

BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA



ACCOUNTANT'S REVIEW REPORT
ISSUED MAY 21, 2008

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

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

May 1, 2008

Accountant's Review Report

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

We have reviewed the accompanying basic financial statements as listed in the table of contents of the Baton Rouge 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, 2007, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Baton Rouge Community College. We did not review the financial statements of the BRCC Facilities Corporation, a blended component unit of the college, whose statements reflect total assets, liabilities, and revenues of 66%, 91%, and 14%, respectively, of the related college totals. These component unit financial statements were audited by another auditor whose report thereon has been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for this component unit, are based solely upon the report of the other auditor.

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

As discussed in note 1-B to the basic financial statements, the accompanying financial statements of Baton Rouge 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 Baton Rouge 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, 2007, and the changes in its financial position and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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 the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements but was compiled from the information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

LLG:WDD:THC:sr

BRCC07

The Management's Discussion and Analysis of Baton Rouge Community College's financial performance presents a narrative overview and analysis of Baton Rouge Community College's financial activities for the year ended June 30, 2007. 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 Baton Rouge Community College's financial statements, which begins on page 11.

FINANCIAL HIGHLIGHTS

Baton Rouge Community College's net assets overall changed from \$40,903,668 to \$41,021,684 or less than 1% from June 30, 2006, to June 30, 2007.

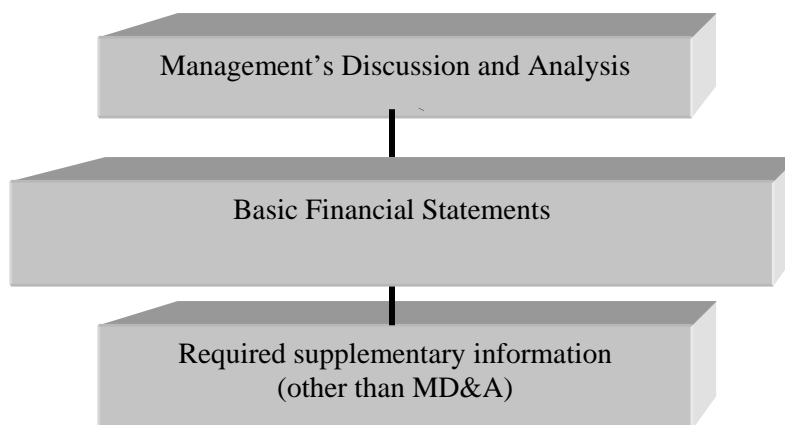
Enrollment (fall 2005 headcount to fall 2006 headcount) changed from 7,000 to 6,525, a change of 6.8%. The reason for this change is attributed to students temporarily displaced by hurricanes Katrina and Rita.

Baton Rouge Community College's operating revenues changed from \$15.7 million to \$16.9 million or 7.9% from June 30, 2006, to June 30, 2007. Operating expenses, however, changed by 22.0% to \$36.7 million for the year ended June 30, 2007. The primary reasons for these changes are an increase in grants and contracts and depreciation expense recorded by the BRCC Facilities Corporation.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations. The change to \$13.6 million in 2007 from \$10.5 million in 2006 is attributed to an increase in state appropriations and investment/interest income which was offset by interest expense recorded by the BRCC Facilities Corporation.

OVERVIEW OF THE BASIC 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*.



These financial statements consist 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 the Baton Rouge 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 Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (pages 11-12) 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 Baton Rouge Community College is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 13-14) presents information showing how the Baton Rouge 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 Baton Rouge 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 Baton Rouge 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.

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

FINANCIAL ANALYSIS

Comparative Statement of Net Assets
As of June 30, 2007, and June 30, 2006
(in thousands)

	2007	Restated 2006	Variance	Percentage Change
Assets				
Current and other assets	\$29,804	\$28,047	\$1,757	6.3%
Capital assets, net	89,420	90,666	(1,246)	(1.4%)
Total assets	<u>119,224</u>	<u>118,713</u>	<u>511</u>	0.4%
Liabilities				
Current liabilities	8,467	6,298	2,169	34.4%
Noncurrent liabilities	69,735	71,511	(1,776)	(2.5%)
Total liabilities	<u>78,202</u>	<u>77,809</u>	<u>393</u>	0.5%
Net Assets				
Invested in capital assets, net of debt	27,540	28,944	(1,404)	(4.9%)
Restricted	10,976	11,186	(210)	(1.9%)
Unrestricted	<u>2,506</u>	<u>774</u>	<u>1,732</u>	223.8%
Total net assets	<u>\$41,022</u>	<u>\$40,904</u>	<u>\$118</u>	0.3%

This schedule is prepared from the college's Statement of Net Assets as shown on pages 11-12, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

The 4.9% decrease in net assets restricted for debt service and other purposes is due to a reduction in capital lease payments to \$2.4 million.

