

LEGISLATIVE AUDITOR
STATE OF LOUISIANA



LOUISIANA STATE UNIVERSITY IN SHREVEPORT

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

ACCOUNTANT'S REVIEW REPORT
ISSUED OCTOBER 20, 2004

**LEGISLATIVE AUDITOR
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STEVE J. THERIOT, CPA

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October 5, 2004

Accountant's Review Report

LOUISIANA STATE UNIVERSITY IN SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Shreveport, Louisiana

We have reviewed the accompanying basic financial statements as listed in the table of contents of Louisiana State University in Shreveport, a university within the Louisiana State University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, 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 in Shreveport.

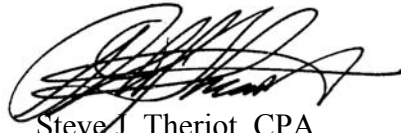
A review consists principally of inquiries of Louisiana State University in Shreveport personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and 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 in Shreveport 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 in Shreveport. 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, 2004, 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.

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, 2004.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

KWB:WJR:AJR:dl

LSUS04

**LOUISIANA STATE UNIVERSITY IN SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

Statement of Net Assets, June 30, 2004

ASSETS

Current Assets:

Cash and cash equivalents (note 2)	\$4,940,902
Investments (note 3)	103,906
Receivables (note 4)	1,730,686
Inventories	542,139
Deferred charges and prepaid expenses	73,886
Total current assets	<u>7,391,519</u>

Noncurrent Assets:

Restricted Assets:

Cash and cash equivalents (note 2)	318,327
Investments (note 3)	1,755,464
Capital assets, net (note 5)	32,009,685
Assets under capital leases (note 5)	20,823
Total noncurrent assets	<u>34,104,299</u>
Total assets	<u>41,495,818</u>

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities (note 9)	1,630,245
Due to other campuses	2,480
Due to state treasury (note 14)	8,339
Deferred revenues	819,708
Amounts held in custody for others	266,938
Compensated absences (note 11)	120,194
Capital lease obligations (note 13)	10,106
Total current liabilities	<u>2,858,010</u>

Noncurrent Liabilities:

Compensated absences (note 11)	1,778,962
Capital lease obligations (note 13)	14,213
Total noncurrent liabilities	<u>1,793,175</u>
Total liabilities	<u>4,651,185</u>

(Continued)

See accompanying notes and accountant's review report.

**LOUISIANA STATE UNIVERSITY IN SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 30, 2004**

NET ASSETS	
Invested in capital assets	\$32,006,189
Restricted for:	
Nonexpendable (note 15)	1,707,675
Expendable (note 15)	1,111,863
Unrestricted	<u>2,018,906</u>
Total net assets	<u><u>\$36,844,633</u></u>

(Concluded)

See accompanying notes and accountant's review report.

**LOUISIANA STATE UNIVERSITY IN SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA****Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2004****OPERATING REVENUES**

Student tuition and fees	\$11,675,758
Less scholarship allowances	<u>(2,015,002)</u>
Net student tuition and fees	9,660,756
Federal grants and contracts	4,460,101
State and local grants and contracts	3,521,529
Nongovernmental grants and contracts	1,029,096
Sales and services of educational departments	17,463
Auxiliary enterprise revenues (\$3,112,414 less scholarship allowances of \$170,996)	2,941,418
Other operating revenues	<u>293,086</u>
Total operating revenues	<u>21,923,449</u>

OPERATING EXPENSES

Educational and general:	
Instruction	13,356,750
Research	491,475
Public service	1,294,598
Academic support	3,626,392
Student services	1,717,609
Institutional support	4,367,424
Operation and maintenance of plant	3,557,811
Scholarships and fellowships	4,227,419
Auxiliary enterprises	<u>3,283,334</u>
Total operating expenses	<u>35,922,812</u>

Operating Loss (13,999,363)

(Continued)

See accompanying notes and accountant's review report.

LOUISIANA STATE UNIVERSITY IN SHREVEPORT
 LOUISIANA STATE UNIVERSITY SYSTEM
 STATE OF LOUISIANA
**Statement of Revenues, Expenses,
 and Changes in Net Assets, 2004**

NONOPERATING REVENUES

State appropriations	\$12,754,918
Gifts	233,702
Net investment income	231,237
Net nonoperating revenues	<u>13,219,857</u>
Loss Before Other Revenues, Expenses, Gains and Losses	(779,506)
Capital appropriations	132,770
Other additions, net	<u>(16,886)</u>
Decrease in Net Assets	(663,622)
Net Assets at Beginning of Year	<u>37,508,255</u>
Net Assets at End of Year	<u><u>\$36,844,633</u></u>

(Concluded)

See accompanying notes and accountant's review report.

