GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2010
ISSUED JUNE 1, 2011

LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

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This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of $28.68. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 3394 or Report ID No. 80100050 for additional information.

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Our procedures at Grambling State University (university) for the period July 1, 2009, through June 30, 2010, disclosed the following:

- Based on our audit and the report of another auditor, the university's financial statements presented fairly, in all material respects, the respective financial position of the business-type activities of the university and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

- For the fourth consecutive year, the university did not compile an accurate Annual Fiscal Report, resulting in a $3.2 million understatement of assets, a $1.4 million overstatement of liabilities, a $3.8 million overstatement of operating revenues, a $2.1 million understatement of operating expenses, and $3.6 million understatement of capital appropriations on its financial statements and related note disclosures.

- The university did not have adequate controls over capital assets, resulting in excessive unlocated movable property (sixth consecutive year), and inaccurate financial reporting.

- For the third consecutive year, the university has not effectively pursued the collection of $8.1 million of past due student and other receivables in accordance with its own policies.

- For the second consecutive year, the university did not properly secure deposits from loss and did not have adequate controls over cash operations.

- For the fourth consecutive year, the university conducted business with other parties without valid signed contracts, thereby increasing the risk of contract disputes, litigation, and penalties.

- The findings identified in our prior review report on the university, dated September 10, 2009, relating to athletic revenue control weaknesses and failure to timely submit reports to the Board of Regents have been resolved by management.

- The finding identified in our prior management letter on the university, dated May 26, 2010, relating to investing in stocks in violation of state law has been resolved by management.

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

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 11, 2011

Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities of Grambling State University (university), a campus within the University of Louisiana System (ULS), a component unit of the State of Louisiana, as of and for the year ended June 30, 2010, which collectively comprise the university's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the university's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Black & Gold Facilities, Inc., which is a nonprofit corporation included as a blended component unit in the basic financial statements representing approximately 50.2% of total assets, 77.8% of total liabilities, (2.9%) of total net assets, 11.5 % of total revenues, and 12.0% of total expenses of the university. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this component unit, is based solely upon the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Black & Gold Facilities, Inc., which were audited by other auditors upon whose report we are relying, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

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As discussed in note 1-B, the accompanying financial statements of the university 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 ULS that is attributable to the transactions of the university. They do not purport to, and do not, present fairly the financial position of the ULS as of June 30, 2010, 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.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activities of the university as of June 30, 2010, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2011, on our consideration of the university's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 39 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the schedule and express no opinion on it. University management has not presented Management's Discussion and Analysis, which is not a required part of the basic financial statements but is supplementary information required by GASB.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

PGH:BAC:BDC:THC

[GSU2010]

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Net Assets, June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$7,892,404
Investments (note 3)	5,968,641
Receivables, net (note 4)	4,702,380
Due from federal government	1,439,901
Inventories	218,685
Deferred charges and prepaid expenses	177,324
Total current assets	20,399,335
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (note 2)	2,685,931
Investments (note 3)	19,334,120
Receivables, net (note 4)	3,505,058
Notes receivables, net	1,122
Capital assets, net (note 5)	162,005,448
Other noncurrent assets	5,059,640
Total noncurrent assets	192,591,319
Total assets	212,990,654
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities (note 6)	2,305,038
Due to state treasury	570
Deferred revenues (note 7)	2,773,359
Compensated absences payable (notes 11 and 13)	444,656
Amounts held in custody for others	519,204
Notes payable (notes 13 and 14)	119,807
Bonds payable (notes 13 and 14)	1,240,000
Other current liabilities	2,938,948
Total current liabilities	10,341,582

(Continued)

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Net Assets, June 30, 2010

LIABILITIES	
Noncurrent liabilities:	
Compensated absences payable (notes 11 and 13)	$2,942,357
Notes payable (notes 13 and 14)	1,841,496
Bonds payable (notes 13 and 14)	105,136,221
Other postemployment benefits payable (notes 8 and 13)	19,537,728
Other noncurrent liabilities	240,445
Total noncurrent liabilities	129,698,247
Total liabilities	140,039,829
NET ASSETS	
Invested in capital assets, net of related debt	77,816,564
Restricted for:	
Nonexpendable (note 16)	8,611,627
Expendable (note 16)	8,337,857
Unrestricted	(21,815,223)
Total Net Assets	$72,950,825

(Concluded)

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $11,961,809)	$15,513,336
Federal grants and contracts	7,262,238
State and local grants and contracts	2,021,927
Nongovernmental grants and contracts	171,865
Sales and services of educational departments	577,690
Auxiliary enterprise revenues (net of scholarship allowances of $929,461) including revenues used as security for revenue bonds	11,327,677
Other operating revenues	11,015,564
Total operating revenues	47,890,297
OPERATING EXPENSES	
Education and general:	
Instruction	26,477,730
Research	226,472
Public service	54,767
Academic support	8,038,204
Student services	6,147,041
Institutional support	12,334,747
Operations and maintenance of plant	8,224,634
Depreciation	6,803,238
Scholarships and fellowships	9,442,263
Auxiliary enterprises	14,237,224
Other operating expenses	3,934,951
Total operating expenses	95,921,271
OPERATING LOSS	(48,030,974)

(Continued)

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010

NONOPERATING REVENUES (Expenses)	
State appropriations	$20,761,988
Gifts	179,266
Federal nonoperating revenues (expenses)	14,113,832
Federal - American Recovery and Reinvestment Act	4,070,342
Net investment income	1,630,768
Interest expense	(5,260,976)
Other nonoperating revenues (expenses)	219,998
Net nonoperating revenues	35,715,218
LOSS BEFORE OTHER REVENUES, GAINS, AND LOSSES	(12,315,756)
Capital appropriations	3,597,008
Additions to permanent endowments	250,000
Other additions, net	2,190
Loss on disposal of capital asset	(334,101)
DECREASE IN NET ASSETS	(8,800,659)
NET ASSETS - BEGINNING OF YEAR	81,751,484
NET ASSETS - END OF YEAR	$72,950,825

(Concluded)

The accompanying notes are an integral part of this statement.