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 the purposes for which these amounts may be used.

**Comparative Statement of Revenues,
Expenses, and Changes in Net Assets
For the Years Ended June 30, 2007, and June 30, 2006
(in thousands)**

	2007	Restated 2006	Variance	Percentage Change
Operating revenues				
Student tuition and fees, net	\$8,336	\$7,228	\$1,108	15.3%
Sales and services of departments	10	49	(39)	(79.6%)
Grants and contracts	7,924	7,757	167	2.2%
Auxiliary	615	442	173	39.1%
Other		180	(180)	(100.0%)
Total operating revenues	<u>16,885</u>	<u>15,656</u>	<u>1,229</u>	7.9%
Nonoperating revenues				
State appropriations	15,505	12,263	3,242	26.4%
Net investment income	1,306	990	316	31.9%
Net nonoperating revenues	<u>16,811</u>	<u>13,253</u>	<u>3,558</u>	26.8%
Total revenues	<u>33,696</u>	<u>28,909</u>	<u>4,787</u>	16.6%
Operating expenses				
Education and general:				
Instruction	10,380	7,983	2,397	30.0%
Public service		3	(3)	(100.0%)
Academic support	3,489	2,492	997	40.0%
Student services	2,927	2,553	374	14.6%
Institutional support	6,413	5,110	1,303	25.5%
Operations and maintenance of plant	5,865	4,182	1,683	40.2%
Depreciation	4,087	3,663	424	11.6%
Scholarships and fellowships	3,070	3,626	(556)	(15.3%)
Auxiliary enterprises	270	225	45	20.0%
Interagency expenses	63	41	22	53.7%
Other operating expenses	125	195	(70)	(35.9%)
Total operating expenses	<u>36,689</u>	<u>30,073</u>	<u>6,616</u>	22.0%
Nonoperating expenses - interest expense	<u>3,243</u>	<u>2,760</u>	<u>483</u>	17.5%
Total expenses	<u>39,932</u>	<u>32,833</u>	<u>7,099</u>	21.6%
Loss before other revenues	<u>(6,236)</u>	<u>(3,924)</u>	<u>(2,312)</u>	58.9%
Capital appropriations	6,294	6,260	34	0.5%
Additions to permanent endowments	60		60	100.0%
Other revenues	<u>6,354</u>	<u>6,260</u>	<u>94</u>	1.5%
Change in net assets	118	2,336	(2,218)	(94.9%)
Net assets at the beginning of the year, restated	<u>40,904</u>	<u>38,568</u>	<u>2,336</u>	6.1%
Net assets at the end of the year, restated	<u>\$41,022</u>	<u>\$40,904</u>	<u>\$118</u>	0.3%

Nonoperating revenues and expenses increased by 29.3% to \$13.6 million, primarily attributable to an increase in state appropriations. State appropriations changed from \$12.3 million to \$15.5 million because of an increase in Developmental Pool Funds distributed to the college. The Baton Rouge Community College's total revenue (operating and nonoperating) increased by \$4.8 million or 16.6%.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Capital Assets

As of June 30, 2007, the Baton Rouge Community College had invested \$89.4 million in capital assets, net of accumulated depreciation. This amount represents a net decrease (including additions and disposals, net of depreciation) of \$1.2 million or 1.4% less than the previous fiscal year. More detailed information about the college's capital assets is presented in note 5 to the financial statements.

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

	2007	2006	Variance	Percentage Change
Land	\$6,676	\$6,525	\$151	2.3%
Construction-in-progress	1,168	4,764	(3,596)	(75.5%)
Buildings	73,066	69,143	3,923	5.7%
Equipment	8,510	10,234	(1,724)	(16.8%)
Total	\$89,420	\$90,666	(\$1,246)	(1.4%)

This year's major additions include \$3,093 (in thousands) for the governor's building renovation.

Debt

The Baton Rouge Community College had \$66.6 million in revenue bonds outstanding at year-end, compared to \$66.8 million last year, a decrease of less than 1%. See note 14 for details relating to changes in and the composition of long-term liabilities.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The following currently known fact, decision, or condition is expected to have a significant effect on financial position or results of operations: As enrollment expands and workforce demands change, opportunities for federal and other grant funding will increase.