**LOUISIANA STATE UNIVERSITY IN SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Year Ended June 30, 2004**

Cash Flows From Operating Activities:

Student tuition and fees	\$9,660,460
Grants and contracts	8,697,305
Sales and services of educational departments	17,463
Auxiliary enterprise receipts	3,043,832
Payments for employee compensation	(16,850,274)
Payments for benefits	(4,061,548)
Payments for utilities	(673,093)
Payments for supplies and services	(7,654,010)
Payments for scholarships and fellowships	(4,227,419)
Other receipts	430,892
Net cash used by operating activities	<u>(11,616,392)</u>

Cash Flows From Noncapital Financing Activities:

State appropriations	12,754,918
Gifts and grants for other than capital purposes	233,702
TOPS receipts	1,716,423
TOPS disbursements	(1,716,423)
Net cash provided by noncapital financing sources	<u>12,988,620</u>

Cash Flows From Capital Financing Activities:

Capital appropriations received	132,770
Purchase of capital assets	(1,137,946)
Principal paid on capital debt and leases	16,886
Other sources	(16,886)
Net cash used by capital financing activities	<u>(1,005,176)</u>

Cash Flows From Investing Activities:

Interest received on investments	230,965
Purchase of investments	(176,686)
Net cash provided (used) by investing activities	<u>54,279</u>

(Continued)

See accompanying notes and accountant's review report.

**LOUISIANA STATE UNIVERSITY IN SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2004**

Net decrease in cash and cash equivalents	\$421,331
Cash and cash equivalents at the beginning of the year	<u>4,837,898</u>
Cash and cash equivalents at the end of the year	<u><u>\$5,259,229</u></u>
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	(\$13,999,363)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	1,736,998
Changes in assets and liabilities:	
Increase in accounts receivable	(218,080)
Increase in inventories	(99,409)
Decrease in deferred charges and prepaid expenses	29,747
Increase in accounts payable and accrued liabilities	594,210
Increase in deferred revenue	100,792
Increase in amounts held in custody for others	140,696
Increase in compensated absences	100,907
Decrease in other liabilities	<u>(2,890)</u>
Net cash used by operating activities	<u><u>(\$11,616,392)</u></u>
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:	
Cash and cash equivalents classified as current assets	\$4,940,902
Cash and cash equivalents classified as noncurrent assets	<u>318,327</u>
Cash and cash equivalents at the end of the year	<u><u>\$5,259,229</u></u>

(Concluded)

See accompanying notes and accountant's review report.

INTRODUCTION

Louisiana State University in Shreveport (LSU-S), a four-year institution, is a publicly supported institution of higher education. LSU-S 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 university is under the management and supervision of the LSU Board of Supervisors; however, certain items like the annual budget of the university and changes to the degree programs and departments of instruction require the approval of the Board of Regents for Higher Education. As a state university, operations of LSU-S's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

The campus of LSU-S is located at One University Place, Shreveport, Louisiana. The university offers baccalaureate in various academic areas. Student enrollment for the university was 4,377, 4,117, and 2,096, respectively, during the fall, spring, and summer semesters of fiscal year 2004. At June 30, 2004, the university has approximately 152 full-time faculty, 205 full-time staff, and 102 part-time adjunct 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. LSU-S 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. LSU-S 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 the university.

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, LSU-S is considered a special-purpose government engaged only in business-type activities. Accordingly, the university'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 LSU-S 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 2004 include the original approved budget and subsequent amendments approved as follows:

Original approved budget	\$24,200,850
Amendments:	
State General Fund	(89,837)
State General Fund	<u>75,000</u>
Final budget	<u><u>\$24,186,013</u></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.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand and interest-bearing demand deposits. Cash equivalents include amounts in time deposits. Under state law, LSU-S 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.

LSU-S 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, the university is authorized to invest funds in direct United States Treasury obligations, United States government agency obligations, and money market funds. 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. Furthermore, investments are maintained in investment accounts in the LSU-S Foundation (Foundation) as authorized by policies and procedures established by the Board of Regents and are reported at fair value in accordance with GASB Statement 31. 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.

F. INVENTORIES

Inventories are valued at lower of cost or market. The university uses periodic inventory systems and values its inventories using the weighted-average valuation method. The university accounts for its inventories using the consumption method.

G. NONCURRENT RESTRICTED ASSETS

Restricted assets consist of cash and cash equivalents and investments. Restricted cash is in the endowment fund restricted by donor stipulations and the unexpended plant fund, which are dedicated amounts for physical plant, capital outlay, and university center projects. Restricted investments are the state matching portion of endowed chair and professorship program investments held by the LSU-S Foundation.

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, the university'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 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.

