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

ACCOUNTANT'S REVIEW REPORT
ISSUED MARCH 21, 2007

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

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

STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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

March 2, 2007

Accountant's Review Report
on the Financial Statements

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

We have reviewed the accompanying basic financial statements as listed in the table of contents of Delgado Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2006, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of Delgado Community College.

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

As discussed in note 1-B to the basic financial statements, the accompanying financial statements of Delgado Community College are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Louisiana Community and Technical College System that is attributable to the transactions of Delgado Community College. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System or the State of Louisiana as of June 30, 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.

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

As discussed in note 1-P of the basic financial statements, Delgado Community College implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* GASB

Statement No. 46, *Net Assets Restricted by Enabling Legislation,* and GASB Statement No. 47, *Accounting for Termination Benefits*, for the year ended June 30, 2006. GASB Statement No. 47 did not impact Delgado's financial statements.

As discussed in note 21, during August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these separate events and the resulting damages sustained, it is unknown what economic impact the recovery costs will have on state and local governmental operations in Louisiana. While Delgado Community College suffered severe damage from Hurricane Katrina, the community college was able to reopen its West Bank campus on October 3, 2005, and its City Park campus on January 14, 2006. However, the long-term effects of these events on the community college cannot be determined at this time.

During the fiscal year ended June 30, 2006, the Louisiana Legislative Auditor's (LLA) office provided certain nonaudit 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 while providing these nonaudit 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.

Management's discussion and analysis on pages 5 through 10 is not a required part of the basic financial statements but is supplementary information required by GASB. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on this supplementary information.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

KML:JR:PEP:dl

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Management's Discussion and Analysis of Delgado Community College's financial performance presents a narrative overview and analysis of Delgado Community College's financial activities 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 Delgado Community College's financial statements, which begins on page 11.

FINANCIAL HIGHLIGHTS

Delgado Community College's net assets overall changed from $24,545,981 to $23,557,512 or 4% from June 30, 2005, to June 30, 2006. One reason for this change included the loss recognized this year for the impairment of capital assets as described in note 20.

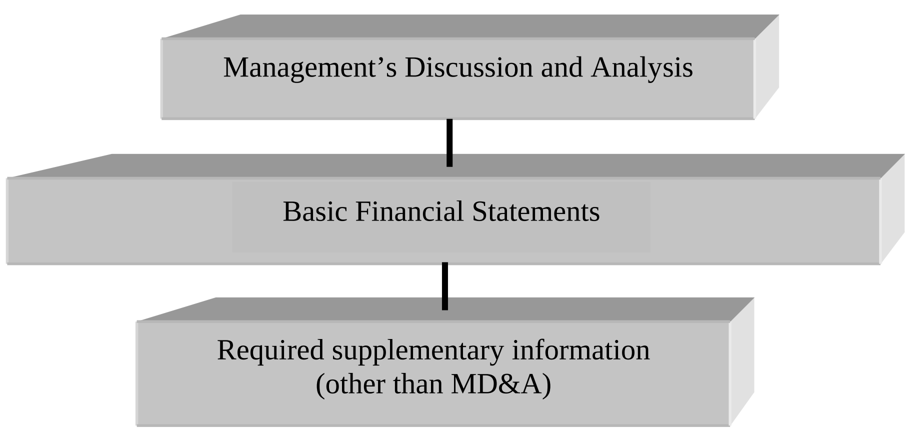
Enrollment changed from 20,606 to 14,441 from June 30, 2005, to June 30, 2006, a change of 29.9%. The reason for this change is attributed to the devastating impact of Hurricane Katrina, which caused many students to leave the area.

Delgado Community College's operating revenues changed from $56,538,329 to $40,436,823 or 28.5% from June 30, 2005, to June 30, 2006. Operating expenses decreased by 21.8% to $73,101,112 for the year ended June 30, 2006. The changes in enrollment as discussed above and the furloughs and layoffs of many employees are the primary reasons for this change.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations. The change to $32,669,345 in 2006 from $35,617,861 in 2005 is partly attributed to a decrease in state appropriations of $4,634,084.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



This financial report consists of Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

Basic Financial Statements

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

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

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

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

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

Delgado Community College's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 Delgado Community College are included in the Statement of Net Assets.

