

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Northwestern State University  
State of Louisiana  
Natchitoches, 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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**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, 1999  
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.

December 22, 1999

**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, 1999  
With Supplemental Information Schedules**

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

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November 18, 1999

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, 1999, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of Northwestern State University's management. 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 1999, on our consideration of Northwestern State University's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

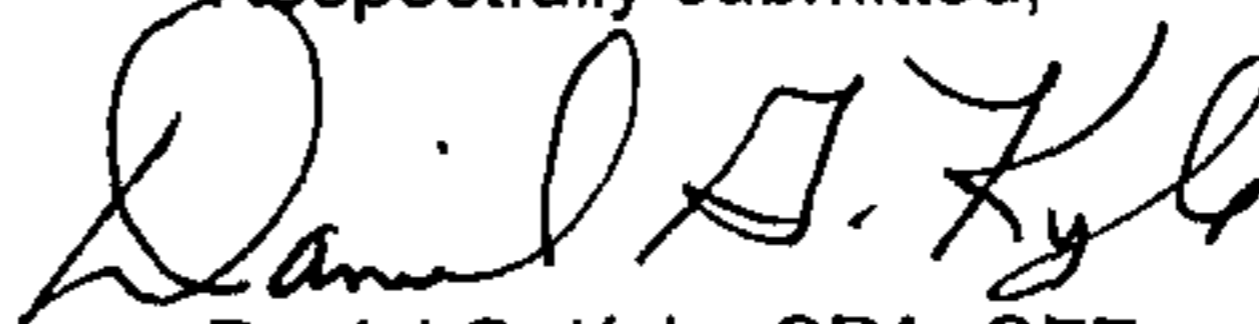
Our audit was made for the purpose of forming an opinion on the general purpose financial statements of Northwestern State University taken as a whole. The accompanying supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not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

LEGISLATIVE AUDITOR

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

The Year 2000 supplementary information on page 33 is not a required part of the basic financial statements but is supplemental 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 Northwestern State University is or will become Year 2000 compliant, that Northwestern State University's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which Northwestern State University does business are or will become Year 2000 compliant.

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:DSP:ss

[NSU]

**NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA**

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

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
<b>ASSETS</b>				
Cash and cash equivalents	\$2,126,455	\$1,532,996	\$2,821,766	\$41,081
Investments		292,956		
Accrued interest				177,324
Accounts receivable (net)	1,647,006	915,927	1,249,755	
Notes receivable (net)				2,273,258
Due from private foundations		15,571		
Deferred charges and prepaid expenses	238,433	3,490	23,856	
Inventories	764,595	2,833		
Other assets	17,794			
Institutional plant				
<b>TOTAL ASSETS</b>	<b>\$4,794,283</b>	<b>\$2,763,773</b>	<b>\$4,095,377</b>	<b>\$2,491,663</b>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Accounts payable	\$438,313	\$171,125	\$254,886	\$8
Accrued payrolls and other liabilities	1,410,287	118,815	355,679	
Due to state treasury	39,070		1,007	
Deposits held for others	5,000	176,533	5,840	
Deferred revenues	2,136,996	628,321	427,140	
Compensated absences payable	1,403,712	194,036	85,209	
Bonds payable				
Other liabilities				6,325
Total Liabilities	5,433,378	1,288,830	1,129,761	6,333
Fund equity:				
Net investment in plant				
Fund balances:				
Reserved for debt service				
Reserved for inventories	764,595			
Reserved for encumbrances		29,844	747,046	
Current operations - unrestricted (deficit)	(1,403,690)			
Current operations - restricted		1,445,099	2,218,570	
Noncurrent operations:				
Restricted				2,485,330
Endowment				
Total Fund Equity (deficit)	(639,095)	1,474,943	2,965,616	2,485,330
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$4,794,283</b>	<b>\$2,763,773</b>	<b>\$4,095,377</b>	<b>\$2,491,663</b>

The accompanying notes are an integral part of this statement.

Statement A

ENDOWMENT FUNDS	PLANT FUNDS			AGENCY FUNDS	TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS		
\$25,994	\$621,736	\$10,603		\$503,420	\$7,684,051
1,908,456				62,512	2,263,924
21,461					198,785
	20,704			47,876	3,881,268
					2,273,258
					15,571
			\$22,950	5,186	293,915
				857	767,428
					18,651
				\$115,883,770	115,883,770
<u>\$1,955,911</u>	<u>\$642,440</u>	<u>\$10,603</u>	<u>\$22,950</u>	<u>\$115,883,770</u>	<u>\$619,851</u>
		\$8,402		\$78,072	\$950,806
		2,201		6,006	1,892,988
					40,077
	\$46,620			487,123	674,496
				48,650	3,287,727
					1,682,957
				\$7,210,000	7,210,000
					6,325
<u>NONE</u>	<u>46,620</u>	<u>10,603</u>	<u>NONE</u>	<u>7,210,000</u>	<u>619,851</u>
				108,673,770	108,673,770
			\$22,950		22,950
	44,265				764,595
					821,155
					(1,403,690)
					3,663,669
	551,555				3,036,885
<u>\$1,955,911</u>					<u>1,955,911</u>
<u>1,955,911</u>	<u>595,820</u>	<u>NONE</u>	<u>22,950</u>	<u>108,673,770</u>	<u>NONE</u>
<u>\$1,955,911</u>	<u>\$642,440</u>	<u>\$10,603</u>	<u>\$22,950</u>	<u>\$115,883,770</u>	<u>\$619,851</u>
					<u>\$133,280,621</u>



**NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA**

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

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
Revenues and other additions:				
Unrestricted current fund revenues	\$41,687,554	\$1,153,505		
Tuition and fees - restricted			\$3,146,335	
State appropriations - restricted			147,010	
Federal grants and contracts - restricted			9,751,488	\$214,293
State grants and contracts - restricted			2,580,861	
Private gifts, grants, and contracts			66,401	
Sales and services of educational departments			126,175	
Investment income - restricted			32,007	1,361
State funded endowments				
Auxiliary enterprise revenues		4,554,378	10,029	
Interest on loans receivable				67,552
Retirement of indebtedness				
Additions to plant facilities				
Other sources		193,650	226,966	6,531
Total revenues and other additions	<u>41,687,554</u>	<u>5,901,533</u>	<u>16,087,272</u>	<u>289,737</u>
Expenditures and other deductions:				
Educational and general	38,272,566	654,686	16,577,100	
Auxiliary enterprises		6,115,905		
Expended for plant facilities				
Indirect costs recovered			192,094	
Loan cancellations and write-offs				417,971
Retirement of indebtedness				
Interest on indebtedness				
Refunded to grantors			18,278	32,342
Disposal of plant facilities				
Compensated absences	(2,723)	6,112	10,225	
Other	19,195			
Total expenditures and other deductions	<u>38,289,038</u>	<u>6,776,703</u>	<u>16,797,697</u>	<u>450,313</u>
Transfers among funds - additions (deductions):				
Mandatory:				
Principal and interest				
Loan fund matching grants	(47,005)			47,005
Other	(632,055)		632,055	
Nonmandatory:				
Renewals and replacements	(23,950)	(314,853)		
Other	(2,236,318)	1,964,029	251,921	
Total transfers among funds	<u>(2,939,328)</u>	<u>1,649,176</u>	<u>883,976</u>	<u>47,005</u>
Inventory increase	93,754	NONE	NONE	NONE
Net increase (decrease) for the year	552,942	774,006	173,551	(113,571)
Fund balances (deficit) at July 1, 1998	(1,192,037)	700,937	2,792,065	2,598,901
Fund balances (deficit) at June 30, 1999	<u>(\$639,095)</u>	<u>\$1,474,943</u>	<u>\$2,965,616</u>	<u>\$2,485,330</u>

The accompanying notes are an integral part of this statement.

Statement B

ENDOWMENT FUNDS	PLANT FUNDS			INVESTMENT IN PLANT	TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS		
	\$382,538				\$42,841,059
					3,528,873
					147,010
					9,965,781
\$491,155					2,580,861
					557,556
74,879	18,727				126,175
40,000					126,974
					40,000
					4,564,407
					67,552
				\$15,000	15,000
				5,382,519	5,382,519
48	1,418				428,613
606,082	402,683	NONE	NONE	5,397,519	70,372,380
					55,504,352
		\$773,284			6,115,905
					773,284
					192,094
					417,971
			\$15,000	6,850,000	6,865,000
			20,571		20,571
					50,620
				1,509,988	1,509,988
					13,614
	45,392				64,587
NONE	45,392	773,284	35,571	8,359,988	71,527,986
	(39,396)		39,396		
	(434,481)	773,284			
20,368					
20,368	(473,877)	773,284	39,396	NONE	NONE
NONE	NONE	NONE	NONE	NONE	93,754
626,450	(116,586)	NONE	3,825	(2,962,469)	(1,061,852)
1,329,461	712,406	NONE	19,125	111,636,239	118,597,097
\$1,955,911	\$595,820	NONE	\$22,950	\$108,673,770	\$117,535,245

NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA  
CURRENT FUNDS

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

	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED
<b>Revenues:</b>			
Tuition and fees	\$15,956,945	\$1,153,505	\$2,830,957
State appropriations	23,851,256		147,010
Federal grants and contracts			9,685,209
State grants and contracts	54,500		2,356,497
Private gifts, grants, and contracts			234,023
Sales and services of education departments	667,498		126,175
Investment income	295,368		
Auxiliary enterprise revenue		4,554,378	10,029
Administrative expense recovery	176,421		
Other sources	685,566	193,650	320,495
Total revenues	<u>41,687,554</u>	<u>5,901,533</u>	<u>15,710,395</u>
<b>Expenditures and transfers:</b>			
<b>Educational and general:</b>			
Instruction	18,440,812		4,345,600
Research	590,640		386,227
Public service	85,385		764,916
Academic support	3,015,143		2,108,563
Student services	2,483,249		616,902
Institutional support	6,361,657		49,102
Operations and maintenance of plant	3,993,922		75,157
Scholarships and fellowships	3,301,758	654,686	8,226,321
Compensated absences	(2,723)	6,112	10,225
Other	19,195		4,312
Total educational and general expenditures	<u>38,289,038</u>	<u>660,798</u>	<u>16,587,325</u>
<b>Mandatory transfers for:</b>			
Loan fund matching grants	47,005		
Other	632,055		(632,055)
Total mandatory transfers	<u>679,060</u>	<u>NONE</u>	<u>(632,055)</u>
<b>Auxiliary enterprises:</b>			
Expenditures		6,115,905	
<b>Nonmandatory transfers for:</b>			
Renewals and replacements	23,950	314,853	
Other	2,236,318	(1,964,029)	(251,921)
Total auxiliary enterprises	<u>2,260,268</u>	<u>4,466,729</u>	<u>(251,921)</u>
Total expenditures and transfers	<u>41,228,366</u>	<u>5,127,527</u>	<u>15,703,349</u>
<b>Other additions (deductions):</b>			
Excess of restricted receipts over transfers to revenue			184,783
Inventory increase	93,754		
Other			(18,278)
Net increase in fund balances	<u>\$552,942</u>	<u>\$774,006</u>	<u>\$173,551</u>

The accompanying notes are an integral part of this statement.

**NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA**

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

**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 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.

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 Economic and Industrial Development District in Alexandria. Enrollment on all campuses of the university was 8,572, 8,124 and 4,144, respectively, during the fall, spring, and summer semesters of the 1998-99 fiscal year. The university has 309 full-time faculty, 189 part-time faculty, and 431 staff members.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

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

**B. REPORTING ENTITY**

The GASB Codification Section 2100, has defined the governmental reporting entity to be the State of Louisiana. Therefore, the accompanying financial statements of the university contain sub-account information of the various funds of the State of Louisiana. The university is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing boards are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state

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

appropriations provide the largest percentage of total revenues for the General Fund; (4) the state issues bonds to finance certain construction; and (5) the university primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of Northwestern State University as authorized by Louisiana statutes and administrative regulations.

