

DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA



ACCOUNTANT'S REVIEW REPORT  
FOR THE YEAR ENDED JUNE 30, 2008  
ISSUED JANUARY 14, 2009

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	Page
Accountant’s Review Report .....	3
Management’s Discussion and Analysis .....	5
<b>Statement</b>	
Basic Financial Statements:	
Statement of Net Assets..... A .....	11
Statement of Revenues, Expenses, and Changes in Net Assets..... B .....	13
Statement of Cash Flows .....	C .....15
Notes to the Financial Statements .....	17
<b>Schedule</b>	
Required Supplementary Information Schedule:	
Schedule of Funding Progress for the Other Postemployment Benefits Plan .....1.....	37
<b>Exhibit</b>	
Management Letter .....	A
<b>Appendix</b>	
Management’s Corrective Action Plan and Response to the Finding and Recommendation.....	A





LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

November 21, 2008

Accountant's Review Report

**DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
New Orleans, Louisiana

We have reviewed the accompanying basic financial statements as listed in the table of contents of Delgado Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of Delgado Community College.

A review consists principally of inquiries of Delgado Community College 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-B to the basic financial statements, the accompanying financial statements of Delgado Community College are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Louisiana Community and Technical College System that is attributable to the transactions of Delgado Community College. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System or the State of Louisiana as of June 30, 2008, 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, 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.

As discussed in note 1-O of the basic financial statements, Delgado Community College implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2008.

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. Delgado Community College suffered significant damage from Hurricane Katrina. The long-term effects of these events on the community college and the state cannot be determined at this time.

Management's discussion and analysis on pages 5 through 10 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 37 are not required parts of the basic financial statements but are 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 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 this supplementary information.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

KML:JR:EFS:PEP:sr

DCC08

Management's Discussion and Analysis of Delgado Community College's (college) financial performance presents a narrative overview and analysis of the college's financial activities for the year ended June 30, 2008. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the college's financial statements, which begins on page 11.

### FINANCIAL HIGHLIGHTS

The college's net assets overall changed from \$27,544,241 to \$20,546,479 or 25% from June 30, 2007, to June 30, 2008. The primary reason for the decrease in net assets is due to the implementation of Governmental Accounting Standards Board (GASB) No. 45 whereby the college recognized a \$7.7 million liability for other postemployment retirement benefits in the current year.

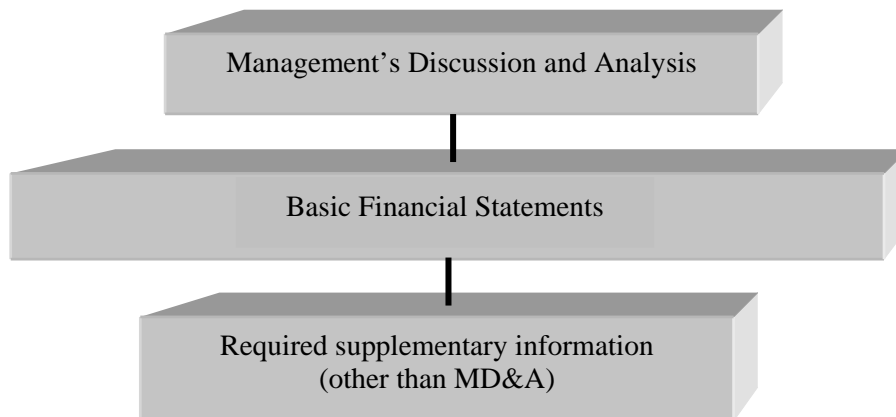
Enrollment changed from 17,332 to 19,184 from June 30, 2007, to June 30, 2008, a change of 11%. The reason for this change is attributed to the steady increase in students returning since the devastating impact of Hurricane Katrina.

The college's operating revenues increased from \$52,085,885 to \$58,641,819 or 13% from June 30, 2007, to June 30, 2008. Operating expenses also increased by 21% to \$109,380,290 for the year ended June 30, 2008. The changes in enrollment as discussed above and the recognition of postemployment retirement benefits are the primary reasons for this change.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations. The change to \$42,746,106 in 2008 from \$41,546,067 in 2007 is attributed to an increase in state appropriations of \$4,132,153.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special-Purpose Governments Engaged in Business-Type Activities established by GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and other required supplementary information.

### **Basic Financial Statements**

The basic financial statements present information for the college as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page 11) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the college is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 13-14) presents information showing how the college's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 15-16) presents information showing how the college's cash changed as a result of current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about the college's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other required supplementary information that further explains and supports the information in the financial statements.

The college's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the college are included in the Statement of Net Assets.