FINANCIAL ANALYSIS

Statement of Net Assets
As of June 30, 2006, and June 30, 2005
(in thousands)

	Total	
	2006	2005
Current and other assets	$24,915	$25,013
Capital assets	21,104	23,426
Total assets	46,019	48,439
Other liabilities	18,586	19,938
Long-term debt outstanding	3,875	3,955
Total liabilities	22,461	23,893
Net assets:		
Invested in capital assets, net of debt	17,149	19,396
Restricted	4,376	2,951
Unrestricted	2,033	2,199
Total net assets	$23,558	$24,546

This schedule is prepared from Delgado Community College's statement of net assets as shown on page 11, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Significant statement of net asset changes from 2005 include:

- A $1,964,994 loss on the impairment of capital assets because of the devastation Delgado Community College sustained in August 2005 as a result of Hurricane Katrina

- Approximately $5,806,000 in federal emergency funds due from the federal government at year-end also related to Hurricane Katrina

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

Statement of Revenue, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2006, and June 30, 2005
(in thousands)

	2006	2005
Operating revenues:		
Student tuition and fees, net	$8,637	$22,917
Grants and contracts	31,487	32,628
Auxiliary	210	645
Other	103	348
Total operating revenues	40,437	56,538
Operating expenses:		
Education and general:		
Instruction	37,262	43,054
Academic support	2,973	4,649
Student services	5,791	8,721
Institutional support	7,675	6,632
Operations and maintenance of plant	7,736	8,472
Depreciation	1,540	1,720
Scholarships and fellowships	9,391	17,342
Other operating expenses	733	2,832
Total operating expenses	73,101	93,422
Operating income (loss)	(32,664)	(36,884)
Nonoperating revenues (expenses):		
State appropriations	30,034	34,668
Gifts	27	12
Other nonoperating revenues	2,609	938
Net nonoperating revenues	32,670	35,618
Income (loss) before other revenues, expenses, gains, losses	6	(1,266)
Capital appropriations	871	462
Additions to permanent endowments	100	
Other deductions, net		(460)
Extraordinary item - loss on impairment of capital assets	(1,965)	
Changes in Net Assets	(988)	(1,264)
Net assets at the beginning of the year, restated	24,546	25,810
Net assets at the end of the year	$23,558	$24,546

Nonoperating revenues decreased by 8.3% to $32.7 million, primarily attributable to a decrease in state appropriations from $34.7 to $30 million because of the layoffs and furloughs of employees from Hurricane Katrina's impact on the operations of Delgado Community College. Delgado Community College's total revenues decreased by $19 million or 20.7%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006, Delgado Community College had invested approximately $21,103,771 in capital assets, net of accumulated depreciation. This amount represents a net decrease (including additions and disposals, net of depreciation) of approximately $2,322,691 or 9.9% less than the previous fiscal year. More detailed information about the system's capital assets is presented in note 6 to the financial statements.

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

	2006	2005
Land	$800	$800
Land improvements	522	614
Construction-in-progress	1,693	2,277
Buildings	15,597	16,261
Equipment	2,492	3,474
Total	$21,104	$23,426

This year's major additions included:

- Installation of fire alarm system for Delgado Hall of approximately $567,000
- Installation of fire alarm system for the Delgado School of Nursing of approximately $505,000

Debt

Delgado Community College had $7,597,577 in outstanding debt at year-end, compared to $8,000,230 last year, a decrease of 5% as shown in the table below.

