Grambling State University
University of Louisiana System
A Component Unit of the
State of Louisiana

Accountant's Review Report
Issued September 23, 2009

LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

September 10, 2009

Accountant's Review Report

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

We have reviewed the accompanying basic financial statements as listed in the table of contents 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 year ended June 30, 2009, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Grambling State University. We did not review the financial statements of the Black and Gold Facilities, Inc., a blended component unit of the university, whose statements reflect total assets, liabilities, and revenues of 50%, 81%, and 10%, respectively, of the related university totals. These component unit financial statements were audited by another auditor whose report thereon has been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for this component unit, are based solely upon the report of the other auditor.

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

As discussed in note 1-C to the basic financial statements, 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 or the State of Louisiana as of June 30, 2009, and the changes in its financial position and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The Schedule of Funding Progress for the Other Postemployment Benefits Plan (Schedule 1) is not a required part of the basic financial statements but is supplementary information required by GASB. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements but was compiled from the information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

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 the fiscal year ended June 30, 2009.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

WMS:WJR:BQD:THC:dl

GSU09

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Net Assets, June 30, 2009

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$5,372,626
Investments (note 3)	7,172,023
Receivables, net (note 4)	6,769,583
Inventories	246,855
Deferred charges and prepaid expenses	213,901
Total current assets	19,774,988
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (note 2)	4,744,318
Investments (note 3)	23,379,224
Capital assets, net (note 5)	164,982,787
Other noncurrent assets	5,247,892
Total noncurrent assets	198,354,221
Total assets	218,129,209
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities (note 6)	3,859,789
Deferred revenues (note 7)	1,766,888
Compensated absences payable (notes 11 and 13)	755,690
Amounts held in custody for others	595,593
Notes payable (notes 13 and 14)	116,292
Bonds payable (notes 13 and 14)	930,000
Other current liabilities	2,622,933
Total current liabilities	10,647,185
Noncurrent liabilities:	
Compensated absences payable (notes 11 and 13)	2,618,200
Notes payable (notes 13 and 14)	1,961,303
Bonds payable (notes 13 and 14)	106,385,556
Other postemployment benefits payable (notes 8 and 13)	14,765,481
Total noncurrent liabilities	125,730,540
Total liabilities	136,377,725

(Continued)

See accompanying notes and accountant's review report.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 30, 2009

NET ASSETS	
Invested in capital assets, net of related debt	$79,451,722
Restricted for:	
Nonexpendable (note 16)	5,408,225
Expendable (note 16)	8,335,470
Unrestricted	(11,443,933)
Total Net Assets	$81,751,484

(Concluded)

See accompanying notes and accountant's review report.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $10,681,332)	$17,056,488
Federal grants and contracts	8,630,912
State and local grants and contracts	3,123,171
Nongovernmental grants and contracts	158,305
Sales and services of educational departments	358,395
Auxiliary enterprise revenues (net of scholarship allowances of $928,110)	13,017,239
Other operating revenues	9,638,747
Total operating revenues	51,983,257
OPERATING EXPENSES	
Education and general:	
Instruction	28,251,444
Research	230,904
Public service	76,865
Academic support	9,024,684
Student services	6,711,656
Institutional support	16,727,639
Operations and maintenance of plant	5,936,160
Depreciation	6,158,566
Scholarships and fellowships	8,236,015
Auxiliary enterprises	17,328,728
Other operating expenses	3,386,770
Total operating expenses	102,069,431
OPERATING LOSS	(50,086,174)
NONOPERATING REVENUES (Expenses)	
State appropriations	30,460,453
Gifts	894,305
Federal nonoperating revenues	12,238,979
Net investment income	(102,838)
Interest expense	(4,269,507)
Net nonoperating revenues	39,221,392

(Continued)

See accompanying notes and accountant's review report.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009

LOSS BEFORE OTHER REVENUES, GAINS AND LOSSES	($10,864,782)
Capital appropriations	5,551,284
Loss on disposal of capital assets	(2,587,558)
Additions to permanent endowments	184,581
DECREASE IN NET ASSETS	(7,716,475)
NET ASSETS - BEGINNING OF YEAR	89,467,959
NET ASSETS - END OF YEAR	$81,751,484

(Concluded)

See accompanying notes and accountant's review report.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$27,185,035
Grants and contracts	11,508,367
Sales and services of educational departments	589,709
Auxiliary enterprise receipts	14,637,251
Payments for employee compensation	(40,859,500)
Payments for benefits	(11,172,540)
Payments for utilities	(2,757,844)
Payments for supplies and services	(23,386,908)
Payments for scholarships and fellowships	(19,845,459)
Other receipts	2,491,859
Net cash used by operating activities	(41,610,030)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	31,500,837
Gifts and grants for other than capital purposes	894,305
Private gifts and grants for endowment purposes	184,581
TOPS receipts	425,276
TOPS disbursements	(425,276)
Federal Family Educational Loan program receipts	36,070,500
Federal Family Educational Loan program disbursements	(36,070,500)
Other Receipts	12,238,979
Net cash provided by noncapital financing sources	44,818,702
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(12,145,911)
Principal paid on capital debt and leases	(259,712)
Interest paid on capital debt and leases	(4,269,508)
Other payments	(60,852)
Net cash used by capital financing activities	(16,735,983)

(Continued)

See accompanying notes and accountant's review report.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2009

CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	$53,171,787
Interest received on investments	1,414,603
Purchase of investments	(41,304,505)
Net cash provided by investing activities	13,281,885
NET DECREASE IN CASH AND CASH EQUIVALENTS	(245,426)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,362,370
CASH AND CASH EQUIVALENTS AT END OF YEAR	$10,116,944
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($50,086,174)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	6,158,566
Amortization of bond premium/discount	(9,335)
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(848,648)
Decrease in inventories	25,433
(Increase) in deferred charges and prepaid expenses	(77,614)
Decrease in notes receivable	1,660
Decrease in other assets	188,251
(Decrease) in accounts payable and accrued liabilities	(4,114,976)
Increase in deferred revenue	689,148
Increase in amounts held in custody for others	21,494
(Decrease) in compensated absences	(415,314)
(Decrease) in other liabilities	(104,390)
Increase in other postemployment benefits payable	6,961,869
Net cash used by operating activities	($41,610,030)
NONCASH CAPITAL FINANCING ACTIVITIES:	
Capital appropriations for construction of capital assets	$5,551,284
Loss on disposal of capital assets	2,587,558

(Concluded)

See accompanying notes and accountant's review report.

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 2,428; 5,253; and 4,947, respectively, during the summer, fall, and spring semesters of fiscal year 2009. At June 30, 2009, the university has approximately 744 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 (CAFR), which includes the activity contained in the accompanying financial statements within the University of Louisiana System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the University of Louisiana System and the state's CAFR.

Blended Component Unit

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

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

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

C. BASIS OF ACCOUNTING

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

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

D. BUDGET PRACTICES

The State of Louisiana's appropriation is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated, but are recognized in the succeeding year; and (4) certain inventories are recorded as expenditures at the time of purchase.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

F. INVENTORIES

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

G. NONCURRENT RESTRICTED ASSETS

Cash and cash equivalents, investments, receivables, and notes receivables that are externally or legally restricted for grants, endowments, notes, debt service payments, maintenance of reserve funds or to purchase or construct capital or other noncurrent assets are classified as noncurrent restricted assets in the Statement of Net Assets.

H. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the university's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. Any infrastructure exceeding $3 million must be capitalized, but the university does not have any infrastructure that meets that criterion. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property.

I. DEFERRED REVENUES

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

J. COMPENSATED ABSENCES

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

Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave, which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits or may be paid at actuarially computed amounts.

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

K. NONCURRENT LIABILITIES

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

L. NET ASSETS

The university's net assets are classified as follows:

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

(b) Restricted net assets - nonexpendable consist of endowments and similar type funds that donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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

(d) Unrestricted net assets consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and certain auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the university and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

M. CLASSIFICATION OF REVENUES AND EXPENSES

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

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

- *Nonoperating revenue* includes activities that have the characteristics of nonexchange transactions, such as state appropriations, certain federal revenues (Pell), gifts and contributions, and investment income.

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

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

N. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2009, the university implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations;* GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments;* and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.* The implementation of these statements had no significant impact on the financial statements or notes.

O. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the university and the amount that is paid by students and/or third parties making payments on the students' behalf.

P. ELIMINATING INTERFUND ACTIVITY

All activities among departments, campuses, and auxiliary units of the university are eliminated for purposes of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

Q. USE OF ESTIMATES

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

2. CASH AND CASH EQUIVALENTS

At June 30, 2009, the university has cash and cash equivalents (book balances) totaling $10,116,944 as follows:

Demand deposits:	
Interest-bearing	$8,006,864
Noninterest-bearing	(531,835)
Time certificates of deposit	2,640,515
Petty cash	1,400
Total	$10,116,944

Custodial credit risk is the risk that in the event of a bank failure, the university's deposits may not be recovered. Under state law, the university’s deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the university or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. As of June 30, 2009, the university has $10,383,454 in deposits (collected bank balances), which is secured from risk by federal deposit insurance plus pledged securities.

3. INVESTMENTS

At June 30, 2009, the university has investments totaling $30,551,247. 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:

Type of investment	Fair Value	Percent of Investment	Investment Maturity (in years) Less Than 1	1 to 5	6 to 10
Investments held by foundation[1]	$3,153,511	10.32%	$3,153,511		
Corporate bonds[1]	2,935,269	9.61%	226,440		$2,708,829
Common and preferred stock[1]	3,153,828	10.32%			
Negotiable certificates of deposit[1]	530,644	1.74%	431,068	$99,576	
Held by blended component units[2]	20,777,995	68.01%	20,777,995		
Total Investments	$30,551,247	100.00%	$24,589,014	$99,576	$2,708,829

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the university's investments by type as described previously. The university does not have a policy to further limit credit risk.

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

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to institutions of higher education does not address interest rate risk. In addition, the university does not have policies to limit interest rate risk.

Investments held by private foundations in an external investment pool are managed in accordance with the terms outlined in a management agreement executed between the university and the Grambling Black and Gold Foundation, with the university being a voluntary participant. These investments total $3,153,511 and have no specified maturity date or credit quality rating.

Investments held by the blended component unit were reported in the financial statements and notes to the financial statements for the Black and Gold Facilities, Inc., which were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations.* Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the notes to the financial statements of the corporation do not reflect the requirements of GASB Statement No. 3, as revised by Statement No. 40, for these investments.