**FINANCIAL ANALYSIS**

**Statement of Net Assets  
As of June 30, 2008, and June 30, 2007  
(in thousands)**

	Total	
	2008	2007
Current and other assets	\$27,563	\$27,327
Capital assets	23,273	22,036
Total assets	50,836	49,363
Current liabilities	15,195	15,027
Noncurrent liabilities	15,095	6,792
Total liabilities	30,290	21,819
Net assets:		
Invested in capital assets, net of debt	19,483	18,161
Restricted	4,778	4,298
Unrestricted	(3,715)	5,085
Total net assets	\$20,546	\$27,544

This schedule is prepared from the college's Statement of Net Assets as shown on page 11, which is presented on an accrual basis of accounting. Significant Statement of Net Assets changes from 2008 include a decrease in unrestricted net assets because of the recognition of \$7,724,133 of postemployment retirement benefits.

Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets. Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Years Ended June 30, 2008, and June 30, 2007**  
(in thousands)

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Student tuition and fees, net	\$22,703	\$21,249
Grants and contracts	34,530	30,420
Auxiliary	1,019	90
Other	390	327
Total operating revenues	<u>58,642</u>	<u>52,086</u>
Operating expenses:		
Education and general:		
Instruction	57,200	46,568
Academic support	5,278	4,298
Student services	6,633	5,725
Institutional support	9,226	6,983
Operations and maintenance of plant	10,994	9,338
Depreciation	1,706	1,642
Scholarships and fellowships	16,906	15,094
Other operating expenses	1,437	945
Total operating expenses	<u>109,380</u>	<u>90,593</u>
Operating loss	<u>(50,738)</u>	<u>(38,507)</u>
Nonoperating revenues (expenses):		
State appropriations	40,298	36,166
Gifts	9	18
Other nonoperating revenues	2,439	5,362
Net nonoperating revenues	<u>42,746</u>	<u>41,546</u>
Income (loss) before other revenues, expenses, gains, losses	<u>(7,992)</u>	<u>3,039</u>
Capital appropriations	1,454	1,023
Additions to permanent endowments	52	
Other deductions, net	(512)	(75)
Change in Net Assets	<u>(6,998)</u>	<u>3,987</u>
Net assets at the beginning of the year	<u>27,544</u>	<u>23,557</u>
Net assets at the end of the year	<u>\$20,546</u>	<u>\$27,544</u>

Nonoperating revenues increased by 3% to \$42,746,106, primarily attributable to an increase in state appropriations. State appropriations changed from \$36,165,770 to \$40,297,923 because of the hiring of additional teachers and staff to accommodate increased enrollment. The college's operating revenues increased by \$6,555,934 or 13%.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2008, the college had invested \$23,273,296 in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of \$1,237,157 or 6% over the previous fiscal year. More detailed information about the college's capital assets is presented in note 6 to the financial statements.

#### Capital Assets at Year-end (Net of Depreciation, in thousands)

	2008	2007
Land	\$800	\$800
Land improvements	338	430
Construction-in-progress	3,522	2,759
Buildings	15,432	14,911
Equipment	3,181	3,136
Total	\$23,273	\$22,036

This year's major additions included approximately \$1,454,000 in construction projects to repair buildings impaired by Hurricane Katrina in fiscal year 2006.

### Debt and Other Long-Term Obligations

The college had \$15,094,886 in outstanding long-term obligations at year-end, compared to \$6,792,056 last year, an increase of 122% as shown in the table below.

#### Outstanding Long-Term Obligations at Year-end (in thousands)

	2008	2007
Capital lease obligation	\$3,700	\$3,790
Compensated absences	3,671	3,002
Other postemployment benefits payable	7,724	
Total	\$15,095	\$6,792

New long-term obligations resulted from the recognition of other postemployment retirement benefits. See note 14 for details relating to changes in and the composition of long-term liabilities and capital leases.

## **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

As a result of the impact of Hurricane Katrina, enrollment between 2005 and 2006 decreased by approximately 30%. However, the college continues to experience a gradual increase in enrollment and does not expect that this will cause any long-term significant effects on the financial position or operations of the college.

## **CONTACTING THE COMMUNITY COLLEGE'S MANAGEMENT**

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the college's finances and to show the college's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ronald L. Rodriguez, Assistant Vice Chancellor/Controller, at (504) 762-3021.

**DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

**Statement of Net Assets  
June 30, 2008**

**ASSETS**

Current assets:

Cash (note 2)	\$6,693,993
Receivables, net (note 4)	17,650,626
Deferred charges and prepaid expenses	354,845
Total current assets	<u>24,699,464</u>

Noncurrent assets:

Restricted assets - investments (note 3)	2,839,741
Notes receivable, net (note 5)	23,883
Capital assets, net (note 6)	23,273,296
Total noncurrent assets	<u>26,136,920</u>
Total assets	<u>50,836,384</u>

**LIABILITIES**

Current liabilities:

Accounts payable and accrued liabilities (note 9)	5,633,052
Deferred revenues (note 10)	8,853,154
Compensated absences payable (notes 11 and 14)	549,002
Capital lease obligations (notes 12 and 14)	90,000
Other current liabilities	69,811
Total current liabilities	<u>15,195,019</u>

Noncurrent liabilities:

Compensated absences payable (notes 11 and 14)	3,670,753
Capital lease obligations (notes 12 and 14)	3,700,000
Other postemployment benefits payable (notes 13 and 14)	7,724,133
Total noncurrent liabilities	<u>15,094,886</u>
<b>Total liabilities</b>	<u>30,289,905</u>

**NET ASSETS**

Invested in capital assets, net of related debt	19,483,296
Restricted for:	
Nonexpendable (note 15)	2,532,105
Expendable (note 15)	2,246,311
Unrestricted	<u>(3,715,233)</u>
<b>TOTAL NET ASSETS</b>	<u>\$20,546,479</u>

See accompanying notes and accountant's review report.

