

LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2008
ISSUED MAY 20, 2009

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

March 25, 2009

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of management of the Louisiana Community and Technical College System. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the blended component unit financial statements of the South Louisiana Facilities Corporation (formerly SLCC Facilities Corporation), the BRCC Facilities Corporation, or Campus Facilities, Inc., for the Bossier Parish Community College, which represent 38.25%, 58.16%, 6.52%, and 2.71%, respectively, of the assets, liabilities, net assets, and revenues of the Louisiana Community and Technical College System. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the South Louisiana Facilities Corporation, the BRCC Facilities Corporation, and Campus Facilities, Inc., is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to previously present fairly, in all material respects, the financial position of the Louisiana Community and Technical College System as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. The Louisiana Community and Technical College System lost significant assets and operational functionality as a result of these two separate events and, as explained in note 6, it has eight buildings that remained idle at June 30, 2008, because of damages from these two major hurricanes.

As discussed in note 1-M to the basic financial statements, the Louisiana Community and Technical College System implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2009, on our consideration of the Louisiana Community and Technical College System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 10 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 45 are not required parts of the basic financial statements but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

AD:ETM:BQD:THC:dl

The Management's Discussion and Analysis of the Louisiana Community and Technical College System (System) financial performance presents a narrative overview and analysis of the System's financial activities for the year ended June 30, 2008. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the System's financial statements. The LCTCS is comprised of the following entities:

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

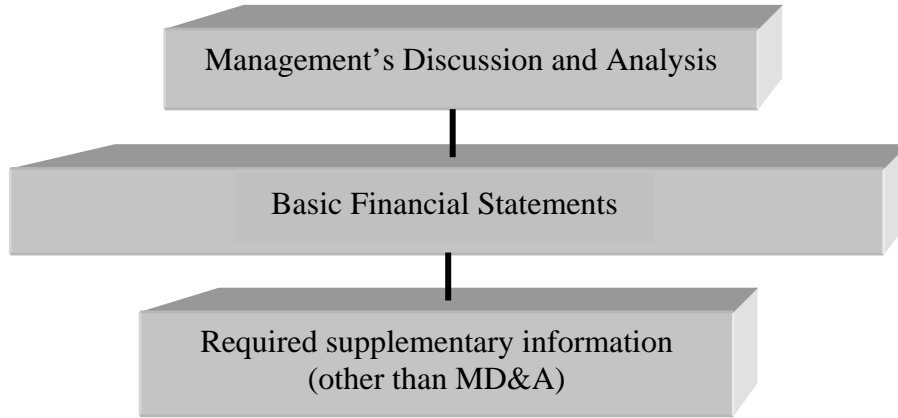
FINANCIAL HIGHLIGHTS

The System's net assets overall changed from \$172 million to \$151 million or 12.2% from July 1, 2007, to June 30, 2008. The overall reasons for this change included the implementation of GASB Statement No. 45 (*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*) with a total new liability and operating expense of \$33 million, an increase in state funding, and an increase in tuition because of higher enrollment.

Enrollment changed from 52,405 to 59,482 from Fall 2007 to Fall 2008, a change of 13.5%. The reason for this change is attributed to the steady increase in students returning since the devastating impact of Hurricane Katrina, new programs, and student demand.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for special purpose governments engaged in business-type activities established by GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.



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

Basic Financial Statements

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

The Statement of Net Assets (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 System is improving or deteriorating.

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

The Statement of Cash Flows (pages 15-16) presents information showing how the System's cash changed as a result of current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB Statement No. 34.

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

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

FINANCIAL ANALYSIS

Table A-1
Louisiana Community and Technical College System
Comparative Statement of Net Assets
(in thousands of dollars)
For the Fiscal Years Ended June 30, 2008 and 2007

	2008	2007 (Restated)	Variance	Percentage Change
Assets:				
Current and other assets	\$148,269	\$146,313	\$1,956	1%
Capital assets	244,514	237,348	7,166	3%
Total assets	<u>392,783</u>	<u>383,661</u>	<u>9,122</u>	2%
Liabilities:				
Current liabilities	55,860	56,982	(1,122)	-2%
Long-term liabilities	185,514	154,228	31,286	20%
Total liabilities	<u>241,374</u>	<u>211,210</u>	<u>30,164</u>	14%
Net assets:				
Invested in capital assets, net of related debt	109,426	104,384	5,042	5%
Restricted	47,191	39,734	7,457	19%
Unrestricted	<u>(5,208)</u>	<u>28,333</u>	<u>(33,541)</u>	-118%
Total net assets	<u>\$151,409</u>	<u>\$172,451</u>	<u>(\$21,042)</u>	-12%

This schedule is prepared from the System's Statement of Net Assets as shown on page 11, which is presented on an accrual basis of accounting. Significant Statement of Net Assets changes in 2008 include the following:

- The 12% decrease in net assets is due to the implementation of GASB 45 (*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*) which created a total new liability and operating expense of \$33 million, an increase in state funding, and an increase in tuition because of higher enrollment.

Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation, 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.

Table A-2
Louisiana Community and Technical College System
Comparative Statement of Revenues,
Expenses, and Changes in Net Assets
(in thousands of dollars)
For the Fiscal Years Ended June 30, 2008 and 2007

	2008	2007 (Restated)	Variance	Percentage Change
Operating revenues:				
Student tuition and fees, net	\$54,156	\$49,962	\$4,194	8.4%
Grants and contracts	121,768	113,039	8,729	7.7%
Auxiliary	4,549	3,738	811	21.7%
Other	8,416	10,032	(1,616)	-16.1%
Total operating revenues	<u>188,889</u>	<u>176,771</u>	<u>12,118</u>	6.9%
Nonoperating revenues:				
State appropriations	201,424	193,108	8,316	4.3%
Gifts	413	497	(84)	-16.9%
Investment income	3,627	4,117	(490)	-11.9%
Other nonoperating revenues	652	4,095	(3,443)	-84.1%
Net nonoperating revenues	<u>206,116</u>	<u>201,817</u>	<u>4,299</u>	2.1%
Total revenues	<u>395,005</u>	<u>378,588</u>	<u>16,417</u>	4.3%
Operating expenses:				
Education and general:				
Instruction	188,831	151,636	37,195	24.5%
Public service	2,209	3,591	(1,382)	-38.5%
Academic support	37,957	34,765	3,192	9.2%
Student services	32,925	26,107	6,818	26.1%
Institutional support	73,214	57,083	16,131	28.3%
Operations and maintenance of plant	39,280	33,657	5,623	16.7%
Depreciation	13,978	13,580	398	2.9%
Scholarships and fellowships	35,729	35,089	640	1.8%
Auxiliary enterprises	6,068	5,240	828	15.8%
Other operating expenses	2,119	1,599	520	32.5%
Total operating expenses	<u>432,310</u>	<u>362,347</u>	<u>69,963</u>	19.3%
Nonoperating Expenses:				
Interest expense	<u>6,876</u>	<u>6,582</u>	<u>294</u>	4.5%
Income (Loss) before other revenues	<u>(44,181)</u>	<u>9,659</u>	<u>(53,840)</u>	-557.4%
Capital appropriations	14,490	16,890	(2,400)	-14.2%
Capital grants and gifts	8,107	1,079	7,028	651.3%
Additions to permanent endowment	254	143	111	77.6%
Other additions (expenses), net	288	378	(90)	-23.8%
Other revenues and additions	<u>23,139</u>	<u>18,490</u>	<u>4,649</u>	25.1%
Change in net assets	<u>(21,042)</u>	<u>28,149</u>	<u>(49,191)</u>	-174.8%
Net assets at beginning of year, restated	<u>172,451</u>	<u>144,302</u>	<u>28,149</u>	19.5%
Net assets at end of year	<u>\$151,409</u>	<u>\$172,451</u>	<u>(\$21,042)</u>	-12.2%

Nonoperating revenues fluctuate depending on levels of state funding, interest earnings, and other nonoperating revenue. Nonoperating revenues increased by 2% to \$199 million primarily because of an increase in state appropriations.

