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

LOUISIANA
LEGISLATIVE
AUDITOR

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2006
ISSUED MAY 2, 2007

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

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STEVE J. THERIOT, CPA
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March 9, 2007

Independent Auditor's Report on the Financial Statements

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

We have audited the accompanying basic financial statements of Grambling State University, a university within the University of Louisiana System, a component unit of the State of Louisiana, as of and for the years ended June 30, 2006 and June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of Grambling State University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1-B, the accompanying financial statements of Grambling State 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 University of Louisiana System that is attributable to the transactions of Grambling State University. They do not purport to, and do not, present fairly the financial position of the University of Louisiana System as of June 30, 2006 and June 30, 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Grambling State University as of June 30, 2006 and June 30, 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-P to the basic financial statements, Grambling State University implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*; GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*; and GASB No. 47, *Accounting for Termination Benefits*, for the year ended June 30, 2006. However, Statement Nos. 42 and 47 have no impact on the financial statements for fiscal year 2006.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. While Grambling State University did not directly suffer any major effects of these two hurricanes, the University of Louisiana System lost significant assets and operational functionality. However, the long-term effects of these events directly on Grambling State University cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2007, on our consideration of Grambling State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. However, Grambling State University did not include this information in its financial statements for fiscal years ended June 30, 2006 and June 30, 2005.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statements of Net Assets
June 30, 2006 and June 30, 2005

	JUNE 30,	
	2006	2005
ASSETS		
Current assets:		
Cash and cash equivalents (note 2)	$7,845,965	$10,834,146
Receivables, net (note 4)	4,599,959	2,339,971
Inventories	571,165	651,857
Deferred charges and prepaid expenses	25,417	64,541
Notes receivables, net (note 5)		1,146
Total current assets	13,042,506	13,891,661
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (note 2)	2,325,078	2,499,324
Investments (note 3)	8,165,481	3,887,623
Receivables, net (note 4)	600,911	
Notes receivable, net (note 5)	12,842	15,402
Investments (note 3)	1,316,632	1,328,105
Capital assets, net (note 6)	78,499,830	71,343,110
Total noncurrent assets	90,920,774	79,073,564
TOTAL ASSETS	103,963,280	92,965,225
LIABILITIES		
Current liabilities:		
Accounts payable and accruals (note 10)	3,567,697	3,660,613
Due to state treasury (note 16)	6,889	3,324
Deferred revenues (note 11)	1,156,447	1,130,438
Compensated absences (note 12)	545,750	263,914
Capital lease obligations (note 13)		4,592
Amounts held in custody for others	696,537	589,747

(Continued)

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statements of Net Assets
June 30, 2006 and June 30, 2005

	JUNE 30,	
	2006	2005
LIABILITIES (CONT.)		
Current liabilities: (Cont.)		
Notes payable (note 15)	$285,345	$275,030
Bonds payable (note 15)	286,000	290,000
Other current liabilities	611,672	3,320
Total current liabilities	7,156,337	6,220,978
Noncurrent liabilities:		
Compensated absences (note 12)	2,455,959	2,986,513
Capital lease obligations (note 13)		2,527
Notes payable (note 15)	2,518,363	2,803,707
Bonds payable (note 15)		286,000
Total noncurrent liabilities	4,974,322	6,078,747
Total liabilities	12,130,659	12,299,725
NET ASSETS		
Invested in capital assets, net of related debt	75,410,256	67,681,387
Restricted:		
Nonexpendable (note 17)	2,447,584	2,251,254
Expendable (note 17)	8,738,857	8,522,779
Unrestricted	5,235,924	2,210,080
TOTAL NET ASSETS	$91,832,621	$80,665,500

(Concluded)

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statements of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2006 and June 30, 2005

	JUNE 30,	
	2006	2005
OPERATING REVENUES		
Student tuition and fees	$25,216,437	$22,834,197
Less scholarship allowances	(9,439,889)	(9,053,574)
Net student tuition and fees	15,776,548	13,780,623
Federal grants and contracts	16,718,131	17,245,797
State and local grants and contracts	2,425,389	2,298,131
Nongovernmental grants and contracts	792,467	261,825
Sales and services of educational departments	261,745	222,287
Auxiliary enterprise revenues	14,615,554	13,128,496
Less scholarship allowances	(725,219)	(638,371)
Net auxiliary revenues	13,890,335	12,490,125
Other operating revenues	1,252,236	1,061,813
Total operating revenues	51,116,851	47,360,601
OPERATING EXPENSES		
Education and general:		
Instruction	22,773,993	21,607,178
Research	527,826	827,765
Public service	150,791	57,920
Academic support	8,270,152	8,001,182
Student services	4,444,990	4,462,094
Institutional support	10,531,259	11,504,198
Operations and maintenance of plant	4,958,625	4,651,849
Depreciation (note 6)	3,478,897	3,198,697
Scholarships and fellowships	6,819,648	7,014,277
Auxiliary enterprises	15,275,774	13,730,745
Other operating expenses	3,251	
Total operating expenses	77,235,206	75,055,905
Operating Loss	(26,118,355)	(27,695,304)

(Continued)

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statements of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2006 and June 30, 2005

	JUNE 30,	
	2006	2005
NONOPERATING REVENUES (Expenses)		
State appropriations	$26,223,729	$25,994,591
Gifts	571,197	707,959
Net investment income	375,351	547,009
Interest expense	(107,628)	(127,330)
Other nonoperating revenues (expenses)	(635,508)	
Net nonoperating revenues (expenses)	26,427,141	27,122,229
Increase (loss) before contributions and other revenues	308,786	(573,075)
Capital appropriations	9,758,335	10,325,310
Additions to permanent endowments	1,100,000	105,547
Increase in net assets	11,167,121	9,857,782
Net assets - beginning of year (note 18)	80,665,500	70,807,718
Net assets - end of year	$91,832,621	$80,665,500

(Concluded)

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statements of Cash Flows
For the Years Ended June 30, 2006 and June 30, 2005

