

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Grambling State University
State of Louisiana
Grambling, Louisiana

December 3, 1997



Financial and Compliance Audit Division

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

**GRAMBLING STATE UNIVERSITY
STATE OF LOUISIANA
Grambling, Louisiana**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year (ended) June 30, 1987**

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 State House and Government offices of the Legislative Auditor and at the office of the parish clerk of court.

December 5, 1987

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GRAMBLING STATE UNIVERSITY
STATE OF LOUISIANA
Greensburg, Louisiana

General Purpose Financial Statements
and Independent Auditor's Report
As of and for the Year Ended June 30, 1997

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COMPTROLLER GENERAL
STATE OF LOUISIANA

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October 31, 1997

**Independent Auditor's Report
on the Financial Statements**

**GRANDSLAM STATE UNIVERSITY
STATE OF LOUISIANA
Grandslam, Louisiana**

We have audited the accompanying general purpose financial statements of Grandslam State University, a component unit of the State of Louisiana, as of and for the year ended June 30, 1997, as listed in the table of contents. These financial statements are the responsibility of management at Grandslam State University. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the accompanying general purpose financial statements referred to above present fairly, in all material respects, the financial position of Grandslam State University at June 30, 1997, and the changes in fund balances, and the current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles.

As discussed in note 15 to the financial statements, during the fiscal year ended June 30, 1997, the university recorded a liability for accumulated and vested annual and sick leave earned but not taken by university employees, as required by generally accepted accounting principles.

LEGISLATIVE AUDITOR

GRANDING STATE UNIVERSITY
STATE OF LOUISIANA
Audit Report, June 30, 1987

In accordance with Government Auditing Standards, we have also issued a report dated October 31, 1987, on our consideration of Grading State University's internal control over financial reporting and our test of compliance with laws, regulations, contracts and grants.

Respectfully submitted,



Daniel S. Kgo, CPA, CFE
Legislative Auditor

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**OSCARLING STATE UNIVERSITY
STATE OF LOUISIANA
ALL FUNDS**

Balance Sheet, June 30, 1997

	CURRENT FUNDS			STUDENT LOANS	IMPROVEMENT FUNDS
	GENERAL	APPROPRIATED	RESTRICTED		
ASSETS					
Cash and cash equivalents		188,203	577,672	593,244	940
Investments	\$1,695,027	557,743	744,915		1,484,700
Accounts receivable	304,481	1,225,875	2,673,194		
Notes receivable				1,000,000	
Due from other funds	263,880			500,000	
Equipment charges and prepaid expenses	8,830	28,230			
Inventory	303,653	658,484			
Unearned interest	8,830	8,830	207	394,362	1,714
Other assets	8,400				
Installment plan					
TOTAL ASSETS	\$3,443,024	\$3,871,055	\$3,546,462	\$1,994,606	\$1,486,414
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$311,353	\$345,725	\$50,440		
Accrued liabilities	1,314,505	655,647	129,898		
Due to other funds	1,450,880				
Due to State treasury			495,885		
Deposits held for others		656,745			
Deferred payments	4,878	28,828	295		
Notes payable					
Committed 2044-044 payable	1,756,578	653,208	83,000		
Bonds Payable					
Outstanding under capital leases					
Total Liabilities	4,838,714	3,319,148	1,260,516	10,000	82,000
Fund Equity:					
Not maintained in plan					
Fund Reserves:					
Reserve for debt service					
Reserve for operations	353,880				
Reserve for contingencies		10,870	1,711,240		
Current operations - unrestricted work	2,788,334				
Current operations - restricted		1,000,000	594,740		
Noncurrent operations:					
Restricted				\$1,000,000	
Unrestricted					\$1,484,700
Total Fund Equity	\$1,441,024	5,551,907	3,285,946	1,994,606	1,484,714
TOTAL LIABILITIES AND FUND EQUITY	\$3,443,024	\$3,871,055	\$3,546,462	\$1,994,606	\$1,486,414

The accompanying notes are an integral part of this statement.