4. RECEIVABLES

Receivables are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2009. These receivables are composed of the following:

Type	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	$10,467,807	($7,766,272)	$2,701,535
Federal, state, and private grants and contracts	2,211,661	(30,340)	2,181,321
Auxiliary enterprises	1,487,302		1,487,302
Other	399,425		399,425
Total	$14,566,195	($7,796,612)	$6,769,583

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2009, follows:

	Balance June 30, 2008	Additions	Transfers	Retirements	Balance June 30, 2009
Capital assets not being depreciated:					
Land	$1,193,558	$334,029			$1,527,587
Construction-in-progress	31,578,041	14,395,004	($35,706,095)	($77,976)	10,188,974
Total capital assets not being depreciated	$32,771,599	$14,729,033	($35,706,095)	($77,976)	$11,716,561
Other capital assets:					
Land improvements	$4,644,423				$4,644,423
Less accumulated depreciation	(536,721)	($139,244)			(675,965)
Total land improvements	4,107,702	(139,244)	NONE	NONE	3,968,458
Buildings	170,206,104	567,749	$35,706,095	($8,329,752)	198,150,196
Less accumulated depreciation	(56,559,954)	(4,624,444)		5,829,008	(55,355,390)
Total buildings	113,646,150	(4,056,695)	35,706,095	(2,500,744)	142,794,806
Equipment	14,135,095	1,654,503		(870,388)	14,919,210
Less accumulated depreciation	(9,450,260)	(945,363)		861,550	(9,534,073)
Total equipment	4,684,835	709,140	NONE	(8,838)	5,385,137
Library books	15,123,877	758,240		(9,094)	15,873,023
Less accumulated depreciation	(14,302,447)	(461,845)		9,094	(14,755,198)
Total library books	821,430	296,395	NONE	NONE	1,117,825
Total other capital assets	$123,260,117	($3,190,404)	$35,706,095	($2,509,582)	$153,266,226
Capital Asset Summary:					
Captial assets not being depreciated	$32,771,599	$14,729,033	($35,706,095)	($77,976)	$11,716,561
Other capital assets, at cost	204,109,499	2,980,492	35,706,095	(9,209,234)	233,586,852
Total cost of capital assets	236,881,098	17,709,525	NONE	(9,287,210)	245,303,413
Less accumulated depreciation	(80,849,382)	(6,170,896)	NONE	6,699,652	(80,320,626)
Capital Assets, net	$156,031,716	$11,538,629	NONE	($2,587,558)	$164,982,787

6. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2009:

Account Name	
Vendor payables	$1,221,244
Accrued salaries and benefits	2,229,134
Other	409,411
Total payables	$3,859,789

7. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2009:

Prepaid tuition and fees	$1,472,977
Prepaid athletic ticket sales	49,487
Grants and contract	244,424
Total deferred revenues	$1,766,888

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description--Employees of Grambling State University voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately prior to retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report; however, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's Web site at www.doa.la.gov/osrap.

Funding Policy--The contribution requirements of plan members and the university are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) plan, the Exclusive Provider Organization (EPO) plan, and the Health Maintenance Organization (HMO) plan. In addition, all plan members are offered the Medical Home HMO plan. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans--three HMO plans and two private fee-for-service (PFFS) plans. The three HMO plans are Humana Regional HMO Plan, Peoples Health Regional HMO-POS Plan, and Vantage HMO-POS Plan. The two PFFS plans are Humana PFFS Plan and SecureHorizons Medicare Direct PFFS Plan. Depending upon the plan selected, during fiscal year 2009, employee premiums for a single member receiving benefits range from $34 to $218 per month for retiree-only coverage with Medicare or from $130 to $176 per month for retiree-only coverage without Medicare. The fiscal year 2009 employee premiums for a retiree with spouse, children, or family coverage range from $69 to $468 per month for those with Medicare and from $187 to $514 per month for those without Medicare.

The plan is currently financed on a pay-as-you-go basis, with the university contributing from $26 to $246 per month for retiree-only coverage with Medicare or from $838 to $873 per month for retiree-only coverage without Medicare during fiscal year 2009. Also, the university's contributions range from $52 to $1212 per month for retiree with spouse, children, or family coverage with Medicare or from $892 to $1341 for retiree with spouse, children, or family coverage without Medicare.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life, and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately $1 per thousand dollars of coverage of which the employer pays one-half of the premium. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability--The university's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year, open amortization period had been used. The total ARC for fiscal year 2009 is $8,591,400 as set forth below:

Normal cost	$4,231,100
30-year UAAL amortization amount	4,360,300
Annual required contribution (ARC)	$8,591,400

The following schedule presents the university's OPEB obligation for fiscal year 2009:

Beginning net OPEB obligation at July 1, 2008	$7,803,612
Annual required contribution	8,591,400
Interest on net OPEB obligation	312,144
ARC adjustment	(298,189)
OPEB cost	8,605,355
Contributions made - current year retiree premiums	(1,643,486)
Increase in net OPEB obligations	6,961,869
Ending net OPEB obligation at June 30, 2009	$14,765,481

Using the pay-as-you-go method, the university contributed 19.1% of the annual postemployment benefits cost during 2009. In 2008, the initial year of implementation of GASB 45, the university contributed 17.4% of the annual OPEB cost.

