

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**
Alexandria, Louisiana

Basic Financial Statements
and Accountant's Review Report
As of and for the Year Ended June 30, 2003

March 8, 2004



LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

Representative Edwin R. Murray, Chairman
Senator J. "Tom" Schedler, Vice Chairman

Senator Robert J. Barham
Senator Joe McPherson
Senator Willie L. Mount
Senator Ben W. Nevers, Sr.
Representative Rick Farrar
Representative Cedric Richmond
Representative T. Taylor Townsend
Representative Warren J. Triche, Jr.

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Ten copies of this public document were produced at an approximate cost of \$29.40. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. A copy of this document is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3478 or Report ID No. 04402149 for additional information.

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

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**
Alexandria, Louisiana

Basic Financial Statements
and Accountant's Review Report
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 and at the office of the parish clerk of court.

March 8, 2004

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

Basic Financial Statements
and Accountant's Review Report
As of and for the Year Ended June 30, 2003

CONTENTS

| | Statement | Page No. |
|---|------------------|-----------------|
| Accountant's Review Report on the Financial Statements | | 2 |
| Basic Financial Statements: | | |
| Statement of Net Assets | A | 4 |
| Statement of Revenues, Expenses, and Changes in Net Assets | B | 5 |
| Statement of Cash Flows | C | 7 |
| Notes to the Financial Statements | | 9 |
| | Exhibit | |
| Management Letter | A | |



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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

February 26, 2004

Accountant's Review Report

LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Alexandria, Louisiana

We have reviewed the accompanying basic financial statements as listed in the table of contents of Louisiana State University at Alexandria, 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, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of Louisiana State University at Alexandria.

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

As discussed in note 1-B, the accompanying financial statements of Louisiana State University at Alexandria 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 Alexandria. 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.

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

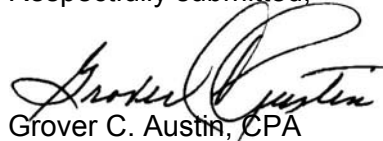
LEGISLATIVE AUDITOR

LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Accountant's Review Report, June 30, 2003

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,

A handwritten signature in black ink, appearing to read "Grover C. Austin".

Grover C. Austin, CPA
First Assistant Legislative Auditor

ETM:ES:PEP:ss

[LSUA03]

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

Statement of Net Assets, June 30, 2003

ASSETS

Current Assets:

| | |
|------------------------------------|------------------|
| Cash and cash equivalents (note 2) | \$2,062,592 |
| Investments (note 3) | 34,465 |
| Receivables (note 4) | 779,231 |
| Inventories | 470,641 |
| Total current assets | <u>3,346,929</u> |

Noncurrent Assets:

Restricted Assets:

| | |
|------------------------------------|------------------|
| Cash and cash equivalents (note 2) | 441,776 |
| Investments (note 3) | 549,044 |
| Accounts receivable (note 4) | 1,260 |
| Notes receivable | 590 |
| Other | 145,021 |
| Capital assets, net (note 5) | <u>8,631,765</u> |

| | |
|-------------------------|------------------|
| Total noncurrent assets | <u>9,769,456</u> |
|-------------------------|------------------|

| | |
|---------------------|--------------------------|
| Total assets | <u><u>13,116,385</u></u> |
|---------------------|--------------------------|

LIABILITIES

Current Liabilities:

| | |
|--|----------------|
| Accounts payable and accrued liabilities | 411,284 |
| Deferred revenues | 300,319 |
| Amounts held in custody for others | 22,645 |
| Compensated absences (note 8) | 57,590 |
| Total current liabilities | <u>791,838</u> |

Noncurrent Liabilities:

| | |
|-------------------------------|----------------|
| Compensated absences (note 8) | 472,169 |
| Other noncurrent liabilities | 206,790 |
| Total noncurrent liabilities | <u>678,959</u> |

| | |
|--------------------------|-------------------------|
| Total liabilities | <u><u>1,470,797</u></u> |
|--------------------------|-------------------------|

NET ASSETS

| | |
|------------------------------|------------------|
| Investment in capital assets | 8,631,765 |
| Restricted for: | |
| Nonexpendable | 564,261 |
| Expendable | 678,732 |
| Unrestricted | <u>1,770,830</u> |

| | |
|-------------------------|----------------------------|
| Total net assets | <u><u>\$11,645,588</u></u> |
|-------------------------|----------------------------|

See accompanying notes and accountant's review report.

