# Northshore Technical Community College
# Louisiana Community and Technical College System
# A Component Unit of the State of Louisiana

Financial Statement Audit
For the Year Ended June 30, 2014
Issued October 22, 2014

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**DARYL G. PURPERA, CPA, CFE**

October 17, 2014

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**LOUISIANA COMMUNITY AND**
**TECHNICAL COLLEGE SYSTEM**
**STATE OF LOUISIANA**
Bogalusa, Louisiana

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Northshore Technical Community College (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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College as of June 30, 2014, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in note 1-B, the accompanying financial statements of the College are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities of the Louisiana Community and Technical College System that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System as of June 30, 2014, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 11 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

ZF:CLP:BQD:THC:aa

NTCC 2014

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Northshore Technical Community College's (College) financial performance presents a narrative overview and analysis of the College's financial activities for the year ended June 30, 2014. 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. **Amounts are presented in thousands unless otherwise noted.**

**FINANCIAL HIGHLIGHTS**

The College's net position decreased from ($1,036) to ($2,105) or 103.2% from July 1, 2013, to June 30, 2014. The overall reasons for this change included:

- Decrease in cash of $318
- Decrease in due from Louisiana Community and Technical College System of $465
- Decrease in due from federal government of $90
- Decrease in amounts held in custody for others of $71
- Decrease in due to federal government of $92
- Increase in OPEB payable of $468

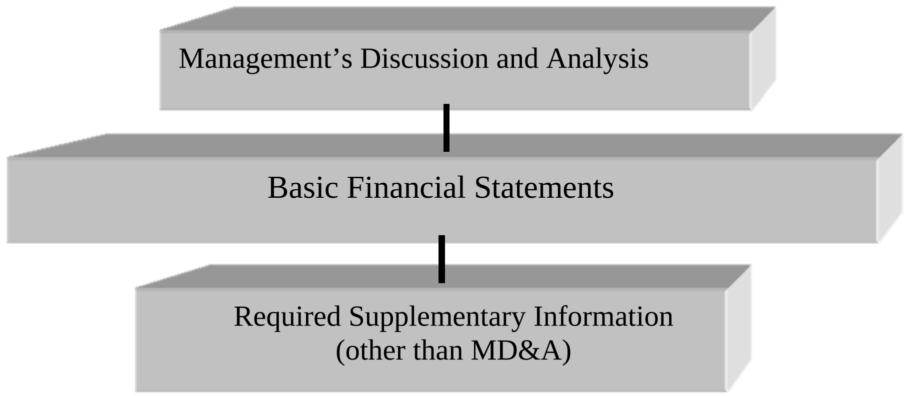
Enrollment changed from 3,111 to 3,176 from July 1, 2013 to June 30, 2014, an increase of 2.09%. The reason for this change is attributed to an enrollment growth continued in high-demand training programs such as construction, healthcare, and industrial training. New course development in addition to increases in secondary dual enrollment training programs also played a critical role in enrollment growth.

The College's operating revenues decreased from $4,219 to $3,853 or 8.7% from July 1, 2013 to June 30, 2014. Operating expenses decreased by 4.7% to $15,970 for the year ended June 30, 2014. The change in enrollment as discussed above and a reduction of federal grants and contract revenues are the primary reasons for this change.

Nonoperating revenues fluctuate depending upon the level of state appropriations. The decrease to $10,853 in 2014 from $11,332 in 2013 is primarily attributed to a reduction of state appropriations of $439.

## 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 No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.




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 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 Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position (page 12) presents the current and long-term portions of assets and liabilities separately. The difference between assets, liabilities, and deferred inflows/outflows is net position 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 Position (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 position are reported when the underlying transactions occur. As a result, there are transactions 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 Statement No. 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 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 Position. All assets, liabilities, and deferred inflows/outflows associated with the operation of the College are included in the Statement of Net Position.

