

**LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**
Baton Rouge, Louisiana

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2003

February 25, 2004



DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

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Basic Financial Statements and
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As of and for the Year Ended June 30, 2003

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.

February 25, 2004

**LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2003

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December 17, 2003

Independent Auditor's Report
on the Financial Statements

LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of Louisiana State University at Eunice, a college within the Louisiana State University System, a component unit of the Louisiana State University System, State of Louisiana, as of and for the year ended June 30, 2003. These financial statements are the responsibility of management of Louisiana State University at Eunice. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Eunice Student Housing Foundation, Inc., which represents 31.5% of total assets, 16.8% of total liabilities, and 0.1% of total revenues of Louisiana State University at Eunice. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the Eunice Student Housing Foundation, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and the report of the other auditor provide a reasonable basis for our opinion.

As discussed in note 1-B, the accompanying financial statements of Louisiana State University at Eunice are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Louisiana State University System that is attributable to the transactions of Louisiana State University at Eunice. They do not purport to, and do not, present fairly the financial position of the Louisiana State University System or the State of Louisiana as of June 30, 2003, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LEGISLATIVE AUDITOR

LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Audit Report, June 30, 2003

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to previously present fairly, in all material respects, the financial position of Louisiana State University at Eunice as of June 30, 2003, and its changes in financial position, including cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in notes 1-B and 14, the Eunice Student Housing Foundation, Inc., has been blended into Louisiana State University at Eunice's basic financial statements for the year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2003, on our consideration of Louisiana State University at Eunice's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. However, management did not include this information in the financial statements for the fiscal year ended June 30, 2003.

Respectfully submitted,



Grover C. Austin, CPA
First Assistant Legislative Auditor

ETM:ES:PEP:ss

[LSUE03]

LOUISIANA STATE UNIVERSITY AT EUNICE
 LOUISIANA STATE UNIVERSITY SYSTEM
 STATE OF LOUISIANA

Statement of Net Assets, June 30, 2003

ASSETS

Current Assets:

Cash and cash equivalents (note 2)	\$1,904,989
Investments (note 3)	10,047
Receivables (note 4)	901,284
Inventories	343,029
Notes receivable	60,016
Total current assets	<u>3,219,365</u>

Noncurrent Assets:

Restricted assets:

Cash and cash equivalents (note 2)	2,456,925
Investments (note 3)	1,192,825
Notes receivable	516,678
Other	74,468

Capital assets, net (note 5)	<u>20,174,660</u>
Total noncurrent assets	<u>24,415,556</u>
Total assets	<u><u>27,634,921</u></u>

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	415,299
Deferred revenues	786,229
Amounts held in custody for others	33,265
Compensated absences (note 8)	32,055
Bonds payable (note 10)	65,000
Total current liabilities	<u>1,331,848</u>

Noncurrent Liabilities:

Compensated absences (note 8)	552,935
Bonds payable (note 10)	8,304,583
Other noncurrent liabilities	1,538,642
Total noncurrent liabilities	<u>10,396,160</u>
Total liabilities	<u><u>11,728,008</u></u>

NET ASSETS

Investment in capital assets, net of related debt	13,515,622
Restricted for:	
Nonexpendable	285,333
Expendable	2,137,390
Unrestricted	<u>(31,432)</u>
Total net assets	<u><u>\$15,906,913</u></u>

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
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**Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2003**

OPERATING REVENUES

Student tuition and fees	\$3,771,245
Less scholarship allowances	(3,719,163)
Net student tuition and fees	<u>52,082</u>
Federal grants and contracts	5,477,699
State and local grants and contracts	520,345
Nongovernmental grants and contracts	24,092
Sales and services of educational departments	1,920
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 13)	1,896,973
Other operating revenues	<u>88,368</u>
Total operating revenues	<u>8,061,479</u>

OPERATING EXPENSES

Educational and general:	
Instruction	6,760,122
Academic support	554,455
Student services	888,106
Institutional support	1,499,073
Operation and maintenance of plant	2,356,492
Scholarships and fellowships	1,066,756
Auxiliary enterprises	<u>1,606,793</u>
Total operating expenses	<u>14,731,797</u>