Outstanding Debt at Year-end
(in thousands)

	2006	2005
Capital lease obligation	$3,955	$4,030
Compensated absences	3,643	3,970
Total	$7,598	$8,000

See notes 13 and 14 for details relating to changes in and the composition of capital leases and long-term liabilities.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

As a result of the impact that Hurricane Katrina had on college operations, enrollment between years decreased by approximately 30%. However, Delgado Community College has experienced a gradual increase in enrollment since Hurricane Katrina and does not expect that this will cause any long-term significant effect on the financial position or operations of Delgado Community College.

CONTACTING DELGADO COMMUNITY COLLEGE'S MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of Delgado Community College's finances and to show Delgado Community College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ronald L. Rodriguez, Controller, at (504) 361-6621.

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

Statement of Net Assets, June 30, 2006

ASSETS	
Current assets:	
Cash (note 2)	$5,704,842
Receivables, net (note 4)	16,247,430
Deferred charges and prepaid expenses	380,111
Total current assets	22,332,383
Noncurrent assets:	
Restricted assets - investments (note 3)	2,558,781
Notes receivable, net (note 5)	24,243
Capital assets, net (note 6)	21,103,771
Total noncurrent assets	23,686,795
Total assets	46,019,178
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities (note 10)	6,601,016
Deferred revenues (note 11)	8,135,623
Compensated absences payable (note 12)	1,325,124
Capital lease obligations (note 13)	80,000
Other current liabilities	127,450
Total current liabilities	16,269,213
Noncurrent liabilities:	
Compensated absences payable (note 12)	2,317,453
Capital lease obligations (note 13)	3,875,000
Total noncurrent liabilities	6,192,453
Total liabilities	22,461,666
NET ASSETS	
Invested in capital assets, net of related debt	17,148,771
Restricted:	
Nonexpendable (note 15)	2,479,605
Expendable (note 15)	1,896,456
Unrestricted	2,032,680
TOTAL NET ASSETS	$23,557,512

See accompanying notes and accountant's review report.

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

Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2006

OPERATING REVENUES	
Student tuition and fees	$14,282,544
Less scholarship allowances	(5,645,662)
Net student tuition and fees	8,636,882
Federal grants and contracts	27,403,034
State and local grants and contracts	3,942,558
Nongovernmental grants and contracts	140,289
Auxiliary enterprise revenues	210,407
Other operating revenues	103,653
Total operating revenues	40,436,823
OPERATING EXPENSES	
Education and general:	
Instruction	37,261,676
Academic support	2,972,870
Student services	5,790,762
Institutional support	7,675,408
Operations and maintenance of plant	7,736,298
Depreciation	1,540,380
Scholarships and fellowships	9,390,520
Auxiliary enterprises	330,633
Interagency expenses (chargebacks)	123,716
Other operating expenses	278,849
Total operating expenses	73,101,112
Operating Loss	(32,664,289)

(Continued)

See accompanying notes and accountant's review report.

DELGADO COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses,
and Changes in Net Assets, 2006

NONOPERATING REVENUES (Expenses)	
State appropriations	$30,033,545
Gifts	27,249
Net investment income	670,795
Interest expense	(234,258)
Other nonoperating revenues	2,172,014
Net nonoperating revenues	32,669,345
Income before other revenues, expenses, gains and losses	5,056
Capital appropriations	871,469
Additions to permanent endowments	100,000
Extraordinary item-loss on impairment of capital assets (note 20)	(1,964,994)
Change in Net Assets	(988,469)
NET ASSETS AT BEGINNING OF YEAR	24,545,981
NET ASSETS AT END OF YEAR	$23,557,512

(Concluded)

See accompanying notes and accountant's review report.