**FINANCIAL ANALYSIS**

| | 2014 | 2013 | Variance | Percentage Change |
|---|---|---|---|---|
| Assets: | | | | |
| Current assets | $3,106 | $3,896 | ($790) | (20.3%) |
| Capital assets | 1,153 | 1,150 | 3 | 0.3% |
| Total assets | $4,259 | $5,046 | ($787) | (15.6%) |
| Liabilities: | | | | |
| Current liabilities | $838 | $984 | ($146) | (14.8%) |
| Long-term liabilities | 5,526 | 5,098 | 428 | 8.4% |
| Total liabilities | $6,364 | $6,082 | $282 | 4.6% |
| Net Position: | | | | |
| Investment in capital assets | $1,153 | $1,150 | $3 | 0.3% |
| Restricted | 1,425 | 2,035 | (610) | (30.0%) |
| Unrestricted | (4,683) | (4,221) | (462) | 10.9% |
| Total net position | ($2,105) | ($1,036) | ($1,069) | 103.2% |

This schedule is prepared from the College's Statement of Net Position as shown on page 12, which is presented on an accrual basis of accounting. Significant Statement of Net Position changes for 2014 include:

- Decrease in cash of $318
- Decrease in due from Louisiana Community and Technical College System of $465
- Decrease in due from federal government of $90
- Decrease in amounts held in custody for others of $71
- Decrease in due to federal government of $92
- Increase in OPEB payable of $468

The 17.7% decrease in net position restricted for grants and other purposes is due to spending of the Rapid Response grant funds that were received in fiscal year 2013.

Investment in capital assets consists of capital assets net of accumulated depreciation. Restricted net position represents those assets that are only available for spending on certain activities as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net position is the portion of net position that has no limitations on how these amounts may be spent.

**Table A-2**
**Northshore Technical Community College**
**Comparative Statement of Revenues, Expenses**
**and Changes in Net Position**
**(in thousands of dollars)**
**For the Fiscal Years Ended June 30, 2014 and 2013**

| | 2014 | 2013 | Variance | Percentage Change |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Student tuition and fees, net | $2,220 | $1,967 | $253 | 12.9% |
| Grants and contracts | 1,556 | 2,205 | (649) | (29.4%) |
| Sales and services of educational departments | 5 | 3 | 2 | 66.7% |
| Auxiliary enterprises, net | 3 | | 3 | 100.0% |
| Other | 69 | 44 | 25 | 56.8% |
| Total operating revenues | 3,853 | 4,219 | (366) | (8.7%) |
| Operating expenses: | | | | |
| Education and general: | | | | |
| Instruction | 7,253 | 7,302 | (49) | (0.7%) |
| Academic support | 1,390 | 1,308 | 82 | 6.3% |
| Student services | 1,300 | 1,293 | 7 | 0.5% |
| Institutional support | 2,664 | 2,898 | (234) | (8.1%) |
| Operations and maintenance of plant | 1,174 | 1,143 | 31 | 2.7% |
| Depreciation | 264 | 450 | (186) | (41.3%) |
| Scholarships and fellowships | 1,700 | 2,125 | (425) | (20.0%) |
| Other operating expenses | 225 | 236 | (11) | (4.7%) |
| Total operating expenses | 15,970 | 16,755 | (785) | (4.7%) |
| Operating loss | (12,117) | (12,536) | 419 | (3.3%) |
| Nonoperating revenues: | | | | |
| State appropriations | 5,140 | 5,579 | (439) | (7.9%) |
| Gifts | | 2 | (2) | (100.0%) |
| Federal nonoperating revenues | 4,688 | 5,155 | (467) | (9.1%) |
| Other nonoperating revenues | 1,025 | 596 | 429 | 72.0% |
| Net nonoperating revenues | 10,853 | 11,332 | (479) | (4.2%) |
| Losses before other revenues | (1,264) | (1,204) | (60) | 5.0% |
| Capital grants and gifts | 195 | 5 | 190 | 3800.0% |
| Change in net position | (1,069) | (1,199) | 130 | (10.8%) |
| Net position, beginning of year | (1,036) | 163 | (1,199) | (735.6%) |
| Net position, end of year | ($2,105) | ($1,036) | ($1,069) | 103.2% |

Nonoperating revenues decreased by 4.2% to $10,853, primarily attributable to a reduction in state appropriations.

State appropriations decreased from $5,579 to $5,140 due to a reduction of state funds appropriated to higher education in House Bill 1 of the 2013 Legislative Regular Session.

The College's operating revenues decreased by $366 or 8.7%.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2014, the College had invested approximately $1,153 in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $3 or 0.3% over the previous fiscal year. More detailed information about the College's capital assets is presented in note 4 to the financial statements.

