

LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA



INDEPENDENT ACCOUNTANT'S REVIEW REPORT
FOR THE YEAR ENDED JUNE 30, 2012
ISSUED FEBRUARY 20, 2013

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EXECUTIVE SUMMARY

Louisiana State University at Eunice (LSUE) is a Southern Association of Colleges and Schools (SACS) accredited college. As part of the process for renewal of its accreditation, SACS required a financial statement review be performed on LSUE's fiscal year 2012 activities.

A review includes primarily applying analytical procedures to LSUE's financial data and making inquiries of management. A review is substantially less in scope than an audit. Our review procedures disclosed the following:

- Based on our review of the financial statements, we are not aware of any modifications that should be made that would be material to the accompanying financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.
- A Louisiana State University System internal audit report, dated June 13, 2012, disclosed that improper purchases using federal funds totaling \$159,167 were made by four employees within the Office of Academic Assistance at LSUE. Evaluation of these employees procurement card activity revealed that purchases for personal use were concealed with altered and falsified documents.
- Based on a four-year analysis, LSUE has become more dependent on tuition, fees, and other revenues as state appropriations have decreased.

This report is a public report and has been distributed to public officials. We appreciate LSUE's assistance in the successful completion of our work.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 29, 2013

Independent Accountant's Review Report

LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Eunice, Louisiana

We have reviewed the accompanying basic financial statements as listed in the table of contents of Louisiana State University at Eunice, 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, 2012. A review includes primarily applying analytical procedures to management's financial data and making inquiries of university management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion. We did not review the financial statements of the Eunice Student Housing Foundation, Inc., which is a nonprofit corporation included as a blended component unit in the basic financial statements representing approximately 13.6% of total assets, 43.5% of total liabilities, 4.0% of total revenues, and 4.7% of total expenses of Louisiana State University at Eunice. These component unit financial statements were audited by another auditor whose report thereon has been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for this component unit, are based solely upon the report of the other auditor.

University management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

As discussed in note 1-B to the basic financial statements, 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 of only that portion of the business-type activities of the Louisiana State University System that are 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, 2012, and the changes in its financial position and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Based on our review and the report of the other auditor discussed previously, 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.

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress for the Other Postemployment Benefits Plans on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information was not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion or provide any assurance on it.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The results of our review of the basic financial statements are not affected by this missing information.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

JPT:NWM:EFS:THC:ch

LSUE 2012

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

Statement of Net Assets, June 30, 2012

ASSETS

Current Assets:

Cash and cash equivalents (note 2)	\$5,055,704
Investments (note 3)	75,856
Receivables (note 4)	3,312,069
Due from state treasury (note 14)	12,834
Inventories	350,251
Deferred charges and prepaid expenses	3,651
Notes receivable	51,139
Total current assets	<u>8,861,504</u>

Noncurrent Assets:

Restricted Assets:

Cash and cash equivalents (note 2)	420,763
Investments (note 3)	807,349
Notes receivable	534,799
Capital assets, net (note 5)	24,719,086
Total noncurrent assets	<u>26,481,997</u>

Total assets

35,343,501

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities (note 6)	605,045
Due to other campuses	130,000
Due to federal government, net	77,892
Deferred revenues	2,780,427
Amounts held in custody for others	89,932
Compensated absences (notes 10 and 13)	61,877
Bonds payable (note 13)	220,417
Total current liabilities	<u>3,965,590</u>

(Continued)

See accompanying notes and independent accountant's review report.

**LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 30, 2012**

LIABILITIES (CONT.)

Noncurrent Liabilities:

Compensated absences (notes 10 and 13)	\$615,639
Other postemployment benefits payable (notes 8 and 13)	4,788,208
Bonds payable (note 13)	7,081,250
Other noncurrent liabilities	7,578
Total noncurrent liabilities	<u>12,492,675</u>
Total liabilities	<u><u>16,458,265</u></u>

NET ASSETS

Investment in capital assets, net of related debt	20,131,121
Restricted	
Nonexpendable (note 15)	374,346
Expendable (note 15)	3,039,429
Unrestricted	<u>(4,659,660)</u>
Total net assets	<u><u>\$18,885,236</u></u>

(Concluded)

See accompanying notes and independent accountant's review report.

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

Statement of Revenues, Expenses, and
 Changes in Net Assets
 For the Year Ended June 30, 2012

OPERATING REVENUES

Student tuition and fees	\$6,726,307
Less scholarship allowances	(1,633,581)
Net student tuition and fees	<u>5,092,726</u>
Federal grants and contracts	544,648
State and local grants and contracts	376,238
Nongovernmental grants and contracts	64,341
Sales and services of educational departments	31,632
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 18)	3,353,839
Less scholarship allowances	(140,761)
Net auxiliary revenues	<u>3,213,078</u>
Other operating revenues	43,217
Total operating revenues	<u><u>9,365,880</u></u>

OPERATING EXPENSES

Educational and general:	
Instruction	8,441,866
Public service	2,436
Academic support	786,004
Student services	1,571,750
Institutional support	2,363,809
Operation and maintenance of plant	3,033,895
Scholarships and fellowships	4,035,006
Auxiliary enterprises	2,469,787
Total operating expenses	<u><u>22,704,553</u></u>

Operating Loss (13,338,673)

(Continued)

See accompanying notes and independent accountant's review report.