	JUNE 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$24,339,816	$22,968,085
Grants and contracts	18,926,019	19,878,877
Sales and services of educational departments	261,745	209,402
Auxiliary enterprise receipts	14,615,554	13,303,496
Payments for employee compensation	(36,908,007)	(35,281,769)
Payments for benefits	(10,181,164)	(9,186,349)
Payments for utilities	(2,955,381)	(2,569,288)
Payments for supplies and services	(15,852,763)	(16,356,806)
Payments for scholarships and fellowships	(17,509,036)	(17,200,804)
Other receipts	637,763	1,234,949
Net cash provided (used) by operating activities	(24,625,454)	(23,000,207)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	26,375,430	26,075,242
Gifts and grants for other than capital purposes	571,197	707,959
Private gifts and grants for endowment purposes		105,547
TOPS receipts	436,891	386,630
TOPS disbursements	(436,891)	(386,630)
Federal Family Educational Loan program receipts	32,464,322	29,169,040
Federal Family Educational Loan program disbursements	(32,464,322)	(29,169,040)
Other payments	(35,508)	
Net cash provided by noncapital financing sources	26,911,119	26,888,748
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital appropriations received	9,758,335	10,325,310
Purchase of capital assets	(10,635,617)	(11,550,864)
Principal paid on capital debt and leases	(572,148)	(542,975)
Interest paid on capital debt and leases	(107,628)	(127,330)
Other sources		497,851
Net cash used by capital financing activities	(1,557,058)	(1,398,008)

(Continued)

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statements of Cash Flows, June 30, 2006 and June 30, 2005

CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$2,137,881	$1,317,675
Interest received on investments	375,351	539,802
Purchase of investments	(6,404,266)	(3,167,179)
Net cash used by investing activities	(3,891,034)	(1,309,702)
Net increase (decrease) in cash and cash equivalents	(3,162,427)	1,180,831
Cash at beginning of year	13,333,470	12,152,639
Cash at end of year	$10,171,043	$13,333,470
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	($26,118,355)	($27,695,304)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	3,478,897	3,198,697
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(2,512,600)	290,546
(Increase) decrease in inventories	80,692	(217,046)
(Increase) decrease in deferred charges and prepaid expenses	39,124	(53,811)
Decrease in notes receivable	3,706	173,136
Increase (decrease) in accounts payable and accrued liabilities	(89,351)	348,863
Increase in deferred revenue	26,009	78,581
Increase in amounts held in custody for others	106,790	125,834
Increase (decrease) in compensated absences	(248,718)	804,293
Increase (decrease) in other liabilities	608,352	(53,996)
Net cash used by operating activities	($24,625,454)	($23,000,207)

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

Grambling State 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, department 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.

Grambling State 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 1,910; 5,165; and 4,898, respectively, during the summer, fall, and spring semesters of fiscal year 2006 and 1,932; 5,040; and 4,923, respectively, during the summer, fall, and spring semesters of fiscal year 2005. At June 30, 2006 and 2005, the university has approximately 786 and 807, respectively, 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) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) 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, 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.

C. BASIS OF ACCOUNTING

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

The university has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The institution 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 branches of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs 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; (4) the long-term portion of capital leases is not recognized; and (5) certain inventories are recorded as expenditures at the time of purchase.

The budget amounts for fiscal year 2006 and 2005 include the original approved budget and subsequent amendments approved as follows:

	2006	2005
Original approved budget	$51,396,205	$47,842,113
Amendments:		
State General Fund	(1,003,535)	1,529,150
Statutory dedication	230,000	3,136
Final Budget	$50,622,670	$49,374,399

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

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The university defines cash and cash equivalents as cash on hand, demand deposits, interest-bearing demand 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. These terms are also used in preparing the Statement of Cash Flows.

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 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. INVENTORY

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 investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are classified as noncurrent 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 institution'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 3 to 10 years for most movable property.

I. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities before 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 nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and nonclassified 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 that 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.

Upon termination or transfer, a classified employee will be paid for any one 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 classified employee's hourly rate of pay at termination or transfer.

K. NONCURRENT LIABILITIES

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets. Revenue bonds and notes payable are reported at face value.

L. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The university provides certain continuing health care and life insurance benefits for its retired employees. The university recognizes the cost of providing these retiree benefits as an expense when paid during the year.

M. NET ASSETS

Net assets comprise the various net earnings from operation, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

(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 the outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.

(b) Restricted net assets - nonexpendable consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, 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 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.

N. CLASSIFICATION OF REVENUES

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

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

(b) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

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 services (tuition and fees) provided by the university and the amount that is paid by students and/or third parties making payments on the students' behalf.

P. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2006, the university implemented GASB Statements No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*; No. 46, *Net Assets Restricted by Enabling Legislation*; *and No. 47, Accounting for Termination Benefits*. Statements 42 and 47 have no impact on reporting for the university and are not addressed elsewhere in the financial statements. Statement 46 does affect the reporting of net assets and is addressed in the financial statements and the accompanying notes.

2. CASH AND CASH EQUIVALENTS

At June 30, 2006 and 2005, the university has cash and cash equivalents (book balances) totaling $10,171,043 and $13,333,470, respectively, as follows:

	2006	2005
Demand deposits:		
Interest-bearing	$8,584,672	$12,929,072
Noninterest-bearing	(566,194)	(2,020,119)
Time certificates of deposit	2,150,865	2,422,817
Petty cash	1,700	1,700
Total	$10,171,043	$13,333,470

These cash and cash equivalents are reported as follows on the Statement of Net Assets:

	2006	2005
Current assets	$7,845,965	$10,834,146
Noncurrent assets - restricted	2,325,078	2,499,324
Total	$10,171,043	$13,333,470

Custodial risk is the risk that in the event of a bank failure, the university's deposits may not be recovered. Under state law, these 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. At June 30, 2006 and 2005, the university has $11,796,830 and $15,224,599, respectively, in deposits (collected bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

3. INVESTMENTS

At June 30, 2006 and 2005, the university has investments totaling $9,482,113 and $5,215,728, respectively. The investments are reported at fair value as required by GASB Statement 31. These investments were secured from risk by federal deposit insurance or other appropriate pledged securities.

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 Type	June 30, 2006 Fair Value	Credit Quality Ratings*	Percent of Investment	Investment Maturity (in years) Less Than 1	1 to 5	6 to 10
Federal Home Loan Bank (FHLB) Bonds	$1,165,633	Aaa	12.3%	$49,344	$586,686	$529,603
Federal Home Loan Mortgage Corporation (FHLMC) Bonds	2,259,711	Aaa	23.8%		1,983,608	276,103
Federal Farm Credit Bank (FFCB) Bonds	1,954,380	Aaa	20.6%		1,954,380	
Federal National Mortgage Association (FNMA) Bonds	573,375	Aaa	6.0%			573,375
Corporate Bonds	942,880	Aaa	9.9%	942,880		
Oppenheimer Capital Income Class A Mutual Fund	1,399,866		14.8%	1,399,866		
Proctor & Gamble Common Stock	4,837		0.1%	4,837		
Certificates of deposit	1,181,431	Un-rated	12.5%	608,547	485,580	87,304
Total Investments	$9,482,113		100.0%	$3,005,474	$5,010,254	$1,466,385

*Credit quality ratings obtained from Moody's Investor's Service.

