

LEGISLATIVE AUDITOR
STATE OF LOUISIANA



———— SOUTHEASTERN LOUISIANA UNIVERSITY ————

UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

ACCOUNTANT'S REVIEW REPORT
ISSUED OCTOBER 22, 2004

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDIT ADVISORY COUNCIL

REPRESENTATIVE EDWIN R. MURRAY, CHAIRMAN
SENATOR J. "TOM" SCHEDLER, VICE CHAIRMAN

SENATOR ROBERT J. BARHAM
SENATOR JOE MCPHERSON
SENATOR WILLIE L. MOUNT
SENATOR BEN W. NEVERS, SR.
REPRESENTATIVE RICK FARRAR
REPRESENTATIVE CEDRIC RICHMOND
REPRESENTATIVE T. TAYLOR TOWNSEND
REPRESENTATIVE WARREN J. TRICHE, JR.

LEGISLATIVE AUDITOR

STEVE J. THERIOT, CPA

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

ALBERT J. ROBINSON, CPA

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.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Twenty-three copies of this public document were produced at an approximate cost of \$65.09. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3576 or Report ID No. 05100071 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

TABLE OF CONTENTS

	Page
Accountant’s Review Report on the Financial Statements.....	3
Statement	
Basic Financial Statements:	
Statement of Net Assets..... A.....	5
Statement of Revenues, Expenses, and Changes in Net Assets	B..... 7
Statement of Cash Flows	C..... 9
Notes to the Financial Statements	11
Exhibit	
Management Letter	A



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870
www.lla.state.la.us

October 16, 2004

Accountant's Review Report

SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Hammond, Louisiana

We have reviewed the accompanying basic financial statements as listed in the table of contents of Southeastern Louisiana University, a university within the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of Southeastern Louisiana University. We did not review the financial statements of University Facilities, Inc., a blended component unit of the university included in these basic financial statements representing approximately 10.2% of total assets, 47.4% of total liabilities, 1.3% of total revenues, and 1.4% of total expenses of Southeastern Louisiana University. These statements were audited by other auditors whose report thereon has been furnished to us, and the results of our review expressed herein, insofar as it relates to the blended amounts included for University Facilities, Inc., is based solely upon the report of the other auditors.


A review consists principally of inquiries of Southeastern Louisiana University personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we do not express such an opinion.

As discussed in note 1-B to the basic financial statements, the accompanying financial statements of Southeastern Louisiana University are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the University of Louisiana System that is attributable to the transactions of Southeastern Louisiana University. They do not purport to, and do not, present fairly the financial position of the University of Louisiana System or the State of Louisiana as of June 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Based on our review and the report of the other auditors, we are not aware of any material modifications that should be made to the accompanying basic financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. However, management did not include this information in the financial statements for the fiscal year ended June 30, 2004.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

LPG:ES:PEP:dl

SLU04

**SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

Statement of Net Assets, June 30, 2004

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$7,421,799
Receivables, net (note 4)	7,302,704
Inventories	529,221
Deferred charges and prepaid expenses	552,673
Notes receivable, net (note 5)	302,222
Other current assets	2,529,243
Total current assets	18,637,862

Noncurrent assets:

Restricted assets:

Cash and cash equivalents (note 2)	7,401,957
Investments (note 3)	6,203,735
Notes receivable, net (note 5)	1,809,143
Capital assets, net (note 6)	107,532,785
Total noncurrent assets	122,947,620
Total assets	141,585,482

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities (note 10)	2,558,645
Deferred revenues (note 11)	2,728,141
Compensated absences payable (note 12)	445,170
Capital lease obligations (note 13)	27,293
Amounts held in custody for others (note 14)	679,202
Notes payable (note 14)	397,246
Bonds payable (note 14)	770,000
Other current liabilities	5,588
Total current liabilities	7,611,285

(Continued)

See accompanying notes and accountant's review report.

**SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 30, 2004**

LIABILITIES

Noncurrent liabilities:

Compensated absences payable (note 12)	\$4,648,309
Capital lease obligations (note 13)	33,699
Notes payable (note 14)	398,542
Bonds payable (note 14)	<u>20,755,000</u>
Total noncurrent liabilities	<u>25,835,550</u>
Total liabilities	<u><u>33,446,835</u></u>

NET ASSETS

Invested in capital assets, net of related debt	85,102,753
Restricted:	
Nonexpendable (note 15)	5,657,693
Expendable (note 15)	18,437,750
Unrestricted	<u>(1,059,549)</u>
Total net assets	<u><u>\$108,138,647</u></u>

(Concluded)

See accompanying notes and accountant's review report.

**SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2004**

OPERATING REVENUES

Student tuition and fees	\$46,585,950
Less scholarship allowances	(8,119,029)
Net student tuition and fees	<u>38,466,921</u>
Federal grants and contracts	25,026,568
State and local grants and contracts	1,544,781
Nongovernmental grants and contracts	487,029
Sales and services of educational departments	295,092
Auxiliary enterprise revenues	11,141,292
Less scholarship allowances	(953,026)
Net auxiliary revenues	<u>10,188,266</u>
Other operating revenues	<u>2,223,395</u>
Total operating revenues	<u><u>78,232,052</u></u>

OPERATING EXPENSES

Education and general:	
Instruction	45,754,900
Research	1,952,830
Public service	3,111,611
Academic support	9,914,741
Student services	7,795,058
Institutional support	10,873,906
Operations and maintenance of plant	10,950,202
Depreciation (note 6)	6,017,650
Scholarships and fellowships	12,454,275
Auxiliary enterprises	13,408,696
Other operating expenses	<u>742,299</u>
Total operating expenses	<u><u>122,976,168</u></u>

Operating Loss (44,744,116)

(Continued)

See accompanying notes and accountant's review report.

**SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses,
and Changes in Net Assets, 2004**

NONOPERATING REVENUES (Expenses)	
State appropriations	\$44,867,304
Net investment income	472,175
Interest expense	(424,939)
Other nonoperating revenues	507,023
Net nonoperating revenues	<u>45,421,563</u>
Income Before Other Revenues, Expenses, Gains and Losses	677,447
Capital appropriations	3,609,459
Additions to permanent endowments	120,000
	<u>4,406,906</u>
Increase in Net Assets	4,406,906
Net Assets at Beginning of Year, Restated (note 16)	<u>103,731,741</u>
Net Assets at End of Year	<u><u>\$108,138,647</u></u>

(Concluded)

See accompanying notes and accountant's review report.

**SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Year Ended June 30, 2004**

Cash Flows From Operating Activities:

Tuition and fees	\$38,089,041
Grants and contracts	28,421,705
Sales and services of educational departments	295,092
Auxiliary enterprise receipts	10,264,469
Payments for employee compensation	(61,366,569)
Payments for benefits	(14,699,509)
Payments for utilities	(3,625,044)
Payments for supplies and services	(5,713,598)
Payments for scholarships and fellowships	(12,454,275)
Loans to students	(222,011)
Collection of loans to students	441,974
Other payments	(16,576,148)
Net cash used by operating activities	<u>(37,144,873)</u>

Cash Flows From Noncapital Financing Activities:

State appropriations	43,346,070
Private gifts and grants for endowment purposes	120,000
TOPS receipts	6,703,850
TOPS disbursements	(6,803,829)
Federal Family Education Loan Program receipts	45,991,139
Federal Family Education Loan Program disbursements	(46,014,526)
Other receipts	197,489
Net cash provided by noncapital financing sources	<u>43,540,193</u>

Cash Flows From Capital Financing Activities:

Capital appropriations received	3,609,459
Proceeds from sale of capital assets	315,000
Purchase of capital assets	(6,479,986)
Principal paid on capital debt and leases	(1,789,212)
Interest paid on capital debt and leases	(424,939)
Deposit with trustees	(3,868)
Net cash used by capital financing activities	<u>(4,773,546)</u>

(Continued)

See accompanying notes and accountant's review report.

**SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2004**

Cash Flows From Investing Activities:	
Interest received on investments	\$472,175
Purchase of investments	(566,386)
Net cash used by investing activities	<u>(94,211)</u>
Net increase in cash and cash equivalents	1,527,563
Cash and cash equivalents at the beginning of the year	<u>13,296,193</u>
Cash and cash equivalents at the end of the year	<u><u>\$14,823,756</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	(\$44,744,116)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	6,017,651
Changes in assets and liabilities:	
Decrease in accounts receivable, net	1,253,053
Increase in inventories	(29,896)
Decrease in deferred charges and prepaid expenses	224,484
Decrease in notes receivable	219,963
Increase in other assets	(605,594)
Decrease in accounts payable and accrued liabilities	(46,701)
Increase in deferred revenue	23,974
Increase in amounts held in custody for others	30,926
Increase in compensated absences	511,383
Net cash used by operating activities	<u><u>(\$37,144,873)</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:	
Cash and cash equivalents classified as current assets	\$7,421,799
Cash and cash equivalents classified as noncurrent assets	<u>7,401,957</u>
Cash and cash equivalents at the end of the year	<u><u>\$14,823,756</u></u>

(Concluded)

See accompanying notes and accountant's review report.

INTRODUCTION

Southeastern Louisiana University is a publicly supported institution of higher education. The university is part of the University of Louisiana System, which 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, certain items like the annual budget of the university and changes to the degree programs and departments of instruction require the approval of the Board of Regents for Higher Education. As a state university, operations of Southeastern's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the university is the president.

Southeastern Louisiana University is located in Hammond, Louisiana. Student enrollment totaled 6,042, 15,662, and 14,761, respectively, during the summer, fall, and spring semesters of the fiscal year ended June 30, 2004, and the university employed approximately 1,900 employees which included faculty, staff, and graduate assistants.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared in accordance with such principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Southeastern Louisiana University is part of the University of Louisiana System, which 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 universities within the system primarily serve state residents. The accompanying financial statements present information only as to the transactions of the programs of Southeastern Louisiana University as authorized by Louisiana statutes and administrative regulations.

Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements within the University of Louisiana System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the University of Louisiana System.

University Facilities, Inc., is a Louisiana nonprofit corporation and is considered a blended component unit of the university. This component unit is included in the reporting entity because it is fiscally dependent on the university. The purpose of this organization is to promote, assist, and benefit the mission of the university through the acquisition, construction, development, management, or leasing of student housing or other facilities on behalf of the university. Although this facility corporation is legally separate, it is reported as a part of the university because the majority of its revenue comes from the leasing of facilities to the university.

Other external auditors audited University Facilities, Inc., which is blended in the university's basic financial statements for the year ended June 30, 2004. To obtain the corporation's latest audit report, write to:

University Facilities, Inc., c/o Mr. Stephen Smith
Southeastern Louisiana University
SLU Box 10709
Hammond, Louisiana 70402

C. BASIS OF ACCOUNTING

For financial reporting purposes, the university is considered a special-purpose government engaged only in business-type activities. Accordingly, the university's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The university has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The institution has elected not to apply FASB pronouncements issued after the applicable date.

D. BUDGET PRACTICES

The State of Louisiana's appropriation to 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 agencies 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 are recorded as expenditures at the time of purchase.

NOTES TO THE FINANCIAL STATEMENTS

The original approved budget and subsequent approved amendments for fiscal year 2004 are as follows:

Original approved budget	\$84,167,993
Increases:	
State General Fund (Direct)	58,056
Self-generated	950,516
Interagency transfers	<u>297,687</u>
 Final Budget	 <u><u>\$85,474,252</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.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include certificates of deposit and all highly liquid investments with a maturity of three months or less when purchased. Under state law, the university may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. 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. Cash equivalents reported on the Statement of Net Assets include all negotiable certificates of deposit, regardless of maturity.

In accordance with Louisiana Revised Statute (R. S.) 49:327, the university is authorized to invest funds in direct United States Treasury obligations, United States government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. In addition, investments are maintained in investment accounts in external foundations as authorized by policies and procedures established by the Board of Regents and are reported at fair value in accordance with GASB Statement 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. For purposes of the Statement of Cash Flows, the university considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. INVENTORIES

Inventories are valued at the lower of cost or market. The university uses periodic and perpetual inventory systems and values various other inventories using the weighted-average valuation method. Adjustments are made at fiscal year-end to account for inventories using the consumption method.

G. RESTRICTED CASH AND INVESTMENTS

Cash that is externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets is reported as restricted cash. Restricted investments consist of endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity.

H. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the system's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property.

I. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but are related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

J. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having nonexempt 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 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. 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 which would otherwise have been used to compute years of service for retirement. Upon retirement, any sick or annual leave not compensated for is used as credited service in either the Louisiana Teachers' Retirement System or the Louisiana State Employees' Retirement System.

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.

K. NONCURRENT LIABILITIES

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

**L. POSTEMPLOYMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The university provides certain continuing health care and life insurance benefits for its retired employees. The university recognizes the cost of providing these retiree benefits as an expense when paid during the year.

M. NET ASSETS

Net assets comprise the various net earnings from operation, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

- (a) Invested in capital assets, net of related debt consists of the university's total investment in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted - nonexpendable consists of endowment and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

- (c) Restricted - expendable consists of resources that the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (d) Unrestricted consists of resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the university and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the university's policy is to first apply the expense toward unrestricted resources and then toward restricted resources.

N. CLASSIFICATION OF REVENUES

The university has classified its revenues as either operating or nonoperating according to the following criteria:

- (a) Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) most federal, state, and local grants and contracts and federal appropriations.
- (b) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

O. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for services (tuition and fees) provided by the university and the amount that is paid by students and/or third parties making payments on the students' behalf.

P. ELIMINATING INTERFUND ACTIVITY

All activities among departments and auxiliary units of the university are eliminated for purposes of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

2. CASH AND CASH EQUIVALENTS

At June 30, 2004, the university has cash and cash equivalents (book balances) of \$14,823,756 as follows:

Petty cash	\$45,910
Demand deposits	2,049,705
Certificates of deposit	11,200,000
Cash with blended component unit (UFI)	621,724
Cash in trustee accounts	<u>906,417</u>
Total	<u><u>\$14,823,756</u></u>

These cash and cash equivalents are reported as follows on the Statement of Net Assets:

Current assets	\$7,421,799
Noncurrent assets	<u>7,401,957</u>
Total	<u><u>\$14,823,756</u></u>

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits 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.

Following the issuance of GASB Statement 3, deposits were classified into three categories of custodial credit risk depending on whether they were insured or collateralized and who held the collateral and how it was held. Category 3 deposits are those that are not covered by insurance or not collateralized. Not collateralized includes when the securities (collateral) are held by the financial institution's trust department or agent and they are not in the entity's (university's) name. At year-end, the deposits reflected in the bank accounts totaled \$18,513,918.