LOUISIANA STATE UNIVERSITY AT EUNICE
 LOUISIANA STATE UNIVERSITY SYSTEM
 STATE OF LOUISIANA
**Statement of Revenues, Expenses, and
 Changes in Net Assets
 For the Year Ended June 30, 2012**

NONOPERATING REVENUES (Expenses)	
State appropriations	\$5,878,973
Gifts	157,159
Federal nonoperating revenues	5,222,007
Net investment income	125,271
Interest expense	(531,612)
Net nonoperating revenues	<u>10,851,798</u>
Loss Before Other Revenues, Expenses, Gains, and Losses	(2,486,875)
Capital appropriations	4,449,825
Capital gifts and grants	252,767
Transfers from other system institutions	130,000
Other deductions, net	<u>(18,748)</u>
Increase in Net Assets	2,326,969
Net Assets at Beginning of Year	<u>16,558,267</u>
Net Assets at End of Year	<u><u>\$18,885,236</u></u>

(Concluded)

See accompanying notes and independent accountant's review report.

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

**Statement of Cash Flows
For the Year Ended June 30, 2012**

Cash flows from operating activities:

Tuition and fees	\$5,686,999
Grants and contracts	1,045,647
Sales and services of educational departments	31,632
Auxiliary enterprise receipts	2,460,517
Payments for employee compensation	(8,227,488)
Payments for benefits	(3,524,999)
Payments for utilities	(501,373)
Payments for supplies and services	(4,893,374)
Payments for scholarships and fellowships	(4,035,006)
Loans to students	(58,000)
Collection of loans to students	54,595
Other receipts	173,600
Net cash used by operating activities	<u>(11,787,250)</u>

Cash flows from noncapital financing activities:

State appropriations	6,641,406
Gifts and grants for other than capital purposes	153,620
Private gifts for endowment purposes	18,748
Taylor Opportunity Program for Students receipts	860,094
Taylor Opportunity Program for Students disbursements	(860,094)
Direct lending receipts	7,396,263
Direct lending disbursements	(7,396,263)
Transfer from other system institutions	130,000
Federal receipts	5,222,007
Net cash provided by noncapital financing activities	<u>12,165,781</u>

Cash flows from capital financing activities:

Capital gifts and grants received	58,691
Purchase of capital assets	(469,736)
Principal paid on capital debt and leases	(205,416)
Interest paid on capital debt and leases	(531,612)
Other uses	(18,748)
Net cash used by capital financing activities	<u>(1,166,821)</u>

(Continued)

See accompanying notes and independent accountant's review report.

**LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2012**

Cash flows from investing activities:	
Loss from sales and maturities of investments	(\$98,062)
Interest received on investments	86,624
Net cash used by investing activities	<u>(11,438)</u>
Net decrease in cash and cash equivalents	(799,728)
Cash and cash equivalents at the beginning of the year	<u>6,276,195</u>
Cash and cash equivalents at the end of the year	<u><u>\$5,476,467</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(\$13,338,673)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,085,435
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(285,399)
Decrease in inventories	7,077
Decrease in deferred charges and prepaid expenses	6,398
Decrease in notes receivable	8,718
(Decrease) in accounts payable and accrued liabilities	(441,025)
Increase in deferred revenue	37,922
Increase in amounts held in custody for others	18,911
(Decrease) in compensated absences	(96,307)
Increase in other postemployment benefits payable	1,079,693
Increase in other liabilities	130,000
Net cash used by operating activities	<u><u>(\$11,787,250)</u></u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents classified as current assets	\$5,055,704
Cash and cash equivalents classified as noncurrent assets	<u>420,763</u>
Cash and cash equivalents at the end of the year	<u><u>\$5,476,467</u></u>
Schedule of Noncash Investing, Capital and Financing Activities:	
Capital appropriations	\$4,449,825

(Concluded)

See accompanying notes and independent accountant's review report.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Louisiana State University at Eunice (LSUE), a campus within the Louisiana State University (LSU) System, which is a component unit of the State of Louisiana, is a publicly supported institution of higher education under the management and supervision of the LSU Board of Supervisors; however, certain items such as the annual budgets of the universities and changes to the degree programs and departments of instruction require the approval of the Board of Regents for Higher Education. The Board of Supervisors is comprised of 15 members appointed for a six-year term by the governor, with the consent of the Senate, and one student member appointed for a one-year term by a council composed of the student body presidents of the universities. As a state university, operations of LSUE's instructional programs are primarily funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of LSUE is the chancellor.

Student enrollment for LSUE for the 2011 fall semester totaled 2,982. During fiscal year 2012, LSUE had approximately 66 full-time and 62 part-time faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared in accordance with such principles.

LSUE applies all GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. LSUE has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. LSUE has elected not to apply FASB pronouncements issued after the applicable date.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. LSUE is part of the LSU 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 governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) the state issues bonds to finance certain construction; and (4) the university system 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 LSU System and the State of Louisiana.

Blended Component Units

The Eunice Student Housing Foundation (the ESH Foundation), a nonprofit corporation with an August 31 fiscal year-end, is considered a blended component unit of LSUE and is included in the basic financial statements. The component unit is included in the reporting entity because it is fiscally dependent on the LSU System and LSUE. Although the ESH Foundation is a legally separate, not-for-profit organization as outlined in the Internal Revenue Code Section 501(c)(3), it is reported as a part of the university because its purpose is to assist LSUE in carrying out its educational functions.

The ESH Foundation constructed a student apartment complex, known as Bengal Village, on the LSUE campus. Bengal Village consists of 58 units and is managed by Campus Living Villages. The management agreement between the ESH Foundation and Campus Living Villages 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 employees of Campus Living Villages.

To obtain the latest audit report of the Eunice Student Housing Foundation, write to the Eunice Student Housing Foundation, 2048 Johnson Highway, Eunice, Louisiana 70535.

C. BASIS OF ACCOUNTING

For financial reporting purposes, LSUE is considered a special-purpose government engaged only in business-type activities. Accordingly, LSUE'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-campus transactions have been eliminated.

