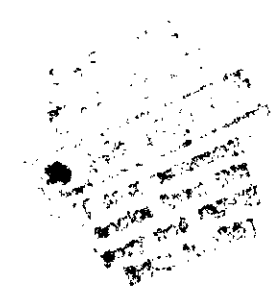


STATE OF LOUISIANA LEGISLATIVE AUDITOR

McNeese State University
State of Louisiana
Lake Charles, Louisiana

December 17, 1997



Financial and Compliance Audit Division

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

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

**General Purpose Financial Statements
and Independent Auditor's Reports
As of June 30, 1997, and for the Years
Ended June 30, 1997 and 1996
With Supplemental Information Schedule**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the Calcasieu Parish Clerk of Court.

December 17, 1997

**MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of June 30, 1997, and for the Years
Ended June 30, 1997 and 1996
With Supplemental Information Schedule**

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

DANIEL G. KYLE, PH.D., CPA, CFE
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November 18, 1997

Independent Auditor's Report
on the Financial Statements

MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA
Lake Charles, Louisiana

We have audited the accompanying general purpose financial statements of McNeese State University, a component unit of the State of Louisiana, as of June 30, 1997, and for the years ended June 30, 1997 and 1996, as listed in the foregoing table of contents. These financial statements are the responsibility of management of McNeese State University. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the accompanying general purpose financial statements referred to above present fairly, in all material respects, the financial position of McNeese State University at June 30, 1997; the changes in fund balances; and the current funds revenues, expenditures, and other changes for the years ended June 30, 1997 and 1996, in conformity with generally accepted accounting principles.

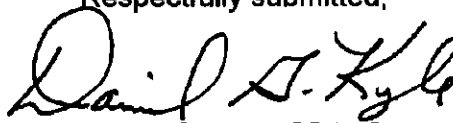
In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 1997, on our consideration of McNeese State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

LEGISLATIVE AUDITOR

MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA
Audit Report, June 30, 1997

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of McNeese State University. Such information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

DLC:DLH:sds

[MSU]

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

Balance Sheet, June 30, 1997

	CURRENT FUNDS			STUDENT LOAN FUNDS	ENDOWMENT FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED		
ASSETS					
Cash and cash equivalents (note 2)	\$3,183,648	\$543,553	\$437,468	\$24,915	\$346,455
Investments (note 3)					437,766
Accrued interest				5,887	
Accounts receivable (net) (note 4)	244,075	646,636	1,145,457	170,009	
Notes receivable (net) (note 5)				1,800,675	
Deferred charges and prepaid expenses	648,690	17,175	41,893		
Due from private foundations					977,660
Due from other funds			751,175		
Inventories	24,408	811,000	3,046		
Other assets					
Institutional plant (note 17)					
TOTAL ASSETS	\$4,100,821	\$2,018,364	\$2,379,039	\$2,001,486	\$1,761,881
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$174,740	\$78,411	\$40,802		
Accrued liabilities	1,763,532				
Due to other funds	928,395	86,923		\$36	\$131,227
Deposits held for others		173,407	2,250		
Deferred revenues	1,209,746	106,822	190,945		
Notes payable (note 12)					
Bonds payable (note 12)					
Compensated absences payable (note 10)	1,712,293	170,576	92,132		
Other liabilities					
Total Liabilities	5,788,706	616,139	326,129	36	131,227
Fund Equity:					
Net investment in plant					
Fund balances:					
Reserved for debt service (note 12)					
Reserved for inventories	24,408		3,046		
Current operations:					
Unrestricted (deficit)	(1,712,293)	1,402,225			
Restricted			2,049,864		
Noncurrent operations:					
Restricted				2,001,450	
Endowment (note 16)					1,630,654
Total Fund Equity	(1,687,885)	1,402,225	2,052,910	2,001,450	1,630,654
TOTAL LIABILITIES AND FUND EQUITY	\$4,100,821	\$2,018,364	\$2,379,039	\$2,001,486	\$1,761,881

The accompanying notes are an integral part of this statement.

Statement A

UNEXPENDED	PLANT FUNDS			AGENCY FUNDS	TOTAL (MEMORANDUM ONLY)
	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT		
\$4,308,889	\$300,000	\$3,279,480		\$35,228	\$12,459,636
					437,766
					5,887
				14,544	2,220,721
					1,800,675
					707,758
					977,660
300,584				246,795	1,298,554
					838,454
				2,830	2,830
			\$93,944,700		93,944,700
<u>\$4,609,473</u>	<u>\$300,000</u>	<u>\$3,279,480</u>	<u>\$93,944,700</u>	<u>\$299,397</u>	<u>\$114,694,641</u>
				\$2,368	\$296,321
					1,763,532
		\$151,973			1,298,554
				256,839	432,296
		99,153			1,606,666
			\$292,540		292,540
\$4,284,000			5,583,344		9,867,344
					1,975,001
		22,363		40,390	62,753
<u>4,284,000</u>	<u>NONE</u>	<u>273,489</u>	<u>5,875,884</u>	<u>299,397</u>	<u>17,595,007</u>
			88,068,816		88,068,816
	\$300,000	1,242,401			1,542,401
					27,454
					(310,068)
					2,049,864
325,473		1,763,590			4,090,513
					1,630,654
<u>325,473</u>	<u>300,000</u>	<u>3,005,991</u>	<u>88,068,816</u>	<u>NONE</u>	<u>97,099,634</u>
<u>\$4,609,473</u>	<u>\$300,000</u>	<u>\$3,279,480</u>	<u>\$93,944,700</u>	<u>\$299,397</u>	<u>\$114,694,641</u>

**MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA**

**Statement of Changes in Fund Balances
For the Year Ended June 30, 1997**

	CURRENT FUNDS			STUDENT LOAN FUNDS
	UNRESTRICTED		RESTRICTED	
	GENERAL	AUXILIARY ENTERPRISES		
Revenues and other additions:				
Unrestricted current fund revenues	\$33,341,421	\$7,976,613		
Tuition and fees - restricted			\$1,656,987	
Governmental grants and contracts:				
Federal			5,239,657	\$130,355
State			707,665	
Private gifts, grants, and contracts - restricted			1,565,502	
Sales and services of educational departments			29,284	
Investment income - restricted			53,824	1,946
State funded endowments				
Endowment income			75,039	
Interest on loans receivable				43,654
Retirement of indebtedness				
Additions to plant facilities (note 17)				
Other sources			931,303	
Total revenues and other additions	<u>33,341,421</u>	<u>7,976,613</u>	<u>10,259,261</u>	<u>175,955</u>
Expenditures and other deductions:				
Educational and general	31,697,757		10,020,727	
Auxiliary enterprises		9,668,746		
Expended for plant facilities				
Indirect costs recovered			178,143	
Loan cancellations and write-offs				150,507
Retirement of indebtedness				
Interest on indebtedness				
Disposal of plant facilities (note 17)				
Other				651
Total expenditures and other deductions	<u>31,697,757</u>	<u>9,668,746</u>	<u>10,198,870</u>	<u>151,158</u>
Transfers among funds - additions (deductions):				
Mandatory:				
Principal and Interest	(182,530)	(331,807)		
Loan fund matching grants	(7,891)			7,891
Other	(71,692)		71,692	
Nonmandatory - other	(1,423,624)	1,939,184	(590,560)	
Total transfers among funds	<u>(1,685,737)</u>	<u>1,607,377</u>	<u>(518,868)</u>	<u>7,891</u>
Inventory increase (decrease)	7,453	NONE	(3,851)	NONE
Net increase (decrease) for the year	(34,620)	(84,756)	(462,328)	32,688
Fund balances (deficit) at beginning of year	(1,653,265)	1,486,981	2,515,238	1,968,762
Fund balances (deficit) at end of year	<u>(\$1,687,885)</u>	<u>\$1,402,225</u>	<u>\$2,052,910</u>	<u>\$2,001,450</u>

The accompanying notes are an integral part of this statement.

Statement B

ENDOWMENT FUNDS	PLANT FUNDS			INVESTMENT IN PLANT	TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS		
					\$41,318,034
			\$790,950		2,447,937
					5,370,012
\$100,000					707,665
					1,665,502
	\$24,884				29,284
			215,088		295,742
120,000					120,000
12,156					87,195
					43,654
				\$1,074,089	1,074,089
				4,130,952	4,130,952
					931,303
<u>232,156</u>	<u>24,884</u>	<u>NONE</u>	<u>1,006,038</u>	<u>5,205,041</u>	<u>58,221,369</u>
					41,718,484
					9,668,746
	119,403				119,403
					178,143
					150,507
			1,074,089		1,074,089
			309,735		309,735
				1,080,343	1,080,343
			960	1,062,038	1,063,649
<u>NONE</u>	<u>119,403</u>	<u>NONE</u>	<u>1,384,784</u>	<u>2,142,381</u>	<u>55,363,099</u>
					514,337
	419,471		(344,471)		
<u>NONE</u>	<u>419,471</u>	<u>NONE</u>	<u>169,866</u>	<u>NONE</u>	<u>NONE</u>
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>3,602</u>
232,156	324,952	NONE	(208,880)	3,062,660	2,861,872
1,398,498	521	\$300,000	3,214,871	85,006,156	94,237,762
<u>\$1,630,654</u>	<u>\$325,473</u>	<u>\$300,000</u>	<u>\$3,005,991</u>	<u>\$88,068,816</u>	<u>\$97,099,634</u>

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

**Statement of Revenues, Expenditures,
and Other Changes
For the Year Ended June 30, 1997**

	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED
Revenues:			
Tuition and fees	\$12,670,143		\$2,321,297
State appropriations	20,164,620		
Governmental grants and contracts:			
Federal			5,102,223
State			591,407
Private gifts, grants, and contracts			1,398,428
Sales and services of education departments	9,300		34,784
Investment income	93,132		53,824
Endowment income			75,039
Auxiliary enterprise revenue		\$7,976,613	
Other sources	404,226		932,721
Total revenues	33,341,421	7,976,613	10,509,723
Expenditures and transfers:			
Educational and general:			
Instruction	17,836,856		2,820,052
Research	235,730		286,899
Public service			968,288
Academic support	3,362,424		685,649
Student services	1,681,051		386,589
Institutional support	3,874,601		94,071
Operations and maintenance of plant	3,236,363		101,981
Scholarships and fellowships	1,471,732		4,676,708
Other			490
Total educational and general expenditures	31,697,757	NONE	10,020,727
Mandatory transfers for:			
Principal and interest	182,530		
Loan fund matching grants	7,891		
Other	71,692		(71,692)
Nonmandatory transfers - other	1,423,624		590,560
Total educational and general and transfers	33,383,494	NONE	10,539,595
Auxiliary enterprises:			
Expenditures		9,668,746	
Mandatory transfers for - principal and interest		331,807	
Nonmandatory transfers - other		(1,939,184)	
Total auxiliary enterprises	NONE	8,061,369	NONE
Total expenditures and transfers	33,383,494	8,061,369	10,539,595
Other additions (deductions):			
Excess of transfers to revenue over restricted receipts			(250,462)
Inventory increase (decrease)	7,453		(3,851)
Other			(178,143)
Net increase (decrease) in fund balances	(\$34,620)	(\$84,756)	(\$462,328)

The accompanying notes are an integral part of this statement.

**MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA**

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

	CURRENT FUNDS			STUDENT LOAN FUNDS
	UNRESTRICTED		RESTRICTED	
	GENERAL	AUXILIARY ENTERPRISES		
Revenues and other additions:				
Unrestricted current fund revenues	\$32,000,572	\$8,469,375		
Tuition and fees - restricted			\$1,653,521	
Governmental grants and contracts:				
Federal			5,387,388	\$159,764
State			800,600	
Private gifts, grants, and contracts - restricted			1,773,666	
Investment income - restricted			3,025	1,657
State funded endowments				
Endowment income			29,445	
Retirement of indebtedness				
Additions to plant facilities (note 17)				
Other sources			747,637	39,730
Total revenues and other additions	<u>32,000,572</u>	<u>8,469,375</u>	<u>10,395,282</u>	<u>201,151</u>
Expenditures and other deductions:				
Educational and general	30,438,489		9,780,620	
Auxiliary enterprises		9,991,365		
Expended for plant facilities				
Indirect cost recovered			179,420	
Loan cancellations and write-offs				90,469
Retirement of indebtedness (note 12)				
Interest on indebtedness				
Disposal of plant facilities (note 17)				
Other				922
Total expenditures and other deductions	<u>30,438,489</u>	<u>9,991,365</u>	<u>9,960,040</u>	<u>91,391</u>
Transfers among funds - additions (deductions):				
Mandatory:				
Principal and interest	(182,607)	(350,000)		
Loan fund matching grants	(25,000)			25,000
Other	(81,906)		81,906	
Nonmandatory - other	<u>(1,384,375)</u>	<u>1,907,375</u>	<u>(297,999)</u>	
Total transfers among funds	<u>(1,673,888)</u>	<u>1,557,375</u>	<u>(216,093)</u>	<u>25,000</u>
Inventory increase (decrease)	<u>(3,862)</u>	<u>NONE</u>	<u>(988)</u>	<u>NONE</u>
Net increase (decrease) for the year	(115,667)	35,385	218,161	134,760
Fund balances (deficit) at beginning of year, as restated (note 13)	<u>(1,537,598)</u>	<u>1,451,596</u>	<u>2,297,077</u>	<u>1,834,002</u>
Fund balances (deficit) at end of year	<u>(\$1,653,265)</u>	<u>\$1,486,981</u>	<u>\$2,515,238</u>	<u>\$1,968,762</u>

The accompanying notes are an integral part of this statement.

Statement D

ENDOWMENT FUNDS	PLANT FUNDS			INVESTMENT IN PLANT	TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS		
					\$40,469,947
			\$819,536		2,473,057
					5,547,152
\$100,000			100,609		901,209
	\$40				1,873,666
200,000			192,095		196,817
11,057					200,000
				\$712,848	40,502
				1,438,161	712,848
	54				1,438,161
					787,421
<u>311,057</u>	<u>94</u>	<u>NONE</u>	<u>1,112,240</u>	<u>2,151,009</u>	<u>54,640,780</u>
					40,219,109
	386,058				9,991,365
					386,058
					179,420
					90,469
			712,848		712,848
			324,182		324,182
				340,097	340,097
			723		1,645
<u>NONE</u>	<u>386,058</u>	<u>NONE</u>	<u>1,037,753</u>	<u>340,097</u>	<u>52,245,193</u>
			532,607		
	384,032		(609,033)		
<u>NONE</u>	<u>384,032</u>	<u>NONE</u>	<u>(76,426)</u>	<u>NONE</u>	<u>NONE</u>
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>(4,850)</u>
311,057	(1,932)	NONE	(1,939)	1,810,912	2,390,737
1,087,441	2,453	\$300,000	3,216,810	83,195,244	91,847,025
<u>\$1,398,498</u>	<u>\$521</u>	<u>\$300,000</u>	<u>\$3,214,871</u>	<u>\$85,006,156</u>	<u>\$94,237,762</u>

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

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

	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED
Revenues:			
Tuition and fees	\$13,150,056		\$1,966,617
State appropriations	18,270,307		
Governmental grants and contracts:			
Federal			5,289,795
State	150,000		752,638
Private gifts, grants, and contracts			1,120,626
Sales and services of education departments	39,427		826,841
Investment income	38,978		3,025
Endowment income			29,445
Auxiliary enterprise revenue		\$8,469,375	
Other sources	351,804		
Total revenues	<u>32,000,573</u>	<u>8,469,375</u>	<u>9,988,987</u>
Expenditures and transfers:			
Educational and general:			
Instruction	16,140,144		2,640,122
Research	505,653		205,030
Public service			1,047,841
Academic support	3,409,180		426,378
Student services	1,639,371		458,547
Institutional support	4,029,418		50,799
Operations and maintenance of plant	3,164,322		117,048
Scholarships and fellowships	1,550,401		4,834,855
Total educational and general expenditures	<u>30,438,489</u>	<u>NONE</u>	<u>9,780,620</u>
Mandatory transfers for:			
Principal and interest	182,607	350,000	
Loan fund matching grants	25,000		
Other	81,906		(81,906)
Nonmandatory transfers - other	1,384,376	(1,907,375)	297,999
Total educational and general and transfers	<u>32,112,378</u>	<u>(1,557,375)</u>	<u>9,996,713</u>
Auxiliary enterprises - expenditures	<u>NONE</u>	<u>9,991,365</u>	<u>NONE</u>
Total expenditures and transfers	<u>32,112,378</u>	<u>8,433,990</u>	<u>9,996,713</u>
Other additions (deductions):			
Excess of transfers to revenue over restricted receipts			406,295
Inventory increase (decrease)	(3,862)		(988)
Other			(179,420)
Net increase (decrease) in fund balances	<u>(\$115,667)</u>	<u>\$35,385</u>	<u>\$218,161</u>

The accompanying notes are an integral part of this statement.

**MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA**

Notes to the Financial Statements
As of June 30, 1997, and for the Years Ended
June 30, 1997 and 1996

INTRODUCTION

McNeese State University is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana, within the executive branch of government. The university is under the management and supervision of the University of Louisiana System Board of 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.

McNeese State University is located in Lake Charles, Louisiana. The university offers associate, baccalaureate, and selected masters and specialists degrees in the areas of business, education, liberal arts, the sciences, nursing, engineering, and engineering-related technologies. Enrollment at the university during the summer, fall, and spring semesters of fiscal years June 30, 1997 and 1996, was summer - 2,602 and 2,789; fall - 8,087 and 8,444; and spring - 7,430 and 7,795, respectively. The university has 296 faculty members and 472 staff members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) considers both the American Institute of Certified Public Accountants (AICPA) College Guide model and the governmental model to be acceptable for accounting and financial reporting by governmental colleges and universities. The accompanying financial statements have been prepared in accordance with the AICPA College Guide model principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The university is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the majority of the members of the governing boards are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the university primarily serves state residents. The accompanying financial statements

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

present information only as to the transactions of the programs of McNeese State University, a component unit of the State of Louisiana.

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

C. FUND ACCOUNTING

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

Current Funds

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

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

Student Loan Funds

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

Endowment Funds

Endowment funds are funds with respect to which donors or other outside agencies have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income that may either be expended or added to principal.

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Plant Funds

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

Agency Funds

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

D. BASIS OF ACCOUNTING

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

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

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

E. BUDGET PRACTICES

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

MCNEESE STATE UNIVERSITY
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Notes to the Financial Statements (Continued)

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

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

	<u>Fiscal Years</u>	
	<u>1997</u>	<u>1996</u>
Original approved budget	\$33,917,546	\$33,796,024
Amendments:		
Preamble adjustments	(816,759)	
State General Fund increase	<u>2,420,437</u>	
 Total budgeted amounts	 <u>\$35,521,224</u>	 <u>\$33,796,024</u>

The General Fund appropriation budgetary comparison for the fiscal years ending June 30, 1997 and 1996, with adjustments for compensated absences, follows:

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Notes to the Financial Statements (Continued)

	June 30, 1997				Variance Favorable (Unfavorable)
	Actual	Adjustment to Budget Basis	Actual on Budget Basis	Budget	
Revenues					
Appropriated by legislature:					
State General Fund (direct)	\$20,164,620		\$20,164,620	\$20,164,620	
State General Fund by self-generated revenues	13,176,801		13,176,801	15,231,604	(\$2,054,803)
Federal funds				125,000	(125,000)
Total revenues	<u>33,341,421</u>	<u>NONE</u>	<u>33,341,421</u>	<u>35,521,224</u>	<u>(2,179,803)</u>
Expenditures					
Education and general and other	33,383,494	(\$42,073)	33,341,421	35,321,224	1,979,803
Auxiliary authorization				200,000	200,000
Total expenditures	<u>33,383,494</u>	<u>(42,073)</u>	<u>33,341,421</u>	<u>35,521,224</u>	<u>2,179,803</u>
Unexpended appropriation - current year	<u>(\$42,073)</u>	<u>\$42,073</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

	June 30, 1996				Variance Favorable (Unfavorable)
	Actual	Adjustment to Budget Basis	Actual on Budget Basis	Budget	
Revenues					
Appropriated by legislature:					
State General Fund (direct)	\$18,270,307		\$18,270,307	\$18,270,307	
State General Fund by self-generated revenues	13,580,266		13,580,266	15,031,604	(\$1,451,338)
State General Fund by interagency transfers	150,000		150,000	369,113	(219,113)
Federal funds				125,000	(125,000)
Total revenues	<u>32,000,573</u>	<u>NONE</u>	<u>32,000,573</u>	<u>33,796,024</u>	<u>(1,795,451)</u>
Expenditures					
Education and general and other	32,112,378	(\$111,805)	32,000,573	33,596,024	1,595,451
Auxiliary authorization				200,000	200,000
Total expenditures	<u>32,112,378</u>	<u>(111,805)</u>	<u>32,000,573</u>	<u>33,796,024</u>	<u>1,795,451</u>
Unexpended appropriation - current year	<u>(\$111,805)</u>	<u>\$111,805</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

MCNEESE STATE UNIVERSITY
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Notes to the Financial Statements (Continued)

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 Statute (R.S.) 49:327(C)(3), the university is authorized to invest funds in direct United States Treasury obligations. These investments are United States Treasury securities and obligations and are reported at cost, which approximates market.

G. INVENTORIES

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

H. DEFERRED REVENUES

Tuition and fees collected at June 30, 1997, but applicable to the 1997 summer session, are reported as deferred revenues. Expenditures relating to this session are reported in the period the tuition and fees are recognized as revenues.

I. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve fund balances, is employed by the university. Encumbrances outstanding at year-end in all funds, except for the General Fund, are reported as reservations of fund balance since they do not constitute expenditures or liabilities in the year encumbered. Encumbrances of the General Fund are not included in the financial statements because the university does

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not have the ability to finance the liquidation of encumbrances after June 30, 1997, as provided by R.S. 39:82. There are no encumbrances outstanding that would have been included in the general purpose financial statements of the State of Louisiana at June 30, 1997.