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**DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,  
and Changes in Net Assets  
For the Year Ended June 30, 2008**

**OPERATING REVENUES**

Student tuition and fees	\$29,362,639
Less scholarship allowances	<u>(6,659,962)</u>
Net student tuition and fees	22,702,677
Federal grants and contracts	27,385,331
State and local grants and contracts	6,954,298
Nongovernmental grants and contracts	190,365
Auxiliary enterprise revenues	1,018,614
Other operating revenues	<u>390,534</u>
Total operating revenues	<u>58,641,819</u>

**OPERATING EXPENSES**

Education and general:	
Instruction	57,199,771
Academic support	5,277,559
Student services	6,633,420
Institutional support	9,225,653
Operations and maintenance of plant	10,993,797
Depreciation	1,706,103
Scholarships and fellowships	16,906,267
Auxiliary enterprises	1,004,697
Other operating expenses	<u>433,023</u>
Total operating expenses	<u>109,380,290</u>

**OPERATING LOSS** (50,738,471)

(Continued)

See accompanying notes and accountant's review report.

**DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
Statement of Revenues, Expenses,  
and Changes in Net Assets, 2008**

<b>NONOPERATING REVENUES (Expenses)</b>	
State appropriations	\$40,297,923
Gifts	8,600
Net investment income	460,383
Interest expense	(226,250)
Other nonoperating revenues	2,205,450
Net nonoperating revenues	<u>42,746,106</u>
<b>LOSS BEFORE OTHER REVENUES, ADDITIONS, AND DEDUCTIONS</b>	(7,992,365)
Capital appropriations	1,453,875
Additions to permanent endowments	52,500
Loss on disposal of capital assets	<u>(511,772)</u>
<b>DECREASE IN NET ASSETS</b>	(6,997,762)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>27,544,241</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$20,546,479</u></u>

(Concluded)

See accompanying notes and accountant's review report.

**DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Year Ended June 30, 2008**

**Cash Flows From Operating Activities:**

Tuition and fees	\$28,094,003
Grants and contracts	30,499,447
Auxiliary enterprise receipts	1,018,614
Payments for employee compensation	(53,554,842)
Payments for benefits	(4,528,701)
Payments for utilities	(3,524,483)
Payments for supplies and services	(38,422,068)
Other receipts	390,534
<b>Net cash used by operating activities</b>	<u>(40,027,496)</u>

**Cash Flows From Noncapital Financing Activities:**

State appropriations	43,047,001
Gifts and grants from other than capital purposes	8,600
Private gifts for endowment purposes	52,500
TOPS receipts	628,190
TOPS disbursements	(628,190)
Other receipts	2,205,451
<b>Net cash provided by noncapital financing sources</b>	<u>45,313,552</u>

**Cash Flows From Capital and Related Financing Activities:**

Capital appropriations received	1,453,875
Purchases of capital assets	(3,455,032)
Principal paid on capital leases	(85,000)
Interest paid on capital leases	(226,250)
<b>Net cash used by capital financing activities</b>	<u>(2,312,407)</u>

**Cash Flows From Investing Activities:**

Interest received on investments	460,383
Purchase of investments	(24,516)
<b>Net cash provided by investing activities</b>	<u>435,867</u>

(Continued)

See accompanying notes and accountant's review report.

**DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
Statement of Cash Flows, 2008**

<b>Net increase in cash</b>	\$3,409,516
<b>Cash at beginning of year</b>	<u>3,284,477</u>
<b>Cash at end of year</b>	<u><u>\$6,693,993</u></u>
 <b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>	
Operating loss	(\$50,738,471)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,706,103
Changes in assets and liabilities:	
Decrease in accounts receivable, net	623,955
(Increase) in deferred charges and prepaid expenses	(175,149)
(Decrease) in accounts payable and accrued liabilities	(404,878)
Increase in deferred revenue	870,639
Increase in compensated absences	408,165
Increase in other postemployment benefits payable	7,724,133
(Decrease) in other liabilities	<u>(41,993)</u>
 <b>Net cash used by operating activities</b>	 <u><u>(\$40,027,496)</u></u>
 <b>Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions</b>	
Loss on disposal of capital asset	<u><u>\$511,772</u></u>

(Concluded)

See accompanying notes and accountant's review report.

## **INTRODUCTION**

Delgado Community College (college) is a publicly supported institution of higher education. The college is part of the Louisiana Community and Technical College System (LCTCS), which is a component unit of the State of Louisiana, within the executive branch of government. The college is under the management and supervision of the Board of Supervisors of LCTCS; however, certain items such as the annual budget of the college and changes to the degree programs and departments of instruction require the approval of the Board of Regents for Higher Education. As a state college, operations of the college's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the college is the chancellor.

