

# LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM

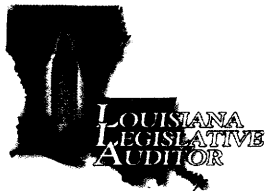


ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDING JUNE 30, 2006

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

May 16, 2007

Independent Auditor's Report  
on the Financial Statements

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of management of the Louisiana Community and Technical College System. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the blended component unit financial statements of the SLCC Facilities Corporation, the BRCC Facilities Corporation, or Campus Facilities, Inc., for the Bossier Parish Community College, which represent 44.9%, 70.5%, 7.7%, and 3.2%, respectively, of the assets, liabilities, net assets, and revenues of the Louisiana Community and Technical College System. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the SLCC Facilities Corporation, the BRCC Facilities Corporation, and Campus Facilities, Inc., is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to previously present fairly, in all material respects, the financial position of the Louisiana Community and Technical College System as of June 30, 2006, 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.

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## LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM

As discussed in note 1-O to the financial statements, the System implemented GASB Statements No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and No. 46, *Net Assets Restricted by Enabling Legislation*.

As discussed in note 23 to the financial statements, in response to Act No. 506 of the 2005 Regular Legislative Session, the Louisiana Community and Technical College System Board of Supervisors accepted the recommendations of the Louisiana Board of Regents to reorganize the Louisiana Technical College (LTC) into multi-campus regional technical education centers. The dissolution of the LTC as a "one" college centralized entity commenced with the elimination of the central office effective June 30, 2006, the elimination of the district vice chancellor/provost positions, and the creation of regional directors. This decentralized structure is being implemented in phases with the ultimate goal of vesting these regional centers with broader operational decision-making responsibilities by 2008 and linking these centers with community colleges in their respective vicinity.

As further explained in note 23, work continues on the repairs to Delgado Community College, Elaine P. Nunez Community College, Region 1 of the Louisiana Technical College and Sowela Technical Community College because of damages from hurricanes Katrina and Rita. The State of Louisiana suffered considerable damage from these two major hurricanes in August and September of 2005, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown what economic impact recovery efforts will have on state and local governmental operations in Louisiana.

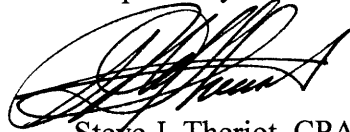
During the fiscal year ended June 30, 2006, the Louisiana Legislative Auditor (LLA) provided certain non-audit services for the State of Louisiana directed toward assisting the state Department of Military Affairs and the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) relative to their administration of the Federal Emergency Management Agency's (FEMA) Public Assistance program. The LLA provided Military Affairs and GOHSEP with assistance in reviewing documents submitted by applicants and reviewing the application and payment process to provide recommendations to those agencies for meeting their responsibilities for compliance with FEMA and state regulations. To maintain independence for audit purposes while providing these non-audit services, the LLA has met the criteria and requirements set forth in *Government Auditing Standards: Temporary Exemptions and Guidance in Response to Hurricanes Katrina and Rita*, issued by the Government Accountability Office in November 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2007, on our consideration of the Louisiana Community and Technical College System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana Community and Technical College System's basic financial statements. The accompanying supplemental information schedules of per diem paid board members and combining financial schedules, by college, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

AD:BQD:THC:ss

[LCTCS06]

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Management's Discussion and Analysis section of the financial report of the Louisiana Community and Technical College System (System) presents a narrative overview and analysis of the financial activities of the System for the year ended June 30, 2006. 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 financial statements of the System which follows this section. The System is comprised of the following entities:

- Board Office
- Baton Rouge Community College
- Bossier Parish Community College
- Delgado Community College
- L.E. Fletcher Technical Community College
- Louisiana Delta Community College
- Louisiana Technical College
- Elaine P. Nunez Community College
- River Parishes Community College
- South Louisiana Community College
- SOWELA Technical Community College

### FINANCIAL HIGHLIGHTS

The System's overall net assets changed from \$140.4 million to \$143 million, a 1.9% increase from June 30, 2005, to June 30, 2006. The overall reason for this change was additional capital appropriations from \$11 million to \$16 million.

The System's operating revenues decreased by approximately 8.6% to \$165.9 million from June 30, 2005, to June 30, 2006, while operating expenses decreased by 5.1% to \$323.9 million for the year ended June 30, 2006. The primary reason for the decrease is the hurricanes.

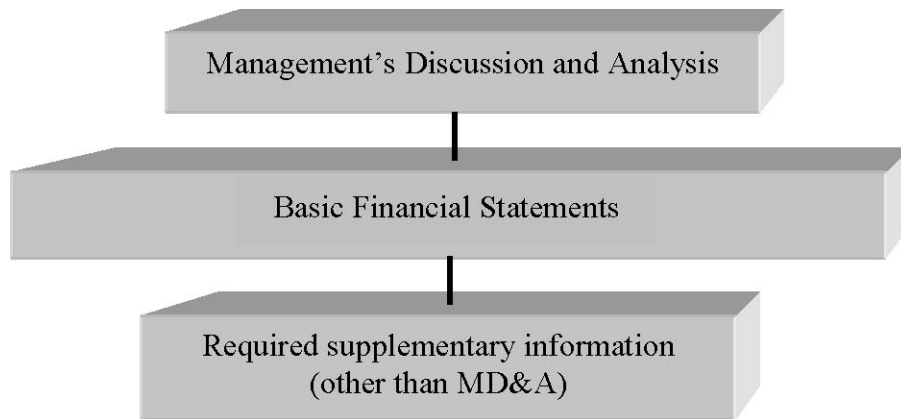
Net nonoperating revenues fluctuate depending upon levels of state operating and capital appropriations. The change to \$152.1 million in 2006 from \$158.2 million in 2005 is primarily attributed to a decrease in state appropriations due to the hurricanes.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## 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 other supplementary information.

### Basic Financial Statements

The basic financial statements present information for the System 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 14) 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 System is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 15) presents information showing how System 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 16-17) presents information showing how the System'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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The financial statements provide both long-term and short-term information about the System'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 supplementary information that further explains and supports the information in the financial statements.

The System'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 System are included in the Statement of Net Assets.

### FINANCIAL ANALYSIS

**Table A-1**  
**Louisiana Community and Technical College System**  
**Statement of Net Assets**  
**(in thousands of dollars)**  
**as of June 30, 2006 and 2005**

	2006	2005 (Restated)	Variance	Percentage Change
<b>Assets</b>				
Current and other assets	\$ 112,780	\$ 117,915	\$ (5,135)	-4%
Capital assets	238,103	233,483	4,620	2%
Total assets	<u>350,883</u>	<u>351,398</u>	<u>(515)</u>	0%
<b>Liabilities</b>				
Current liabilities	50,743	49,612	1,131	2%
Long-term liabilities	157,182	161,340	(4,158)	-3%
Total liabilities	<u>207,925</u>	<u>210,952</u>	<u>(3,027)</u>	-1%
<b>Net assets</b>				
Invested in capital assets, net of related debt	102,655	112,164	(9,509)	-8%
Restricted	20,416	17,444	2,972	17%
Unrestricted	<u>19,887</u>	<u>10,838</u>	<u>9,049</u>	83%
Total net assets	<u>\$ 142,958</u>	<u>\$ 140,446</u>	<u>\$ 2,512</u>	2%

This schedule is prepared from the System's Statement of Net Assets as shown on page 14, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Significant Statement of Net Asset changes in 2006 include the following: assets decreased by \$.5 million primarily because of increases in accounts receivable and the amount due from the federal government were more than offset by a decline in restricted cash. Liabilities decreased by \$3 million as more of the long-term obligations have been repaid without additional debt being incurred.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table A-2**  
**Louisiana Community and Technical College System**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**(in thousands of dollars)**  
**For the Fiscal Year Ended June 30, 2006 and 2005**

	2006	2005 (Restated)	Variance	Percentage Change
<b>Operating revenues</b>				
Student tuition and fees, net	\$ 36,975	\$ 49,311	\$ (12,336)	-25%
Grants and contracts	119,341	121,139	(1,798)	-1%
Auxiliary	4,136	4,900	(764)	-16%
Other	5,488	6,218	(730)	-12%
Total operating revenues	<u>165,940</u>	<u>181,568</u>	<u>(15,628)</u>	-9%
<b>Operating expenses</b>				
Education and general:				
Instruction	131,033	137,821	(6,788)	-5%
Public service	4,241	3,139	1,102	35%
Academic support	28,889	29,382	(493)	-2%
Student services	24,810	26,038	(1,228)	-5%
Institutional support	52,972	57,068	(4,096)	-7%
Operations and maintenance of plant	30,198	28,515	1,683	6%
Depreciation	12,503	9,205	3,298	36%
Scholarships and fellowships	32,352	40,963	(8,611)	-21%
Other	6,952	9,120	(2,168)	-24%
Total operating expenses	<u>323,950</u>	<u>341,251</u>	<u>(17,301)</u>	-5%
<b>Operating loss</b>	<u>(158,010)</u>	<u>(159,683)</u>	<u>1,673</u>	-1%
<b>Nonoperating revenue</b>				
State appropriations	148,675	156,223	(7,548)	-5%
Gifts	2,088	389	1,699	437%
Other, net	1,344	1,667	(323)	-19%
Net nonoperating revenue	<u>152,107</u>	<u>158,279</u>	<u>(6,172)</u>	-4%
<b>Gain (loss) before other revenues and expenditures</b>	(5,903)	(1,404)	(4,499)	320%
Capital appropriations	16,397	11,269	5,128	46%
Capital grants and gifts	903	424	479	113%
Additions to permanent endowment	112	13	99	762%
Other additions (expenses), net	1,998	277	1,721	621%
Extraordinary item - loss on impairment of capital assets	<u>(10,996)</u>	<u>-</u>	<u>(10,996)</u>	N/A
<b>Change in net assets</b>	2,511	10,579	(8,068)	-76%
<b>Net assets, beginning of year, restated</b>	<u>140,447</u>	<u>129,868</u>	<u>10,579</u>	8%
<b>Net assets, end of year</b>	<u>\$ 142,958</u>	<u>\$ 140,447</u>	<u>\$ 2,511</u>	2%

Nonoperating revenues decreased by 4% to \$152.1 million, primarily attributable to a decrease in state funding which decreased \$7.5 million from \$156.2 million to \$148.7 million due to the hurricanes.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The System's total operating revenues decreased by \$15.6 million or 8.6% primarily due to decreased enrollment due to the hurricanes.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

As of June 30, 2006, the System had invested approximately \$238 million in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$4.6 million or 2% over the previous fiscal year. More detailed information about the System's capital assets is presented in Note 6 to the financial statements.