Investment Type	June 30, 2005 Fair Value	Credit Quality Ratings*	Percent of Investment	Investment Maturity (in years) Less Than 1	1 to 5	6 to 10
Federal Home Loan Bank (FHLB) Bonds	$98,840	Aaa	1.9%			$98,840
Federal Home Loan Mortgage Corporation (FHLMC) Bonds	2,379,047	Aaa	45.6%			2,379,047
Federal National Mortgage Association (FNMA) Bonds	549,120	Aaa	10.5%			549,120
Oppenheimer Capital Income Class A Mutual Fund	1,317,132		25.3%	$1,317,132		
Proctor & Gamble Common Stock	4,589		0.1%	4,589		
Certificates of deposit	867,000	Un-rated	16.6%	260,000	$510,000	97,000
Total Investments	$5,215,728		100.0%	$1,581,721	$510,000	$3,124,007

*Credit quality ratings obtained from Moody's Investor's Service.

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 policies to further limit credit risk.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For U.S. Treasury obligations and U.S. government agency obligations, the university's investment policy generally requires that issuers must provide the university with safekeeping receipts, collateral agreements, and custodial agreements.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. 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.

The university's investments reported on the Statement of Net Assets are as follows:

	2006	2005
Noncurrent assets:		
Restricted investments	$8,165,481	$3,887,623
Noncurrent, nonrestricted investments	1,316,632	1,328,105
Total	$9,482,113	$5,215,728

4. RECEIVABLES

Receivables are shown on Statement A net of an allowance for doubtful accounts at June 30, 2006 and June 30, 2005. These receivables are composed of the following:

	June 30, 2006		
Type	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	$6,834,361	($5,013,439)	$1,820,922
Federal, state, and private grants and contracts	1,382,334	(30,340)	1,351,994
Due from State of Louisiana			
Auxiliary enterprises	1,255,900		1,255,900
Due from Board of Regents	600,000		600,000
Other	172,054		172,054
Total	$10,244,649	($5,043,779)	$5,200,870

	June 30, 2005		
Type	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	$5,407,703	($4,445,276)	$962,427
Federal, state, and private grants and contracts	593,168	(30,340)	562,828
Due from State of Louisiana	151,701		151,701
Auxiliary enterprises	472,055		472,055
Other	190,960		190,960
Total	$6,815,587	($4,475,616)	$2,339,971

5. NOTES RECEIVABLE

The university administers the Nursing Student Loan program. Notes receivables are comprised of loans to students under this program. If loans are determined to be uncollectible and not eligible for reimbursement by the federal government, the loans can be written off and assigned to the Department of Health and Human Services (DHHS). Loans are no longer issued under the Nursing Student Loan program, but collections are still being made on outstanding loans and remitted quarterly to the DHHS. As of June 30, 2006, notes receivable totaling $12,842 is shown on Statement A net of an allowance for doubtful accounts of $100,237. As of June 30, 2005, notes receivable totaling $16,548 is shown on Statement A net of an allowance for doubtful accounts of $99,841.

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2006, follows:

	Balance, July 1, 2005	Additions	Transfers	Retirements	Balance, June 30, 2006
Capital assets not being depreciated:					
Land	$992,089				$992,089
Construction-in-progress	11,689,274	$9,567,232	($2,497,689)		18,758,817
Total capital assets not being depreciated	$12,681,363	$9,567,232	($2,497,689)	NONE	$19,750,906
Other capital assets:					
Land improvements	$467,099				$467,099
Less accumulated depreciation	(467,099)				(467,099)
Total land improvements	NONE	NONE	NONE	NONE	NONE
Buildings	113,131,797	$191,103	$2,497,689		115,820,589
Less accumulated depreciation	(57,831,235)	(2,339,433)			(60,170,668)
Total buildings	55,300,562	(2,148,330)	2,497,689	NONE	55,649,921
Equipment	11,792,520	519,466		($772,419)	11,539,567
Less accumulated depreciation	(9,149,633)	(774,678)		750,997	(9,173,314)
Total equipment	2,642,887	(255,212)	NONE	(21,422)	2,366,253
Library books	13,951,711	379,238		(41,602)	14,289,347
Less accumulated depreciation	(13,233,413)	(364,786)		41,602	(13,556,597)
Total library books	718,298	14,452	NONE	NONE	732,750
Total other capital assets	$58,661,747	($2,389,090)	$2,497,689	($21,422)	$58,748,924
Capital Asset Summary:					
Capital assets not being depreciated	$12,681,363	$9,567,232	($2,497,689)		$19,750,906
Other capital assets, at cost	139,343,127	1,089,807	2,497,689	($814,021)	142,116,602
Total cost of capital assets	152,024,490	10,657,039	NONE	(814,021)	161,867,508
Less accumulated depreciation	(80,681,380)	(3,478,897)	NONE	792,599	(83,367,678)
Capital assets, net	$71,343,110	$7,178,142	NONE	($21,422)	$78,499,830

A summary of changes in capital assets for the year ended June 30, 2005, follows:

	Balance, July 1, 2004	Additions	Transfers	Retirements	Balance, June 30, 2005
Capital assets not being depreciated:					
Land	$992,089				$992,089
Construction-in-progress	2,149,418	$10,325,310	($771,253)	($14,201)	11,689,274
Total capital assets not being depreciated	$3,141,507	$10,325,310	($771,253)	($14,201)	$12,681,363
Other capital assets:					
Land improvements	$467,099				$467,099
Less accumulated depreciation	(467,099)				(467,099)
Total land improvements	NONE	NONE	NONE	NONE	NONE
Buildings	112,360,544		$771,253		113,131,797
Less accumulated depreciation	(55,559,302)	($2,271,933)			(57,831,235)
Total buildings	56,801,242	(2,271,933)	771,253	NONE	55,300,562
Equipment	11,710,141	437,896		($355,517)	11,792,520
Less accumulated depreciation	(8,823,897)	(669,452)		343,716	(9,149,633)
Total equipment	2,886,244	(231,556)	NONE	(11,801)	2,642,887
Library books	13,764,035	315,809		(128,133)	13,951,711
Less accumulated depreciation	(13,104,234)	(257,312)		128,133	(13,233,413)
Total library books	659,801	58,497	NONE	NONE	718,298
Total other capital assets	$60,347,287	($2,444,992)	$771,253	($11,801)	$58,661,747
Capital Asset Summary:					
Capital assets not being depreciated	$3,141,507	$10,325,310	($771,253)	($14,201)	$12,681,363
Other capital assets, at cost	138,301,819	753,705	771,253	(483,650)	139,343,127
Total cost of capital assets	141,443,326	11,079,015	NONE	(497,851)	152,024,490
Less accumulated depreciation	(77,954,532)	(3,198,697)	NONE	471,849	(80,681,380)
Capital assets, net	$63,488,794	$7,880,318	NONE	($26,002)	$71,343,110