J. PLANT ASSETS

Physical plant and equipment are stated at cost at the date of acquisition, estimated cost if actual cost is not known, fair market value at date of donation in the case of gifts, or market value for livestock. Public domain or infrastructures are not capitalized. Construction in progress is not capitalized during construction. No depreciation has been provided on plant assets.

K. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Upon separation of employment, both classified and nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and nonclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

L. TOTAL COLUMNS ON STATEMENTS

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

2. CASH AND CASH EQUIVALENTS

At June 30, 1997, the university has cash and cash equivalents (book balances) of \$12,459,636 as follows:

Petty cash	\$19,805
Demand deposits	1,369,161
Cash with state treasurer	33,356
Interest-bearing demand deposits	3,272,301
Time deposits	<u>7,765,013</u>
Total	<u>\$12,459,636</u>

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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, 1997, the university has \$13,882,403 in deposits (collected bank balances). These deposits are secured from risk by \$815,719 of federal deposit insurance (GASB Category 1) and \$13,066,684 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

3. INVESTMENTS

At June 30, 1997, the university has investments with carrying and market values totaling \$437,766 and \$435,306, respectively. The investments are United States Treasury securities purchased by the Endowment Funds. These investments are in the name of the university and are held in the trust department of a custodial bank selected by the university, which is considered to be Category 1 in applying the credit risk of GASB Codification Section 150.164.

4. ACCOUNTS RECEIVABLE

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

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Statement A</u>
General	\$244,075		\$244,075
Auxiliary Enterprise	1,032,638	\$386,002	646,636
Restricted	1,145,457		1,145,457
Student Loan	170,009		170,009
Agency	14,544		14,544
	<u>\$2,606,723</u>	<u>\$386,002</u>	<u>\$2,220,721</u>

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Notes to the Financial Statements (Continued)

5. NOTES RECEIVABLE

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

<u>Fund</u>	<u>Notes Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Statement A</u>
Perkins Loans	\$1,940,294	\$140,283	\$1,800,011
Nursing Student Loans	4,806	4,142	664
Total	<u>\$1,945,100</u>	<u>\$144,425</u>	<u>\$1,800,675</u>

6. PENSION PLANS

Plan Description. Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (504) 925-6446, and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (504) 922-0600.

Funding Policy. The contribution requirements of 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 percent (TRS) and 7.5 percent (LASERS) of covered salaries. For the years ended June 30, 1997 and 1996, contributions by the university were 16.3 and 16.5 percent, respectively, to TRS, and 12.4 and 12 percent, respectively, to LASERS of the covered payroll. The State of Louisiana through the annual appropriation to the university funds the university's employer contribution. The university's employer contributions to TRS for the years ended June 30, 1997, 1996, and 1995, were \$1,408,619, \$1,334,376, and \$1,343,314, respectively, and to LASERS for the years ended

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Notes to the Financial Statements (Continued)**

June 30, 1997, 1996, and 1995, were \$706,341, \$661,946, and \$654,261, respectively, equal to the required contributions for each year.

7. OPTIONAL RETIREMENT SYSTEM

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

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

For the years ended June 30, 1997 and 1996, contributions by the university were 16.3 and 16.5 percent, respectively, of the covered payroll. The participant's contribution (8 percent), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the Teachers Retirement System of Louisiana. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer and employee contributions to the optional retirement plan for the years ended June 30, 1997 and 1996, were \$1,213,190 and \$1,046,838, and \$595,431 and \$507,558, respectively.

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

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

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Notes to the Financial Statements (Continued)

year. The cost of providing these retiree benefits totaled \$582,004 and \$493,171 for the years ended June 30, 1997 and 1996, respectively.

9. RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. The university is involved in 10 lawsuits at June 30, 1997, in which the plaintiffs are seeking damages, all of which are handled by the Office of Risk Management.

10. COMPENSATED ABSENCES

At June 30, 1997, employees of the university have accumulated and vested \$1,975,001 of employee leave benefits, which was computed in accordance with GASB Codification Section C60 and which is recorded in the accompanying financial statements.

11. LEASE OBLIGATIONS

On November 16, 1982, the Calcasieu Parish Police Jury granted an exclusive operating lease to McNeese State University for a period of 10 years concluding December 1, 1992, for the use of Burton Memorial Coliseum and grounds. This agreement was extended to December 31, 2003, by an agreement dated April 1, 1993. The university will pay for operation and maintenance expenses, not to exceed the monies generated from the use of the coliseum and monies allocated by the Calcasieu Parish Police Jury from the proceeds of a 10-year property tax passed by the voters of Calcasieu Parish on January 16, 1993, for the operation and maintenance of the coliseum. For the years ended June 30, 1997 and 1996, \$419,022 and \$421,126, respectively, were received from the Calcasieu Parish Police Jury.