The System's operating revenues increased by \$12 million or 7% because of an increase in tuition and fees and an increase in state and federal grants.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008, the System had invested approximately \$244 million in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$7 million or 3% from the previous fiscal year. More detailed information about the System's capital assets is presented in note 6 to the financial statements.

Table A-3
Louisiana Community and Technical College System
Capital Assets, Net of Depreciation
(in thousands of dollars)
As of June 30, 2008 and 2007

	2008	2007 (Restated)	Variance	Percentage Change
Land and improvements	\$20,921	\$18,404	\$2,517	14%
Buildings	184,257	189,581	(5,324)	-3%
Equipment	28,161	25,426	2,735	11%
Capitalized collections	6	6		0%
Construction-in-progress	11,169	3,931	7,238	184%
Total	\$244,514	\$237,348	\$7,166	3%

Debt

The System had \$133 million in bonds and notes outstanding at the year-end, compared to \$136 million last year, a decrease of 2% as shown in the following table. More detailed information is presented in note 14 to the financial statements.

Table A-4
Louisiana Community and Technical College System
Outstanding Bonds Payable
(in thousands of dollars)
As of June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>Percentage Change</u>
Revenue bonds	<u>\$133,814</u>	<u>\$136,101</u>	<u>(\$2,287)</u>	-2%

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

- Changes in state appropriations
- Changes in federal grant programs: A significant amount of revenue flows from the federal government through this system. A change in policy at the federal level can have dramatic effects on the operations.
- New bonds issued by blended component units (more detailed information is presented in note 23 to the financial statements).
- Significant new or additional capital appropriations
- Renovations and new construction facilities
- A tuition increase was authorized and will be effective for Fall 2008.

**CONTACTING THE LOUISIANA COMMUNITY AND
 TECHNICAL COLLEGE SYSTEM'S MANAGEMENT**

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the System's finances and to show the System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Fiscal Affairs at (225) 922-0694.

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

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

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$86,847,625
Receivables, net (note 4)	40,125,007
Due from state treasury	4,212,467
Inventories	1,211,984
Deferred charges and prepaid expenses	809,015
Total current assets	<u>133,206,098</u>

Noncurrent assets:

Restricted assets:

Cash and cash equivalents (note 2)	10,016,485
Investments (note 3)	3,841,467
Notes receivable, net (note 5)	23,883
Capital assets, net (note 6)	244,513,538
Other noncurrent assets	1,181,708
Total noncurrent assets	<u>259,577,081</u>
Total assets	<u>392,783,179</u>

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 10)	34,404,410
Due to state treasury	245,368
Due to federal government	10,048
Deferred revenues (note 11)	14,784,194
Compensated absences payable (notes 12 and 14)	1,473,777
Capital lease obligations (notes 13 and 14)	1,863,000
Amounts held in custody for others	843,860
Bonds payable, net (note 14)	2,165,000
Other current liabilities	70,578
Total current liabilities	<u>55,860,235</u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 30, 2008**

LIABILITIES (CONT.)

Noncurrent liabilities:

Compensated absences payable (notes 12 and 14)	\$16,189,480
Capital lease obligations (notes 13 and 14)	4,320,000
Other postemployment benefits payable (notes 9 and 14)	33,355,193
Bonds payable, net (note 14)	<u>131,649,175</u>
Total noncurrent liabilities	<u>185,513,848</u>
Total liabilities	<u><u>241,374,083</u></u>

NET ASSETS

Invested in capital assets, net of related debt	109,426,037
Restricted:	
Nonexpendable (note 15)	4,063,572
Expendable (note 15)	43,127,747
Unrestricted	<u>(5,208,260)</u>
Total net assets	<u><u>\$151,409,096</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**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, 2008**

OPERATING REVENUES

Student tuition and fees	\$82,158,520
Less scholarship allowances	(28,001,867)
Net student tuition and fees	<u>54,156,653</u>
Federal grants and contracts	97,500,204
State and local grants and contracts	23,207,815
Nongovernmental grants and contracts	1,059,777
Sales and services of educational departments	2,092,834
Auxiliary enterprise revenues	5,347,605
Less scholarship allowances	(798,907)
Net auxiliary revenues	<u>4,548,698</u>
Other operating revenues	<u>6,323,089</u>
Total operating revenues	<u><u>188,889,070</u></u>

OPERATING EXPENSES

Educational and general:	
Instruction	188,831,929
Public service	2,208,642
Academic support	37,956,888
Student services	32,925,216
Institutional support	73,213,703
Operations and maintenance of plant	39,279,859
Depreciation	13,977,790
Scholarships and fellowships	35,729,058
Auxiliary enterprises	6,068,309
Other operating expenses	<u>2,119,117</u>
Total operating expenses	<u><u>432,310,511</u></u>

OPERATING LOSS (243,421,441)

(Continued)

The accompanying notes are an integral part of this statement.

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

NONOPERATING REVENUES (Expenses)	
State appropriations	\$201,423,617
Gifts	413,378
Investment income	3,626,717
Interest expense	(6,875,711)
Other nonoperating revenues	651,829
Net nonoperating revenues	<u>199,239,830</u>
LOSS BEFORE OTHER REVENUES AND ADDITIONS	(44,181,611)
Capital appropriations	14,489,702
Capital grants and gifts	8,107,431
Additions to permanent endowments	254,275
Other additions, net	287,896
DECREASE IN NET ASSETS	(21,042,307)
NET ASSETS - BEGINNING OF YEAR (Restated) (note 16)	<u>172,451,403</u>
NET ASSETS - END OF YEAR	<u><u>\$151,409,096</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

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

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

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$62,316,911
Grants and contracts	126,061,119
Sales and services of educational departments	2,092,789
Auxiliary enterprise receipts	4,514,638
Payments for employee compensation	(177,757,443)
Payments for benefits	(41,865,901)
Payments for utilities	(14,277,155)
Payments for supplies and services	(118,841,252)
Payments for scholarships and fellowships	(23,850,480)
Other receipts	7,089,533
Net cash used by operating activities	<u>(174,517,241)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	204,191,062
Gifts and grants for other than capital purposes	533,378
Private gifts for endowment purposes	52,500
TOPS receipts	2,070,606
TOPS disbursements	(2,074,790)
Direct lending receipts	189,889
Direct lending disbursements	(189,889)
Federal Family Education Loan Program receipts	9,469,265
Federal Family Education Loan Program disbursements	(9,478,889)
Other receipts	3,218,724
Net cash provided by noncapital financing sources	<u>207,981,856</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital appropriations received	13,406,466
Capital grants and gifts received	5,299,431
Purchases of capital assets	(18,632,459)
Principal paid on capital debt and leases	(3,891,000)
Interest paid on capital debt and leases	(6,997,807)
Deposit with trustees	754,137
Other sources	992,622
Net cash used by capital financing activities	<u>(9,068,610)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales and maturities of investments	558,435
Interest received on investments	3,688,860
Purchase of investments	(584,970)
Net cash provided by investing activities	<u>3,662,325</u>

(Continued)

The accompanying notes are an integral part of this statement.

