

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Grambling State University  
State of Louisiana  
Grambling, Louisiana

December 11, 1998



*Financial and Compliance Audit Division*

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

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**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, 1999**

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

December 15, 1999

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, 1990

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OFFICE OF  
LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
PARISH HOUSE, LOUISIANA 70004-9000

DAVID L. WILK, PRES. CPA, CFE  
LEGISLATIVE AUDITOR

MONROE 1000 STATE  
STREET SUITE 201  
MONROE, LA 70001  
504.235.1200  
FACSIMILE - 504.235.1200

November 5, 1990

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

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

We have audited the accompanying general purpose financial statements of Grambling State University, a component unit of the State of Louisiana, as of and for the year ended June 30, 1990, as listed in the foregoing table of contents. These financial statements are the responsibility of management of Grambling 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 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.

As described in note 1-J to the financial statements, the university has excluded the liability relating to compensated absences from the accompanying financial statements. In our opinion, generally accepted accounting principles require that such liability be reflected on the financial statements in the year in which the benefits accrue.

In our opinion, except for the effects of not recording the liability relating to compensated absences as discussed in the preceding paragraph, the accompanying general purpose financial statements referred to above present fairly, in all material respects, the financial position of Grambling State University at June 30, 1990; 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.

LEGISLATIVE AUDITOR

GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA  
Audit Report, June 30, 1995

In accordance with Government Auditing Standards, we have also issued a report dated November 8, 1995, on our consideration of Grambling State University's internal control structure and a report dated November 8, 1995, on its compliance with laws and regulations.

Respectfully submitted,



David G. Kyle, CPA, CFE  
Legislative Auditor

BY SIGNATURE

DATE

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA  
ALL FUNDS**

**Balance Sheet, June 30, 1996**

	CURRENT FUNDS			STUDENT LOAN FUNDS	ENDOWMENT FUNDS
	GENERAL	ASSISTANT SHIP FUNDS	NON-REVENUE		
<b>ASSETS</b>					
Cash and cash equivalents (note 2)			\$60,805	\$29,548	\$1,000
Investments (note 2)	\$4,222,074	\$2,494,832			1,452,178
Accounts receivable (note 2)	192,712	1,811,627	1,070,671		
State receivable (note 2)				1,078,808	
Due from other funds (note 2)			6,000,710		
Interest charges					
Unexpended expenses	784	27,888			
Prepaid	282,774	224,076			
Accumulated	11,718	29,884	714	248,140	1,000
Revolving fund (note 2)					
<b>TOTAL ASSETS</b>	<b>\$4,698,362</b>	<b>\$4,828,297</b>	<b>\$7,672,971</b>	<b>\$1,376,956</b>	<b>\$2,453,178</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Accounts payable	\$47,700	\$288,587	\$26,827		
Unearned fundings	1,732,200	114,820	114,820		
Due to other funds (note 2)	1,428,850	1,800,076			
Due to state treasury (note 2)	\$40,000				
Expenses incurred - others		1,428,378			
Unearned accounts	1,000	62,774	83		2,982,470
Other payable (note 2)					
Funds payable (note 2)					
Obligations under agreements					
(note 2)					
Trust/Endowed	2,027,738	2,422,224	757,588	60,000	124,227
<b>Fund Equity</b>					
Net investment in plant					
<b>Fund Reserves</b>					
Reserve for debt service					
Reserve for operations	282,774		2,382,048		
Reserve for contingencies		292,717			
Current operations - restricted		2,814,378	62,388		
Noncontingent operations					
Reserves				\$1,000,000	
Endowed					1,152,178
Trust/Fund Equity	282,774	2,814,378	2,444,436	1,000,000	1,152,178
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$4,698,362</b>	<b>\$4,828,297</b>	<b>\$7,672,971</b>	<b>\$1,376,956</b>	<b>\$2,453,178</b>

The accompanying notes are an integral part of this statement.

Statement A

PLANT FUNDS					
DEPARTMENTAL	DEPARTMENTAL AND INTERAGENCY	DEPARTMENTAL OR INTERAGENCY	DEPARTMENTAL OR PLANT	AGENCY FUNDS	TOTAL DEPARTMENTAL (000 Y)
\$71,000	\$11,000	\$50,000		\$11,000	\$143,000
50,000	5,000,000			5,000	5,055,000
20,000					20,000
1,000,000	500,000	500,000		5,000	2,505,000
					57,000
3,000					3,000,000
			\$50,000,000		50,000,000
\$1,000,000	\$1,000,000	\$500,000	\$50,000,000	\$20,000	\$1,570,000
				50,000	\$100,000
				5,000	5,000,000
					5,000,000
				200,000	2,000,000
				1	100,000
			\$1,000,000		1,000,000
			2,000,000		2,000,000
			57,000		57,000
			2,000,000		2,000,000
11	5000	5000	20000	20000	50000
			10,000,000		10,000,000
	500,000	500,000			1,000,000
50,000					500,000
					5,000,000
					2,000,000
5,000,000	1,000,000	500,000			6,500,000
5,000,000	1,000,000	500,000	10,000,000	500,000	16,000,000
20,000,000	10,000,000	500,000	500,000,000	200,000	520,700,000