D. BUDGET PRACTICES

The State of Louisiana's general fund appropriation 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. The Joint Legislative Committee on the Budget grants budget revisions. 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 and other postemployment benefits 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 original approved budgets and subsequent amendments approved are as follows:

Original approved budget	\$13,845,516
Decreases:	
State General Fund	(362,313)
Self-generated	(400,000)
	<u> </u>
Final budget	<u><u>\$13,083,203</u></u>

The other funds of LSUE, 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. All highly liquid investments with an original maturity of three months or less are considered cash equivalents. Under state law, LSUE 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.

LSUE 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, LSUE is authorized to invest funds in direct U.S. government obligations, U.S. government agency obligations, mutual funds, direct security repurchase agreements, and time certificates of deposit. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. The majority of these investments are U.S. Treasury securities, mutual funds, and investments 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.

In accordance with provisions of Article VII, Section 14 of the Louisiana Constitution and R.S. 49:327(C)(3)(b), LSUE may invest publicly funded permanently endowed funds in the stock of any corporation listed on the New York Stock Exchange, the American Stock Exchange, or authorized for quotations display on the National Association of Securities Dealers Automated Quotations System, provided that the total investment in such stocks at any one time shall not exceed 35% of the market value of all publicly endowed funds of the university. LSUE's investment of endowed chairs and professorships funded by the Board of Regents and maintained by the foundations are authorized by policies and procedures established by the Board of Regents.

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 deposits, credit risk, and collected bank balances 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. LSUE uses periodic and perpetual inventory systems and values its various other inventories using the first-in, first-out and weighted-average valuation methods. LSUE accounts for its inventories using the consumption method.

G. 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.

H. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the university system'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, infrastructure, and land improvements that total \$100,000 or more and 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 and infrastructure, 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. LSUE uses the group or composite method for library book depreciation if the books are considered to have a useful life of greater than one year.

I. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities before the end of the fiscal year that 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 (1) principal amounts of revenue bonds payable with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other postemployment benefit liabilities that will not be paid within the next fiscal year; and (3) other liabilities that will not be paid within the next fiscal year.

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 the LSUE 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 LSUE 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.

L. NET ASSETS

LSUE's net assets are classified as follows:

- (1) Invested in Capital Assets, Net of Related Debt
This represents LSUE'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.
- (2) Restricted Net Assets - Expendable
Restricted expendable net assets include resources that LSUE is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (3) 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.
- (4) Unrestricted Net Assets
Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and certain auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of LSUE 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, LSUE's policy is to first apply the expense toward unrestricted resources, and then toward restricted resources.

M. CLASSIFICATION OF REVENUES

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

- (a) **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.
- (b) **Nonoperating Revenue** - Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and

contributions, state appropriations, investment income, and grants that do not have the characteristics of exchange transactions.

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 LSUE 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, campuses, and auxiliary units of LSUE are eliminated for purposes of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

P. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At June 30, 2012, LSUE has cash and cash equivalents (allocated book balances) of \$5,476,467 as follows:

Petty cash	\$43,900
Demand deposits	1,771,250
Certificates of deposit	3,229,807
Open-end mutual fund	<u>431,510</u>
Total	<u><u>\$5,476,467</u></u>

Custodial credit risk is the risk that, in the event of a bank failure, LSUE's deposits may not be recovered. Under state law, LSUE's deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the LSU System or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2012, LSUE's allocated share of collected bank balances is \$5,752,882. These deposits are fully secured from risk by federal deposit insurance and pledged securities.

Disclosures required for the open-end mutual fund reported as cash equivalents are included in note 3.

3. INVESTMENTS

At June 30, 2012, LSUE has investments totaling \$883,205. Of this amount, \$436,444 is investments held by the LSU Foundation, a private foundation whose financial statements are subject to audit by an independent certified public accountant.

The LSU System's established investment policy follows state law (R.S. 49:327), which authorizes the LSU System to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds. In addition, 35% of the universities' publicly funded permanent endowment funds may be invested in common stocks listed on the New York Stock Exchange, the American Stock Exchange, or authorized for quotations on the National Association of Securities Dealers Automated Quotations System.

Interest rate risk is the risk applicable to debt instruments with fair values that are sensitive to changes in interest rate. One indicator of the measure of interest rate risk is the dispersion of maturity dates of debt instruments.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the LSU System's investments by type as described previously; however, the LSU System does not have policies to further limit credit risk.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the LSU System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the LSU System's investments are exposed to custodial credit risk. For U.S. Treasury obligations and U.S. government agency obligations, the LSU System's investment policies generally require that issuers must provide the universities with safekeeping receipts, collateral agreements, and custodial agreements.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to institutions of higher education does not address interest rate risk. The LSU System has a policy to limit concentration of credit risk with regard to the investment of equities. However, it does not have a policy to limit interest rate risk or the concentration of debt securities with any one issuer.

The open-end mutual fund amount of \$431,510, included in cash and cash equivalents, consists of \$8,499 invested in the Federated Investors Government Obligations Fund; \$4,753 invested in JP Morgan Treasury Money Market; \$194,890 invested in JPMorgan U.S. Government Plus

Money Market Fund; and \$223,368 invested in Fidelity Treasury Money Market Fund. The holdings for the Federated Investors Government Obligations Fund, the JP Morgan Treasury Money Market Fund, and the JPMorgan U.S. Government Money Market Fund consist primarily of short-term U.S. Treasury and U.S. government agency securities, including repurchase agreements collateralized fully by U.S. Treasury and government agency securities. The holdings for the Federated Prime Obligations Fund consist primarily of a portfolio of short-term, high quality, fixed income securities issued by banks, corporations, and the U.S. government. These funds all minimize interest rate risk with the purchase of short-term securities.

Investments held by private foundations in external investment pools are managed in accordance with the terms outlined in management agreements executed between the university and the foundations. Each university is a voluntary participant. The foundations hold and manage funds received by the university as state matching funds for the Eminent Scholars Endowed Chairs and Endowed Professorship Programs. All of these investments are held by the LSU Foundation.