12. LONG-TERM DEBT

The following is a summary of bond transactions and other long-term debt transactions of the university for the two years ended June 30, 1997:

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Notes to the Financial Statements (Continued)

	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Total</u>
Payable at June 30, 1995	\$6,202,186	\$398,597	\$6,600,783
Additions - June 30, 1997	5,184,000	162,038	5,346,038
Retired:			
June 30, 1996	587,670	125,178	712,848
June 30, 1997	<u>931,172</u>	<u>142,917</u>	<u>1,074,089</u>
Payable at June 30, 1997	<u>\$9,867,344</u>	<u>\$292,540</u>	<u>\$10,159,884</u>

A detailed summary of all debt outstanding at June 30, 1997, follows:

Notes Payable

The university has entered into various installment purchase agreements with interest rates ranging from 5.23 percent to 6.02 percent for the purchase of data processing equipment and eight vehicles. The following is a schedule of future minimum installment payments at June 30, 1997:

Fiscal year:	
1997-1998	\$207,794
1998-1999	58,620
1999-2000	<u>46,387</u>
Total minimum installment payments	312,801
Less - amount representing interest	<u>(20,261)</u>
Total	<u>\$292,540</u>

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Notes to the Financial Statements (Continued)

Bonds Payable

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 1995</u>	<u>Redeemed June 30, 1996</u>
Student Housing System Revenue Bonds:				
Series 1961-A	10/01/61	\$1,073,000	\$91,000	\$50,000
Series 1961-B	10/01/61	500,000	146,000	18,000
Series 1965	10/01/65	2,650,000	1,785,000	85,000
Series 1968	10/01/68	4,800,000	2,915,000	150,000
Academic Facilities Building Use Fee Revenue Bonds:				
Series 1969	10/01/69	833,000	235,000	55,000
Series 1970	12/01/70	635,000	165,000	40,000
Series 1976-C	06/01/76	1,200,000	95,094	95,094
General Obligation Bonds - Series 1985-B	05/01/85	300,000	209,467	13,951
Facilities Extension Series 1976-C	06/01/76	1,500,000	560,625	80,625
Stadium Project Series 1996	10/15/96	900,000		
Parking Lot Series 1997	02/12/97	1,500,000		
Student Facilities Program Building Bonds	04/01/97	2,784,000		
Total		\$18,675,000	\$6,202,186	\$587,670

<u>Redeemed (Issued) June 30, 1997</u>	<u>Outstanding June 30, 1997</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 1997</u>
\$41,000		1997	3%	
20,000	\$108,000	1998-2001	3.5%	\$9,800
100,000	1,600,000	1998-2005	4.0%	304,980
175,000	2,590,000	1998-2008	5.5-5.625%	927,016
60,000	120,000	1998	3.0%	3,600
40,000	85,000	1998	3.0%	2,625
		1996	5.8%	
15,172	180,344	1998-2005	9.25-9.3%	82,808
480,000		1997	5.8%	
(900,000)	900,000	1998-2011	8.0%	540,000
(1,500,000)	1,500,000	1998-2011	6.25%	810,313
(2,784,000)	2,784,000	1998-2006	5.75%	875,035
<u>\$4,252,828</u>	<u>\$9,867,344</u>			<u>\$3,556,177</u>

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Notes to the Financial Statements (Continued)

The annual requirements to amortize all bonds outstanding at June 30, 1997, including interest of \$3,556,177, are as follows:

<u>Issue</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Student Housing System			
Revenue Bonds:			
Series 1961-B	\$23,430	\$22,730	\$23,995
Series 1965	204,573	198,917	203,067
Series 1968	313,969	304,344	294,719
Academic Facilities Building			
Use Fee Revenue Bonds:			
Series 1969	62,700	60,900	
Series 1970	41,950	45,675	
General Obligation Bonds -			
Series 1985-B	33,272	33,181	33,083
Stadium Project Series 1996	129,600	124,800	120,000
Parking Lot Series 1997	156,719	152,656	153,438
Student Facilities Program			
Building Bonds	<u>364,043</u>	<u>366,536</u>	<u>368,168</u>
Total	<u><u>\$1,330,256</u></u>	<u><u>\$1,309,739</u></u>	<u><u>\$1,196,470</u></u>

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 1997:

<u>Bond Issue</u>	<u>Cash Reserves Available</u>	<u>Reserve Requirements</u>	<u>Excess</u>
Student Housing System Revenue Bonds	\$1,054,033	\$997,820	\$56,213
Academic Facilities Building Use Fee Revenue Bonds	788,942	211,225	577,717
Expansion of Baseball Field	<u>33,356</u>	<u>33,356</u>	
Total	<u><u>\$1,876,331</u></u>	<u><u>\$1,242,401</u></u>	<u><u>\$633,930</u></u>

<u>2001</u>	<u>2002</u>	<u>Subsequent Years</u>	<u>Total</u>
\$23,225	\$24,420		\$117,800
201,925	205,490	\$891,008	1,904,980
309,281	298,031	1,996,672	3,517,016
			123,600
			87,625
32,975	32,858	97,783	263,152
115,200	110,400	840,000	1,440,000
153,906	154,063	1,539,531	2,310,313
<u>368,936</u>	<u>363,986</u>	<u>1,827,366</u>	<u>3,659,035</u>
<u>\$1,205,448</u>	<u>\$1,189,248</u>	<u>\$7,192,360</u>	<u>\$13,423,521</u>

MCNEESE STATE UNIVERSITY
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The student housing system revenue bond agreements require that, after all deposits have been made to the Student Housing System Revenue Bonds Retirement of Indebtedness Fund, a sum of \$35,000 per annum be transferred to the Student Housing System Revenue Bonds Renewals and Replacement Reserve Fund until the reserve in that fund totals \$300,000. At June 30, 1997, the Renewals and Replacement Reserve Fund has a balance of \$300,000.