Funded Status and Funding Progress--During fiscal year 2009, neither the university nor the State of Louisiana made contributions to its postemployment benefits plan trust. A trust was established during fiscal year 2008, but was not funded at all, has no assets, and hence has a funded ratio of zero. Since the plan was not funded, the university's entire actuarial accrued liability of $105,459,500 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2008, was as follows:

Actuarial accrued liability (AAL)	$105,459,500
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability	$105,459,500
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$24,639,600
UAAL as a percentage of covered payroll	428.01%

Actuarial Methods and Assumptions--Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2008, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and initial annual healthcare cost trend rate of 9.0% and 10.1% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over an open amortization period of 30 years. The remaining amortization period at June 30, 2009, is 28 years. Annual per capita medical claims costs were updated to reflect an additional year of actual experience. There were no other changes in assumptions.

9. PENSION PLANS

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

Funding Policy--The contribution requirements of employee plan members and the university are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRSL) and 7.5% (8% for LASERS employees hired after July 1, 2006) of covered salaries. In fiscal year 2009, the state contributed 15.5% of covered salaries to TRSL and 18.5% of covered salaries to LASERS. The employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The employer contributions to TRSL for the years ended June 30, 2009, 2008, and 2007 were $2,870,370; $2,925,353; and $2,589,668, respectively, and to LASERS for years ended June 30, 2009, 2008, and 2007 were $1,511,960; $1,707,417; and $1,440,005, respectively, equal to the required contributions for each year.

Optional Retirement System

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the TRSL for five or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

Total contributions by the university are 15.5% of covered payroll for fiscal year 2009. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $1,408,979 and $727,215, respectively, for the year ended June 30, 2009.

10. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are considered state liabilities and paid upon appropriation by the legislature and not the university. As of June 30, 2009, the university was involved as a defendant in four lawsuits which are being handled by contract attorneys. The attorneys have estimated no reasonable potential liability relating to these claims. This note does not include any lawsuits filed with the university system or the Office of Risk Management, the agency responsible for the state's risk management program.

11. COMPENSATED ABSENCES

At June 30, 2009, employees of the university have accumulated and vested annual, sick, and compensatory leave of $1,992,083; $997,102; and $384,705, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

12. OPERATING LEASES

The university's total rental expense for operating leases is $460,435 for the year ended June 30, 2009. 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:

	Fiscal Year										
	2010	2011	2012	2013	2014	2015-2019	2020-2024	2025-2029	2030-2034	2035-2039	Total
Nature of lease:											
Office equipment	$625,949	$514,181	$557,359	$92,893							$1,790,382
Land	2	2	2	2	$2	$10	$10	$10	$10	$8	58
Total	$625,951	$514,183	$557,361	$92,895	$2	$10	$10	$10	$10	$8	$1,790,440

13. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the university for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds payable	$107,439,890		($124,334)	$107,315,556	$930,000
Notes payable	2,222,308		(144,713)	2,077,595	116,292
Total bonds and notes payable	109,662,198	NONE	(269,047)	109,393,151	1,046,292
Other postemployment benefits payable	7,803,612	$6,961,869		14,765,481	
Compensated absences payable	3,789,204		(415,314)	3,373,890	755,690
Total long-term liabilities	$121,255,014	$6,961,869	($684,361)	$127,532,522	$1,801,982

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

14. REVENUE BONDS AND NOTES PAYABLE

Revenue bonds and notes payable consisted of the following:

	Date of Issue	Original Issue	Principal Outstanding June 30, 2008	Issued (Redeemed)	Principal Outstanding June 30, 2009	Maturities	Interest Rates	Interest Outstanding June 30, 2009
Revenue Bonds								
Student Housing System:								
2006 Series A	October 1, 2006	$55,705,000	$55,705,000		$55,705,000	2039	3.79-4.38%	$51,165,150
2006 Series B	October 1, 2006	3,595,000	3,595,000		3,595,000	2013	5.32-5.41%	394,016
2006 Series C	October 1, 2006	5,700,000	5,700,000	($115,000)	5,585,000	2038	5.15-5.80%	6,067,720
2007 Series A	December 1, 2007	39,330,000	39,330,000		39,330,000	2040	4.00-5.00%	41,333,363
2007 Series B	December 1, 2007	2,595,000	2,595,000		2,595,000	2016	5.7%	629,343
Net Premium/Discount amortized over life on:								
2006 Bonds			665,103	(11,797)	653,306			
2007 Bonds			(150,211)	2,461	(147,750)			
Total Bonds Payable		106,925,000	107,439,892	(124,336)	107,315,556			99,589,592
Notes Payable								
U.S. Department of Education	May 1, 1993	3,500,000	2,190,475	(112,880)	2,077,595	2023	3.0%	499,837
Ford Motor Credit Company for telephone equipment	August 30, 2001	1,165,931	31,833	(31,833)		2008	4.1%	
Total Notes Payable		4,665,931	2,222,308	(144,713)	2,077,595			499,837
Total bonds and notes payable		$111,590,931	$109,662,200	($269,049)	$109,393,151			$100,089,429

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

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

	Bonds Payable		Notes Payable		
Fiscal Year	Principal	Interest	Principal	Interest	Total
2010	$930,000	$5,236,032	$116,292	$61,462	$6,343,786
2011	1,240,000	5,177,549	119,807	57,947	6,595,303
2012	1,445,000	5,104,394	123,428	54,326	6,727,148
2013	1,590,000	5,022,607	127,159	50,595	6,790,361
2014	1,750,000	4,939,862	131,002	46,752	6,867,616
2015-2019	11,175,000	23,185,778	873,478	193,045	35,427,301
2020-2024	14,475,000	20,010,275	586,429	35,710	35,107,414
2025-2029	18,500,000	15,881,820			34,381,820
2030-2034	23,620,000	10,663,914			34,283,914
2035-2039	29,405,000	4,300,361			33,705,361
2040	2,680,000	67,000			2,747,000
Total	106,810,000	99,589,592	2,077,595	499,837	208,977,024
Unamortized Net Premium/Discount	505,556	NONE	NONE	NONE	505,556
Total	$107,315,556	$99,589,592	$2,077,595	$499,837	$209,482,580