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

**C. FUND ACCOUNTING**

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

**Current Funds**

Current funds are operating funds that will be expended in the near term. Such funds have two basic sub-groups, unrestricted and restricted.

Unrestricted current funds include all funds for operating purposes on which there are no restrictions, except the budgetary control provisions included in the annual legislative appropriation act, and include the General Fund. Restricted current funds represent those operating funds on which restrictions have been imposed that limit the purposes for which such funds can be used and 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.

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

**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 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.

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

**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 for Higher Education and certain legislative and executive branches of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) inventories in the General Fund are recorded as expenditures at the time of purchase.

The budget amounts for the 1998-99 year include the original approved budget and subsequent amendments approved as follows:

Original approved budget	\$41,799,368
Amendments:	
Higher Education Enhancement and Library Funds from the Board of Regents in accordance with Act 18	1,747,205
Increase in Auxiliary Account Self-Generated Funds	<u>23,950</u>
Total budgeted amounts	<u><u>\$43,570,523</u></u>

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

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

Cash and cash equivalents include petty cash, demand deposits, time deposits, and certificates of deposit. Cash and cash equivalents are stated at cost, which approximates market. Under state law, the 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.

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

Northwestern State University maintains investment accounts as authorized by Louisiana Revised Statute (R.S.) 49:327(C)(3). University investments include U.S. Treasury securities and stocks. Investments are stated at market value as required by GASB 31 and investments received as gifts are recorded initially at fair market value at the date of acquisition.

**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. The inventory of the Auxiliary Fund is expended when sold or used. Year-end balances are offset by a fund balance reserve that indicates this portion of the fund balance does not constitute available spendable resources.

**H. DEFERRED REVENUES**

Tuition and fees collected at June 30, 1999, but applicable to the 1999 summer session, are reported as deferred revenues. Expenses relating to this session are reported in the period the tuition and fees are recognized as revenues.

**I. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve fund balances, is employed by the university. Encumbrances outstanding at year-end in all funds, except for the General Fund, are reported as reservations of fund balance since they do not constitute expenditures or liabilities in the year encumbered. Encumbrances of the General Fund are not included in the financial statements because the university does not have the ability to finance the liquidation of encumbrances after June 30, 1999, as provided by R.S. 39:82.

**J. PLANT ASSETS**

Physical plant and equipment are stated at cost at the date of acquisition, 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. Certain improvements to infrastructures are 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



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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. The liability for unused annual leave and unused sick leave is recorded in the accompanying financial statements.

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

**L. TOTAL COLUMNS ON STATEMENTS**

Total columns on the statements are captioned "Total (Memorandum Only)" 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 AND INVESTMENTS**

At June 30, 1999, the university has cash and cash equivalents and investments (book balances) totaling \$9,947,975 as follows:

Cash and cash equivalents:		
Cash on hand	\$26,136	
Demand deposits	7,657,915	
Total cash and cash equivalents		\$7,684,051
Investments:		
Certificates of deposit classified as investments	2,243,579	
Investments in stock	20,345	
Total investments		2,263,924
Total cash and cash equivalents and investments		<u>\$9,947,975</u>

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These deposits are stated at cost, which approximates market. Under state law, all 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. The deposits at June 30, 1999, were secured as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Balances per Balance Sheet	\$7,684,051	\$2,263,924	\$9,947,975
Less - cash on hand and stocks	<u>(26,136)</u>	<u>(20,345)</u>	<u>(46,481)</u>
Deposits in bank accounts per Balance Sheet	<u>\$7,657,915</u>	<u>\$2,243,579</u>	<u>\$9,901,494</u>
Bank balances:			
Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name (GASB Category 1)	\$236,399	\$100,000	\$336,399
Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name (GASB Category 2)	<u>8,621,055</u>	<u>2,143,579</u>	<u>10,764,634</u>
Total bank balances	<u>\$8,857,454</u>	<u>\$2,243,579</u>	<u>\$11,101,033</u>

The university received shares of stock from a succession to be used as an endowment. The succession agreement states that the university may not sell or exchange the stock and shall use the dividends as part of the endowment. This stock is reported at its estimated fair value of \$20,345 and because its sale is restricted by contractual provisions, it is not assigned to a Risk Category under GASB 3.

**3. ACCOUNTS RECEIVABLE**

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

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<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Statement A</u>
General	\$1,647,006		\$1,647,006
Auxiliary Enterprises	1,015,983	\$100,056	915,927
Restricted	1,249,755		1,249,755
Unexpended Plant	20,704		20,704
Agency	47,876		47,876
Total	<u>\$3,981,324</u>	<u>\$100,056</u>	<u>\$3,881,268</u>

**4. NOTES RECEIVABLE**

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

<u>Fund</u>	<u>Notes Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Statement A</u>
Perkins Loan	\$2,882,752	\$696,114	\$2,186,638
Nursing Student Loans	122,389	35,769	86,620
Total	<u>\$3,005,141</u>	<u>\$731,883</u>	<u>\$2,273,258</u>

**5. PENSION PLANS**

*Plan Description.* Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the

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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 plan members and the university are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 16.5% of covered salaries to TRS and 12.4% of covered salaries to LASERS. The university's employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The university's employer contributions to TRS for the years ended June 30, 1999, 1998, and 1997, were \$2,645,830, \$2,670,000, and \$2,621,883, respectively, and to LASERS for the years ended June 30, 1999, 1998, and 1997, were \$716,935, \$722,329, and \$673,145, respectively, equal to the required contributions for each year.

**6. OPTIONAL RETIREMENT SYSTEM**

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

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

Total contributions by the university are 16.5% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. 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 \$1,176,819 for the year ended June 30, 1999.

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**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 \$760,687 for 332 retirees for the year ended June 30, 1999.