**Louisiana State University  
STATE OF LOUISIANA**

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

	CURRENT FUNDS			TOTAL FUND BALANCE
	GENERAL	AUXILIARY ENTERPRISES	DEBT SERVICE	
Revenues and other additions:				
Unrestricted current fund-revenues	\$4,287,300			
Tuition and fees - restricted			\$1,444,871	\$5,732,171
State grants and contracts - restricted			385,875	
Federal grants and contracts - restricted			1,422,125	7,537
Private gifts, grants, and contracts - restricted			24,820	
Investment income - restricted			1,548	
Interest on loans receivable				76,800
Postmaster income				
Auxiliary enterprise revenues		\$1,460,134		
Adjustments to plant facilities				
Postmaster adjustments				
Other sources			547,860	1,460
Total revenues and other additions	<u>4,287,300</u>	<u>1,460,134</u>	<u>3,307,399</u>	<u>73,827</u>
Expenditures and other deductions:				
Educational expenses	262,917		1,127,634	
Auxiliary enterprises		11,807,340		
Interest costs incurred			376,790	78,841
Loan principal and interest				4,000
Depreciation plant facilities				
Depreciation plant equipment				
Inventory adjustments				
Expenditure plant facilities				500
Other				
Total expenditures and other deductions	<u>262,917</u>	<u>11,807,340</u>	<u>1,504,424</u>	<u>8,241</u>
Transfer among funds - additions (deductions):				
Miscellaneous - general and interest		(716,000)		
Miscellaneous				
Capital investments		(770,000)		
Other (page 10)	(1,271,288)	1,271,288		
Transfers among funds	<u>3,377,375</u>	<u>304,712</u>	<u>8,000</u>	<u>49,000</u>
Inventory decrease	(26,844)	(6,000)	(6,000)	(6,000)
Miscellaneous (deducted) for future	(26,844)	1,164,180	668,190	164,500
Fund balances at beginning of year, carried from 1995	<u>478,211</u>	<u>2,805,131</u>	<u>3,072,541</u>	<u>1,481,313</u>
Fund balances at end of year	<u>\$704,111</u>	<u>\$2,864,091</u>	<u>\$2,804,841</u>	<u>\$1,554,016</u>

The accompanying notes are an integral part of this statement.

Statement B

EMPLOYMENT FUND	PLANT FUND				TOTAL (AMMORISATIONS ONLY)
	SPRING NOCT.	REPLACEMENT AND REPLACEMENTS	REPAIRS AND REPAIRS	REPLACEMENT OF PLANT	
		7'000.00	17,600		\$24,600.00
	\$2,000.000				2,000.000
					4,000.000
					14,500.000
	20,000	88,000			108,000
800,000					78,800
					107,000
				\$4,000.000	\$4,000.000
				800,000	800,000
	100,000				100,000
<u>70,000</u>	<u>4,000.000</u>	<u>95,000</u>	<u>17,600</u>	<u>1,000.000</u>	<u>\$5,074,800</u>
					5,074,800
					1,000.000
					6,074,800
	4,000.000				4,000.000
			800,000		800,000
			800,000		800,000
				800,000	800,000
<u>80,000</u>	<u>4,000.000</u>	<u>80,000</u>	<u>1,600,000</u>	<u>800,000</u>	<u>\$5,280,000</u>
					5,280,000
					174,800
	700,000				700,000
<u>80,000</u>	<u>700,000</u>	<u>80,000</u>	<u>174,800</u>	<u>800,000</u>	<u>\$1,554,800</u>
<u>80,000</u>	<u>800,000</u>	<u>80,000</u>	<u>800,000</u>	<u>80,000</u>	<u>1,680,000</u>
20,000	800,000	100,000	88,000	5,000.000	6,008,000
1,000,000	800,000	1,000,000	800,000	800,000.000	3,600,000
<u>11,000,000</u>	<u>10,000,000</u>	<u>1,800,000</u>	<u>1,680,000</u>	<u>1,620,000.000</u>	<u>23,100,000</u>

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA  
CURRENT FUNDS**

**Statement of Revenues, Expenditures,  
and Other Changes  
For the Year Ended June 30, 1988**

	REVENUE	APPROPRIATION FOR EXPENDITURE	RESERVED
<b>Revenues</b>			
Tuition and fees	\$20,894,004	\$20,894,700	\$1,000,000
State appropriation	85,715,000		
Federal grants and contracts			14,000,000
Local grants and contracts	880,000		880,000
Local grants and contracts	880,000		
Private gifts, grants, and contracts			270,000
Sales and services of educational departments	39,500		
Sales and services of business departments		4,800,000	
Administrative expense recovery	270,000		
Investment income	480,000	500,000	
Other sources	40,000		1,400,000
<b>Total revenues</b>	<u>22,369,704</u>	<u>26,694,700</u>	<u>3,950,000</u>
<b>Expenditures and transfers</b>			
<b>Educational and general</b>			
Instruction	14,266,454		1,750,000
Research	789,441		789,441
Academic support	4,400,890		1,400,000
Student services	208,837		
Institutional support	4,760,893		1,750,000
Operation and maintenance (plant)	5,780,000		
Depreciation and amortization	1,800,417		16,000,000
Other	4,870,000		1,400,000
<b>Total educational and general expenditures</b>	<u>39,767,032</u>	<u>9,000</u>	<u>17,350,441</u>
<b>Transfer arising from - additions (deductions)</b>			
Inventory - principal and interest		700,000	
Inventory:			
Capital improvements		700,000	
Other	1,671,000	(1,671,000)	
Auxiliary enterprise expenditures		(1,600,000)	
<b>Total expenditures and transfers</b>	<u>41,438,032</u>	<u>9,000</u>	<u>15,779,441</u>
<b>Other reductions</b>			
Excess amortization of restricted receipts			400,000
Inventory decrease			(200,000)
Other	(200,000)		(200,000)
<b>Net increase in fund balances</b>	<u>\$2,631,672</u>	<u>(\$1,000,000)</u>	<u>\$880,000</u>

The accompanying notes are an integral part of this statement.