The deposits at June 30, 2004, consisted of the following:

	Cash	Certificates of Deposit	Total
Category 3 bank balances			
Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name	<u>\$621,724</u>	<u>NONE</u>	<u>\$621,724</u>
Total bank balances (All categories including Category 3 reported above.)	<u><u>\$7,313,918</u></u>	<u><u>\$11,200,000</u></u>	<u><u>\$18,513,918</u></u>

3. INVESTMENTS

The university maintains investment accounts as authorized by R.S. 49:327. Investments are stated at fair market value. All investment income, including changes in the fair market value of investments, is reported as revenue on the financial statements. The market values of investments at June 30, 2004, are as follows:

<u>Type of Investment</u>	<u>Reported Amount</u>	<u>Fair Value</u>
U.S. Government securities	\$1,226,751	\$1,226,751
Common and preferred stock	1,874,340	1,874,340
Corporate bonds	1,557,352	1,557,352
Foreign bonds	71,955	71,955
Mortgage backed securities	59,049	59,049
Taxable municipal bonds	30,123	30,123
Cash and other investments	119,760	119,760
Held by Foundation (not categorized)	<u>1,264,405</u>	<u>1,264,405</u>
 Total investments	 <u><u>\$6,203,735</u></u>	 <u><u>\$6,203,735</u></u>

The cost of these investments at June 30, 2004, is \$6,037,592. GASB Risk Category 3 represents investments that are uninsured and unregistered with securities held by the counterparty or its trust department or agent but not in the university's name. No investments were considered to be Category 3.

The market value of investments at June 30, 2004 total \$6,203,735. Of this amount, \$1,264,405 was held by the Southeastern Development Foundation in an external investment pool and was not categorized.

To reduce overall volatility of investment returns and to provide a hedge against the effects of economic downturns, at least 40% of assets are invested in fixed income funds. The fixed income funds are diversified among various sectors of the fixed income market. The overall average quality must be "AA" and, with the exception of the U.S. government and its agencies, no more than 5% of the fixed income fund may be invested in the securities of any one issuer. Investments in foreign stocks and foreign fixed income are limited to 15% and 5% of the equity and fixed income funds, respectively.

4. RECEIVABLES

Accounts receivable, all of which are scheduled for collection within one year, are shown on the Statement of Net Assets net of an allowance for doubtful accounts as follows:

<u>List Type</u>	<u>Accounts Receivable</u>	<u>Doubtful Accounts</u>	<u>Net Accounts Receivable</u>
Student tuition and fees	\$4,514,856	(\$1,654,993)	\$2,859,863
Auxiliary enterprises	478,155		478,155
Contributions and gifts	6,146		6,146
Federal, state, and private grants and contracts	1,512,522		1,512,522
Other miscellaneous	924,784		924,784
Statutory dedication	1,521,234		1,521,234
Total	<u>\$8,957,697</u>	<u>(\$1,654,993)</u>	<u>\$7,302,704</u>

5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan and Nursing Student Loan programs. The university administers the loan programs. Restricted federal and state contributions and interest on the loans provide the funding for the Perkins Loan program. The Perkins program provides for the cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. If loans are determined to be uncollectible and not eligible for reimbursement by the federal government, the loans can be written off and assigned to the U.S. Department of Education. Loans are no longer issued under the Nursing Student Loan program, but collections are still made on outstanding loans. Notes receivable are shown on the Statement of Net Assets, net of an allowance for doubtful accounts at June 30, 2004. These receivables are composed of the following:

<u>Type</u>	<u>Notes Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Notes Receivable (Net)</u>	<u>Noncurrent Portion</u>
Federal Perkins Loans	\$2,761,032	\$661,110	\$2,099,922	\$1,797,700
Nursing Student Loans	32,524	21,081	11,443	11,443
Total	<u>\$2,793,556</u>	<u>\$682,191</u>	<u>\$2,111,365</u>	<u>\$1,809,143</u>

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2004 follows:

	Balance July 1, 2003	Prior Period Adjustment	Restated Balance July 1, 2003
Capital assets not being depreciated:			
Land	\$4,000,797		\$4,000,797
Capitalized collections	228,502		228,502
Construction in progress	<u>14,857,326</u>		<u>14,857,326</u>
 Total capital assets not being depreciated	 <u>\$19,086,625</u>	 <u>NONE</u>	 <u>\$19,086,625</u>
 Other capital assets:			
Buildings	\$137,262,634	(\$1,483,195)	\$135,779,439
Less accumulated depreciation	(53,210,384)	111,412	(53,098,972)
Total buildings	<u>84,052,250</u>	<u>(1,371,783)</u>	<u>82,680,467</u>
Equipment	12,634,169		12,634,169
Less accumulated depreciation	(10,022,203)	694,958	(9,327,245)
Total equipment	<u>2,611,966</u>	<u>694,958</u>	<u>3,306,924</u>
Library books	4,789,170		4,789,170
Less accumulated depreciation	(3,749,557)	892,969	(2,856,588)
Total library books	<u>1,039,613</u>	<u>892,969</u>	<u>1,932,582</u>
 Total other capital assets	 <u>\$87,703,829</u>	 <u>\$216,144</u>	 <u>\$87,919,973</u>
 Capital asset summary:			
Capital assets not being depreciated	\$19,086,625		\$19,086,625
Other capital assets, at cost	<u>154,685,973</u>	(\$1,483,195)	<u>153,202,778</u>
Total cost of capital assets	173,772,598	(1,483,195)	172,289,403
Less accumulated depreciation	<u>(66,982,144)</u>	<u>1,699,339</u>	<u>(65,282,805)</u>
 Capital assets, net	 <u>\$106,790,454</u>	 <u>\$216,144</u>	 <u>\$107,006,598</u>