13. RESTATEMENT OF BEGINNING FUND BALANCE

The beginning fund balance for fiscal year 1996 for the General Fund, the Auxiliary Enterprises, Restricted Funds, Endowment Funds, and the Investment in Plant Fund have been adjusted to reflect the liability for compensated absences, the balance of the state's share of the endowments and income derived from the Eminent Scholars and Endowed Professorship Program endowment funds, and for a lease purchase agreement executed on December 15, 1992. These balances have not been reported in past years. The changes to the funds are as follows:

	Beginning Fund Balance July 1, 1995	Compensated Absences	Endowment Funds	Installment Purchase Agreement	Restricted Beginning Balances July 1, 1995
General Fund	\$20,818	(\$1,558,416)			(\$1,537,598)
Auxiliary Enterprises	1,644,924	(193,328)			1,451,596
Restricted Funds	2,317,542	(83,553)	\$63,088		2,297,077
Endowment Funds	545,000		542,441		1,087,441
Investment in Plant	83,593,841			(\$398,597)	83,195,244
Total	\$88,122,125	(\$1,835,297)	\$605,529	(\$398,597)	\$86,493,760

14. FUND DEFICIT

As shown on Statements B and D, the General Fund had deficits of \$1,687,885 and \$1,653,265 for fiscal years 1997 and 1996, respectively, as a result of the liability for compensated absences.

15. STUDENT LOAN FUNDS

The fund balances of the student loan funds at June 30, 1997, are as follows:

Perkins Loans Fund	\$1,998,366
Nursing Student Loans	3,084
Total	\$2,001,450

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Notes to the Financial Statements (Continued)

16. ENDOWMENT FUNDS

The fund balances of the endowment funds at June 30, 1997, are as follows:

William T. and Ethel Lewis Burton College of Education Endowment	\$700,000
Fanny Edith Winn Educational Trust Endowment	45,000
Endowed professorships - state share	<u>885,654</u>
Total	<u>\$1,630,654</u>

17. PLANT FUNDS

The restricted fund balances of the unexpended plant funds at June 30, 1997, are as follows:

Capital Improvement	\$6
Football Stadium Project	584
Parking Lot Improvement	<u>324,883</u>
Total	<u>\$325,473</u>

In August 1987, the Financial Accounting Standards Board (FASB) issued Statement No. 93, *Recognition of Depreciation by Not-for-Profit Organizations*, which requires not-for-profit organizations, including colleges and universities, to recognize depreciation of their long-lived tangible assets in their financial statements. In January 1988, the GASB issued Statement No. 8, which addresses the implementation of FASB Statement No. 93. Codification of Governmental Accounting and Financial Reporting Standards Section Co5.102 states that "Colleges and universities that follow the AICPA Industry Audit Guide, *Audits of Colleges and Universities*, should not change their accounting and reporting for depreciation of capital assets as a result of FASB Statement No. 93; the GASB has several projects under way that may affect that reporting." As reflected in note 1-D, depreciation is not currently recognized by the university.

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

A summary of changes in investment in plant follows:

	Balance July 1, 1995	Additions	Deletions	Balance June 30, 1996	Additions	Deletions	Balance June 30, 1997
Land	\$1,960,202			\$1,960,202			\$1,960,202
Improvements	8,774,203	\$142,215		8,916,418	\$2,393,896		11,310,314
Buildings	58,308,237			58,308,237	300,000		58,608,237
Equipment	13,654,269	865,697	\$163,951	14,356,015	1,000,383	\$887,187	14,469,211
Library books	6,878,066	380,060	147,746	7,110,380	398,073	96,292	7,412,161
Livestock	221,050	50,189	28,400	242,839	38,600	96,864	184,575
Total	\$89,796,027	\$1,438,161	\$340,097	\$90,894,091	\$4,130,952	\$1,080,343	\$93,944,700

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

18. AUXILIARY ENTERPRISES

The university maintains various auxiliary enterprise funds that provide services to the university community. Segment information for the fiscal years ended June 30, 1997 and 1996, follows:

	June 30, 1997	June 30, 1996
Net increase (decrease) in fund balances	(\$84,756)	\$35,385
Net loss	210,244	385,385
Net assets	1,402,225	1,486,981
Outstanding principal and interest on debt	5,539,797	6,659,999
Annual principal and interest on debt	1,061,477	648,242

The present accounting system does not provide for individual accounting of balance sheet and fixed assets for each auxiliary. A summary of net income or (net loss) for the fiscal years ended June 30, 1997 and 1996, follows:

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

	<u>June 30, 1997</u>	<u>June 30, 1996</u>
Food service	(\$271,308)	(\$189,260)
Housing	18,747	154,290
Bookstore	377,886	344,985
Student Union	(24,320)	
Athletic Auxiliary	113,218	443
Others	<u>(3,979)</u>	<u>74,927</u>
Total	<u>\$210,244</u>	<u>\$385,385</u>

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

19. OUTSIDE ORGANIZATIONS

The accompanying financial statements do not include the accounts of the McNeese State University Foundation, Incorporated, and the McNeese State University Alumni Association, Incorporated. These organizations are separate corporations whose financial statements are subject to audit by independent certified public accountants. The foundation and the alumni association were audited for the year ended June 30, 1996, and have engaged an independent certified public accountant for the audit for the year ended June 30, 1997.

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

	<u>Foundation</u>		<u>Alumni Association</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
Salaries and related benefits	\$133,358	\$127,549	\$62,597	\$62,004
Travel	894	1,289		
Operating services	4,665	3,439		
Supplies		830		
Equipment	<u>1,018</u>	<u>7,320</u>		
Total	<u>\$139,935</u>	<u>\$140,427</u>	<u>\$62,597</u>	<u>\$62,004</u>

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

McNeese State University has contracted with the McNeese State University Foundation, Incorporated, to invest the university's 21 Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:3384. The funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state-matching portion allocated by the Board of Regents for Higher Education. The original endowment base totaled \$2,100,000. To protect against inflation, this amount has been increased by a portion of the interest earned computed in accordance with regulations of the Board of Regents for Higher Education, bringing the endowment base to \$2,214,136. This endowment base and accumulated interest earnings of \$230,014, which totaled \$2,444,150, were held by the foundation at June 30, 1997. During the years ended June 30, 1997 and 1996, \$119,936 and \$121,566 of interest income was earned on these endowment funds, respectively. During the years ended June 30, 1997, no accumulated interest earnings were expended, while for the year ended June 30, 1996, \$111,174 of accumulated interest earnings were expended.