4. RECEIVABLES

Receivables, all are scheduled for collection within one year, are shown on Statement A as follows:

	<u>Receivables</u>
Student tuition and fees	\$2,042,244
Auxiliary enterprises	1,171,653
Contributions and gifts	13,371
State and private grants and contracts	84,633
Sales and services/other	<u>168</u>
Total	<u><u>\$3,312,069</u></u>

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Capital assets not depreciated:				
Land	\$146,388			\$146,388
Construction-in-progress	3,698,923	\$4,449,825		8,148,748
Total capital assets not depreciated	<u>\$3,845,311</u>	<u>\$4,449,825</u>	<u>NONE</u>	<u>\$8,295,136</u>
Other capital assets:				
Infrastructure	\$352,064			\$352,064
Accumulated depreciation	(70,415)	(\$8,802)		(79,217)
Total infrastructure	<u>281,649</u>	<u>(8,802)</u>	<u>NONE</u>	<u>272,847</u>
Depreciable land improvements	2,313,083			2,313,083
Accumulated depreciation	(881,272)	(105,915)		(987,187)
Total land improvements	<u>1,431,811</u>	<u>(105,915)</u>	<u>NONE</u>	<u>1,325,896</u>
Buildings	28,217,090	124,944		28,342,034
Accumulated depreciation	(13,704,250)	(649,219)		(14,353,469)
Total buildings	<u>14,512,840</u>	<u>(524,275)</u>	<u>NONE</u>	<u>13,988,565</u>
Equipment (including library books)	5,012,525	330,862	(\$128,185)	5,215,202
Accumulated depreciation	(4,185,246)	(321,499)	128,185	(4,378,560)
Total equipment	<u>827,279</u>	<u>9,363</u>	<u>NONE</u>	<u>836,642</u>
Total other capital assets	<u>\$17,053,579</u>	<u>(\$629,629)</u>	<u>NONE</u>	<u>\$16,423,950</u>
Capital asset summary:				
Capital assets not depreciated	\$3,845,311	\$4,449,825		\$8,295,136
Other capital assets, book value	35,894,762	455,806	(\$128,185)	36,222,383
Total cost of capital assets	<u>39,740,073</u>	<u>4,905,631</u>	<u>(128,185)</u>	<u>44,517,519</u>
Accumulated depreciation/amortization	(18,841,183)	(1,085,435)	128,185	(19,798,433)
Capital assets, net	<u>\$20,898,890</u>	<u>\$3,820,196</u>	<u>NONE</u>	<u>\$24,719,086</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2012, are as follows:

<u>Activity</u>	<u>Amount</u>
Vendors	\$628,475
Other payables	(23,430)
Total	<u>\$605,045</u>

7. PENSION PLANS

Plan Description. Substantially all employees of LSUE are members of two statewide, public employee retirement systems. Academic and unclassified employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified state employees are members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSL is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer defined benefit pension plan

because the material portion of its activity is with one employer--the State of Louisiana. TRSL 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 five years of service for TRSL 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 LSUE 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% (TRSL) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. In fiscal year 2012, the state contributed 23.7% of covered salaries to TRSL and 25.6% of covered salaries to LASERS. The employer contribution is funded by the State of Louisiana through the annual appropriation to LSUE. LSUE's employer contributions to TRSL for the years ended June 30, 2012, 2011, and 2010, were \$795,053; \$636,938; and \$500,468, respectively, and to LASERS for the years ended June 30, 2012, 2011, and 2010, were \$427,353; 403,338; and \$341,318, 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 TRSL for five 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 TRSL and purchase retirement and death benefits through contracts provided by designated companies.

R.S. 11:927 sets the contribution requirements of the plan members and LSUE equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by LSUE are 23.7% of the covered payroll. The participant's contribution (8.0%), 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 TRSL 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 TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of LSUE. Benefits payable to participants are not the obligations of the State of Louisiana or the TRSL. 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 \$547,102 and \$184,676, respectively, for the year ended June 30, 2012.

8. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

LSUE provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of LSUE's employees become eligible for these benefits if they reach normal retirement age while working for LSUE.

The LSU System offers its employees the opportunity to participate in one of two medical coverage plans. One plan is from the State Office of Group Benefits (OGB) which also offers a life insurance plan, and the other plan is with the LSU System Health Plan. GASB Statement No. 45 promulgates the accounting and financial reporting requirements by employers that offer other postemployment benefits (OPEB) besides pensions. Both of the medical coverage plans and the life insurance plan available would be subject to the provisions of this Statement. Information about each of these two plans is presented below.

Plan Descriptions

LSU System Health Plan

The LSU System administers and offers eligible employees, retirees, and their beneficiaries the opportunity to participate in comprehensive health and preventive care coverage under its Health Plan that gives members a unique, consumer-driven health-care approach to pay routine health expenses and provides coverage for major health care expenses. Within the Health Plan, members have a choice of selecting Option 1 or Option 2. Option 1, shown in the schedule of total monthly premium rates on page 25, is more costly, but features both lower yearly deductibles and out-of-network coinsurance requirements.

Employees in a limited number of other state agencies may also participate but that participation is not material and, as such, the plan is identified as a single-employer defined benefit health care plan that is not administered as a trust or equivalent arrangement.

The LSU System selects claim and pharmaceutical administrators to administer its program. Both claim and pharmacy administrators are selected through a formal Request for Proposals process followed by negotiations between the LSU System and qualified vendors.

The Health Plan originally began as a pilot program within OGB, the office that provides health benefits to state employees pursuant to the provisions of R.S. 42:851. The Health Plan does not issue a publicly available financial report, but it is included in the LSU System's audited financial report.