NOTES TO THE FINANCIAL STATEMENTS

<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Balance June 30, 2004</u>
\$218,139			\$4,218,936
6,000		(\$29,500)	205,002
<u>3,550,560</u>	<u>(\$18,122,327)</u>		<u>285,559</u>
<u>\$3,774,699</u>	<u>(\$18,122,327)</u>	<u>(\$29,500)</u>	<u>\$4,709,497</u>
\$18,441,837		(\$1,705,652)	\$152,515,624
(4,066,758)		1,705,652	(55,460,078)
<u>14,375,079</u>	<u>NONE</u>	<u>NONE</u>	<u>97,055,546</u>
1,391,131		(183,444)	13,841,856
(959,782)		187,645	(10,099,382)
<u>431,349</u>	<u>NONE</u>	<u>4,201</u>	<u>3,742,474</u>
1,083,796		(917,414)	4,955,552
(991,110)		917,414	(2,930,284)
<u>92,686</u>	<u>NONE</u>	<u>NONE</u>	<u>2,025,268</u>
<u>\$14,899,114</u>	<u>NONE</u>	<u>\$4,201</u>	<u>\$102,823,288</u>
\$3,774,699	(\$18,122,327)	(\$29,500)	\$4,709,497
<u>20,916,764</u>	<u>NONE</u>	<u>(2,806,510)</u>	<u>171,313,032</u>
24,691,463	(18,122,327)	(2,836,010)	176,022,529
<u>(6,017,650)</u>	<u>NONE</u>	<u>2,810,711</u>	<u>(68,489,744)</u>
<u>\$18,673,813</u>	<u>(\$18,122,327)</u>	<u>(\$25,299)</u>	<u>\$107,532,785</u>

7. PENSION PLANS

Plan Description. Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic and unclassified employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified 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. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the retirement systems; employee benefits vest with TRS after five years of service and with LASERS 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 retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information for the retirement systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of employee plan members and the university are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 13.8% of covered salaries to TRS and 15.8% of covered salaries to LASERS. 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, 2004, 2003, and 2002 were \$2,682,029, \$2,416,006, and \$2,269,356, respectively, and to LASERS for the years ended June 30, 2004, 2003, and 2002 were \$1,974,513, \$1,687,999, and \$1,493,087, respectively, equal to the required contributions for each year.

8. OPTIONAL RETIREMENT SYSTEM

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

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

Total contributions by the university are 13.8% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer and employee contributions to the optional retirement plan totaled \$2,708,883 and \$1,562,389, respectively, for the year ended June 30, 2004.

**9. POSTEMPLOYMENT 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 expense when paid during the year. These retiree benefits, for 369 retirees, totaled \$1,861,615 for the year ended June 30, 2004.

10. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2004:

<u>Account Name</u>	
Vendor payables	\$1,064,245
Accrued salaries and payroll deductions	<u>1,494,400</u>
Total payables	<u><u>\$2,558,645</u></u>

11. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2004:

<u>Account Name</u>	
Prepaid tuition and fees	\$1,918,341
Prepaid athletic ticket sales	240,766
Grants and contracts	<u>569,034</u>
Total deferred revenues	<u><u>\$2,728,141</u></u>

12. COMPENSATED ABSENCES

At June 30, 2004, employees of the university have accumulated and vested annual, sick, and compensatory leave of \$2,827,907, \$2,127,131, and \$138,441, respectively. These balances were computed in accordance with GASB Codification Section C60.105. The leave payable is recorded in the accompanying financial statements.

13. LEASE OBLIGATIONS

Operating Leases

For the year ended June 30, 2004, the total rental expense for all operating leases is \$853,677. The following is a schedule by years of future minimum annual rental payments required under operating leases:

<u>Nature of Lease</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
FY 2005	\$203,939	\$15,128	\$621,406	\$840,473
FY 2006	35,383	4,068	621,081	660,532
FY 2007	35,383		619,681	655,064
FY 2008	35,383		620,156	655,539
FY 2009	35,383		622,080	657,463
FY 2010 - 2014	5		3,107,483	3,107,488
FY 2015 - 2019	5		3,103,488	3,103,493
FY 2019 - 2024	<u>5</u>	<u></u>	<u>1,551,593</u>	<u>1,551,598</u>
Total minimum payments required	<u>\$345,486</u>	<u>\$19,196</u>	<u>\$10,866,968</u>	<u>\$11,231,650</u>