Operating Loss (6,670,318)

NONOPERATING REVENUES (Expenses)

State appropriations	6,241,692
Gifts	68,195
Net investment income	62,790
Interest expense	(71,500)
Net nonoperating revenues	<u>6,301,177</u>

**Loss Before Other Revenues,
Expenses, Gains and Losses** (369,141)

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses,
and Changes in Net Assets, 2003**

Capital appropriations	\$1,813,161
Capital gifts and grants	68,638
Additions to permanent endowments	119,473
Other additions, net	<u>(91)</u>
Increase in Net Assets	1,632,040
Net Assets at Beginning of Year	<u>14,274,873</u>
Net Assets at End of Year	<u><u>\$15,906,913</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Year Ended June 30, 2003**

Cash Flows From Operating Activities:

Student tuition and fees	\$488,143
Grants and contracts	6,040,197
Sales and services of educational departments	1,920
Auxiliary enterprise receipts	1,983,706
Payments for employee compensation	(7,008,008)
Payments for benefits	(1,812,778)
Payments for utilities	(385,247)
Payments for supplies and services	(3,505,285)
Payments for scholarships and fellowships	(1,066,756)
Loans to students	(123,350)
Collection of loans to students	73,954
Other receipts	93,215
Net cash used by operating activities	<u>(5,220,289)</u>

Cash Flows From Noncapital Financing Activities:

State appropriations	6,406,018
Gifts and grants for other than capital purposes	68,662
TOPS receipts	537,179
TOPS disbursements	(537,179)
Net cash provided by noncapital financing sources	<u>6,474,680</u>

Cash Flows From Capital Financing Activities:

Proceeds from capital debt	6,690,950
Capital appropriations received	1,742,656
Capital grants and gifts received	66,055
Purchase of capital assets	(5,782,601)
Principal paid on capital debt	(60,417)
Interest paid on capital debt	(71,500)
Other sources	(91)
Net cash provided by capital financing activities	<u>2,585,052</u>

Cash Flows From Investing Activities:

Proceeds from sales and maturities of investments	85
Interest received on investments	21,891
Purchase of investments	(618,560)
Net cash used by investing activities	<u>(596,584)</u>

Net increase in cash and cash equivalents 3,242,859

Cash and cash equivalents at the beginning of the year 1,119,055

Cash and cash equivalents at the end of the year \$4,361,914

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2003**

Reconciliation of Operating Loss to Net Cash**(Used) by Operating Activities:**

Operating loss	(\$6,670,318)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	752,284
Changes in assets and liabilities:	
Decrease in accounts receivable	214,632
Increase in inventories	(32,840)
Increase in notes receivable	(15,119)
Increase in accounts payable and accrued liabilities	132,404
Increase in deferred revenue	294,232
Increase in amounts held in custody for others	21,721
Increase in compensated absences	78,120
Increase in other liabilities	4,595
	<u>4,595</u>
Net cash (used) by operating activities	<u><u>(\$5,220,289)</u></u>

Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets

Cash and cash equivalents classified as current assets	\$1,904,989
Cash and cash equivalents classified as noncurrent assets	<u>2,456,925</u>
	<u><u>\$4,361,914</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 2003

INTRODUCTION

Louisiana State University at Eunice (LSUE), a two-year institution, is a publicly supported institution of higher education. The college is a part of the Louisiana State University System, which is a component unit of the State of Louisiana, within the executive branch of government. The college is under the management and supervision of the LSU Board of Supervisors; however, certain items like the annual budget of the college and changes to the degree programs and departments of instruction require the approval of the Board of Regents for Higher Education. As a state college, operations of the college's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

LSUE's campus is located at 2048 Johnson Avenue, Eunice, Louisiana. The college offers associate degree programs in various academic areas. Though these programs are designed primarily to prepare students for immediate employment, credits earned in the programs are generally transferable to four-year institutions if a student decides to pursue a four-year degree. Student enrollment for the college for the 2002 fall semester totaled 3,144. During September 2002, the college had approximately 137 full-time and part-time faculty members, including associates and affiliated faculty.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The college has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board statements. However, the college has a non-governmental blended component unit, the Eunice Student Housing Foundation, Inc., which reported under Financial Accounting Standards Board Statement No. 117.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The college is part of the Louisiana State University System, which is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority

LOUISIANA STATE UNIVERSITY AT EUNICE
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Notes to the Financial Statements (Continued)

of the members of the LSU System's governing board 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 present information only as to the transactions of the programs of LSUE.