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2009:

	Reserves Available	Reserve Requirement	Excess
U.S. Department of Education note	$528,000	$528,000	
Revenue bonds:			
Debt service	7,605,716	7,500,890	$104,826
Maintenance	6,000,255	5,370,766	629,489
Totals	$14,133,971	$13,399,656	$734,315

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

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

15. REVENUE USED AS SECURITY FOR REVENUE BONDS

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

Black and Gold Facilities, Inc., has pledged future rent revenues to secure debt of approximately $101,225,000 in its Series 2006A, 2006B, 2007A, and 2007B revenue bonds. Proceeds from the bonds provided for the demolition of existing dormitories and construction of new apartment style dormitories and the purchase of the Steeple Glenn apartment complex. All rent revenues received for the dormitories and apartments have been pledged to cover the debt service requirements for the bonds each year until they mature in 2040. Total rent revenues for the current period were $8,703,109. The annual debt service requirement for the bonds ranges from $5.8 million in 2010 to $6.4 million in 2039, the year before they mature.

Black and Gold Facilities, Inc., has also pledged future rent revenues, student union annex fees, and food service commissions to secure debt of approximately $5,585,000 in its Series 2006C revenue bonds. Proceeds from the bonds provided for the renovation of Favrot Student Union building and creation of a student union annex. Rent revenues of $125,000, student union annex fees of $244,626, and food service commissions of $412,920 were collected for the current period and all of these revenues have been pledged to cover the debt service requirements for the bonds each year until they mature in 2038. The annual debt service requirement for the bonds range from $400,497 in 2010 to $402,040 in 2038, the year that they mature.

16. RESTRICTED NET ASSETS

The university has the following restricted net assets at June 30, 2009:

Nonexpendable - endowments	$5,408,225
Expendable:	
Grants and contracts	$4,475,646
Student fees	1,610,370
Student loans	103,456
Student technology fees	422,023
Debt service requirments	528,000
University plant projects	1,195,975
Total	$8,335,470

17. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

Of the total net assets reported in the Statement of Net Assets for the year ended June 30, 2009, $2,261,958 is restricted by R.S. 17:3351.1 and other statutes. Listed on the following page are the net assets restricted by enabling legislation and the purpose of the restriction.

Building and Facility Prevention Maintenance Program	$1,504,959
Student Technology Fee	422,023
Vehicle Registration Fee	334,976
Total	$2,261,958

18. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Board of Regents to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. At June 30, 2009, net appreciation of $82,146 is available to be spent and is restricted to specific purposes. The donated portion of the endowments is reported in restricted net assets - nonexpendable in the Statement of Net Assets; the endowment income is reported in restricted net assets - expendable.

19. AFFILIATED ORGANIZATIONS

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

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

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

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

20. ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits and salaries 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 fringe benefits and salaries included in the university's accompanying financial statements for fiscal year ended June 30, 2009, was $10,000.

21. DEFERRED COMPENSATION PLAN

Certain employees of the university participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available on the Internet at www.lla.la.gov.

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

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

Schedule 1

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan
Fiscal Year Ended June 30, 2009

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

Note to the Schedule:
GASB Statement 45 was implemented prospectively during the fiscal year ended June 30, 2008; therefore, only two years of information are presented.

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

September 10, 2009

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

We have reviewed the financial statements of Grambling State University, as of and for the year ended June 30, 2009, and have issued our accountant's review report thereon dated September 10, 2009. Grambling State University is a university within the University of Louisiana System, a component unit of the State of Louisiana. The university's accounts are an integral part of the University of Louisiana System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

We did not review the financial statements of the Black and Gold Facilities, Inc., a blended component unit of the university, which are included in the university's financial statements. The financial statements of this component unit were audited by another auditor whose report thereon has been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for that component unit, is based solely upon the report of the other auditor.

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

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

In our prior audit report on Grambling State University for the year ended June 30, 2008, we reported seven findings relating to unlocated movable property; athletic revenue control weaknesses; failure to obtain written, signed contracts; inaccurate annual financial report;

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untimely repayment of travel advances; information technology control weaknesses; and inadequate collection efforts of accounts receivable. The findings related to untimely repayment of travel advances and information technology control weaknesses have been substantially resolved by management. The findings related to unlocated movable property; athletic revenue control weaknesses; and failure to obtain written, signed contracts are addressed again in this letter. As of the date of this report, we are unable to determine the status of the findings relating to inaccurate annual financial report and inadequate collection efforts of accounts receivable.

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting Grambling State University's internal control, compliance with applicable laws and regulations, and operational efficiencies was not an objective of our procedures. Accordingly, our review procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, during our review procedures, we noted three significant matters requiring communication to management concerning internal control deficiencies. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2009.