Statement C

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$28,180,574
Grants and contracts	9,866,044
Sales and services of educational departments	577,690
Auxiliary enterprise receipts	12,893,576
Payments for employee compensation	(39,696,639)
Payments for benefits	(10,214,278)
Payments for utilities	(2,403,083)
Payments for supplies and services	(19,814,698)
Payments for scholarships and fellowships	(21,822,302)
Other receipts	7,806,513
Net cash used by operating activities	(34,626,603)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	20,761,988
Gifts and grants for other than capital purposes	14,293,098
Private gifts and grants for endowment purposes	250,000
TOPS receipts	462,600
TOPS disbursements	(462,600)
Federal - American Recovery and Reinvestment Act Receipts	3,459,163
Federal Family Educational Loan program receipts	40,357,753
Federal Family Educational Loan program disbursements	(40,357,753)
Other receipts (payments)	(280,003)
Net cash provided by noncapital financing sources	38,484,246
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Purchase of capital assets	(560,801)
Principal paid on capital debt and leases	(1,046,292)
Interest paid on capital debt and leases	(5,295,174)
Deposit with trustees	(219,729)
Net cash used by capital financing activities	(7,121,996)

(Continued)

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	$40,837,327
Interest received on investments	288,694
Purchase of investments	(37,400,277)
Net cash provided (used) by investing activities	3,725,744
NET INCREASE IN CASH AND CASH EQUIVALENTS	461,391
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,116,944
CASH AND CASH EQUIVALENTS AT END OF YEAR	$10,578,335
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	($48,030,974)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Amortization of bond insuance costs	188,252
Depreciation expense	6,803,238
Changes in assets and liabilities:	
Decrease in accounts receivable, net	1,349,346
Decrease in inventories	28,170
Decrease in deferred charges and prepaid expenses	36,576
(Increase) in notes receivable	(1,122)
(Decrease) in accounts payable and accrued liabilities	(1,296,954)
Increase in deferred revenue	1,006,471
(Decrease) in amounts held in custody for others	(76,389)
Increase in compensated absences	13,123
Increase in other liabilities	581,413
Increase in other postemployment benefits payable	4,772,247
Net cash used by operating activities	($34,626,603)

(Continued)

The accompanying notes are an integral part of this statement.

Statement C

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:	
Cash and cash equivalents classified as current assets	$7,892,404
Cash and cash equivalents classified as noncurrent assets	2,685,931
Cash and cash equivalents at the end of the year	$10,578,335

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Capital appropriation for construction of capital assets	$3,597,008
Loss on disposal of capital assets	334,101
Unrealized net capital gain (loss) on investments	1,342,074
Amortization of bond discount/premium	(9,335)
Decrease in accrued interest payable on bonds	(24,862)

(Concluded)

The accompanying notes are an integral part of this statement.

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INTRODUCTION

Grambling State University (university) is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana, within the executive branch of government. The university is under the management and supervision of the University of Louisiana System Board of Supervisors; however, the annual budget of the university and changes to the degree programs, departments of instruction, et cetera, require the approval of the Board of Regents for Higher Education. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

The university is located in Grambling, Louisiana, and serves as a cultural and educational center for north Louisiana. The university offers associate, baccalaureate, and selected masters and specialist degrees in the areas of liberal arts, education, business administration, the sciences and science-related technologies, nursing, and social work. Enrollment at the university was 3,048; 4,992; and 4,636; respectively, during the summer, fall, and spring semesters of fiscal year 2010. At June 30, 2010, the university has approximately 693 full-time faculty and staff 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.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Grambling State University is part of the University of Louisiana 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) the majority of the members of the governing boards are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) the state issues bonds to finance certain construction; and (4) the universities within the system primarily serve state residents. The accompanying financial statements present information only as to the transactions of the programs of Grambling State University as authorized by Louisiana statutes and administrative regulations.

Annually, the State of Louisiana issues a comprehensive financial report (CAFR), which includes the activity contained in the accompanying financial statements within the University of Louisiana System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the University of Louisiana System and the state's CAFR.

Blended Component Unit

Black & Gold Facilities, Inc., is a Louisiana nonprofit corporation and is considered a blended component unit of the university. The component unit is included in the reporting entity because it is fiscally dependent on the university. The purpose of this organization is to promote, assist, and benefit the mission of the university through the acquisition, construction, development, management, leasing or otherwise assisting in the acquisition, construction, development, management or leasing of student housing or other facilities on behalf of the university. Although this facility corporation is legally separate, it is reported as a part of the university because the majority of its revenue will come from leasing facilities to the university. To obtain the corporation's latest audit report, write to:

Black & Gold Facilities, Inc.
c/o Mr. Leon Sanders
Grambling State University
P.O. Box 4287
Grambling, Louisiana 71245

This blended component unit is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria, presentation, and disclosure requirements are different from GASB revenue recognition criteria and presentation features. With the exception of presentation adjustments, no modifications have been made to this component unit's financial information in the university's report for these differences.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the university is considered a special purpose government engaged only in business-type activities. All activities of the university are accounted for in a single proprietary (enterprise) fund. 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-university transactions have been eliminated.

The university has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The university has elected to not apply FASB pronouncements issued after the applicable date.

D. BUDGET PRACTICES

The State of Louisiana's 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. 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) certain inventories are recorded as expenditures at the time of purchase.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand (petty cash), demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in certificates of deposits and all highly liquid investments with a maturity of three months or less when purchased. Under state law, the university 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. Furthermore, the university may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash equivalents reported on the Statement of Net Assets include all non-negotiable certificates of deposit, regardless of maturity.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the university is authorized to invest funds in direct U.S. Treasury obligations, U.S. 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 or endowment instrument or bond indenture. The majority of these investments are U.S. government agency obligations and are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains or losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. For purposes of the Statement of Cash Flows, the university considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. INVENTORIES

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

G. NONCURRENT RESTRICTED ASSETS

Cash and cash equivalents, investments, receivables, and notes receivables that are externally or legally restricted for grants, endowments, notes, debt service payments, maintenance of reserve funds or to purchase or construct capital or other noncurrent 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'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 significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. Any infrastructure exceeding $3 million must be capitalized, but the university does not have any infrastructure that meets that criterion. 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 three to 10 years for most movable property.

I. DEFERRED REVENUES

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

J. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and non-classified personnel 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 or may be paid at actuarially computed amounts.

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

K. NONCURRENT LIABILITIES

Noncurrent liabilities include principle amounts of revenue bonds and notes payable with contract maturities greater than one year, estimated amounts for accrued compensated absences, and other postemployment benefits that will not be paid within the next fiscal year.