CONTACTING THE COLLEGE'S MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the Baton Rouge Community College's finances and to show the Baton Rouge Community College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve Parker, executive director of finance, at 225-216-8089.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

**Statement of Net Assets
June 30, 2007**

ASSETS

Current assets:

Cash (note 2)	\$14,985,766
Receivables, net (note 4)	1,979,805
Due from federal government	624,388
Due from other campuses	1,243,971
Total current assets	<u>18,833,930</u>

Noncurrent assets:

Restricted assets:

Cash and cash equivalents (note 2)	9,872,579
Investments (note 3)	132,913
Capital assets, net (note 5)	89,420,444
Other noncurrent assets	964,137
Total noncurrent assets	<u>100,390,073</u>
Total assets	<u>119,224,003</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities (note 9)	3,759,285
Due to federal government	208,841
Due to other campuses	471,520
Deferred revenues (note 10)	1,529,261
Compensated absences payable (notes 11 and 14)	54,870
Capital lease obligation (notes 12 and 14)	1,696,000
Claims and litigation payable (note 13)	20,000
Amounts held in custody for others (note 14)	529,579
Bonds payable, net (notes 14 and 15)	197,400
Total current liabilities	<u>8,466,756</u>

(Continued)

See accompanying notes and accountant's review report.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, 2007**

LIABILITIES (CONT.)

Noncurrent liabilities:

Compensated absences payable (notes 11 and 14)	\$986,581
Capital lease obligation (notes 12 and 14)	2,393,000
Bonds payable, net (notes 14 and 15)	<u>66,355,982</u>
Total noncurrent liabilities	<u>69,735,563</u>
Total liabilities	<u>78,202,319</u>

NET ASSETS

Invested in capital assets, net of related debt	27,540,136
Restricted for:	
Nonexpendable (note 16)	120,000
Expendable (note 16)	10,856,004
Unrestricted	<u>2,505,544</u>
 TOTAL NET ASSETS	 <u><u>\$41,021,684</u></u>

(Concluded)

See accompanying notes and accountant's review report.

**BATON ROUGE COMMUNITY COLLEGE
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, 2007**

OPERATING REVENUES

Student tuition and fees	\$10,580,520
Less scholarship allowances	(2,244,549)
Net student tuition and fees	<u>8,335,971</u>
Federal grants and contracts	5,969,285
State and local grants and contracts	1,895,910
Nongovernmental grants and contracts	59,018
Sales and services of educational departments	9,716
Auxiliary enterprise revenues	<u>615,393</u>
Total operating revenues	<u><u>16,885,293</u></u>

OPERATING EXPENSES

Education and general:	
Instruction	10,379,833
Academic support	3,489,179
Student services	2,927,002
Institutional support	6,413,482
Operations and maintenance of plant	5,863,893
Depreciation	4,086,937
Scholarships and fellowships	3,070,241
Auxiliary enterprises	270,011
Interagency expenses	63,317
Other operating expenses	<u>124,685</u>
Total operating expenses	<u><u>36,688,580</u></u>

OPERATING LOSS (19,803,287)

(Continued)

See accompanying notes and accountant's review report.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and
Changes in Net Assets, 2007**

NONOPERATING REVENUES (Expenses)	
State appropriations	\$15,504,733
Net investment income	1,306,341
Interest expense	(3,243,426)
Net nonoperating revenues	<u>13,567,648</u>
 LOSS BEFORE OTHER REVENUES	 (6,235,639)
 Capital appropriations	 6,293,655
Additions to permanent endowments	<u>60,000</u>
 INCREASE IN NET ASSETS	 118,016
 NET ASSETS - BEGINNING OF YEAR (Restated) (note 17)	 <u>40,903,668</u>
 NET ASSETS - END OF YEAR	 <u><u>\$41,021,684</u></u>

(Concluded)

See accompanying notes and accountant's review report.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$7,832,887
Grants and contracts	5,795,658
Payments to suppliers	(8,549,838)
Payments for utilities	(1,924,554)
Payments to employees	(13,697,787)
Payments for benefits	(2,571,414)
Payments for scholarships and fellowships	(3,070,241)
Auxiliary enterprise charges	582,790
Sales and services of educational departments	9,716
Net cash used by operating activities	<u>(15,592,783)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	15,504,733
Gifts and grants for other than capital purposes	60,000
TOPS receipts	490,874
TOPS disbursements	(506,328)
Net cash provided by noncapital financing sources	<u>15,549,279</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital appropriations	5,942,000
Purchases of capital assets	(2,676,945)
Principal paid on capital debt and leases	(1,622,000)
Interest paid on capital debt and leases	(3,353,463)
Net cash used in capital financing activities	<u>(1,710,408)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received on investments	1,318,542
Purchase of investments	(70,784)
Net cash provided by investing activities	<u>1,247,758</u>

Net decrease in cash and cash equivalents (506,154)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 25,364,499

CASH AND CASH EQUIVALENTS AT END OF YEAR \$24,858,345

(Continued)