**Louisiana State University
STATE OF LOUISIANA**

**Statement of Changes in Fund Balances
For the Year Ended June 30, 1987**

	CURRENT FUNDS			BUDGET LOAN FUNDS
	GENERAL	AUXILIARY ENTRUSTABLES	RESTRICTED	
Revenues and other additions:				
Unappropriated current fund revenues	220,710,897			
Tuition and fees - restricted			\$1,439,667	\$21,119
State grants and contracts - restricted			808,900	
Federal grants and contracts - restricted			18,781,920	7,298
Private gifts, grants, and contracts - restricted			198,000	
Investment income - restricted				70,810
Transfer on non-restricted				
Auxiliary enterprise revenues		\$11,740,000		
Additions to plant facilities				
Reimbursement of indebtedness				
Other sources			81,110	2,200
Total revenues and other additions	220,710,897	11,740,000	19,100,597	94,327
Expenditures and other deductions:				
Educational and general	26,841,689		16,320,888	
Auxiliary enterprises		11,800,824		
Auxiliary equipment purchases		196,880		
Indirect costs allocated			280,877	
Loan cancellations and write-offs				29,822
Expenditures for plant facilities				
Reimbursement of indebtedness				
Transfer on non-restricted				
Deposit of plant facilities				
Compensated absences	82,040	(8,800)	17,884	
Other				
Total expenditures and other deductions	26,923,729	11,800,824	16,698,772	29,822
Transfer among funds - additions professional staff salary - principal and interest		(750,750)		
Reimbursement				
Capital improvements				
Other	(1,871,028)	1,871,028		
Total transfer among funds	(1,871,028)	1,120,278	6,298	10,000
Inventory decrease	(8,000)	8,000	8,000	8,000
Net increase (decrease) for the year	(704,860)	(1,058,824)	(4,619,955)	74,505
Fund balances (deficits) at beginning of year, modified (page 17)	(1,217,200)	2,148,828	3,748,200	1,588,000
Fund balances (deficits) at end of year	(1,922,060)	1,090,004	(8,868,905)	1,662,505

The accompanying notes are an integral part of this statement.

SYNOPSIS TABLE	BLANKS (2000)				TOTAL (2000-2004)
	REPLACEMENT BLANKS	REPLACEMENT BLANKS	REPLACEMENT BLANKS	REPLACEMENT BLANKS	
	800,000		870,700		850,710,000
					1,010,000
					800,000
					10,100,000
					110,000
800,700	800,000				200,000
					70,000
					14,100,000
				80,000,000	1,000,000
				870,000	870,000
	101,000				110,000
800,700	411,000	NONE	70,000	5,000,000	10,000,000
					80,000,000
					10,000,000
					100,000
					200,000
	801,000				300,000
			800,000		900,000
			870,000		1,000,000
				870,000	870,000
					80,000
NONE	801,000	NONE	800,000	870,000	10,100,000
					700,000
NONE	NONE	NONE	700,000	NONE	NONE
NONE	NONE	NONE	NONE	NONE	100,000
80,700	1,000,000		40,000	1,000,000	1,000,000
1,000,000	1,000,000	800,000	700,000	1,000,000,000	10,000,000
10,000,000	10,000,000	800,000	700,000	1,000,000,000	10,000,000

SHREVEPORT STATE UNIVERSITY
STATE OF LOUISIANA
CURRENT FUNDS

Statement C

Statement of Revenues, Expenditures,
and Other Charges
For the Year Ended June 30, 1987

	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED
Revenues:			
Tuition and fees	\$11,520,880	\$8,778,882	\$1,426,411
State appropriations	20,288,879		
Federal grants and contracts	311,307		15,450,244
State grants and contracts			1,883,890
Federal grants and contracts	868,588		
Private gifts, grants, and endowments			718,481
State and counties of education departments	221,328		
Auxiliary enterprises received		4,370,630	
Investment income	181,876		
Other revenues	228,851		1,268,240
Total revenues	<u>\$22,712,881</u>	<u>\$13,149,512</u>	<u>\$18,246,215</u>
Expenditures and transfers:			
Educational and general			
Instruction	18,448,870		2,702,845
Research	317,217		7,433,871
Public service			6,382
Academic support	4,274,181		482,010
Student services	2,262,810		1,168,907
Instructional support	5,188,115		1,148,448
Operations and maintenance of plant	4,788,481		381,710
Scholarships and fellowships	1,760,244		18,128,498
Commodities and materials	82,849	8,000	13,044
Total educational and general expenditures	<u>\$48,705,807</u>	<u>\$8,000</u>	<u>\$30,346,213</u>
Transfers among funds - academic (deductions)		730,184	
Maintenance - principal and interest		11,811,070	
Maintenance - utilities	1,871,834		
Auxiliary enterprises expenditures		18,351,140	
Total expenditures and transfers	<u>\$51,577,641</u>	<u>\$19,192,394</u>	<u>\$30,346,213</u>
Other Deductions:			
Excess (deficiency) of reported receipts over balances in revenues			(181,478)
Inventory decrease	(81,000)		
Other - billed costs			(286,671)
Net Available Fiscal Balance	<u>\$2,753,263</u>	<u>\$1,000,000</u>	<u>\$444,213</u>

The accompanying notes are an integral part of this statement.

**GRANDSLAM STATE UNIVERSITY
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 1987

INTRODUCTION

Grandslam 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 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 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.

Grandslam State University is located in Grandslam, Louisiana, and serves as a cultural and educational center for north Louisiana. The university offers associates, bachelors, and selected masters and specialist degrees in the areas of liberal arts, education, business administration, the sciences and administered technologies, nursing, and social work. Enrollment at the university was 8,701, 8,172, and 2,324 respectively, during the fall, spring, and summer semesters of fiscal year 1987. The university had 1,146 full-time faculty and staff members at June 30, 1987.