**Table A-3**
**Northshore Technical Community College**
**Capital Assets, Net of Depreciation**
**(in thousands of dollars)**
**As of June 30, 2014 and 2013**

| | 2014 | 2013 | Variance | Percentage Change |
|---|---|---|---|---|
| Land and improvements | $389 | $194 | $195 | 100.5% |
| Buildings | 282 | 339 | (57) | (16.8%) |
| Equipment | 482 | 617 | (135) | (21.9%) |
| Total | $1,153 | $1,150 | $3 | 0.3% |

This year's major additions and deletions included (in thousands):

- Increase in land of $195
- Decrease due to equipment depreciation of $207

The Slidell Campus of the former Louisiana Technical College has been closed since Fall 2005 as a result of damage sustained from Hurricane Katrina. In order to continue serving the needs of the region, the Slidell Instructional Service Center was developed. The Slidell Campus has remained closed as we have negotiated with state and federal agencies to determine the most appropriate next steps and to secure funding to take those steps. As we work to bring the Slidell Campus back to full operation through the Federal Emergency Management Agency-improved project, Louisiana Community and Technical College System and Delgado Community College transferred the Slidell Campus and land to Northshore Technical Community College. The transfer action took placed in August of 2011, but due to an unforeseen problem with clear title ownership, the land was added to the financial statements this fiscal year.

### Debt

The College had no bonds or notes outstanding at year-end.

## ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The following currently known facts, decisions, or conditions are expected to have a significant effect on financial position or results of operations:

- Enrollment expansion in the Connect to Success transfer program partnership with Southeastern Louisiana University
- Relocation of the Drafting and Design program from Bogalusa to Hammond
- Potential Workforce and Innovation for a Stronger Economy Fund (WISE) funding opportunities to fund Tier 1 High Demand Occupational Programs
- Jump Start initiative centered on expanded career and technical education dual enrollment
- Increased mandated costs such as retirement and group benefits

## CONTACTING THE NORTHSHORE TECHNICAL 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 Marc Chauvin at mchauvin@NorthshoreCollege.edu.

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

**Statement of Net Position**
**June 30, 2014**

| | |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash (note 2) | $2,434,752 |
| Receivables, net (note 3) | 351,951 |
| Due from federal government | 68,768 |
| Due from Louisiana Community and Technical College System | 222,302 |
| Prepaid expenses and advances | 28,176 |
| Total current assets | 3,105,949 |
| Noncurrent assets: | |
| Capital assets, net (note 4) | 1,153,195 |
| **Total assets** | 4,259,144 |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable and accruals (note 9) | 547,656 |
| Due to Louisiana Community and Technical College System | 1,335 |
| Unearned revenues (note 10) | 199,476 |
| Compensated absences payable (notes 11 and 12) | 83,158 |
| Amounts held in custody for others | 6,450 |
| Total current liabilities | 838,075 |
| Noncurrent liabilities: | |
| Compensated absences payable (notes 11 and 12) | 507,291 |
| Other postemployment benefits payable (notes 8 and 12) | 5,018,477 |
| Total noncurrent liabilities | 5,525,768 |
| **Total liabilities** | 6,363,843 |
| **NET POSITION** | |
| Investment in capital assets | 1,153,195 |
| Restricted - expendable (note 14) | 1,424,997 |
| Unrestricted | (4,682,891) |
| **Total Net Position** | ($2,104,699) |

The accompanying notes are an integral part of this statement.

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

**Statement of Revenues, Expenses, and Changes in Net Position**
**For the Year Ended June 30, 2014**

| | |
|---|---|
| **OPERATING REVENUES** | |
| Student tuition and fees | $6,743,897 |
| Less scholarship allowances | (4,525,177) |
| Net student tuition and fees | 2,218,720 |
| Federal grants and contracts | 1,009,398 |
| State and local grants and contracts | 547,094 |
| Sales and services of educational departments | 5,462 |
| Auxiliary enterprise revenues | 3,278 |
| Other operating revenues | 69,222 |
| **Total operating revenues** | 3,853,174 |
| | |
| **OPERATING EXPENSES** | |
| Educational and general: | |
| Instruction | 7,252,794 |
| Academic support | 1,390,419 |
| Student services | 1,300,032 |
| Institutional support | 2,664,223 |
| Operations and maintenance of plant | 1,173,507 |
| Depreciation (note 4) | 263,725 |
| Scholarships and fellowships | 1,699,505 |
| Auxiliary enterprises | 495 |
| Other operating expenses | 224,867 |
| **Total operating expenses** | 15,969,567 |
| | |
| **OPERATING LOSS** | (12,116,393) |

(Continued)

The accompanying notes are an integral part of this statement.