7. 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. TRSL and LASERS 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; employee benefits vest with TRSL after five years of service and with LASERS after 10 years of service. 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 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. For fiscal years 2006 and 2005, employees contribute 8% (TRSL) and 7.5% (LASERS) of covered salaries. The state is required to contribute 15.9% of covered salaries to TRSL and 19.1% of covered salaries to LASERS for fiscal year 2006 and 15.5% of covered salaries to TRSL and 17.8% of covered salaries to LASERS for fiscal year 2005. The State of Louisiana, through the annual appropriation to the university, funds the university's employer contribution. The university's employer contributions to TRSL for the years ended June 30, 2006, 2005, and 2004 were $2,528,076; $2,358,513; and $2,100,095, respectively, and to LASERS for years ended June 30, 2006, 2005, and 2004 were $1,440,065; $1,267,523; and $1,125,766, respectively, equal to the required contributions for each year.

8. 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, which is administered by TRS, was designed to aid universities in recruiting employees who may not be expected to remain in the TRSL for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRSL and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the university are 15.9% of covered payroll for fiscal year 2006 and 15.5% for fiscal year 2005. The participant's contribution, which was 8% for fiscal years 2006 and 2005, 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 obligation 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 $1,239,526 and $623,649, respectively, for the year ended June 30, 2006; and $1,107,620 and $571,674, respectively, for the year ended June 30, 2005.

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The university provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the university's employees become eligible for these benefits if they reach normal retirement age while working for the university. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the university. The university recognizes the cost of providing these benefits to retirees (university's portion of premiums) as an expense when paid during the year. These retiree benefits totaled $1,689,981 and $1,533,354 for the year ended June 30, 2006 and 2005, respectively. The total number of retirees at June 30, 2006 and 2005 are 288 and 284, respectively.

10. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accrued expenses at June 30, 2006 and 2005:

Account Name	June 30, 2006	June 30, 2005
Vendors	$1,161,062	$1,725,728
Accrued salaries and benefits	2,251,417	1,924,659
Other	155,218	10,226
Total payables	$3,567,697	$3,660,613

11. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2006 and 2005:

	June 30, 2006	June 30, 2005
Prepaid tuition and fees	$921,438	$597,544
Prepaid athletic ticket sales	14,429	73,967
Grants and contracts	220,580	458,927
Total deferred revenues	$1,156,447	$1,130,438

12. COMPENSATED ABSENCES

Employees of the university have accumulated and vested annual, sick, and compensatory leave at June 30, 2006 and June 30, 2005, as follows:

	June 30, 2006	June 30, 2005
Compensated absences payable:		
Annual	$1,695,434	$1,969,014
Sick	853,906	471,045
Compensatory	452,369	810,368
	$3,001,709	$3,250,427

These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

13. LEASE OBLIGATIONS

Operating Leases

The university's total rental expense for operating leases is $268,078 and $331,074 for the year ended June 30, 2006 and 2005, respectively. 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:

	FY 2007	FY 2008	FY 2009	Total
Nature of lease - office equipment	$288,316	$288,316	$120,132	$696,764

The university's lease agreements for office equipment expired at June 30, 2005, and as a result, there were no future minimum annual rental payments.

Capital Leases

At June 30, 2005, the university's financial statements included a capital lease for equipment with net minimum lease payments of $7,119. However, the lease obligation was liquidated during fiscal year 2006 and the university did not enter into any new capital leases during the fiscal year.

14. LONG-TERM LIABILITIES

The following is a summary of bond and other long-term debt transactions of the university for the year ended June 30, 2006:

	Balance, June 30, 2005	Additions	Reductions	Balance, June 30, 2006	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds payable	$576,000		$290,000	$286,000	$286,000
Notes payable	3,078,737		275,029	2,803,708	285,345
Capital lease obligations	7,119		7,119		
Total bonds and notes payable	3,661,856	NONE	572,148	3,089,708	571,345
Other liabilities - accrued compensated absences payable	3,250,427	NONE	248,718	3,001,709	545,750
Total long-term liabilities	$6,912,283	NONE	$820,866	$6,091,417	$1,117,095

The following is a summary of bonds and other long-term debt transactions of the university for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds payable	$861,000		$285,000	$576,000	$290,000
Notes payable	3,343,831		265,094	3,078,737	275,030
Capital lease obligations		$8,960	1,841	7,119	4,592
Total bonds and notes payable	4,204,831	8,960	551,935	3,661,856	569,622
Other liabilities - accrued compensated absences payable	2,446,134	804,293	NONE	3,250,427	263,914
Total long-term liabilities	$6,650,965	$813,253	$551,935	$6,912,283	$833,536

The additions to compensated absences during the fiscal year represent the net change during the year because the additions and deductions could not readily be determined.

15. REVENUE BONDS AND NOTES PAYABLE

Revenue bonds and notes payable consisted of the following for fiscal year ended June 30, 2006:

	Date of Issue	Original Issue	Principal \ Outstanding June 30, 2005	Redeemed	Principal Outstanding June 30, 2006	Maturities	Interest Rates	Interest Outstanding June 30, 2006
Revenue Bonds								
Student Housing System:								
1965 Series B	October 1, 1965	$4,000,000	$175,000	$175,000		2005		
1968 Series B	October 1, 1968	3,000,000	401,000	115,000	$286,000	2008	3.0%	$10,200
Total bonds payable		7,000,000	576,000	290,000	286,000			10,200
Notes Payable								
U.S. Department of Education	May 1, 1993	3,500,000	2,509,631	103,234	2,406,397	2023	3.0%	704,297
Ford Motor Credit Company for telephone equipment	August 30, 2001	1,165,931	569,106	171,795	397,311	2008	4.1%	18,632
Total notes payable		4,665,931	3,078,737	275,029	2,803,708			722,929
Total bonds and notes payable		$11,665,931	$3,654,737	$565,029	$3,089,708			$733,129

During fiscal year 2006, management decided to redeem the Student Housing System 1968 Series B bonds before their maturity in 2008. In October 2006, the university redeemed all the outstanding bonds and related interest for this series.