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

NET INCREASE IN CASH AND CASH EQUIVALENTS	\$28,058,330
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>68,805,780</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$96,864,110</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	(\$243,421,441)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	13,977,790
Changes in assets and liabilities:	
Decrease in accounts receivable, net	28,912,911
Decrease in inventories	27,705
(Increase) in prepaid expenses	(249,688)
Decrease in other assets	295,351
(Decrease) in accounts payable	(10,946,042)
Increase in deferred revenue	1,939,462
Increase in amounts held in custody for others	40,651
Increase in compensated absences	1,598,774
Increase in other postemployment benefits payable	33,355,193
(Decrease) in other liabilities	<u>(47,907)</u>
Net cash used by operating activities	<u><u>(\$174,517,241)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:	
Cash and cash equivalents classified as current assets	\$86,847,625
Cash and cash equivalents classified as noncurrent assets	<u>10,016,485</u>
	<u><u>\$96,864,110</u></u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Capital appropriations for purchase of equipment, building, or land	\$4,633,197
Private gift of equipment	189,000
Accretion of discount and amortization of premium on bonds	6,026
Book value of equipment retired	1,207
Loss on disposal of capital assets	511,772
Unrealized loss on investments	11,393
Expenses paid by FEMA, ORM, and Facilities Planning	(3,404,233)

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

The Louisiana Community and Technical College System (System) is a publicly supported institution of higher education. The System is a component unit of the State of Louisiana, within the executive branch of government. The System is under the management and supervision of the Board of Supervisors of the Louisiana Community and Technical College System; however, the annual budget of the System, and changes in the degree programs, and departments of instruction of the individual institutions require the approval of the Louisiana Board of Regents of Higher Education. The board of supervisors is comprised of 15 members appointed for six-year terms by the governor, with the consent of the Senate, and two student members appointed for one-year terms. One student member is selected by and from a council composed of the student body presidents of the System's community colleges, and one student member is selected by and from a council composed of the student body presidents of the System's technical college campuses. As a state institution, operations of the System's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the System is the president.

The System includes all programs of public post-secondary vocational/technical training and the institutions of higher education that offer associate degrees but not baccalaureate degrees. The System is comprised of nine community colleges: Baton Rouge Community College, Bossier Parish Community College, Delgado Community College, L.E. Fletcher Technical Community College, Elaine P. Nunez Community College, Louisiana Delta Community College, River Parishes Community College, SOWELA Technical Community College, and South Louisiana Community College and the Louisiana Technical College, which includes 40 campuses throughout the state.

Student enrollment for the System for the 2008 fall semester totaled 59,482 full-time equivalent students. During fiscal year 2008, the System had approximately 4,090 faculty and staff.

Thousands of students graduate each year with the knowledge, skills, and abilities to improve their lives, careers, families, and communities. The System's legacy is to provide programs that will prepare students to transfer to Louisiana's outstanding four-year colleges and universities. The System also strives to provide the skills needed to ensure that our state has a skilled workforce that will ensure both job and economic growth.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The System has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board (FASB) statements. However, three of the

community colleges each have a nongovernmental blended component unit (the BRCC Facilities Corporation for Baton Rouge Community College, the South Louisiana Facilities Corporation for South Louisiana Community College, and the Campus Facilities, Inc., for Bossier Parish Community College), which are presented under FASB Statement No. 117.

B. REPORTING ENTITY

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

Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying basic financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

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

- The South Louisiana Facilities Corporation (formerly SLCC Facilities Corporation) is a nonprofit corporation formed in December 2001 to provide funds and oversee construction for the South Louisiana Community College (SLCC) campus. The corporation has been blended into the SLCC financial statements and, as such, has been appropriately included in the accompanying financial statements. The South Louisiana Facilities Corporation has a June 30 year-end and audited financial statements for the corporation may be obtained at 301 Main Street, Baton Rouge, Louisiana 70825.
- Campus Facilities, Inc., is a nonprofit organization formed in May 2001 to provide funds for and oversee construction of the campus for Bossier Parish Community College (BPCC). The corporation has been blended into the BPCC financial statements and, as such, has been appropriately included in the accompanying financial statements. Campus Facilities,

Inc., has a December 31 year-end and audited financial statements for Campus Facilities, Inc., may be obtained at 6220 East Texas Street, Bossier City, Louisiana 71111.

- BRCC Facilities Corporation is a nonprofit corporation formed in February 2002 to provide funds and oversee construction of the campus for Baton Rouge Community College (BRCC). The corporation has been blended into the BRCC financial statements and, as such, has been appropriately included in the accompanying financial statements. BRCC Facilities Corporation has a June 30 year-end and audited financial statements for the corporation may be obtained at 201 Community College Drive, Baton Rouge, Louisiana 70806.

C. BASIS OF ACCOUNTING

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

D. CASH AND CASH EQUIVALENTS

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include certificates of deposit and all highly liquid investments with a maturity of three months or less when purchased. Under state law, the System may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the System may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. In accordance with Louisiana Revised Statute (R.S.) 49:327, the System is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct repurchase agreements, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture.

E. INVENTORIES

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

F. RESTRICTED CASH AND INVESTMENTS

Restricted cash equivalents consist of assets that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets. These funds are invested in U.S. Treasury money market funds, which are considered to be cash equivalents because of their liquidity. They are 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 SLCC, Campus Facilities, Inc., and BRCC.

The requirements of state law are not applicable to the cash and cash equivalents held by the facilities corporations. However, the official statements for the corporations' bonds authorize 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, debentures, 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 corporation, the trustee, and the bond issuer.

Restricted investments consist of assets maintained in an external investment pool administered by external foundations under agreements with the colleges within the System. These funds are invested in accordance with policies and procedures established by the Board of Regents, Endowed Professorship Program and are reported at fair value in accordance with GASB Statement No. 31. Restricted investments also consist of endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets, except for the investments of the facility corporations where gains and losses are reported as a component of the amount capitalized to capital assets, as required by FASB 62. For purposes of the Statement of Cash Flows, the System considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

G. CAPITAL ASSETS

The System follows the capitalization policies established by the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP). Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property (equipment), the System's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Buildings and improvements and depreciable land improvements costing \$100,000 or more are capitalized and infrastructure costing \$3,000,000 or more is required to be capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. In addition, under OSRAP's policy, library collections with a total acquisition cost of less than \$5 million are not capitalized or depreciated. Computer software purchased for internal use with depreciable costs of \$1,000,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and three to 10 years for most movable property (equipment, including capitalized costs for computer software).

H. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities before the end of the fiscal year but are related to the subsequent accounting period. 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 non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System (LASERS), upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave 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 LASERS but not for the Optional Retirement System.