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA**

**Notes to the Financial Statements  
As of and for the Year Ended June 30, 1995**

**INTRODUCTION**

Grambling 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, of colors, 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.

Grambling State University is located in Grambling, Louisiana, and serves as a cultural and educational center for north Louisiana. The university offers associate, baccalaureate, and selected masters and specialist degrees in the areas of liberal arts, education, business administration, the sciences and science-related technologies, nursing, and social work. Enrollment at the university was 3,607, 7,444, 7,829, and 7,475, respectively, during the summer of 1993, fall, spring, and summer semesters of fiscal year 1995. The university has 1,163 full-time faculty and staff members as of June 30, 1995.

**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, except for the recognition of compensated absences. The university recognizes the liability for unused annual and sick leave when paid because major portions of the liability will be paid from the university's General Fund from future appropriations made by the Louisiana Legislature.

**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: (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

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

appropriations provide a large percentage of total revenues; and (c) the state issues bonds to finance certain expenditures. 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 included 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.

**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 act in accordance with specified activities or objectives. Accounts are separately maintained for each fund; however, in the accompanying financial statements, funds having similar characteristics have been combined into fund groups. Accordingly, all financial statements have been reported by fund groups. A brief description of each fund group follows:

**Current Funds**

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

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

**Student Loan Funds**

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

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

**Endowment Funds**

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

**Plant Funds**

The plant funds group contains four self-balancing subgroups. Unexpended plant funds are used for the acquisition of long-lived assets for institutional purposes. Funds for renewals and replacements are set aside from current operating revenues for the removal 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; (2) annual and sick leave is recognized when paid; and (3) investments of the General Fund are recorded as expenditures at the time of purchase.

The statement of current funds revenues, expenditures, and other charges 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 this 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 nonreimbursable nature for all other cases.

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

**E. BUDGET PRACTICES/COMPARISON**

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 government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the annual basis of accounting, except that (1) depreciation is not recognized, (2) lease 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 1995 summer session ended on July 5, 1995, placing the majority of the session in the 1995 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 revenues. This decision places the revenue and expenditures for the 1995 and 1996 summer sessions in the accompanying financial statements.

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

Original approved budget	\$41,480,401
Amendments - increase in state General Fund direct cost	<u>1,180,000</u>
Total budgeted amounts	<u>\$42,660,401</u>

**LOUISIANA STATE UNIVERSITY  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

The following is a budgetary comparison for the General Fund:

	Actual in Budget Base	Budget	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Appropriated by Legislature:			
State General Fund (gross)	\$19,970,000	\$19,757,000	(\$213,000)
State General Fund -			
self-generated revenues	27,200,700	27,200,741	(41,041)
State General Fund -			
interagency transfers	100,000	243,000	(143,000)
Federal	276,300	300,000	(24,000)
Total revenues	<u>28,547,000</u>	<u>47,500,441</u>	<u>(18,953,441)</u>
<b>Expenditures</b>			
Program expenditures	47,267,100	47,607,400	(340,300)
<b>Unexpended Appropriation -</b>			
Current Year	<u>None</u>	<u>None</u>	<u>None</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 with a local 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 (LSA-R.S.) 49:327, 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 reserve 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

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

are United States government agency obligations and are reported at cost, which approximates market on the balance sheet.

**G. INVENTORIES**

Inventories are valued at the lower of cost or market. They primarily use both perpetual and periodic inventory systems and value its inventories 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 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 of fund balance since they do not constitute expenditures or liabilities in the year encumbered. Encumbrances of the General Fund are not included in the financial statements because the university does not have the ability to finance the liquidation of encumbrances after June 30, 1999, as provided by LSA-R.S. 28:82.

**I. PLANT ASSETS**

Physical plant and equipment are stated at cost at the date of acquisition and fair market value at date of donation in the case 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-tenured 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 in their field are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel on their field are compensated for

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA**

**Notes to the Financial Statements (Continued)**

accumulated sick leave not to exceed 35 days upon retirement or death. Act 348 of 1988 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 360 hours plus unused sick leave are used to compute retirement benefits. The liability for unused annual leave and unused sick leave, as discussed previously in note 1, is not recorded in the accompanying financial statements.

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

**K. TOTAL COLUMNS ON STATEMENTS**

Total columns on the statements are captioned *Memorandum Only (continued)* 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.

**L. INTERFUND BORROWING**

All interfund loans are temporary in nature; no interest is charged on interfund loans. Interfund borrowings are recorded in each fund as due (debit) from other funds and total \$3,284,000 at June 30, 1988.

**M. CASH AND CASH EQUIVALENTS**

At June 30, 1988, the university has cash and cash equivalents (book balances) of \$1,830,387 as follows:

Cash on hand	\$4,550
Demand deposits	(1,007,377)
Interest-bearing demand deposits	1,885,080
Time deposits	<u>1,885,080</u>
Total	<u>\$1,830,387</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.

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

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, 1995, the university has \$3,497,208 in deposits (collected bank balances). These deposits are secured from risk by \$298,393 of federal deposit insurance (GAASB Category 1) and \$2,901,705 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GAASB Category 3).