**NORTHSHORE TECHNICAL COMMUNITY COLLEGE**
**LOUISIANA COMMUNITY AND**
**TECHNICAL COLLEGE SYSTEM**
**STATE OF LOUISIANA**
**Statement of Revenues, Expenses, and**
**Changes in Net Position**
**For the Year Ended June 30, 2014**

| | |
|---|---|
| **NONOPERATING REVENUES** | |
| State appropriations | $5,139,834 |
| Federal nonoperating revenues | 4,688,204 |
| Net investment income | 3,054 |
| Other nonoperating revenues | 1,021,414 |
| **Net nonoperating revenues** | 10,852,506 |
| **LOSS BEFORE OTHER REVENUES** | (1,263,887) |
| Capital grants and gifts | 195,000 |
| **DECREASE IN NET POSITION** | (1,068,887) |
| **NET POSITION AT BEGINNING OF YEAR** | (1,035,812) |
| **NET POSITION AT END OF YEAR** | ($2,104,699) |

(Concluded)

The accompanying notes are an integral part of this statement.

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

**Statement of Cash Flows**
**For the Year Ended June 30, 2014**

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | |
| Tuition and fees | $1,919,194 |
| Grants and contracts | 1,792,559 |
| Sales and services of educational departments | 5,462 |
| Payments for employee compensation | (7,383,170) |
| Payments for benefits | (2,931,734) |
| Payments for utilities | (369,817) |
| Payments for supplies and services | (2,634,497) |
| Payments for scholarships and fellowships | (1,693,480) |
| Other payments | (222,528) |
| **Net cash used by operating activities** | (11,518,011) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | |
| State appropriations | 5,632,100 |
| Gifts and grants for other than capital purposes | 5,620,512 |
| Taylor Opportunity Program for Students receipts | 167,748 |
| Taylor Opportunity Program for Students disbursements | (167,748) |
| Other receipts | 16,445 |
| **Net cash provided by noncapital financing activities** | 11,269,057 |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:** | |
| Purchases of capital assets | (72,024) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | |
| Interest received on investments | 3,054 |

(Continued)

The accompanying notes are an integral part of this statement.

**NORTHSHORE TECHNICAL COMMUNITY COLLEGE**
**LOUISIANA COMMUNITY AND**
**TECHNICAL COLLEGE SYSTEM**
**STATE OF LOUISIANA**
**Statement of Cash Flows, 2014**

| | |
|---|---|
| **NET DECREASE IN CASH** | ($317,924) |
| **CASH AT BEGINNING OF YEAR** | 2,752,676 |
| **CASH AT END OF YEAR** | $2,434,752 |
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:** | |
| Operating loss | ($12,116,393) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation expense | 263,725 |
| Changes in assets and liabilities: | |
| Decrease in accounts receivables, net | 61,784 |
| Increase in prepaid expenses and advances | (9,566) |
| Decrease in accounts payable | (52,299) |
| Decrease in unearned revenue | (33,536) |
| Decrease in amounts held in custody for others | (71,397) |
| Decrease in compensated absences | (28,031) |
| Increase in other postemployment benefits payable | 467,702 |
| **Net cash used by operating activities** | ($11,518,011) |
| **NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS:** | |
| Noncash capital gift | $195,000 |

(Concluded)

The accompanying notes are an integral part of this statement.

## NOTES TO THE FINANCIAL STATEMENTS

**INTRODUCTION**

Northshore Technical Community College (College) is a publicly-supported institution of higher education. The College is a part of the Louisiana Community and Technical College System (System), 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 System Board of Supervisors. 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 Louisiana Board of Regents of 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 College is comprised of three campuses located in Bogalusa, Greensburg, and Hammond, and an instructional service center located in Slidell.