J. NONCURRENT LIABILITIES

Noncurrent liabilities include estimated amounts for accrued compensated absences that will not be paid within the next fiscal year and capital lease liability 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, nonclassified employees with over 10 years of state service, and classified employees regardless of years of state service accumulate leave without limitation. According to the university's leave policy, faculty with 12-month appointments who have less than 10 years of state service and nonclassified 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 university's leave policy 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 nonclassified 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. Act 343 of 1993 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 300 hours plus unused sick leave are used to compute retirement benefits for the Teachers Retirement System of Louisiana and the Louisiana State Employees Retirement System but not for the optional retirement system.

L. NET ASSETS

Net assets comprise the various net earnings from operation, nonoperating revenues, and expenses. The net assets of the university are classified as follows:

Invested in Capital Assets

This represents the university's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to acquisition, construction, or improvement of those capital 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 university 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 university 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, the university's policy is to first apply the expense toward unrestricted resources and then toward restricted resources.

M. CLASSIFICATION OF REVENUES

LSU-S 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.

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 the university and the amount that is paid by students and/or third parties making payments on the students' behalf.

O. ELIMINATING INTERFUND ACTIVITY

All activities among departments and auxiliary units of the university 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, 2004, LSU-S has cash and cash equivalents (book balances) totaling \$5,259,229. Of this amount, the university has \$52,515 cash on hand and \$206,714 in interest-bearing demand deposits. Cash equivalents include \$5,000,000 in certificate of deposits. 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, 2004, the university has \$5,774,264 in deposits (collected bank balances), which is secured from risk by federal deposit insurance plus pledged securities.

3. INVESTMENTS

At June 30, 2004, the university has investments totaling \$1,859,370. The investments are reported at fair value as required by GASB Statement 31. Investments held by the Foundation total \$1,755,464 and are held by the Foundation in an external investment pool managed in accordance with the terms outlined in a management agreement executed between the university and the Foundation. The university is a voluntary participant in the agreement. The remaining \$103,906 is invested in a certificate of deposit which is held by the university.

4. ACCOUNTS RECEIVABLE

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

Federal, state, and private grants and contracts	\$1,307,966
Student tuition, fees, and other charges	416,406
Auxiliary enterprises	6,314
	<u>6,314</u>
Total	<u>\$1,730,686</u>

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
Capital assets not being depreciated - land	\$4,757,598			\$4,757,598
Total capital assets not being depreciated	\$4,757,598	NONE	NONE	\$4,757,598
Other capital assets:				
Buildings	\$43,517,543	\$132,770		\$43,650,313
Less accumulated depreciation	(18,107,419)	(1,091,258)		(19,198,677)
Total buildings	25,410,124	(958,488)	NONE	24,451,636
Equipment	5,528,166	684,368	(\$297,015)	5,915,519
Less accumulated depreciation	(3,667,382)	(450,813)	297,015	(3,821,180)
Total equipment	1,860,784	233,555	NONE	2,094,339
Library books	6,622,207	320,808		6,943,015
Less accumulated depreciation	(6,021,153)	(194,927)		(6,216,080)
Total library books	601,054	125,881	NONE	726,935
Total other capital assets	\$27,871,962	(\$599,052)	NONE	\$27,272,910
Capital asset summary:				
Capital assets not being depreciated	\$4,757,598			\$4,757,598
Other capital assets, at cost	55,667,916	\$1,137,946	(\$297,015)	56,508,847
Total cost of capital assets	60,425,514	1,137,946	(297,015)	61,266,445
Less accumulated depreciation	(27,795,954)	(1,736,998)	297,015	(29,235,937)
Capital assets, net	\$32,629,560	(\$599,052)	NONE	\$32,030,508

6. PENSION PLANS

Plan Description. Substantially all employees of LSU-S 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 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 LSU-S 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 13.8% of covered salaries to TRSLA and 15.8% of covered salaries to LASERS. The employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The employer contributions to TRSLA for the years ended June 30, 2004, 2003, and 2002, were \$614,307, \$537,560, and \$522,791, respectively, and to LASERS for the years ended June 30, 2004, 2003, and 2002, were \$508,186, \$442,454, and \$415,336, respectively, equal to the required contributions for each year.

7. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in 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 LSU-S are 13.8% 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 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 \$927,970 and \$537,953 respectively, for the year ended June 30, 2004.

8. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

LSU-S 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 expense when paid during the year. These retiree benefits for 143 retirees totaled \$742,949 for the year ended June 30, 2004.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The university has the following accounts payable and accrued liabilities as of June 30, 2004:

<u>Type</u>	<u>Amount</u>
Vendors	\$1,056,411
Salaries and benefits	447,109
Other payables	<u>126,725</u>
Total	<u><u>\$1,630,245</u></u>

10. CONTINGENT LIABILITIES

LSU-S is involved in no lawsuits at June 30, 2004. 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.