**Table A-3**  
**Louisiana Community and Technical College System**  
**Capital Assets, Net of Depreciation**  
**(in thousands of dollars)**  
**as of June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u> <u>(Restated)</u>	<u>Variance</u>	<u>Percentage</u> <u>Change</u>
Land and improvements	\$ 16,583	\$ 16,487	\$ 96	1%
Buildings	185,781	112,576	73,205	65%
Equipment	25,725	19,926	5,799	29%
Construction-in-progress	<u>10,014</u>	<u>84,494</u>	<u>(74,480)</u>	-88%
Total	<u>\$ 238,103</u>	<u>\$ 233,483</u>	<u>\$ 4,620</u>	2%

The major capital additions for fiscal year 2006 included the completion of the Learning Resource Center (Magnolia) and the Science and Technology Building (Cypress) for the Baton Rouge Community College.

#### Debt Administration

The System had \$138.3 million in bonded debt outstanding at year-end, compared to a restated \$139.2 million last year, a decrease of .6% as shown in the following table.

**Table A-4**  
**Louisiana Community and Technical College System**  
**Outstanding Bonds Payable**  
**(in thousands of dollars)**  
**as of June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u> <u>(Restated)</u>	<u>Variance</u>	<u>Percentage</u> <u>Change</u>
Bonds Payable	\$138,333	\$139,199	(\$866)	-0.6%

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The decrease was due to payments made during the year and the lack of new debt.

See Note 12 for details relating to changes in and the composition of capital leases and long-term liabilities.

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

Work continues on repairs to four of the LCTCS colleges due to Hurricane Katrina and Hurricane Rita. The extent of the damages, plus the decline in population in the Greater New Orleans area, have caused a decrease in enrollment in the two community colleges and the technical college campuses in that area of the state. As rebuilding and repopulation continues this trend should be reversed.

### **CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the System's finances and to show the System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shannon Sedberry, CPA, at 265 South Foster Drive, Baton Rouge, Louisiana 70806 or at (225) 922-2800.

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# BASIC FINANCIAL STATEMENTS

# BASIC FINANCIAL STATEMENTS

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**Louisiana Community and Technical College System**  
**State of Louisiana**  
**Statement of Net Assets**  
**As of June 30, 2006**

## ASSETS

### Current assets:

Cash and cash equivalents (Note 2)	\$ 42,885,635
Receivables, net (Note 4)	25,195,353
Due from state treasury	661,014
Due from federal government	21,364,329
Inventories	1,374,085
Prepayments	680,118
Total current assets	<u>92,160,534</u>

### Noncurrent assets:

#### Restricted assets:

Cash and cash equivalents (Note 2)	16,267,803
Investments (Note 3)	2,926,283
Notes receivable, net (Note 5)	24,243
Capital assets, net (Note 6)	238,102,882
Other noncurrent assets	1,401,279
Total noncurrent assets	<u>258,722,490</u>
Total assets	<u>350,883,024</u>

## LIABILITIES

### Current liabilities:

Accounts payable and accruals (Note 10)	30,457,865
Due to state treasury	20,420
Due to federal government	7,830
Deferred revenues (Note 11)	12,345,936
Amounts held in custody for others	1,632,171
Compensated absences payable (Note 12)	2,204,011
Capital lease obligations (Note 12)	1,702,000
Bonds payable, net (Note 12)	2,252,400
Other current liabilities	120,013
Total current liabilities	<u>50,742,646</u>

### Noncurrent liabilities:

Compensated absences payable (Note 12)	13,138,319
Capital lease obligations (Note 12)	7,964,000
Bonds payable, net (Note 12)	136,080,343
Total noncurrent liabilities	<u>157,182,662</u>
Total liabilities	<u>207,925,308</u>

## Net Assets

Invested in capital assets, net of related debt	102,654,714
Restricted for:	
Nonexpendable (Note 13)	3,560,718
Expendable (Note 13)	16,854,962
Unrestricted	19,887,322
Total net assets	<u>\$ 142,957,716</u>

**The notes to the financial statements are an integral part of this statement.**

# BASIC FINANCIAL STATEMENTS

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**Louisiana Community and Technical College System**  
**State of Louisiana**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2006**

**OPERATING REVENUES**

Student tuition and fees (net of scholarship allowances of \$19,513,601)	\$ 36,975,366
Federal grants and contracts	91,198,529
State and local grants and contracts	26,864,025
Nongovernmental grants and contracts	1,278,091
Sales and services of educational departments	2,188,564
Auxiliary enterprise revenues (net of scholarship allowances of \$921,541)	4,135,602
Other operating revenues	3,299,560
Total operating revenues	<u>165,939,737</u>

**OPERATING EXPENSES**

Educational and general:	
Instruction	131,033,100
Public service	4,241,377
Academic support	28,889,246
Student services	24,810,176
Institutional support	52,972,080
Operations and maintenance of plant	30,198,243
Depreciation	12,503,178
Scholarships and fellowships	32,350,867
Auxiliary enterprises	5,219,517
Other operating expenses	1,732,067
Total operating expenses	<u>323,949,851</u>

**OPERATING LOSS**

(158,010,114)

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	148,675,233
Gifts	2,088,257
Investment income	3,000,433
Interest expense	(5,945,184)
Other nonoperating revenues	4,288,763
Net nonoperating revenues	<u>152,107,502</u>

**LOSS BEFORE OTHER REVENUES AND EXPENSES**

(5,902,612)

Capital appropriations	16,397,331
Capital grants and gifts	902,537
Additions to permanent endowments	112,099
Other additions, net	1,998,401
Extraordinary Item - Loss on impairment of capital assets	<u>(10,996,871)</u>

**CHANGE IN NET ASSETS**

2,510,885

**NET ASSETS - BEGINNING OF YEAR (Restated) (Note 14)**

140,446,831

**NET ASSETS - END OF YEAR**

\$ 142,957,716

**The notes to the financial statements are an integral part of this statement.**

# BASIC FINANCIAL STATEMENTS

**Louisiana Community and Technical College System**  
**State of Louisiana**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2006**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 36,028,907
Federal appropriations	140,289
Grants and contracts, net	98,242,615
Payments for supplies and services	(78,188,537)
Payments for utilities	(9,651,412)
Payments to employees	(138,489,904)
Payments for benefits	(40,148,625)
Payments for scholarships and fellowships	(20,556,551)
Auxiliary enterprise receipts	3,947,739
Sales and services of educational departments	2,150,323
Other receipts	(8,208,133)
Net cash used by operating activities	<u>(154,733,289)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	148,833,076
Gifts and grants for other than capital purposes	3,520,925
Private gifts for endowment purposes	167,099
TOPS receipts	754,047
TOPS disbursements	(950,317)
Direct lending receipts	1,335,259
Direct lending disbursements	(1,335,259)
Federal Family Education Loan Program receipts	9,119,352
Federal Family Education Loan Program disbursements	(9,118,183)
Other receipts	2,569,174
Net cash provided by noncapital financing sources	<u>154,895,173</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Capital appropriations received	9,910,250
Capital grants and gifts received	391,405
Purchases of capital assets	(27,685,523)
Principal paid on capital debt and leases	(3,561,479)
Interest paid on capital debt and leases	(7,220,477)
Other receipts	3,633,523
Net cash used by capital financing activities	<u>(24,532,301)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sales and maturities of investments	10,035,763
Purchase of investments	(145,187)
Interest received on investments	2,932,435
Net cash provided by investing activities	<u>12,823,011</u>
Net decrease in cash and cash equivalents	(11,547,406)
Cash and cash equivalents at beginning of year, restated for prior period adjustment	<u>70,700,844</u>
Cash and cash equivalents at end of year	<u>\$ 59,153,438</u>

(Continued)

**The notes to the financial statements are an integral part of this statement.**

# BASIC FINANCIAL STATEMENTS

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**Louisiana Community and Technical College System**  
**State of Louisiana**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2006**

**RECONCILIATION OF OPERATING LOSS TO NET**

**CASH USED BY OPERATING ACTIVITIES**

Operating loss	\$ (158,010,114)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	12,503,178
Changes in assets and liabilities:	
Increase in accounts receivable, net	(13,683,769)
Decrease in inventories	149,606
Increase in prepaid expenses	(78,740)
Decrease in other assets	10,979
Increase in accounts payable	5,304,774
Decrease in deferred revenue	(1,305,505)
Increase in amounts held in custody for others	820,290
Decrease in compensated absences	(397,408)
Decrease in other liabilities	(46,580)
	<u>(46,580)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (154,733,289)</b>

**Noncash Transactions**

Capital Appropriations for construction of buildings	\$ 2,123,037
Capital Grants and Gifts	423,866
Loss on disposal of capital asset	(687)
Reduction in accounts payable for capital asset purchases	(2,202,640)
Interest income and interest expense capitalized during construction	1,221,105
Accretion of discount and amortization of premium on bonds	203,426
Extraordinary Item - Loss on impairment of capital assets	12,086,727
Noncash receivables	2,533,886

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets**

Cash and cash equivalents classified as current assets	\$ 42,885,635
Cash and cash equivalents classified as noncurrent assets	16,267,803
	<u>\$ 59,153,438</u>

**The notes to the financial statements are an integral part of this statement.**

# NOTES TO THE FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS

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## 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 system has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board (FASB) statements. However, three of the community colleges each have a nongovernmental blended component unit (the BRCC Facilities Corporation for Baton Rouge Community College, the SLCC Facilities Corporation for South Louisiana Community College, and the Campus Facilities, Inc., for Bossier Parish Community College), which are presented under FASB Statement No. 117.

### B. REPORTING ENTITY

The Louisiana Community and Technical College System (System) is considered a component unit of the State of Louisiana by the Division of Administration, under the criteria in GASB Codification Section 2100, 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 System.

Criteria described in GASB 2100 were used to evaluate whether potential component units should be blended with the System, discretely reported, disclosed in the notes to the financial statements, or excluded from the reporting entity. This evaluation was made to identify those component units for which the System is financially accountable and other organizations for which the nature and significance of their relationships with the System are such that exclusion would cause the financial statements of the System to be misleading or incomplete.

- The SLCC Facilities Corporation is a nonprofit corporation formed in December 2001 to provide funds and oversee construction for the South Louisiana Community College (SLCC) campus. The corporation has been blended into the SLCC financial statements and, as such, has been appropriately included in the accompanying financial statements. The SLCC Facilities Corporation has a June 30 year-end and audited financial statements for the corporation may be obtained at 908 Ember Drive, New Iberia, Louisiana 70560.
- Campus Facilities, Inc., is a nonprofit organization formed in May 2001 to provide funds for and oversee construction of the campus for Bossier Parish Community College (BPCC). The corporation has been blended into the BPCC financial statements and, as such, has been appropriately included in the accompanying financial

## NOTES TO THE FINANCIAL STATEMENTS

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statements. Campus Facilities, Inc., has a December 31 year-end and audited financial statements for Campus Facilities, Inc., may be obtained at 2719 Airline Drive, North Bossier Parish, Louisiana 71111.