**4. INVESTMENTS**

At June 30, 1995, the university has investments totaling \$71,180,404 as follows:

Fund	Carrying Amount	Market Value	Excess (Deficiency) of Market over Carrying Amount
<b>General Fund</b>			
Federal Home Loan Bonds (held by a bank and insured as a federal agency)	\$53,000	\$53,000	\$0
Federal Home Loan Bonds (insured by a bank and insured as a federal agency)	154,833	158,750	15,483
Federal Home Loan Mortgage Corporation discount notes (held by a bank and insured as a federal agency)	3,700,000	3,700,000	0
Federal Home Loan Mortgage Association Bonds (held by a bank and insured as a federal agency)	1,488,000	1,488,000	0
Total General Fund	<u>5,781,833</u>	<u>5,799,750</u>	<u>15,483</u>
<b>Activity Fund</b>			
Federal Home Loan Bonds (insured by a bank and insured as a federal agency)	100,000	100,000	0
Federal Home Loan Mortgage Corporation discount notes (held by a bank and insured as a federal agency)	3,144,000	3,144,000	0
Federal Home Loan Mortgage Corporation discount notes (held by an investment company and insured as a federal agency)	150,000	150,000	0
Federal Home Loan Mortgage Association Bonds (held by an investment company and insured as a federal agency)	100,000	100,000	0
Total Activity Enterprises Fund	<u>3,494,000</u>	<u>3,494,000</u>	<u>0</u>

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

(continued)	Carrying Amount	Market Value	Futures (contracting) contracts Carrying Amount
<b>Equity Investments</b>			
Federal Home Loan Mortgage Corporation (stock) included in investment company and located in a related agency	\$80,807	\$84,840	(\$0,000)
Federal National Mortgage Association (stock) not included in investment company	140,000	140,000	000
Federal National Mortgage Association (stock) selling in investment company and portfolio of related agency Total (Equity Investments)	<u>\$240,807</u>	<u>\$224,840</u>	<u>(\$0,000)</u>
<b>Fixed Income</b>			
Federal Home Credit Bank (included in related and located in related agency)	\$40,000	\$40,000	000
Federal Home Loan Mortgage Corporation (included in investment company and located in a related agency)	60,000	60,000	000,000
Federal National Mortgage Association (stock) selling in investment company and portfolio of related agency	140,000	140,000	000
Federal National Mortgage Association (stock) selling in investment company and located in related agency	400,000	400,000	000,000
Total Fixed Income	<u>\$1,240,000</u>	<u>\$1,280,000</u>	<u>\$400,000</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).

**B. 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	\$100,000		\$100,000
Auxiliary Enterprise	5,880,000	\$1,780,000	4,100,000
Restricted	1,300,000		1,300,000
Unexpended Plant Agency	30,000		30,000
	<u>8,210,000</u>		<u>6,460,000</u>
Total	<u>\$8,210,000</u>	<u>\$1,780,000</u>	<u>\$6,460,000</u>

**GRAMBLING STATE UNIVERSITY**  
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 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 uncollectables as follows:

	Notes Receivable	Allowance for Uncollectables	Net Statement A
Student Loans	\$1,000,000	\$1,000,000	\$000,000
Research Loans	345,807	4,014	341,793
Short-Term Student Loans	50,000		50,000
Total	\$1,395,807	\$1,004,014	\$391,793

**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 contributory, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivor benefits to plan recipients 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 19, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 84123, Baton Rouge, Louisiana 70804-8123, or by calling (504) 925-0448 or/and the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (504) 602-8080.

**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 LSA-R.S. 41:902. Employees contribute 8 percent (TRS) and 7.5 percent (LASERS) of covered salaries. The state is required to contribute 16.5 percent of covered salaries to TRS and 12 percent of covered salaries to LASERS. The university's employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The university's employer contributions to TRS for the years ended June 30, 1998 and 1999 were \$2,024,149 and \$2,367,067, respectively, and to LASERS for the years ended June 30, 1998 and 1999 were \$1,354,085 and \$1,188,354, respectively, equal to the required

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

contributions for each year. A disclaimer of opinion was issued on the university's 1994 financial statements; therefore, perolen plan data for 1994 is not presented.

**8. OPTIONAL RETIREMENT SYSTEM**

LSU-R.S. 11:5271 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 30 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 those benefits to the participants.

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

Total contributions by the university are 18.5 percent of the covered payroll. The participants' contribution (8 percent), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is credited 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 whose contributions have been made.

Employer contributions to the optional retirement plan totaled \$564,760 for the year ended June 30, 1995.

**9. 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 benefits totaled \$452,847 for 201 retirees for the year ended June 30, 1995.

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

**18. 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 five lawsuits as of June 30, 1999. One seeks other than monetary damages. The other four suits are being handled by the state's Office of Risk Management.

**19. COMPENSATED ABSENCES**

At June 30, 1998, employees of the university have accumulated and vested \$2,571,600 of employee annual leave benefits and \$480,122 of sick leave benefits, which was computed in accordance with GASB's Codification Section 260. As previously discussed, the leave payable is not recorded in the accompanying financial statements. If the financial statements were corrected for this departure from generally accepted accounting principles, \$1,708,528 would be reported in Current Funds - General Fund, \$863,058 would be reported in Current Funds - Auxiliary Funds, and \$58,496 would be reported, subject to specific criteria being met, in Current Funds - Restricted Funds. Also, the net increase in fund balances would be decreased by \$70,053 for the year ended June 30, 1998, and an adjustment to decrease prior-year fund balances would be made for \$2,409,149.

**20. 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, 1999:

Year ending June 30:	
1997	\$148,248
1998	145,248
1999	24,587
Thereafter	<u>None</u>
Total minimum lease payments	318,083
Less - amount representing interest	<u>(27,444)</u>
Present value of net minimum lease payments	<u>\$290,639</u>

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

**Operating Leases**

The university does not have any material operating leases at June 30, 1998.