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

Statement of Cash Flows
For the Year Ended June 30, 2006

Cash Flows From Operating Activities:	
Tuition and fees	$9,398,609
Federal appropriations	140,289
Grants and contracts	14,665,949
Auxiliary enterprise receipts	210,407
Payments for employee compensation	(38,361,344)
Payments for benefits	(9,985,935)
Payments for utilities	(1,346,488)
Payments for supplies and services	(12,321,946)
Other receipts	103,652
Net cash used by operating activities	(37,496,807)
Cash Flows From Noncapital Financing Activities:	
State appropriations	30,033,545
Gifts and grants from other than capital purposes	27,249
Private gifts for endowment purposes	100,000
TOPS receipts	20,694
TOPS disbursements	(216,964)
Other receipts	1,326,610
Net cash provided by noncapital financing sources	31,291,134
Cash Flows From Capital Financing Activities:	
Capital appropriations received	871,469
Purchase of capital assets	(1,296,721)
Principal paid on capital debt and leases	(75,000)
Interest paid on capital debt and leases	(234,258)
Net cash used by capital financing activities	(734,510)
Cash Flows From Investing Activities:	
Interest received on investments	670,795
Purchase of investments	(148,304)
Net cash used by investing activities	522,491

(Continued)

See accompanying notes and accountant's review report.

DELGADO COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2006

Net decrease in cash and cash equivalents	($6,417,692)
Cash and cash equivalents at beginning of year	12,122,534
Cash and cash equivalents at end of year	$5,704,842
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	($32,664,289)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,540,380
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(4,813,016)
(Increase) in deferred charges and prepaid expenses	(203,435)
Increase in accounts payable and accrued liabilities	516,072
(Decrease) in deferred revenue	(1,570,298)
(Decrease) in compensated absences	(327,653)
Increase in other liabilities	25,432
Net cash used by operating activities	($37,496,807)
Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions	
Loss on disposal of capital asset	$114,037
Capital asset impairment	$1,964,994

(Concluded)

See accompanying notes and accountant's review report.

INTRODUCTION

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

The Delgado Community College main campus is located in New Orleans adjacent to City Park. Other campuses are located on the New Orleans Westbank, at the Charity School of Nursing, and in Slidell. Student enrollment at June 30, 2006, is 14,441 and the college employs approximately 400 full-time faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

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

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Delgado Community College is part of the Louisiana Community and Technical College System, which is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) 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 college financial statements present information only as to the transactions of the programs of Delgado Community College.

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

C. BASIS OF ACCOUNTING

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

D. BUDGET PRACTICES

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

The original approved budget and subsequent approved amendments for fiscal year 2006 are as follows:

Original approved budget	$67,133,481
Decrease - state General Fund (direct)	(5,884,719)
Decrease - state General Funds (self-generated)	(25,577)
Final Budget	$61,223,185

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

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand and interest-bearing demand deposits. Under state law, the college may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the college may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

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

F. RESTRICTED INVESTMENTS

Restricted investments consist of endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity.

G. CAPITAL ASSETS

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

H. DEFERRED REVENUES

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

I. COMPENSATED ABSENCES

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

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

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

J. NONCURRENT LIABILITIES

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

K. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

L. NET ASSETS

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

(a) Invested in capital assets, net of related debt consists of the college's total investment in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.

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

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

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

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

M. CLASSIFICATION OF REVENUES

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

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

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

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

O. ELIMINATING INTERFUND ACTIVITY

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

P. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2006, the community college 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*. Statement No. 47 had no impact on reporting for the community college.

2. CASH

At June 30, 2006, the college has cash (book balances) of $5,704,842 as follows:

Petty cash	$11,000
Demand deposits	5,693,842
Total	$5,704,842

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Disclosures required for the investments reported as cash equivalents are included in note 3.