Revenue bonds and notes payable consisted of the following for fiscal year ended June 30, 2005:

	Date of Issue	Original Issue	Principal Outstanding June 30, 2004	Redeemed	Principal Outstanding June 30, 2005	Maturities	Interest Rates	Interest Outstanding June 30, 2005
Revenue Bonds								
Student Housing System:								
1965 Series B	October 1, 1965	$4,000,000	$345,000	$170,000	$175,000	2005	3.0%	$2,625
1968 Series B	October 1, 1968	3,000,000	516,000	115,000	401,000	2008	3.0%	20,505
Total bonds payable		7,000,000	861,000	285,000	576,000			23,130
Notes Payable								
U.S. Department of Education	May 1, 1993	3,500,000	2,609,836	100,205	2,509,631	2023	3.0%	778,817
Ford Motor Credit Company for telephone equipment	August 30, 2001	1,165,931	733,995	164,889	569,106	2008	4.1%	38,810
Total notes payable		4,665,931	3,343,831	265,094	3,078,737			817,627
Total bonds and notes payable		$11,665,931	$4,204,831	$550,094	$3,654,737			$840,757

All auxiliary enterprise revenues are available as security for the outstanding revenue bonds at June 30, 2006 and 2005.

The scheduled maturities of the revenue bonds and notes payable for fiscal year ended June 30, 2006, are as follows:

	Bonds Payable		Notes Payable		
Fiscal Year	Principal	Interest	Principal	Interest	Total
2007	$125,000	$6,705	$285,345	$84,383	$501,433
2008	125,000	2,955	296,056	73,672	497,683
2009	36,000	540	144,712	65,037	246,289
2010			116,292	61,462	177,754
2011			119,807	57,947	177,754
2012-2016			655,590	233,180	888,770
2017-2021			760,839	127,931	888,770
2022-2025			425,067	19,318	444,385
Total	$286,000	$10,200	$2,803,708	$722,930	$3,822,838

The scheduled maturities of the revenue bonds and notes payable for fiscal year ended June 30, 2005, are as follows:

Fiscal Year	Bonds Payable Principal	Bonds Payable Interest	Notes Payable Principal	Notes Payable Interest	Total
2006	$290,000	$12,930	$275,029	$94,699	$672,658
2007	125,000	6,705	285,345	84,383	501,433
2008	125,000	2,955	296,055	73,671	497,681
2009	36,000	540	144,712	65,037	246,289
2010			116,292	61,462	177,754
2011-2015			636,357	252,413	888,770
2016-2020			738,518	150,252	888,770
2021-2025			586,429	35,711	622,140
Total	$576,000	$23,130	$3,078,737	$817,628	$4,495,495

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2006:

	Reserves Available	Reserve Requirement	Excess
Student Housing System Repair and Replacement Reserve Account	$1,505,619	$150,000	$1,355,619
Student Housing System Revenue Bonds	180,000	180,000	
U.S. Department of Education note	458,000	458,000	
Total	$2,143,619	$788,000	$1,355,619

The following is a summary of the debt service reserve requirements of the various bond and note issues outstanding at June 30, 2005:

	Reserves Available	Reserve Requirement	Excess
Student Housing System Repair and Replacement Reserve Account	$1,121,717	$600,000	$521,717
Student Housing System Revenue Bonds	511,700	511,700	
U.S. Department of Education note	423,000	423,000	
Total	$2,056,417	$1,534,700	$521,717

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.

16. DUE TO STATE TREASURY

The $6,889 and $3,324 due to the state treasury at June 30, 2006 and 2005, respectively, are for unclaimed property, which is to be remitted when the appropriate reports are filed.

17. RESTRICTED NET ASSETS

The university has the following restricted net assets at June 30, 2006 and 2005:

	2006	2005
Nonexpendable - endowments	$2,447,584	$2,251,254
Expendable:		
Grants and contracts	$5,310,040	$4,469,542
Endowment earnings	26,356	289,981
Student loans	86,361	72,427
University plant projects	1,172,481	1,634,412
Debt service requirements	2,143,619	2,056,417
Total expendable	$8,738,857	$8,522,779

18. RESTATEMENT OF NET ASSETS AS OF JUNE 30, 2005

The university's fiscal year 2005 financial statements, previously issued on March 22, 2006, have been restated. On Statement A, inventory and unrestricted net assets increased by $324,489 and operating expenses decreased by the same amount. The net assets as of June 30, 2005, have been restated to reflect the following change:

Net Assets as of June 30, 2005	$80,341,011
Correction of an error in material and supply inventory	324,489
Net assets at July 1, 2005, restated	$80,665,500

19. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

Of the total net assets reported in the Statement of Net Assets for the year ended June 30, 2006 and 2005, the following are restricted by enabling legislation:

	2006	2005
Student technology fee - restricted by Louisiana Revised Statute 17:3351.1	$61,030	($104,568)
Vehicle registration fee - restricted by Louisiana Revised Statute 17:1804	144,934	110,872
Building and Facility Preventative Maintenance Program - restricted by Louisiana Revised Statute 17:3386	555,788	357,345
Total	$761,752	$363,649

20. 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. The university is involved in two lawsuits at June 30, 2006, that are handled by contract attorneys. The attorneys have estimated a possible liability of $13,000 relating to one of the lawsuits. This amount has not been accrued in the accompanying financial statements. This 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.

21. AFFILIATED ORGANIZATIONS

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

Grambling University National Alumni Association
Grambling University Athletic Foundation
Grambling Black and Gold Foundation, Incorporated

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.

22. ON-BEHALF PAYMENTS FOR SALARIES AND FRINGE BENEFITS

On-behalf payments for salaries and fringe benefits are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. For example, a nongovernmental fund-raising foundation affiliated with a governmental university (such as Grambling State University) may supplement salaries of certain university employees. Those payments constitute on-behalf payments for purposes of reporting by the university if they are made to the faculty members in their capacity as employees of the university.

The amount of on-behalf payments for salaries and fringe benefits included in the university's accompanying financial statements for the fiscal years ended June 30, 2006 and 2005, are $29,504 and $23,680, respectively.

23. DEFERRED COMPENSATION PLAN

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

24. 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, 2006 and 2005, net appreciation of $21,131 and $120,205, respectively, is available to be spent and is restricted to specific purposes.

OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

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

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

STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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March 9, 2007

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 basic financial statements of Grambling State University, a university within the University of Louisiana System, which is a component unit of the State of Louisiana, as of and for the years ended June 30, 2006 and June 30, 2005, and have issued our report thereon dated March 9, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grambling State University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the university's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Unlocated Movable Property

For the second consecutive audit, Grambling State 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 $893,363. Of that amount, items totaling $285,451 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, the amount of unlocated computers and computer-related equipment totaled $471,867;

audio visual equipment totaled $120,243; office equipment totaled $97,292; and scientific equipment totaled $52,418. In addition, our tests of movable property revealed three of 24 (13%) items could not be located and three of 29 (10%) items were not in the recorded location.