L. NET ASSETS

The university's net assets are classified as follows:

(a) Invested in capital assets, net of related debt consists of the university's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to the acquisition, construction, or improvement of those assets.

(b) Restricted net assets - nonexpendable consist of endowments 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.

(c) Restricted net assets - expendable consist of resources that the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(d) Unrestricted net assets consist of 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 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, then toward restricted resources.

M. CLASSIFICATION OF REVENUES AND EXPENSES

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

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

- *Operating expenses* generally include transactions resulting from providing goods and services, such as (1) payments to vendors for goods or services; (2) payments to employees for services; and (3) payments for employee benefits.

- *Nonoperating expenses* include transactions resulting from financing activities, capital acquisitions, and investing activities.

N. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2010, the university implemented the following accounting standards:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* Statement No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The intangible assets should be recognized in the Statement of Net Assets only if it is considered identifiable. The university has no identifiable intangible assets. The implementation of Statement No. 51 had no impact on the financial statements or notes.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Statement No. 53 requires the recognition, measurement, and disclosure of information regarding derivative instruments. The implementation of Statement No. 53 had no impact on the financial statements or notes.

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The implementation of Statement No. 58 had no impact on the financial statements or notes.

O. 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.

P. ELIMINATING INTERFUND ACTIVITY

All activities among departments, campuses 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.

Q. USE OF ESTIMATES

The preparation of the 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 significantly from those estimates.

2. CASH AND CASH EQUIVALENTS

At June 30, 2010, the university has cash and cash equivalents (book balances) totaling $10,578,335 as follows:

Demand deposits:	
Interest-bearing	$6,501,831
Noninterest-bearing	438,113
Certificates of deposit	3,636,991
Petty cash	1,400
Total	$10,578,335

Custodial credit risk is the risk that in the event of a bank failure, the university's deposits may not be recovered. Under state law, the university's deposits (or the resulting bank balances) 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 university or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. As of June 30, 2010, the university has $10,748,056 in deposits (collected bank balances), which is secured from risk by federal deposit insurance plus pledged securities.

3. INVESTMENTS

At June 30, 2010, the university has investments totaling $25,302,761. The university's investment policy follows state law (R.S. 49:327), which authorizes the university 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. A summary of the university's investments follows:

				Investment Maturity (in years)		
Type of investment	Fair Value	Credit Quality Ratings	Percent of Investment	Less Than 1	1 to 5	6 to 10
Corporate bonds[1]	$1,308,131		5.17%	$179,360		$1,128,771
Common and preferred stock[1]	3,901,719		15.42%			
Held by blended component unit[2]	20,092,911		79.41%	20,092,911		
Total Investments	$25,302,761		100.00%	$20,272,271	NONE	$1,128,771

[1] Credit quality ratings are not required for these investments.

[2] Credit quality ratings are not available for these investments.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the university's investments by type as described previously. The university does not have a policy 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 university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The university's investment policy generally requires that issuers must provide the university with safekeeping receipts, collateral agreements, and custodial agreements. At June 30, 2010, investments held by the blended component unit totaling $20,092,911 are uninsured and unregistered and held by the counterparty and are, therefore, exposed to custodial credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. State law requires that at no time shall the funds invested in U.S. government agency obligations exceed 60% of all monies invested with maturities of 30 days or longer. In addition, state law limits the investment in commercial paper and corporate notes and bonds to 20% of all investments. The university does not have policies to limit concentration of credit risk.

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. In addition, the university does not have policies to limit interest rate risk.

Investments held by the blended component unit were reported in the financial statements and notes to the financial statements for the Black and Gold Facilities, Inc., which were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations.* Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB.

4. RECEIVABLES

Receivables, most of which are scheduled for collection within one year, are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2010. These receivables are composed of the following:

Type	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	$10,007,725	($7,420,779)	$2,586,946
Federal, state, and private grants and contracts	744,064		744,064
Auxiliary enterprises	619,019		619,019
Other	3,991,723	(345,493)	3,646,230
American Recovery and Reinvestment Act	611,179		611,179
Total	$15,973,710	($7,766,272)	$8,207,438

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2010, follows:

	Balance June 30, 2009	Additions	Transfers	Retirements	Balance June 30, 2010
Capital assets not being depreciated:					
Land	$569,456				$569,456
Nondepreciable land improvements	958,131				958,131
Construction-in-progress	10,188,974	$3,597,007			13,785,981
Total capital assets not being depreciated	$11,716,561	$3,597,007	NONE	NONE	$15,313,568
Other capital assets:					
Depreciable land improvements	$4,644,423	$158,000			$4,802,423
Less accumulated depreciation	(675,965)	(147,144)			(823,109)
	3,968,458	10,856	NONE	NONE	3,979,314
Buildings	198,150,196	140,536		($2,562,017)	195,728,715
Less accumulated depreciation	(55,355,390)	(5,094,617)		2,227,916	(58,222,091)
Total buildings	142,794,806	(4,954,081)	NONE	(334,101)	137,506,624
Equipment including library books	30,792,233	3,514,463		(272,445)	34,034,251
Less accumulated depreciation	(24,289,271)	(4,811,483)		272,445	(28,828,309)
Total equipment	6,502,962	(1,297,020)	NONE	NONE	5,205,942
Total other capital assets	$153,266,226	($6,240,245)	NONE	($334,101)	$146,691,880
Capital Asset Summary:					
Captial assets not being depreciated	$11,716,561	$3,597,007			$15,313,568
Other capital assets, at cost	233,586,852	3,812,999		($2,834,462)	234,565,389
Total cost of capital assets	245,303,413	7,410,006	NONE	(2,834,462)	249,878,957
Less accumulated depreciation	(80,320,626)	(10,053,244)		2,500,361	(87,873,509)
Capital Assets, net	$164,982,787	($2,643,238)	NONE	($334,101)	$162,005,448

6. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2010:

Account Name	
Vendor Payables	$797,258
Accrued Salaries and Benefits	1,402,479
Other	105,301
Total Payables	$2,305,038

7. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2010:

Prepaid tuition and fees	$1,426,580
Prepaid athletic ticket sales	122,801
Grants and contracts	1,223,978
Total deferred revenues	$2,773,359

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description--Employees of the university voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately prior to retirement. The postemployment benefits plan is a cost sharing, multiple-employer defined benefit plan but is classified as an agency multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. 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; however, the entity 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 Web site at www.doa.la.gov/osrap.

