161	449,788	42,539	7,819,410	482,897	26,995	8,275,312
Livestock	184,575	8,312	63,999	128,888	27,675	26,000	130,563
<b>Total</b>	<b><u>\$93,944,700</u></b>	<b><u>\$3,291,114</u></b>	<b><u>\$838,455</u></b>	<b><u>\$96,397,359</u></b>	<b><u>\$5,471,755</u></b>	<b><u>\$750,324</u></b>	<b><u>\$101,118,790</u></b>

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

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

**16. AUXILIARY ENTERPRISES**

The university maintains various auxiliary enterprise funds that provide services to the university community. Segment information for the fiscal years ended June 30, 1999 and 1998, follows:

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Net increase (decrease) in fund balances	\$625,937	(\$233,938)
Outstanding principal and interest on debt	5,627,434	6,308,225
Annual principal and interest on debt	650,971	671,571

The present accounting system does not provide for individual accounting of balance sheet and fixed assets for each auxiliary. A summary of net income or (net loss) for the fiscal years ended June 30, 1999 and 1998, follows:

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Food service	\$155,357	(\$97,544)
Housing	(218,220)	(146,118)
Bookstore	476,597	295,895
Athletic Auxiliary	78,033	(475,847)
Others	134,170	189,676
	<u>625,937</u>	<u>(\$233,938)</u>
Total	<u><u>\$625,937</u></u>	<u><u>(\$233,938)</u></u>

The individual auxiliary enterprise funds of the university are operated as divisions within the System Fund. Additions to plant facilities made by the auxiliary enterprise funds are recorded as a part of the university's total institutional plant.

**17. OUTSIDE ORGANIZATIONS**

The accompanying financial statements do not include the accounts of the McNeese State University Foundation, Incorporated, and the McNeese State University Alumni Association, Incorporated. These organizations are separate corporations whose financial statements are subject to audit by independent certified public accountants. The foundation and the alumni association were audited for the year ended June 30, 1998, and have engaged an independent certified public accountant for the audit for the year ended June 30, 1999.

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

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

	Foundation		Alumni Association	
	1999	1998	1999	1998
Salaries and related benefits	\$151,690	\$147,195	\$67,112	\$65,164
Travel		369		
Operating services	5,166	4,961		
Supplies	15	412		
<b>Total</b>	<b>\$156,871</b>	<b>\$152,937</b>	<b>\$67,112</b>	<b>\$65,164</b>

McNeese State University has contracted with the McNeese State University Foundation, Incorporated, to invest the university's two Endowed Chairs for Eminent Scholars endowment funds and 25 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 for the Endowed Chairs for Eminent Scholars and the Endowed Professorship Program totaled \$4,500,000. 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 \$4,803,427. This endowment base and accumulated interest earnings of \$405,573, which totaled \$5,209,000, were held by the foundation at June 30, 1999. During the years ended June 30, 1999 and 1998, \$168,005 and \$416,845 of interest income was earned on these endowment funds, respectively. During the years ended June 30, 1999 and 1998, \$110,000 of accumulated interest earnings were expended each year.

**18. DEFERRED COMPENSATION PLAN**

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

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

The following page contains 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.

**MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA  
REQUIRED SUPPLEMENTAL INFORMATION  
For the Years Ended June 30, 1999 and 1998**

**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 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.

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.

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.

**MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULE  
For the Years Ended June 30, 1999 and 1998**

The following supplemental information schedule presents the Schedule of Individual Agency Fund Balances for fiscal years 1999 and 1998.

**MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA**

**Schedule of Individual Agency Fund Balances  
For the Years Ended June 30, 1999 and June 30, 1998**

	<u>JUNE 30, 1999</u>	<u>JUNE 30, 1998</u>
Cadet Corps	\$680	\$680
Lost Military Property	1,745	2,114
Benefits Fair	61	
Human Relations - Social Events	445	
All State Symposium Camp	3,886	968
Region V Science Fair	284	210
Region V Under Instruction	884	
Arena	285	81
Contraband	9,854	6,036
Log	89,358	65,007
Student Government Association	1,138	(2,630)
Student Union Board Assessment	27,468	33,672
Student Insurance	36,907	31,599
Miscellaneous Donations - NDSL Fund	747	747
Jean Barr	12,000	12,000
Student Loan Fund	52,472	52,472
Student General Fund	7,878	8,303
Pom Pom Girls	11	492
Cheerleader Support	104	104
Baccus (Student Services)	225	256
IFC - Special Fund	275	275
Greek Unity Council	1,082	1,237
Resident Assistants Account	50	50
Cheerleader Camp (Glenda Menard)	79	79
Summer Day Camp	10,590	2,611
Alumni Scoreboard/Sound	265	265
Episcopal Student Union	250	
Leisure Learning Trips	2,239	
AD Clearing Account	324	
Cowboy Club	1,713	
Cowgirl Booster Club - Dues	16	4,912
Cowgirl Booster Club - Gaming	304	1,042
Softball Boosters	2,776	1,479
Gaming Revenue Clearing	890	890
Quarterback Club	2,148	322
Tip-Off Club	177	
Bonnette Printing/Poster	2,166	2,182
Ex-Athlete Golf Tournament	2,660	1,486
Cowgirl Softball Camp	7	4,458

(Continued)

**MCNEESE STATE UNIVERSITY  
STATE OF LOUISIANA  
Schedule of Individual Agency Fund Balances, 1999**

	<u>JUNE 30, 1999</u>	<u>JUNE 30, 1998</u>
Cowgirl Volleyball Camp	\$1,026	(\$1,150)
Cowgirl Soccer Camp		1,966
Cowgirl Basketball Camp	1,659	3,243
Coca Cola Football Camp	20	1,040
Volleyball Posters	1,636	1,866
Tennis Posters		483
Soccer Posters	(575)	630
Petro-Chem Athletic Association		100,000
Track Building	62,647	63,117
Burton Coliseum	2,214	2,214
Ron Everhart Basketball Camp		98
Bianco Baseball Camp		5,870
Cameron State Bank Fundraiser	1,493	1,493
	<u>1,493</u>	<u>1,493</u>
Total	<u>\$344,563</u>	<u>\$414,269</u>

(Concluded)

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain our report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The 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**  
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DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

December 9, 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*

**MCNEESE STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Lake Charles, Louisiana

We have audited the general purpose financial statements of McNeese State University, a component unit of the State of Louisiana, as of June 30, 1999, and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated December 9, 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 McNeese State University's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered McNeese State University's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

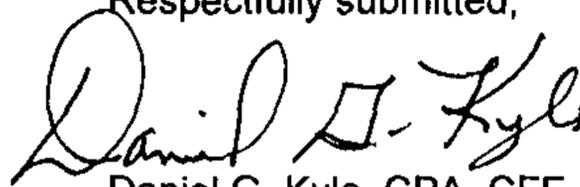
**EXHIBIT A**

**LEGISLATIVE AUDITOR**

**MCNEESE STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Compliance and Internal Control Report  
December 9, 1999  
Page 2

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,

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

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

DLC:DLH:DSP:dl

[MSU]

**EXHIBIT A**