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. 10: 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, Code Section 2100, has defined the governmental reporting entity to be the State of Louisiana. Therefore, the accompanying financial statements of the university contain sub-account information of the various funds of the State of Louisiana. The university is considered a component unit of the State of Louisiana because the State exercises oversight responsibility and has accountability for fiscal matters, as follows:

**GRAMBLING STATE UNIVERSITY
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

(1) a majority of the members of the governing boards are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide a large percentage of total revenues; and (4) the state issues bonds to finance certain construction. The accompanying financial statements present information only as to the transactions of the programs of Grambling State University as authorized by Louisiana Statutes and administrative regulations.

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

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

D. 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 subjectively created 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 the auxiliary enterprise fund and the restricted fund.

Student Loan Funds

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

OSAGEBELL STATE UNIVERSITY
STATE OF CALIFORNIA
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 not 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 these 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; and (2) 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 expenditures, repairs, and renovations; mandatory transfers in the case of required provisions for debt amortization and interest; and as transfers of a nonreimbursable nature for all other cases.

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

F. BUDGET PRACTICES/COMPARISON

The appropriation made for the General Fund of the University is an annual appropriation established by legislative action and by Title 28 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive branches of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized, (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid, and (3) inventories in the General Fund are recorded as expenditures at the time of purchase.

Summer school tuition and fees and summer school faculty salaries and related benefits for June generally are not provided, but are recognized in the succeeding year. However, the 1987 summer session ended on July 15, 1987, placing the majority of the session in the 1987 fiscal year. Therefore, the university elected to report tuition and fees related to the summer session as revenue in the current year. Expenses relating to this session are reported in the period the tuition and fees are recognized as revenue.

The budget amounts include the original approved budget and subsequent amendments approved as follows:

Original approved budget	\$41,412,250
Amendments:	
Delegation agreement	1,888,832
Faculty salary increases	1,329,214
Reported in other funds	<u>(2,888,832)</u>
Total budgeted amount	<u>\$40,741,264</u>

QUARLES AND UNIVERSITY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

The following is a budgetary comparison for the General Fund:

	Actual to Budget	Budget	Variance Favorable
	1997	1997	(1997-1997)
Revenues			
Appropriated by Legislature State General Fund (direct)	\$20,294,500	\$20,294,500	
State General Fund by self-generated revenues	19,118,852	22,500,741	(3,381,889)
Federal	271,827	200,000	\$71,827
Total revenues	<u>\$20,567,179</u>	<u>\$43,095,241</u>	<u>(22,528,062)</u>
Expenditures			
Program expenditures	<u>\$6,710,697</u>	<u>\$1,047,298</u>	<u>\$5,663,399</u>
Unexpended Appropriation - General Fund	<u>13,856</u>	<u>1,047</u>	<u>1,047</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 includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits. Under state law, the university may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the university may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

In accordance with Louisiana Revised Statutes (R.S.) 48:227, the university is authorized to invest funds in direct United States Treasury obligations, United States government agency obligations, direct security repurchase agreements and reverse direct security repurchase agreements, time certificates of deposit, investment grade commercial paper and investment grade corporate notes and bonds, and money market funds; and, in addition, funds derived from gifts and grants, endowments, and various funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. The majority of these investments are United States government agency obligations and are reported at cost, which approximates market as the balance sheet.

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

G. INVENTORIES

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

H. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve fund balances, is employed by the university during the year. Encumbrances outstanding at year end in all funds, except for the General Fund, are reported as reservations at 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, 1997, as provided by R.S. 50:62.

I. PLANT ASSETS

Physical plant and equipment are stated at cost at the date of acquisition and the market value at date of donation in the date of gifts. Public domain or infrastructures are not capitalized. Construction in progress is capitalized during construction based on actual expenditures incurred by the university and the Office of Facility Planning. No depreciation has been provided on plant assets.

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 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 360 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 1989 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

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

years of service for retirement. Unused annual leave in excess of 360 hours plus unused sick leave are used to compute retirement benefits.

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

K. TOTAL COLUMNS ON STATEMENTS

Total columns on the statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither is such data comparable to a consolidation.

2. INTERFUND BORROWING

All interfund loans are temporary in nature; no interest is charged on interfund loans. Interfund borrowings are recorded on each fund as due to/dues from other funds and total \$1,047,712 for fiscal year 1987.

3. CASH AND CASH EQUIVALENTS

At June 30, 1987, the university has cash and cash equivalents (bank balances) of \$890,090 as follows:

Cash on hand	\$4,260
Demand deposits	<u>(3,066,200)</u>
Interest-bearing demand deposits	2,400,250
Time deposits	<u>1,570,820</u>
Total	<u>\$890,090</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1987, the university has \$4,054,962 in deposits (collected bank balances). These deposits are secured from risk by \$421,250 of federal deposit insurance (GASB Category 1) and \$3,633,714 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 2).