Funding Policy--The contribution requirements of plan members and the university are established and may be amended by R.S. 42:801-883. Employees do not contribute to their post-employment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare 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 three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) plan, the Exclusive Provider Organization (EPO) plan, and the Health Maintenance Organization (HMO) plan. In addition, all plan members are offered the Medical Home HMO plan. 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 private fee-for-service (PFFS) plans, which are based on a calendar year. The three HMO plans are Humana Regional HMO Plan, Peoples Health Regional HMO POS Plan, and Vantage HMO POS Plan. The two PFFS plans are Humana PFFS Plan and Secure Horizons Medicare Direct PFFS Plan.

Employees hired before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). Total annual per capita medical contribution rates for 2009-2010 are shown in the Premium Rates table that follows.

Employees hired on or after January 1, 2002, pay a percentage of the total contribution rate upon retirement based on the following schedule:

Service	Employer Contribution Percentage	Employee Contribution Percentage
Under 10 years	19%	81%
10 - 14 years	38%	62%
15 - 19 years	56%	44%
20+ years	75%	25%

Total premium rates effective July 1, 2009, for the PPO, EPO, and HMO plans and effective September 1, 2009, for the Medical Home Health Plan are as follows:

	PPO	EPO	HMO	Medical Home Health Plan
Active				
Single	$558.64	$581.04	$536.36	$532.00
With Spouse	1,186.56	1,234.04	1,139.12	1,129.96
With Children	681.32	708.60	654.12	649.04
Family	1,251.40	1,301.44	1,201.36	1,191.68
Retired No Medicare & Re-employed Retiree				
Single	1,039.28	1,080.80	997.72	989.52
With Spouse	1,835.20	1,908.56	1,761.72	1,747.60
With Children	1,157.64	1,203.92	1,111.40	1,102.28
Family	1,826.32	1,899.36	1,753.28	1,739.12
*Retired with 1 Medicare				
Single	337.96	351.48	324.44	321.84
With Spouse	1,248.72	1,298.64	1,198.68	1,189.00
With Children	584.96	608.36	561.60	557.00
Family	1,663.80	1,730.32	1,597.20	1,584.28
*Retired with 2 Medicare				
With Spouse	607.48	631.72	583.16	578.28
Family	752.16	782.24	722.08	716.08

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

Medicare Supplemental Rates	Calendar Year 2010 Retired with 1 Medicare	Calendar Year 2010 Retired with 2 Medicare	Calendar Year 2009 Retired with 1 Medicare	Calendar Year 2009 Retired with 2 Medicare
Humana PFFS	$149.00	$298.00	$137.00	$274.00
Humana HMO	165.00	330.00	174.00	348.00
People's Health	142.00	284.00	142.00	284.00
Secure Horizons	198.50	397.00	269.64	539.26
Vantage	198.00	396.00	178.00	356.00

OGB also provides eligible retirees 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. 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.

Annual Other Postemployment Benefit Cost and Liability--The university's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year, open amortization period has been used. The total ARC for fiscal year 2010 is $6,592,700.

The following schedule presents the university's OPEB obligation for fiscal year 2010:

Beginning net OPEB obligation at July 1, 2009	$14,765,481
ARC	6,592,700
Interest on net OPEB obligation	590,600
ARC adjustment	(564,200)
OPEB cost	6,619,100
Contributions made - current year retiree premiums	(1,846,853)
Increase in net OPEB obligations	4,772,247
Ending net OPEB obligation at June 30, 2010	$19,537,728

Using the pay-as-you-go method, the university contributed 27.9% of the annual postemployment benefits cost during 2010. In fiscal year 2009, the annual OPEB cost was $8,605,355 and the university contributed 19.1% of the annual OPEB cost. In 2008, the initial year of implementation of GASB 45, the annual OPEB cost was $9,449,000 and the university contributed 17.4% of the annual OPEB cost.

Funded Status and Funding Progress--During fiscal year 2010, neither the university nor the State of Louisiana made contributions to its postemployment benefits plan trust. A trust was established during fiscal year 2008, but was not funded at all, has no assets, and hence has a funded ratio of zero. Since the plan was not funded, the university's entire actuarial accrued liability of $83,299,500 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2009, was as follows:

Actuarial accrued liability (AAL)	$83,299,500
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability	$83,299,500
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$25,020,800
UAAL as a percentage of covered payroll	333.00%

Actuarial Methods and Assumptions--Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL 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 of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in AAL consistent with the long-term perspective of the calculations.

In the July 1, 2009, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and initial annual healthcare cost trend rate of 8.5% and 9.6% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's UAAL is being amortized as a level percentage of projected payroll over an open amortization period of 30 years. Annual per capita medical claims costs were updated to reflect an additional year of actual experience. The AAL decreased significantly since the last valuation. Items affecting the valuation identified by the actuary were decreases in estimates of per capita costs based on claims experience from July 1, 2007, through June 30, 2009; updates to the age morbidity factors; updates to demographic assumptions (e.g., retirement, turnover, and mortality rates); changes in a LASERS eligibility rule; and changes in the method of estimating service for retirement.

9. PENSION PLANS

Plan Description--Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified/unclassified 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 plan because the material portion of its activity is with one employer--the State of Louisiana. Both plans provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems 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 with TRSL and 10 years of service with LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy--The contribution requirements of employee plan members and the university 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% (8% for LASERS employees hired after July 1, 2006) of covered salaries. In fiscal year 2010, the state contributed 15.5% of covered salaries to TRSL and 18.6% 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 TRSL for the years ended June 30, 2010, 2009, and 2008 were $2,625,548; $2,870,370; and $2,925,353, respectively, and to LASERS for years ended June 30, 2010, 2009, and 2008 were $1,362,532; $1,511,960; and $1,707,417, 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 the 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.

Total contributions by the university are 15.5% of covered payroll for fiscal year 2010. 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 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 an actuarial committee. The TRSL 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 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 $1,411,202 and $743,846, respectively, for the year ended June 30, 2010.

10. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are considered state liabilities and paid upon appropriation by the legislature and not the university. As of June 30, 2010, the university was involved as a defendant in six lawsuits which are being handled by contract attorneys. The attorneys have estimated no reasonable potential liability relating to these claims. This note does not include any lawsuits filed with the university system or the Office of Risk Management, the agency responsible for the state's risk management program.