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2003**

OPERATING REVENUES

| | |
|---|-------------------------|
| Student tuition and fees | \$4,011,503 |
| Less scholarship allowances | (1,815,746) |
| Net student tuition and fees | <u>2,195,757</u> |
| Federal grants and contracts | 3,806,156 |
| State and local grants and contracts | 503,549 |
| Nongovernmental grants and contracts | 19,886 |
| Sales and services of educational departments | 26,962 |
| Auxiliary enterprise revenues | 2,199,997 |
| Less scholarship allowances | (428,705) |
| Net auxiliary revenues | <u>1,771,292</u> |
| Other operating revenues | <u>35,471</u> |
| Total operating revenues | <u>8,359,073</u> |

OPERATING EXPENSES

| | |
|------------------------------------|--------------------------|
| Educational and general: | |
| Instruction | 6,582,923 |
| Public service | 245,284 |
| Academic support | 678,677 |
| Student services | 1,040,206 |
| Institutional support | 1,620,918 |
| Operation and maintenance of plant | 1,973,469 |
| Scholarships and fellowships | 1,737,736 |
| Auxiliary enterprises | 2,105,378 |
| Total operating expenses | <u>15,984,591</u> |

Operating Loss (7,625,518)

NONOPERATING REVENUES

| | |
|----------------------------------|-------------------------|
| State appropriations | 6,877,861 |
| Gifts | 135,142 |
| Net investment income | 66,993 |
| Other nonoperating revenues | 34,007 |
| Net nonoperating revenues | <u>7,114,003</u> |

**Loss Before Other Revenues,
Expenses, Gains and Losses** (511,515)

(Continued)

See accompanying notes and accountant's review report.

Statement B

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

| | |
|--|----------------------------|
| Capital appropriations | \$416,494 |
| Capital gifts and grants | 4,539 |
| Additions to permanent endowments | 47,198 |
| Other additions, net | <u>55</u> |
| Decrease in Net Assets | (43,229) |
| Net Assets at Beginning of Year | <u>11,688,817</u> |
| Net Assets at End of Year | <u><u>\$11,645,588</u></u> |

(Concluded)

See accompanying notes and accountant's review report.

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
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 | \$2,046,804 |
| Grants and contracts | 4,371,407 |
| Sales and services of educational departments | 26,768 |
| Auxiliary enterprise receipts | 1,770,664 |
| Payments for employee compensation | (7,670,182) |
| Payments for benefits | (2,037,857) |
| Payments for utilities | (346,567) |
| Payments for supplies and services | (3,791,215) |
| Payments for scholarships and fellowships | (1,737,736) |
| Loans to students | (435) |
| Other receipts | 36,922 |
| Net cash used by operating activities | <u>(7,331,427)</u> |

Cash Flows From Noncapital Financing Activities:

| | |
|---|------------------|
| State appropriations | 6,918,799 |
| Gifts and grants for other than capital purposes | 142,826 |
| TOPS receipts | 368,836 |
| TOPS disbursements | (376,967) |
| Other receipts | 24,792 |
| Net cash provided by noncapital financing sources | <u>7,078,286</u> |

Cash Flows From Capital Financing Activities -

| | |
|---|------------------|
| Capital appropriations received | 271,473 |
| Capital grants and gifts received | 4,163 |
| Purchase of capital assets | (481,969) |
| Other sources | 55 |
| Net cash used by capital financing activities | <u>(206,278)</u> |

Cash Flows From Investing Activities

| | |
|----------------------------------|--------|
| Interest received on investments | 62,426 |
|----------------------------------|--------|

Net decrease in cash and cash equivalents (396,993)

Cash and cash equivalents at the beginning of the year 2,901,361

Cash and cash equivalents at the end of the year \$2,504,368

(Continued)

See accompanying notes and accountant's review report.

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA/
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 | (\$7,625,518) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation expense | 673,557 |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (152,433) |
| Increase in inventories | (12,846) |
| Decrease in deferred charges and prepaid expenses | 310 |
| Increase in notes receivable | (435) |
| Decrease in accounts payable and accrued liabilities | (377,952) |
| Decrease in deferred revenue | (50,770) |
| Increase in amounts held in custody for others | 4,297 |
| Increase in compensated absences | 25,668 |
| Increase in other liabilities | 184,695 |
| | <u>184,695</u> |
| Net cash used by operating activities | <u><u>(\$7,331,427)</u></u> |

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

| | |
|---|---------------------------|
| Cash and cash equivalents classified as current assets | \$2,062,592 |
| Cash and cash equivalents classified as noncurrent assets | 441,776 |
| | <u>441,776</u> |
| Cash and cash equivalents at the end of the year | <u><u>\$2,504,368</u></u> |

(Concluded)

See accompanying notes and accountant's review report.