20. DEFERRED COMPENSATION PLAN

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

**MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULE
For the Years Ended June 30, 1997 and 1996**

The following supplemental information schedule presents the Schedule of Individual Agency Fund Balances for fiscal years 1997 and 1996.

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**MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA**

**Schedule of Individual Agency Fund Balances
For the Years Ended June 30, 1997 and June 30, 1996**

	<u>JUNE 30, 1997</u>	<u>JUNE 30, 1996</u>
Military Science-Clearing		\$80
Lost Military Property	\$2,114	2,114
All State Symposium Camp	196	384
Quarterback Club (formerly McNeese Hundred Club)	47	1,712
Cadet Corps	680	680
Region V Science Fair	717	75
Thoroughbred Breeding Account	2,305	2,305
Arena	15	372
Contraband	14,052	9,107
Log	64,415	76,270
Student Government Association	1,067	7,621
Student Union Board Assessment	27,370	21,181
Student Insurance	23,216	51,015
Miscellaneous Donations - NDSL Fund	747	747
Jean Barr	12,000	12,000
Student Loan Fund	52,473	52,373
Student General Fund (formerly Music Room - Sub)	8,737	9,910
Pom Pom Girls	492	492
Cheerleader Support (formerly Cheerleader Clinic)	1,000	1,271
Cheerleader Camp (Glenda Menard)	79	99
Baccus (Student Services)	256	256
IFC - Special Fund	275	
Greek Unity Council	1,237	1,237
Resident Assistants Account	50	
Alumni Scoreboard/Sound	265	
Cowgirl Booster Club - Dues	4,626	3,962
Tip-Off Club	943	
Bonnette Printing/Poster	1,437	1,360
Ex-Athlete Golf Tournament	897	814
Cowgirl Softball Camp	4,158	4,921
Cowgirl Soccer Camp	83	
Cowgirls Hoops Show	370	370
Cowgirl Basketball Camp	4,483	7,031
Coca Cola Football Camp	4,914	9,690
Ron Everhart Basketball Camp	14,475	6,331
Cowboy Baseball Camp		(482)
Bianco Baseball Camp	2,280	
Track Clearing Account	2,675	
Petro-Chem Raffle		500
Cameron State Bank Fundraiser	1,493	15,357
	<u>1,493</u>	<u>15,357</u>
Total	<u><u>\$256,639</u></u>	<u><u>\$301,155</u></u>

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**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain our 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. The report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



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

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November 18, 1997

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

MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA
Lake Charles, Louisiana

We have audited the financial statements of McNeese State University, a component unit of the State of Louisiana, as of June 30, 1997, and for the years ended June 30, 1997 and 1996, and have issued our report thereon dated November 18, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether McNeese State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that, although not material to the financial statements, is required to be reported under *Government Auditing Standards*.

Embezzlement at University Post Office

An embezzlement occurred at the McNeese State University Post Office and the resulting Civil Service form did not contain the required information. The university's internal auditor issued a report titled "Internal Auditor's Report on the Post Office Investigative Audit as of February 26, 1997," on an embezzlement at the McNeese State University Post Office. The audit period was from July 1988 through February 1997 and the report stated that "The (former) post office supervisor embezzled funds in the amount of \$10,060.11." The report concluded that "The post office supervisor admitted to the theft and has signed a confession statement. . . . The post office supervisor has resigned and has made full restitution in the amount of \$10,060.11." The lack of internal control procedures, including the lack of an adequate segregation of duties between meter machine replenishment and the reconciliation of postage records provided the opportunity for theft. The university filed a complaint with the Calcasieu Parish Sheriff Department and reported the matter to the District Attorney for the Fourteenth Judicial District.

EXHIBIT A

LEGISLATIVE AUDITOR

MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA
Compliance and Internal Control Report
November 18, 1997
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McNeese State University then submitted the Civil Service Standard Form 1 (SF1) to the Louisiana Department of Civil Service for the post office supervisor's resignation, but did not indicate that the supervisor had resigned to avoid dismissal. Civil Service Regulation 12.11(f) states, "When, after receiving notice that his dismissal has been proposed, an employee resigns to avoid dismissal, the Standard Form 1 reporting the resignation shall so indicate and a copy thereof shall be furnished to the employee."

McNeese State University should strengthen its internal controls at the University Post Office to include an adequate segregation of duties so that the university can be ensured that assets are safeguarded and that errors and/or fraud are identified timely. The university should also submit a revised SF1 that indicates the disclosure required by Civil Service regulations. In a letter dated November 19, 1997, Dr. Robert D. Hebert, President, stated that the university has submitted a corrected Civil Service Standard Form 1 to the Department of Civil Service and that internal controls at the post office have been established through several corrective measures.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McNeese State University's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. This finding titled "Embezzlement at University Post Office" is included in the compliance section of this report. 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 judgement, could adversely affect McNeese State University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

LEGISLATIVE AUDITOR

MCNEESE STATE UNIVERSITY
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Compliance and Internal Control Report
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Page 3

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,

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

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DLC:DLH:sds

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