11. COMPENSATED ABSENCES

At June 30, 2010, employees of the university have accumulated and vested annual, sick, and compensatory leave of $2,037,621; $993,532; and $355,860, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

12. OPERATING LEASES

The university's total rental expense for operating leases is $492,126 for the year ended June 30, 2010. The university's lease agreements have non-appropriation exculpatory clauses that allow lease cancellation if the legislature does not make for its continuation during any future fiscal period. The following is a schedule by years of future minimum annual lease payments required under operating leases:

	2011	2012	2013	Total
Nature of lease - office equipment	$416,926	$348,000	$348,000	$1,112,926

13. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the university for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds payable	$107,315,556		$939,335	$106,376,221	$1,240,000
Notes payable	2,077,595		116,292	1,961,303	119,807
Total bonds and notes payable	109,393,151	NONE	1,055,627	108,337,524	1,359,807
Other postemployment benefits payable	14,765,481	$4,772,247		19,537,728	
Compensated absences payable	3,373,890	13,123		3,387,013	444,656
Total long-term liabilities	$127,532,522	$4,785,370	$1,055,627	$131,262,265	$1,804,463

14. REVENUE BONDS AND NOTES PAYABLE

Revenue bonds and notes payable consisted of the following:

	Date of Issue	Original Issue	Principal Outstanding June 30, 2009	Issued (Redeemed)	Principal Outstanding June 30, 2010	Maturities	Interest Rates	Interest Outstanding June 30, 2010
Revenue Bonds								
Student Housing System:								
2006 Series A	October 1, 2006	$55,705,000	$55,705,000		$55,705,000	2039	4%-5%	$48,516,350
2006 Series B	October 1, 2006	3,595,000	3,595,000	(850,000)	2,745,000	2013	5.35%	222,616
2006 Series C	October 1, 2006	5,700,000	5,585,000	(80,000)	5,505,000	2038	5.8%	5,682,261
2007 Series A	December 1, 2007	39,330,000	39,330,000		39,330,000	2040	4%-4.25%	39,386,463
2007 Series B	December 1, 2007	2,595,000	2,595,000		2,595,000	2016	5.72%	480,909
Net Premium/Discount amortized over life								
on 2006 Bonds			653,307	(14,423)	638,884			
on 2007 Bonds			(147,751)	5,088	(142,663)			
Total Bonds Payable		106,925,000	107,315,556	(939,335)	106,376,221			94,288,599
Notes Payable								
U.S. Department of Education	May 1, 1993	3,500,000	2,077,595	(116,292)	1,961,303	2024	3.0%	438,375
Total Notes Payable		3,500,000	2,077,595	(116,292)	1,961,303			438,375
Total bonds and notes payable		$110,425,000	$109,393,151	($1,055,627)	$108,337,524			$94,726,974

The outstanding bonds in the above schedule are related to the blended component unit identified in note 1.B. and are not the responsibility of the university.

The scheduled maturities of revenue bonds and notes payable are as follows:

	Bonds Payable		Notes Payable		
Fiscal Year	Principal	Interest	Principal	Interest	Total
2011	$1,240,000	$5,175,230	$119,807	$57,947	$6,592,984
2012	1,445,000	5,102,073	123,428	54,326	6,724,827
2013	1,590,000	5,020,287	127,159	50,595	6,788,041
2014	1,750,000	4,937,542	131,002	46,752	6,865,296
2015	1,900,000	4,847,333	134,960	42,793	6,925,086
2016-2020	11,890,000	22,610,440	738,518	150,253	35,389,211
2021-2025	15,210,000	19,252,140	586,429	35,709	35,084,278
2026-2030	19,430,000	14,915,785			34,345,785
2031-2035	24,765,000	9,482,480			34,247,480
2036-2040	26,660,000	2,945,289			29,605,289
Total	105,880,000	94,288,599	1,961,303	438,375	202,568,277
Unamortized Net Premium/Discount	496,221	NONE	NONE	NONE	496,221
Total	$106,376,221	$94,288,599	$1,961,303	$438,375	$203,064,498

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2010:

	Reserves Available	Reserve Requirement	Excess
U.S. Department of Education note	$583,787	$528,000	$55,787
Revenue Bonds: Debt Service	7,592,975	7,500,890	92,085
Revenue Bonds: Maintenance	6,531,295	5,370,766	1,160,529
Total	$14,708,057	$13,399,656	$1,308,401

The university is required by the U.S. Department of Education note to establish a Retirement of Indebtedness Account and make semiannual deposits of $22,250 until $178,000 has been reached. Once the debt service reserve account balance is satisfied, the university is to establish a Repair and Replacement Reserve Account and make annual deposits of $35,000 until $350,000 has been accumulated.

In addition, the university is required to establish Debt Service Reserve Accounts related to the issuance of bonds for the purpose of constructing new dormitories.

15. REVENUE USED AS SECURITY FOR REVENUE BONDS

The revenues of certain enterprises at the university are restricted by terms in the covenants of certain debt instruments.

Black & Gold Facilities, Inc., has pledged future rent revenues to secure debt of approximately $101,225,000 in its Series 2006A, 2006B, 2007A, and 2007B revenue bonds. Proceeds from the bonds provided for the demolition of existing dormitories and construction of new apartment style dormitories and the purchase of the Steeple Glenn apartment complex. All rent revenues received for the dormitories and apartments have been pledged to cover the debt service requirements for the bonds each year until they mature in 2040. Total rent revenues for the current period were $9,863,882. The annual debt service requirement for the bonds ranges from $5.8 million to $6.4 million in 2039, the year before they mature.

Black & Gold Facilities, Inc., has also pledged future rent revenues, student union annex fees, and food service commissions to secure debt of approximately $5,585,000 in its Series 2006C revenue bonds. Proceeds from the bonds provided for the renovation of Favrot Student Union building and creation of a student union annex. Rent revenues of $650,000, student union annex fees of $237,515, and food service commissions of $127,010 were collected for the current period and all of these revenues have been pledged to cover the debt service requirements for the bonds each year until they mature in 2038. The annual debt service requirement for the bonds ranges from $400,497 in 2011 to $402,040 in 2038, the year they mature.