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
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 Alexandria (LSUA), a four-year institution, is a publicly supported institution of higher education. LSUA 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. LSUA is under the management and supervision of the LSU Board of Supervisors; however, certain items like the annual budget of LSUA 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 LSUA's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

LSUA's campus is located at 8100 Highway 71 South, Alexandria, Louisiana. The college offers baccalaureate and associate degree programs in various academic areas. Student enrollment for LSUA for the 2002 fall semester totaled 3,092. During September 2002, LSUA had approximately 130 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. LSUA has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board statements.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. LSUA 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 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 system primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of LSUA.

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

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.

C. BASIS OF ACCOUNTING

For financial reporting purposes, LSUA is considered a special-purpose government engaged only in business-type activities. Accordingly, LSUA'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 LSUA is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated, but are recognized in the succeeding year; and (4) inventories 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 | \$10,279,043 |
| Amendments: | |
| State General Fund | 214,462 |
| Self-generated | <u>545,397</u> |
| Final budget | <u><u>\$11,038,902</u></u> |

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

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

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

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

LSUA 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), LSUA 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. 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 LSUA as cash equivalents on the Statement of Net Assets.

LSUA uses an accounting system shared by seven LSU System campuses. Cash for the seven campuses is pooled. LSUA's cash is allocated among the categories of credit risk in accordance with GASB Statement No. 3 proportionally based on its cash balance compared to the total cash for the seven campuses.

F. INVENTORIES

Inventories are valued at cost or replacement cost. LSUA uses periodic and perpetual inventory systems and values its various inventories using the first-in, first-out and weighted-average valuation methods. LSUA accounts for its inventories using the consumption method.

G. RESTRICTED ASSETS

Restricted assets consist of cash and cash equivalents, investments, accounts receivable, notes receivable, and other assets that are externally restricted for grants and endowments and to purchase or construct capital assets.

H. 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 costs are capitalized during construction. For movable property, LSUA'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

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

are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings, 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.

I. DEFERRED REVENUES

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

J. NONCURRENT LIABILITIES

Noncurrent liabilities include estimated amounts for accrued compensated absences that will not be paid within the next fiscal year and liabilities of the plant fund whose liquidation is not expected to require the use of existing current assets.

K. 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 LSUA's 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 is accumulated without limitation. Effective January 1, 1994, academic and unclassified employees were given the opportunity to elect to remain under the LSUA 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.

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

L. NET ASSETS

LSUA's net assets are classified as follows:

INVESTED IN CAPITAL ASSETS

This represents the college's total investment in capital assets, net of accumulated depreciation.

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 LSUA 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 LSUA and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

M. CLASSIFICATION OF REVENUES

LSUA 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.

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

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

N. 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 LSUA and the amount that is paid by students and/or third parties making payments on the student's behalf.

O. ELIMINATING INTERFUND ACTIVITY

All activities among departments and auxiliary units of LSUA 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, LSUA has cash and cash equivalents (book balances) totaling \$2,504,368. Of this amount, LSUA has \$21,674 cash on hand and \$607,359 in interest-bearing demand deposits. Cash equivalents include \$949,376 in time deposits and \$925,959 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, LSUA has \$1,623,338 in deposits (collected bank balances) as follows:

| <u>Risk Category</u> | <u>Demand Deposits</u> | <u>Certificates of Deposit</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 | \$100,000 | \$5,971 | \$105,971 |
| 2. Collateralized with securities held by the pledging institution's trust department or agent in the entity's name | <u>573,962</u> | <u>943,405</u> | <u>1,517,367</u> |
| Total | <u><u>\$673,962</u></u> | <u><u>\$949,376</u></u> | <u><u>\$1,623,338</u></u> |

In addition to the collected bank balances at June 30, 2003, LSUA has excess cash totaling \$925,959 deposited in open-end mutual funds consisting of Federated Securities. In

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

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, LSUA has investments held by private foundations reported at fair market value totaling \$583,509.

The investments are reported at fair value as required by GASB Statement No. 31. Investments are held by a private foundation in an external investment pool managed in accordance with the terms outlined in a management agreement executed between LSUA and the foundation. LSUA is a voluntary participant in the agreement. These funds held by the private foundation 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 | \$153,700 |
| Contributions and gifts | 607 |
| Federal, state, and private grants and contracts | 260,750 |
| Student tuition, fees, and other charges | <u>365,434</u> |
| Total | <u><u>\$780,491</u></u> |