**8. CONTINGENT LIABILITIES**

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 11 lawsuits at June 30, 1999. 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, 1999, employees of the university have accumulated and vested annual leave, sick leave, and compensatory leave of \$1,357,068, \$303,298, and \$22,591, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

**10. COMPENSATORY LEAVE**

At June 30, 1999, unclassified employees of the university have accumulated compensatory leave of \$362,558. In accordance with the University of Louisiana System Board of Trustees' policy, compensatory leave is hours accrued and used 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 \$22,591 at June 30, 1999. For classified employees, all unused compensatory leave earned at the time and one-half rate and credited to an employee shall be paid upon separation or transfer from the university. All unused compensatory leave earned hour-for-hour and credited to an employee may be paid upon separation or transfer. If such compensatory leave earned hour-for-hour is not paid upon separation or transfer, it is canceled. Caps on accumulation of compensatory leave for classified employees are covered by Civil Service Rule 6.25.

**NORTHWESTERN STATE UNIVERSITY**  
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**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. This lease has been renewed for the period November 1, 1998, through October 31, 2003.

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. This sub-lease has been renewed for the period July 1, 1999, through June 30, 2000.

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. This sub-lease has been renewed for the period February 1, 1999, through January 31, 2000.

On March 21, 1997, the Board entered into an operating sub-lease agreement with the England Economic and Industrial Development District. This was done on behalf of Northwestern State University for use by its Aviation Science Department. This lease has been renewed for the period February 1, 1999, through January 31, 2000.

On April 22, 1999, the Board entered into an operating lease agreement with the Milam Street, Ltd. This was done on behalf of Northwestern State University for space for its Child Services Network. This lease is for the period March 1, 1999, through February 29, 2000.

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 1998-99 totaled \$179,900. 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, et cetera) and the annual rental payments for the years following June 30, 1999, are as follows:

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<u>Nature of Operating Lease</u>	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
Airport space	\$6,000	\$6,000	\$6,000
Classroom space	122,500		
Child Development Center	13,258		
Child Services Network	10,725		
Total	<u>\$152,483</u>	<u>\$6,000</u>	<u>\$6,000</u>

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

**12. REVENUE LEASES**

The minimum annual future rentals on noncancelable operating leases of university property, as of June 30, 1999, are as follows:

<u>Nature of lease</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Student Union bookstore and cafeteria*	\$676,390	\$466,667	\$450,000
Land	11,000	11,000	11,000
Total	<u>\$687,390</u>	<u>\$477,667</u>	<u>\$461,000</u>

\*Rental contracts include equipment rentals.

Note 25 includes additional information on a revenue lease of university land.

**13. LONG-TERM DEBT**

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

Bonds payable at July 1, 1998	\$375,000
Bonds retired	(15,000)
Bonds issued	<u>6,850,000</u>
Bonds payable at June 30, 1999	<u>\$7,210,000</u>

<u>2002-2003</u>	<u>2003-2004</u>	<u>Total</u>
\$6,000	\$2,000	\$26,000
		122,500
		13,258
		10,725
<u>\$6,000</u>	<u>\$2,000</u>	<u>\$172,483</u>

<u>2003</u>	<u>2004</u>	<u>Subsequent Years</u>
\$41,850		
7,667	\$1,000	\$29,167
<u>\$49,517</u>	<u>\$1,000</u>	<u>\$29,167</u>



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A detailed summary of all debt outstanding at June 30, 1999, including interest payments of \$5,353,011 follows:

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 1998</u>	<u>Redeemed (Issued)</u>
General Obligation Bonds, Series 1993-B	Feb. 1, 1993	\$460,000	\$375,000	\$15,000
Wellness, Recreation, and Activity Center Bonds, Series 1999	Apr. 1, 1999	<u>6,850,000</u>	<u>                    </u>	<u>(6,850,000)</u>
Total		<u>\$7,310,000</u>	<u>\$375,000</u>	<u>(\$6,835,000)</u>

The annual requirements to amortize all bonds outstanding at June 30, 1999, including interest of \$5,353,011 are as follows:

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Obligation Bonds, Series 1993-B	\$34,870	\$34,139	\$38,264	\$37,254
Wellness, Recreation, and Activity Center Bonds, Series 1999	<u>470,322</u>	<u>480,100</u>	<u>483,700</u>	<u>481,900</u>
Total	<u>\$505,192</u>	<u>\$514,239</u>	<u>\$521,964</u>	<u>\$519,154</u>

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, 1999, the reserve totals \$22,950.

On March 26, 1999, the University of Louisiana System Board of Trustees adopted a resolution that authorized the issuance of \$6,850,000 in bonds for (1) the planning, acquisition, construction, and equipping of a student wellness, recreation, and activity center to be located on the main campus of the university, (2) funding a surety bond and bond insurance, and (3) paying expenses related to the issuance of the bonds. On April 1, 1999, these bonds were issued. Payments of these bonds will be financed from collections of student fees during registration and from membership fees imposed on the users of the center other than university students.

<u>Outstanding June 30, 1999</u>	<u>Final Maturity Year</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 1999</u>
\$360,000	2014	4.5-7.0%	\$174,136
<u>6,850,000</u>	2024	4.0-5.1%	<u>5,178,875</u>
<u><u>\$7,210,000</u></u>			<u><u>\$5,353,011</u></u>

<u>2004</u>	<u>Subsequent Years</u>	<u>Total</u>
\$36,219	\$353,390	\$534,136
<u>479,900</u>	<u>9,632,953</u>	<u>12,028,875</u>
<u><u>\$516,119</u></u>	<u><u>\$9,986,343</u></u>	<u><u>\$12,563,011</u></u>

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

The following table enumerates the principal balances of previously outstanding bonds considered defeased at June 30, 1998:

<u>Bond Issue</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount Defeased</u>	<u>Outstanding at June 30, 1999</u>
Student Housing:				
Series B of 1960	Oct. 1, 1960	Oct. 1, 2000	\$75,000	\$50,000
Series C of 1961	Oct. 1, 1961	Oct. 1, 2001	105,000	79,000
Series A of 1964	Apr. 1, 1964	Oct. 1, 2003	550,000	475,000
Revenue Bonds of 1965	Apr. 1, 1964	Oct. 1, 2004	<u>2,375,000</u>	<u>2,100,000</u>
Total			<u>\$3,105,000</u>	<u>\$2,704,000</u>

**14. GENERAL FUND**

As shown by Statement A, the General Fund has \$39,070 due to the state treasury at June 30, 1999. These funds represent non-cancelable purchase commitments, which could not be delivered within the fiscal year. Pursuant to Act 962 of 1985 [R.S. 38:82(B)], a request for reappropriation of these funds in the fiscal year 1999-2000 has been made.