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

4. INVESTMENTS

At June 30, 1987, the university has investments totaling \$5,014,000 as follows:

Fund	Carrying Amount	Market Value	Excess (Deficiency) of Market over Carrying Amount
General Fund			
Federal Home Loan Bank bonds held by a bank and backed as a federal agency	188,870	188,270	600
Federal Home Loan Bank bond held by a bank and backed as a federal agency	607,884	608,224	(340)
Federal National Mortgage Association bonds held by a bank and backed as a federal agency	748,890	748,582	308
Total General Fund	<u>1,545,644</u>	<u>1,545,076</u>	<u>568</u>
Auxiliary Fund			
Federal Home Loan Mortgage Corporation discount notes held by a bank and backed as a federal agency	327,775	328,958	(1,183)
Federal Home Loan Mortgage Corporation discount note held by an investment company and backed as a federal agency	258,887	258,950	(63)
Federal National Mortgage Association bond held by an investment company and backed as a federal agency	188,895	188,895	0
Total Auxiliary Enterprise Fund	<u>775,557</u>	<u>776,803</u>	<u>(1,246)</u>
Restricted Fund			
Federal Home Loan Bank bond held by a bank and backed as a federal agency	748,875	748,875	0
Endowment Fund			
Federal Home Loan Mortgage Corporation discount note held by an investment company and backed as a federal agency	500,880	500,450	430
Federal National Mortgage Association bonds held by a bank and backed as a federal agency	483,084	483,150	(66)
Federal National Mortgage Association bond held by an investment company and backed as a federal agency	328,742	328,732	10
Total Endowment Fund	<u>1,312,706</u>	<u>1,312,332</u>	<u>374</u>

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

Fund (Cont.)	Carrying Amount	Market Value	Excess (Deficiency) of Market over Carrying Amount
Fund Funds:			
Federal Home Loan Credit Bank pool held by a bank and backed as a federal agency	\$140,000	\$140,000	\$0.00
Federal Home Loan Mortgage Corporation discount note held by a bank and backed as a federal agency	1,400,000	1,400,000	0.00
Federal Home Loan Mortgage Corporation discount note held by an investment company and backed as a federal agency	800,000	800,000	(11,800)
Federal National Mortgage Association bond held by an investment company and backed as a federal agency	400,000	400,000	10,000
Total Fund Funds	<u>3,740,000</u>	<u>3,740,000</u>	<u>0.00</u>
Agency Fund:			
Federal National Mortgage Association bond held by an investment company and backed as a federal agency	600,000	600,000	0.00
Total	<u>\$4,340,000</u>	<u>\$4,340,000</u>	<u>\$0.00</u>

All investments are unsecured and unregistered with securities held by the counterparty or its trust department or agent but not in the university's name (Category 3).

5. ACCOUNTS RECEIVABLE

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

Fund	Accounts Receivable	Allowance for Doubtful Accounts	Net Statement A
General	\$1,370,000	\$100,000	\$1,270,000
Auxiliary Enterprise	1,040,000	100,000	940,000
Restricted	2,024,000	0.00	2,024,000
Unexpended Fund Agency	60,000	0.00	60,000
Total	<u>\$5,094,000</u>	<u>\$200,000</u>	<u>\$4,894,000</u>

**LOUISIANA STATE UNIVERSITY
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

6. NOTES RECEIVABLE

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

	Notes Receivable	Allowance for Uncollectibles	Net Statement A
Postnote Loans	\$1,885,187	\$1,268,375	\$716,812
Making Loans	599,581	4,094	595,487
State Term Student Loans	11,094		11,094
Total	\$2,495,862	\$1,272,469	\$1,223,393

7. 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 28 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 84125, Baton Rouge, Louisiana 70804-8125, or by calling (504) 925-0449 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (504) 923-9000.

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 F.S. 11:152. Employees contribute 8 percent (TRS) and 7.5 percent (LASERS) of covered salaries. The state is required to contribute 10.3 percent of covered salaries to TRS and 12.4 percent of covered salaries to LASERS. The university's employer contribution is funded by the State of Louisiana through the annual appropriations to the university. The university's employer contributions to TRS for the years ended June 30, 1995, 1996, and 1997 were \$2,044,281, \$2,024,148 and \$2,387,997, respectively, and to LASERS for the years ended June 30, 1997, 1998, and 1999 were \$1,238,806, \$1,244,085, and \$4,168,054, respectively, equal to the required contributions for each year.

**GRAMBLING STATE UNIVERSITY
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

B. OPTIONAL RETIREMENT SYSTEM

R.S. 11:821 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to allow universities to recruit 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.

Trust contributions by the university are 70.0 percent of the covered payroll. The participant's contribution (if present), 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 contributions to the optional retirement plan totaled \$249,064 for the year ended June 30, 1997.