**1b. LONG-TERM DEBT**

The following is a summary of bond and note transactions of the university for the year ended June 30, 1998:

	<u>Bonds</u>	<u>Notes</u>	<u>Total</u>
Outstanding at July 1, 1997	\$4,040,000	\$3,389,334	\$7,429,334
Retired	<u>444,000</u>	<u>76,688</u>	<u>520,688</u>
Outstanding at June 30, 1998	<u>\$3,596,000</u>	<u>\$3,312,646</u>	<u>\$6,908,646</u>

A detailed summary of all debt outstanding at June 30, 1998, including interest payments of \$2,150,037, follows:

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

Basis	Date of Issue	Original Issue	Outstanding June 30, 1995
<b>Bonds</b>			
<b>Student Housing System Revenue Bonds:</b>			
1985 Series A	Oct. 1, 1985	\$2,040,000	\$890,000
1986 Series B	Oct. 1, 1985	4,080,000	1,795,000
1988 Series A	Oct. 1, 1988	600,000	195,000
1989 Series B	Oct. 1, 1988	2,080,000	1,411,000
<b>Academic Facilities Building Use Fee Revenue Bonds:</b>			
1987 Series G	Nov. 1, 1988	432,000	330,000
1988 Series H	Nov. 1, 1988	520,000	31,000
1970 Series I	July 1, 1979	800,000	249,000
<b>Total Bonds</b>		<u>11,072,000</u>	<u>5,381,000</u>
<b>Notes</b>			
United States Department of Education Notes Payable	May 1, 1993	<u>5,890,000</u>	<u>5,890,000</u>
<b>Total Long Term Debt</b>		<u>\$16,271,000</u>	<u>\$11,271,000</u>

The annual requirements to amortize all debt outstanding at June 30, 1995, including interest of \$2,153,077, are as follows:

Year	Bonds	Notes	Total
1997	\$586,880	\$177,704	\$764,584
1998	670,320	177,704	848,024
1999	495,471	177,704	673,175
2000	378,889	177,704	556,593
2001	268,275	177,704	445,979
Subsequent years	<u>1,826,788</u>	<u>3,899,465</u>	<u>5,726,253</u>
<b>Total</b>	<u>\$4,176,413</u>	<u>\$4,899,215</u>	<u>\$9,075,628</u>

<u>Projected</u>	<u>Outstanding June 30, 1999</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 1999</u>
1700,000	2148,000	1999-1999	7%	21,480
150,000	1,875,000	1999-2005	3 - 7.15%	206,785
40,000	125,000	1999-1999	8%	11,200
85,000	1,525,000	1999-2000	8%	254,750
25,000	57,000	1999-1999	7%	5,085
6,000	25,000	1999-1999	8%	1,575
35,000	305,000	1999-2000	8%	25,025
<u>444,000</u>	<u>5,000,000</u>			<u>311,475</u>
<u>70,000</u>	<u>3,212,000</u>	<u>1999-2004</u>	<u>8%</u>	<u>1,576,000</u>
<u>1000,000</u>	<u>30,814,000</u>			<u>82,150,075</u>

**LOUISIANA STATE UNIVERSITY  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

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, 1998:

ISSUE	Cash		Existence
	Investment Reserves Available	Reserve Requirements	
<b>Reserve and Replacement Fund - State Housing System Repair and Replacement Reserve Account</b>	<u>\$202,000</u>	<u>\$200,000</u>	<u>\$200,000</u>
<b>Redemption of Indebtedness Fund:</b>			
State Housing System Revenue Bonds	\$11,700	\$11,700	
Academic Facilities Building (Use Fee Revenue Bonds)	\$1,400	\$1,400	
United States Department of Education Note	<u>\$11,200</u>	<u>\$11,200</u>	
<b>Total Redemption of Indebtedness Fund</b>	<u>\$24,300</u>	<u>\$24,300</u>	<u>None</u>
<b>Total</b>	<u>\$1,008,178</u>	<u>\$1,004,178</u>	<u>\$200,000</u>

The university is required, for the United States Department of Education note, to establish a Redemption of Indebtedness Account and make semi-annual deposits of \$20,000 until \$170,000 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 \$20,000 until \$250,000 has been accumulated.

**14. GENERAL FUND**

As shown on Statement A, the General Fund has a total of \$842,806 due to the state treasury at June 30, 1998. This amount, after adjustment, should be credited to the state treasury as unexpended appropriations.

As provided by Act 607 of 1995 (LSA-R.S. 17:306(A)), the university adopted a building and facility preventative maintenance program, which was approved by the Louisiana Board of Regents. This program allows the university to expend appropriated funds during subsequent fiscal years that were unexpended and unobligated at June 30, 1995. 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,

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

As shown on note 1-B, the university has available \$840,000 of its unexpended state General Fund Appropriation that may be used for preventive maintenance (Part 871 of 1985). In addition, the university has \$603,457 of prior-year preventive 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 \$1,871,818 for the year ended June 30, 1985.

**11. FUND EQUITY**

Fund balances at June 30, 1985, as shown on Statement A, are summarized as follows:

	Reported for Proprietary	Annually Restricted	University Restricted	Total
<b>Current Funds:</b>				
General	\$686,173			\$686,173
Purchase Incentives		\$1,847,000		2,493,000
Restricted		424,114	\$2,784,000	3,208,114
<b>Retirement Funds:</b>				
Multi-year Funds		328,000	1,377,000	1,705,000
Retirement Funds			1,275,700	1,275,700
<b>Plant Funds:</b>				
Unexpended		1,287,000		1,287,000
Reserves and Provisions		1,271,000	492,000	2,840,000
Retirement of Indebtedness		88,004	704,000	892,004
<b>Total</b>	<b>\$686,173</b>	<b>\$3,738,004</b>	<b>\$4,556,000</b>	<b>\$9,080,177</b>