See accompanying notes and accountant's review report.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2007**

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED BY OPERATING ACTIVITIES:

Operating loss	(\$19,803,287)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	4,086,937
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(2,297,473)
Increase in accounts payable	2,186,919
(Decrease) in deferred revenues	(84,736)
Increase in amounts held in custody for others	194,173
Increase in compensated absences	124,684
	<hr/>
Net cash used by operating activities	<u><u>(\$15,592,783)</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO THE STATEMENT OF NET ASSETS**

Cash classified as current assets	\$14,985,766
Cash and cash equivalents classified as noncurrent assets	9,872,579
	<hr/>
Cash and Cash Equivalents at the End of the Year	<u><u>\$24,858,345</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital appropriations for construction of buildings	\$351,655
Amortization of premium on bonds	\$197,400

(Concluded)

See accompanying notes and accountant's review report.

INTRODUCTION

Baton Rouge Community College (BRCC) is a publicly supported, state mandated institution of higher education. The college is a part of the Louisiana Community and Technical College System (LCTCS), which is a component unit of the State of Louisiana, within the executive branch of government. BRCC was enacted under Louisiana Revised Statute (R.S.) 17:3222 and is under the management and supervision of the Board of Supervisors of the LCTCS; however, the annual budget of the college and changes to the degree programs, departments of instruction, et cetera, require the approval of the Louisiana Board of Regents for Higher Education. As a state college, operations of the college's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

The college offers baccalaureate and selected master's degrees in various academic areas. Net enrollment at the college was 2,576, 6,525, and 6,171, respectively, during the summer, fall, and spring semesters of fiscal year 2007. At June 30, 2007, the college has approximately 243 full-time faculty and staff members.

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 college has elected to follow GASB statements issued after November 30, 1989, rather than the statements issued by the Financial Accounting Standards Board (FASB). However, the BRCC Facilities Corporation, a nongovernmental blended component unit, follows the not-for-profit model of financial reporting as set forth in the FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*.

B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. BRCC is part of the LCTCS, which is considered a discretely presented component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the colleges within the system primarily serve

state residents. The accompanying financial statements present information only as to the transactions of the programs of BRCC.

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

Criteria described in the GASB Codification Section 2100 were used to evaluate whether potential component units should be blended with the college's statements, discretely reported, disclosed in the notes to the financial statements, or excluded from the reporting entity. BRCC Facilities Corporation is a Louisiana nonprofit 501(c)3 corporation formed in February 2002 to provide funds and oversee construction for renovations and additions to the BRCC campus. The corporation's financial statements have been blended into the accompanying financial statements. The BRCC Facilities Corporation has a June 30 year-end and the audited financial statements for the corporation may be obtained at Post Office Box 3197, Baton Rouge, Louisiana 70821-5091.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the college is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the college's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting where the aim is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of the related cash flows. All significant intra-college transactions have been eliminated.

D. BUDGET PRACTICES

The appropriation made for the General Fund of 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. The Joint Legislative Committee on the Budget grants budget revisions. 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 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

Cash includes cash on hand and interest-bearing demand deposits maintained by the college. 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. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

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

F. RESTRICTED CASH AND CASH EQUIVALENTS

The college's restricted cash and cash equivalents consist of residual bond proceeds and related interest earnings of the BRCC Facilities Corporation. These funds are invested in U.S. Treasury money market funds maintained in trust accounts created pursuant to trust indentures of the related bonds. These trust accounts, which are administered by a trustee bank, provide for the custody of the assets, debt service payments and bond redemption requirements, and payment of administrative expenses. The bonds were issued in 2002 and 2003 to finance the costs of development, design, and construction of additions and renovations to the BRCC campus. Funds maintained in trust accounts of the corporation are highly liquid investments with an original maturity of three months or less and are included in the accompanying financial statements at cost, which approximates their fair value.

The requirements of state law are not applicable to the cash and cash equivalents held by the BRCC Facilities Corporation. However, the official statement for the corporation's bonds dated December 19, 2002, authorizes the trustee to invest in direct obligations of the United States of America or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by the federal agencies; bonds, debenture, notes or other evidence of indebtedness issued or guaranteed by the non-full faith and credit U.S. government agencies; money market funds; certificates of deposit, savings accounts, deposit accounts, or money market deposits; investment agreements; commercial paper; bonds or notes issued by any state or municipality; federal funds or bankers acceptances; repurchase agreements; pre-funded municipal bonds; and any other investment acceptable to the district, the trustee, and the bond issuer.