The college's main campus is located in New Orleans adjacent to City Park. Other campuses are located on the New Orleans Westbank, at the Charity School of Nursing, and in Slidell. Student enrollment at June 30, 2008, is 19,184 and the college employs approximately 400 full-time faculty members.

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. BASIS OF PRESENTATION**

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

#### **B. REPORTING ENTITY**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The college is part of LCTCS, which is considered a discretely presented component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the colleges within the system primarily serve state residents. The accompanying financial statements present information only as to the transactions of the programs of the college.

Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements within the LCTCS amounts. The Louisiana Legislative Auditor audits the basic financial statements of the LCTCS and the state.

**C. BASIS OF ACCOUNTING**

For financial reporting purposes, the college is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the college'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-college transactions have been eliminated.

The college has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The college has elected not to apply FASB pronouncements issued after the applicable date.

**D. BUDGET PRACTICES**

The State of Louisiana's appropriation to the college 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 capital leases are not budgeted.

There were no approved budget amendments. The other funds of the college, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

**E. CASH AND INVESTMENTS**

Cash includes cash on hand and interest-bearing demand deposits. Under state law, the college 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 college may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the college is authorized to invest funds in direct United States Treasury obligations, United States government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. Investments are maintained in investment accounts in an external banking institution as

authorized by policies and procedures established by the Board of Regents and are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

**F. NONCURRENT RESTRICTED INVESTMENTS**

Restricted investments consist of endowments and similar type accounts 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.

**G. 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 college's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Building and improvements costing \$100,000 or more are capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are also capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. Library collections regardless of age, with a total acquisition value of \$5,000,000 or more, will be capitalized and depreciated. The college's library acquisitions do not meet the \$5,000,000 criteria and therefore are expensed in the year purchased. The college does not have infrastructure.

**H. DEFERRED REVENUES**

Deferred revenues include amounts received for tuition and fees and donated renovations received prior to the end of the fiscal year, which are related to subsequent accounting periods. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**I. 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 nonexempt 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 which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits for the Louisiana Teachers' Retirement System and the Louisiana State Employees' Retirement System, but not for the Optional Retirement System.

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.

#### **J. NONCURRENT LIABILITIES**

Noncurrent liabilities include capital lease obligations with contractual 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.

#### **K. NET ASSETS**

Net assets comprise the various net earnings from operations, 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 college'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 - nonexpendable consists of endowment 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 - expendable consists of resources that the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (d) Unrestricted consists of resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to

the educational and general operations of the college 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 college's policy is to first apply the expense toward unrestricted resources and then toward restricted resources.

#### **L. CLASSIFICATION OF REVENUES AND EXPENSES**

The college 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; and (3) most federal, state, and local grants and contracts and federal appropriations.
- Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.
- Operating expenses generally include transactions resulting from providing goods or 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 that could result from financing activities, capital acquisitions, and investing activities.

#### **M. 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 college and the amount that is paid by students and/or third parties making payments on the students' behalf.

#### **N. ELIMINATING INTERFUND ACTIVITY**

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

**O. ADOPTION OF NEW ACCOUNTING PRINCIPLES**

For the year ended June 30, 2008, the college implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, and GASB Statement No. 50, *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27*. Statement No. 45 affects the reporting of long-term liabilities and is addressed in the financial statements and the accompanying notes. The measurement and recognition requirements of this statement have been applied on a prospective basis. The implementation of Statement No. 50 had no significant impact on the financial statements or notes.

**P. USE OF ESTIMATES**

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

**2. CASH**

At June 30, 2008, the college has cash (book balances) of \$6,693,993 as follows:

Petty cash	\$10,425
Demand deposits	<u>6,683,568</u>
Total	<u><u>\$6,693,993</u></u>

Custodial credit risk is the risk that in the event of a bank failure, the college's deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The 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. At June 30, 2008, the college has \$8,590,899 in deposits (collected bank balances), which were secured from risk by federal deposit insurance plus pledged securities held in the college's name.

### 3. INVESTMENTS

The college maintains investment accounts as authorized by R.S. 49:327. Investments totaling \$2,839,741 are stated at fair value. Restricted investments, reported as noncurrent assets on the Statement of Net Assets, consist of endowments and similar type accounts 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. All investment income, including changes in the fair value of investments, is reported as revenue on the financial statements. The fair values of investments at June 30, 2008, are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>
Endowment Mutual Funds:	
Pooled Equity Funds	\$821,049
Fixed Income Securities	1,229,617
Short-Term Federal Funds	583,510
International Equity Funds	197,751
Other	<u>7,814</u>
 Total investments	 <u><u>\$2,839,741</u></u>

The mutual funds are held pursuant to the Eminent Scholars and Endowed Professorships Program. According to the Board of Regents policy, investment performance will be measured against a benchmark constructed to reflect (where possible) passive investment alternatives to the asset classes contained in the policy portfolio. The equities investment portion is thus expected to at least equal the performance of the S&P 500 or other nationally recognized benchmarks and the fixed income portion is expected to at least equal the Lehman Brothers Aggregate Index or other nationally recognized benchmarks. Balanced account managers will be primarily evaluated relative to the Lipper Balanced Account Index or other reasonable substitute.