16. RESTRICTED NET ASSETS

The university has the following restricted net assets at June 30, 2010:

Nonexpendable - endowments	$8,611,627
Expendable:	
Grants and contracts	3,657,474
Student fees	1,733,077
Student loans	85,978
Debt service requirments	1,961,303
University plant projects	257,990
Building use fund	1,961
Preventative maintenance	640,074
Total	$8,337,857

17. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

Of the total net assets reported in the Statement of Net Assets for the year ended June 30, 2010, $987,406 is restricted by R.S. 17:3351.1 and other statutes. Listed below are the net assets restricted by enabling legislation and the purpose of the restriction:

Building and Facility Prevention Maintenace Program	$640,074
Building Use Fee	1,961
Student Technology Fee	345,371
Total	$987,406

18. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Board of Regents to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. At June 30, 2010, net appreciation of $0 is available to be spent and is restricted to specific purposes.

19. AFFILIATED ORGANIZATIONS

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

Grambling Black & Gold Foundation, Inc.
Grambling University Athletic Foundation

The affiliated organizations are not included in the university's financial statements as component units since they do not meet the criteria for inclusion established by the Division of Administration, Office of Statewide Reporting and Accounting Policy. The organizations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

However, the accompanying financial statements do include the Black & Gold Facilities, Inc., accounts. These accounts have been audited by an independent auditor.

20. 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 on the Internet at www.lla.la.gov.

21. POLLUTION REMEDIATION OBLIGATIONS

A preliminary site assessment has been performed that revealed asbestos on the university's property. A further investigation was performed to determine the full nature and extent of this contamination and required remediation cost. A statewide project was enacted to remediate the effects of asbestos in state-owned buildings. The university paid $11,619 in remediation costs for fiscal year 2010 and was reimbursed for the full amount by Facility Planning and Control. As of June 30, 2010, the university does not have any pollution remediation obligations.

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REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress of Other Postemployment Benefits Plan

The schedule of funding progress is required supplementary information that presents certain specific data regarding the funding progress of the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

Schedule 1

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan
Fiscal Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2007	NONE	$112,452,500	$112,452,500	0.0%	$29,522,019	381%
July 1, 2008	NONE	105,459,500	105,459,500	0.0%	24,639,600	428%
July 1, 2009	NONE	83,299,500	83,299,500	0.0%	25,020,800	333%

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OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based on an audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 11, 2011

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the business-type activities of Grambling State University (university), a campus within the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2010, and have issued our report thereon dated April 11, 2011. Our report was modified to include a reference to other auditors and to report the omission of Management's Discussion and Analysis. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Black & Gold Facilities, Inc., as described in our report on the university's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Black & Gold Facilities, Inc., were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the university's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the university's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the university's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency below relating to Inaccurate Annual Fiscal Report to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies relating to Inadequate Controls Over Capital Assets, Unsecured Deposits and Weaknesses in Cash Controls, Failure to Obtain Written, Signed Contracts, and Inadequate Collection Efforts of Accounts Receivable to be significant deficiencies.

Inaccurate Annual Fiscal Report

For the fourth consecutive year, the university did not compile an accurate Annual Fiscal Report (AFR), resulting in a $3.2 million understatement of assets; a $1.4 million overstatement of liabilities; a $3.8 million overstatement of operating revenues; a $2.1 million understatement of operating expenses; and a $3.6 million understatement of capital appropriations on its financial statements and related note disclosures.

A review of the university's AFR for the fiscal year ended June 30, 2010, disclosed the following significant errors on the university's Statement of Net Assets (SNA), Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA), Statement of Cash Flows (SCF), and related notes to the financial statements:

- Management omitted $3.3 million in capital assets, net of depreciation, on its SNA and related note disclosure, resulting in a further $3.6 million adjustment to the SCF.

- Management overstated accounts payable and accrued liabilities by $1.7 million on its SNA relating to inaccurate year-end payroll accruals and vendor payables, resulting in errors in several expense categories on the SRECNA.

- Management misclassified $1.3 million of net assets on the SNA and related note disclosure, resulting in an understatement of restricted net assets and an overstatement of unrestricted net assets.

- Management included preliminary amounts from the Black & Gold Facilities, Inc., report in its SNA, SRECNA, SCF, and related note disclosures, resulting in errors in several asset, liability, and operating expense accounts and a net understatement of net assets of $57,060.

- Management miscalculated and misclassified scholarship allowances on the SNA, resulting in a net allowance understatement of $200,904, with related errors in revenues, expenses, receivables, liabilities, activity on the SCF, and related note disclosures.

- Management omitted $2.7 million of nonnegotiable certificates of deposit in its cash note. Also, management incorrectly reported $25 million of investments as having concentrated credit risk and $24 million of investments as not having interest rate risk.

Good internal control and sound business practices require that (1) accounting records and reports reflect all financial transactions incurred by the entity for the reporting cycle and these transactions be properly classified in accordance with applicable standards, (2) subsidiary records be routinely reconciled to control records to ensure financial information is consistently and properly reported, and (3) reports be reviewed by competent members of management for accuracy and compliance with applicable laws.

Management of the university did not adequately analyze and adjust the accounts in its accounting system before closing the system and preparing its AFR. In addition, supporting schedules and work papers were not prepared and agreed to the supporting accounting records before presenting the financial statements. As a result, the university's financial information submitted to the auditors for the audit and to the University of Louisiana System required significant time and effort by the auditors to identify and correct errors that should have been detected by management. Furthermore, failure to timely analyze accounts and identify errors subjects university assets to potential fraud and/or abuse.

Once again, university management should immediately begin analyzing and reconciling all accounts and should make all adjustments necessary to the records to reflect current, accurate financial information. In addition, management should develop a compilation process that requires the timely reconciliation of all general ledger accounts to the subsidiary or supporting records and schedules. The compilation process should include the performance of analytical procedures and a high level supervisory review of financial information and note disclosures to detect and correct errors in a timely manner before submitting that information to the University of Louisiana System and the Louisiana Legislative Auditor. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Inadequate Controls Over Capital Assets

The university did not have adequate controls over capital assets, resulting in excessive unlocated movable property and inaccurate financial reporting. Our tests of capital assets disclosed the following:

- For the sixth consecutive year, the university has identified a significant amount of unlocated movable property as a result of its annual property inventory certification procedures. Current year inventory procedures identified unlocated property items totaling $1,683,062. Items totaling $122,534 were removed from the property records because these items had not been located for three consecutive years. Of the unlocated property reported on the university's property inventory certification, unlocated computers and computer-related equipment totaled $1,049,409 and audio visual equipment totaled $255,324.