Louisiana Revised Statute 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 (LAC) 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 assets should be properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory should be conducted. The university's certification of annual property inventory, submitted to LPAA on October 3, 2005, disclosed $22,378,924 in total movable property.

University management has not enforced and consistently applied its existing policies and procedures for tracking the movement of property across campus and conducting the annual inventory. Failure to enforce existing policies and procedures subjects the university's movable property to increased risk of loss and/or unauthorized use and subjects the university to noncompliance with movable property laws and regulations. Furthermore, because of the nature of the services provided by the university, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

University management should enforce and consistently apply its existing policies and procedures for tracking the movement of property items and conducting the annual property inventory. In addition, management should strengthen its procedures to require more extensive searches for unlocated items and require university personnel to immediately respond to the property control officer's requests concerning unlocated property. Finally, management needs to devote additional efforts to locating movable property reported as unlocated in previous years and comply with all applicable requirements of LPAA. Management partially concurred with the finding and recommendation stating that it concurs that the university continues to experience unlocated movable property. However, it does not concur that the university is not attempting to locate and prevent further unlocated property. Management states that the procedures and safeguards implemented over the last four years have resulted in a decline in the rate of unlocated property (see Appendix A, page 1).

Improper Purchase and Safeguarding of Public Assets

Grambling State University paid $324,489 for supplies and equipment without having itemized invoices or receiving reports indicating all merchandise had been received. In addition, upon receipt the items were stored in the university's contracted bookstore in an unsecured location with no accounting of the items. State property control regulations, as defined in LAC 34:VII.307, require all acquisitions of qualified property to be tagged and pertinent inventory information sent to LPAA within 60 days of receipt of the property.

Good internal controls dictate that payment for merchandise only be made after receiving an itemized invoice and a properly completed receiving report indicating that the merchandise had actually been received. Furthermore, supplies not immediately consumed should be stored in a secure location and recorded as inventory in the university's accounting records rather than recording the supplies as an expense.

In late June 2005, the university ordered approximately $285,907 of supplies and 11 pieces of equipment with a value of $38,582 from the university's contracted bookstore without properly recording or safeguarding these assets. The university subsequently paid for the items in July 2005 without having an itemized invoice or properly completed receiving reports indicating that all items had actually been received. Furthermore, at least two pieces of equipment having an estimated value of $4,318 were not tagged within 60 days of receipt as required by regulations established by LPAA.

The purchased items remained in the university's contracted bookstore in an unsecured location with no accounting of the items until our representatives raised questions about the purchases in May 2006. From May 29 through June 2, 2006, the university's internal auditor performed a physical inventory count of the items in an attempt to determine the quantity and dollar value of the items still on hand. The physical inventory indicated that an estimated $266,081 of the original $285,907 of supplies were still on hand. Since no original invoice was available, the internal auditor had to use an alternative method to estimate the value of the supplies on hand. The physical inventory also indicated that all the equipment that was purchased was still on hand. No one from the university or the bookstore could tell our representatives what happened to the estimated $19,826 of missing supplies.

Since the university paid for items without having itemized invoices or receiving reports, the university may have paid for supplies and equipment it did not actually receive. Furthermore, by storing the supplies and equipment in the bookstore, the university subjected the assets to abuse, misuse, and possibly theft.

Grambling State University should require all university personnel to follow established policies and procedures and comply with all applicable laws and regulations. Payment for purchases should never be made without first obtaining an itemized invoice and properly approved and completed receiving report. Once items are purchased they should be properly received, stored in a secure location, recorded, and reported. Finally, periodic physical inventories should be taken and compared to the perpetual inventory records. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 2).

Athletic Revenue Control Weaknesses

For the second consecutive year, Grambling State University has not implemented adequate internal controls over its athletic revenues. Good internal control and sound business practices require (1) the assignment of incompatible duties to separate individuals and, where this is not possible, the timely and adequate review of the work performed by upper management; (2) adequate procedures be in place to ensure the proper accounting for all athletic tickets printed and sold; and (3) the terms of financial arrangements be specified in writing and signed to establish responsibility for all parties and to identify penalties and remedies for non-performance of any provision of a contract. Article 5, Section 5.4.1 of the Southwest Athletic Conference Constitution Bylaws and Sports Regulations states, a copy of all contracts shall be forwarded to the Conference office within forty-eight hours after the signing date of the contract. A review of the internal controls in the university's athletic department disclosed the following weaknesses:

- The athletic business manager collects cash, prepares deposits, controls ticket stock and prints tickets for sale, prepares the reconciliation of tickets sold to cash collected, establishes accounts receivable, and prepares journal vouchers without review by a member of upper management.

- The university has not reconciled athletic ticket sales timely. A test of ticket sales for all football games played revealed incomplete reconciliations for all games. Vital information needed to perform an accurate reconciliation was not retained by the university. The university failed to print and retain ticket system reports needed to determine the total number of tickets printed for each game. Furthermore, the university failed to retain all unsold tickets.

- The university has not obtained signed contracts for all sporting events. A test of 72 game contracts from football, men's basketball, and baseball events indicated 36 (50%) events with missing or unsigned contracts. Of the 36 missing or unsigned contracts, 18 were for men's basketball conference games, 8 for conference baseball games, and 10 for non-conference baseball games.

University management has not placed sufficient emphasis on maintaining adequate segregation of duties within the athletic department, obtaining signed athletic game contracts, reconciling ticket sales timely, and developing adequate policies and procedures to address these issues. These weaknesses increase the risk that errors or fraud could occur and not be detected timely. In addition, the provisions of an unsigned contract would be unenforceable in the event of a violation, cancellation, or breach of contract. Furthermore, the university is not in compliance with conference regulations.

University management should implement internal controls within the university's athletic department to ensure that adequate segregation of duties is established and maintained. Management should also require that a formal written contract be properly prepared and signed before any sporting event occurs and that signed contracts are forwarded to the conference office within the required 48 hours after signing. In addition, management should establish the policies and procedures necessary to reconcile ticket sales for sporting events timely. Management did not concur with the finding and recommendation because, in its opinion as stated in the prior audit, it has adequate compensating controls with the Ticket Master System and its internal audit department. Furthermore, management states that it has made pleas to other university presidents and athletic directors to sign the game contracts to no avail. Management also points out that conference opponents that refuse to play are subject to a $30,000 fine by the conference (see Appendix A, pages 3-4).