G. RESTRICTED INVESTMENTS

The college's restricted investments consist of assets maintained in an external investment pool administered by the Baton Rouge Community College Foundation under an agreement with the college. These funds are invested in accordance with policies and procedures established by the Board of Regents, Endowed Professorship Program. This external investment pool is reported at fair value in accordance with GASB Statement 31. Changes in the carrying value of investments, resulting in unrealized gains or losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

H. CAPITAL ASSETS

The college follows the capitalization policies established by the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy. 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 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 a structure are capitalized. Construction-in-progress costs and related interest costs, net of interest earned on tax-exempt borrowings to fund the construction, are capitalized during construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In addition, library collections with a total acquisition cost of more than \$5 million are capitalized and depreciated. Computer software purchased for internal use with depreciable costs of \$1,000,000 or more are capitalized.

Depreciation is computed assuming no salvage value and using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for moveable property (equipment, including capitalized costs for computer software). However, for those assets acquired by the BRCC Facilities Corporation, depreciation expense is computed using an estimated useful life of 5 to 39 years.

I. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees before 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 nonexempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, 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 Teachers' Retirement System of Louisiana 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 employee's hourly rate of pay at termination or transfer.

K. NONCURRENT LIABILITIES

Noncurrent liabilities include principal amounts of bonds payable net of the unamortized bond premium, estimated amounts for accrued compensated absences, and capital lease obligations that will not be paid within the next fiscal year.

Bond issuance costs, including underwriters' discount on bonds sold, are deferred and amortized over the life of the indebtedness based upon the principal amount of bonds outstanding. Premiums incurred upon the issuance of bonds are deferred and amortized to interest expense over the life of the related bonds using a method that approximates the interest method.

**L. 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.

M. NET ASSETS

Net assets comprise the difference between total assets and total liabilities. 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 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.
- (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 or enabling legislation.
- (d) *Unrestricted* consists 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 college and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

N. CLASSIFICATION OF REVENUES AND EXPENSES

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

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

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

O. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

P. 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.

2. CASH AND CASH EQUIVALENTS

At June 30, 2007, the college has cash and cash equivalents (book balances) totaling \$24,858,345 as follows:

Interest-bearing demand deposits	\$14,996,043
Money market accounts	9,861,302
Petty cash	1,000
Total	\$24,858,345

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

Current assets	\$14,985,766
Noncurrent assets (restricted)	9,872,579
Total	\$24,858,345

Restricted cash and cash equivalents include \$11,277 of interest-bearing demand deposits and \$9,861,302 of money market funds for the BRCC Facilities Corporation. Disclosures required for the investments reported as cash equivalents are included in note 3.

3. INVESTMENTS

At June 30, 2007, the college has restricted investments totaling \$132,913. These assets are maintained by the Baton Rouge Community College Foundation in an external investment pool and include matching funds received from the Board of Regents, pursuant to the Endowed Professorship Program. These investments are managed in accordance with program requirements specified by the Board of Regents which are included in a management agreement voluntarily executed between the college and the Foundation. The college's position in the pool is equal to the value of the pool shares. The external investment pool is not SEC registered and has not have received a credit quality rating. Although the college does not have a formally adopted policy regarding the credit quality ratings of its investments, the investment policy established by the Louisiana Board of Regents states that the overall average credit quality rating of the fixed income securities must be at least AA.

The BRCC Facilities Corporation maintains investments in a U.S. Treasury money market account totaling \$9,861,302. This amount is reported as cash equivalents on the Statement of Net Assets. The financial statements and notes to the financial statements of the BRCC Facilities Corporation were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the notes to the financial statements of the corporation do not reflect the requirements of GASB Statement No. 3, as revised by Statement No. 40.

4. RECEIVABLES

Receivables as shown on the college's Statement of Net Assets, net of an allowance for doubtful accounts, are composed of the following:

	<u>Receivables</u>	Allowance for Doubtful Accounts	<u>Receivables, Net</u>
Student tuition and fees	\$803,824	(\$483,997)	\$319,827
Auxiliary enterprises	284,121		284,121
Federal, state, and private grants and contracts	656,346		656,346
Other	<u>719,511</u>		<u>719,511</u>
Total	<u>\$2,463,802</u>	<u>(\$483,997)</u>	<u>\$1,979,805</u>

There is no noncurrent portion of accounts receivable.

5. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ending June 30, 2007, is as follows:

	Balance June 30, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Capital assets not being depreciated:					
Land	\$6,525,295	\$150,407			\$6,675,702
Construction-in-progress	4,763,816	1,632,772		(\$5,228,604)	1,167,984
Total capital assets not being depreciated	<u>\$11,289,111</u>	<u>\$1,783,179</u>	NONE	<u>(\$5,228,604)</u>	<u>\$7,843,686</u>
Other capital assets:					
Buildings	\$76,104,050	\$811,758		\$5,286,263	\$82,202,071
Less accumulated depreciation	(6,961,029)	(2,174,846)			(9,135,875)
Total buildings	<u>69,143,021</u>	<u>(1,363,088)</u>	NONE	<u>5,286,263</u>	<u>73,066,196</u>
Equipment	14,016,205	246,071	(\$34,713)	(57,659)	14,169,904
Less accumulated depreciation	(3,781,964)	(1,912,091)	34,713		(5,659,342)
Total equipment	<u>10,234,241</u>	<u>(1,666,020)</u>	NONE	<u>(57,659)</u>	<u>8,510,562</u>
Total other capital assets	<u>\$79,377,262</u>	<u>(\$3,029,108)</u>	NONE	<u>\$5,228,604</u>	<u>\$81,576,758</u>
Capital asset summary:					
Capital assets not being depreciated	\$11,289,111	\$1,783,179		(\$5,228,604)	\$7,843,686
Other capital assets, at cost	90,120,255	1,057,829	(\$34,713)	5,228,604	96,371,975
Total cost of capital assets	<u>101,409,366</u>	<u>2,841,008</u>	<u>(34,713)</u>	NONE	<u>104,215,661</u>
Less accumulated depreciation	<u>(10,742,993)</u>	<u>(4,086,937)</u>	<u>34,713</u>	NONE	<u>(14,795,217)</u>
Capital assets, net	<u>\$90,666,373</u>	<u>(\$1,245,929)</u>	NONE	NONE	<u>\$89,420,444</u>

Construction-in-progress includes \$1,123,543 costs incurred at June 30, 2007, by the BRCC Facilities Corporation to construct a student wellness and recreational activity building on the college's main campus. It is anticipated that the total cost of the building when completed will be approximately \$7,380,000 which will be funded by residual revenue bond proceeds and related interest earnings of the corporation. During the fiscal year ended June 30, 2007, no interest was capitalized.

6. PENSION PLANS

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

obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446, and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of employee plan members and the college are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRSL) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. For fiscal year 2007, the state is required to contribute 15.8% of covered salaries to TRSL 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 employer contributions to TRSL for the years ended June 30, 2007, 2006, and 2005 were \$863,614; \$529,768; and \$611,473, respectively, and to LASERS for the years ended June 30, 2007, 2006, and 2005 were \$359,659; \$338,868; and \$264,213, respectively, equal to the required contributions for each year.

7. OPTIONAL RETIREMENT SYSTEM

TRSL administers an optional retirement plan, which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. This plan was designed to aid universities in recruiting employees who may not be expected to remain in TRSL for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

R.S. 11:927 sets the contribution requirements of the plan members and the System equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the college are 15.8% of the covered payroll. The participant's contribution (8%) less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the System. Benefits payable to participants are not the obligation of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee

contributions to the optional retirement plan totaled \$589,148 and \$297,955, respectively, for the year ended June 30, 2007.

8. 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. There were no retiree post retirement health benefits paid by the college during the year ended June 30, 2007.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following is a summary of the college's accounts payable and accrued liabilities at June 30, 2007:

Vendor payables	\$2,676,892
Accrued salaries and payroll deductions	786,161
Accrued interest	<u>296,232</u>
Total	<u><u>\$3,759,285</u></u>

10. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2007:

Prepaid tuition and fees	\$559,160
Grants and contracts	727,755
Other	<u>242,346</u>
Total	<u><u>\$1,529,261</u></u>

11. COMPENSATED ABSENCES

At June 30, 2007, employees of the college have accumulated and vested annual leave, sick leave, and compensatory leave benefits of \$493,909; \$529,794; and \$17,748, respectively. These amounts were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

12. LEASE OBLIGATIONS

Operating Leases

For the year ended June 30, 2007, total operating lease expenses was \$664,159. The following is a schedule by fiscal years of future minimum annual rental payments required under operating leases that have initial or noncancelable lease terms in excess of one year as of June 30, 2007:

<u>Nature of Operating Lease</u>	<u>2008</u>	<u>2009</u>	<u>Total Minimum Payments Required</u>
Equipment	<u>\$390,886</u>	<u>\$35,232</u>	<u>\$426,118</u>

The lease agreements have non-appropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period.

Capital Lease

The college records items under capital lease by the BRCC Facilities Corporation as assets and obligations in the accompanying financial statements. The corporation's capital lease at June 30, 2007 consists of a lease for the acquisition of equipment, furniture, and fixtures totaling \$8,750,000 for campus buildings constructed by the corporation. The following is a schedule of future minimum lease payments to be made by the corporation under this capital lease, together with the present value of minimum lease payments.