To reduce overall volatility of investment returns and to provide a hedge against the effects of economic downturns, at least 40% of assets must be invested in fixed income funds. The fixed income funds are diversified among various sectors of the fixed income market. Up to 15% may be invested in quality ratings between AA and BB. The overall average quality must be AA. No more than 5% of the fixed income fund may be invested in the securities of any one issuer. Investments in foreign stocks and foreign fixed income are limited to 15% and 5% of the equity and fixed income funds, respectively. For the fixed income securities and federal fund mutual funds totaling \$1,813,127, there are no credit quality ratings.

No formal investment policy exists that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

**4. RECEIVABLES**

Receivables, all of which are scheduled for collection within one year, are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, as follows:

<u>Type</u>	<u>Receivables</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Student tuition and fees	\$10,988,907	(\$554,679)	\$10,434,228
Federal, state, and private grants and contracts	1,727,694		1,727,694
Due from federal government	4,491,591		4,491,591
Other	997,113		997,113
Total	<u>\$18,205,305</u>	<u>(\$554,679)</u>	<u>\$17,650,626</u>

**5. NOTES RECEIVABLE**

Notes receivable are comprised of loans to students under the Federal Perkins Loan program and from other private student loan programs. Restricted federal and state contributions and interest on the loans provide the funding for the Perkins Loan program. The Perkins program provides for the cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. 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 U.S. Department of Education. Notes receivable are shown as noncurrent assets on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2008. These receivables are composed of the following:

<u>Type</u>	<u>Notes Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Notes Receivable (Net)</u>
Federal Perkins Loans	\$66,058	(\$50,500)	\$15,558
Aetna Emergency Loan Fund	1,076		1,076
Sears Loan Fund	1,224		1,224
Kellogg Foundation	6,025		6,025
Total	<u>\$74,383</u>	<u>(\$50,500)</u>	<u>\$23,883</u>

## 6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2008, follows:

	Balance July 1, 2007	Additions	Transfers	Retirements	Balance June 30, 2008
Capital assets not being depreciated:					
Land	\$800,000				\$800,000
Construction-in-progress	2,759,603	\$1,744,571	(\$982,057)		3,522,117
Total capital assets not being depreciated	<u>\$3,559,603</u>	<u>\$1,744,571</u>	<u>(\$982,057)</u>	NONE	<u>\$4,322,117</u>
Other capital assets:					
Land improvements	\$2,060,828				\$2,060,828
Less accumulated depreciation	(1,630,927)	(\$92,046)			(1,722,973)
Total land improvements	<u>429,901</u>	<u>(92,046)</u>	NONE	NONE	<u>337,855</u>
Buildings	30,077,794	260,639	\$982,057		31,320,490
Less accumulated depreciation	(15,167,031)	(721,084)			(15,888,115)
Total buildings	<u>14,910,763</u>	<u>(460,445)</u>	<u>982,057</u>	NONE	<u>15,432,375</u>
Equipment	7,900,398	1,449,822		(\$813,947)	8,536,273
Less accumulated depreciation	(4,764,526)	(892,973)		302,175	(5,355,324)
Total equipment	<u>3,135,872</u>	<u>556,849</u>	NONE	<u>(511,772)</u>	<u>3,180,949</u>
Total other capital assets	<u>\$18,476,536</u>	<u>\$4,358</u>	<u>\$982,057</u>	<u>(\$511,772)</u>	<u>\$18,951,179</u>
Capital asset summary:					
Capital assets not being depreciated	\$3,559,603	\$1,744,571	(\$982,057)		\$4,322,117
Other capital assets, at cost	<u>40,039,020</u>	<u>1,710,461</u>	<u>982,057</u>	(\$813,947)	<u>41,917,591</u>
Total cost of capital assets	43,598,623	3,455,032	NONE	(813,947)	46,239,708
Less accumulated depreciation	<u>(21,562,484)</u>	<u>(1,706,103)</u>	NONE	<u>302,175</u>	<u>(22,966,412)</u>
Capital assets, net	<u>\$22,036,139</u>	<u>\$1,748,929</u>	NONE	<u>(\$511,772)</u>	<u>\$23,273,296</u>

## 7. PENSION PLANS

*Plan Description.* Substantially all employees of the college 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 generally members of the Louisiana State Employees' Retirement System (LASERS). TRSL is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer defined benefit pension plan because the material portion of its activity is with one employer--the State of Louisiana. TRSL and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. 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 retirement systems with employee benefits vesting 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 retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information for the retirement 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 college are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRSL) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. The state is required to contribute 16.6% of covered salaries to TRSL and 20.4% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to the college, funds the college's employer contribution. The college's employer contributions to TRSL for the years ended June 30, 2008, 2007, and 2006 were \$3,335,668; \$2,567,414; and \$2,741,389, respectively, and to LASERS for the years ended June 30, 2008, 2007, and 2006 were \$1,507,218; \$1,153,617; and \$1,143,711, 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 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.