State OGB Plan

LSUE employees may also participate in the state's other OPEB Plan, an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees, and their beneficiaries. OGB administers the plan. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report of the OPEB Plan; however, it is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy

LSU System Health Plan

While actuarially determined, the plan rates must be approved by OGB under R.S. 42:851(B). Plan rates are in effect for one year and members have the opportunity to switch providers during the open enrollment period which usually occurs in October.

The plan is financed on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits. This expense includes all expected claims and related expenses and is offset by retiree contributions.

State OGB Plan

The contribution requirements of plan members and LSUE are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree health care based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers four standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) plan, the Medical Home HMO Plan, and the Regional HMO Plan. OGB also offers a Consumer Driven Health Plan with a Health Savings Account option (CPHP-HSA) for active employees. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans (three HMO plans and two PPO plans) during calendar years 2011 and 2012. The three HMO plans are Humana HMO Plan, Peoples Health HMO-POS Plan, and Vantage HMO-POS Plan. The two PPO plans are Humana PPO Plan and United Healthcare PPO Plan.

The plan is financed on a pay-as-you-go basis. As of June 30, 2012, the state did not have an OPEB trust. A trust was established with an effective date of July 1, 2008, but was not funded, has no assets, and hence has a funded ratio of zero.

OGB also provides eligible retirees and their spouses Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays fifty cents for retirees and twelve cents for spouses. The monthly premium is reduced to less than \$1 per thousand for retired employees age 70 and over. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Employees hired before January 1, 2002, pay approximately 25% of cost of medical coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). For both plans, employees hired on or after January 1, 2002, pay a percentage of the total contribution rate upon retirement based on the following schedule:

<u>Service</u>	<u>Employee Contribution Percentage</u>
Under 10 years	81%
10 - 14 years	62%
15 - 19 years	44%
20+ years	25%

Effective January 1, 2012, the LSU Health Plan changed from a fiscal year plan to a calendar year plan. On this date, the rates increased 5% for all levels of coverage in both Option 1 and Option 2. Effective January 1, 2012, the OGB Plan changed from a fiscal year plan to a calendar year plan. On this date, the rates increased 5% for the PPO, HMO, and CDHP plans; 7% for the MHHP Plan; and 0% for the fully insured HMO. The following table shows the rates in effect at June 30, 2012.

	LSU System Health Plan		State OGB Plans				
	Option 1	Option 2	PPO	HMO	CDHP w/HAS	Medical	
						Home HMO	Regional HMO
<u>Active</u>							
Single	\$584	\$505	\$619	\$585	\$481	\$609	\$553
With Spouse	1,042	901	1,315	1,243	1,021	1,294	1,158
With Children	717	640	755	714	586	743	672
Family	1,246	1,090	1,387	1,310	1,077	1,364	1,221
<u>Retired, No Medicare and Re-employed Retiree</u>							
Single	\$1,109	\$1,014	\$1,152	\$1,092	N/A	\$1,133	\$1,016
With Spouse	1,959	1,790	2,034	1,928	N/A	2,001	1,783
With Children	1,236	1,124	1,283	1,216	N/A	1,262	1,130
Family	1,949	1,777	2,025	1,919	N/A	1,991	1,775
<u>*Retired, with 1 Medicare</u>							
Single	\$340	\$294	\$375	\$361	N/A	\$368	\$341
With Spouse	1,174	1,015	1,384	1,320	N/A	1,361	1,218
With Children	646	581	648	621	N/A	638	578
Family	1,666	1,457	1,844	1,757	N/A	1,814	1,618
<u>*Retired, with 2 Medicare</u>							
With Spouse	\$593	\$513	\$673	\$648	N/A	\$662	\$600
Family	806	704	834	802	N/A	820	740
			Calendar Year 2012		Calendar Year 2011		
			Retired with		Retired with		
<u>Medicare Supplemental Rates</u>			<u>1 Medicare</u>	<u>2 Medicare</u>	<u>1 Medicare</u>	<u>2 Medicare</u>	
Humana PPO		\$150	\$300		\$149	\$298	
Humana HMO		156	312		145	290	
People's Health		167	334		115	230	
United Healthcare		214	428		199	397	
Vantage		279	558		258	516	

*All members who retire on or after July 1, 1997, must have Medicare Parts A and B to qualify for the reduced premium rates.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of each plan's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and changes in the plan's net OPEB obligation to the retiree health plan.

	LSU System Health Plan	State OGB Plan	Total
Annual required contribution (ARC)	\$1,305,379	\$202,589	\$1,507,968
Interest on Net OPEB Obligation (NOO)	140,013	16,600	156,613
ARC Adjustment	(118,511)	(15,800)	(134,311)
Annual OPEB cost	1,326,881	203,389	1,530,270
Employer contributions	(241,728)	(208,849)	(450,577)
Increase in NOO	1,085,153	(5,460)	1,079,693
Net OPEB obligation - beginning of year	3,294,418	414,097	3,708,515
Net OPEB obligation - end of year	<u>\$4,379,571</u>	<u>\$408,637</u>	<u>\$4,788,208</u>

Funding Trend

	LSU System Health Plan			State OGB Plan		
	2012*	2011	2010	2012	2011	2010
OPEB Cost	\$1,326,881	\$1,165,868	\$1,089,740	\$203,389	\$260,566	\$230,152
Percentage Contributed	18.22%	14.86%	14.66%	102.68%	77.31%	94.88%
Ending NOO	4,379,571	3,294,418	2,301,855	408,637	414,097	354,964

*The discount rate used in the July 1, 2011, actuarial valuation of the LSU System Health Plan for fiscal year 2012 was revised from 5% to 4.25% to better reflect the long-term returns expected to be earned under the current investment policy of the LSU System.