- BRCC Facilities Corporation is a nonprofit corporation formed in February 2002 to provide funds and oversee construction of the campus for Baton Rouge Community College (BRCC). The corporation has been blended into the BRCC financial statements and, as such, has been appropriately included in the accompanying financial statements. BRCC Facilities Corporation has a June 30 year-end and audited financial statements for the corporation may be obtained at 5310 Florida Boulevard, Baton Rouge, Louisiana 70806.

### **C. BASIS OF ACCOUNTING**

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

### **D. BUDGET PRACTICES**

The appropriation made for the General Fund of the System 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) carry forward of prior year funds is recognized as revenue in the current year.

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

## NOTES TO THE FINANCIAL STATEMENTS

	Increases (decreases)				Total budgeted amounts
	Original approved budget	State General Fund (direct)	Fees and self-generated	Statutory dedications	
Board of Supervisors	\$ 31,953,584	\$ (133,661)	\$ -	\$ 150,000	\$ 31,969,923
Baton Rouge Community College	20,076,383	(541,695)	-	1,797,124	21,331,812
Bossier Parish Community College	19,284,217	(586,052)	100,000	15,965	18,814,130
Delgado Community College	67,133,481	(5,884,719)	(25,577)	-	61,223,185
Elaine P. Nunez Community College	9,601,913	(1,943,816)	-	50,000	7,708,097
L.E. Fletcher Technical Community College	4,763,744	(217,503)	583,663	450,000	5,579,904
Louisiana Delta Community College	5,131,862	(146,599)	-	25,786	5,011,049
Louisiana Technical College	125,629,706	(5,537,910)	(12,398)	(200,000)	119,879,398
River Parishes Community College	3,391,381	(116,801)	350,000	11,823	3,636,403
South Louisiana Community College	6,334,143	(177,333)	-	244,488	6,401,298
Sowela Technical Community College	<u>8,998,608</u>	<u>(1,506,760)</u>	<u>(9,841)</u>	<u>1,043,006</u>	<u>8,525,013</u>
Total	<u>\$302,299,022</u>	<u>(\$16,792,849)</u>	<u>\$985,847</u>	<u>\$3,588,192</u>	<u>\$290,080,212</u>

### E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include certificates of deposit and all highly liquid investments with a maturity of three months or less when purchased. Under state law, the System 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 System 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 System is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct repurchase agreements, 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 external foundations 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, except for the investments of the facility corporations where gains and losses are reported as a component of the amount capitalized

## NOTES TO THE FINANCIAL STATEMENTS

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to capital assets, as required by FASB 62. For purposes of the Statement of Cash Flows, the System considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

### **F. INVENTORIES**

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

### **G. RESTRICTED CASH AND INVESTMENTS**

Cash and investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are reported as restricted cash and investments. Restricted investments also 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.

### **H. CAPITAL ASSETS**

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property (equipment), the System's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Buildings and improvements and depreciable land improvements costing \$100,000 or more are capitalized and infrastructure costing \$3,000,000 or more is required to be capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. In addition, under OSRAP's policy, library collections with a total acquisition cost of less than \$5 million are not capitalized or depreciated. Computer software purchased for internal use with depreciable costs of \$1,000,000 or more are 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 (equipment, including capitalized costs for computer software).

### **I. DEFERRED REVENUES**

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

### **J. COMPENSATED ABSENCES**

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having non-exempt status

## NOTES TO THE FINANCIAL STATEMENTS

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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, 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.

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 employee's hourly rate of pay at termination or transfer.

### **K. NONCURRENT LIABILITIES**

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

### **L. NET ASSETS**

The System's net assets are classified as follows:

1. Invested in capital assets, net of related debt consists of the System'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.
2. Restricted net assets - nonexpendable consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
3. Restricted net assets - expendable consist of resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
4. Unrestricted net assets consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the System and may be used at the discretion of the governing board to meet current expenses and for any purpose.

## NOTES TO THE FINANCIAL STATEMENTS

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

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

The System has classified its revenues as either operating or nonoperating according to the following criteria: (1) 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. (2) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

The System has classified its expenses as either operating or nonoperating according to the following criteria: (1) 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. (2) Nonoperating expenses include transactions resulting from financing activities, capital acquisitions, and investing activities.

### **N. 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 Fund Net Assets. Scholarship discounts and allowances are the difference between the stated charge for services (tuition and fees) provided by the System and the amount that is paid by students and/or third parties making payments on the students' behalf.

### **O. ADOPTION OF NEW ACCOUNTING PRINCIPLES**

For the year ended June 30, 2006, the System implemented GASB Statements No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits*.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. CASH AND CASH EQUIVALENTS

At June 30, 2006, the System has cash and cash equivalents (book balances) of \$59,153,438 as follows:

Petty cash	\$	34,205
Demand deposits		42,547,950
Certificates of deposit		1,034,385
Cash equivalents:		
Guaranteed Investment Contracts (GICs)		10,990,412
Money Market Mutual Funds		<u>4,546,486</u>
Total	\$	<u><u>59,153,438</u></u>

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

Current assets	\$	42,885,635
Noncurrent assets		<u>16,267,803</u>
Total	\$	<u><u>59,153,438</u></u>

### 3. INVESTMENTS

At June 30, 2006, the System has restricted investments totaling \$2,926,283 as follows:

			<u>Average Duration (Years)</u>
Mutual funds:			
Pooled equity funds	\$ 764,244		
Fixed income securities	1,104,443		4.8
Short-term federal funds	518,502		2.1
International equity funds	164,519		
Other	<u>7,073</u>	2,558,781	
Other		100,000	
Investment held by private foundation - external investment pool		<u>267,502</u>	
Total investments		<u><u>\$ 2,926,283</u></u>	

These investments are reported at fair market value. They are reported on the Statement of Net Assets as noncurrent assets - investments. Investments held by private foundations are managed in accordance with the terms outlined in management agreements executed between the System's colleges and their respective foundations. The System's colleges are voluntary participants.

For the monies held by the private foundation of \$267,502 and the mutual funds of \$2,558,781, there are no credit quality ratings. All of the investments of the college which are held by the private foundation are certificates of deposits. These are insured in their entirety by federal deposit insurance and by the additional pledge of collateral by the bank.

The mutual funds of \$2,558,781 are held pursuant to the Eminent Scholars and Endowed Professorships

## NOTES TO THE FINANCIAL STATEMENTS

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Program. To reduce overall volatility of investment returns and to provide a hedge against the effects of economic downturns, the investment policy for that program requires at least 40% of assets 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, while the overall average quality must be at least AA. The interest rate risks are limited by managing their performance using fixed-income indices as benchmarks to gauge and limit such risk. Investments in foreign stocks and foreign fixed-income are limited to 15% and 5% of the equity and fixed income funds, respectively.

For the remaining investments, there is no formally adopted investment policy regarding the acceptable credit quality ratings of investments or that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Money market mutual funds totaling \$4,496,059 and GICs totaling \$10,990,412 were reported in the financial statements and notes to the financial statements for the BRCC Facilities Corporation, SLCC Facilities Corporation, and Campus Facilities, Inc., which were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the notes to the financial statements of the corporations do not reflect the requirements of GASB Statement No. 3, as revised by Statement No. 40. There were no risk disclosures for the GICs or \$180,611 of the money market funds of the BRCC Facility Corporation. The money market funds of the South Louisiana Community College Facilities Corporation (\$2,650,917), as well as those of the Campus Facilities, Inc. (\$1,664,531), are reported in the notes to the financial statements as uninsured and unregistered and are held by the broker or dealer or by its trust department or agent but not in the name of the entity.

Investments in any one issuer that represent 5% or more of the total investments (not including U.S. government securities, mutual funds and external investment pools) follow: Guaranteed Investment Certificates represent 59.5%.

#### **4. RECEIVABLES**

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

## NOTES TO THE FINANCIAL STATEMENTS

	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	\$ 8,793,408	\$ (997,566)	\$ 7,795,842
Auxiliary enterprise	588,512	(827)	587,685
Federal, state, and private grants and contracts	14,804,704	-	14,804,704
Other	2,007,122	-	2,007,122
Total	\$ 26,193,746	\$ (998,393)	\$ 25,195,353

There is no noncurrent portion of accounts receivable.

### 5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan and miscellaneous private student loan programs of \$5,080 and \$19,163, respectively. Loans are no longer issued under the Federal Perkins Loan program, but collections are still made on outstanding loans. None of the balances are expected to be collected within the next fiscal year.

### 6. CHANGES IN CAPITAL ASSETS

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

	Balance June 30, 2005	Prior Period Adjustment	Adjusted Balance June 30, 2005	Additions	Transfers	Retirements	Balance June 30, 2006
Capital assets not being depreciated							
Land	\$ 15,841,133	\$ -	\$ 15,841,133	\$ 66,300	\$ -	\$ (10,002)	\$ 15,897,431
Construction in progress	84,493,847	-	84,493,847	12,530,874	(87,010,478)	-	10,014,243
Capitalized interest costs	-	-	-	-	-	-	-
Total capital assets not being depreciated	100,334,980	-	100,334,980	12,597,174	(87,010,478)	(10,002)	25,911,674
Capital assets being depreciated							
Land improvements	2,132,390	-	2,132,390	142,588	-	-	2,274,978
Buildings	187,747,274	-	187,747,274	3,809,616	86,867,475	(14,049,010)	264,375,355
Furniture, fixtures and equipment	55,488,613	19,111	55,507,724	13,175,462	130,198	(9,839,219)	58,974,165
Total capital assets being depreciated	245,368,277	19,111	245,387,388	17,127,666	86,997,673	(23,888,229)	325,624,498
Less accumulated depreciation							
Land improvements	(1,486,937)	-	(1,486,937)	(102,753)	-	-	(1,589,690)
Buildings	(75,137,374)	(33,628)	(75,171,002)	(6,182,153)	-	2,758,526	(78,594,629)
Furniture, fixtures and equipment	(35,515,732)	(65,910)	(35,581,642)	(5,899,416)	12,805	8,219,282	(33,248,971)
Total accumulated depreciation	(112,140,043)	(99,538)	(112,239,581)	(12,184,322)	12,805	10,977,808	(113,433,290)
Total capital assets being depreciated, net	133,228,234	(80,427)	133,147,807	4,943,344	87,010,478	(12,910,421)	212,191,208
Total capital assets, net	\$ 233,563,214	\$ (80,427)	\$ 233,482,787	\$ 17,540,518	\$ -	\$ (12,920,423)	\$ 238,102,882

The June 30, 2005, balance of capital assets has been reduced \$80,427 to reflect prior period adjustments resulting from the correction of prior year errors.