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

Criteria described in GASB 2100 were used to evaluate whether potential component units should be blended with the college, discretely reported, disclosed in the notes to the financial statements, or excluded from the reporting entity. This evaluation was made to identify those component units for which the college is financially accountable and other organizations for which the nature and significance of their relationships with the college are such that exclusion would cause the financial statements of the college to be misleading or incomplete. The Eunice Student Housing Foundation, Inc., is a nonprofit corporation formed in August 2002 to provide funds and oversee construction for the LSUE campus. The foundation has been blended into the accompanying financial statements. The Eunice Student Housing Foundation, Inc., has an August 31 year-end and audited financial statements for the Eunice Student Housing Foundation, Inc., may be obtained at 2048 Johnson Highway, Eunice, Louisiana 70535.

C. BASIS OF ACCOUNTING

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

D. BUDGET PRACTICES

The appropriation made for the General Fund of the college is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June

LOUISIANA STATE UNIVERSITY AT EUNICE
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Notes to the Financial Statements (Continued)

are not prorated, but are recognized in the succeeding year; and (4) inventories in the General Fund are recorded as expenditures at the time of purchase.

The budget amounts for fiscal year 2002-2003 include the original approved budget and subsequent amendments approved as follows:

Original approved budget	\$9,021,936
Amendments:	
State General Fund	789,904
Self-generated	300,000
Interagency transfers	<u>20,553</u>
Final budget	<u>\$10,132,393</u>

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

**E. CASH AND CASH EQUIVALENTS
AND INVESTMENTS**

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and money market funds. Under state law, the college 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.

The college 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), the college is authorized to invest funds in direct United States Treasury obligations 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. These investments are held by private foundations and are reported at fair value on the balance sheet. Changes in the carrying value of investments, resulting in unrealized gains or losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. Investments in open-end mutual funds are reported by LSUE as cash equivalents on the statement of net assets.

LSUE uses an accounting system shared by seven LSU System campuses. Cash for the seven campuses is pooled. LSUE's cash is allocated among the categories of credit risk in accordance with GASB 3 proportionally based on its cash balance compared to the total cash for the seven campuses.

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

F. NONCURRENT RESTRICTED ASSETS

Cash, investments, receivables, and other assets that are externally restricted for grants, endowments, debt service payments, maintenance of sinking or reserve funds, or to purchase or construct capital assets are classified as noncurrent restricted assets in the Statement of Net Assets.

G. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. Construction in progress and related debt interest costs are capitalized during construction. For movable property, the college's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. Depreciation expense is charged directly to the various functional categories of operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets.

H. DEFERRED REVENUES

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

I. NONCURRENT LIABILITIES

Noncurrent liabilities include (1) principal amounts of revenue bonds payable; (2) estimated amounts for accrued compensated absences; and (3) other liabilities that will not be paid within the next fiscal year.

J. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. Faculty with 12-month appointments who have over 10 years of state service, non-classified employees with over 10 years of state service, and classified employees regardless of years of state service accumulate leave without limitation. According to the college leave schedule, faculty with 12-month appointments who have less than 10 years of state service and non-classified employees with less than 10 years of state service can only accumulate 176 hours of annual leave; sick leave

LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
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Notes to the Financial Statements (Continued)

is accumulated without limitation. Effective January 1, 1994, academic and unclassified employees were given the opportunity to elect to remain under the college leave schedule or change to the Louisiana State Civil Service annual leave accrual schedule under which there is no limit on the accumulation of annual leave. Nine-month faculty members accrue sick leave but do not accrue annual leave; however, they are granted faculty leave during holiday periods when students are not in classes. Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified 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.

K. NET ASSETS

The college's net assets are classified as follows:

INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

This represents the college's total investment in capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.