The College offers associate of applied science degrees, associate of general studies degrees, technical competency areas, technical diplomas, and certificates of technical studies.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and reporting standards. 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 on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

**B. REPORTING ENTITY**

Using the criteria in GASB Statement 61, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the state of Louisiana. The College is part of the System, which is considered a component unit blended as an enterprise fund 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; and (3) the state has agreed through cooperative endeavor agreements to fund lease/debt service payments on all outstanding bonds. 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 annual financial report which includes the activity contained in the accompanying financial statements within the System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the System and the State of Louisiana.

## C. BASIS OF ACCOUNTING

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. 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-agency transactions have been eliminated.

## D. CASH

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.

The College may also invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The College considers certificates of deposit and all highly liquid investments with an original maturity of three months or less to be cash equivalents. The College has no cash equivalents at June 30, 2014.

## E. INVENTORIES

Inventories are valued at the lower of cost or market on the weighted-average basis. The College accounts for its inventories using the consumption method.

## F. 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. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. 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 three to 10 years for most movable property.

## G. UNEARNED REVENUES

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

## H. NONCURRENT LIABILITIES

Noncurrent liabilities include estimated amounts for accrued compensated absences and other postemployment benefits that will not be paid within the next fiscal year.

## 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 non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified 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 (LASERS), upon application for retirement, the option of receiving an actuarially-determined lump-sum payment for annual and sick leave that would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits for the Teachers' Retirement System of Louisiana and LASERS but not for the Optional Retirement System.

Upon termination or transfer, a classified 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 classified employee's hourly rate of pay at termination or transfer.

## J. NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. The College's net position is classified in the following components:

(a) *Net Investment in capital assets* consists of the College's total investment in capital assets, net of accumulated depreciation. The College does not have any outstanding debt obligations related to capital assets.

(b) *Restricted net position - expendable* consists of resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(c) *Unrestricted net position* 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, then toward restricted resources.

**K. 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 student tuition and fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and 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, investment income, and grants that do not have the characteristics of exchange transactions.

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

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

**L. 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 Position. 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.

## M. ADOPTION OF NEW ACCOUNTING PRINCIPLES

The Board implemented GASB 65 – *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. It also prohibits the use of the term "deferred" for any financial statement item other than deferred inflows of resources and deferred outflows of resources. The College had no deferred inflows/outflows during the fiscal year ended June 30, 2014; and removed the term "deferred" from any other accounts on the financial statements.

The Board implemented GASB 66 – *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*. It amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund types. It also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the guidance on accounting for the following: 1) operating lease payments that vary from a straight-line basis, 2) difference between the initial investment and the principal amount of a purchased loan, and 3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. The implementation of GASB 66 had no impact on the financial statements or the notes to the financial statements.

The Board implemented GASB 67, *Financial Reporting for Pension Plans, an Amendment of GASB Statement No. 25*, replacing the requirements of GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of GASB 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement and to defined contribution plans that provide postemployment benefits other than pensions. The implementation of GASB 67 had no impact on the financial statements or the notes to the financial statements.

The Board implemented GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. It establishes accounting and financial reporting standards for financial guarantees that are nonexchange in nature and were previously reported according to guidance applicable to all financial guarantees. Nonexchange financial guarantees are transactions in which the following occur:

1. An entity (guarantor) guarantees an obligation of another legally separate entity or individual (i.e., the guarantor agrees to indemnify a third-party obligation holder in the event that the entity or individual that issued the

guaranteed obligation does not fulfill its requirements under the obligation); and

2. The entity extending the financial guarantee does not receive equal or approximately equal value in return.

This statement requires governments that extend nonexchange financial guarantees to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. Also, this statement specifies the disclosure requirements for governments that extend financial guarantees as well as disclosures for governments that receive nonexchange financial guarantees. The implementation of GASB 70 had no impact on the financial statements or the notes to the financial statements.

**N. 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 significantly from those estimates.

## 2. CASH

At June 30, 2014, the College has cash (book balance) of $2,434,752 as follows:

| | |
|---|---|
| Petty cash | $500 |
| Demand deposits | 2,434,252 |
| Total | $2,434,752 |

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 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 College or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2014, the College has $2,604,350 in deposits (collective bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

## 3. RECEIVABLES

Receivables are shown on the Statement of Net Position, net of an allowance for doubtful accounts, at June 30, 2014. These receivables are composed of the following:

| | Receivables | Allowance for Doubtful Accounts | Receivables, Net |
|---|---|---|---|
| Student tuition and fees | $586,462 | $256,801 | $329,661 |
| State and private grants and contracts | 6,784 | NONE | 6,784 |
| Other | 15,506 | NONE | 15,506 |
| Total | $608,752 | $256,801 | $351,951 |

There is no noncurrent portion of receivables.