## NOTES TO THE FINANCIAL STATEMENTS

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### 7. PENSION PLANS

Plan Description. Substantially all employees of the System are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers' Retirement System (TRS), and classified/unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). TRS is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single employer plan because the material portion of its activity is with one employer--the State of Louisiana. TRS 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 TRS 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 plan members and the System 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% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 15.9% of covered salaries to TRS and 19.1% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to the System, funds the System's employer contribution. The System's employer contributions to TRS for the years ended June 30, 2006, 2005, and 2004 were \$12,360,703, \$12,570,623, and \$11,025,700, respectively, and to LASERS for the years ended June 30, 2006, 2005, and 2004 were \$3,937,172, \$4,106,328, and \$3,498,973, respectively, equal to the required contributions for each year.

### 8. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921-931 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program, which is administered by TRS, was designed to aid colleges in recruiting employees who may not be expected to remain in the TRS 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 TRS 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 TRS of Louisiana if the participant were a member of that retirement plan. Employer contributions by the System are 15.9% of the covered payroll. The participant's contribution (8%), less any monthly fee

## NOTES TO THE FINANCIAL STATEMENTS

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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 TRS 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 TRS 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 TRS. 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 \$3,297,843 and \$1,745,192, respectively, for the year ended June 30, 2006.

### **9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The System provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the System's employees become eligible for these benefits if they reach normal retirement age while working for the System. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the System. The System recognizes the cost of providing these benefits to retirees (System's portion of premiums) as an expense when paid during the year. Benefits provided for 1,044 retirees totaled \$6,394,679 for the year ended June 30, 2006.

### **10. ACCOUNTS PAYABLE AND ACCRUALS**

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

Account Name

Vendor payables	\$16,189,419
Accrued salaries and payroll deductions	8,102,871
Construction and retainage payables	1,142,157
Accrued interest payable	700,527
Other	<u>4,322,891</u>
Total payables	<u><u>\$30,457,865</u></u>

### **11. DEFERRED REVENUES**

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

Prepaid tuition and fees	\$8,589,147
Prepaid rent	1,788,781
Grants and contracts	1,889,274
Other	<u>78,734</u>
Total deferred revenues	<u><u>\$12,345,936</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 12. LIABILITIES

#### A. COMPENSATED ABSENCES

At June 30, 2006, employees of the System have accumulated and vested annual, sick, and compensatory leave of \$8,055,394, \$6,981,712, and \$305,224, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

#### B. OPERATING LEASES

For the year ended June 30, 2006, the total rental expense for all operating leases is \$2,286,845. The following is a schedule by years of future minimum annual rental payments required under operating lease agreements:

Fiscal Year(s)	Office Space	Equipment	Land	Other	Total
2007	\$ 1,231,599	\$ 481,698	\$ 25,000	\$ 183,430	\$ 1,921,727
2008	893,176	450,433	25,000	80,000	1,448,609
2009	381,769	97,790	25,000	80,000	584,559
2010	181,946	68,000	-	80,000	329,946
2011	-	71,000	-	13,333	84,333
2012-2016	-	355,000	-	-	355,000
2017-2021	-	370,000	-	-	370,000
Total Minimum Payments Required	<u>\$ 2,688,490</u>	<u>\$ 1,893,921</u>	<u>\$ 75,000</u>	<u>\$ 436,763</u>	<u>\$ 5,094,174</u>

#### C. CAPITAL LEASES

The System records items under capital leases as assets and obligations in the accompanying financial statements. 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, 2006:

Fiscal Year Ending June 30:	
2007	\$ 2,150,959
2008	2,152,213
2009	2,152,826
2010	636,757
2011	636,387
2012-2016	1,551,387
2017-2021	<u>4,309,900</u>
Total minimum lease payments	13,590,429
Less - amount representing interest	<u>(3,924,429)</u>
Present value of net minimum lease payments	<u>\$ 9,666,000</u>

The gross amount (or historical cost) of assets held under capital leases as of June 30, 2006, include buildings and equipment of \$4,395,000 and \$8,750,000, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### D. LESSOR – OPERATING LEASE

Leasing operations of the System consist of Baton Rouge Community College and South Louisiana Community College's leasing of property for the purposes of providing bookstore operations to students. The estimated cost, accumulated depreciation, and carrying amount of the System's investment in operating lease property as of June 30, 2006, is \$571,479, \$24,166, and \$547,313, respectively. This includes estimated values, which are based on the ratio of the square footage of the space leased to the total square footage of the building.

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2006:

Fiscal Year(s)	Office Space	Equipment	Land	Other	Total
2007	\$ 45,000	\$ -	\$ -	\$ -	\$ 45,000
2008	30,000	-	-	-	30,000
2009	30,000	-	-	-	30,000
2010	30,000	-	-	-	30,000
2011	30,000	-	-	-	30,000
2012-2016	30,000	-	-	-	30,000
2017-2021	-	-	-	-	-
Total Minimum Payments Required	<u>\$ 195,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,000</u>

Minimum future rentals do not include contingent rentals that may be received as stipulated in the lease contracts. Contingent rentals received by the Baton Rouge Community College from operating leases for the year ended June 30, 2006, were \$30,000. There were no contingent rentals for South Louisiana Community College.

### E. BONDS PAYABLE

As presented on the Statement of Net Assets, at June 30, 2006, bonds payable total \$138,332,743 of which \$2,252,400 is current and the remaining \$136,080,343 is noncurrent.

Detailed summaries, by issues, of all bonded debt outstanding at June 30, 2006, follow:

## NOTES TO THE FINANCIAL STATEMENTS

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2005</u>	<u>Issue (Redeemed)</u>	<u>Outstanding June 30, 2006</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Future Interest Payments June 30, 2006</u>
Baton Rouge Community College								
BRCC Facilities Corp.:								
Series 2002 Revenue Bonds	Dec. 31, 2002	\$ 55,000,000	\$ 55,000,000	\$ -	\$ 55,000,000	2015-2033	5.0% - 5.37%	\$ 53,241,088
Series 2003 Revenue Bonds	Dec. 23, 2003	10,000,000	10,000,000	-	10,000,000	2010-2018	3.8% - 5.5%	3,200,997
Bossier Parish Community College								
Campus Facilities Inc.:								
Series 2002 Revenue Bonds	April 18, 2002	45,000,000	45,000,000	-	45,000,000	2012-2028	4.2% - 5.25%	35,735,674
Series 2003 Revenue Bonds	June 18, 2003	10,000,000	10,000,000	(225,000)	9,775,000	2006-2012	2.0% - 3.0%	926,112
South Louisiana Community College								
SLCC Facilities Corp.:								
Series 2002 Revenue Bonds	Oct. 29, 2002	17,840,000	17,840,000	(465,000)	17,375,000	2006-2029	2.1% - 4.75%	10,725,864
Total		<u>\$ 137,840,000</u>	<u>\$ 137,840,000</u>	<u>\$ (690,000)</u>	<u>\$ 137,150,000</u>			<u>\$ 103,829,735</u>
Net original premiums (discounts)			1,683,685		1,683,685			
Net accumulated amortization of premiums/discounts			<u>(324,373)</u>	<u>(176,569)</u>	<u>(500,942)</u>			
Bonds payable, net			<u>\$ 139,199,312</u>	<u>\$ (866,569)</u>	<u>\$ 138,332,743</u>			

The annual requirements to amortize all bonds outstanding at June 30, 2006, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,055,000	\$ 6,635,545	\$ 8,690,545
2008	2,110,000	6,591,631	8,701,631
2009	2,165,000	6,528,841	8,693,841
2010	3,780,000	6,433,216	10,213,216
2011	3,930,000	6,286,219	10,216,219
2012-2016	22,495,000	28,641,938	51,136,938
2017-2021	27,750,000	22,405,790	50,155,790
2022-2026	35,035,000	14,520,575	49,555,575
2027-2031	29,255,000	5,351,855	34,606,855
2032-2036	<u>8,575,000</u>	<u>434,125</u>	<u>9,009,125</u>
Total	<u>\$ 137,150,000</u>	<u>\$ 103,829,735</u>	<u>\$ 240,979,735</u>

Outstanding principal of \$137,150,000 plus unamortized premium/discount of \$1,182,743 totals \$138,332,743.

## NOTES TO THE FINANCIAL STATEMENTS

### F. SUMMARY OF BONDS AND OTHER LONG-TERM DEBT TRANSACTIONS

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Portion Due Within One Year
Bonds payable and capital lease obligations:					
Bonds payable, net	\$ 139,199,312	\$ 20,831	\$ (887,400)	\$ 138,332,743	\$ 2,252,400
Capital lease obligations	12,537,479	-	(2,871,479)	9,666,000	1,702,000
Total bonds payable and capital lease obligations	<u>151,736,791</u>	<u>20,831</u>	<u>(3,758,879)</u>	<u>147,998,743</u>	<u>3,954,400</u>
Other liabilities:					
Compensated absences payable	15,739,738	3,671,890	(4,069,298)	15,342,330	2,204,011
Total other liabilities	<u>15,739,738</u>	<u>3,671,890</u>	<u>(4,069,298)</u>	<u>15,342,330</u>	<u>2,204,011</u>
 Total long-term liabilities	 <u>\$ 167,476,529</u>	 <u>\$ 3,692,721</u>	 <u>\$ (7,828,177)</u>	 <u>\$ 163,341,073</u>	 <u>\$ 6,158,411</u>

### 13. RESTRICTED NET ASSETS

The System has the following restricted net assets at June 30, 2006:

Nonexpendable:	
Endowments	3,003,128
Student Life Center Maintenance Reserve	<u>557,590</u>
 Total nonexpendable	 <u><u>3,560,718</u></u>
Expendable:	
Cash remaining to complete construction projects	1,463,091
Student fees	1,020,155
Desegregation Fund	7,613,221
Endowed professorships and scholarships	700,076
Technology fee	4,361,278
Grants	30,809
Maintenance Reserve	917,309
Third party scholarships	13,113
Other	<u>735,910</u>
 Total expendable	 <u><u>16,854,962</u></u>

### 14. RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets as reflected on the Statement of Revenues, Expenses and Changes in Net Assets have been restated to reflect the correction of errors in the prior report. The effect of the restatement is as follows:

Net assets at June 30, 2005	\$140,757,600
Reclassifications and adjustments for prior year errors	<u>(310,769)</u>
Net assets at July 1, 2005	<u><u>\$140,446,831</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

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### **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 System is involved in eight lawsuits at June 30, 2006, that are being handled by contract attorneys. In the opinion of legal counsel, the possibility that the System will incur a liability in these cases is reasonably possible with a possible loss estimated at \$343,000. This amount is not reflected in the accompanying financial statements. Claims and litigation costs of \$137,248 were incurred in the current year and are reflected in the accompanying financial statements.