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

J. NONCURRENT LIABILITIES

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

K. NET ASSETS

The System's net assets are classified as follows:

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

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

L. CLASSIFICATION OF REVENUES AND EXPENSES

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

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

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

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

M. ADOPTION OF NEW ACCOUNTING PRINCIPLES

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

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 System and the amount that is paid by students and/or third parties making payments on the students' behalf.

O. USE OF ESTIMATES

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

2. CASH AND CASH EQUIVALENTS

At June 30, 2008, the System has cash and cash equivalents (book balances) of \$96,864,110 as follows:

Demand deposits	\$74,645,541
Certificates of deposit	13,627,547
Cash equivalents - Money Market Mutual Funds	8,557,042
Petty cash	<u>33,980</u>
 Total	 <u><u>\$96,864,110</u></u>

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

Current assets	\$86,847,625
Noncurrent assets	<u>10,016,485</u>
 Total	 <u><u>\$96,864,110</u></u>

Custodial credit risk is the risk that in the event of a bank failure, the System’s deposits may not be returned to it. As of June 30, 2008, demand deposits totaling \$903,030 were reported in the financial statements for the BRCC Facilities Corporation and Campus Facilities, Inc., which were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements for Not-for-Profit Organizations*. Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the notes to the financial statements of the corporations do not reflect the requirements of GASB Statement No. 3, as revised by Statement No. 40. There were no risk disclosures for the \$11,153 in the demand deposits for the BRCC Facilities Corporation. Of the \$891,877 in demand deposits for Campus Facilities, Inc., the balance in excess of the federal deposit insured amount of \$100,000 is exposed to custodial credit risk.

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

3. INVESTMENTS

At June 30, 2008, the System has restricted investments totaling \$3,841,467 as follows:

		<u>Average Duration (Years)</u>
Mutual funds:		
Pooled equity funds	\$916,319	
Fixed income securities - DCC	1,229,617	4.7
Fixed income securities - LDCC	222,562	< 1.0
Short-term federal funds	583,510	2.1
International equity funds	197,751	
Other mutual funds	<u>100,000</u>	
	\$3,249,759	
Other		14,345
Investments held by private foundation - external investment pool		<u>577,363</u>
		<u>\$3,841,467</u>
Total investments		

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

For the monies held by the private foundation of \$577,363 and mutual funds of \$3,249,759, there are no credit quality ratings.

The mutual funds of \$3,249,759 are held pursuant to the Board of Regents Endowed Chair, Endowed Professorships, and Endowed Scholarship Program. To reduce overall volatility of investment returns and to provide a hedge against the effects of economic downturns, the investment policy for that program requires at least 26% of assets be invested in fixed-income funds. The fixed-income funds are diversified among various sectors of the fixed-income market. The overall average quality must be at least AA. Interest rate risks are limited by managing their performance using fixed-income indices as benchmarks to gauge and limit such risk. Investments in foreign stocks and foreign fixed income are limited to 15% and 5% of the equity and fixed-income funds, respectively.

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

Money market mutual funds totaling \$8,557,042 were reported in the financial statements and notes to the financial statements for the BRCC Facilities Corporation, South Louisiana Facilities Corporation, and Campus Facilities, Inc., which were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those

prepared under the standards of GASB. As such, the notes to the financial statements of the corporations do not reflect the requirements of GASB Statement No. 3, as revised by Statement No. 40. There were no risk disclosures for the \$5,033,588 of the money market funds of the BRCC Facilities Corporation. The money market funds of the South Louisiana Facilities Corporation (\$2,911,747) as well as those of the Campus Facilities, Inc., (\$611,707) are reported in the notes to the financial statements as uninsured and unregistered and are held by the broker or dealer or by its trust department or agent but not in the name of the entity.

4. RECEIVABLES

Receivables are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2008. These receivables are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	\$15,659,628	(\$1,980,137)	\$13,679,491
Auxiliary enterprise	378,443	(82)	378,361
Federal, state, and private grants and contracts	23,786,110	(1,088)	23,785,022
Other	2,282,133		2,282,133
Total	<u>\$42,106,314</u>	<u>(\$1,981,307)</u>	<u>\$40,125,007</u>

5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan and miscellaneous private student loan programs. Loans are no longer issued under the Federal Perkins Loan program, but collections are still made on outstanding loans. None of the balances are expected to be collected within the next fiscal year. These notes receivable are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
Perkins Loan Program	\$58,875	(\$50,500)	\$8,375
Miscellaneous private student loan programs	15,508		15,508
Total	<u>\$74,383</u>	<u>(\$50,500)</u>	<u>\$23,883</u>

6. CAPITAL ASSETS

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

	Balance June 30, 2007	Prior Period Adjustment	Adjusted Balance June 30, 2007	Additions	Transfers	Retirements/ Reductions	Balance June 30, 2008
Capital assets not being depreciated:							
Land	\$17,321,818	\$500,000	\$17,821,818	\$2,619,000			\$20,440,818
Capitalized collections	6,000		6,000				6,000
Construction-in-progress	3,930,812		3,930,812	7,977,535	(\$694,444)	(\$44,441)	11,169,462
Total capital assets not being depreciated	21,258,630	500,000	21,758,630	10,596,535	(694,444)	(44,441)	31,616,280
Capital assets being depreciated:							
Land improvements	2,274,978		2,274,978	55			2,275,033
Buildings	275,045,706	500,000	275,545,706	1,057,881	694,444	(144,851)	277,153,180
Furniture, fixtures, and equipment	63,422,263	(133,651)	63,288,612	10,637,698		(2,949,060)	70,977,250
Total capital assets being depreciated	340,742,947	366,349	341,109,296	11,695,634	694,444	(3,093,911)	350,405,463
Less accumulated depreciation for:							
Land improvements	(1,692,443)		(1,692,443)	(102,757)			(1,795,200)
Buildings	(86,064,568)	99,656	(85,964,912)	(6,931,473)			(92,896,385)
Furniture, fixtures, and equipment	(37,975,879)	113,440	(37,862,439)	(7,334,711)		2,380,530	(42,816,620)
Total accumulated depreciation	(125,732,890)	213,096	(125,519,794)	(14,368,941)	NONE	2,380,530	(137,508,205)
Total capital assets, being depreciated, net	215,010,057	579,445	215,589,502	(2,673,307)	694,444	(713,381)	212,897,258
Total capital assets, net	\$236,268,687	\$1,079,445	\$237,348,132	\$7,923,228	NONE	(\$757,822)	\$244,513,538

The June 30, 2007, balance of capital assets has been adjusted by \$1,079,445 to reflect prior period adjustments resulting from the correction of prior year errors. Eight buildings with a total carrying value of \$5,137,655 remain idle at June 30, 2008, because of damages from hurricanes Katrina and Rita.

7. PENSION PLANS

Plan Description. Substantially all employees of the System are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified/unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). TRSL is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer defined benefit pension plan because the material portion of its activity is with one employer--the State of Louisiana. TRSL and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries and are administered by separate boards of trustees. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the retirement systems; employee benefits vest with TRSL after five years of service and with LASERS after 10 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information for the retirement systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the System are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRSL) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. In fiscal year 2008, the state contributed 16.6% of covered salaries to TRSL and 20.4% of covered salaries to LASERS. The employer contribution is funded by the State of Louisiana. The System's employer contributions to TRSL for the years ended June 30, 2008, 2007, and 2006 were \$15,897,134; \$12,838,089; and \$12,360,703, respectively, and to LASERS for the years ended June 30, 2008, 2007, and 2006 were \$4,967,590; \$4,221,150; and \$3,937,172, respectively, equal to the required contributions for each year.