## 4. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2014, follows:

| | Balance June 30, 2013 | Additions | Transfers | Retirements | Balance June 30, 2014 |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land | $194,150 | NONE | $ 195,000 | NONE | $389,150 |
| Total capital assets not being depreciated | $194,150 | NONE | $ 195,000 | NONE | $389,150 |
| Other capital assets: | | | | | |
| Buildings | $3,951,359 | NONE | $905,154 | NONE | $4,856,513 |
| Less accumulated depreciation | (3,612,522) | ($57,154) | (905,154) | NONE | (4,574,830) |
| Total buildings | 338,837 | (57,154) | NONE | NONE | 281,683 |
| Equipment | 2,839,797 | 72,024 | NONE | (122,022) | 2,789,799 |
| Less accumulated depreciation | (2,222,888) | (206,571) | NONE | 122,022 | (2,307,437) |
| Total equipment | 616,909 | (134,547) | NONE | NONE | 482,362 |
| Total other capital assets | $955,746 | ($191,701) | NONE | NONE | $764,045 |
| Capital asset summary: | | | | | |
| Capital assets not being depreciated | $194,150 | NONE | $195,000 | NONE | $389,150 |
| Other capital assets, at cost | 6,791,156 | $72,024 | 905,154 | ($122,022) | 7,646,312 |
| Total cost of capital assets | 6,985,306 | 72,024 | 1,100,154 | (122,022) | 8,035,462 |
| Less accumulated depreciation | (5,835,410) | (263,725) | (905,154) | 122,022 | (6,882,267) |
| Capital assets, net | $1,149,896 | ($191,701) | $195,000 | NONE | $1,153,195 |

## 5. CAPITAL ASSETS HELD BY OTHERS

Construction for a new facility at the Florida Parishes campus was completed during early fiscal year 2013. The College implemented Banner during fiscal years 2013 and 2014. The new construction and some of the Banner implementation costs were funded by bonds issued by the LCTCS Facilities Corporation in accordance with Act 391 of the 2007 Regular Legislative Session. The cost of acquisition of the eight-acre site and construction of the facilities, along with the related bond debt, are recorded in the System's financial statements through the blending of the LCTCS Facilities Corporation with the System. The Banner asset will be capitalized by the System Board Office.

## 6. 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 and are administered by separate boards of trustees. 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; employee benefits vest with TRSL after five years of service and with LASERS after 10 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information for the retirement systems. The TRSL reports may be obtained online at www.trsl.org or by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446. The LASERS reports may be obtained online at www.lasersonline.org or by writing the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

*Funding Policy.* The contribution requirements of plan members and the 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. In fiscal year 2014, the state contributed 27.20% of covered salaries to TRSL and 31.30% of covered salaries to LASERS. The employer contribution is funded through annual appropriations by the State of Louisiana. The College's employer contributions to TRSL for the years ended June 30, 2014, 2013, and 2012 were $1,413,071; $1,301,217; and $1,186,933, respectively, and to LASERS for the years ended June 30, 2014, 2013, and 2012 were $233,722; $203,499; and $180,056, respectively, equal to the required contributions for each year.

## 7. OPTIONAL RETIREMENT SYSTEM

TRSL administers an optional retirement plan, which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. This plan was designed to aid colleges 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.

R.S. 11:927 requires the employer and each participant to contribute monthly to the optional retirement plan the same amount which they would be required to contribute to the regular retirement plan of the TRSL if the participant were a member of that retirement plan. Employer contributions by the College are 26.5% of the covered payroll. 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 obligation of the state of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer and employee contributions to the optional retirement plan totaled $54,400 and $16,424, respectively, for the year ended June 30, 2014.

## 8. 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 before 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 website at www.doa.la.gov/osrap.