### **16. FOUNDATIONS**

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

- Baton Rouge Community College Foundation, Incorporated
- Bossier Parish Community College Foundation
- Cavalier Athletic Scholarship Foundation, Incorporated
- Delgado Community College Foundation
- Louisiana Delta Community College Foundation
- Louisiana Technical College:
  - District IV Foundation
  - Northeast Louisiana Technical Institute Foundation, Limited
  - Tallulah Foundation
  - Sullivan Vocational Foundation, Incorporated
- Nunez Community College Foundation
- River Parishes Community College Foundation, Incorporated
- Sowela Technical Institute Foundation, Limited

These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

Certain colleges of the System have contracted with their respective foundations to invest the colleges' Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:3384. The Endowed Professorship Program endowment funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. At June 30, 2006, the foundations hold in custody \$267,502 of state Endowed Professorship Program funds.

### **17. DONOR RESTRICTED ENDOWMENTS**

If a donor has not provided specific instructions, state law permits the college to authorize for expenditure 75% of the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

## NOTES TO THE FINANCIAL STATEMENTS

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- Bossier Parish Community College - At June 30, 2006, net appreciation of \$5,413 is available to be spent, of which \$5,413 is restricted to specific purposes (net appreciation during the fiscal year). The College may spend the interest earnings for the purpose for which the endowment was established. However, the interest portion that may be spent cannot exceed 5% of the total interest and principal balances. The principal portion of the endowment cannot be used.
- Louisiana Delta Community College - At June 30, 2006, net appreciation of \$6,826 is available to be spent, of which \$6,826 is restricted to specific purposes (net appreciation during the fiscal year). The College can spend 100% of the investment income on each of the three \$100,000 endowments. The income from two of the endowments is designated for salaries in the nursing department. The income from the third endowment is designated for salaries in the science department.

### **18. DEFERRED COMPENSATION PLAN**

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

### **19. RELATED PARTY TRANSACTIONS**

Delgado Community College entered into a capital lease transaction with the Delgado Community College Foundation to finance the building of the City Park Campus Student Life Center. The term of the lease is 30 years with interest payments that began April 1, 2000.

### **20. ALTERNATIVE FINANCING AGREEMENTS**

#### **Baton Rouge Community College (BRCC)**

On May 16, 2002, the Louisiana State Bond Commission approved the issuance of up to \$65,000,000 in bonds for the purpose of constructing and furnishing new campus buildings and for renovating existing buildings on property adjacent to the BRCC campus. In December 2002, the Louisiana Government Environmental Facilities and Community Development Authority issued \$55,000,000 in revenue bonds on behalf of the BRCC Facilities Corporation, a nonprofit organization. In December 2003, the Louisiana Local Government Environmental Facilities and Community Development Authority issued an additional \$10,000,000 in revenue bonds on behalf of the BRCC Facilities Corporation. Pursuant to the terms of a Ground Lease agreement, effective December 1, 2002, the corporation has leased the land from the Board of Supervisors of the System. The lease term expires on December 1, 2032. In accordance with the provisions of the facilities lease, the corporation, on behalf of the board, is developing and constructing new facilities, which upon completion are being leased back to the board for use by the students, faculty, and staff of the community college. The majority of construction projects were completed by September 30, 2005.

On June 3, 2004, the BRCC Facilities Corporation entered into two lease-sublease purchase agreements with Suntrust Leasing Corporation for the maximum amounts of \$6,800,000 and \$1,950,000 to purchase equipment, furniture and fixtures. The lease terms expire on June 3, 2011.

Future monies appropriated to the System will be used to fund the annual lease payments.

## NOTES TO THE FINANCIAL STATEMENTS

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### **Bossier Parish Community College (BPCC)**

On December 13, 2001, the Louisiana State Bond Commission approved the issuance of up to \$45,000,000 in bonds for the purpose of constructing a new BPCC campus. On April 18, 2002, the Louisiana Government Facilities and Community Development Authority issued \$45,000,000 in revenue bonds on behalf of Campus Facilities, Inc., a nonprofit organization. In June 2003, an amount of \$10,000,000 in Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds were issued to provide additional funds to complete construction. Pursuant to terms of a Ground Lease agreement, effective April 1, 2002, the corporation has leased the land from the Board of Supervisors of the System. The lease term expires on January 1, 2028. In accordance with the provisions of the facilities lease, the corporation, on behalf of the board, has developed and constructed new facilities that are being leased back to the board for use by the students, faculty, and staff of the community college. Commitments for construction not yet complete totaled approximately \$426,944 at December 31, 2005.

Future monies appropriated to the System will be used to fund the annual lease payments.

### **South Louisiana Community College (SLCC)**

On May 16, 2002, the Louisiana State Bond Commission approved the issuance of up to \$20,000,000 in bonds for the purpose of constructing a new SLCC campus. On October 29, 2002, the Lafayette Public Trust Financing Authority issued \$17,840,000 in revenue bonds on behalf of the SLCC Facilities, Inc., a nonprofit organization. Pursuant to terms of a Ground Lease agreement effective October 29, 2002, the corporation has leased the land from the Board of Supervisors of the System. The lease term expires on October 1, 2028. In accordance with the provisions of the facilities lease, the corporation, on behalf of the board, has developed and constructed new facilities that are being leased back to the board for use by the students, faculty, and staff of the community college.

Future monies appropriated to the System will be used to fund the annual lease payments.

### **22. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB STATEMENT 46)**

Of the total net assets reported in the Statement of Net Assets for the year ended June 30, 2006, \$4,361,278 are 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).

### **23. IMPAIRMENT OF CAPITAL ASSETS**

GASB 42 establishes 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 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 following capital assets are considered impaired:

## NOTES TO THE FINANCIAL STATEMENTS

<u>Type of Asset</u>	<u>Amount of Impairment Loss before Insurance Recovery</u>	<u>Indication of Impairment (e.g. (1) physical damage)</u>	<u>Insurance Recovery in the same FY</u>	<u>Reason for Impairment (e.g. hurricane)</u>
Buildings	11,186,418	Physical Damage	1,433,029	Hurricane
Movable Property	1,243,482	Physical Damage	-	Hurricane

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. The following capital assets were idle at the end of the fiscal year. (Include the capital assets listed above that were idle at the end of the fiscal year.)

<u>Type of asset</u>	<u>Carrying Value</u>
Buildings	\$ 5,649,057
Movable Property	\$ -
Infrastructure	\$ -

### 24. SUBSEQUENT EVENTS

In response to Act No. 506 of 2005 the Regular Legislative Session, the LCTCS Board of Supervisors accepted the recommendations by the Louisiana Board of Regents to reorganize the Louisiana Technical College (LTC) campuses into multi-campus regional technical education centers. The dissolution of the LTC as a “one” college centralized entity commenced with the elimination of the central office and the district Vice Chancellors/Provost positions and the creation of Regional Directors. The central office was eliminated on 6/30/2006. This decentralized structure is being implemented in phases with the ultimate goal of vesting these regional centers with broader operational decision making responsibilities by 2008. These centers are to be linked to the community colleges in their respective geographical vicinity. The campuses in Region 1 namely Jefferson, Sidney Collier, Slidell and West Jefferson are now operationally linked to Delgado community college. The facilities of Sidney Collier and the Slidell campuses ravaged by hurricane Katrina are not currently open. The students serviced by these two campuses have been redirected to other campuses in their vicinity.

Work also continues on the repairs to Delgado Community College, Elaine P. Nunez Community College, Region 1 of the Louisiana Technical College and SOWELA Technical Community College due to Hurricane Katrina and Hurricane Rita.

## SUPPLEMENTARY INFORMATION

## SCHEDULES

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**LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM  
BOARD OF SUPERVISORS  
STATE OF LOUISIANA  
Schedule of Per Diem Paid to Board Members (Cash Basis)  
For the Fiscal Year Ending June 30, 2006**

	<u>AMOUNT</u>
Barham, Erle E	\$ 1,025
Chandler, Mike	1,550
Chigbu, Gibson C	300
Dejoie, Ava M	500
Delaney, John	750
Franklin, Carl	700
Johnson, Kathy E	3,100
Kimble, Alvin	800
Knapp, Ann H.	1,000
McCotter, J K	100
Mellington, Brett J	1,100
Packer Jr., Daniel	100
Smith, Stephen	700
StBlanc III, Vincent	1,050
Stone, Fredrick M	600
Trist, Nicholas P	50
Womack-Williams, Karondellet	950
	<hr/>
Total	\$ <u><u>14,375</u></u>

## SCHEDULES

**LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
COMBINING SCHEDULE OF NET ASSETS BY COLLEGE  
FOR THE YEAR ENDED JUNE 30, 2006**

	Board Office	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	3,851,356	14,181,562	3,005,668	5,704,842	1,136,703
Receivables (net)	2,617	899,426	1,604,217	8,074,297	1,306,196
Due from State Treasury	183,804	477,210	-	-	-
Due from Federal Government	11,903,724	195,618	57,584	8,173,133	-
Due from LCTCS Colleges/LCTCS	4,257	-	15,390	-	952
Inventories	-	-	319,969	-	-
Prepayments	-	-	10,102	380,111	7,100
Total current assets	<u>15,945,758</u>	<u>15,753,816</u>	<u>5,012,930</u>	<u>22,332,383</u>	<u>2,450,951</u>
<b>Noncurrent Assets</b>					
Restricted assets:					
Cash and cash equivalents	-	11,182,937	1,669,944	-	170,243
Investments	-	-	100,000	2,558,781	267,502
Notes receivable, net	-	-	-	24,243	-
Capital assets (net)	377,263	90,666,373	58,576,992	21,103,771	9,341,070
Other noncurrent assets	-	1,056,729	-	-	-
Total noncurrent assets	<u>377,263</u>	<u>102,906,039</u>	<u>60,346,936</u>	<u>23,686,795</u>	<u>9,778,815</u>
Total Assets	<u>16,323,021</u>	<u>118,659,855</u>	<u>65,359,866</u>	<u>46,019,178</u>	<u>12,229,766</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable and accruals	13,770,025	2,536,610	2,083,183	6,601,016	763,071
Due to state treasury	-	-	-	-	-
Due to Federal Government	-	-	-	7,440	-
Due to LCTCS College/LCTCS	365,884	-	-	32	-
Deferred revenues	-	1,613,997	396,388	8,135,623	88,156
Compensated absences payable	22,969	48,040	34,514	1,325,124	15,701
Capital lease obligations	-	1,622,000	-	80,000	-
Amounts held in custody for others	-	1,378,187	47,475	-	2,774
Bonds payable, net	-	197,400	1,580,000	-	-
Other current liabilities	-	-	-	119,977	-
Total current liabilities	<u>14,158,878</u>	<u>7,396,234</u>	<u>4,141,560</u>	<u>16,269,212</u>	<u>869,702</u>
<b>Noncurrent Liabilities</b>					
Compensated absences payable	523,677	868,727	1,145,483	2,317,453	588,201
Capital lease obligations	-	4,089,000	-	3,875,000	-
Bonds payable, net	-	66,553,382	52,859,541	-	-
Total noncurrent liabilities	<u>523,677</u>	<u>71,511,109</u>	<u>54,005,024</u>	<u>6,192,453</u>	<u>588,201</u>
Total liabilities	<u>14,682,555</u>	<u>78,907,343</u>	<u>58,146,584</u>	<u>22,461,665</u>	<u>1,457,903</u>
<b>Net Assets</b>					
Investment in capital assets, net of related debt	377,263	28,943,472	3,490,428	17,148,771	9,133,360
Restricted for:					
Nonexpendable	-	-	100,000	2,479,605	394,177
Expendable	7,512	10,090,648	2,579,263	1,896,456	278,105
Unrestricted	1,255,691	718,392	1,043,591	2,032,681	966,221
Total net assets	<u>1,640,466</u>	<u>39,752,512</u>	<u>7,213,282</u>	<u>23,557,513</u>	<u>10,771,863</u>
Total liabilities and net assets	<u>16,323,021</u>	<u>118,659,855</u>	<u>65,359,866</u>	<u>46,019,178</u>	<u>12,229,766</u>