Funded Status and Funding Progress

The funded status of the plans as of July 1, 2011, was as follows:

	LSU System Health Plan	State OGB Plan
Actuarial accrued liability (AAL)	\$15,359,214	\$3,010,510
Actuarial value of plan assets	NONE	NONE
Unfunded actuarial accrued liability (UAAL)	<u>\$15,359,214</u>	<u>\$3,010,510</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Annual covered payroll (active plan members)	\$4,458,025	\$475,214
UAAL as a percentage of covered payroll	344.5%	633.5%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Furthermore, actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress

presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A summary of the actuarial assumptions are presented as follows:

	LSU System Health Plan	State OGB Plan
Actuarial valuation date	July 1, 2011	July 1, 2011
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period	30 years, open	30 years, open
Asset valuation method	None	None
Actuarial assumptions:		
Discount rate	4.25% annual rate	4% annual rate
Projected salary increases	4% per annum	3% per annum
Health care inflation rate	9% initial 5% ultimate	7.5% - 8.6% initial 5.0% ultimate

9. CONTINGENT LIABILITIES, RISK MANAGEMENT, AND CLAIMS LIABILITY

Losses arising from judgments, claims, and similar contingencies are paid by either private insurance companies or 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. LSUE is not involved in any lawsuits at June 30, 2012.

10. COMPENSATED ABSENCES

At June 30, 2012, employees of LSUE have accumulated and vested annual, sick, and compensatory leave benefits of \$380,088; \$297,340; and \$88, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

11. OPERATING LEASES

For the year ended June 30, 2012, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed is \$30,613. The following is a schedule by years of future minimum annual rental payments required under operating leases that have initial or non-cancellable lease terms in excess of one year as of June 30, 2012:

<u>Nature of Operating Lease</u>	<u>Fiscal Year 2013</u>
Equipment	\$28,098

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.

12. LESSOR LEASES

LSUE's leasing operations consist solely of farmland that is for future expansion. The property is leased to maintain the land.

The following is a schedule, by fiscal year, of minimum future rentals on non-cancellable operating leases as of June 30, 2012:

<u>Fiscal Year</u>	<u>Land</u>
2013	\$1,660

There were no contingent rentals for the year ended June 30, 2012.

13. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities of LSUE for the year ended June 30, 2012:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Amounts due within one year</u>
Bonds payable	\$7,507,083		\$205,416	\$7,301,667	\$220,417
Compensated absences payable	773,823	\$53,083	149,390	677,516	61,877
Other liabilities	7,578			7,578	
OPEB payable	3,708,515	1,530,270	450,577	4,788,208	
Total	<u>\$11,996,999</u>	<u>\$1,583,353</u>	<u>\$805,383</u>	<u>\$12,774,969</u>	<u>\$282,294</u>

Bonds Payable

Detailed summaries, by issues, of all bond and reimbursement contract debt outstanding at June 30, 2012, including future interest payments of \$7,216,099 for LSUE are as follows:

Issue	Date of Issue	Original Issue	Outstanding July 1, 2011	Redeemed	Outstanding June 30, 2012	Maturities	Interest Rates	Future Interest Payments June 30, 2012
1998 Auxiliary Revenue Bonds	June 1, 1998	\$1,650,000	\$762,083	(\$95,416)	\$666,667	2018	5%	\$119,687
2002 Auxiliary Revenue Bonds	January 17, 2002	7,000,000	6,745,000	(110,000)	6,635,000	2033	7.375%	7,096,412
Total Bonds Payable		<u>\$8,650,000</u>	<u>\$7,507,083</u>	<u>(\$205,416)</u>	<u>\$7,301,667</u>			<u>\$7,216,099</u>

Debt Service Requirements

The annual requirements to amortize all LSUE bonds outstanding at June 30, 2012, are presented in the following schedule. The schedule uses rates as of June 30, 2012, for debt service requirements of the variable-rate bonds, assuming current interest rates remain the same for their term. As rates vary, variable-rate bond interest payments will vary.

Fiscal Year Ending	Principal	Interest	Total
2013	\$220,417	\$518,240	\$738,657
2014	230,417	504,184	734,601
2015	245,417	489,326	734,743
2016	260,417	473,480	733,897
2017	275,417	456,647	732,064
2018	284,582	438,642	723,224
2019	180,000	420,006	600,006
2020	195,000	406,178	601,178
2021	210,000	391,244	601,244
2022	225,000	375,203	600,203
2023	240,000	358,056	598,056
2024	260,000	339,619	599,619
2025	280,000	319,707	599,707
2026	300,000	298,319	598,319
2027	320,000	275,456	595,456
2028	345,000	250,934	595,934
2029	370,000	224,569	594,569
2030	395,000	196,360	591,360
2031	425,000	166,122	591,122
2032	460,000	133,488	593,488
2033	490,000	98,457	588,457
2034	525,000	61,028	586,028
2035	565,000	20,834	585,834
Total	<u>\$7,301,667</u>	<u>\$7,216,099</u>	<u>\$14,517,766</u>

The following is a summary of the debt service reserve requirements at June 30, 2012:

<u>Bond Issue</u>	Cash/ Investment Reserves Available	Reserve Requirement	Deficiency
Auxiliary Plant: LSU at Eunice Housing Foundation*	\$551,266	\$610,450	(\$59,184)

*The debt service reserve fund is below the required level, but management is addressing the problem by increasing rental rates and investigating options on refinancing bonds.

As permitted by the Bond Resolution for the Auxiliary Revenue Bonds, Series 1998 (LSU at Eunice Project), the LSU System 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.

14. DUE FROM STATE TREASURY

LSUE due from the state treasury at June 30, 2012, is \$12,834. This amount consists of the following:

Restricted Expendable Net Assets

<u>Description</u>	<u>Due from</u>
Statutory dedications - Support Education in Louisiana First	\$12,834

15. RESTRICTED NET ASSETS

LSUE's restricted nonexpendable net assets of \$374,346 as of June 30, 2012, are comprised entirely of endowment funds.