11. COMPENSATED ABSENCES

At June 30, 2004, employees of LSU-S have accumulated and vested annual, sick, and compensatory leave benefits of \$675,208, \$1,219,357, and \$4,591, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

12. OPERATING LEASES

For the year ended June 30, 2004, the total rental expenses for all operating leases of equipment, except those with terms of a month or less that were not renewed, is \$39,429.

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:

Nature of Operating Lease	2005	2006	2007	2008	2009	Total Minimum Payments Required
Other - radio tower leases	<u>\$20,514</u>	<u>\$10,880</u>	<u>\$10,880</u>	<u>\$3,627</u>	<u>\$3,627</u>	<u>\$49,528</u>

13. LONG-TERM LIABILITIES

The only long-term liabilities of LSU-S at June 30, 2004, are the long-term portion of compensated absences, previously discussed in note 11, and a capital lease as follows:

Capital Lease

The university records items under capital leases as an asset and an obligation in the accompanying financial statements. Assets under capital lease are included as capital assets in note 5. The following is a schedule of future minimum lease payments under capital leases, together with the present value of minimum lease payments at June 30, 2004:

Fiscal Year Ending June 30:	
2005	\$12,182
2006	12,182
2007	<u>3,046</u>
Total minimum lease payments	27,410
Less - amounts representing executory costs	<u>NONE</u>
Net minimum lease payments	27,410
Less - amounts representing interest	<u>(3,091)</u>
Present value of net minimum lease payments	<u>\$24,319</u>

14. DUE TO STATE TREASURY

As shown on the Statement of Net Assets, the university owes the state treasury \$8,339 at June 30, 2004, for collections of account receivables previously written off.

15. NET ASSETS

The university has the following restricted expendable net assets as of June 30, 2004:

<u>Account Title</u>	
Grants and contracts	\$628,034
Gifts (scholarships)	117,713
Capital construction	276,239
Endowment earning	<u>89,877</u>
Total	<u><u>\$1,111,863</u></u>

The university has the following restricted nonexpendable net assets as of June 30, 2004:

<u>Account Title</u>	
Endowed professorships and chairs	<u><u>\$1,707,675</u></u>

16. FOUNDATIONS

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

Louisiana State University Foundation
Louisiana State University Shreveport Foundation

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

17. DEFERRED COMPENSATION PLAN

Certain employees of the university 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.

18. HOUSING FACILITY AGREEMENT

The university entered into a Ground Lease Agreement for 8.0 acres of university property with Housing Partnership I, LTD. The purpose of this lease is to develop and construct a Student Housing Facility for Louisiana State University in Shreveport students. The housing facility will consist of 15 buildings, which include approximately 140 apartment units and related facilities. The cost of the construction along with maintenance and management of the Student Housing

Facility is the responsibility of Housing Partnership I, LTD. The term of the lease is 40 years and will expire at midnight March 31, 2032. Construction of the Student Housing Facility began during the fall of 1992 and was completed by August 1993. The housing facility was available to students for the 1993 fall semester. Compensation for the land lease will be based upon sections 3.01 and 3.02 of the lease agreement described as follows:

1. Base Rent (section 3.01) - Lessee will pay an annual base rent of \$1,000 payable to the university on August 1, 1993, and like installment due on each anniversary thereafter during the term of the lease.
2. Percentage Rent (section 3.02) - Lessee will pay to the university commencing with the academic year ending July 1, 1994, and for each academic year thereafter during the term of the lease, a percentage rent in an amount equal to the product of (a) 25% and (b) net cash flow leases an amount equal to the 5% of net cash flow payable to the improvements owner pursuant to the improvement lease. By way of example, if net cash flow during an academic year was \$100,000, the percentage rent would be \$23,750 [$25\% \times (\$100,000 - 5\%) = 25\% \times \$95,000 = \$23,750$]. Percentage rent shall be paid to the university no later than 45 days after the close of the academic year. If there is no percentage rent due for any such academic year, any net loss shall be borne solely by lessee and shall not be carried forward in determining percentage rent for the next academic year. The university did not receive any percentage rent payment during the year.

Management Letter



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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October 5, 2004

LOUISIANA STATE UNIVERSITY IN SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Shreveport, Louisiana

We have reviewed the financial statements of Louisiana State University in Shreveport (LSU-S), as of and for the year ended June 30, 2004, and have issued our accountant's review report thereon dated October 5, 2004. LSU-S is a university within the Louisiana State University System, a component unit of the State of Louisiana. The university'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 the university 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 the university'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 the university'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.

This management letter is intended solely for the information and use of LSU-S 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 "Steve J. Theriot", written over a horizontal line.

Steve J. Theriot, CPA
Legislative Auditor

KWB:WJR:AJR:dl

LSUS04