RESTRICTED NET ASSETS - NONEXPENDABLE

Restricted nonexpendable net assets consist of endowment and similar type funds that donors or other outside sources 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, which may either be expended or added to principal.

RESTRICTED NET ASSETS - EXPENDABLE

Restricted expendable net assets include resources that the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

UNRESTRICTED NET ASSETS

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the college and may be used at the discretion of the governing board to meet current expenses and for any purpose.

LOUISIANA STATE UNIVERSITY AT EUNICE
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Notes to the Financial Statements (Continued)

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

L. CLASSIFICATION OF REVENUES

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

OPERATING REVENUE - Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) most federal, state, and local grants and contracts.

NONOPERATING REVENUE - Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

M. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

N. ELIMINATING INTERFUND ACTIVITY

All activities between departments and auxiliary units of Louisiana State University at Eunice are eliminated for purposes of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

2. CASH AND CASH EQUIVALENTS

At June 30, 2003, the college has cash and cash equivalents (book balances) totaling \$4,361,914. Of this amount, the college has \$69,807 cash on hand, \$40,194 in interest-bearing demand deposits, and \$2,393,227 in demand deposits with the Eunice Student Housing Foundation, Inc. Cash equivalents include \$940,947 in time deposits, \$33,314 in money market funds, and \$884,425 in open-end mutual funds. 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. At June 30, 2003, the college has \$3,703,364 in deposits (collected bank balances) as follows:

LOUISIANA STATE UNIVERSITY AT EUNICE
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Notes to the Financial Statements (Continued)

<u>Risk Category</u>	<u>Demand Deposits</u>	<u>Certificates of Deposit</u>	<u>Other</u>	<u>Total</u>
1. Insured by federal deposit insurance or collateralized with securities held by the entity or its agent in the entity's name	\$244,617	\$5,918		\$250,535
2. Collateralized with securities held by the pledging institution's trust department or agent in the entity's name	250,834	935,029	\$33,314	1,219,177
3. Uncollateralized, including any securities held for the entity but not in the entity's name	<u>2,233,652</u>			<u>2,233,652</u>
Total	<u>\$2,729,103</u>	<u>\$940,947</u>	<u>\$33,314</u>	<u>\$3,703,364</u>

Uncollateralized amounts represent deposits of the Eunice Student Housing Foundation, Inc., for its operating and construction costs. In addition to the collected bank balances at June 30, 2003, the college has excess cash totaling \$884,425 deposited in open-end mutual funds consisting of Federated Securities. In accordance with GASB Codification Section 150.126, investments in open-end mutual funds do not require categorization because they are evidenced by securities that exist in physical or book entry form.

3. INVESTMENTS

At June 30, 2003, the college has investments held by private foundations reported at fair market value totaling \$1,202,872.

The investments are reported at fair value as required by GASB Statement No. 31. Investments held by private foundations in external investment pools are managed in accordance with the terms outlined in management agreements executed between the college and the foundations. Each college is a voluntary participant. These funds held by private foundations are not categorized by the credit risk of GASB Codification Section 150.125-126.

4. ACCOUNTS RECEIVABLE

Accounts receivable, all of which are considered collectable and scheduled for collection within one year, are shown on Statement A as follows:

	<u>Accounts Receivable</u>
Auxiliary enterprises	\$18,061
Federal, state, and private grants and contracts	547,213
Interest	11,083
Rents and fees	99,823
Other	<u>225,104</u>
Total	<u>\$901,284</u>

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Notes to the Financial Statements (Continued)