LSUE had the following restricted expendable net assets as of June 30, 2012:

<u>Account Title</u>	<u>Amount</u>
Student Fees	\$309,386
Auxiliary Enterprises	1,837,109
Student Loan Funds	687,469
Capital Construction	65,669
Legislative restrictions	116,930
Other	<u>22,866</u>
Total	<u><u>\$3,039,429</u></u>

Of the total restricted expendable net assets reported on Statement A for the year ended June 30, 2012, a total of \$116,930 is restricted by enabling legislation.

16. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

Function	Employee Compensation	Benefits	Utilities	Supplies and Services	Scholarships and Fellowships	Depreciation	Compensated Absences	OPEB Expense	Total
Instruction	\$4,865,851	\$2,093,168		\$718,909		\$149,597	(\$12,689)	\$627,030	\$8,441,866
Public service	1,140	294		523				479	2,436
Academic support	375,906	216,056		58,223		41,074	(25,584)	120,329	786,004
Student services	877,085	369,799		221,441			(18,364)	121,789	1,571,750
Institutional support	1,067,666	473,956		664,696		79,441	(31,567)	109,617	2,363,809
Operations and maintenance of plant	761,196	344,774	\$451,731	590,153		803,429	(9,261)	91,873	3,033,895
Scholarships and fellowships					\$4,035,006				4,035,006
Auxiliary enterprises	286,300	26,952	10,798	2,124,109		11,894	1,158	8,576	2,469,787
Total operating expenses	\$8,235,144	\$3,524,999	\$462,529	\$4,378,054	\$4,035,006	\$1,085,435	(\$96,307)	\$1,079,693	\$22,704,553

17. 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's website at www.lla.la.gov.

18. 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.

LSUE has pledged future auxiliary revenues of approximately \$14,517,766 to secure outstanding debt of \$8,650,000 in Auxiliary Revenue Bonds. Proceeds from the bonds provided for the financing of construction and renovation of various auxiliary facilities. All LSUE Union and Bookstore revenues, totaling \$2,026,058 for the current period, are pledged to secure the debt of the auxiliary revenues bonds payable through 2033. Required principal and interest payments for the current year on the bonds were \$737,028.

19. SUBSEQUENT EVENTS

Subsequent to year-end, the Louisiana Board of Regents (BoR) suspended the GRAD Act agreement with LSUE because of its failure to meet the performance objectives under the agreement. As a consequence, LSUE lost the ability to raise tuition for the 2012-2013 academic year and \$184,711 in general funds. Subsequently, LSUE presented a remediation plan that was accepted by BoR on August 24, 2012.

SCHEDULE

REQUIRED SUPPLEMENTARY INFORMATION **Schedule of Funding Progress for the** **Other Postemployment Benefits Plans**

The schedule of funding progress is required supplementary information that presents certain specific data regarding the funding progress of the other postemployment benefits plans, including the unfunded actuarial accrued liability.

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

**Schedule of Funding Progress for the
Other Postemployment Benefits Plans
Fiscal Year Ended June 30, 2012**

LSU System Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	NONE	\$11,495,557	\$11,495,557	0.00%	\$5,396,635	213.0%
7/1/2010	NONE	12,468,183	12,468,183	0.00%	5,295,907	235.4%
7/1/2011*	NONE	15,359,214	15,359,214	0.00%	4,458,025	344.5%

*The discount rate used in the July 1, 2011 actuarial valuation of the LSU System Health Plan for fiscal year 2012 was revised from 5% to 4.25% to better reflect the long-term returns expected to be earned under the current investment policy of the LSU System.

State Office of Group Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	NONE	\$3,201,026	\$3,201,026	0.00%	\$540,581	592.1%
7/1/2010	NONE	3,780,832	3,780,832	0.00%	615,928	613.8%
7/1/2011	NONE	3,010,510	3,010,510	0.00%	475,214	633.5%

EXHIBIT A

Management Letter



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 29, 2013

LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Eunice, Louisiana

We have reviewed the financial statements of Louisiana State University at Eunice, as of and for the year ended June 30, 2012, and have issued our independent accountant's review report thereon dated January 29, 2013. Louisiana State University at Eunice is a university within the Louisiana State University System, a component unit of the State of Louisiana. Louisiana State University at Eunice's accounts are an integral part of the Louisiana State University System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. 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 independent accountant's review report referred to previously.

We did not review the financial statements of the Eunice Housing Foundation, Inc., which is a nonprofit corporation included as a blended component unit in the basic financial statements of Louisiana State University at Eunice. Those component unit financial statements were audited by another auditor whose report thereon has been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for that component unit, are based solely upon the report of the other auditor.

Our review of the financial statements did not disclose any transactions entered into by Louisiana State University at Eunice 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 Louisiana State University at Eunice'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 Louisiana State University at Eunice'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 one significant matter requiring communication to management concerning improper purchases with federal funds.

Improper Purchases Made with University Procurement Cards

An LSU System internal audit report, dated June 13, 2012, disclosed that improper purchases using federal funds totaling \$159,167 were made by four employees within the Office of Academic Assistance at LSU at Eunice. Evaluation of these employees procurement card activity for fiscal years 2008 through 2012 (to February 28) revealed that purchases for personal use were concealed with altered or falsified documents.

The Office of Academic Assistance administers two federal TRIO programs (TRIO): Upward Bound (CFDA 84.047) and Student Support Services (CFDA 84.042). According to the U.S. Department of Education's website, "TRIO includes eight programs targeted to serve and assist low-income individuals, first-generation college students, and individuals with disabilities to progress through the academic pipeline from middle school to post-baccalaureate programs." All purchases were made using TRIO funds.