**B. 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 \$501,404 for 1997 retiree for the year ended June 30, 1997.

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

10. RISK MANAGEMENT

Obligations and 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 accompanying general purpose financial statements. The university is involved in two lawsuits at June 30, 1997. One lawsuit damages and wages and the other is for termination of contract. Legal counsel expresses no opinion on the former suit and states the latter suit went to trial on August 25, 1997, with the plaintiff's claim being denied.

11. COMPENSATED ABSENCES

At June 30, 1997, employees of the university have accumulated and vested \$2,260,185 of employee annual leave benefits and \$374,790 of sick leave benefits, which was computed in accordance with GASB Codification Section 260. The leave payable is recorded in the accompanying financial statements.

12. LEASE OBLIGATIONS

Capital Leases

The university records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, at June 30, 1997:

Year ending June 30:	
1998	\$145,248
1999	24,307
Thereafter	40,936
Total minimum lease payments	<u>170,491</u>
Less - amount representing interest	<u>(15,606)</u>
Present value of net minimum lease payments	<u>\$154,885</u>

Operating Leases

The university does not have any material operating leases at June 30, 1997.

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

13. LONG-TERM DEBT

The following is a summary of bond and note transactions of the university for the year ended June 30, 1997:

	<u>French</u>	<u>Miles</u>	<u>Total</u>
Outstanding at July 1, 1996	\$3,082,000	\$3,312,078	\$6,394,078
Retired	<u>475,000</u>	<u>78,000</u>	<u>553,000</u>
Outstanding at June 30, 1997	<u>\$2,607,000</u>	<u>\$3,234,078</u>	<u>\$5,841,078</u>

A detailed summary of all debt outstanding at June 30, 1997, including interest payments of \$1,642,422, follows:

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 1997</u>
Bonds			
Student Housing System Revenue Bonds			
1983 Series A	Oct. 1, 1983	\$2,048,000	\$248,000
1983 Series B	Oct. 1, 1983	4,000,000	1,075,000
1988 Series A	Oct. 1, 1988	825,000	175,000
1988 Series B	Oct. 1, 1988	3,008,000	1,329,000
Academic Facilities Building User Fee Revenue Bonds			
1989 Series G	Nov. 1, 1989	475,000	90,000
1989 Series H	Nov. 1, 1989	125,000	25,000
1990 Series I	July 1, 1990	500,000	205,000
Total Bonds		<u>11,976,000</u>	<u>3,867,000</u>
Notes			
United States Department of Education Notes Payable	May 1, 1995	<u>5,000,000</u>	<u>5,312,500</u>
Total Long-Term Debt		<u>\$16,976,000</u>	<u>\$9,179,500</u>

<u>Face Amount</u>	<u>Outstanding June 30, 1987</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 1987</u>
\$420,000	\$124,000	1987	7%	\$7,800
140,000	1,420,000	1987-2000	3- 3.75%	220,000
80,000	85,000	1987-1990	8%	5,250
85,000	1,231,000	1987-2000	7%	220,750
70,000	72,000	1987-1990	7%	3,150
8,000	70,000	1987-1990	7%	550
70,000	180,000	1987-2000	7%	50,100
<u>495,000</u>	<u>3,127,000</u>			<u>487,550</u>
<u>70,000</u>	<u>3,233,071</u>	1987-2024	7%	<u>1,478,875</u>
<u>565,000</u>	<u>\$6,360,071</u>			<u>\$2,966,425</u>

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

The annual requirements to amortize all debt outstanding at June 30, 1987, including interest of \$1,842,422, are as follows:

<u>Year</u>	<u>Princ.</u>	<u>Inter.</u>	<u>Total</u>
1988	\$570,329	\$171,754	\$742,083
1989	498,711	171,754	670,465
2090	573,889	171,754	745,643
2091	560,775	171,754	732,529
2092	545,889	171,754	717,643
Subsequent years	1,829,308	3,821,711	5,651,019
Total	\$4,588,801	\$4,710,481	\$9,300,002

The following is a summary of the debt service reserve and other reserve requirements of the various bond issues and notes outstanding at June 30, 1987:

<u>Issue</u>	<u>Cash Investment Reserve Available</u>	<u>Reserve Requirements</u>	<u>Excess</u>
Reserve and Replacement Fund - Electrical Heating System Repair and Replacement Reserve Account	<u>\$882,800</u>	<u>\$882,800</u>	<u>\$0.00</u>
Redemption of Indebtedness Fund - Electrical Heating System Reserve Bonds	<u>\$11,700</u>	<u>\$11,700</u>	
Academic Facilities Building Use Fee Revenue Bonds	<u>\$1,428</u>	<u>\$1,428</u>	
United States Department of Education Notes	<u>105,750</u>	<u>105,750</u>	
Total Redemption of Indebtedness Fund	<u>128,878</u>	<u>128,878</u>	<u>\$0.00</u>
Total	<u>\$1,023,778</u>	<u>\$1,023,778</u>	<u>\$0.00</u>

The university is required, for the United States Department of Education note, to establish a Redemption of Indebtedness Account and make semiannual deposits of \$22,250 until \$478,000 has been reached. Once the debt service reserve account balance is satisfied, the university is to establish a Repair and Replacement Reserve Account and make annual deposits of \$25,000 until \$350,000 has been accumulated.