Additional Comments: Management states that it believes it has compensating controls using the Ticket Master System and its internal audit department to review reconciliations and supporting documentation. While we agree that the Ticket Master System has good controls built into the system, these controls become useless if vital information generated by the system is not updated, retained, and used to perform a timely reconciliation of ticket sales. Furthermore, the university's internal audit department issued its report dated June 12, 2006, addressing several of the issues noted above plus an additional concern relating to an error found in the Ticket Master System resulting in a $1,000 difference in ticket sales for one game. This error in the system was not detected by athletic department personnel until it was discovered by the internal auditors. According to internal audit personnel, the error had not been corrected as of December 13, 2006. Management also indicates that if a team failed to play a conference game it would be subject to a $30,000 fine. However, it should be noted that it is questionable if the conference would impose such a fine since apparently it does not enforce its own bylaws that require a signed contract be forwarded to the conference office within 48 hours of the signing. Therefore, the only recourse the university would have to recover its losses from a team not playing a schedule game would be costly litigation.

Compensatory Leave Earned Without Adequate Documentation and Approval

Grambling State University's police chief and assistant police chief earned 869.75 and 978.25 hours of compensatory time, respectively, without providing adequate approval documentation indicating the specific reasons for earning compensatory leave from December 1, 2005, through June 30, 2006. The university's *Unclassified Personnel Handbook*, Chapter 5, Section A(5), states that earning compensatory leave must have prior approval of the employee's immediate supervisor and appropriate vice president. Furthermore, once approval is received good internal control and business practices would dictate that detailed documentation be prepared, maintained, and submitted to the employee's supervisor for review and approval. This documentation would describe the specific circumstances for earning the compensatory leave.

The university does have a form that is to be completed and the form does require an explanation for earning compensatory leave in addition to having the approval of the employee's immediate supervisor and vice president. However, in most cases, no reasons were given for the compensatory leave earned by the chief and his assistant or the reason given was vague. Furthermore, none of the forms for the chief or his assistant were signed by a vice president. The value of the compensatory leave earned by the chief and his assistant was $29,267 and $25,865, respectively, for the seven-month period.

Management failed to emphasize to the chief and his assistant the importance of following established university policies, properly completing the compensatory leave form, and obtaining the required signatures. Failure to follow established policies and procedures subjects university assets to possible misuse and abuse. In addition, failure to keep the appropriate vice president informed of the type and amount of overtime charged to campus security could have unexpected budgetary implications.

Grambling State University should ensure that all employees of the university understand and comply with established policies and procedures relating to earning compensatory leave. Employees and supervisors should be required to complete the forms in sufficient detail to clearly indicate the reason for earning compensatory leave and obtain the required approvals before earning compensatory leave. Management concurs that the chief and assistant chief of police worked and earned a significant amount of compensatory leave during the period in question to achieve increased security goals set by university administration. However, management disagrees with the total compensatory leave earned. Management also feels that since the compensatory leave earned by the police chief was approved by his immediate supervisor, the Senior Associate Vice President for Operations, who reports to the president, no policy was violated (see Appendix A, page 5).

Additional Comments: The hours reported above were taken directly from the Request to Earn Compensatory Leave by Unclassified Employees forms completed by the employees and these forms were agreed to the university's accounting system (BANNER). The forms were not approved by the appropriate vice president as required by university policy. In its response, management chose not to address requiring a reason for earning compensatory leave even though the form designed by the university provides a section requiring a reason for earning such leave. It is evident from reviewing the form that management is aware of the need for establishing good internal controls; however, it should require all university staff to comply with existing policies and procedures if these controls are going to accomplish the desired objectives.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described previously are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grambling State 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 the following instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Time Certificates of Deposit Purchased in Excess of the Maximum Maturity Allowed

Grambling State University used General Fund monies to purchase four time certificates of deposit with maturity dates which exceed the maximum maturity allowed by state law. Louisiana Revised Statute 49:327C(4) states, in part, that time certificates of deposit in which investments are made with funds not on deposit with the state treasury shall mature not more than 12 months after the date of purchase. This section of the statute does not apply to funds derived from gifts and grants, funds functioning as endowments, or other permanent funds. The university had four time certificates of deposit originally costing $390,000 with a market value of $371,279 with maturity dates from 36 to 48 months after June 30, 2006.

This violation of state law was brought to management's attention by our representatives during fiscal year 2005, yet management has not taken corrective action to resolve this issue. As a result, the university is in violation of state law and university assets may not generate the maximum return as indicated by the drop in market value.

Grambling State University should comply with state law and only purchase time certificates of deposits from its General Fund that mature not more than 12 months from the date of purchase. It should also consider substituting these certificates with other short-term investments that would be acceptable under state law. Finally, management should review its current policies and procedures relevant to investments and make sure that the policies and procedures strictly comply with state law. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 6).

Failure to Comply With Internal Revenue Service Regulations

Grambling State University failed to withhold the maximum amount of federal income tax from employees that claimed tax exempt status and did not complete the required

Form W-4. Internal Revenue Service (IRS) Publication 15, Circular E, *Employer's Tax Guide*, Section 15, Withholding from Employees' Wages, states that a Form W-4 claiming exemption from withholding is valid for only one calendar year. To continue to be exempt from withholding in the next year, an employee must give a new Form W-4 by February 15 of that year. If the employee does not give a new Form W-4, the employer is to withhold tax from the employee as if the employee is single with zero withholding allowances or withhold based on the last valid Form W-4 on record from the employee.

A review of payroll expenses disclosed that updated W-4 forms were not being obtained for all employees claiming exemption from federal income tax withholding. A report provided by the university as of March 2006 indicated exemptions from federal income tax were being provided for 70 university employees with annual salaries totaling $2,400,648. We selected 10 of the 70 employees for review and found that eight of the 10 (80%) claiming exempt status as of March 2006 did not have a new 2006 Form W-4 on file. Furthermore, the university was not withholding federal income tax from the employee as if the employee was single with zero allowances or withholding based on the employee's last valid Form W-4.

University management did not place sufficient emphasis on adhering to employer responsibilities set forth in the *Employer's Tax Guide* and withhold the required tax from employee wages. As a result, the university is in noncompliance with the IRS regulations.

Grambling State University should become familiar and comply with the provisions of the *Employer's Tax Guide* from the IRS. Furthermore, the university should immediately begin withholding the appropriate federal taxes from employee wages. Finally, the university should review and evaluate existing policies and procedures, both formal and informal, to ensure the university will comply with the IRS regulations in the future. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 7).

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

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

WMS:WJR:THC:dl

GSU06

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

GRAMBLING
STATE UNIVERSITY
WHERE EVERYBODY IS SOMEBODY

Office of the President

December 4, 2006

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
State of Louisiana
1600 North Third
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Unlocated Movable Property

Management concurs that Grambling State University continues to experience unlocated movable property. For the third year as a repeat finding, we do not concur that we are not attempting to locate and prevent further unlocated equipment. This finding, which is based on four years of accumulated unlocated property, originated during FY 2002 when a physical observation of movable property revealed large discrepancies in property previously verified using the "self-reporting" method. Over the last four years, the procedures and safeguards implemented have resulted in a decline in the rate of unlocated movable property as summarized below.