R.S. 11:927 set the contribution requirements of the plan members and the system equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the college are 16.6% of the covered payroll for fiscal year 2008. 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 the 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 \$1,897,891 and \$917,843, respectively, for the year ended June 30, 2008.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The following is a summary of the college's accounts payable and accrued liabilities at June 30, 2008:

<u>Account Name</u>	
Vendor payables	\$737,272
Accrued salaries and payroll deductions	3,259,390
Other payables	<u>1,636,390</u>
Total payables	<u><u>\$5,633,052</u></u>

**10. DEFERRED REVENUES**

The following is a summary of deferred revenues at June 30, 2008:

<u>Account Name</u>	
Prepaid tuition and fees	\$7,043,288
Junior Achievement lease	1,578,336
Grants and contracts	<u>231,530</u>
Total deferred revenues	<u><u>\$8,853,154</u></u>

**11. COMPENSATED ABSENCES**

At June 30, 2008, employees of the college have accumulated and vested annual leave, sick leave, and compensatory leave of \$1,736,747; \$2,461,110; and \$21,898, respectively. These balances were computed in accordance with GASB Codification Section C60.105. The leave payable is recorded in the accompanying financial statements.

**12. LEASE OBLIGATIONS**

**Operating Leases**

For the year ended June 30, 2008, the total rental expense for all operating leases was \$1,832,755. The college'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 rental payments required under operating leases:

<u>Fiscal Year</u>	<u>Office Space</u>
2009	\$356,445
2010	317,595
2011	177,983
2012	56,295
2013	<u>9,383</u>
Total minimum payments required	<u><u>\$917,701</u></u>

**Capital Leases**

The college records items that are above the capitalization threshold under capital leases as assets and obligations in the accompanying financial statements. The college's capital lease at June 30, 2008, consists of a building lease/lease back valued at \$3,790,000 and is included in total capital assets reported in note 6. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments, at June 30, 2008:

<u>Fiscal Year Ending June 30</u>	
2009	\$312,937
2010	312,956
2011	312,350
2012	311,456
2013	310,275
2014-2018	1,552,956
2019-thereafter	<u>3,686,600</u>
Total minimum lease payments	6,799,530
Less - amount representing executory costs	<u>NONE</u>
Net minimum lease payments	6,799,530
Less - amount representing interest	<u>(3,009,530)</u>
Present value of net minimum lease payments	<u><u>\$3,790,000</u></u>

**13. OTHER POSTEMPLOYMENT BENEFITS**

*Plan Description*--Employees of the college 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](http://www.doa.la.gov/osrap).

*Funding Policy*--The contribution requirements of plan members and the college 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. Retired employees who have Medicare Part A and Part B coverage also have access to six OGB Medicare Advantage plans--three HMO plans and three private fee-for-service (PFFS) plans. The three HMO plans are Humana Regional HMO Plan, Peoples Health Regional HMO Plan, and Vantage Statewide HMO-Point-of-Service Plan. The three private fee-for-service plans are Humana Statewide PFFS Plan, Universal American/Today's Option Statewide PFFS Plan, and United Healthcare/Secure Horizons Statewide PFFS Plan. Depending upon the plan selected, during fiscal year 2008, employee premiums for a single member receiving benefits range from \$34 to \$92 per month for retiree-only coverage with Medicare or from \$126 to \$170 per month for retiree-only coverage without Medicare. The fiscal year 2008 employee premiums for a retiree with spouse, children, or family coverage range from \$69 to \$452 per month for those with Medicare and from \$181 to \$496 per month for those without Medicare.

The plan is currently financed on a pay-as-you-go basis with the college contributing from \$103 to \$237 per month for retiree-only coverage with Medicare or from \$809 to \$842 per month for retiree-only coverage without Medicare during fiscal year 2008. Also, the college's contributions range from \$207 to \$1,168 per month for retiree with spouse, children, or family coverage with Medicare or from \$860 to \$1,293 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 monthly 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 college's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45, which is being implemented prospectively 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 liability (UAAL) over a period of thirty years. A 30-year, closed

amortization period had been used. The total ARC for fiscal year 2008 is \$9,244,500 as set forth below:

Normal cost	\$5,047,300
30-year UAAL amortization amount	3,841,642
Interest	<u>355,558</u>
Annual required contribution (ARC)	<u><u>\$9,244,500</u></u>

The following schedule presents the college's OPEB obligation for fiscal year 2008:

Annual required contribution	\$9,244,500
Interest on net OPEB obligation	NONE
ARC adjustment	<u>NONE</u>
OPEB cost	9,244,500
Contributions made -	
current year retiree premiums	<u>(1,520,367)</u>
Change in net OPEB obligation	<u>7,724,133</u>
Beginning net OPEB obligations at July 1, 2007	<u>NONE</u>
Ending net OPEB obligation at June 30, 2008	<u><u>\$7,724,133</u></u>

Using the pay-as-you-go method, the college contributed 16.4% of the annual postemployment benefits cost during 2008.