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

14. RESTRICTED FUND

As shown on Statement A, the Restricted Fund has \$985,958 of unexpended de-segregation settlement agreement funds due to the state treasury at June 30, 1987. This amount should be remitted to the state treasury as unexpended appropriation.

As provided by Act 871 of 1985, (R.S. 17:288(C)), 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, 1987. At least 50 percent 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 System Board of Trustees, the Louisiana Board of Regents, and the Joint Legislative Committee on the Budget. As shown in note 1-E, the university had no unexpended state General Fund Appropriation, which may be used for preventative maintenance (Act 871 of 1985). In addition, the university has \$285,787 of prior-year preventative maintenance program funds included in the Restricted Fund shown on Statement A as fund equity.

The General Fund contributed or provided general support to the athletic department totaling \$1,027,000 for the year ended June 30, 1987.

15. FUND EQUITY (DEFICIT)

Fund balances (deficit) at June 30, 1987, as shown on Statement A, are summarized as follows:

	Unexpended	Internally Restricted	Externally Restricted	Total
Current Funds:				
General	(\$1,798,818)	\$500,000		(\$1,498,818)
Auxiliary Enterprises	1,108,871			1,108,871
Restricted	918,027	\$1,080,808		2,000,686
Miscellaneous Funds:				
Student Loan Funds	248,585	1,394,850		1,643,435
Endowment Funds		1,487,243		1,487,243
Fund Funds:				
Unexpended	2,771,883			2,771,883
Permanents and Replacements	259,888	600,000		859,888
Repayment of Indebtedness		798,870		798,870
Total	<u>(\$1,798,818)</u>	<u>\$3,586,843</u>	<u>\$2,015,224</u>	<u>\$4,588,659</u>

The General Fund deficit of \$1,498,818 is the result of an adjustment for compensated absences that had not previously been booked (note 16). This deficit will be liquidated with future financial resources.

GRAMBLING STATE UNIVERSITY
STATE OF LOUISIANA
NOTE to the FINANCIAL STATEMENTS (Continued)

16. ACCOUNTING CHANGE

The accounting change made during the year involved a change in accounting for compensated absences. Before the current fiscal year, the university did not recognize the liability for compensated absences in its financial statements, though required to do so by generally accepted accounting principles. To implement this accounting principle, the university has recorded the liabli payable in the accompanying financial statements and has restated beginning fund balances (note 17).

**17. FISCAL-YEAR RESTATEMENT
 OF FUND BALANCES**

A prior period adjustment of \$766,840 was made in the Endowment Fund to adjust prior year entries for interest earnings earned to effect a decline in market value for certain investments. The university restated the Plant Funds (Unexpended, Renewals and Replacements, and Retirement of Indebtedness) to adjust for realization of fund balances to provide for specific project accounting, by fund, as defined by the university, to provide for separate reporting within the accounting records and to comply with reporting as defined by the AICPA, College Guide. In addition, the university restated beginning fund balances for the Current Funds (General, Auxiliary, and Restricted) to recognize the liability for compensated absences. Fund balances of the Current, Endowment, and Plant Funds for the year ended June 30, 1995, were restated as follows:

	Fund Balances of June 30, 1995, as Previously Reported		Fund Balances (Revised) at June 30, 1995, as Restated
Current Funds:			
General	\$189,173	(\$1,798,528)	(\$1,609,355)
Auxiliary (Enterprise)	2,847,888	893,088	2,148,588
Restricted Fund	2,828,814	(88,483)	2,740,331
Endowment Fund	1,253,788	148,842	1,402,630
Plant Funds:			
Unexpended	1,852,000	1,288,374	3,140,374
Renewals and Replacements	1,871,328	(1,107,478)	863,850
Retirement of Indebtedness	694,324	(248,954)	445,370

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

18. STUDENT LOAN FUNDS

The fund balances of the student loan funds at June 30, 1987, are as follows:

Perkins Loans	\$1,051,518
Nursing Student Loans	262,628
Other Loans	<u>248,565</u>
Total	<u>\$1,562,611</u>

19. ENDOWMENT FUNDS

The fund balances of the endowment funds at June 30, 1987, are as follows:

Eminent Scholars Trust Fund - Department of Industrial and Engineering Technology	\$1,288,348
Endowed Professorship in Education	112,112
Endowed Professorship in Business	<u>134,083</u>
Total	<u>\$1,534,543</u>

20. PLANT FUNDS

The restricted fund balances of the unexpended plant funds at June 30, 1987, are as follows:

Recreation Fee	\$201,813
Vehicle Registration Fee	112,835
Construction Funds	1,825,427
Traffic and Parking Fees	<u>872,887</u>
Total	<u>\$2,712,962</u>

In August 1987, the Financial Accounting Standards Board (FASB) issued Statement No. 93, *Recognition of Depreciation by Not-for-Profit Organizations*, which requires not-for-profit organizations, including colleges and universities, to recognize depreciation of their long-lived tangible assets in their financial statements. In January 1989, the GASB issued Statement No. 5, which addresses the implementation of FASB Statement No. 93. *Codification of Governmental Accounting and Financial Reporting Standards*, Section 205.103 states that "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, *Recognition of Depreciation by Not-for-Profit Organizations*; the GASB has identical projects under way that

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

may affect that reporting." As reflected in note 7-D, depreciation is not currently recognized by the university.

A summary of investments in plant follows:

	Balance July 1, 1988	Acquire	Exhaust	Balance June 30, 1989
Land and improvements	\$4,808,247			\$4,808,247
Buildings	88,297,278	\$78,807,155		167,104,433
Improvements - other	2,502,427			2,502,427
Equipment	26,887,180	3,678,620	1049,224	29,516,576
Leases in place	75,000,000	500,000	20,000	75,279,999
Construction in progress	28,744,072	1,389,000	18,793,791	1,339,281
Total	\$173,445,146	\$80,693,874	\$19,793,015	\$234,345,999

In accordance with R.S. 38:221-232, the university has complied with the Louisiana movable property statutes.

21. AUXILIARY ENTERPRISES

The university maintains various auxiliary enterprise funds that provide services to the university community. Selected information for the year ended June 30, 1989, follows:

	Food service	Housing	Recreation	Student center	Other	Total
Net income (loss)						
Before interest	\$49,858	\$1,362,777	\$71,474	\$894,516	\$2,889,800	\$4,168,425
Net assets	1,781,400	4,889,251	885,491	9,114,460	13,750,876	1,148,877
Uncovering principal and interest in debt		6,800,000				6,800,000
Accumulated amortization debt		794,620				794,620

22. FOUNDATIONS

The accompanying financial statements do not include the accounts of Grambling State University Athletic Scholarship Foundation, Grambling State University Foundation, and Grambling State University Alumni Association. These organizations are separate corporations whose financial statements are subject to audit by independent certified public accountants. The latest audits of the Grambling State University Athletic Scholarship Foundation, the Grambling State University Foundation, and the Grambling State University Alumni Association were for June 30, 1988, December 31, 1988, and December 31, 1988, respectively.

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

23. 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-Consent Resolution No. 26 of the Extraordinary Session of 1974, is as follows:

Name of Firm or Consultant	Amount
Milo Casper, Inc./Stard	
Bizstone Development Associates	\$94,200
Golden Rule International	6,000
WPHQ Food Markets, L.P.	20,200
Fryson, Edward M.	5,170
Whitaker, John	2,400
Ward, Patricia R.	6,500
Total	<u>\$178,180</u>

24. DEFERRED COMPENSATION PLAN

Certain employees of Grambling State University participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 407. Complete disclosures relating to this outside plan are available in the financial statements of the State of Louisiana.

25. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. For example, a nongovernmental fund-raising foundation affiliated with a governmental university may supplement salaries of certain university faculty. These 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 (31ACR 24). There were no on-behalf payments for fringe benefits and salaries included in the accompanying financial statements for fiscal year 1997.

**GRAMBLING STATE UNIVERSITY
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

**26. SCHEDULE OF AGENCY FUNDS
DUE TO OTHERS ACCOUNTS**

The (Schedule balances of the "Due to Others" accounts at June 30, 1997, are as follows:

Alex J. Brown Elementary	\$77,894
Alex J. Brown High School	26,890
Grambling High School - General Fund	13,814
Lincoln Tax Fund and Testing	8,495
Los Amigos/Jordan's Spanish Club	11,805
Physics Department Lab	5,907
Levey Reynolds Basketball Camp	8,891
Eddie Robinson Football Camp	22,241
Student Discipline	41,287
Student Government Association	18,800
Others	70,894
	<hr/>
Total	<u>\$250,840</u>

27. FEDERAL GRANTS

The university participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grants and other external auditors. In May 1997, a federal program review of Title IV Federal Student Financial Assistance programs was conducted by the U.S. Department of Education. The federal program review report indicated questioned costs in the Title IV programs. As a follow-up to the federal program review, the university prepared an internal audit report on the questioned costs. An external auditor's report on the Schedule of Expenditures of Federal Awards made reference to an internal audit report that indicated approximately \$512,465 of questioned costs were disbursed as financial aid to ineligible students. The university has responded to the federal program review, the final resolution of this matter by the U.S. Department of Education is pending, and the results are unknown. As such, the financial statements have not been adjusted for these matters.