8. OPTIONAL RETIREMENT SYSTEM

TRSL administers an optional retirement plan, which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. This plan was designed to aid colleges in recruiting employees who may not be expected to remain in 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 requires the employer and each participant to contribute monthly to the optional retirement plan the same amount which they would be required to contribute to the regular retirement plan of the TRSL of Louisiana if the participant were a member of that retirement plan. Employer contributions by the System are 16.6% 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 \$4,200,325 and \$2,026,959, respectively, for the year ended June 30, 2008.

9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description--Employees of the System voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately before retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report; however, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's Web site at www.doa.la.gov/osrap.

Funding Policy--The contribution requirements of plan members and the System are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Exclusive Provider Organization (EPO) Plan, and the Health Maintenance Organization (HMO) Plan. Retired employees who have Medicare Part A and Part B coverage also have access to six OGB Medicare Advantage plans - three HMO plans and three private fee-for-service (PFFS) plans. The three HMO plans are Humana Regional HMO Plan, Peoples Health Regional HMO Plan, and Vantage Statewide HMO-Point-of-Service Plan. The three PFFS plans are Humana Statewide PFFS Plan, Universal American/Today's Option Statewide PFFS Plan, and United Healthcare/Secure Horizons Statewide PFFS Plan.

Depending upon the plan selected, during fiscal year 2008, employee premiums with single, spouse, children, or family coverage range from \$34 to \$452 per month for those with Medicare and from \$126 to \$496 per month for those without Medicare. The plan is financed on a pay-as-you-go basis, with the System's contributions for a retiree with single, spouse, children, or family coverage ranging from \$103 to \$1,168 per month for those with Medicare and from \$809 to \$1,293 per month for those without Medicare.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total monthly premium is approximately \$1 per thousand dollars of coverage of which the employer pays one-half of the premiums. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability--The System's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC) and is an amount actuarially determined in accordance with GASB 45, which is being implemented prospectively for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year closed amortization period had been used. The total ARC for fiscal year 2008 is \$40,815,100 as set forth below:

Normal cost	\$23,186,100
30-year UAAL amortization amount	16,059,188
Interest	<u>1,569,812</u>
Annual required contribution (ARC)	<u><u>\$40,815,100</u></u>

The following schedule presents the components of the System's annual OPEB cost for fiscal year 2008, the amount actually contributed to the plan, and changes in the System's net OPEB obligation to the OPEB plan:

Annual required contribution	\$40,815,100
Interest on net OPEB obligation	NONE
ARC adjustment	<u>NONE</u>
Annual OPEB cost	40,815,100
Contributions made -	
current year retiree premiums	<u>(7,459,907)</u>
Increase in net OPEB obligation	33,355,193
Beginning net OPEB obligations at June 30, 2007	<u>NONE</u>
Ending net OPEB obligation at June 30, 2008	<u><u>\$33,355,193</u></u>

Using the pay-as-you-go method, the System contributed 18% of the annual postemployment benefits cost during 2008.

Funded Status and Funding Progress--During fiscal year 2008, neither the System nor the State of Louisiana made contributions to a postemployment benefits plan trust. A trust was established July 1, 2008. Hence, the funded ratio is zero. Since the plan was not funded, the System's entire actuarial accrued liability of \$420,266,500 was unfunded.

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

Actuarial accrued liability (AAL)	\$420,266,500
Actuarial value of plan assets	<u>NONE</u>
Unfunded actuarial accrued liability	<u><u>\$420,266,500</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	\$120,308,403
UAAL as a percentage of covered payroll	349%

Actuarial Methods and Assumptions--Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2007, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and initial annual healthcare cost trend rate of 9.5% and 10.6% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, is 29 years.

10. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accrued expenses at June 30, 2008:

Vendor payables	\$17,178,248
Accrued salaries and payroll deductions	13,118,688
Accrued interest payable	676,182
Other	3,431,292
	<u> </u>
Total	<u><u>\$34,404,410</u></u>

11. DEFERRED REVENUES

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

Prepaid tuition and fees	\$11,646,729
Prepaid rent	1,578,336
Grants and contracts	1,008,346
Other	550,783
	<u> </u>
Total	<u><u>\$14,784,194</u></u>

12. COMPENSATED ABSENCES

At June 30, 2008, employees of the System have accumulated and vested annual, sick, and compensatory leave of \$8,840,596; \$8,654,452; and \$168,209, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

13. LEASE OBLIGATIONS

Operating Leases

For the year ended June 30, 2008, the total rental expense for all operating leases is \$3,731,390. The following is a schedule by fiscal years of future minimum annual rental payments required under operating leases:

Nature of Operating Lease	2009	2010	2011	2012	2013	2014	Total Minimum Payments Required
Office space	\$1,755,070	\$1,405,451	\$685,694	\$231,007	\$61,595	\$18,712	\$4,157,529
Land	25,001						25,001
Other	95,600	95,600	6,667				197,867
Equipment	218,937	38,722					257,659
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u><u>\$2,094,608</u></u>	<u><u>\$1,539,773</u></u>	<u><u>\$692,361</u></u>	<u><u>\$231,007</u></u>	<u><u>\$61,595</u></u>	<u><u>\$18,712</u></u>	<u><u>\$4,638,056</u></u>

Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments, at June 30, 2008:

Fiscal Year Ending June 30:	
2009	\$2,152,826
2010	636,757
2011	636,387
2012	311,456
2013	310,275
2014-2018	1,552,956
2019-2023	1,538,750
2024-2028	1,537,900
2029-2030	<u>609,950</u>
Total minimum lease payments	<u>9,287,257</u>
Less - amount representing interest	<u>(3,104,257)</u>
Present value of net minimum lease payments	<u><u>\$6,183,000</u></u>

The gross amount of assets held under capital leases as of June 30, 2008, include office space and equipment of \$4,395,000 and \$8,750,000, respectively.

Lessor - Operating Lease

Leasing operations of the System consist of BRCC and SLCC leasing property for the purposes of providing bookstore operations to students. The estimated cost, accumulated depreciation, and carrying amount of the System's investment in operating lease property as of June 30, 2008, is \$571,479; \$53,261; and \$518,218, respectively. This includes estimated values, which are based on the ratio of the square footage of the space leased to the total square footage of the building.

The following is a schedule, by fiscal years, of minimum future rentals on noncancelable operating leases as of June 30, 2008:

Nature of Operating Lease	2009	2010	2011	2012	Total Minimum Future Rentals
Office space	<u>\$45,000</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$135,000</u>

Minimum future rentals do not include contingent rentals that may be received as stipulated in the lease contracts. Contingent rentals received by BRCC from operating leases for the year ended June 30, 2008, were \$205,873.