- The university does not reconcile purchases of movable property recorded in its general ledger to additions reported in the Protégé statewide property system. As of June 30, 2010, the Protégé system reflected capitalized assets and depreciation of approximately $3.5 million greater than the university's general ledger. In addition, the Late Additions Report generated from Protégé indicated that 43 items were tagged from 65 to 928 days late.

- The university's AFR and related records did not reflect additions to Construction-in-Progress of approximately $3.6 million. The AFR also did not reflect the demolition of two buildings valued at approximately $2.5 million, with accumulated depreciation of approximately $2.2 million. Finally, the AFR incorrectly reported a $158,000 fence constructed around the president's home as a building rather than a land improvement, resulting in depreciation expense based on a 40-year, rather than a 20-year, expected life

Louisiana Revised Statute (R.S.) 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated property to the Louisiana Property Assistance Agency (LPAA). Louisiana Administrative Code 34.VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, good internal control dictates that capital assets should be properly recorded, reconciled, and monitored to safeguard against loss and ensure accurate financial reporting.

University management should further develop, enforce, and consistently apply its existing policies and procedures for tracking and safeguarding movable property items, including holding employees financially accountable for property items assigned to them. In addition, management should strengthen its procedures to require more extensive searches for unlocated items, require university personnel to immediately respond to the property control officer's requests concerning unlocated property, and enforce personnel actions against those employees that do not fully cooperate with inventory searches. Also, management should designate responsible persons to perform monthly reconciliations between capital asset purchases in the general ledger and additions reported to LPAA and to track all capital asset construction and demolition activities. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 2).

Inadequate Collection Efforts of Accounts Receivable

For the third consecutive year, the university has not effectively pursued the collection of $8.1 million of past due student and other receivables in accordance with its own policies.

A test of receivables revealed that the university did not turn over student accounts delinquent over 180 days to the state Department of Justice (DOJ) or an outside collection agency by at least the 14th day of the spring semester, as required by current policy. In fact, the fall 2010 and spring 2010 semesters' accounts were not remitted to the DOJ for collection until October 2010. In addition, the university did not deduct unpaid traffic fines from employees' paychecks, as required by its traffic and parking regulation policy. The university's delays in actively pursuing collection of these receivables increase the risk of not collecting all amounts due to the university and jeopardize the university's ability to fund its ongoing operations.

University management should aggressively pursue collection of past due student and other receivables in accordance with existing policies. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

Unsecured Deposits and Weaknesses in Cash Controls

For the second consecutive year, the university did not properly secure deposits from loss and did not have adequate controls over cash operations. Our review of cash deposits and controls disclosed the following deficiencies that increase the university's risk of loss:

- The university did not monitor collateralization of its bank accounts at Shreveport Federal Credit Union or JP Morgan Chase. For 11 months of the fiscal year, the university had an average cash balance of $935,987 that was not insured or collateralized in savings accounts at Shreveport Federal Credit Union.

- The university did not remove the former president as a check signer on its Shreveport Federal Credit Union or JP Morgan Chase bank accounts for up to eight months after the president resigned.

- The director of student accounts was able to collect and deposit cash, as well as make adjustments to cash balances in the general ledger, without independent review or approval by university management.

R.S. 49:321 requires that funds on deposit in excess of amounts insured by the Federal Deposit Insurance Corporation or any governmental agency insuring bank or other financial institution must at all times be fully secured from loss. Also, good internal control and sound business practice requires that the university monitor its deposits for adequate collateralization, immediately notify financial institutions of changes in authorized signers, and maintain adequate segregation of duties over cash operations.

Management of the university should actively monitor its deposits to ensure that deposits are collateralized at all times. In addition, management should remove terminated check signers in a timely manner and reassign incompatible duties of the director of student accounts to other university employees. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 4).

Failure to Obtain Written, Signed Contracts

For the fourth consecutive year, the university conducted business with other parties without valid signed contracts, thereby increasing the risk of contract disputes, litigation, and penalties. Our examination of university contracts disclosed the following:

- The university's participation in 95 of 104 (91%) athletic events was not supported by signed contracts between the competing schools, including 67 Southwestern Athletic Conference (SWAC) events. SWAC rules provide for monetary penalties when signed contracts for home games are not submitted to SWAC by the required deadlines.

- The university's participation in the Bayou Classic football game was not supported by a signed contract between all affiliated parties.

- The university did not obtain a signed 2010 bus contract; instead, the university verbally renewed the 2009 contract terms.

Sound internal control and good business practices require that agreements between parties should be committed to writing, signed, and dated by both parties. Consequently, the university should consistently require signed contracts when conducting business with other parties. In addition, the university should submit signed conference event contracts to SWAC by the required deadlines. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 5).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the university's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance relating to Inadequate Controls Over Capital Assets and Unsecured Deposits and Weaknesses in Cash Controls as described previously, that are required to be reported under *Government Auditing Standards*.

The university's responses to these findings are included in Appendix A. We did not audit the university's responses, and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of university management, University of Louisiana System management, others within the entity, 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 report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

PGH:BAC:BDC:THC

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Management's Corrective Action Plans and Responses to the Findings and Recommendations

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

February 10, 2011

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

RE: Inaccurate Annual Financial Report

Grambling State University concurs that there were significant errors in the June 30, 2010 Annual Financial Report (AFR) and has established the following procedures to correct this matter:

- Subsequent to the close of each month, beginning with January 2011, the Banner GASB Report will be generated and selected accounts analyzed to ensure accuracy. Any detected errors in these accounts will be corrected. This process will continue monthly to ensure that all accounts will be analyzed and reconciled to supporting documentation prior to the preparation and issuance of the June 30, 2011 AFR.

- Organizational structure and staffing within the Controller's area of responsibility has been analyzed by middle and upper management, resulting in changes that have been approved by the President. Staff within the General Accounting section will be assigned the responsibility of analyzing and reconciling the accounts as described above. Additionally, Banner training will be provided to appropriate staff to enhance their abilities to perform their assigned responsibilities and minimize the possibility of errors reaching the account balances. This will take place over the remaining months of this fiscal year and continue into fiscal year 2012, due to budgeting constraints.