## SCHEDULES

L.E. Fletcher Technical Community College	Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total Per System
2,203,826	477,210	8,800,295	506,274	2,201,470	816,429		42,885,635
552,429	287,620	8,833,992	58,534	596,419	2,979,606		25,195,353
-	-	-	-	-	-		661,014
201,644	-	3,406,904	2,258	-	1,269,486	(3,846,022)	21,364,329
1,750	16,845	316,166	3,690	1,027	77,533	(437,610)	-
8,106	6,031	1,039,979	-	-	-		1,374,085
380	68,241	173,334	32,015	-	8,835		680,118
<b>2,968,135</b>	<b>855,947</b>	<b>22,570,670</b>	<b>602,771</b>	<b>2,798,916</b>	<b>5,151,889</b>	<b>(4,283,632)</b>	<b>92,160,534</b>
-	306,826	286,936	-	2,650,917	-		16,267,803
-	-	-	-	-	-		2,926,283
-	-	-	-	-	-		24,243
2,295,031	112,200	37,861,044	100,513	15,080,028	2,588,597		238,102,882
-	-	-	-	344,550	-		1,401,279
<b>2,295,031</b>	<b>419,026</b>	<b>38,147,980</b>	<b>100,513</b>	<b>18,075,495</b>	<b>2,588,597</b>	<b>-</b>	<b>258,722,490</b>
<b>5,263,166</b>	<b>1,274,973</b>	<b>60,718,650</b>	<b>703,284</b>	<b>20,874,411</b>	<b>7,740,486</b>	<b>(4,283,632)</b>	<b>350,883,024</b>
455,449	366,783	6,790,467	143,547	579,366	214,370	(3,846,022)	30,457,865
-	-	-	-	20,420	-		20,420
390	-	-	-	-	-		7,830
-	-	70,469	-	-	1,225	(437,610)	-
283,539	130,368	839,443	70,461	686,705	101,256		12,345,936
7,379	9,936	678,550	-	19,341	42,457		2,204,011
-	-	-	-	-	-		1,702,000
11,727	-	166,675	2,318	1,221	21,794		1,632,171
-	-	-	-	475,000	-		2,252,400
-	-	-	-	36	-		120,013
<b>758,484</b>	<b>507,087</b>	<b>8,545,604</b>	<b>216,326</b>	<b>1,782,089</b>	<b>381,102</b>	<b>(4,283,632)</b>	<b>50,742,646</b>
389,712	191,497	6,052,472	181,166	235,596	644,335		13,138,319
-	-	-	-	-	-		7,964,000
-	-	-	-	16,667,420	-		136,080,343
<b>389,712</b>	<b>191,497</b>	<b>6,052,472</b>	<b>181,166</b>	<b>16,903,016</b>	<b>644,335</b>	<b>-</b>	<b>157,182,662</b>
<b>1,148,196</b>	<b>698,584</b>	<b>14,598,076</b>	<b>397,492</b>	<b>18,685,105</b>	<b>1,025,437</b>	<b>(4,283,632)</b>	<b>207,925,308</b>
2,295,031	112,200	37,861,044	100,513	604,035	2,588,597		102,654,714
-	300,000	286,936	-	-	-		3,560,718
-	249,421	829,591	205,279	718,687	-		16,854,962
1,819,939	(85,232)	7,143,003	-	866,584	4,126,452		19,887,322
<b>4,114,970</b>	<b>576,389</b>	<b>46,120,574</b>	<b>305,792</b>	<b>2,189,306</b>	<b>6,715,049</b>	<b>-</b>	<b>142,957,716</b>
<b>5,263,166</b>	<b>1,274,973</b>	<b>60,718,650</b>	<b>703,284</b>	<b>20,874,411</b>	<b>7,740,486</b>	<b>(4,283,632)</b>	<b>350,883,024</b>

## SCHEDULES

**LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY COLLEGE  
FOR THE YEAR ENDED JUNE 30, 2006**

	Board Office	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College
<b>Operating Revenues</b>					
Student tuition and fees	-	9,228,062	8,397,443	14,282,544	1,034,791
Less scholarship allowances	-	3,041,924	1,673,514	5,645,662	253,275
Net student tuition and fees	-	6,186,138	6,723,929	8,636,882	781,516
Federal grants and contracts	24,952,519	5,684,610	5,680,061	27,403,034	3,154,015
State and local grants and contracts	-	1,668,756	4,717,026	3,942,558	790,803
Nongovernmental grants and contracts	-	412,792	483,266	140,289	-
Sales and services of educational departments	-	48,728	231,123	-	6,051
Auxiliary enterprise revenues	-	441,878	1,904,129	210,407	26,562
Less scholarship allowances	-	-	48,286	-	-
Net auxiliary revenues	-	441,878	1,855,843	210,407	26,562
Interagency revenues	1,602,082	-	-	-	-
Other operating revenues	-	180,000	-	103,653	227,875
Total operating revenues	26,554,601	14,622,902	19,691,248	40,436,823	4,986,822
<b>Operating Expenses</b>					
Educational and general:					
Instruction	-	8,038,801	9,607,880	37,261,676	3,150,525
Public service	-	2,736	4,238,641	-	-
Academic support	23,471,942	2,491,977	2,603,097	2,972,870	444,877
Student services	-	2,553,270	6,061,636	5,790,762	621,455
Institutional support	6,243,080	5,110,224	2,586,177	7,675,408	1,776,031
Operations and maintenance of plant	-	4,182,322	2,787,982	7,736,298	1,206,520
Depreciation	113,074	3,663,203	1,767,594	1,540,380	315,352
Scholarships and fellowships	-	3,625,943	1,263,459	9,390,520	2,859,550
Auxiliary enterprises	-	224,690	2,393,991	330,633	-
Interagency expenses	-	40,895	37,139	123,716	128,201
Other operating expenses	78,147	195,444	1,352,267	278,849	-
Total operating expenses	29,906,243	30,129,505	34,699,863	73,101,112	10,502,511
<b>Operating income (loss)</b>	<b>(3,351,642)</b>	<b>(15,506,603)</b>	<b>(15,008,615)</b>	<b>(32,664,289)</b>	<b>(5,515,689)</b>
<b>Nonoperating Revenues (Expenses)</b>					
State appropriations	3,037,839	12,263,312	11,437,479	30,033,545	3,437,544
Gifts	6,763	-	-	27,249	750,730
Net investment income (loss)	290,688	987,738	275,414	670,795	56,675
Interest expense	-	(2,759,593)	(2,161,648)	(234,258)	-
Other nonoperating revenues (expenses)	77,198	-	70,904	2,172,014	167,308
Net nonoperating revenues (expenses)	3,412,488	10,491,457	9,622,149	32,669,345	4,412,257
<b>Income (loss) before other revenues, expenses, gains and losses</b>	<b>60,846</b>	<b>(5,015,146)</b>	<b>(5,386,466)</b>	<b>5,056</b>	<b>(1,103,432)</b>
Capital appropriations	348,518	6,259,991	4,133,371	871,469	1,620,317
Capital grants and gifts	-	-	391,405	-	-
Additions to permanent endowment	-	-	-	100,000	12,099
Other additions, net	-	-	-	-	1,998,401
Extraordinary Item-loss on impairment of capital assets	-	-	-	(1,964,994)	(9,347,720)
<b>Increase (decrease) in net assets</b>	<b>409,364</b>	<b>1,244,845</b>	<b>(861,690)</b>	<b>(988,469)</b>	<b>(6,820,335)</b>
<b>Net assets at the beginning of the year, restated</b>	<b>1,231,102</b>	<b>38,507,667</b>	<b>8,074,972</b>	<b>24,545,982</b>	<b>17,592,198</b>
<b>Net assets at the end of the year</b>	<b>1,640,466</b>	<b>39,752,512</b>	<b>7,213,282</b>	<b>23,557,513</b>	<b>10,771,863</b>

## SCHEDULES

L.E. Fletcher Technical Community College	Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total Per System
1,450,127	1,843,351	14,222,831	1,496,544	3,335,931	1,197,343		56,488,967
378,010	164,648	6,755,344	458,295	938,845	204,084		19,513,601
1,072,117	1,678,703	7,467,487	1,038,249	2,397,086	993,259	-	36,975,366
1,704,148	60,950	26,468,805	823,353	1,267,759	2,892,975	(8,893,700)	91,198,529
1,416,487	566,788	12,914,875	242,574	310,153	294,005		26,864,025
-	-	213,274	-	28,470	-		1,278,091
362,332	-	1,506,235	-	-	34,095		2,188,564
19,948	-	2,422,262	6,611	25,346	-		5,057,143
-	-	873,255	-	-	-		921,541
19,948	-	1,549,007	6,611	25,346	-	-	4,135,602
-	-	-	-	-	-	(1,602,082)	-
160,129	12,936	2,293,553	-	10,613	310,801		3,299,560
4,735,161	2,319,377	52,413,236	2,110,787	4,039,427	4,525,135	(10,495,782)	165,939,737
4,065,176	1,953,626	57,866,494	1,186,170	2,921,033	4,981,719		131,033,100
-	-	-	-	-	-		4,241,377
1,093,847	464,699	2,512,185	409,615	991,641	326,196	(8,893,700)	28,889,246
281,628	451,886	7,517,699	562,861	438,160	530,819		24,810,176
913,549	1,507,372	22,415,298	1,688,231	1,326,279	1,730,431		52,972,080
497,658	432,531	11,509,451	500,360	677,124	667,997		30,198,243
184,016	64,460	3,918,311	32,536	654,691	249,561		12,503,178
580,098	-	12,693,567	-	463,622	1,474,108		32,350,867
23,064	-	2,247,139	-	-	-		5,219,517
47,592	56,149	971,597	40,077	61,662	95,054	(1,602,082)	-
78,579	95,593	(381,457)	(9,542)	44,187	-		1,732,067
7,765,207	5,026,316	121,270,284	4,410,308	7,578,399	10,055,885	(10,495,782)	323,949,851
(3,030,046)	(2,706,939)	(68,857,048)	(2,299,521)	(3,538,972)	(5,530,750)	-	(158,010,114)
3,706,045	2,811,174	69,803,300	2,252,028	3,624,194	6,268,773		148,675,233
16,783	-	743,763	55,000	44,293	443,676		2,088,257
8,482	40,471	531,298	1,308	136,340	1,224		3,000,433
-	-	-	-	(789,685)	-		(5,945,184)
-	-	635,275	7,721	-	1,158,343		4,288,763
3,731,310	2,851,645	71,713,636	2,316,057	3,015,142	7,872,016	-	152,107,502
701,264	144,706	2,856,588	16,536	(523,830)	2,341,266	-	(5,902,612)
750,000	-	1,051,858	-	1,361,807	-		16,397,331
268,821	87,266	155,045	-	-	-		902,537
-	-	-	-	-	-		112,099
-	-	-	-	-	-		1,998,401
-	-	(774,013)	-	-	1,089,856		(10,996,871)
1,720,085	231,972	3,289,478	16,536	837,977	3,431,122	-	2,510,885
2,394,885	344,417	42,831,096	289,256	1,351,329	3,283,927		140,446,831
4,114,970	576,389	46,120,574	305,792	2,189,306	6,715,049	-	142,957,716