**12. PRIOR-YEAR RESTATEMENT  
OF FUND BALANCE**

A prior period adjustment of \$125,000 was made to transfer activity related to athletics, previously reported in the agency fund, to the auxiliary fund. This adjustment was made to consolidate all athletic activity into the auxiliary fund. Due to the nature of the agency fund, there is no impact on fund balance in this fund. An additional prior period adjustment was made for \$70,000 resulting from an overstatement of accounts receivable, relating to athletics. The net effect on the auxiliary fund is an increase in prior-year fund balance of \$55,000. A prior period adjustment of \$450,000 was made to transfer activity related to student activity fees, previously reported in the agency fund, to the restricted fund. A prior period adjustment of \$65,000 was made to correct a prior period understatement of fund balance of the retirement of indebtedness fund. Fund balances of the auxiliary, restricted, and retirement of indebtedness funds for the year ended June 30, 1985, were restated as follows:

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

	Fund Balances at June 30, 1995, as Previously Reported	Revised Amount	Fund Balances at June 30, 1995, as Revised
Auxiliary Employees Fund	\$3,074,283	100,000	\$3,174,283
Restricted Fund	3,088,011	(80,000)	3,008,011
Resatement of Indebtedness	687,586	\$3,000	690,586

**17. STUDENT LOAN FUNDS**

The fund balances of the student loan funds at June 30, 1995, are as follows:

Perkins Loans	\$967,684
Moving Student Loans	590,320
Other Loans	<u>308,080</u>
<b>Total</b>	<b><u>\$1,866,084</u></b>

**18. ENDOWMENT FUNDS**

The fund balances of the endowment funds at June 30, 1995, are as follows:

Endowed Scholars Trust Fund - Department of Industrial and Engineering Technology	\$1,247,875
Endowed Professorship in Education	103,640
Endowed Professorship in Business	<u>103,647</u>
<b>Total</b>	<b><u>\$1,455,162</u></b>

**19. PLANT FUNDS**

The restricted fund balances of the unexpended plant funds at June 30, 1995, are as follows:

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

Recreation Fee	\$287,813
Vehicle Registration Fee	67,828
Construction Funds	804,808
Traffic and Parking Fines	<u>517,957</u>
<b>Total</b>	<b><u>1,678,406</u></b>

In August 1987, the Financial Accounting Standards Board (FASB) issued Statement No. 93, *Recognition of Depreciation by Not-for-Profit Organizations*, which requires not-for-profit organizations, including colleges and universities, to recognize depreciation of their long-lived tangible assets in their financial statements. In January 1988, the GASB issued Statement No. 5, which addresses the implementation of FASB Statement No. 93. Codification of Governmental Accounting and Financial Reporting Standards Section Cdb-703 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 several projects under way that may affect that reporting." As reflected in note 1-D, depreciation is not currently recognized by the university.

A summary of investments in plant follows:

	Balance July 1, 1987	Additions	Disposals	Balance June 30, 1988
Land and improvements	\$9,895,247			\$9,895,247
Buildings	69,297,278			69,297,278
Improvements - other	2,262,407			2,262,407
Equipment	24,805,976	\$1,788,282	\$119,471	26,474,787
Library books	15,862,888	\$71,378	125,888	15,808,378
Construction in progress	15,882,872	\$781,188		16,664,060
<b>Total</b>	<b><u>\$126,877,671</u></b>	<b><u>\$2,640,848</u></b>	<b><u>\$245,359</u></b>	<b><u>\$130,448,160</u></b>

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

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

**20. AUXILIARY ENTERPRISES**

The university maintains various auxiliary enterprise funds that provide services to the university community. Segment information for the year ended June 30, 1995, follows:

	1995 Revenue	1995 Expenses	1995 Reserve (2549)	1995 Other	Total
<b>Measures (Increase)</b>					
In Land Salesmen	\$78,855	\$84,273	\$719,885	\$4,418,860	\$7,003,328
Measures	1,175,488	2,211,888	(73,818)	(375,170)	2,814,898
Outstanding principal and Interest on debt		8,881,888			8,881,888
Annual principal and Interest on debt		78,000			78,000

**21. FOUNDATIONS**

The accompanying financial statements do not include the accounts of Grandiley State University Athletic Scholarship Foundation, Grandiley State University Foundation, and Grandiley 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 Grandiley State University Athletic Scholarship Foundation, the Grandiley State University Foundation, and the Grandiley State University Alumni Association were for June 30, 1994, December 31, 1994, and December 31, 1995, respectively.

**22. CONSULTANT FEES FOR FEASIBILITY  
STUDIES AND OTHER SPECIAL REPORTS**

A summary of professional services payments made for consultant fees for feasibility studies and other special reports, in compliance with Senate Concurrent Resolution No. 35 of the Extraordinary Session of 1974, is as follows:

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Name of Firm or Consultant Whose Expenses Are Reported	<u>Amount</u>
Bass, Sam	\$2,000
Blackstone Development Associates	8,000
Boylan, Hunter	8,004
Bruce & Tavelton, CPAs	9,000
Carroll, Ray	1,500
Colomani, Clarence	3,813
Curtis, Mary P.	4,121
Davis, Corinne	748
Dewkins, Donald Jr.	3,707
Dozier, John P.	8,000
Haney, Eric	2,143
Karl Thomas Associates	8,885
Morgan, William	2,814
Parsons, Chris	2,484
Ruggles, Robert	2,000
Sain, Les P.	5,138
Smith, Lloyd H.	12,711
Stevens, George E.	2,000
Trotter, Garretolyn	1,758
Wesley Peachtree Group, The	20,914
Willis-Towerswood Management	3,400
Woods, Carl	1,500
	<u>\$107,769</u>
Total	<u>\$107,769</u>

**23. 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 statewide plan are available in the financial statements of the State of Louisiana.