*Funding Policy*. The plan is currently financed on a pay-as-you-go basis. 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 Health Maintenance Organization (HMO) Plan, and the Medical Home HMO Plan. OGB also offers the Consumer Driven Health Plan with a Health Savings Account option (CDHP-HSA) for active employees. Retired employees who have Medicare Part A and Part B coverage also have access to three OGB Medicare Advantage plans: the Peoples Health HMO-POS Plan, the Vantage HMO-POS Plan, and the Vantage Zero-Premium HMO-POS Plan. There is also a Health Exchange Plan which is not an OGB plan. However, OGB is partnering with Extend Health to offer access to multiple Medicare plans. There are no premiums to the state for the Vantage Zero-Premium HMO-POS Plan or the Health Exchange Plan.

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

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

The following table shows the monthly premium rates in effect at June 30, 2014.

| | PPO | HMO | CDHP with HSA | Medical Home HMO Health Plan |
|---|---|---|---|---|
| Active | | | | |
| Single | $566 | $534 | $439 | $573 |
| With Spouse | 1,202 | 1,135 | 933 | 1,200 |
| With Children | 690 | 652 | 536 | 695 |
| Family | 1,267 | 1,197 | 984 | 1,264 |
| Retired No Medicare and Re-employed Retiree | | | | |
| Single | $1,053 | $998 | NA | $1,052 |
| With Spouse | 1,859 | 1,761 | NA | 1,847 |
| With Children | 1,172 | 1,111 | NA | 1,171 |
| Family | 1,850 | 1,753 | NA | 1,838 |
| *Retired with 1 Medicare | | | | |
| Single | $342 | $330 | NA | $352 |
| With Spouse | 1,265 | 1,206 | NA | 1,262 |
| With Children | 592 | 568 | NA | 599 |
| Family | 1,685 | 1,605 | NA | 1,676 |
| *Retired with 2 Medicare | | | | |
| With Spouse | $615 | $592 | NA | $621 |
| Family | 762 | 732 | NA | 766 |

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

The following table shows the Medicare Advantage Plans monthly premium rates in effect at June 30, 2014.

| Medicare Supplemental Rates | Calendar Year 2014 | | Calendar Year 2013 | |
|---|---|---|---|---|
| | Retired with | | Retired with | |
| | 1 Medicare | 2 Medicare | 1 Medicare | 2 Medicare |
| People's Health (HMO Plan) | $251 | $502 | $234 | $468 |
| Vantage (HMO Plan) | 151 | 301 | 184 | 369 |

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 50% for retirees. 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 other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 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 has been used. The total ARC for fiscal year 2014 is $766,600.

The following schedule presents the components of the College's annual OPEB cost for fiscal year 2014, the amount actually contributed to the plan, and changes in the College's net OPEB obligation to the OPEB plan:

| | |
|---|---|
| ARC | $766,600 |
| Interest on net OPEB obligation | 182,031 |
| ARC adjustment | (173,893) |
| Annual OPEB cost | 774,738 |
| Contributions made - current year retiree premiums | (307,036) |
| Increase in net OPEB obligation | 467,702 |
| Beginning net OPEB obligation at June 30, 2013 | 4,550,775 |
| Ending net OPEB obligation at June 30, 2014 | $5,018,477 |

The College's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2014, and the preceding two fiscal years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| June 30, 2012 | $777,315 | 44% | $4,131,359 |
| June 30, 2013 | $752,688 | 44% | $4,550,775 |
| June 30, 2014 | $774,738 | 40% | $5,018,477 |

*Funded Status and Funding Progress.* During fiscal year 2014, neither the College nor the state of Louisiana made contributions to a postemployment benefits plan trust. A trust was established July 1, 2008, but was not funded, has no assets, and hence has a funded ratio of zero.

Since the plan was not funded, the College's entire actuarial accrued liability (AAL) of $8,618,400 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2013, was as follows:

| | |
|---|---|
| AAL | $8,618,400 |
| Actuarial value of plan assets | NONE |
| UAAL | $8,618,400 |
| Funded ratio (actuarial value of plan assets/AAL) | 0% |
| Covered payroll | $4,542,626 |
| UAAL as percentage of covered payroll | 190% |

*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, 2013 OGB actuarial valuation, the projected unit credit actuarial cost method, was used. The actuarial assumptions included a 4% discount rate and initial annual healthcare cost trend rate of 8.0% and 6.0% for pre-Medicare and Medicare-eligible employees, respectively, scaling down to ultimate rates of 4.5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's UAAL is being amortized over 30 years as a level percentage of projected payroll on an open basis. Annual per capita medical claims costs were updated to reflect an additional year of actual experience. Assumptions also include a salary scale of 5% and payroll growth of 3%.