Capital Leases

The university records items that are above the capitalization threshold under capital leases as assets and obligations in the accompanying financial statements. The university's capital leases at June 30, 2004, consist of various leases of equipment valued at \$235,611, and are included in

NOTES TO THE FINANCIAL STATEMENTS

total capital assets reported in note 6. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments at June 30, 2004:

<u>Fiscal Year Ending June 30</u>	
2005	\$29,840
2006	29,840
2007	4,974
Total minimum lease payments	<u>64,654</u>
Less - amount representing executory costs	<u>NONE</u>
Net minimum lease payments	64,654
Less - amount representing interest	<u>(3,662)</u>
Present value of net minimum lease payments	<u><u>\$60,992</u></u>

Lessor - Operating Lease

The university's leasing operations consist primarily of leasing property for the purposes of providing food services to students; bookstore operations; and office space for postal services, banking services, and vending operations.

The following schedule provides an analysis of the university's investment in property on operating leases and property held for lease by major classes as of June 30, 2004:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	<u>\$2,462,297</u>	<u>(\$2,005,821)</u>	<u>\$456,476</u>

The following is a schedule of minimum future rentals on a noncancellable operating lease as of June 30, 2004:

<u>Nature of Operating Lease</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 - 2014</u>	<u>2015 - 2019</u>
Office space	<u>\$244,900</u>	<u>\$219,950</u>	<u>\$219,500</u>	<u>\$219,500</u>	<u>\$94,500</u>	<u>\$62,500</u>	<u>\$62,500</u>

Minimum future rentals do not include contingent rentals that may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume or customer usage of services provided. Contingent rentals received from operating leases for the year ended June 30, 2004, were \$63,957 for office space.

**14. LONG-TERM LIABILITIES
(CURRENT AND NON-CURRENT PORTION)**

The following is a summary of bond and other long-term debt transactions of the university for the year ended June 30, 2004:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due Within One Year
Bonds, notes, and capital leases payable:					
Bonds payable	\$22,835,000		\$1,310,000	\$21,525,000	\$770,000
Notes payable	1,212,188		416,400	795,788	397,246
Capital lease obligations	123,804		62,812	60,992	27,293
Total bonds, notes, and capital leases	<u>24,170,992</u>	NONE	<u>1,789,212</u>	<u>22,381,780</u>	<u>1,194,539</u>
Other liabilities:					
Amounts held in custody for others	671,663	\$58,440,864	58,433,325	679,202	679,202
Compensated absences payable	4,582,096	912,048	400,665	5,093,479	445,170
Subtotal	<u>5,253,759</u>	<u>59,352,912</u>	<u>58,833,990</u>	<u>5,772,681</u>	<u>1,124,372</u>
Total long-term liabilities	<u>\$29,424,751</u>	<u>\$59,352,912</u>	<u>\$60,623,202</u>	<u>\$28,154,461</u>	<u>\$2,318,911</u>

Details of all debt outstanding at June 30, 2004, follow:

Bonds Payable

Issue	Date of Issue	Original Issue	Outstanding June 30, 2003	(Redeemed)	Outstanding June 30, 2004	Interest Rates	Interest Outstanding June 30, 2004
UFI Revenue Bonds Revenue Refunding Bonds Series 1998	July 27, 2000	\$15,945,000	\$15,285,000	(\$340,000)	\$14,945,000	Variable	\$8,502,263
Parking Revenue Bonds Series 1996	March 12, 1998	2,400,000	575,000	(575,000)			
Student Recreation and Activity Center Revenue Bonds	April 26, 1996	1,180,000	435,000	(135,000)	300,000	6.50%	29,575
	June 30, 1998	<u>7,690,000</u>	<u>6,540,000</u>	<u>(260,000)</u>	<u>6,280,000</u>	3.75-5.00%	<u>2,949,422</u>
Total		<u>\$27,215,000</u>	<u>\$22,835,000</u>	<u>(\$1,310,000)</u>	<u>\$21,525,000</u>		<u>\$11,481,260</u>

All auxiliary enterprise revenues are available as security for the outstanding revenue bonds at June 30, 2004.

The annual requirements to amortize all bonds outstanding at June 30, 2004, including interest of \$11,481,260, are as follows:

NOTES TO THE FINANCIAL STATEMENTS

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$770,000	\$923,274	1,693,274
2006	820,000	886,783	1,706,783
2007	690,000	848,682	1,538,682
2008	725,000	819,460	1,544,460
2009	760,000	789,370	1,549,370
2010-2014	4,385,000	3,419,721	7,804,721
2015-2019	5,585,000	2,352,449	7,937,449
2020-2024	4,675,000	1,161,501	5,836,501
2025-2028	3,115,000	280,020	3,395,020
Total	<u>\$21,525,000</u>	<u>\$11,481,260</u>	<u>\$33,006,260</u>

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2004:

<u>Bond Issue</u>	<u>Reserves Available</u>	<u>Reserve Requirement</u>	<u>Excess</u>
Student Recreational Center Bonds - 1998	628,227	578,750	49,477
University Facilities, Inc. (UFI) Refunding Bonds - 2000	481,782	481,781	1

In prior years, the university defeased certain bond issues by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the university's financial statements. On June 30, 2004, a total of \$8,020,000 of Home Mortgage Authority Bonds (UFI, 1998) remain outstanding, which are considered defeased.