3. INVESTMENTS

The college maintains investment accounts as authorized by R.S. 49:327. Investments totaling $2,558,781 are stated at fair value. Restricted investments, reported as noncurrent assets on the Statement of Net Assets, consist of endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity. All investment income, including changes in the fair value of investments, is reported as revenue on the financial statements. The fair values of investments at June 30, 2006, are as follows:

Type of Investment	Reported Amount	Fair Value
Endowment Mutual Funds:		
Pooled Equity Funds	$764,244	$764,244
Fixed Income Securities	1,104,443	1,104,443
Short-Term Federal Funds	518,502	518,502
International Equity Funds	164,519	164,519
Other	7,073	7,073
Total investments	$2,558,781	$2,558,781

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

To reduce overall volatility of investment returns and to provide a hedge against the effects of economic downturns, at least 40% of assets must be invested in fixed income funds. The fixed income funds are diversified among various sectors of the fixed income market. Up to 15% may be invested in quality ratings between AA and BB. The overall average quality must be AA. No more than 5% of the fixed income fund may be invested in the securities of any one issuer. Investments in foreign stocks and foreign fixed income are limited to 15% and 5% of the equity and fixed income funds, respectively. For the fixed income securities and federal fund mutual funds totaling $1,622,945, there are no credit quality ratings.

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

4. RECEIVABLES

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

List Type	Receivables	Allowance for Doubtful Accounts	Net Receivables
Student tuition and fees	$5,903,374	($554,679)	$5,348,695
Federal, state, and private grants and contracts	1,178,611		1,178,611
Due from federal government	8,173,133		8,173,133
Other	1,546,991		1,546,991
Total	$16,802,109	($554,679)	$16,247,430

5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan program and from other private student loan programs. Restricted federal and state contributions and interest on the loans provide the funding for the Perkins Loan program. The Perkins program provides for the cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. If loans are determined to be uncollectible and not eligible for reimbursement by the federal government, the loans can be written off and assigned to the U.S. Department of Education. Notes receivable are shown as noncurrent assets on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2006. These receivables are composed of the following:

Type	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable (Net)
Federal Perkins Loans	$66,418	($50,500)	$15,918
Aetna Emergency Loan Fund	1,076		1,076
Sears Loan Fund	1,224		1,224
Kellogg Foundation	6,025		6,025
Total	$74,743	($50,500)	$24,243

6. CHANGES IN CAPITAL ASSETS

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

	Balance July 1, 2005	Additions	Transfers	Retirements	Balance June 30, 2006
Capital assets not being depreciated:					
Land	$800,000				$800,000
Construction-in-progress	2,276,554	$782,397	($1,366,532)		1,692,419
Total capital assets not being depreciated	$3,076,554	$782,397	($1,366,532)	NONE	$2,492,419
Other capital assets:					
Land improvements	$2,060,828				$2,060,828
Less accumulated depreciation	(1,446,835)	($92,046)			(1,538,881)
Total land improvements	613,993	(92,046)	NONE	NONE	521,947
Buildings	30,034,816		$1,366,532	($1,323,554)	30,077,794
Less accumulated depreciation	(13,773,275)	(707,304)			(14,480,579)
Total buildings	16,261,541	(707,304)	1,366,532	(1,323,554)	15,597,215
Equipment	7,912,964	514,324		(1,776,720)	6,650,568
Less accumulated depreciation	(4,438,590)	(741,030)		1,021,242	(4,158,378)
Total equipment	3,474,374	(226,706)	NONE	(755,478)	2,492,190
Total other capital assets	$20,349,908	($1,026,056)	$1,366,532	($2,079,032)	$18,611,352
Capital asset summary:					
Capital assets not being depreciated	$3,076,554	$782,397	($1,366,532)		$2,492,419
Other capital assets, at cost	40,008,608	514,324	1,366,532	($3,100,274)	38,789,190
Total cost of capital assets	43,085,162	1,296,721	NONE	(3,100,274)	41,281,609
Less accumulated depreciation	(19,658,700)	(1,540,380)	NONE	1,021,242	(20,177,838)
Capital assets, net	$23,426,462	($243,659)	NONE	($2,079,032)	$21,103,771

7. PENSION PLANS

Plan Description. Substantially all employees of the college are members of two statewide, public employee retirement systems administered by separate boards of trustees. 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. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the retirement systems with employee benefits vesting with 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, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of employee plan members and the college are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (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 college, funds the college’s employer contribution. The college’s employer contributions to TRS for the years ended June 30, 2006, 2005, and 2004 were $2,741,389, $2,817,383, and $2,153,830, respectively, and to LASERS for the years ended June 30, 2006, 2005, and 2004 were $1,143,711, $1,399,846 and $1,116,228, respectively, equal to the required contributions for each year.

8. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the 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.

Total contributions by the college are 15.9% of the covered payroll for fiscal year 2006. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the 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 $1,471,415 and $775,442, respectively, for the year ended June 30, 2006.

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The college provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the college's employees become eligible for these benefits if they reach normal retirement age while working for the college. 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 college. The college recognizes the cost of providing these benefits to retirees (college's portion of premiums) as an expense when paid during the year. These benefits, for 183 retirees, totaled $1,039,541 for the year ended June 30, 2006.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Account Name	
Vendor payables	$1,665,816
Accrued salaries and payroll deductions	994,893
Other payables	3,940,307
Total payables	$6,601,016

11. DEFERRED REVENUES

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

Account Name	
Prepaid tuition and fees	$4,947,627
Junior Achievement lease	1,788,781
Grants and contracts (Hurricane Katrina)	1,399,215
Total deferred revenues	$8,135,623

12. COMPENSATED ABSENCES

At June 30, 2006, employees of the college have accumulated and vested annual leave, sick leave, and compensatory leave of $1,583,974, $1,914,224, and $144,379, respectively. These balances were computed in accordance with GASB Codification Section C60.105. The leave payable is recorded in the accompanying financial statements.

13. LEASE OBLIGATIONS

Operating Leases

For the year ended June 30, 2006, the total rental expense for all operating leases is $650,601. The following is a schedule by years of future minimum annual rental payments required under operating leases:

Fiscal Year	Office Space
2007	$519,775
2008	241,807
2009	155,400
2010	116,550
Total minimum payments required	$1,033,532

Capital Leases

The college records items that are above the capitalization threshold under capital leases as assets and obligations in the accompanying financial statements. The college's capital lease at June 30, 2006, consists of a building lease/lease back valued at $3,955,000 and is included in total capital assets reported in note 6. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments, at June 30, 2006:

Fiscal Year Ending June 30	
2007	$311,398
2008	312,313
2009	312,937
2010	312,956
2011	312,350
2012-2016	1,551,387
2017-thereafter	4,309,900
Total minimum lease payments	7,423,241
Less - amount representing executory costs	NONE
Net minimum lease payments	7,423,241
Less - amount representing interest	(3,468,241)
Present value of net minimum lease payments	$3,955,000

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

The following is a summary of long-term liability transactions of the college for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Compensated absences payable	$3,970,230	$481,477	$809,130	$3,642,577	$1,325,124
Capital lease obligations	4,030,000		75,000	3,955,000	80,000
Total long-term liabilities	$8,000,230	$481,477	$884,130	$7,597,577	$1,405,124

15. RESTRICTED NET ASSETS

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

Nonexpendable:	
Endowments	$1,922,015
Student Life Center maintenance reserve	557,590
Total nonexpendable	$2,479,605
Expendable:	
Endowments	$636,765
Student technology fees	1,259,691
Total expendable	$1,896,456

16. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The college is involved in two lawsuits at June 30, 2006. In the opinion of legal counsel of the college, the possibility that the college will incur a liability is remote. This listing does not include any lawsuits filed with the college system or Office of Risk Management.

17. FOUNDATION

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

18. DEFERRED COMPENSATION PLAN

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

19. RELATED PARTY TRANSACTIONS

Delgado Community College has entered into a capital lease transaction with the Delgado Community College Foundation to finance the Student Life Center. The term of the lease is 30 years with interest payments commencing April 1, 2000. The interest is paid semiannually and principal payments are made annually commencing October 1, 2000. The college records this capital lease as an asset and an obligation in the accompanying financial statements. This capital lease is included in note 13.