## 9. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accruals at June 30, 2014:

| | |
|---|---|
| Vendors | $54,522 |
| Accrued salaries and benefits | 486,383 |
| Other payables | 6,751 |
| Total | $547,656 |

## 10. UNEARNED REVENUES

The following is a summary of unearned revenues at June 30, 2014:

| | |
|---|---|
| Prepaid tuition and fees | $199,476 |

## 11. COMPENSATED ABSENCES

At June 30, 2014, employees of the College have accumulated and vested annual, sick, and compensatory leave of $266,192; $323,876; and $381, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

## 12. LONG-TERM LIABILITIES

The following is a summary of long-term transactions of the College for the year ended June 30, 2014:

| | Balance June 30, 2013 | Additions | Reductions | Balance June 30, 2014 | Portion Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences payable (note 11) | $618,480 | $377,216 | ($405,247) | $590,449 | $83,158 |
| OPEB payable (note 8) | 4,550,775 | 774,738 | (307,036) | 5,018,477 | |
| Total | $5,169,255 | $1,151,954 | ($712,283) | $5,608,926 | $83,158 |

## 13. LEASE OBLIGATIONS

For the year ended June 30, 2014, the total rental expense for all operating leases was $116,917. The following is a schedule, by fiscal years, of future minimum annual rental payments required under operating leases:

| Nature of Operating Lease | 2015 | 2016 | Total Minimum Payments Required |
|---|---|---|---|
| Office space | $116,917 | $73,342 | $190,259 |

## 14. RESTRICTED NET POSITION

The College has the following restricted net position at June 30, 2014:

| | |
|---|---|
| Academic excellence fee | $230,846 |
| Student technology fee | 103,177 |
| Vehicle registration fee | 28,722 |
| Student government association fee | 78,918 |
| Grants and donations | 983,334 |
| Total | $1,424,997 |

Of the total net position reported in the Statement of Net Position for the year ended June 30, 2014, $362,745 is restricted by enabling legislation (which also includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation).

## 15. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The College is involved in a lawsuit at June 30, 2014, that is being handled by contract attorneys. In the opinion of legal counsel, the possibility that the College will incur a liability is reasonably possible, with a possible loss estimated at $50,000. All other lawsuits are handled by either the Office of Risk Management or the Attorney General's office.

Also, the amount of settlements paid in the last three years did not exceed insurance coverage. For the claims and litigations not being handled by the Office of Risk Management, the College pays for settlements out of available funds or can request supplemental appropriations from the state's General Fund.

## 16. 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 Louisiana Legislative Auditor's website 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.

**NORTHSHORE TECHNICAL 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, 2014

| 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, 2011 | NONE | $8,324,200 | $8,324,200 | 0.0% | $3,991,874 | 209% |
| July 1, 2012 | NONE | $8,357,400 | $8,357,400 | 0.0% | $4,507,342 | 185% |
| July 1, 2013 | NONE | $8,618,400 | $8,618,400 | 0.0% | $4,542,626 | 190% |

# OTHER REPORT REQUIRED BY
# *GOVERNMENT AUDITING STANDARDS*

## Exhibit A

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

LOUISIANA LEGISLATIVE AUDITOR
**DARYL G. PURPERA, CPA, CFE**

October 17, 2014

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

Independent Auditor's Report

**NORTHSHORE TECHNICAL COMMUNITY COLLEGE**
**LOUISIANA COMMUNITY AND**
**TECHNICAL COLLEGE SYSTEM**
**STATE OF LOUISIANA**
Bogalusa, Louisiana

We have audited, in accordance with the 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 financial statements of the business-type activities of Northshore Technical Community College (College), a college within the Louisiana Community and Technical College System (System), a component unit of the state of Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 17, 2014. Our report was modified to include an emphasis of a matter paragraph regarding financial statement comparability.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

ZF:CLP:BQD:THC:aa

NTCC 2014