## SCHEDULES

**STATE OF LOUISIANA  
LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM  
COMBINING SCHEDULE OF CASH FLOWS BY COLLEGE  
FOR THE YEAR ENDED JUNE 30, 2006**

	Board Office	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College
<b>Cash Flows From Operating Activities</b>					
Tuition and fees	-	7,277,611	4,238,736	9,398,609	573,616
Federal appropriations	-	-	-	140,289	-
Grants and contracts	18,972,826	7,526,885	9,679,073	14,665,949	3,473,417
Sales and services of educational departments	-	48,728	192,882	-	6,051
Auxilliary enterprise receipts	-	441,878	1,809,517	210,407	26,562
Payments to employee compensation	(3,580,198)	(11,809,051)	(11,451,328)	(38,361,344)	(4,480,882)
Payments for benefits	(824,913)	(1,943,634)	(3,757,220)	(9,985,935)	(1,273,061)
Payments for utilities	-	(2,339,310)	(575,126)	(1,346,488)	(166,423)
Payments to supplies and services	(5,777,152)	(9,047,504)	(12,861,904)	(12,321,946)	(1,334,200)
Payments for scholarships and fellowships	-	-	(2,610,827)	-	(2,859,550)
Other receipts	(12,076,611)	180,000	668,339	103,652	395,183
Net cash used by operating activities	(3,286,048)	(9,664,397)	(14,667,858)	(37,496,807)	(5,639,287)
<b>Cash Flows From Non-Capital Financing Activities</b>					
State appropriations	3,037,839	12,263,312	11,554,172	30,033,545	3,437,544
Gifts and grants for other than capital purposes	68,202	-	-	27,249	918,038
Private gifts for endowment purposes	-	-	-	100,000	12,099
TOPS receipts	-	-	372,875	20,694	3,460
TOPS disbursements	-	-	(372,875)	(216,964)	(3,460)
Direct lending receipts	-	-	-	-	1,335,259
Direct lending disbursements	-	-	-	-	(1,335,259)
Federal Family Education Loan Program receipts	-	-	9,119,352	-	-
Federal Family Education Loan Program disbursements	-	-	(9,118,183)	-	-
Other receipts	-	745,326	482,038	1,326,610	-
Net cash provided by noncapital financing sources	3,106,041	13,008,638	12,037,379	31,291,134	4,367,681
<b>Cash Flows From Capital Financing Activities</b>					
Capital appropriations received	348,518	5,193,486	4,133,371	871,469	(1,998,401)
Capital grants and gifts received	-	-	391,405	-	-
Purchases of capital assets	(348,518)	(14,268,602)	(7,541,757)	(1,296,721)	-
Principal paid on capital debt and leases	-	(1,552,000)	(1,469,479)	(75,000)	-
Interest paid on capital debt and leases	-	(3,720,269)	(2,663,892)	(234,258)	-
Other sources	-	-	-	-	3,618,718
Net cash used by capital financing activities	-	(14,347,385)	(7,150,352)	(734,510)	1,620,317
<b>Cash Flows From Investing Activities</b>					
Proceeds from sales and maturities of investments	-	-	10,035,763	-	-
Interest received on investments	290,688	917,536	283,367	670,795	56,675
Purchase of investments	-	-	-	(148,304)	(6,459)
Net cash provided by investing activities	290,688	917,536	10,319,130	522,491	50,216
Net decrease in Cash	110,681	(10,085,608)	538,299	(6,417,692)	398,927
Cash at the beginning of the year	3,740,675	35,450,107	4,137,313	12,122,534	908,019
Cash at the end of the year	3,851,356	25,364,499	4,675,612	5,704,842	1,306,946

## SCHEDULES

L.E. Fletcher Technical Community College	Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total Per System
797,415	1,638,425	7,236,536	1,009,499	2,878,077	980,383		36,028,907
-	-	-	-	-	-		140,289
3,115,786	511,086	35,846,285	1,068,382	1,978,741	1,404,185		98,242,615
362,332	-	1,506,235	-	-	34,095		2,150,323
19,948	-	1,419,367	6,611	13,449	-		3,947,739
(3,052,966)	(2,719,772)	(52,805,998)	(2,100,227)	(2,892,333)	(5,235,805)		(138,489,904)
(1,051,707)	(692,006)	(17,881,070)	(523,024)	(673,940)	(1,542,115)		(40,148,625)
(184,613)	(38,123)	(4,218,140)	(89,809)	(275,689)	(417,691)		(9,651,412)
(1,919,362)	(1,363,198)	(26,696,412)	(1,512,191)	(3,678,289)	(1,676,379)		(78,188,537)
(987,712)	-	(13,542,264)	-	(352,114)	(204,084)		(20,556,551)
160,129	259	2,292,925	-	(27,063)	95,054		(8,208,133)
(2,740,750)	(2,663,329)	(66,842,536)	(2,140,759)	(3,029,161)	(6,562,357)	-	(154,733,289)
3,706,045	2,811,174	69,824,030	2,252,028	3,644,614	6,268,773		148,833,076
16,783	-	1,988,865	10,576	44,293	446,919		3,520,925
-	-	-	55,000	-	-		167,099
36,697	-	149,512	69,480	64,424	36,905		754,047
(36,697)	-	(149,512)	(69,480)	(64,424)	(36,905)		(950,317)
-	-	-	-	-	-		1,335,259
-	-	-	-	-	-		(1,335,259)
-	-	-	-	-	-		9,119,352
-	-	-	-	-	-		(9,118,183)
-	-	-	(1,547)	16,747	-		2,569,174
3,722,828	2,811,174	71,812,895	2,316,057	3,705,654	6,715,692	-	154,895,173
-	-	-	-	1,361,807	-		9,910,250
-	-	-	-	-	-		391,405
(177,234)	(92,560)	(3,455,251)	(38,241)	(440,370)	(26,269)		(27,685,523)
-	-	-	-	(465,000)	-		(3,561,479)
-	-	-	-	(602,058)	-		(7,220,477)
-	-	-	-	14,805	-		3,633,523
(177,234)	(92,560)	(3,455,251)	(38,241)	(130,816)	(26,269)	-	(24,532,301)
-	-	-	-	-	-		10,035,763
8,482	36,030	531,298	-	136,340	1,224		2,932,435
9,576	-	-	-	-	-		(145,187)
18,058	36,030	531,298	-	136,340	1,224	-	12,823,011
822,902	91,315	2,046,406	137,057	682,017	128,290		(11,547,406)
1,380,924	692,721	7,040,825	369,217	4,170,370	688,139		70,700,844
2,203,826	784,036	9,087,231	506,274	4,852,387	816,429	-	59,153,438

## SCHEDULES

**STATE OF LOUISIANA  
LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM  
COMBINING SCHEDULE OF CASH FLOWS BY COLLEGE  
FOR THE YEAR ENDED JUNE 30, 2006**

	Board Office	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College
<b>Reconciliation of Net Operating Loss to Net Cash Provided (used) by Operating Activities</b>					
Operating loss	(3,351,642)	(15,506,603)	(15,008,615)	(32,664,289)	(5,515,689)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	113,074	3,663,203	1,767,594	1,540,380	315,352
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(3,227,435)	(911,187)	(260,056)	(4,813,016)	(460,300)
(Increase) decrease in inventories	-	-	64,554	-	-
(Increase) decrease in prepaid expenses	-	-	(587)	(203,435)	125,716
(Increase) decrease in other assets	3,167	-	7,812	-	-
Increase (decrease) in accounts payable	3,098,641	1,131,359	(1,219,634)	516,072	152,552
Increase (decrease) in deferred revenue	-	957,502	(24,619)	(1,570,298)	(205,439)
Increase (decrease) in amounts held in custody for others	-	805,885	504	-	-
Increase (decrease) in compensated absences	78,147	195,444	5,189	(327,653)	(46,207)
Increase (decrease) in other liabilities	-	-	-	25,432	(5,272)
Net cash provided (used) by operating activities:	(3,286,048)	(9,664,397)	(14,667,858)	(37,496,807)	(5,639,287)

**Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions**

Capital Appropriations for construction of buildings	321,179				
Capital Grants and Gifts					
Loss on disposal of capital asset				114,038	
Reduction in accounts payable for capital asset purchases			(2,202,640)		
Interest income and interest expense capitalized during construction		858,061	363,044		
Accretion of discount and amortization of premium on bonds		197,400	6,026		
Extraordinary Item - Loss on impairment of capital assets				1,964,994	9,347,720
Noncash receivables					

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets**

Cash and cash equivalents classified as current assets  
Cash and cash equivalents classified as noncurrent assets