*Funded Status and Funding Progress*--During fiscal year 2008, neither the college nor the State of Louisiana made contributions to a postemployment benefits plan trust. A trust was established July 1, 2008. Hence, the funded ratio is zero. Since the plan was not funded, the college's entire actuarial accrued liability of \$100,535,200 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2007, was as follows:

Actuarial accrued liability (AAL)	\$100,535,200
Actuarial value of plan assets	<u>NONE</u>
Unfunded actuarial accrued liability	<u><u>\$100,535,200</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	\$46,743,362
UAAL as a percentage of covered payroll	215%

*Actuarial Methods and Assumptions*--Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the

healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the 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, 2007, 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 9.5% and 10.6% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, is 29 years.

**14. CHANGES IN LONG-TERM LIABILITIES  
(CURRENT AND NONCURRENT PORTION)**

The following is a summary of long-term liability transactions of the college for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due Within One Year
Compensated absences payable	\$3,811,590	\$1,071,327	\$663,162	\$4,219,755	\$549,002
Capital lease obligations	3,875,000		85,000	3,790,000	90,000
OPEB payable		9,244,500	1,520,367	7,724,133	
Total long-term liabilities	<u>\$7,686,590</u>	<u>\$10,315,827</u>	<u>\$2,268,529</u>	<u>\$15,733,888</u>	<u>\$639,002</u>

**15. RESTRICTED NET ASSETS**

The college has the following restricted net assets at June 30, 2008:

Nonexpendable:	
Endowments	\$1,974,515
Student Life Center maintenance reserve	<u>557,590</u>
Total nonexpendable	<u><u>\$2,532,105</u></u>
Expendable:	
Endowments	\$865,225
Student technology fees	953,665
Building use fee	<u>427,421</u>
Total expendable	<u><u>\$2,246,311</u></u>

Of the total net assets reported in the Statement of Net Assets for the year ended June 30, 2008, a total of \$1,381,086 is restricted by enabling legislation.

**16. CONTINGENT LIABILITIES  
AND RISK MANAGEMENT**

Losses arising from judgments, claims, and similar contingencies are paid through the state’s self-insurance fund operated by Office of Risk Management, the agency responsible for the state’s risk management program, or by appropriation from the state’s General Fund. The college is involved in four lawsuits at June 30, 2008. In the opinion of legal counsel, the possibility that the college will incur a liability in the four lawsuits is reasonably possible. There is a possible liability of \$50,000 for one lawsuit. For the remaining three lawsuits, legal counsel is unable to estimate the possible loss. This listing does not include any lawsuits filed with the college system or the Office of Risk Management.

**17. FOUNDATION**

The accompanying financial statements do not include the accounts of the Delgado Community College Foundation. This foundation is not included because it does not meet criteria established by the Division of Administration, Office of Statewide Reporting and Accounting Policy, for determining component units included in the college system’s financial statement in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39. This foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants.

**18. DEFERRED COMPENSATION PLAN**

Certain employees of the college 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.la.la.gov](http://www.la.la.gov).

**19. RELATED PARTY TRANSACTIONS**

The college has entered into a capital lease transaction with the Delgado Community College Foundation to finance the Student Life Center. The term of the lease is 30 years with interest payments commencing April 1, 2000. The interest is paid semiannually and principal payments are made annually commencing October 1, 2000. The college records this capital lease as an asset and an obligation in the accompanying financial statements. This capital lease is included in note 12.

**20. IMPAIRMENT OF CAPITAL ASSETS**

The college was damaged by Hurricane Katrina in August 2005. GASB 42 established accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether the impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset.

The carrying amount of impaired capital assets that are idle at year-end should be disclosed, regardless of whether the impairment is considered permanent or temporary. Buildings with a carrying value of \$3,886,198 were idle at the end of the fiscal year.

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**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 of the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

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**DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

**Schedule of Funding Progress for the  
Other Postemployment Benefits Plan  
Fiscal Year Ended June 30, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Fund Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2007	NONE	\$100,535,200	\$100,535,200	0.0%	\$46,743,362	215%

**Note to the Schedule:**

GASB Statement 45 was implemented prospectively during the fiscal year ended June 30, 2008; therefore, only one year of information is presented.

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## Management Letter





LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

November 21, 2008

**DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
New Orleans, Louisiana

We have reviewed the financial statements of Delgado Community College, as of and for the year ended June 30, 2008, and have issued our accountant's review report thereon dated November 21, 2008. Delgado Community College is a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana. The college's accounts are an integral part of the Louisiana Community and Technical College 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.

Our review of the financial statements did not disclose any transactions entered into by the college 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 college's financial statements or the accountant's report. No such disagreements arose during our review procedures.

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting Delgado Community College'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.

In our prior management letter on Delgado Community College dated December 14, 2007, for the year ended June 30, 2007, we reported a finding relating to unlocated movable property. This finding has not been sufficiently resolved by management and will be repeated in this letter.