28. SUCCESSION EVENTS

On October 13, 1997, Dr. Raymond A. Hicks, President of Grambling State University, resigned his position effective June 30, 1998. Effective 5 p.m. on October 15, 1997, Dr. Hicks was relieved of the day-to-day operations of the university and placed on leave until June 30, 1998.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal controls 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.



THOMAS R. BYLLE, AUDITOR GENERAL
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
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October 24, 1987

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

GRANDISSIP STATE UNIVERSITY
STATE OF LOUISIANA
Grandisip, Louisiana

We have audited the financial statements of Grandisip State University, a component unit of the State of Louisiana, as of and for the year ended June 30, 1987, and have issued our report thereon dated October 24, 1987. 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 Grandisip State University's 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 these 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 instance of noncompliance that, although not material to the financial statements, is required to be reported herein under Government Auditing Standards.

Timekeeping Records Not Certified

Grandisip State University does not consistently follow university policies and procedures established to ensure compliance with Civil Service rules and regulations related to certification of timekeeping records. Civil Service Rule 95.2 requires employees to certify their actual hours of attendance and to sign their time sheet at the end of each pay period.

An examination of 30 payroll records selected from the records of February 1987 revealed that one classified employee did not certify the hours worked and reported on the time sheet on the time card. During a follow-up to this exception, it was determined that 5 departments, consisting of 304 classified employees, use a punch card (time clock) system for recording hours worked. A review of these departments revealed that 88 of the 304 employees (29 percent) did not follow certification procedures that require signing or initialing the appropriate timekeeping records.

EXHIBIT A

LEGISLATIVE MATTER

GRAMBLING STATE UNIVERSITY
STATE OF LOUISIANA
Compliance and Internal Control Report
October 31, 1997
Page 2

Although the university has policies and procedures that contain many elements of a good internal control system, management does not always ensure that employees follow these established procedures. Failure to adhere to established procedures could subject the university to possible misuse or loss of funds.

Grambling State University should follow its internal control policies and procedures and Civil Service Rule 15.2 to ensure that all employees are properly certifying timekeeping records. In a letter dated August 18, 1997, Mr. Melvin Davis, Vice President for Finance, stated that the university concurred with the finding and that effective immediately the university has implemented procedures to ensure that all employees' timekeeping records are properly certified.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grambling State University's internal control over financial reporting in order to determine the 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 a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Grambling State University's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the following paragraphs.

Grambling State University Foundation, Inc., Delinquent Accounts Receivable

Grambling State University has not actively pursued collection of an outstanding receivable from the Grambling State University Foundation, Inc. (Foundation). Good business practices require the university to pursue collection of all receivables, to include any legal remedies afforded for the enforcement of the agreement between the university and the Foundation. This receivable was established to cover scholarships awarded in prior years by the Foundation. Based on an agreement dated April 29, 1989, the Foundation was to make \$50,000 annual payments to the university until the balance was liquidated. The Foundation failed to make the required payments during fiscal years 1995-96 and 1996-97, leaving an outstanding balance of \$343,572 at June 30, 1997.

The Foundation was experiencing financial difficulty as noted in its fiscal year ended December 31, 1994, audit report released on March 13, 1995, and may be unable to

EXHIBIT A

Legislation Abstract

GRAMBLING STATE UNIVERSITY
STATE OF LOUISIANA
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Page 3

until its obligation to the university. The Foundation audit for the years ended December 31, 1986 and 1987 has not been completed and the current financial position of the Foundation cannot be determined. If the Foundation fails to pay the outstanding balance of this receivable, the university may then have an asset on its books that is overstated. Failure to collect on this debt may result in a possible donation of public funds.

Grambling State University should pursue enforcement of the agreement with the Foundation and obtain the required payments. In a letter dated October 3, 1987, Dr. Raymond A. Hicks, President, stated that the university does not concur with the finding. He stated that the university has actively pursued collection of the outstanding debt and has considered legal remedies to enforce the agreement dated in April 1986, and that numerous meetings were held with representatives of the University of Louisiana System Board of Trustees (Board) and others concerning this issue. In these meetings, it was determined that the original agreement may not be binding and that a new agreement was needed. This new agreement was approved by the Board on June 27, 1987. Dr. Hicks feels this new agreement maintains the university's ability to receive payments from the Foundation and is in the best interest of the university and the foundation.

Additional Comments: We understand that a new agreement was probably needed and are aware that it was executed; however, the new agreement was not signed by the President of the University and the Executive Director of the Foundation until August 11, 1987, which is after the close of the fiscal year under audit. No payments from the Foundation have been made for two consecutive fiscal years, and the new agreement does not call for a payment from the Foundation until May 1988.

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 also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

EXHIBIT A

Legislative Auditors

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This report is intended for the information and use of the university and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

David G. Kyle, CPA, CFE
Legislative Auditor

RE: SRAM 445

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EXHIBIT A