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2002	Additions	Transfers	Retirements	Balance June 30, 2003
Capital assets not being depreciated:					
Land	\$146,388				\$146,388
Construction in progress	2,273,596	\$1,554,246	(\$2,273,596)		1,554,246
Total capital assets not being depreciated	\$2,419,984	\$1,554,246	(\$2,273,596)	NONE	\$1,700,634
Other capital assets:					
Land improvements	\$231,221				\$231,221
Less accumulated depreciation	(231,221)				(231,221)
Total land improvements	NONE	NONE	NONE	NONE	NONE
Buildings	18,072,549	\$5,704,883	\$2,273,596		26,051,028
Less accumulated depreciation	(7,701,369)	(512,321)			(8,213,690)
Total buildings	10,371,180	5,192,562	2,273,596	NONE	17,837,338
Equipment	1,335,521	279,921		(\$40,821)	1,574,621
Less accumulated depreciation	(918,201)	(183,551)		40,821	(1,060,931)
Total equipment	417,320	96,370	NONE	NONE	513,690
Library books	1,605,083	65,526			1,670,609
Less accumulated depreciation	(1,491,199)	(56,412)			(1,547,611)
Total library books	113,884	9,114	NONE	NONE	122,998
Total other capital assets	\$10,902,384	\$5,298,046	\$2,273,596	NONE	\$18,474,026
Capital asset summary:					
Capital assets not being depreciated	\$2,419,984	\$1,554,246	(\$2,273,596)		\$1,700,634
Other capital assets, at cost	21,244,374	6,050,330	2,273,596	(\$40,821)	29,527,479
Total cost of capital assets	23,664,358	7,604,576		(40,821)	31,228,113
Less accumulated depreciation	(10,341,990)	(752,284)		40,821	(11,053,453)
Capital assets, net	\$13,322,368	\$6,852,292	NONE	NONE	\$20,174,660

6. PENSION PLANS

Plan Description. Substantially all employees of the college are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers Retirement System of Louisiana (TRSLA), 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. TRSLA and LASERS provide retirement, disability, and survivors' benefits to plan

LOUISIANA STATE UNIVERSITY AT EUNICE
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Notes to the Financial Statements (Continued)

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 5 years of service for TRSLA and 10 years of service for LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446, and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of employee plan members and the university system 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% (TRSLA) and 7.5% (LASERS) of covered salaries. The state is required to contribute 13.1% of covered salaries to TRSLA and 14.1% of covered salaries to LASERS. The employer contribution is funded by the State of Louisiana through the annual appropriation to the university system. The employer (LSUE) contributions to TRSLA for the years ended June 30, 2003, 2002, and 2001, were \$363,616, \$307,315, and \$314,016, respectively, and to LASERS for the years ended June 30, 2003, 2002, and 2001, were \$220,641, \$203,044, and \$196,733, respectively, equal to the required contributions for each year.

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 TRSLA 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 TRSLA and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the college are 13.1% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSLA 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

LOUISIANA STATE UNIVERSITY AT EUNICE
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Notes to the Financial Statements (Continued)

actuarial committee. The TRSLA 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 TRSLA. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled \$260,536 and \$159,106, respectively, for the year ended June 30, 2003.

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

The college provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the college's employees become eligible for these benefits if they reach normal retirement age while working for the college. 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 college. The college recognizes the cost of providing these benefits to retirees (college's portion of premiums) as an expense when paid during the year. These retiree benefits totaled \$168,963 for the year ended June 30, 2003.

8. COMPENSATED ABSENCES

At June 30, 2003, employees of the college have accumulated and vested annual, sick, and compensatory leave benefits of \$318,874, \$265,832, and \$284, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

9. OPERATING LEASES

For the year ended June 30, 2003, the total rental expenses for all operating leases of equipment, except those with terms of a month or less that were not renewed, is \$26,544. A future minimum annual rental payment of \$27,252 for equipment is due in fiscal year 2004.

The lease agreements have a non-appropriation exculpatory clause that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period.

10. LONG-TERM LIABILITIES

Bonds Payable

A detailed summary, by issue, of all bond debt outstanding at June 30, 2003, including future interest payments of \$12,086,614 for LSUE follows:

LOUISIANA STATE UNIVERSITY AT EUNICE
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Notes to the Financial Statements (Continued)

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2002</u>
1998 Auxiliary Revenue Bonds	June 1, 1998	\$1,650,000	\$1,430,000
2002 Student Housing Bonds	January 17, 2002	7,000,000	7,000,000
Total Bonds Payable		<u>\$8,650,000</u>	<u>\$8,430,000</u>