As provided by Act 971 of 1985 [R.S. 17:3386(A)], the university adopted a building and facility preventative maintenance program, which was approved by the Louisiana Board of Regents. This program allows the university to expend appropriated funds during subsequent fiscal years that were unexpended and unobligated at June 30, 1999. At least 50% of these funds must be used solely for preventative maintenance purposes, in accordance with the approved program, subject to approval by the University of Louisiana Board of Trustees, the Louisiana Board of Regents, and the Joint Legislative Committee on the Budget. All retained funds will be spent for non-recurring projects. The university has \$272,289 of its state General Fund appropriation available for these purposes (Act 971 of 1985).

Pursuant to Act 482 of 1985 [R.S. 17:3129.6(B)], the university had \$1,007 remaining in its Library and Scientific Enhancement appropriation. The funds will be paid to the state treasury for the Louisiana Higher Education Initiatives Fund.

The General Fund contributed or provided general support to the athletic department totaling \$1,964,029 for the year ended June 30, 1999.

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Notes to the Financial Statements (Continued)

**15. FUND EQUITY (Deficit)**

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

	<u>Unrestricted</u>	<u>Internally Restricted</u>	<u>Externally Restricted</u>	<u>Total</u>
Current Funds:				
General	(\$1,403,690)	\$764,595		(\$639,095)
Auxiliary Enterprises			\$1,474,943	1,474,943
Restricted		2,304,426	661,190	2,965,616
Noncurrent Funds:				
Student Loan Funds			2,485,330	2,485,330
Endowment Funds			1,955,911	1,955,911
Plant Funds:				
Unexpended Plant			595,820	595,820
Retirement of Indebtedness			22,950	22,950
<b>Total</b>	<u><u>(\$1,403,690)</u></u>	<u><u>\$3,069,021</u></u>	<u><u>\$7,196,144</u></u>	<u><u>\$8,861,475</u></u>

As shown on Statement A, as of June 30, 1999, the General Fund has a deficit of \$639,095 as a result of adjustments for compensated absences. This deficit will be liquidated with future financial resources.

**16. STUDENT LOAN FUNDS**

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

Perkins Loans	\$2,379,536
Nursing Student Loans	<u>105,794</u>
<b>Total</b>	<u><u>\$2,485,330</u></u>

**17. PLANT FUNDS**

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

Building Use Fee Fund	\$428,371
Vehicle Registration Fund	<u>167,449</u>
<b>Total</b>	<u><u>\$595,820</u></u>

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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 C05.103 states, "Colleges and universities that follow the AICPA Guide 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.

The university has three construction projects handled by the Office of Facility Planning and Control and recorded in the appropriate university fund. These include project numbers 19-631-93-06, 19-631-91B-01, and 01-10-00-86B-04, which are financed by federal revenues and/or state revenues budgeted in the Capital Outlay Appropriation Act. The federal funds are received directly by the Office of Facility Planning and Control.

As of June 30, 1999, the university has work-in-progress totaling \$174,129, which is reported by Facility Planning and Control and not included in the university's financial statements.

A summary of investment in plant follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land	\$1,302,729	\$35,895		\$1,338,624
Improvements	9,810,151	523,975		10,334,126
Buildings	71,692,542	899,141	\$90,520	72,501,163
Equipment	21,958,625	3,247,527	1,362,349	23,843,803
Library books	7,239,852	674,181	57,119	7,856,914
Livestock	7,340	1,800		9,140
<b>Total</b>	<b><u>\$112,011,239</u></b>	<b><u>\$5,382,519</u></b>	<b><u>\$1,509,988</u></b>	<b><u>\$115,883,770</u></b>

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

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Notes to the Financial Statements (Continued)

**18. AUXILIARY ENTERPRISES**

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

	<u>Food Services</u>	<u>Housing</u>	<u>Bookstore</u>
Net increase (decrease) in fund balances	\$280,552	(\$570,533)	\$165,602
Net income (loss)	301,077	(375,560)	165,602
Net assets	351,096	(217,970)	193,935
Outstanding principal and interest on debt			
Annual principal and interest on debt			

**19. 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 associations were last audited for the fiscal year ended June 30, 1999.

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	\$60,363
Travel	1,175
Operating services	<u>13,694</u>
Total	<u><u>\$75,232</u></u>

<u>Student Center</u>	<u>Recreation</u>	<u>Student Housing</u>	<u>Health Services</u>	<u>Activity Center</u>	<u>Athletics</u>	<u>Compensated Absences</u>	<u>Total</u>
\$322,257	\$40,437		\$4,368	\$395,500	\$141,935	(\$6,112)	\$774,006
332,188	129,861		4,368	395,500	141,935	(6,112)	1,088,859
441,372	318,769	\$2,208	15,932	395,500	168,137	(194,036)	1,474,943
				12,028,875			12,028,875
				470,322			470,322

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**20. LOUISIANA STATE UNIVERSITY**  
**AGRICULTURAL CENTER**

For the year ended June 30, 1999, 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.

**21. 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.

**22. 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:

Name of Firm or Consultant <u>Who Prepared the Report</u>	
Penson Strawbridge	\$9,852
ALTEC Environmental Consultants Incorporated	<u>18,947</u>
Total	<u><u>\$28,799</u></u>

**23. 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



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

parties, including collaboration on, and joint participation in, the management of individual projects in connection with the National Center for Preservation Technology and Training.