	Total Movable Property	Current Year Unlocated	% Unlocated
1-Oct-03	$ 22,603,775	$ 342,579	1.52%
1-Oct-04	22,033,144	211,434	0.96%
1-Oct-05	22,378,924	71,563	0.32%

The declining rate of unlocated movable property substantiates management's commitment to locate all of its movable property. It is our goal to maintain control over every piece of equipment. However, it is unreasonable to expect that management can achieve a 0% loss rate related to moveable property. We remain firmly committed to safeguarding the University's assets.

Sincerely,

Horace A. Judson
Horace A. Judson
President

HAJ:jj

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GRAMBLING STATE UNIVERSITY
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Office of the President

December 1, 2006

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
State of Louisiana
1600 North Third
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Management concurs with the finding that the system of internal controls are more than approvals, checking for availability of funds, and ascertaining that items were billed. In this case, no one questioned the need for the volume of supplies and equipment ordered. It was assumed that since the Associate Vice President for Academic Affairs was making grant purchases, the questions weren't necessary.

The Vice President for Finance has reiterated the importance of critiquing all purchases and payments regardless of the requestor. Further, we are discouraging the practice of establishing supply inventories since goods can be ordered and received in a timely manner.

The Provost and Vice President for Academic Affairs has distributed most of the supplies and will distribute the remaining supplies to academic departments. The Provost questioned the former employee who could not account for the unlocated supplies.

Management is committed to a system of strong-management controls and will continue to make changes as needed and to re-enforce the importance of following the policies and procedures as written.

Sincerely,

Horace A. Judson

Horace A. Judson
President

HAJ:jj

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GRAMBLING STATE UNIVERSITY
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Office of the President

December 4, 2006

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
State of Louisiana
1600 North Third
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Management acknowledges the finding on Athletic Revenue Control Weaknesses with regards to (1) inadequate segregation of duties in the ticket office; (2) not all games contracts were signed; and (3) incomplete reconciliations. However, for the second year, we do not concur. We offer the following comments.

1. The athletic ticket office has two full-time employees which makes it virtually impossible to have adequate segregation of duties. As compensating controls, the University uses the Ticket Master System (TMS) to print and account for tickets printed and the revenues collected. Blank ticket stock is pre-numbered and the TMS prints ticket numbers on each ticket for accounting purposes. The TMS has an excellent audit trail for every transaction. Additionally, the Internal Auditor reviews the reconciliations and verifies the supporting documentation. Since implementing these controls in calendar year 2002, neither the internal auditor nor the external auditors have uncovered material differences. When the new Senior Woman Administrator reports to work, she will be required to maintain a log book of blank ticket stock. The Athletic Department cannot afford to hire additional staff. Additionally, risk of loss of athletic ticket revenue is not cost justified to hire additional staff to further segregate duties.

2. GSU's Athletic Department signs all game contracts, but is unable to get all of its Southwestern Athletic Conference (SWAC) opponents to sign. Pleas have been made to the presidents and athletic directors to sign the game contracts to no avail. The SWAC membership agreement requires each member school to play conference games designated by its Board (school presidents). The agreement allows all home teams to collect and retain all revenues. If a team refuses to play, they are subject to a $30,000 fine by the SWAC Office. If the visiting team refuses to play, the home team can bring suit for loss of revenue. The above remedy and procedures are followed in the absence of a game contract. There is virtually no risk of loss if a contract is not signed for SWAC games. The University does obtain signed contracts for revenue-producing non-conference and classic (promotional) games.

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3. Overages and shortages are inherent risks of sales transactions. It is important that these differences be kept to a minimum. Reconciliations do not change this risk, but merely reveal differences. Since 2002, neither the internal auditor nor the external auditors have uncovered malfeasance.

Management continues to be committed to effective allocation of resources to ensure a strong system of internal controls to reduce the risk of loss of the University's assets.

Sincerely,

Horace A. Judson
President

HAJ:jj

GRAMBLING STATE UNIVERSITY
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Office of the President

December 15, 2006

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Management concurs that the Chief and Assistant Chief of Police for Grambling State University worked and earned significant compensatory leave. However, the additional leave hours were necessitated by the increased security goals set by the University administration. Inappropriate and or illegal activities were significantly curtailed and/or eliminated as a result of their effective police work and supervision.

During the period between December 1, 2005 and June 30, 2006, 498 and 553.5 hours were earned and 28 and 84 hours were taken by the Chief and Assistant Chief of Police, respectively. Their carryover compensatory leave balances as of June 30, 2006 were reduced to 240 hours each as required by University policy.

The Grambling State University Chief of Police reports to the Senior Associate Vice President for Operations who reports to the President. As long as compensatory leave earned and taken was approved by their immediate supervisor, no policy was violated. The policy also requires the immediate supervisor to approve time off, which was approved by the Senior Associate Vice President for Operations. Both are unclassified employee positions and, as such, do not get paid for compensatory leave time. Judging from the minimal hours taken during the same six-month time frame, it is clear that there was no evidence of abuse. In fact, the hours earned and taken show the level of a commitment the chief and assistant have to their jobs.

Management continually reviews compensatory leave and the need to hire additional staff. Management is committed to allocating its scarce resources in the most effective manner and ensuring that its policies and procedures are adhered to.

Sincerely,

Horace A. Judson

Horace A. Judson
President

HAJ:jj

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GRAMBLING
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Office of the President

January 29, 2007

Mr. Steve Theriot, CPA
Office of Legislative Auditor
State of Louisiana
1600 North Third
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Management concurs that CD's were purchased with General Fund monies that exceeded the maximum allowable maturity date.

The Associate Vice President for Finance will ensure that maximum maturity dates are adhered to and will consider substituting these certificates with other short-term investments that would be acceptable under state law.

Sincerely,

Horace A. Judson

Horace A. Judson
President

HAJ:jj

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GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

October 3, 2006

Mr. Steve Theriot, CPA
Office of Legislative Auditor
State of Louisiana
1600 North Third
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

The university concurs that we did not require exempt employees to complete new W-4 forms. However, management does not view the violation as sufficient to warrant a finding.

Management will ensure via the Associate Vice President for Human Resources, or person acting in that capacity, that all exempt employees complete a new W-4 form annually. The updated W-4's will be completed by December 31, 2006.

Sincerely,

Horace A. Judson

Horace A. Judson
President

HAJ:jj

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