Unlocated Movable Property

For the fifth consecutive year, significant control weaknesses were identified at Grambling State University (university) relating to its reporting of unlocated movable property to the Louisiana Property Assistance Agency (LPAA). Louisiana Revised Statute (R.S.) 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated property to LPAA. Louisiana Administrative Code 34.VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets should be properly monitored to safeguard against loss or theft, thorough periodic physical counts of property inventory should be conducted, and reconciliations should be performed between expenditures for equipment and additions to movable property records. Finally, R.S. 14:133(A)(3) prohibits the filing of any document containing a false statement or false representation of a material fact. The university's certification of annual property inventory submitted to LPAA on September 29, 2008, indicated the total dollar value on the Master File listing for movable property to be $22,510,331.

The property control officer with the assistance of inventory specialists completed the annual physical inventory process for movable property before the end of September 2008. The property control officer was to use the information from the physical inventory to prepare the Certification of Annual Property Inventory report required by LPAA. Once the report was complete the property control officer submitted the report to upper management for review and approval. Management approved the report with an unlocated property amount of $609,280 and submitted it to LPAA. A report issued by the university's internal auditor dated February 20, 2009, revealed that the property control officer falsely reported (understated) the amount of unlocated movable property to LPAA. The internal auditor tested 13 locations in the Athletic and Facilities departments and found that 135 unlocated items totaling $336,495 were not reported to LPAA. The report also indicated that inventory specialists did not do a thorough job of locating items. Other deficiencies noted included property items being moved from one location to the next without completing the proper university forms, late tagging of movable property items, and the need for training university personnel to familiarize them with current property control policies and procedures.

Our review further disclosed that the university is no longer reconciling purchases of movable property items from the general ledger to additions reported to LPAA. We also noted that the Late Additions report generated by LPAA indicated 25 items were tagged from 80 to 277 days late.

It is unclear exactly why the property control officer falsified the amount of unlocated movable property in the annual report to LPAA. Furthermore, university management has not enforced and consistently applied good policies and procedures for managing its movable property and conducting its annual inventory. Falsifying the LPAA annual report violates state law and raises significant doubt about the accuracy and completeness of other information in the report, financial statements, and the physical inventory process used in the reporting process. The university terminated the property control officer and engaged the services of an outside contractor in December 2008 to perform another complete inventory and report. As of July 14, 2009, the contractor had not provided the university with its final report.

Again, we recommend that university management enforce and consistently apply its existing policies and procedures for tracking movable property items and conducting the annual property inventory. In addition, management should strengthen its procedures to require more extensive searches for unlocated items, require university personnel to immediately respond to the property control officer's requests concerning unlocated property, and reconcile per the general ledger to additions reported to LPAA. Furthermore, special attention should be given to ensure that all information included in the Certification of Annual Property Inventory report is complete and accurate. Finally, management should consult its legal representatives to determine if legal action should be taken against the former property control officer for falsifying the annual report. Management partially concurred with the finding and recommendations stating that since Fall 2008, the Property Control operation has been strengthened in regard to its entire approach to receiving, delivering, inventorying, and tracking movable property on campus (see Appendix A, pages 1-2).

Athletic Revenue Control Weaknesses

For the fifth consecutive year, the university has not implemented adequate internal controls over its athletic revenues. Good internal controls 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) complimentary tickets should be issued in accordance with university policy which was approved by the System. A review of the internal controls in the university's athletic department disclosed continuation of the following weaknesses:

- The director of ticket operations verifies cash drawers, reconciles daily ticket sales, prepares deposits, controls ticket stock, reconciles ending ticket sales to total revenue deposited, manages petty cash, sets up and adjusts accounts receivable, and prepares journal vouchers. She also has had the opportunity to sell tickets, collect cash, and print tickets for sale and her actions were done without review by a member of upper management.

- The university has not reconciled athletic ticket sales timely. A test of athletic ticket sales reconciliations for four football games revealed that these reconciliations were performed from 11 to 213 days (7 months) after the games were played. Furthermore, university personnel were unable to provide support for the four game day reconciliations.

- An internal audit report issued on June 12, 2009, disclosed that the university issued complimentary tickets for the 2008 home football games outside of the university's complementary ticket policy. We were unable to determine the number of complimentary tickets issued outside the approved policy since the internal auditor did not maintain this documentation in the workpapers.

University management has continued to place insufficient emphasis on maintaining adequate segregation of duties within the athletic department, reconciling ticket sales timely, following the university's policy on complementary tickets, 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. However, as of January 12, 2009, the university hired an athletic business manager to be responsible for establishing and maintaining adequate internal controls over all athletic accounting and reporting matters. In addition, on June 23, 2009, a director of ticket operations was hired to enhance ticket sales collections, reconciliations, timely deposits and reporting.

We recommend that university management should continue to implement internal controls within the university's athletic department to establish and maintain an adequate segregation of duties. In addition, management should reconcile and maintain supporting documentation of ticket sales for sporting events timely and should comply with its existing policy related to complementary tickets. Management does not concur with the finding and recommendations stating that the university has implemented the necessary actions to resolve the control weaknesses (see Appendix A, pages 3-4).

Additional Comments: Our examination period is for the year ending June 30, 2009, and by the time the new staff was hired and implemented any changes, most, if not all, of the athletic events were completed for the year. We tested the four football games late in fiscal year 2009, in efforts to ensure we considered any improvements in controls during the 2009 fiscal year. Improvements implemented after this time period will be considered in our audit for the fiscal year ending June 30, 2010.

Failure to Obtain Written, Signed Contracts

For the third consecutive year, the university conducted business with vendors and other institutions without having current valid contracts. Sound internal control and good business practices require that agreements between parties should be reduced to writing, signed and dated by both parties, and should provide clarity of action required by both parties; otherwise, the agreements may be ambiguous and unenforceable.