### **Unlocated Movable Property**

For the fifth consecutive year, Delgado Community College (Delgado) reported significant amounts of movable property that could not be located. Good internal control requires that adequate control procedures be in place to ensure that movable property is properly safeguarded against loss arising from unauthorized use or theft. In addition, Louisiana Administrative Code Title 34 Part VII Section 313 (A) states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. Property unlocated after three years is permanently deleted from movable property records.

Louisiana Revised Statutes 39:324 and 39:325 require entities to conduct an annual inventory of movable property and identify amounts of unlocated property in an annual certification submitted to the Louisiana Property Assistance Agency (LPAA). Delgado submitted its annual certification of property inventory to the LPAA on June 20, 2008. Delgado reported \$22,021,598 in total movable property and included unlocated movable property items totaling \$908,984. Items totaling \$206,952 were removed from the property records because they had not been located for three consecutive years. The unlocated property included \$821,387 of unlocated computers and computer-related equipment. Delgado also reported 22 movable property items with a total value of \$25,831 as stolen to the Legislative Auditor and the Orleans Parish District Attorney's Office.

Failure to adequately monitor, secure, and account for all movable property and locate those items for which there are no explanations available for their disappearance subjects the movable property of Delgado to increased risk of loss and/or unauthorized use and to noncompliance with state laws and regulations. Furthermore, because of the nature of services provided by Delgado, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

Management of Delgado should strengthen internal control over movable property to ensure that all movable property is adequately secured and monitored, physical inventories are conducted accurately, and additional efforts are devoted toward locating movable property reported as unlocated in previous years. Management concurred in part with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-2).

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

This management letter is intended for the information and use of Delgado Community College and its management, others within the college, the Louisiana Community and Technical College 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

KML:JR:EFS:PEP:sr

DCC08

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



CHANCELLOR'S OFFICE  
615 City Park Avenue  
New Orleans, LA 70119  
(504) 762-3000 FAX (504) 361-6697  
www.dcc.edu

October 23, 2008

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
1600 North Third Street  
Baton Rouge, LA 70802

Dear Mr. Theriot:

Management of Delgado Community College concurs in part with the finding and recommendations related to Unlocated and Stolen Movable Property. It is important to note that the total unlocated property in fiscal year 2008 has decreased by \$547,532 or 37.59% over prior year which totaled \$1,456,516. Also, subsequent to Delgado Community College submitting its 2008 Certification of Annual Property Inventory Report dated June 20, 2008, additional searches were conducted for unlocated property which has resulted in the total unlocated inventory being further reduced from \$908,984 to \$869,875. This decreases the current year unlocated by 4.30% over what had been originally reported with the 2008 inventory.

Since the prior year, we have taken the following strategic actions:

- The College reviewed its existing policies and procedures regarding the management and control of its state property. It was determined that the immediate need was enforcement of the policies through improved training and stronger procedural communications to the employees responsible for conducting the annual inventory – the property location supervisors. Procedural communication and training for property location supervisors was conducted which included an emphasis on their increased responsibilities and the College's commitment to enforcing sanctions for improper or negligent performance of property control reporting duties. Future updates to the college-wide policies are being discussed by the Business and Administrative Affairs Department in an effort to continue to strengthen procedural enforcement.
- Campus Police staff continue to conduct security reviews on each campus to recommend general and specific improvements to lighting, physical security, and monitoring. These reviews are conducted on a regular basis as a deterrent to potential property thefts and in response to reported concerns. Following such a review, Campus Police issues a follow-up email to the responsible maintenance personnel or college staff member with details of the recommended corrective action.
- Further, the College has implemented an effort to improve the lighting across its campuses in an effort to reduce the possibility of theft or crime. Lighting for the Charity School of Nursing Campus has been enhanced by adding wall packs to the perimeter of the building and the outside patio area to reduce and/or eliminate dark spots, and non-operational recessed lighting on the campus has been replaced. Lighting for the City Park Campus has been improved, especially along its walkway areas and throughout parking lots, as well as to the perimeter of the campus.

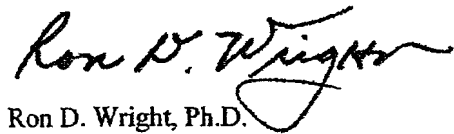
Property Control staff will continue to conduct necessary training with college personnel that are responsible for property, in order to communicate any necessary changes in policies and procedures. College management will continue to assist Property Control staff to mandate adherence with property control policies and procedures. Property Control staff will continue to work with the Director of Campus Police to determine what improvements can be made that may possibly help to further reduce the risk of inventory thefts.

The person responsible for corrective action is A.C. Eagan, Vice Chancellor of Business and Administrative Affairs.

Sincerely,

A handwritten signature in cursive script, appearing to read "A.C. Eagan III".

A.C. Eagan, III  
Vice Chancellor for Business and Administrative Affairs

A handwritten signature in cursive script, appearing to read "Ron D. Wright".

Ron D. Wright, Ph.D.  
Chancellor