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

**24. 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. Those payments constitute on-behalf payments for purposes of reporting by the university if they are made to the faculty members in their capacity as employees of the university (GASB 24). There were no on-behalf payments for fringe benefits and salaries included in the accompanying financial statements for fiscal year 1995.

**25. SCHEDULE OF AGENCY FUND DUE TO OTHERS ACCOUNTS**

The individual balances of the "Due to Others" accounts at June 30, 1995, are as follows:

APNOTE	\$8,375
Alma J. Brown Elementary	58,857
Alma J. Brown High School	58,815
Middle School Agency Account	12,164
Grambling High School - General Fund	8,898
Louis Reynolds Basketball Camp	8,221
Edna Robinson Football Camp	11,817
Student Discipline	11,852
Student Government Association	10,879
Others	<u>60,550</u>
Total	<u>\$24,209</u>

**OTHER REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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



OFFICE OF  
LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
BAYOU BOULEVARD, LOUISIANA 70004-9097

TELEPHONE: (504) 343-2111  
FAX: (504) 343-2474  
RELATIONS: (504) 343-2288  
INTERNET: www.louisiana.gov

EMILY J. BROWN, CPA  
LEADS AT PEARSON

November 6, 1998

**Independent Auditor's Report on Internal Control Structure  
Issued Solely as an Audit of the General Purpose Financial Statements**

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

We have audited the general purpose financial statements of Grambling State University, a component unit of the State of Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated November 6, 1998.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Management of Grambling State University is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that conditions may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Grambling State University for the year ended June 30, 1998, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

**Violations of Scholarship Criteria**

Grambling State University does not have adequate internal control procedures to ensure compliance with specific scholarship criteria. A good internal control system requires that policies and procedures be established and implemented to prevent and/or detect violations of applicable criteria for awarding scholarships. The following matters were discovered during a judgmental test of seven scholarship programs during the fiscal year ended June 30, 1989:

1. All four of the High School Honor Scholarships awarded were not supported by a recommendation letter from the student's high school principal as required.
2. Seven of the eleven High Ability Scholarships examined did not meet all of the requirements of the program. Three were not supported by a recommendation letter from the student's high school principal, counselor, or teacher; two did not meet the required grade point average of 3.50 (on a 4.0 scale); and two did not meet either of these requirements.
3. The Director of Admissions/Enrollment acted with sole responsibility in making the High Ability Scholarship awards. One of the three students lacking the recommendation letter is the director's son.

These conditions exist because management has not placed considerable emphasis upon adherence to the stated criteria. As a result, \$70,594 of scholarships were awarded to students who did not provide the required recommendation letters and/or did not meet the required minimum grade point average.

Grambling State University should ensure that the University Scholarship Committee is aware of the stated criteria and that all awards are made accordingly. In a letter dated August 21, 1989, Mr. Howard Craig, Vice President for Finance, stated that:

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management concerned with the filing and review procedures will be strengthened to ensure compliance with established criteria.

### Internal Control Over Athletic Events

Grambling State University has not maintained adequate control over all athletic revenues and expenditures. Good business practices require establishment of accountability for all revenues earned and expenditures incurred, as well as maintenance of complete and timely records to support accountability. The Hot Fever Classic (Classic), a football game between Grambling State University and the University of Arkansas at Pine Bluff, was selected for a review of the university's internal controls over athletic events and revealed the following:

1. The university did not fully account for all unsold game tickets, totaling approximately \$92,000. As a result, we were unable to ascertain that reported sales of approximately \$185,000 corresponded with tickets sold for the Classic.
2. The university created a high degree of risk of loss of revenue for tickets sold on consignment. An agent was hired to control distribution of game tickets for the Classic and, based on the university's instructions, issued tickets to numerous outlets to directly sell tickets. The agent and outlets did not provide a bond or any other guarantee for the value of tickets issued totaling approximately \$248,800.
3. The university was unable to provide supporting documentation for expenditures relating to the Classic. University management provided us with a list of vendors that were paid \$58,117 for game related expenditures. We were informed that these expenditures, as well as \$27,801 in game guarantees to the opponent, were paid by the agent, based on the university's instructions. We were unable to determine the validity of these expenditures.
4. The general ledger of the university does not fully reflect the total activity of the Classic. The expenditures noted above, plus \$24,188 of ticket sales by the opponent, were netted against the revenue collected by the agent, resulting in \$100,314 of understatement of revenues and expenditures.

These conditions exist because athletic department personnel have not placed considerable emphasis upon verification of athletic event activity. As a result,

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approximately \$82,000 of tickets remain unaccounted for, \$58,117 of expenditures are unsupported, the risk of unreasonable loss is increased, and total financial activity is not reflected in the university's accounting records as related to the Clinic.

Grambling State University should require the athletic department to ensure that each athletic event is reconciled to actual supporting documentation for all revenues and expenditures, supporting documentation should be on hand for all expenditures, every effort should be made to reduce the risk of loss in relation to tickets issued to independent sellers, and the total financial activity should be reflected in the accounting records. In a letter dated August 21, 1996, Mr. Howard Crisp, Vice President for Finance, stated that management concurred with the finding and that internal controls have been strengthened to verify and routinely monitor all financial aspects of athletic events.