## SCHEDULES

L.E. Fletcher Technical Community College	Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total Per System
(3,030,046)	(2,706,939)	(68,857,048)	(2,299,521)	(3,538,972)	(5,530,750)		(158,010,114)
184,016	64,460	3,918,311	32,536	654,691	249,561		12,503,178
(334,225)	(195,685)	(3,120,122)	74,668	770,714	(1,207,125)		(13,683,769)
14,982	(465)	52,633	-	-	17,902		149,606
4,833	(4,200)	1,299	(9,121)	-	6,755		(78,740)
-	-	-	-	-	-		10,979
280,267	82,652	2,245,978	67,195	(978,036)	(72,272)		5,304,774
60,844	1,254	(591,503)	2,488	70,500	(6,234)		(1,305,505)
-	-	8,918	538	-	4,445		820,290
78,579	95,594	(471,700)	(9,542)	29,380	(24,639)		(397,408)
-	-	(29,302)	-	(37,438)	-		(46,580)
(2,740,750)	(2,663,329)	(66,842,536)	(2,140,759)	(3,029,161)	(6,562,357)	-	(154,733,289)
750,000		1,051,858					2,123,037
268,821		155,045					423,866
		(114,725)					(687)
							(2,202,640)
							1,221,105
							203,426
		774,013					12,086,727
					2,533,886		2,533,886
							\$ 42,885,635
							16,267,803
							\$ 59,153,438

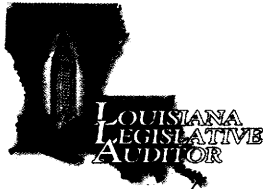
## EXHIBIT

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### **OTHER REPORT REQUIRED BY**

#### ***GOVERNMENT AUDITING STANDARDS***

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



STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

May 16, 2007

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

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the basic financial statements of the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2006, and have issued our report thereon dated May 16, 2007. Our report was modified to include a reference to other auditors; an explanatory paragraph for the implementation of new reporting standards; an emphasis of a matter regarding the impact of hurricanes Katrina and Rita; and an emphasis of a matter regarding non-audit services. 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. Others auditors audited the financial statements of the SLCC Facilities Corporation for the South Louisiana Community College; the BRCC Facilities Corporation for the Baton Rouge Community College; or Campus Facilities, Inc., for the Bossier Parish Community College, as described in our report on the Louisiana Community and Technical College System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

### **Unlocated and Stolen Movable Property**

For the second consecutive year, the Louisiana Community and Technical College System (LCTCS) failed to ensure that all institutions under its authority maintained adequate internal control over movable property as prescribed by the commissioner of administration and Louisiana law. Delgado Community College (Delgado) and the Louisiana Technical College (LTC) identified unlocated movable property items totaling \$1,547,539 and \$1,420,949, respectively, as a result of annual property inventory procedures. In addition to the unlocated property, Delgado and LTC reported thefts of movable property totaling \$48,520 and \$13,888, respectively.

Louisiana Revised Statute 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated items to the Louisiana Property Assistance Agency (LPAA). Louisiana Administrative Code 34.VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted. During fiscal year 2006, 38 of the 40 LTC campuses, the Chancellor's Office of LTC, and Delgado submitted their annual certifications of property inventory to LPAA according to their individual due dates. These certifications disclosed \$20,766,737 and \$66,919,761 in total movable property administered by Delgado and LTC, respectively. Two campuses of LTC were prevented from performing the annual inventory because of the destruction of Hurricane Katrina and resulting contamination.

Annual property certifications for Delgado and LTC disclosed the following:

- Delgado identified unlocated movable property items totaling \$1,547,539. Of that amount, items totaling \$362,195 were removed from the property records because they had not been located for three consecutive years. Furthermore, the amount of unlocated computers and computer-related equipment totaled \$853,201 or 55% of the total unlocated property for Delgado.
- LTC identified unlocated movable property items totaling \$1,420,949. Of that amount, items totaling \$206,203 were removed from the property records because they had not been located for three consecutive years. Furthermore, the amount of unlocated computers and computer-related equipment totaled \$864,716 or 61% of the total unlocated property for LTC.

Although LCTCS institutions have policies and procedures governing movable property, management has not placed sufficient emphasis on maintaining adequate controls over the safeguarding of its movable property. Failure to maintain adequate controls over movable property increases the risk of loss arising from unauthorized use of property and subjects institutions to noncompliance with state laws and regulations. Because of the

nature of the services provided by LCTCS, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

Management of LCTCS should take the necessary measures to ensure that all institutions under its control maintain adequate internal control over movable property to secure its assets and comply with state movable property regulations as prescribed by the commissioner of administration and Louisiana law and to minimize the amount of unlocated and/or stolen equipment. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described previously is a material weakness.

### **Compliance and Other Matters**

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

### **Other Reports**

Other external auditors audited the SLCC Facilities Corporation, Campus Facilities, Inc., and the BRCC Facilities Corporation, which are blended component units included in the Louisiana Community and Technical College System's basic financial statements for the year ended June 30, 2006. To obtain copies of those reports, refer to note 1-B to the basic financial statements for mailing addresses.

As a part of our audit of the Louisiana Community and Technical College System's basic financial statements for the year ended June 30, 2006, we performed certain procedures on campuses within the System. Our reports on those procedures for those campuses are listed as follows:

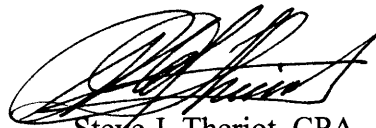
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM \_\_\_\_\_

	<u>Issue Date</u>
Louisiana Technical College	June 6, 2007
Sowela Technical Community College	June 20, 2007
Baton Rouge Community College	Pending
Delgado Community College	March 21, 2007
Bossier Parish Community College	January 31, 2007
L.E. Fletcher Technical Community College	November 11, 2006
Louisiana Delta Community College	September 27, 2006
South Louisiana Community College	September 27, 2006

Those reports contain compliance and internal control findings, where applicable, relating to those campuses. Management's responses are also included in those reports. Copies of those reports are available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor and can also be found on the Internet at [www.lla.state.la.us](http://www.lla.state.la.us).

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

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

AD:BQD:THC:ss

[LCTCS06]

MANAGEMENT'S CORRECTIVE ACTION  
PLANS AND RESPONSES TO THE FINDINGS  
AND RECOMMENDATIONS



# LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

***Changing Lives,  
Creating Futures***

April 24, 2007

Joe May  
*System President*

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
Louisiana Office of the Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Officers:

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*Chair*

Stephen C. Smith  
*First Vice Chair*

Sean E. Reilly  
*Second Vice Chair*

Dear Mr. Theriot:

Management of the Board of Supervisors of the Louisiana Community and Technical College System (LCTCS) concurs with the findings and recommendations related to the un-located and stolen movable property.

### **Un-located and Stolen Movable Property**

Members:

Included with this letter are the responses to the moveable property findings from Delgado Community College and the Louisiana Technical College. Both of these colleges will continue to document the focus that each has placed on maintaining adequate controls over movable property.

To address this issue, the System Office has continued to emphasize and discuss at monthly Chief Financial Officers' meetings the importance of safeguarding the assets of the colleges and the integrity of the inventories. At these meetings staff has shared recommended policies and various tools that would help in tracking moveable property. The LCTCS staff also continues to identify and recommend training sessions by the Louisiana Property Control Agency for college personnel to ensure that established procedures are followed.

The person responsible for the corrective action is Shannon Sedberry, who may be reached at telephone number 225-922-0694. Please let me know if additional information is needed.

Sincerely,

  
Jan Jackson  
Senior Vice President for Finance and Administration

cc: Dr. Joe May  
Ms. Shannon Sedberry

E. Edwards Barham  
Helen Bridges Carter  
Ava Dejoie  
John E. DeLaney  
Carl H. Franklin  
Kathy Sellers Johnson  
Michael Murphy  
Dan Packer  
Vincent J. St. Blanc, III  
F. Mike Stone  
Geraldine Grissette Taylor

Student Members:

Joan McHenry  
Cleo Norris

Louisiana  
Community  
& Technical  
College System

265 South Foster Drive  
Baton Rouge, LA 70806

Phone: 225-922-2800  
Fax: 225-922-1185

[www.lctcs.net](http://www.lctcs.net)

**TEMPORARY EXECUTIVE OFFICES**  
2703 General DeGaulle Avenue  
New Orleans, LA 70114-6222  
www.dcc.edu

Chancellor's Office: (504) 361-6609  
Business and Administrative Affairs: (504) 361-6739  
Learning and Student Development: (504) 361-6695  
Public Relations: (504) 361-6698

November 16, 2006

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

Dear Mr. Theriot:

Management of Delgado Community College concurs with the finding and recommendations related to Unlocated and Stolen Movable Property. The current year discrepancy increased as the Property Control staff was unable to pursue an aggressive search for unlocated property through out the year because of the following reasons: a) the preliminary certification by departments was not done in the Fall of 2005 as in prior years because of Hurricane Katrina, b) the Property Control field staff was furloughed as a result of Hurricane Katrina, c) the inability to perform detailed searches of the flooded buildings for items unlocated in the unflooded areas, and d) the lack of a property storage and processing site as a result of the hurricane, has restricted our ability to properly secure and prepare surplus property to be shipped to Louisiana Property Assistance Agency - Baton Rouge.

With regards to the theft problem reported in the 2005 audit, the college took steps which reduced the value of stolen property 9% from that reported in the prior year. The college will take additional steps to strengthen our procedures and ensure that those procedures are followed:

1. The Director of Campus Security conducted security reviews of each campus and has updated these reviews since Hurricane Katrina and will continue to recommend general and specific improvements in lighting, physical security and monitoring.
2. This review will include suggesting, if needed, updates to the policies of Management and Control of State Property and Access Control Procedures.
3. Each theft has been investigated by competent police personnel and includes recommendations for specific security improvements in a separate document.
4. The college plans on allocating space in the renovated portion of City Park Campus' Building 2 for a Property Control storage and processing site.
5. The Purchasing Department has received authorization to hire two new buyers, which should free up the remaining Property Control staff to focus on controlling property.
6. The college will emphasize the increased responsibilities of property location supervisors, including sanctions for procedures not followed.

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

Sincerely,

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

  
Dr. Alex Johnson  
Chancellor

*Delgado Community College is a member of the Louisiana Community and Technical College System*



## Louisiana Community & Technical College System

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*Changing Lives,  
Creating Futures*

January 26, 2007

Steve J. Theriot, CPA  
Legislative Auditor  
1600 North Third Street  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

**System President:**

Walter G. Bumphus, Ph.D.

**Officers:**

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*Chair*

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*Second Vice Chair*

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Fax: 225-922-1185

[www.lctcs.edu](http://www.lctcs.edu)

Re: Unlocated and Stolen Movable Property

Dear Mr. Theriot:

The Louisiana Technical College (LTC) concurs with the finding and recommendation related to unlocated and stolen movable property.

The issue of safeguarding movable property has been discussed with the Regional Directors of the newly reconfigured LTC. Effective internal control associated with safeguarding movable property, including the execution of all related procedures, will be incorporated in the annual performance review of each Regional Director. In addition, efforts are underway to locate all property currently listed as dislocated.

Vice President of Technical Education Jimmy Sawtelle will oversee the corrective actions associated with this finding. He can be reached at 225-922-1412.

Sincerely,



Jim Henderson

Senior Vice President, Workforce Training and Development