During the 2009 fiscal year, the university conducted business with vendors and other institutions without first obtaining a valid contract or allowed existing contracts to expire without beginning the renewal process in sufficient time so a new contract could be in place as the contracts expired. Our examination of university contracts and agreements during our audit period disclosed the following conditions still exist:

- A cooperative endeavor agreement between Grambling State University and Southern University and the foundations of the two universities for the Bayou Classic football game and related events was never signed. An agreement was reached between the Grambling Black and Gold Foundation, Inc., which has represented the university in the event, and the promoter of the Bayou Classic event, but this agreement had expired and was not renewed until February 2, 2009. The most recent Bayou Classic football game was played on November 29, 2008.

- From our examination of athletic events during the fiscal year, the university's participation in 98 of 113 (86.7%) events, including football, basketball, and baseball games, was not supported by a signed contract between the two competing schools.

While we recognize that management of the university has made some progress in renewing some of its expired contracts, management has still not placed enough emphasis on obtaining signed contracts to support its business operations as is evidenced by the number of unsigned contracts and excessive length of time taken to renew contracts after they have expired. Failure to execute signed contracts with clearly identifiable terms and conditions could result in the university paying for services not received and/or incurring unnecessary litigation fees.

Again, we recommend that management of the university develop and implement the controls necessary to ensure that contracts are submitted in sufficient time to allow for the completion of the approval process prior to services being rendered or the expiration of existing contracts. The approval process must include the timely signing and dating of all contracts. Management partially concurred with the finding stating that the university has initiated sound internal controls and business practices; however, the deployment of contractual agreements has been delayed for various reasons (see Appendix A, pages 5-6).

Failure to Timely Submit Reports to the Board of Regents

The university failed to submit its annual audit certification reports and corrective action plans regarding the Endowed Chair and Professorship Program to the Board of Regents by October 31, 2008, as required by Section H(2) of the Statement of Investment Policy and Objectives of the Louisiana Board of Regents. Annual reporting forms for the university valued the endowments at $4,055,718.

Section H(2) of the Statement of Investment Policy and Objectives of the Louisiana Board of Regents states that the participant shall contract annually with an independent auditor or Legislative Auditor to make certain representations and certifications regarding the program. A copy of the report along with a plan to address any findings is required to be sent to the Board of Regents by October 31 of each year. In addition, if program assets are held by a foundation associated with a public institution of higher education, the report shall also be forwarded to the Legislative Auditor.

Program assets (endowments) valued at $2,531,790 were held by the university and the remaining program assets valued at $1,523,928 were held by the Grambling Black and Gold Foundation. An independent auditor issued reports for each entity; however, the university did not prepare corrective action plans for findings noted in the auditor's reports or submit the reports to the Board of Regents or the Legislative Auditor as required by the policy.

Management officials responsible for submitting the information to the Board of Regents and the Legislative Auditor were not familiar with the requirement of the policy. As a result, the university did not comply with the provisions of the policy.

Management should immediately become familiar with the provisions outlined in the Statement of Investment Policy and Objectives which govern program assets. Management should also develop and implement the controls necessary to ensure the timely submission of the required reports and corrective action plan to the Board of Regents and the Legislative Auditor. Management partially concurred with the finding and recommendations stating that it has now submitted the reports to the Board of Regents and outlined a plan of corrective action to ensure reports are submitted timely in the future (see Appendix A, page 7).

Additional Comments: Although management has now submitted the reports to the Board of Regents, corrective action plans for findings were not submitted along with those reports and the reports were not submitted to the Legislative Auditor, as required by policy. Management should submit corrective action plans for findings on the referenced reports to the Board of Regents and should send the reports to the Legislative Auditor. In addition, management should design and implement procedures to ensure that corrective action plans are submitted timely and future reports are also sent to the Legislative Auditor, as required by policy.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the university. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the university should be considered in reaching decisions on courses of action. The finding relating to the university's compliance with applicable laws and regulations should be addressed immediately by management.

A separate audit report for the Black and Gold Facilities, Inc., is available at the address listed in note 1-B to the financial statements.

This management letter is intended for the information and use of Grambling State University and its management, others within the university, the University of Louisiana System, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

August 5, 2009

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:

Re: Unlocated Movable Property – Management Response

Management concurs in part with the Legislative Auditor's finding. Since Fall 2008, the Property Control operation has been strengthened in regards to its entire approach to receiving, delivering, inventorying and tracking movable property on campus.

- GSU authored and published a desk guide that provides detailed guidelines and references to assist university personnel and inventory specialists in the administration of the fixed assets program. These guidelines are expanding all department heads and supervisors abilities to maintain accountability of the university's fixed assets under their purview.

- In an effort to have accurate and current inventory records of all equipment and other non-consumable property, GSU engaged with an independent vendor, Inventory Valuation Advisory Group, in March 2009. The information provided by the Valuation Advisory Group will be used to update the protégé asset management system with accurate, reliable and relevant information. A new anticipated date for the conclusion of the Fixed Asset Project with the Valuation Advisory Group is scheduled for August 31, 2009.

- All personnel in the Property Management Office and 91 Inventory Specialists, since February 2009, have been formally trained by representatives from LPAA and ULS. GSU key property administrators are now more knowledgeable of their responsibilities. Furthermore, the Property Control staff are now conducting random checks of all areas containing inventories without prior notices:

    a) If an item is unaccounted for during an inventory inspection, the individual officially accountable for the property will be given 24 hours to produce the item.

b) If the missing property cannot be accounted for, the responsible individual will be required to pay the full cost of the property.