The annual requirements to amortize bonds outstanding at June 30, 2003, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$65,000	\$584,729	\$649,729
2005	65,417	581,479	646,896
2006	85,417	578,317	663,734
2007	105,000	573,800	678,800
2008	125,417	567,983	693,400
2009-2013	967,085	2,696,203	3,663,288
2014-2018	1,351,247	2,341,271	3,692,518
2019-2023	1,130,000	1,920,391	3,050,391
2024-2028	1,615,000	1,439,905	3,054,905
2029-2033	2,295,000	756,980	3,051,980
2034-2038	565,000	45,556	610,556
Total	<u>\$8,369,583</u>	<u>\$12,086,614</u>	<u>\$20,456,197</u>

During the year ended June 30, 2002, revenue bonds in the amount of \$7,000,000 were issued for the Eunice Student Housing Foundation, the proceeds of which were used to construct residential housing for LSU in Eunice. For the fiscal year ended June 30, 2003, the Eunice Student Housing Foundation has been blended with LSUE as a component unit of the Louisiana State University System, and the bonds payable are reported in the accompanying financial statements and are included in the bonds payable schedule.

As permitted by the Bond Resolution for the Auxiliary Revenue Bonds, Series 1998, (LSU at Eunice Project) the college obtained a surety bond issued by an insurance company as a substitute for the reserve requirement for the bonds. The surety bond meets the definition as a "Reserve Fund Investment" and guarantees payment of an amount not to exceed \$134,750 to fund the Reserve Requirement.

Redeemed	Outstanding June 30, 2003	Maturities	Interest Rates	Future Interest Payments June 30, 2003
\$60,417	\$1,369,583	2004-2018	5%	\$607,020
	7,000,000	2006-2034	7.35%	11,479,594
<u>\$60,417</u>	<u>\$8,369,583</u>			<u>\$12,086,614</u>

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

11. FOUNDATIONS

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

LSU Foundation
LSUE Foundation

These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

12. DEFERRED COMPENSATION PLAN

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

13. REVENUE USED AS SECURITY FOR REVENUE BONDS

The revenues of certain auxiliary enterprises at LSUE are restricted by terms in the covenants of certain debt instruments. The revenues reported on the Statement of Revenues, Expenses, and Changes in Net Assets include all auxiliary enterprise revenues but exclude sales to other LSUE departments, in accordance with accounting principles generally accepted in the United States of America. The following represents those restricted auxiliary enterprise revenues of certain auxiliary enterprises at LSUE that are used as security for revenue bonds; however, these amounts do include sales to other LSUE departments for the year ended June 30, 2003.

Auxiliary Enterprises

Athletics	\$120,594
Bookstore	1,519,337
Newspaper	11,368
Union	<u>335,359</u>
Total	<u>\$1,986,658</u>

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14. BLENDED COMPONENT UNIT

Eunice Student Housing Foundation, Inc.

The financial statements of LSUE include the Eunice Student Housing Foundation, Inc. (the Foundation), a not-for-profit organization as outlined in the Internal Revenue Code Section 501 (c)(3). The Foundation constructed a student apartment complex, known as Bengal Village, on LSUE's campus. Bengal Village consists of 58 units and is managed by Century Development Housing Management, L.P. (Century). The management agreement between the foundation and Century commenced August 1, 2002, and ends July 31, 2017. Thereafter, the agreement shall be automatically renewed for one-year periods unless terminated. All personnel employed in the leasing, management, maintenance, and operation of Bengal Village are the employees of Century.

15. CONTINGENT LIABILITIES

Obligations and 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 college is not involved in any lawsuits at June 30, 2003.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Exhibit A contains a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements.



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
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December 17, 2003

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*

LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana State University at Eunice, a college within the Louisiana State University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 17, 2003. We did not audit the operations of the Eunice Student Housing Foundation, Inc. Those financial statements were audited by other auditors whose report thereon has been furnished to us. This report, insofar as it relates to the Eunice Student Housing Foundation, Inc., is based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Louisiana State University at Eunice's basic 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana State University at Eunice's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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

LEGISLATIVE AUDITOR

LOUISIANA STATE UNIVERSITY AT EUNICE
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Compliance and Internal Control Report

December 17, 2003

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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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with the first name "Grover" and last name "Austin" clearly distinguishable.

Grover C. Austin, CPA
First Assistant Legislative Auditor

ETM:ES:PEP:ss

[LSUE03]