**24. 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.

**25. 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, which include approximately 160 apartment units and related facilities. The cost of 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. Upon termination of the lease, the housing facility becomes the property of the university. 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 sections 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% and (b) net cash flow less an amount equal to the 5% 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. The university did not receive any percentage rent payments during the year.

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

**26. 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 non-governmental fund-raising foundation affiliated with a governmental university may supplement salaries of certain university faculty. Those payments constitute on-behalf payments for purposes of reporting by the university if they are made to the faculty members in their capacity as employees of the university (GASB 24).

The University of Louisiana System Board of Supervisors approved Northwestern State University to provide supplemental compensation for coaches whose intercollegiate athletic teams recently participated in post-season competition. The total additional compensation of \$15,571 was paid by the university for the current fiscal year and invoiced to the Northwestern State University Athletic Association.

**27. FEDERAL GRANTS**

The university participates in a number of federally assisted grant programs reported in the Restricted Fund. These programs are subject to financial and compliance audits mandated by the grantors. Audits of the 1996-97, 1997-98, and 1998-99 fiscal years identified questioned costs for certain Title IV programs totaling \$209,047. The United States Department of Education has not issued a written response as of September 22, 1999, to address its intentions regarding these questioned costs. The amount of questioned costs, which may be disallowed by the United States Department of Education, cannot be determined at this time and has not been reported in the accompanying financial statements.

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

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

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

**YEAR 2000 ISSUE**

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

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

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

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

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

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

**NORTHWESTERN STATE UNIVERSITY  
STATE OF LOUISIANA  
Year 2000 Issue (Concluded)**

<u>Functional Systems</u>	<u>Awareness Stage</u>	<u>Assessment Stage</u>	<u>Remediation Stage</u>	<u>Validation/ Testing Stage</u>
<b>Operating Systems Software/Hardware:</b>				
VMS	C	C	C	C
PMDF Software	C	C	C	C
DNS	C	C	C	C
Alpha	C	C	C	C
<b>Production Data Systems:</b>				
Financial Records System (FRS)	C	C	C	C
Human Resources System (HRS)	C	C	C	C
Loan Management System (LMS)	C	C	C	C
Student Information System (SIS)	C	C	C	C

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

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

Amounts Committed - Year 2000 Disclosure

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

Systems

Financial Records System (FRS), Human Resources (HRS), Loan Management System (LMS), and Student Information System (SIS)	\$264,285
Alpha (mainframe computer)	<u>23,612</u>
<b>Total</b>	<b><u><u>\$287,897</u></u></b>

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

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

The following supplemental information schedules present the Schedule of Individual Agency Funds and Schedule of Individual Endowment Funds 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 Funds -  
Deposits Held for Others  
For the Year Ended June 30, 1999**

Argus	\$3,139
Artist Series Fee	1,888
Club Sports Fee	69,225
Current Sauce	506
Drama	1,518
KNWD	48,254
Potpourri	52,509
Rodeo Team	4,387
Rowing Team	1,738
Shreveport - Student Government Association	22,318
Shreveport - SGA Speaker	1,651
Student Government Association	22,156
SGA Speaker Program	9,787
Student Union Programs	35,477
Student Intramurals	21,439
Student Trust Fund	84,458
Union Board Drama	18,054
Warrington Campus Council	22,837
SGA Loan Fund	65,782
	<hr/>
Total	<u><u>\$487,123</u></u>

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

**Schedule of Individual Endowment Funds Balances  
For the Year Ended June 30, 1999**

Noble Morrison Endowed Professorship in Applied Management Fund	\$113,636
NSU Coughlin-Saunders Endowed Professorship for Nursing and Allied Health Fund	112,979
Joanna Magale Endowed Professorship of Music	118,417
Carolyn-Cole Saunders Endowed Professorship for Nursing and Allied Health	114,299
Richard Lounsbery Foundation Endowed Professorship of Chemistry Fund	109,933
Clyde M. Bostick, Jr., Endowed Professorship of Social Studies	120,470
David Morgan United Teacher Associates Insurance Company Endowed Professorship in Business	109,981
NSU-Coughlin-Saunders Endowed Professorship for Nursing and Allied Health #2 Fund	110,067
NSU-Coughlin-Saunders Endowed Professorship for Nursing and Allied Health #3 Fund	109,288
Freeport McMoRan Endowed Professorship in Pluralistic Education	108,743
Donald F. Derby Endowed Professorship for Creative and Performing Arts	106,438
Ann Splon Coughlin Endowed Professorship for Nursing and Allied Health	108,098
Library Trust Fund	75,000
Bell South Endowed Professorship in Telecommunications	104,098
Alice Estelle Dear Endowment	434,464
	<hr/>
Total	<u><u>\$1,955,911</u></u>



**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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



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

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

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

November 18, 1999

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

**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, 1999, and have issued our report thereon dated November 18, 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 Northwestern 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 the following instances of noncompliance that, although not material to the financial statements, are required to be reported under *Government Auditing Standards*.

**Contract and Related Change Orders May  
Violate Louisiana Procurement Code**

Northwestern State University may have violated the Louisiana Procurement Code when the university awarded a contract for miscellaneous concrete work without having detailed specifications disclosing the amount or quantity of work to be performed, then issued change orders that significantly increased the original contract. Louisiana Revised Statute (R.S.) 38:2212(A) requires that all work to be done by a public entity that exceeds the contract limit of \$100,000, including labor and materials, shall be advertised and let by contract to the lowest bidder who bid according to the contract, plans, and specifications as advertised. Attorney General Opinion 79-1116 provides that a public entity cannot award a contract without specifying the amount or quantity of work to be done as well as the location of the work. R.S. 38:2212(A)(7) states that any change order shall either be negotiated in the best interest of the public entity or let out for public bid. Where a change order is negotiated, the public entity shall require that the change order be fully documented and itemized as to costs, including material quantities, material costs, taxes, insurance, employee benefits, other related costs, profit and overhead.