- If determined necessary for the timely completion of the monthly reporting processes identified above, an external contractor may be engaged. This would occur during the remaining months of fiscal year 2011, and this work would be directed and overseen by the Controller.

Mr. Raymond Abraham, Controller, will be responsible for implementation of the corrective action plan noted above.

If you have any questions, please call me or my primary point of contact, Mr. Leon Sanders, Interim Vice President for Finance and Administration, at 318-274-6406.

Sincerely,

Frank G Pogue

Frank G. Pogue, Ph.D.
President

P.O. Drawer 607 • 403 Main • Grambling, LA 71245 • Office: (318) 274-6117 • Fax: (318) 274-6172 • www.gram.edu

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

February 10, 2011

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

RE: Inadequate Controls Over Capital Assets

Grambling State University concurs that during the fiscal year ending June 30, 2010 adequate controls were not in place relating to capital assets, and has established the following procedures to correct this matter:

- Organizational structure has been revised to establish the Property Control Department independent from other areas. This department has been re-staffed and adequate training provided to ensure the requisite knowledge to manage this department. The new Director of Property/Receiving has developed action plans to ensure distribution of responsibility for movable property control to departmental inventory specialists; timetables for performance of specific functions, such as delivery, transfer and tagging of property; and access to adequately trained staff to perform the annual inventory in a timely and effective fashion. Completion of these action plans will occur over the next several months, culminating in the completion of the annual inventory by October 2011.

- General Accounting staff within the Controller's Office will be working with Property Control staff to develop a monthly reconciliation process between additions in the Protégé property system with purchases of capital assets in the Banner accounting system. All required accesses will be provided and this process will be operational beginning in February 2011.

- General Accounting staff within the Controller's Office will be provided additional in-house training by the Controller related to proper classification and recording of capital assets.

- Management has established a new policy effective December 2010 whereby employees are held financially accountable for property items assigned to them.

If you have any questions, please call me or my primary point of contact, Mr. Leon Sanders, Interim Vice President for Finance and Administration, at 318-274-6406.

Sincerely,

Frank G. Pogue

Frank G. Pogue, Ph.D.
President

P.O. Drawer 607 • 403 Main • Grambling, LA 71245 • Office: (318) 274-6117 • Fax: (318) 274-6172 • www.gram.edu

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

March 11, 2011

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

RE: Inadequate Collection Efforts of Accounts Receivable

Grambling State University concurs that it has not effectively pursued collection of its receivables in accordance with existing policies. The following procedures will address this matter:

- An electronic report has been developed reflecting all students with unpaid balances from the previous semester which will be transmitted to the Department of Justice within two (2) weeks following the 14th class day of the subsequent semester (i.e. fall semester balances will be remitted in the spring semester and spring/summer semester balances will be remitted in the fall semester). This two (2) week period will allow ample time for review of accuracy of balances prior to submission for collection. This report was first submitted on March 4, 2011 and will be submitted semi-annually.

- University Policy #58001 – University Police Traffic and Parking Regulations, states that "Any fine not paid within 30 days will be payroll deducted." The university is in the process of developing procedures to obtain employee authorization to payroll deduct these charges. In the interim, unpaid employee traffic fines are being turned over to a collection agency for processing.

Raymond Abraham, Controller, is responsible for oversight of the corrective action plan noted above.

If you have any questions, please call me or my primary point of contact, Mr. Leon Sanders, Interim Vice President for Finance and Administration, at 318-274-6406.

Sincerely,

Frank G. Pogue

Frank G. Pogue, Ph.D.
President

P.O. Drawer 607 • 403 Main • Grambling, LA 71245 • Office: (318) 274-6117 • Fax: (318) 274-6172 • www.gram.edu

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

March 8, 2011

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

RE: Unsecured Deposits and Weaknesses in Cash Controls

Grambling State University concurs that deposits were not fully secured from loss, and that certain cash operations were not adequately controlled. The following procedures will address these matters:

- As part of the university's cash projection process, a detailed spreadsheet is being developed to reflect anticipated operating inflows and outflows which will allow for adequate monitoring of securities pledged needs. With this process in place, we will be in a better position to notify the bank of our need to increase or decrease pledges on a timely basis; thereby eliminating our potential loss. All other non-operating accounts will be monitored similarly. This process will be operational by March 31, 2011.

- The Controller's Office is now responsible for ensuring that any employee separating from university employment have their authority with financial institutions deactivated immediately as part of the university's check-out process. This process became operational March 1, 2011.

- Management is in the process of restructuring the Controller's Office to provide for greater efficiency and effectiveness. Included in that restructuring will be the creation of the position of Bursar, which will involve general ledger access, while the daily cash activity will remain with the Student Accounts Office. Additionally, the General Accounting Office will monitor both the detail activity of student accounts, and the general ledger activity of control accounts by reconciling these areas on a monthly basis. Portions of this process will become operational by March 31, 2011; however, due to budgetary constraints, this will not be fully functional until after June 30, 2011.

Mr. Raymond Abraham, Controller, is responsible for oversight of the corrective action plan noted above.

If you have any questions, please call me or my primary point of contact, Mr. Leon Sanders, Interim Vice President for Finance and Administration, at 318-274-6406.

Sincerely,

Frank G. Pogue

Frank G. Pogue, Ph.D.
President

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GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

February 10, 2011

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

RE: Failure to Obtain Written, Signed Contracts

Grambling State University concurs that business has been conducted with other parties without valid signed contracts and has established the following procedures to correct this matter:

- A function will be established within the Purchasing Department to oversee all contracting activity for the purpose of ensuring that all athletic and non-athletic contracts are accurately prepared and validly signed by all parties. This function will be fully implemented and procedures document effective July 1, 2011. The athletic business manager will be responsible for ensuring that athletic contracts are signed by all parties and copies retained, and the purchasing director will be responsible for ensuring that non-athletic contracts are signed by all parties and copies retained for the remainder of the fiscal year ending June 30, 2011.

- With the establishment of the above function, a tracking system will be developed to ensure that contracts set to expire will be renewed timely, and the president will be periodically informed of any potential conflicts for his immediate intervention.

Ms. Connie Hampton, Director of Purchasing, will be responsible for implementation of the corrective action plan noted above.

If you have any questions, please call me or my primary point of contact, Mr. Leon Sanders, Interim Vice President for Finance and Administration, at 318-274-6406.

Sincerely,

Frank G. Pogue

Frank G. Pogue, Ph.D.
President