14. LONG-TERM LIABILITIES

The following is a summary of bonds and other long-term debt transactions of the System for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Portion Due Within One Year
Bonds payable, net	\$136,101,032	\$20,543	(\$2,307,400)	\$133,814,175	\$2,165,000
Capital lease obligations (note 13)	7,964,000		(1,781,000)	6,183,000	1,863,000
Compensated absences payable (note 12)	16,064,481	4,898,815	(3,300,039)	17,663,257	1,473,777
OPEB payable (note 9)		40,815,100	(7,459,907)	33,355,193	
Total long-term liabilities	<u>\$160,129,513</u>	<u>\$45,734,458</u>	<u>(\$14,848,346)</u>	<u>\$191,015,625</u>	<u>\$5,501,777</u>

Details of all debt outstanding at June 30, 2008, follow:

Bonds Payable

As presented on the Statement of Net Assets, at June 30, 2008, bonds payable totaled \$133,814,175 of which \$2,165,000 is current and the remaining \$131,649,175 is noncurrent.

Detailed summaries, by issues, of all bonded debt outstanding at June 30, 2008, follow:

	Date of Issue	Original Issue	Outstanding June 30, 2007	Redeemed	Outstanding June 30, 2008	Maturities	Interest Rates	Future Interest Payments June 30, 2008
Baton Rouge Community College - BRCC Facilities Corporation:								
Series 2002 Revenue Bonds	Dec. 31, 2002	\$55,000,000	\$55,000,000		\$55,000,000	2015-2033	5.0% - 5.375%	\$47,594,613
Series 2003 Revenue Bonds	Dec. 23, 2003	10,000,000	10,000,000		10,000,000	2010-2018	3.8% - 5.5%	2,140,548
Bossier Parish Community College - Campus Facilities, Inc.:								
Series 2002 Revenue Bonds	April 18, 2002	45,000,000	45,000,000		45,000,000	2012-2028	4.2% - 5.25%	31,169,740
Series 2003 Revenue Bonds	June 18, 2003	10,000,000	8,195,000	(\$1,620,000)	6,575,000	2009-2012	2.0% - 3.0%	449,087
South Louisiana Community College - SLCC Facilities Corporation - Series 2002 Revenue Bonds	Oct. 29, 2002	17,840,000	16,900,000	(490,000)	16,410,000	2009-2029	2.1% - 4.75%	9,248,570
Total		<u>\$137,840,000</u>	135,095,000	(2,110,000)	132,985,000			<u>\$90,602,558</u>
Net original premiums (discounts)			1,683,685		1,683,685			
Net accumulated amortization of premiums/discounts			(677,653)	(176,857)	(854,510)			
Bonds payable, net			<u>\$136,101,032</u>	<u>(\$2,286,857)</u>	<u>\$133,814,175</u>			

The annual requirements to amortize all bonds outstanding at June 30, 2008, are as follows:

	Principal	Interest	Total
2009	\$2,165,000	\$6,528,841	\$8,693,841
2010	3,780,000	6,433,216	10,213,216
2011	3,930,000	6,286,219	10,216,219
2012	4,100,000	6,124,824	10,224,824
2013	4,270,000	5,949,014	10,219,014
2014-2018	24,785,000	26,375,389	51,160,389
2019-2023	30,050,000	19,451,373	49,501,373
2024-2028	38,770,000	10,833,551	49,603,551
2029-2033	21,135,000	2,620,131	23,755,131
Total	\$132,985,000	\$90,602,558	\$223,587,558

Outstanding principal of \$132,985,000 plus unamortized premium/discount of \$829,175 totals \$133,814,175.

Capital Lease Obligations

Capital lease obligations at June 30, 2008, for \$6,183,000 are detailed in note 13.

Accrued Compensated Absences Payable

Accrued compensated absences payable at June 30, 2008, for \$17,663,257 are detailed in note 12.

15. RESTRICTED NET ASSETS

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

Nonexpendable:	
Endowments	\$3,212,249
Student Life Center Maintenance Reserve	557,590
Phoebe Jackson Trust	293,733
Total nonexpendable	\$4,063,572
Expendable:	
Systemwide ERP System	\$14,969,850
Settlement carryover fund	7,489,126
Technology fee	5,338,651
Academic excellence	3,621,307
Maintenance reserve	2,631,299
Grants and contracts	2,450,776
Building use fee	1,899,162

Expendable: (Cont.)	
Campus facilities	\$1,578,828
Endowed professorships and scholarships	896,048
HB 765 (Storm Recovery)	730,625
Third-party scholarships	515,298
Other restricted funds	448,068
Operational fee	413,338
Student Government Association fees	51,563
Student aid	35,397
Interest income	31,743
Phoebe Jackson Trust	16,668
Site Development Construction Enhancement	10,000
	<hr/>
Total expendable	<u>\$43,127,747</u>

Of the total net assets reported in the Statement of Net Assets for the year ended June 30, 2008, \$26,242,306 is restricted by enabling legislation (which also includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation).

16. RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets as reflected on Statement B has been restated to reflect the correction of errors in the prior report. The effect of the restatement is as follows:

Net assets at June 30, 2007	\$171,691,725
Net errors in other capital assets	1,079,445
Other miscellaneous errors	<u>(319,767)</u>
Net assets at June 30, 2007, as restated	<u>\$172,451,403</u>

17. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state’s self-insurance fund operated by the Office of Risk Management, the agency responsible for the state’s risk management program, or by appropriation from the state’s General Fund. The System is involved in ten lawsuits at June 30, 2008, that are being handled by contract attorneys. In the opinion of legal counsel, the possibility that the System will incur a liability in ten of the cases is reasonably possible, with a possible loss estimated at \$306,500 for six cases; legal counsel is unable to estimate the possible loss for the remaining four.

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

18. FOUNDATIONS

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

Baton Rouge Community College Foundation, Incorporated
Bossier Parish Community College Foundation, Incorporated
Cavalier Athletic Foundation, Incorporated
Delgado Community College Foundation, Incorporated
Elaine P. Nunez Community College Foundation
LCTCS Foundation
L.E. Fletcher Technical Community College Foundation
Louisiana Delta Community College Foundation
Louisiana Technical College:
Region IV Foundation
Northeast Louisiana Campus Foundation, Limited
Tallulah Foundation
River Parishes Community College Foundation, Incorporated
Sowela Technical Institute Foundation, Limited

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

Certain colleges of the System have contracted with their respective foundations to invest the colleges' Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:3384. The Endowed Professorship Program endowment funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. At June 30, 2008, the foundations hold in custody \$577,363 of state Endowed Professorship Program funds.

19. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, R.S. 9:2337.2 permits the governing board to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

- Bossier Parish Community College - At June 30, 2008, net appreciation of \$5,753 is available to be spent, of which \$5,753 is restricted to specific purposes (net appreciation during the fiscal year). The college may spend the interest earnings for the purpose for which the endowment was established. However, the interest portion that may be spent cannot exceed 5% of the total interest and principal balances. The principal portion of the endowment cannot be used.
- Nunez Community College - At June 30, 2008, net appreciation of \$30,514 is available to be spent, of which \$30,514 is restricted to specific purposes (net appreciation during the fiscal year). The college may spend the interest earnings for the purpose for which the endowment was established. However, the interest

portion that may be spent cannot exceed 5% of the total interest and principal balances. The principal portion of the endowment cannot be used.