<u>Fiscal Year Ended June 30,</u>	
2008	\$1,839,900
2009	1,839,889
2010	323,801
2011	<u>324,037</u>
Total minimum lease payments	4,327,627
Less - amount representing interest	<u>(238,627)</u>
Present value of minimum lease payments	<u><u>\$4,089,000</u></u>

Lessor - Operating Lease

The college's leasing operation consists of leasing property for providing bookstore operations to students. The estimated cost, accumulated depreciation, and carrying amount of the college's investment in property on operating leases as of June 30, 2007, is \$405,892; \$30,434; and \$375,458, respectively. These estimated values are based on the ratio of the square footage of the space leased to the total square footage of the building in which the bookstore is located.

The following is a schedule by years of minimum future rentals on the noncancelable operating lease as of June 30, 2007.

<u>Fiscal Year Ended June 30,</u>	<u>Office Space</u>
2008	\$30,000
2009	30,000
2010	30,000
2011	30,000
2012	<u>30,000</u>
Total minimum future rentals	<u><u>\$150,000</u></u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume. Contingent rentals amounted to \$181,466 for the year ended June 30, 2007.

13. CONTINGENT LIABILITIES

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. At June 30, 2007, the college is involved in two lawsuits that are not insured by the Office of Risk Management. Any liability resulting from settlement of these cases will be paid by the college. In the opinion of the college's legal counsel, it is probable that settlement of one of the cases will result in a liability payable by the college. Accordingly, the accompanying financial statements include an accrued liability of \$20,000 for settlement of this case. In the opinion of the college's legal counsel, it is only reasonably possible that the college will incur a liability from the remaining case with a possible loss estimated at \$100,000. This amount is not reflected in the accompanying financial statements.

The amount of settlements paid in the last three years did not exceed insurance coverage.

14. LONG-TERM LIABILITIES

The following is a summary of the college’s bond and other long-term debt transactions for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Bonds payable	\$66,750,782		(\$197,400)	\$66,553,382	\$197,400
Capital lease obligation	5,711,000		(1,622,000)	4,089,000	1,696,000
Subtotal	<u>72,461,782</u>	NONE	<u>(1,819,400)</u>	<u>70,642,382</u>	<u>1,893,400</u>
Other liabilities - accrued:					
Compensated absences payable	916,766	\$435,812	(311,127)	1,041,451	54,870
Amounts held in custody for others	335,406	852,668	(658,495)	529,579	529,579
Subtotal	<u>1,252,172</u>	<u>1,288,480</u>	<u>(969,622)</u>	<u>1,571,030</u>	<u>584,449</u>
 Total	 <u>\$73,713,954</u>	 <u>\$1,288,480</u>	 <u>(\$2,789,022)</u>	 <u>\$72,213,412</u>	 <u>\$2,477,849</u>

15. BONDS PAYABLE

On May 16, 2002, the Louisiana State Bond Commission approved the issuance of up to \$65,000,000 in bonds for constructing and furnishing new campus buildings and for renovating existing buildings on property adjacent to the college’s campus. In December 2002 and December 2003, the Louisiana Government Environmental Facilities and Community Development Authority issued \$55,000,000 and \$10,000,000, respectively, in revenue bonds on behalf of the BRCC Facilities Corporation, a nonprofit organization. Pursuant to terms of a ground lease agreement, effective December 1, 2002, the corporation has leased the land from the LCTCS Board of Supervisors. 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 that will be leased back to the board for use by the students, faculty, and staff of the college. Future monies appropriated to the LCTCS will be used to fund the annual lease payments. The obligation of the corporation to make payments to the authority for debt service is limited to the rents received from the LCTCS. The corporation has assigned its rights under the facility lease to the authority as security for the bonds.

In July 2002, a cooperative endeavor agreement was entered into by the State of Louisiana, the Board of Supervisors of the LCTCS (Board), acting on behalf of BRCC, and the BRCC Facilities Corporation. Under the terms of the agreement, the corporation agrees to undertake a project to construct or renovate buildings to serve as additional campus buildings or as administrative offices for the Board. The Board agrees to budget funds to provide for lease payments to the corporation in the amount of annual debt service on bonds issued by the Louisiana Government Environmental Facilities and Community Development Authority on behalf of the corporation to finance the project. The State of Louisiana agrees to provide funds for the debt service of these bonds in the form of an annual appropriation by the Louisiana Legislature. The cooperative endeavor agreement remains in effect for as long as any of the bonds remain outstanding.