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

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

| | Balance June 30, 2002 | Additions | Retirements | Balance June 30, 2003 |
|--|--------------------------|--------------------|------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$100,000 | | | \$100,000 |
| Construction in progress | 110,920 | \$202,127 | | 313,047 |
| | <u>\$210,920</u> | <u>\$202,127</u> | <u>NONE</u> | <u>\$413,047</u> |
| Total capital assets not being depreciated | | | | |
| Other capital assets: | | | | |
| Land improvements | \$2,180,081 | \$94,305 | | \$2,274,386 |
| Less accumulated depreciation | (2,016,874) | (46,644) | | (2,063,518) |
| Total land improvements | <u>163,207</u> | <u>47,661</u> | <u>NONE</u> | <u>210,868</u> |
| Buildings | 15,108,531 | 183,520 | | 15,292,051 |
| Less accumulated depreciation | (7,534,731) | (354,768) | | (7,889,499) |
| Total buildings | <u>7,573,800</u> | <u>(171,248)</u> | <u>NONE</u> | <u>7,402,552</u> |
| Equipment | 2,110,401 | 29,107 | (\$101,187) | 2,038,321 |
| Less accumulated depreciation | (1,503,710) | (195,578) | 101,187 | (1,598,101) |
| Total equipment | <u>606,691</u> | <u>(166,471)</u> | <u>NONE</u> | <u>440,220</u> |
| Library books | 3,527,134 | 92,110 | | 3,619,244 |
| Less accumulated depreciation | (3,377,599) | (76,567) | | (3,454,166) |
| Total library books | <u>149,535</u> | <u>15,543</u> | <u>NONE</u> | <u>165,078</u> |
| | <u>\$8,493,233</u> | <u>(\$274,515)</u> | <u>NONE</u> | <u>\$8,218,718</u> |
| Total other capital assets | | | | |
| Capital asset summary: | | | | |
| Capital assets not being depreciated | \$210,920 | \$202,127 | | \$413,047 |
| Other capital assets, at cost | 22,926,147 | 399,042 | (\$101,187) | 23,224,002 |
| Total cost of capital assets | <u>23,137,067</u> | <u>601,169</u> | <u>(101,187)</u> | <u>23,637,049</u> |
| Less accumulated depreciation | (14,432,914) | (673,557) | 101,187 | (15,005,284) |
| Capital assets, net | <u>\$8,704,153</u> | <u>(\$72,388)</u> | <u>NONE</u> | <u>\$8,631,765</u> |

6. PENSION PLANS

Plan Description. Substantially all employees of LSUA 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 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

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

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 LSUA 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 LSUA. The employer contributions to TRSLA for the years ended June 30, 2003, 2002, and 2001, were \$326,419, \$285,092, and \$292,312, respectively, and to LASERS for the years ended June 30, 2003, 2002, and 2001, were \$258,587, \$221,129, and \$199,861, 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 LSUA 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 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

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

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 \$255,177 and \$155,833 respectively, for the year ended June 30, 2003.

7. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

LSUA provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of LSUA'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 LSUA. LSUA 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 \$273,328 for the year ended June 30, 2003.

8. COMPENSATED ABSENCES

At June 30, 2003, employees of LSUA have accumulated and vested annual, sick, and compensatory leave benefits of \$284,632, \$236,400, and \$8,727, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

9. OPERATING LEASE

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 \$51,338.

The lease agreements have non-appropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period. Following is a schedule by years of future minimum annual rental payments required under operating leases:

| <u>Nature of Operating Lease</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>Total Minimum Payments Required</u> |
|----------------------------------|-------------|-------------|-------------|-------------|--|
| Equipment | \$36,283 | \$8,316 | \$8,316 | \$8,316 | \$61,231 |

LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

10. FOUNDATIONS

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

LSU Foundation
LSUA Foundation

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

11. DEFERRED COMPENSATION PLAN

Certain employees of LSUA 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.

12. CONTINGENT LIABILITIES

LSUA is involved in two lawsuits at June 30, 2003. Any obligations and losses arising from judgments, claims, and similar contingencies would be 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.



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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

February 26, 2004

LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Alexandria, Louisiana

We have reviewed the financial statements of Louisiana State University at Alexandria (LSUA), as of and for the year ended June 30, 2003, and have issued our accountant's review report thereon dated February 26, 2004. LSUA is a college within the Louisiana State University System, a component unit of the State of Louisiana. LSUA's accounts are an integral part of the Louisiana State University System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

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

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

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting LSUA's internal control, compliance with applicable laws and regulations, and operational efficiencies was not an objective of our procedures. Accordingly, our review procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, during our review procedures, we noted no significant matters requiring recommendations to management concerning internal control, compliance, or operational efficiencies.

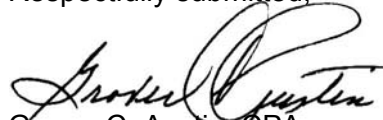
LEGISLATIVE AUDITOR

**LOUISIANA STATE UNIVERSITY AT ALEXANDRIA
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

Management Letter, Dated February 26, 2004
Page 2

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is written in a cursive style with a large, prominent initial "G".

Grover C. Austin, CPA
First Assistant Legislative Auditor

ETM:ES:PEP:ss

[LSUA03]

EXHIBIT A