- Louisiana Delta Community College - At June 30, 2008, the endowment has a net depreciation of \$9,092 therefore \$0 is available to be spent. The college can spend 100% of the investment income on each of the three \$100,000 endowments. The income from two of the three endowments is designated for salaries in the nursing department. The income from the third endowment is designated for salaries in the science department.
- Louisiana Technical College - At June 30, 2008, net appreciation of \$16,668 is available to be spent, of which \$16,668 is restricted to specific purposes (net appreciation during the fiscal year). Interest earned from the trust account can only be used as scholarships for tuition/fees and books/supplies for students at the Shelby M. Jackson campus.
- South Louisiana Community College - At June 30, 2008, net appreciation of \$7,380 is available to be spent, of which \$7,380 is restricted to specific purposes (net appreciation during the fiscal year). The authorization for spending investment income is established in the Louisiana Board of Regents Endowed Professorship Program Policy.

20. DEFERRED COMPENSATION PLAN

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

21. RELATED PARTY TRANSACTIONS

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

SOWELA Technical Community College entered into a contract for advertising with Peter O'Carroll Advertising to produce and place television, radio, newspaper, and outdoor advertising. The owner of this business is also a board member of SOWELA Technical Institute Foundation, Ltd. The contract is for \$33,100 and the total amount of transactions for the fiscal year ended June 30, 2008, was \$31,214.

22. ALTERNATIVE FINANCING AGREEMENTS

Baton Rouge Community College (BRCC)

On May 16, 2002, the Louisiana State Bond Commission approved issuing up to \$65,000,000 in bonds for constructing and furnishing new campus buildings and for renovating existing buildings on property adjacent to the BRCC campus. In December 2002, the Louisiana Government Environmental Facilities and Community Development Authority issued \$55,000,000 in revenue bonds on behalf of the BRCC Facilities Corporation, a nonprofit organization. In December 2003, the Louisiana Local Government Environmental Facilities and Community Development Authority issued an additional \$10,000,000 in revenue bonds on behalf of the BRCC Facilities Corporation. Pursuant to the terms of a Ground Lease agreement, effective December 1, 2002, the corporation has leased the land from the Board of Supervisors of the System. The lease term expires on December 1, 2032. In accordance with the provisions of the facilities lease, the corporation, on behalf of the board, is developing and constructing new facilities that are being leased back to the board for use by the students, faculty, and staff of the community college. During the later part of the fiscal year ended June 30, 2007, construction of a wellness center was started. The estimated cost for this project is approximately \$7,711,236 of which \$7,644,120 is in progress at June 30, 2008.

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

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

Bossier Parish Community College (BPCC)

On December 13, 2001, the Louisiana State Bond Commission approved issuing up to \$45,000,000 in bonds for constructing a new BPCC campus. On April 18, 2002, the Louisiana Government Facilities and Community Development Authority issued \$45,000,000 in revenue bonds on behalf of Campus Facilities, Inc., a nonprofit organization. In June 2003, an amount of \$10,000,000 in Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds was issued to provide additional funds to complete construction. Pursuant to terms of a Ground Lease agreement, effective April 1, 2002, the corporation has leased the land from the Board of Supervisors of the System. The lease term expires on January 1, 2028. In accordance with the provisions of the facilities lease, the corporation, on behalf of the board, has developed and constructed new facilities that are being leased back to the board for use by the students, faculty, and staff of the community college.

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

South Louisiana Community College (SLCC)

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

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

23. SUBSEQUENT EVENTS

On September 1, 2008, Hurricane Gustav hit Louisiana. The entire system, which includes more than 40 campuses, was impacted by the hurricane with five colleges and seven LTC regions suffering minor to moderate damage to their facilities: BRCC; Delgado Community College; Louisiana Technical College Region 1, Region 2, Region 3, Region 4, Region 6, Region 8, and Region 9; Elaine P. Nunez Community College; L.E. Fletcher Technical Community College; and SLCC. While the damage from the hurricane is considered to be moderate, no estimate of the damage is available at this time.

On September 13, 2008, Hurricane Ike hit southwest Louisiana. While most of the damage from this hurricane is expected to be from flooding due to storm surge, no estimate of the damage is available at this time.

During the 2007 Legislative Sessions, the Louisiana Legislature authorized financing of \$173,000,000 for 23 capital outlay projects at 14 System locations through Act 391 (R.S. 17:3394.3). Under provisions of the bill, the System will be allowed to arrange financing of \$151,000,000 for its colleges to complete high priority capital projects. The projects were determined to be extraordinarily vital to the state's response to the need for a competent and skilled workforce, including \$25,000,000 to augment hurricane recovery. As of this date, the bond closing has not been scheduled.

On December 20, 2007, the state Bond Commission gave conditional approval for the Calcasieu Parish Public Trust Authority to issue revenue bonds not to exceed \$10,000,000 to construct a new classroom, office, and other educational facilities at the SOWELA Technical Community College campus in Lake Charles. As of the date of this report, the bond closing has not been scheduled.

In November 2008, \$42,470,000 in Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds were issued to finance the costs of development, acquisition, purchase, construction, improvement, and equipping a new campus for Louisiana Delta Community College through Delta Campus Facilities Corporation. Principal

payments on the Series 2008 bonds begin October 1, 2010. The bonds bear interest at varying rates ranging from 4.0% to 5.5%.

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**REQUIRED SUPPLEMENTARY INFORMATION -
Schedule of Funding Progress for the
Other Postemployment Benefits Plan**

The schedule of funding progress is required supplementary information that presents certain specific data regarding the funding progress of the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2007	NONE	\$420,266,500	\$420,266,500	0.0%	\$120,308,403	349%

Note to the Schedule:

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

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SCHEDULE OF PER DIEM PAID BOARD MEMBERS (CASH BASIS)

Schedule 2 presents the per diem paid board members for the year ended June 30, 2008. Louisiana Revised Statute 17:3206 provides that appointed members of the Board of Directors shall be entitled to \$50 per day for attendance at meetings of the board, meetings of committees appointed by the board on which the member serves, or while on business as assigned by and on behalf of the board. This schedule is prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

COMBINING SCHEDULE OF NET ASSETS, BY COLLEGE

Schedule 3 presents a combining Schedule of Net Assets, by college.

**COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS, BY COLLEGE**

Schedule 4 presents a combining Schedule of Revenues, Expenses, and Changes in Net Assets, by college.

COMBINING SCHEDULE OF CASH FLOWS, BY COLLEGE

Schedule 5 presents a combining Schedule of Cash Flows, by college.