Notes Payable

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Principal Outstanding June 30, 2003</u>	<u>(Redeemed) Issued</u>	<u>Principal Outstanding June 30, 2004</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2004</u>
Construction Loan (UFI)	October 10, 1999	<u>\$2,300,000</u>	<u>\$1,212,188</u>	<u>(\$416,400)</u>	<u>\$795,788</u>	Variable	Variable	<u>\$38,103</u>

The annual requirements to amortize all notes outstanding at June 30, 2004, including interest of \$38,103, are as follows:

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$395,006	\$30,043	\$425,049
2006	392,594	7,905	400,499
2007	8,188	155	8,343
Total	<u>\$795,788</u>	<u>\$38,103</u>	<u>\$833,891</u>

Capital Lease Obligations

Capital lease obligations at June 30, 2004, for \$64,654 are detailed in note 13.

Compensated Absences Payable

Accrued compensated absences payable at June 30, 2004, for \$5,093,479 are detailed in note 12.

15. RESTRICTED NET ASSETS

The university has the following restricted net assets at June 30, 2004:

Nonexpendable - endowments	<u>\$5,657,693</u>
Expendable:	
Auxiliary and other	\$2,461,673
Instruction, scholarships, fellowships, and other	4,970,232
Restricted for use by donors	822,016
Student loans	2,717,105
Plant projects	3,875,053
Debt service	<u>3,591,671</u>
Total expendable	<u>\$18,437,750</u>

16. RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets as reflected on Statement B:

NOTES TO THE FINANCIAL STATEMENTS

Net Assets July 1, 2003, previously reported	\$103,639,401
Buildings - to remove movable property booked as building cost:	
Westside Building B - renovations	(412,017)
Fayard Hall/Classroom and Lab Building	(1,071,178)
Accumulated depreciation - to remove accumulated depreciation associated with:	
Westside Building B - renovation	30,901
Fayard Hall/Classroom and Lab Building	80,348
Disposition of equipment in prior years	694,958
Removal of fully depreciated library books from prior years	892,969
UFI - 2003 audit adjustments	163
Capital lease obligations - to book obligation for capital lease not previously recorded	<u>(123,804)</u>
Beginning Net Assets, July 1, 2003, as restated	<u><u>\$103,731,741</u></u>

17. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are considered state liabilities and paid upon appropriation by the legislature and not the university. The university is involved in two lawsuits at June 30, 2004. In the opinion of the legal counsel of the university, there is no exposure to the university. This does not include any lawsuits filed with the university system or the Office of Risk Management, the agency responsible for the state's risk management program.

18. FOUNDATIONS

The accompanying financial statements do not include the accounts of the following foundations:

Southeastern Athletics Association
Southeastern Development Foundation
Southeastern Louisiana University Alumni Association

These foundations are not included because they do not meet criteria established by the Division of Administration, Office of Statewide Reporting and Accounting Policy, for determining component units included in the university system's financial statement in accordance with GASB Statement 14, as amended by GASB Statement 39. These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

The university has contracted with the Southeastern Development Foundation to invest one of the university's Endowed Chairs for Eminent Scholars endowment funds and one Endowed Professorship Program endowment fund, which were created in accordance with R.S. 17:3384. The Endowed Chairs for Eminent Scholars endowment funds are established for \$1,000,000 each, with \$600,000 of private contributions and \$400,000 of state matching portion allocated by the Board of Regents for Higher Education. The Endowed Professorship Program endowment 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. At June 30, 2004, the foundation holds in custody \$1,264,405 of Endowed Chairs for Eminent Scholars and Endowed Professorship Program funds. Amounts invested by private foundations for the university are reported as investments not categorized in the disclosures in note 3.

19. SEGMENT INFORMATION

The university has a blended component unit, University Facilities, Inc., which is a facility corporation. This facility corporation issues revenue bonds to finance certain of its auxiliary enterprises. The revenues generated by the auxiliary enterprise are used to pay the principal and interest of these revenue bonds. Condensed financial information for this segment follows:

CONDENSED STATEMENT OF NET ASSETS

Assets	
Current assets	\$757,984
Capital assets	13,572,355
Other assets	251,514
Total Assets	<u>14,581,853</u>
Liabilities	
Current liabilities	1,467,166
Long-term liabilities	14,398,087
Total Liabilities	<u>15,865,253</u>
Net Assets	
Unrestricted net assets	<u>(1,283,400)</u>
Total Net Assets	<u><u>(\$1,283,400)</u></u>

**CONDENSED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET ASSETS**

Operating revenue	\$1,578,755
Operating expenses	811,153
Depreciation expense	941,138
Net operating loss	(173,536)
Nonoperating revenues - investment income	7,909
Change in net assets	(165,627)
Net Assets - Beginning of the Year (Restated)	(1,117,773)
Net Assets - End of the Year	(\$1,283,400)