20. IMPAIRMENT OF CAPITAL ASSETS

Delgado was damaged by Hurricane Katrina in August 2005. GASB 42 established accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether 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. Under criteria established by the Louisiana Office of Statewide Reporting and Accounting Policy, the following capital assets are considered impaired:

Type of Asset	Amount of Impairment Loss Before Insurance Recovery	Indication of Impairment	Insurance Recovery in the Same FY	Reason for Impairment
Buildings	$1,323,554	Physical Damage	NONE	Hurricane Katrina
Movable property	641,440	Physical Damage	NONE	Hurricane Katrina
Total impairment loss	$1,964,994			

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.

Type of Asset	Carrying Value
Buildings	$4,323,005
Movable property	NONE

21. HURRICANES KATRINA AND RITA

In August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Delgado Community College estimated approximately $22.5 million in damages from Hurricane Katrina. As repairs are completed, detailed expenses are sent to both the Federal Emergency Management Agency and the Office of Risk Management for possible reimbursement. Because of the severity of those separate events and the resulting damages sustained by the state, it is unknown what economic impact recovery effort will have on the state and the community college.

22. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

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

Student technology fee	$1,259,691
Building and facility maintenance	349,546
Endowed chairs	2,558,781
Total	$4,168,018

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Management Letter

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

STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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

March 2, 2007

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

We have reviewed the financial statements of Delgado Community College, as of and for the year ended June 30, 2006, and have issued our accountant's review report thereon dated March 2, 2007. Delgado Community College is a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana. The college's accounts are an integral part of the Louisiana Community and Technical College System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

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

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

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting Delgado Community College's internal control, compliance with applicable laws and regulations, and operational efficiencies was not an objective of our procedures. Accordingly, our review procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist.

In our prior management letter on Delgado Community College for the year ended June 30, 2005, we reported findings relating to the theft of direct card funds and unlocated and stolen movable property. The finding pertaining to the theft of direct card funds has been resolved by management. The unlocated and stolen movable property finding has not been sufficiently resolved by management and will be repeated in this letter. In addition, during our review procedures, we noted another matter concerning internal control deficiencies requiring communication to management.

Unlocated and Stolen Movable Property

For the third consecutive year, Delgado Community College (Delgado) did not have adequate internal control over movable property. Good internal control and Louisiana laws and regulations prescribe that efforts should be made to locate all movable property items for which there are no explanations available for their disappearance. Assets should be adequately monitored and safeguarded against loss or theft and periodic counts of property inventory, as well as the search for missing items, should be thorough.

Delgado submitted its annual certification of property inventory to the Louisiana Property Assistance Agency (LPAA) on June 23, 2006. The certification of property inventory disclosed $20,766,737 in total movable property administered by Delgado and reported unlocated movable property items totaling $1,547,539. Items totaling $362,195 were removed from the property records because they had not been located for three consecutive years. The unlocated property reported on Delgado's physical inventory certification included $853,201 of unlocated computers and computer-related equipment. Twenty of those computers totaling $48,520 were reported to the legislative auditor and Orleans Parish District Attorney's Office as stolen in the current fiscal year. In addition, there is no central storage for surplus property awaiting transfer to LPAA.

Failure to thoroughly secure, locate, and account for movable property increases the risk arising from unauthorized use of the property and could subject Delgado to noncompliance with state laws and regulations. Also, the risk exists that sensitive information could be improperly retrieved from the missing computers and/or computer-related equipment, which could compromise Delgado's data integrity.