### Unauthorized Use of a Credit Card

A Grambling State University gasoline credit card was illegally used to purchase approximately \$5,280 of gasoline, alcohol, tobacco, and other products from September 20, 1996, to November 8, 1996. These actions violate possible sections of Louisiana Revised Statute 14:87, "Theft" and Article 7, Section 14 of the Louisiana Constitution. The credit card was issued to the university's athletic director and was stolen by his son, a university employee in the Physical Plant department. According to university personnel, this matter was discovered on October 20, 1996, when a local convenience store clerk realized that the credit card being used for these types of purchases was a "state" credit card and contacted the university. This date coincided with the close of the monthly billing cycle for the card and this activity would not have come to the university's attention until receipt of the monthly statement. Once notified, the university canceled the credit card and began an immediate review of past, and subsequent, billing statements.

In a letter dated February 8, 1998, Grambling State University's president informed the Auditor that his employment was being terminated effective at the close of business that day. Postulation has been provided to the university as of January 20, 1998, and the matter has been turned over to the District Attorney of the Third Judicial District.

Grambling State University should continue to assist the district attorney in whatever manner requested. In a letter dated September 18, 1996, Ms. Cynthia Lenecke, Interim Vice President for Finance, stated that the university concurred with the finding and will cooperate with the district attorney in prosecuting this case.

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### Theft of Air Conditioners

During the fiscal year ended June 30, 1988, 23 air conditioner units worth approximately \$17,500 were discovered missing from the residence halls of Grambling State University. This discovery was made following a routine audit procedure and an unsuccessful effort to locate one of the air conditioner units in our first group of movable property. These actions indicate possible violations of Louisiana Revised Statutes (LSA-R.S.) 14:292.1, "Conceal Conspiracy" and LSA-R.S. 14:87, "Theft." The university police and internal audit departments conducted investigations as a result of our search. To date, four employees have been suspended for periods of time between four and eight weeks for their involvement in the theft and subsequent sale of these university assets.

Grambling State University's president has contacted the District Attorney of the Third Judicial District regarding this matter. Four of the units have been recovered thus far. Both departments are continuing their investigations and additional disciplinary action could result.

Grambling State University should continue its investigations and should assist the district attorney in whatever manner requested. In a letter dated September 16, 1988, Ms. Cynthia Lemaire, Interim Vice President for Finance, stated that the university police department will continue to try to recover the stolen units and identify persons responsible for the theft, the internal auditor will review procedures and controls and make recommendations as necessary, and the university will continue to work with the district attorney regarding this matter.

### Theft of Computers

Three computers and two color monitors, costing approximately \$48,000, were discovered missing from the Mathematics and Computer Science Department of Grambling State University in August 30, 1988, just three months after they were purchased. According to the university, these assets were tagged as movable property, delivered to the department head, and located in a locked storage area. The department head said to have the only key to this area. This action indicates a possible violation of LSA-R.S. 14:21, "Theft." Investigations are being conducted by the university police and internal audit department. In addition, Grambling State University's president has notified the District Attorney of the Third Judicial District of this matter.

Grambling State University should continue its investigations and should assist the district attorney in whatever manner requested. In a letter dated October 10, 1988,

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Ms. Cynthia Lenoelle, Interim Vice President for Finance, stated that the university will strengthen its controls over receivable property, will continue its investigation, and will notify the district attorney, as appropriate.

**Osheaga State University Foundation, Inc.,  
Delinquent Accounts Receivable**

Osheaga State University has not actively pursued collection of an outstanding receivable from the Osheaga 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 28, 1985, the Foundation was to make \$50,000 annual payments to the university until the balance was liquidated. The Foundation failed to make the required payment during fiscal year 1985-86, leaving an outstanding balance of \$245,575.

The Foundation is presently experiencing financial difficulties as noted in its fiscal year ended December 31, 1984, audit report released on March 13, 1986, and may be unable to fulfil its obligation to the university. If the Foundation fails to pay the outstanding balance of this receivable, the university may then have an asset on its books that is overvalued. Failure to collect on this debt may result in a possible donation of public funds.

OSU should pursue enforcement of the agreement with the Foundation and obtain the required payment. Furthermore, we suggest that OSU request the Attorney General to assist in efforts to collect this debt. After exhausting all avenues for collection, an allowance for bad debts should be considered. In a letter dated October 10, 1988, Ms. Cynthia Lenoelle, Interim Vice President for Finance, stated that the university will actively pursue collection of the required payment and will, if necessary, set up an allowance for bad debts after exhausting all avenues of collection.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not

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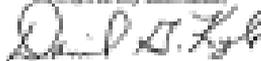
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necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined previously. However, we believe none of the reportable conditions described previously are material weaknesses.

Our comments on internal control structure are 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,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

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EXHIBIT A



OFFICE OF  
LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
BAYOU BOULEVARD, LOUISIANA 70004-0407

TELEPHONE: 504-388-6444  
TELEFAX: 504-388-6800  
FACSIMILE: 504-388-6800

CHARLES W. HILL, JR., CPA, CFE  
LEGISLATIVE AUDITOR

November 8, 1995

**Independent Auditor's Report on Compliance With Laws and  
Regulations Material to the General Purpose Financial Statements**

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

We have audited the general purpose financial statements of Grambling State University, a component unit of the State of Louisiana, as of and for the year ended June 30, 1995, and have issued our report thereon dated November 8, 1995.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, contracts, and grants applicable to Grambling State University is the responsibility of management of the university. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the university's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests of compliance include the matters discussed in Exhibit A, relating to violations of scholarship criteria, unauthorized use of a credit card, BSM of an institution, BSM of computers, and the GSU Foundation, Inc., that we consider to be violations of laws and regulations.

We considered these instances of non-compliance in forming our opinion on whether Grambling State University's 1995 general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated November 8, 1995, on those general purpose financial statements.

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Our comments on compliance with laws and regulations are 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,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

RE:MANA2

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EXHIBIT B