CONDENSED STATEMENT OF CASH FLOWS

Net cash flows provided (used) by:	
Operating activities	\$783,427
Capital and related financing activities	(756,400)
Investing activities	(923)
Net increase in cash	26,104
Cash - Beginning of the year	485,743
Cash - End of the year	\$511,847

20. DEFERRED COMPENSATION PLAN

Certain employees of the university participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

21. ALTERNATIVE FINANCING AGREEMENTS

University Facilities, Inc., entered into a reimbursement agreement with Hibernia National Bank regarding borrowing funds from the Louisiana Public Facilities Authority. On June 1, 2000, the Louisiana Public Facilities Authority agreed to two issuances of its Equipment and Capital Facilities Pooled Loan Program Revenue Bonds, Series 2000 totaling \$16,330,000 for the purpose of financing the acquisition of new equipment and the construction of new capital improvements for the Board of Supervisors of the University of Louisiana System at Southeastern Louisiana University.

Pursuant to the terms of the Ground Lease agreements, the corporation will lease the land from the board. The new facilities will be leased by the corporation to the board in accordance with the provisions of an agreement to lease (facilities lease). In accordance with the facilities lease, the corporation will construct and equip student housing facilities and lease back the facilities to

the board for use by students, faculty, and staff of Southeastern. The board's right to obtain title to the facilities is set forth in the facilities lease. The rental income derived from the facilities lease will be used to pay the bonds.

22. SUBSEQUENT EVENTS

On August 13, 2004, University Facilities, Inc., entered into a loan reimbursement agreement with Louisiana Local Government Environmental Facilities and Community Development Authority totaling \$76,910,000 with the proceeds to be used to finance the cost of construction of new residential housing and renovation of existing student housing on the campus of Southeastern Louisiana University. Of this total, \$60,985,000 principal amount of revenue bonds will be designated "Louisiana Authority Revenue Bonds (Southeastern Louisiana University/University Facilities, Inc. Project) Series 2004A"; \$15,000,000 principal amount of revenue bonds to be designated "Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (Southeastern Louisiana University/University Facilities, Inc. Project) Series 2004B"; and \$925,000 principal amount of revenue bonds to be designated "Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (Southeastern Louisiana University/University Facilities, Inc. Project) Series 2004C." These bonds were issued to construct new residential housing (including all furniture and equipment), to renovate an existing student housing facility located on the campus of Southeastern Louisiana University, to provide working capital for marketing and operating the new and renovated facilities, to pay interest on the Series 2004 Bonds during the construction and revocation of the facilities, and to pay the cost of issuing the bonds and to fund the Debt Service Reserve Fund on the bonds. Total cost of construction is estimated to be \$63,000,000. The anticipated completion date for the first phase is January 2005 with the second phase to be completed by August 2005.

23. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Board of Regents to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

At June 30, 2004, net appreciation of \$446,386 is available to be spent and is restricted to specific purposes.

The maximum spending allowed is 5% of the market value of program assets averaged for the previous five-year period. The maximum spending rate may be used if the average annual real total return (investment return less fees less inflation) exceeds the annual spending level.

Management Letter



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870
www.lla.state.la.us

October 16, 2004

SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Hammond, Louisiana

We have reviewed the financial statements of Southeastern Louisiana University (SLU), as of and for the year ended June 30, 2004, and have issued our accountant's review report thereon dated October 16, 2004. SLU is a university within the University of Louisiana System, a component unit of the State of Louisiana. SLU's accounts are an integral part of the University of Louisiana System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

We did not review the financial statements of University Facilities, Inc., a blended component unit of the university included in these basic financial statements representing approximately 10.2% of total assets, 47.4% of total liabilities, 1.3% of total revenues, and 1.4% of total expenses of SLU. These statements were audited by other auditors whose report thereon has been furnished to us, and the results of our review expressed herein, insofar as it relates to the blended amounts included for University Facilities, Inc., is based solely upon the report of the other auditors.

Our review of the financial statements did not disclose any transactions entered into by SLU during the year that were both significant and unusual or transactions for which there is a lack of authoritative guidance.

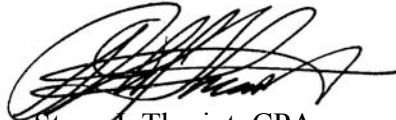
For purposes of this letter, a disagreement with management is defined as a matter, whether or not resolved to our satisfaction, concerning a financial accounting or reporting matter that could be significant to SLU's financial statements or the accountant's report. No such disagreements arose during our review procedures.

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting SLU's internal control, compliance with applicable laws and regulations, and operational efficiencies was not an

objective of our procedures. Accordingly, our review procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, during our review procedures, we noted no significant matters requiring recommendations to management concerning internal control, compliance, or operational efficiencies.

This management letter is intended solely for the information and use of SLU and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under state law, this letter is a public record.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

LPG:ES:PEP:dl

SLU04