Details of all debt outstanding for the year ending June 30, 2007, are as follows:

Bonds Payable, as of June 30, 2007

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2006</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2007</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2007</u>
BRCC Facilities Corporation								
Revenue Bonds:								
Series 2002	December 31, 2002	\$55,000,000	\$55,000,000		\$55,000,000	2015-2033	5.0% - 5.375%	\$50,417,882
Series 2003	December 23, 2003	10,000,000	10,000,000		10,000,000	2010-2018	3.8% - 5.5%	2,670,743
Total		<u>\$65,000,000</u>	<u>65,000,000</u>	NONE	<u>65,000,000</u>			<u>\$53,088,625</u>
Original premiums			2,340,265		2,340,265			
Accumulated amortization of premiums			<u>(589,483)</u>	<u>(\$197,400)</u>	<u>(786,883)</u>			
Bonds payable, net			<u>\$66,750,782</u>	<u>(\$197,400)</u>	<u>\$66,553,382</u>			

The annual requirements to amortize all BRCC Facilities Corporation bonds outstanding at June 30, 2007, are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008		\$3,353,463	\$3,353,463
2009		3,353,463	3,353,463
2010	\$1,560,000	3,310,563	4,870,563
2011	1,645,000	3,222,425	4,867,425
2012	1,740,000	3,129,338	4,869,338
2013-2017	10,210,000	14,094,332	24,304,332
2018-2022	11,710,000	11,184,419	22,894,419
2023-2027	14,770,000	7,766,247	22,536,247
2028-2032	18,970,000	3,564,500	22,534,500
2033	4,395,000	109,875	4,504,875
Total	65,000,000	<u>\$53,088,625</u>	<u>\$118,088,625</u>
Unamortized premium	1,553,382		
Bonds payable reported on the Statement of Net Assets	<u>\$66,553,382</u>		

16. RESTRICTED NET ASSETS

The college has the following restricted net assets at June 30, 2007:

Nonexpendable - endowments	<u><u>\$120,000</u></u>
Expendable:	
Settlement carryover fund	\$7,489,126
BRCC Facilities Inc. - maintenance reserve	1,499,803
Student technology fee	670,269
Building use fee	644,661
Other	<u>552,145</u>
Total expendable	<u><u>\$10,856,004</u></u>

Of the net assets reported in the Statement of Net Assets for the year ended June 30, 2007, a total of \$1,314,930 is restricted by enabling legislation.

17. 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 following adjustments:

Net assets at June 30, 2006, as previously reported	\$39,752,512
Adjust amounts held in custody for others	1,042,761
Recognize Board of Regents endowments	62,129
Adjust payroll liabilities	55,628
Adjust prior year Pell grant accrual	<u>(9,362)</u>
Net assets at June 30, 2006, as restated	<u><u>\$40,903,668</u></u>

18. FOUNDATIONS

The accompanying financial statements do not include the accounts of the Baton Rouge Community College Foundation (Foundation). The college's Foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants.

The college has contracted with the Foundation to invest the college's Endowed Professorship Program endowment funds. The Endowed Professorship Program endowment funds are normally 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. However, because the college met certain criteria, it was eligible to receive \$60,000 of state matching with only \$40,000 of private contributions. At June 30, 2007, the Foundation holds in custody state matching funds for the Endowed Professorship Program totaling \$132,913.

19. DEFERRED COMPENSATION PLAN

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

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Management Letter



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

May 1, 2008

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

We have reviewed the financial statements of Baton Rouge Community College, as of and for the year ended June 30, 2007, and have issued our accountant's review report thereon dated May 1, 2008. Baton Rouge 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.

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

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

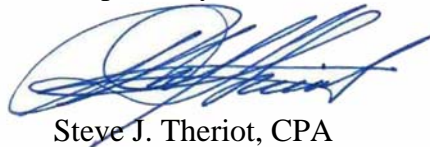
For purposes of this letter, a disagreement with management is defined as a matter, whether or not resolved to our satisfaction, concerning a financial accounting or reporting matter that could be significant to the college's financial statements or the accountant's report. No such disagreements arose 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 Baton Rouge 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. During our review procedures, we noted no significant matters requiring recommendations to management concerning internal control, compliance, or operational efficiencies. However, during procedures performed during a separate engagement performed by the Legislative Auditor to provide audit assurances on the college's financial statement accounts and disclosures that are material to the LCTCS financial statements, we noted several significant deficiencies in internal control and compliance with laws and regulations which were reported to management. Those deficiencies, including management's responses and planned corrective action plans, are reported in a separate management letter report dated March 14, 2008.

A separate audit report for the BRCC Facilities Corporation is available at the address listed in note 1-B to the financial statements.

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

Respectfully submitted,



Steye J. Theriot, CPA
Legislative Auditor

LLG:WDD:THC:sr

BRCC07