**EXHIBIT A**

## LEGISLATIVE AUDITOR

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Compliance and Internal Control Report

November 18, 1999

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The university bid the work using a unit-price method (i.e., demolition, hauling, and installation cost per square foot or yard for new sidewalks, ramps, aprons, et cetera) rather than specifying the amount or quantity of work to be done. The original purchase order was limited to \$8,000 because the physical plant director did not know the exact amount of funding that would be available for this work. As funding became available, three change orders totaling \$123,013 were issued to increase the total purchase order to \$131,013, which was the actual cost of the work for the fiscal year. The university issued the change orders based solely on memos from the physical plant director. Since the university did not have a detailed listing of the amount or quantity of work to be performed, all qualified contractors may not have participated in the bid process and the contractor that bid may not have bid the lowest possible price.

Northwestern State University should comply with the provisions of R.S. 38:2212 and have complete bid specifications when bidding public works projects. These specifications must include the amount or quantity of work to be performed. Furthermore, change orders that have been negotiated should be fully documented as required by the revised statutes. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

#### **Inappropriate Reinstatement of Sick Leave for Former Employee**

Northwestern State University hired a former employee on August 1, 1998, in an unclassified position and reinstated unused sick leave earned during the employee's previous employment that ended August 31, 1984. Article VII, Section 14 of the 1974 Louisiana Constitution provides that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. With no legal obligation to do so, the university reinstated 386 hours of unused sick leave. In addition, the university gave the employee credit for prior service, allowing the employee to earn 12 hours a month of annual and sick leave. A new employee with no prior service would have earned only 8 hours of annual and sick leave each month.

From August 1, 1998, through June 30, 1999, the employee earned approximately 130 hours of annual and sick leave, giving the employee a total of 516 hours of sick leave and 130 hours of annual leave for the fiscal year ending June 30, 1999. For this same period of time, the employee took 485 hours of sick leave and 80 hours of annual leave, leaving the employee with a balance of 50 hours of annual leave and 31 hours of sick leave at June 30, 1999. The value of the sick leave that was reinstated and subsequently used by the employee is \$6,031, which is calculated at the employee's hourly rate of \$15.62. When the employee originally terminated, this leave had a value of \$2,996, which is calculated at the employee's hourly rate of \$7.76 at August 31, 1984.

## EXHIBIT A

## LEGISLATIVE AUDITOR

### **NORTHWESTERN STATE UNIVERSITY STATE OF LOUISIANA**

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State Civil Service rules allow leave to be reinstated if an employee is reemployed within five years of his/her separation. Although the university is not required to follow state Civil Service rules for unclassified employees, this rule could be considered a general guideline or test for reasonableness. The university has no formal policy of its own, but it has been the practice at the university to reinstate any leave balance a previous employee may have had once he/she is reinstated at the university. This practice results in the undue enrichment of the former employee since the university has no legal obligation to reinstate the leave or give the employee credit for prior service. Consequently, the university may have violated the provisions of Article VII, Section 14 of the Louisiana Constitution.

Northwestern State University should develop and implement formal written policies and procedures for unclassified employees addressing their reinstatement rights and the university's obligations. This policy should address the time period during which an employee will receive credit for any leave balances that were not paid at the time of his/her separation from prior service. This policy should be designed in such a manner that it will comply with Article VII, Section 14 of the Louisiana Constitution. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2).

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Northwestern State University's internal control over financial reporting in order 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Northwestern State University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

#### **Weaknesses in Controls Over Scholarships and Other Awards**

Northwestern State University does not have adequate controls in place to ensure that scholarships and fee exemptions/waivers are properly accounted for in university records. An adequate internal control system would ensure that assistance is properly recorded, invoiced, collected, reported, and reconciled to the general and subsidiary ledgers in a timely manner. In addition, the Rules of the University of Louisiana System Board of Trustees Chapter IV, Section V, Part N requires the institution to request approval from the University of Louisiana System Board of Trustees office for each

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### NORTHWESTERN STATE UNIVERSITY

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student approved for an out-of-state waiver. A review of the controls over student awards indicated the following weaknesses:

- As of July 31, 1999, the university had not reconciled financial awards of \$8,454,469 made during the year ended June 30, 1999, in the financial aid subsidiary records to the general ledger accounts. University personnel attempted to reconcile a limited number of the awards only once during the entire fiscal year.
- The university awarded 62 out-of-state Academic and Performance Waivers totaling \$121,509 and 133 out-of-state Tuition Performance Waivers totaling \$270,605 for the summer 1998 and spring 1999 semesters. These waivers were not reported to the University of Louisiana System Board of Trustees, as required by board policy. Waivers for the fall 1998 semester were properly reported.

Changes in key personnel in the Scholarship Office during the year caused instability. In addition, the new personnel lacked the experience and training necessary to properly administer the affairs of the office. Failure to reconcile the amount of all financial assistance awarded to the amount in the general ledger increases the risk that all expenditures will not be recorded and amounts may be misclassified. Furthermore, the lack of a reconciliation would increase the risk that billing and posting errors would not be detected. Such errors could result in third-party contributors not being invoiced in a timely manner and/or the overaward of federal student financial aid, creating possible questioned or disallowed costs that would require the university to refund the federal government.

Northwestern State University management should appoint experienced personnel to key positions and adequately train its staff. It should also require its staff to reconcile the awards timely. The university should also ensure that it complies with all applicable policies and procedures of the University of Louisiana System Board of Trustees. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 3).