The four individuals whose cards were used to make alleged personal purchases are as follows:

<u>Employee</u>	<u>Total Purchases (FY 08 - FY 12)</u>	<u>Questioned Purchases</u>	<u>Number of Transactions Questioned</u>
Dr. Marvette Thomas, Director	\$166,834	\$68,464	873
Ms. Carra Sergeant, Assistant Director	182,452	74,653	546
Ms. Shawana Prudhomme, Specialist	47,774	11,766	110
Ms. Judy Guillory, Assistant to the Director	14,817	4,284	31
Total	<u>\$411,877</u>	<u>\$159,167</u>	<u>1,560</u>

Examples of some types of items purchased include clothing for ladies, men, and children; jewelry; electronics including laptops, iPad2, iPods, digital camera, and gaming consoles; gift cards totaling at least \$8,650; cookware; electric tools; children's toys; recreational vehicle parts and accessories; pet supplies and food; household and outdoor items; Grambling State apparel and accessories; exercise equipment; automotive items; food; and books that might be deemed to be religious books. These individuals are no longer employed by LSU at Eunice.

LSU's LaCarte User's Guide and Louisiana "LaCarte" Purchasing Card Policy establish policies and procedures for the procurement card program. Inadequate oversight of LaCarte card purchases increases the risks that errors or fraud could occur and remain undetected. Questioned costs are \$159,167.

The LSU System internal audit report included recommendations to LSU Eunice management that included providing more effective oversight of procurement card purchases, such as annual training, exception reporting, physical observation of items purchased, and periodically comparing data obtained from vendors to documents submitted by employees. In addition, management should seek restitution from the employees for the improper purchases. Management concurred with the finding and provided a corrective action plan (see Appendix A).

The recommendation in this letter represents, in our judgment, that which is most likely to bring about beneficial improvements to the operations of Louisiana State University at Eunice. The nature of the recommendation, its implementation cost, and its potential impact on the operations of Louisiana State University at Eunice should be considered in reaching decisions on courses of action.

This management letter is intended for the information and use of Louisiana State University at Eunice and its management, others within the university, the LSU System and its board of supervisors, and the Louisiana Legislature 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 letter is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

JPT:NWM:EFS:THC:ch

LSUE 2012

APPENDIX A

Management's Corrective Action Plan and Response to the Finding and Recommendation



Office of the Chancellor • Louisiana State University at Eunice • P.O. Box 1129 • Eunice, LA 70535
Phone: (337) 550-1201 • FAX: (337) 546-6620

October 22, 2012

Mr. Daryl G. Purpera, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Audit Finding – Improper Purchases Made with University Procurement Cards

Dear Mr. Purpera:

Louisiana State University Eunice concurs with the findings and recommendations concerning the improper purchases made with university procurement cards by Federal TRIO Grant employees of the Office of Academic Assistance at the university. After LSU Eunice's management brought the suspected improper purchases to the attention of the LSU internal auditors, LSU Eunice notified the legislative auditor, the district attorney and the U.S. Department of Education by phone and letter that an ongoing investigation was being conducted by the internal auditors. As an end-result of this incident, LSU Eunice has taken the corrective plan of action which is outlined below.

Procedures to provide more effective oversight of procurement card purchases were implemented on campus. Controls that have been put in place to identify misappropriation, fraud, and simple noncompliance with procurement cards include the following:

- (a) Supervisors will be required to approve procurement card purchases made by his or her employees and will be held accountable for misuse of the card. The employee will be required to submit to his or her supervisor the original receipts attached to a printout of the "header" screen in the procurement system. The supervisor must review the original receipts before approving the purchase online. Also, the supervisor will be responsible for keeping the documentation on file in their office as backup. The appropriate Vice Chancellor or Chancellor and Business Affairs personnel will periodically unannounced review the documentation kept on file in the supervisor's office.
- (b) Annually, all individuals responsible for the approval of procurement card transactions will be trained by Business Affairs staff on procedures and controls.

LSU at Eunice is an affirmative action/equal opportunity university.

Mr. Daryl G. Purpera, CPA

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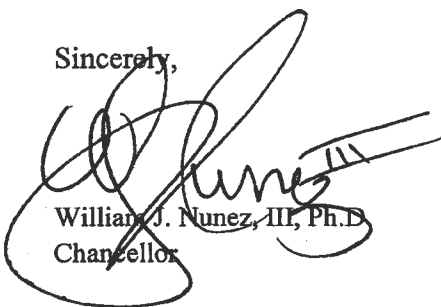
October 22, 2012

- (c) Business Affairs will request credit card vendor purchase data and verify items purchased and approved in the procurement card system by employees. Any discrepancies will be immediately investigated and questioned.
- (d) Supervisors and Business Affairs personnel will monthly compare actual costs for supplies to amounts budgeted. Any overage will be investigated and questioned.
- (e) Supervisors and Business Affairs personnel will review employee's transactions for reasonableness. Repetitive transactions, in particular, will be investigated and questioned.
- (f) Supervisors and Business Affairs personnel will physically observe items purchased periodically on an unannounced test basis, particularly for those transactions processed by a third-party processor.

Upon the receipt of the internal audit report on their investigation of the alleged procurement card misuse at LSU Eunice, a copy of the report and a letter of explanation were sent to the Louisiana Legislative Auditors, the Acadia Parish District Attorney, the Department of Education, and the U.S. Attorney General's Office—Western District of Louisiana. In the letter to the U.S. Department of Education, LSU Eunice inquired about any reporting and potential repayment requirements.

The FBI and Department of Education Inspector General's Office have contacted LSU Eunice concerning this misuse of funds and will be working with management to seek restitution from the employees for the improper purchases. The corrective action plan was implemented the early part of FY 2012-13 and will be an on-going process. Arlene C. Tucker, Vice Chancellor for Business Affairs, is the contact person responsible for the corrective action. If you have any questions or need any additional information, please feel free to contact us.

Sincerely,



William J. Nunez, III, Ph.D.
Chancellor