Management of Delgado should continue strengthening its internal controls over movable property, including the procedures for securing its movable assets and conducting its physical inventory, and should devote additional efforts to locating movable property reported as unlocated in previous years. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Internal Controls Not Followed and Missing Funds

During our review procedures for fiscal year ended June 30, 2006, Delgado's compliance officer reported two incidents in which management-level employees allegedly circumvented the college's established internal controls for their personal benefit. Delgado's compliance officer also investigated an incident involving funds reported as stolen. In addition, we determined that funds were possibly missing from one of the college's bank deposits. It is management's ultimate responsibility to establish and adhere to internal controls, ensure compliance with applicable laws and regulations, and safeguard its public assets. Article VII, Section 14 of the Louisiana Constitution of 1974 prohibits that the funds, credit, property, or things of value of the state or of any political subdivision be loaned, pledged, or donated to or for any person, association, or corporation, public or private. Louisiana Revised Statutes 14:134 and 14:68, respectively, define malfeasance in office and prohibit the unauthorized use of a movable. Louisiana Community and Technical College System Policy 6.025 states that employees shall not conduct private business using system/college equipment.

The specific incidents are as follows:

- In January 2006, a Delgado employee in management allegedly used her position and authority to circumvent established controls that safeguard the college's funds from inappropriate use. Based on information from Delgado, an employee in management called one of her employees in the Bursar's Office and demanded that the employee cash her personal check for $400. However, when the requestor arrived in person, she claimed to have forgotten to bring her personal check with her but demanded that she be given the funds she required anyway. The employee gave her the $400 and obtained a receipt from her as evidence of payment. The Bursar reported the incident to upper management. After an internal investigation into the allegation was completed, the employee who received the money was terminated from the college for her actions.

- Also in January 2006, an employee of the college allegedly used one of the campus vehicles in the operation of his personal business. Anonymous callers alerted campus officials to the improper use of the vehicle. After an internal investigation into the allegation was completed, the employee was placed on leave without pay for a week and his assigned campus vehicle was revoked.

- Petty cash totaling $200, left in an unlocked file cabinet, was reported as stolen from the Bursar's Office.

- After Hurricane Katrina, campus employees said that they deposited contaminated funds from the Bursar's change fund totaling $12,900 into Liberty Bank for safekeeping. However, according to Liberty Bank officials, the actual deposit totaled only $11,678. The difference totaled $1,222. Of that amount, $1,051 has not been accounted for to date.

As a result of the circumvention of established internal controls, the college was susceptible to the misappropriation and improper use of assets and is subject to noncompliance with state laws and system policies as well as internal policies.

The chancellor of Delgado should emphasize to college management that it is management's responsibility to design and implement programs and controls to prevent, deter, and detect fraud and to ensure compliance with state laws and system policies as well as internal policies. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2).

The recommendations in this management letter represent, in our judgment, those most likely to bring about beneficial improvement to the operations of the college. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the college should be considered in reaching decisions on courses of action.

This management letter is intended solely for the information and use of Delgado Community College and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under state law, this letter is a public record.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

KML:JR:PEP:dl

DCC06

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

Delgado
COMMUNITY COLLEGE

Education that Works!

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

Education that Works!

CHANCELLOR'S OFFICE
TEMPORARY EXECUTIVE OFFICES
2703 General DeGaulle Avenue
New Orleans, LA 70114-6222
(504) 361-6609 FAX: (504) 361-6697
www.dcc.edu

December 19, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70802

Dear Mr. Theriot:

Management of Delgado Community College concurs with the finding and recommendations related to Internal Controls Not Followed and Missing Funds. The college has taken and will take additional steps to strengthen our procedures and ensure that those procedures are followed:

1. Petty cash policies have been formally revised to include the statement "Petty cash funds must not be used for cashing personal, employee, or student checks, for advancing funds without receipts, or for providing funds for temporary or informal loans."
2. In the incident with the improper use of the college vehicle, the internal control (the Delgado decal on the side of the truck) worked and the improper use was detected and reported. The Vice-Chancellor of Business and Administrative Affairs will issue a memorandum reinforcing the prohibition against personal use of college vehicles.
3. A petty cash custodian was named, a more secure petty cash box was purchased, which is kept in the Vault behind locked doors in the Bursar's Office, and more frequent periodic reconciliations are planned.
4. Finally, the current Controller will develop procedures to verify any future deposits of contaminated monies.

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

Sincerely,

Alex Johnson
Chancellor