#### **State Funds Used to Operate the Federal Pell Grant Program**

Northwestern State University expended up to \$5,380,390 of state funds to finance the operation of the Federal Pell Grant Program (CFDA 84.84.063) from August 1998 through June 1999. The university did not submit Pell payment data timely to the central processing center; consequently, the center was unable to increase the university's Pell Grant Authorization Level to allow the university to draw down the federal funds. Good internal controls and business practices would require that management have personnel

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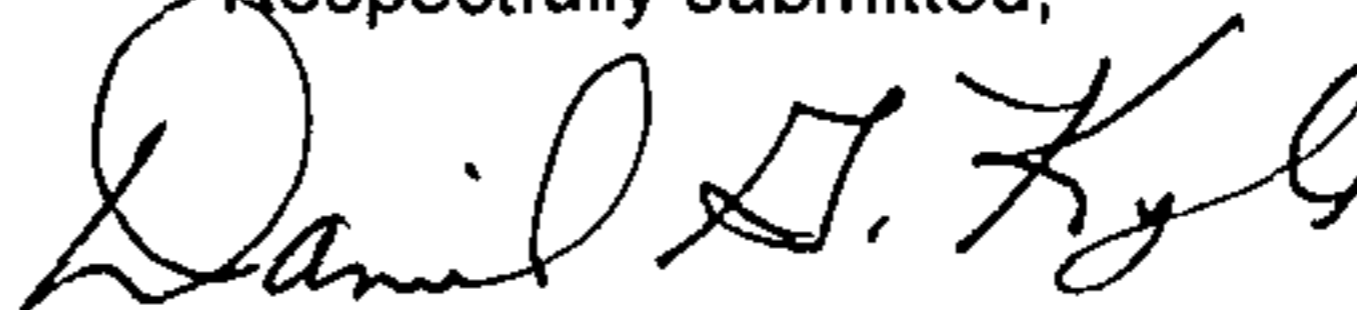
adequately trained and familiar with the process of submitting Pell payment data to the central processing center. These controls should ensure that only minimal state funds are used to finance the operation of a federal program. The former Director of Student Financial Aid was the only person familiar with the process of submitting Pell payment data to the central processing center. In November 1998, he was reassigned and no one submitted the information until late in February 1999. We estimate that the state lost interest income of approximately \$100,805 while state funds were being used to operate the Pell program during the 11-month period.

Northwestern State University should develop and implement controls to ensure that state funds are not used for extended periods of time to finance the operation of a federal program. Furthermore, the university should ensure that several employees are adequately trained and familiar with submitting Pell payment data to the central processing center to prevent future delays in receiving federal Pell funds. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 4).

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable condition described previously relating to controls over scholarships and other awards is a material weakness.

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

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

WJR:MAN:DSP:ss

[NSU]

EXHIBIT A

## Appendix A

# Management's Corrective Action Plans and Responses to the Findings and Recommendations



October 28, 1999

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**RE: CONTRACT AND RELATED CHANGE ORDERS MAY VIOLATE LOUISIANA  
PROCUREMENT CODE**

Dear Dr. Kyle:

In response to the above referenced audit finding, the university concurs with the finding, and will have complete bid specifications when bidding unit price public works projects and will fully document negotiated change orders.

Corrective action of this finding is the responsibility of the Vice President for Business Affairs & Controller and the Director of Purchasing.

Sincerely,

Randall J. Webb  
President

RJW/pc





October 19, 1999

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**RE: INAPPROPRIATE REINSTATEMENT OF SICK LEAVE  
FOR FORMER EMPLOYEE**

Dear Dr. Kyle:

In response to the above referenced audit finding, the University concurs with the finding, and will develop formal policies and procedures for unclassified employees that address the issues of:

1. Continuance of annual and sick leave provided former employees who have been reemployed on a permanent or probationary status. This will include time periods during which an employee can receive credit for any leave balances that were not paid at the time of an employee's separation from prior service.
2. Leave earning computation for prior state service in order to determine employee's total service. This will include guidelines for the calculation of certain prior state employment to determine an employee's total service time for the proper leave earning rate.

Copies of these policies and procedures will be sent to the University's Management Board for review and concurrence.

Corrective action of this finding is the responsibility of the Vice President for Business Affairs and Controller, and the Director of Human Resources.

Sincerely,

Randall J. Webb  
President

RJW/lm



November 1, 1999

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**RE: Weaknesses in Controls Over Scholarships and Other Awards**

Dear Dr. Kyle:

In response to the above referenced audit finding, the university concurs with the finding and will implement the following actions to address this issue:

Management will establish and implement the controls necessary to ensure that all sources of financial aid for a particular student are considered in determining student award packages and will develop and implement training opportunities and encourage employee participation in professional development activities.

Corrective Actions:

- Management will ensure that scholarships and fee exemptions/waivers are properly accounted for in university records. Additionally, management will further implement segregation of duties and update and implement current policies and procedures in respect to scholarships and fee exemptions/waivers.
- The university will ensure the reconciliation of the financial aid subsidiary records to the general ledger accounts in a timely manner on a 90 day cycle.
  - The Director of Student Financial Aid will review the schedules of reconciliation to certify timely completion.
- Management will update and implement a procedure to ensure the transmission of out-of-state, academic, and performance waiver awards to the University of Louisiana System Office as required by Board Policy.
  - Staff will prepare the list and management will submit to the University of Louisiana System Office.
- Management will consider all financial assistance in projected amounts for the entire award period.

Corrective action is the responsibility of the Director of Student Financial Aid, Director of Enrollment Services, Vice President for Student Affairs and Director of Computer Center.

Sincerely,

Randall J. Webb  
President

RJW/pw



September 21, 1999

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**RE: State Funds Used to Operate the Federal Pell Grant Program**

Dear Dr. Kyle:

In response to the above referenced audit finding, the university concurs with the finding and will implement the following actions to address this issue:

Management will develop and implement controls to ensure that state funds are not used for extended periods of time to finance the operation of a federal program.

Corrective Action:

- The Associate Director of the Student Financial Aid Office is submitting within 30 days of any change, in accordance with the Federal Student Financial Aid Handbook reporting disbursement requirements, a report of Pell payments.

Management of the Student Financial Aid Office will ensure that several employees are adequately trained and familiar with submitting Pell payment data to the central processing center to prevent future delays in receiving Federal Pell funds.

Corrective Action:

- Currently, the Associate Director of the Student Financial Aid Office is trained in submitting Pell payment data to the central processing center to prevent future delays in receiving Federal Pell funds. Also, management will train additional staff to submit Pell payment data.

Corrective action is the responsibility of the Director of Student Financial Aid, Director of Enrollment Services and the Vice President for Student Affairs

Sincerely,

Randall J. Webb  
President

RJW/pc