- Finally we feel the new leadership and modernized equipment acquisition (bar code scanners) will collectively enhance GSU's accountability of university assets.

Grambling State University remains firmly committed to safeguarding the University's assets. If you have any questions, do not hesitate to call me or my primary point of contact, Mr. Daarel E. Burnette, Vice President for Finance and Administration, at 318-274-6406.

Sincerely,

Horace A. Judson

Horace A. Judson
President

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

August 5, 2009

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:

Re: Athletic Revenue Control Weaknesses – Management Response

Management does not concur with the Legislative Auditor's Findings. Grambling State University has implemented the necessary actions to ensure the safeguard of athletic revenues by eliminating all weaknesses identified in prior year's audit findings.

Specifically, on January 12, 2009 the university hired an experienced and qualified Athletic Business Manager who is responsible for establishing and maintaining sound internal controls over all athletics' accounting and reporting matters. Furthermore, on June 23, 2009, an experienced and well qualified director of ticket operations was hired. These managers have reengineered the university's ticket office revenue control program by separating the duties, coupled with enhancing ticket sales collections, reconciliations, timely deposits and reporting processes. Tests of these controls by the internal auditor will be administered to further ensure the effectiveness of implemented corrective measures:

- Director of Ticket Operations – This individual oversees and manages the daily ticket sales, prepares deposits, controls the ticket stock and collects cash for the sell and printing of tickets.

- Reconciliation of athletic ticket sales – Game ticket reconciliations, since the start of the 2009 athletic season (January 12 – June 30, 2009), were performed within two to three days after each athletic event (i.e., basketball, baseball etc.), that was held on campus. For athletic events that were not held on campus, reconciliations were performed two days after finances were received.

- Complimentary Tickets – Upon the start of the 2009 football season, the university will be following the complimentary ticket policy approved by the University of Louisiana System Office.

We are very optimistic that our newly hired personnel will strengthen internal controls and we will sustain the Louisiana Legislative Auditor's review in 2010.

If you have any questions, do not hesitate to call me or my primary point of contact, Mr. Daarel E. Burnette, Vice President for Finance and Administration at 318-274-6406.

Sincerely,

Horace A. Judson
President

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

August 5, 2009

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:

Re: Failure to Obtain Written, Signed Contract – Management Response

Management concurs in part with the Legislative Auditor's finding. Grambling State University has initiated sound internal controls and business practices; however, the deployment of contractual agreements have been delayed for the following reasons:

- Bayou Classic Football Game – A cooperative agreement between the universities for the Bayou Classic is still pending due to a change in leadership at Southern University. The university is meeting with Southern's Interim President on August 6, 2009 to negotiate and finalize a cooperative agreement between the two universities and their respective foundations, with an anticipated finalization date of September 30, 2009.

- Game Contracts – At the June 2009 SWAC Annual Meeting, as a result Grambling's continuing annual requests, the Commissioner presented a contract to cover all SWAC Conference games. The proposed contract was approved by the governing council. It is going through the final review process. Until this process is completed, we will proffer contracts to conference competitors for the revenue sports (football, men's basketball and women's basketball), whether they sign and return them is another matter.

- Since the first finding regarding this matter, we have endeavored with great effort to address the issue. However, conference schools would not sign and return contracts for the more than one hundred individual contests because, in their view, it was pointless to do so. The administration and control of all conference games and assurance of accountability reside with the Commissioner and his staff, as authorized by the Council of Presidents. And this approach has proven effective. This is the practice of most 1AA conferences.

Management will continue to implement business practices that will ensure effective internal controls in all of its established contractual and business agreements.

If you have any questions, please call me or my primary point of contact, Mr. Daarel E. Burnette, Vice President of Finance and Administration, at 318-274-6406.

Sincerely,

Horace A. Judson
President

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

September 11, 2009

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:

Re: Failure to Submit Reports to the Board of Regents – Management Response

Management partially concurs with the finding of the Legislative Auditor concerning the report by an independent auditor on the endowed chairs and professorships which was due to the Louisiana Board of Regents last October 31, 2008. The report by an independent auditor on the management of the endowed chairs, professorships, and scholarship program was completed on October 30, 2008. Inadvertently, it was not sent as described in the reporting requirements of the policies of the Board of Regents on the Endowed Chair, Endowed Professorship, and Endowed Scholarship Program.

The report was completed by Bruno and Tervalon, LLP. Management did submit a financial report on the endowed professorships and chairs to the Board of Regents prior to the October 1, 2008 due date. The separate report from Bruno and Tervalon was apparently overlooked because of a major change in personnel and assignments in the University's Division of Finance and Administration.

Management did not receive a response from the Regents that the report had not been submitted. The submission of the report from Bruno and Tervalon would have occurred earlier had the error been discovered or had the Regents informed the university of the oversight.

Presently, Grambling State University (GSU) has mailed the 2008 Independent Audit Report to the Board of Regents. To prevent a recurrence of this deficiency, GSU will collect a listing of all reports due to the Board of Regents, the University of Louisiana System, the Legislative Auditor and other state agencies and monitor the reporting dates accordingly. Anticipated completion date for implementing this internal tracking mechanism is September 30, 2009.

Sincerely,

Horace A. Judson
President

HAJ:jj

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