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**LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
BOARD OF SUPERVISORS**

**Schedule of Per Diem Paid Board Members (Cash Basis)
For the Year Ended June 30, 2008**

	<u>AMOUNT</u>
Adams, Kayla	\$400
Barham, Erle E.	1,050
Carter, Helen	1,150
Castillo, Julio Cesar	100
Clark, Thomas	1,050
Dejoie, Ava M.	450
Franklin, Carl	550
Gamble, Keith	1,000
Giorgio, Leon Jr.	400
Hampton, Cedric	650
Johnson, Kathy E.	1,850
Mellington, Brett J.	900
Murphy, Michael J.	1,350
Packer, Daniel Jr.	200
Smith, Stephen	850
St. Blanc III, Vincent	2,550
Stone, Fredrick M.	750
Taylor, Geraldine	500
Toups, Stephen	200
Walker, Taminika Sherelle	100
	<hr/>
Total	<u><u>\$16,050</u></u>

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

**Combining Schedule of Net Assets, by College
For the Year Ended June 30, 2008**

	Board Office	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College	L.E. Fletcher Community College
ASSETS						
Current assets:						
Cash and cash equivalents	\$20,952,278	\$18,002,230	\$1,214,565	\$6,693,993	\$3,143,929	\$4,144,792
Receivables, net	376,302	1,125,875	1,843,099	13,159,035	331,243	445,139
Due from state treasury	4,212,467					
Due from federal government	10,652,692	232,296	239,578	4,491,591	750,631	614,189
Due from LCTCS colleges/LCTCS			2,623			
Inventories			594,867			6,962
Deferred charges and prepaid expenses		77,077	7,372	354,845		25,062
Total current assets	36,193,739	19,437,478	3,902,104	24,699,464	4,225,803	5,236,144
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents		5,044,741	1,518,636		247,628	
Investments		250,379	100,000	2,839,741	326,984	
Notes receivable, net				23,883		
Capital assets, net	503,212	92,669,208	57,518,499	23,273,296	9,451,033	2,908,109
Other noncurrent assets		880,385				
Total noncurrent assets	503,212	98,844,713	59,137,135	26,136,920	10,025,645	2,908,109
Total assets	36,696,951	118,282,191	63,039,239	50,836,384	14,251,448	8,144,253
LIABILITIES						
Current liabilities:						
Accounts payable and accruals	17,676,791	4,609,037	1,913,140	5,633,052	960,217	1,237,137
Due to state treasury						
Due to federal government	9,080		330			638
Due to LCTCS college/LCTCS	2,623	139,905				
Deferred revenues		1,225,376	1,186,177	8,853,154	124,041	104,985
Compensated absences payable	53,142	71,277	51,454	549,002	19,764	11,964
Capital lease obligations		1,773,000		90,000		
Amounts held in custody for others		594,863	42,825		2,775	28,287
Bonds payable, net			1,660,000			
Other current liabilities				69,811		767
Total current liabilities	17,741,636	8,413,458	4,853,926	15,195,019	1,106,797	1,383,778
Noncurrent liabilities:						
Compensated absences payable	647,496	1,150,901	1,462,696	3,670,753	740,394	499,007
Capital lease obligations		620,000		3,700,000		
OPEB payable	660,067	2,992,734	3,604,438	7,724,133	1,180,050	840,062
Bonds payable, net		66,355,982	49,591,593			
Total noncurrent liabilities	1,307,563	71,119,617	54,658,727	15,094,886	1,920,444	1,339,069
Total liabilities	19,049,199	79,533,075	59,512,653	30,289,905	3,027,241	2,722,847
NET ASSETS						
Investment in capital assets, net of related debt	503,212	26,058,759	6,266,906	19,483,296	9,451,033	2,908,109
Restricted for:						
Nonexpendable		240,000	100,000	2,532,105	497,734	
Expendable	15,605,460	11,488,209	2,102,136	2,246,311	2,157,114	394,085
Unrestricted	1,539,080	962,148	(4,942,456)	(3,715,233)	(881,674)	2,119,212
Total Net Assets	\$17,647,752	\$38,749,116	\$3,526,586	\$20,546,479	\$11,224,207	\$5,421,406

Schedule 3

Louisiana Delta Community College	Louisiana Technical College Less Region 1	LTC Region 1	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total Per System
\$1,297,333	\$20,551,512	\$1,746,099	\$444,569	\$4,881,359	\$3,774,966		\$86,847,625
72,375	4,233,805	133,273	185,353	1,071,021	924,253	(\$2,866,318)	21,034,455
	4,880,640	36,601				(2,807,666)	4,212,467
	139,905					(142,528)	19,090,552
6,605	596,974				6,576		1,211,984
65,104	145,457	32,619	42,016		59,463		809,015
1,441,417	30,548,293	1,948,592	671,938	5,952,380	4,765,258	(5,816,512)	133,206,098
	293,733			2,911,747			10,016,485
324,363							3,841,467
							23,883
2,911,118	34,273,107	3,579,373	54,423	14,558,513	2,813,647		244,513,538
				301,323			1,181,708
3,235,481	34,566,840	3,579,373	54,423	17,771,583	2,813,647	NONE	259,577,081
4,676,898	65,115,133	5,527,965	726,361	23,723,963	7,578,905	(5,816,512)	392,783,179
391,716	6,127,463	8,801	127,832	595,739	797,469	(5,673,984)	34,404,410
				245,368			245,368
							10,048
						(142,528)	
198,268	1,262,432	47,321	66,193	1,375,812	340,435		14,784,194
9,367	599,047	11,061		17,987	79,712		1,473,777
	121,111	24,868	1,727	1,344	26,060		1,863,000
				505,000			843,860
							2,165,000
							70,578
599,351	8,110,053	92,051	195,752	2,741,250	1,243,676	(5,816,512)	55,860,235
325,943	6,349,599	220,163	197,748	318,734	606,046		16,189,480
							4,320,000
648,177	13,013,187	438,172	497,900	573,234	1,183,039		33,355,193
				15,701,600			131,649,175
974,120	19,362,786	658,335	695,648	16,593,568	1,789,085	NONE	185,513,848
1,573,471	27,472,839	750,386	891,400	19,334,818	3,032,761	(5,816,512)	241,374,083
2,911,118	34,273,107	3,579,373	54,423	1,123,054	2,813,647		109,426,037
300,000	293,733			100,000			4,063,572
445,945	5,447,759	269,810	215,073	2,676,685	79,160		43,127,747
(553,636)	(2,372,305)	928,396	(434,535)	489,406	1,653,337		(5,208,260)
\$3,103,427	\$37,642,294	\$4,777,579	(\$165,039)	\$4,389,145	\$4,546,144	NONE	\$151,409,096

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

**Combining Schedule of Revenues, Expenses,
and Changes in Net Assets, by College
For the Year Ended June 30, 2008**

	Board Office	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College	L.E. Fletcher Community College
OPERATING REVENUES						
Student tuition and fees		\$10,398,613	\$8,460,214	\$29,362,639	\$2,094,847	\$1,995,335
Less scholarship allowances		(2,695,010)	(1,867,641)	(6,659,962)	(1,477,734)	(780,254)
Net student tuition and fees	NONE	7,703,603	6,592,573	22,702,677	617,113	1,215,081
Federal grants and contracts	\$28,103,559	6,710,015	5,383,795	27,385,331	2,301,388	3,070,394
State and local grants and contracts	6,114,477	2,572,983	3,299,819	6,954,298	1,147,328	2,049,349
Nongovernmental grants and contracts		98,861	615,295	190,365		
Sales and services of educational departments		142,387	372,186		156,053	469,774
Auxiliary enterprise revenues		524,114	1,983,286	1,018,614	33,525	19,299
Less scholarship allowances			(6,245)			
Net auxiliary revenues	NONE	524,114	1,977,041	1,018,614	33,525	19,299
Other operating revenues	1,984,729		294,139	390,534	64,358	187,601
Total operating revenues	36,202,765	17,751,963	18,534,848	58,641,819	4,319,765	7,011,498
OPERATING EXPENSES						
Educational and general:						
Instruction	74,106	13,604,429	12,699,895	57,199,771	5,635,347	6,118,583
Public service		15,238	2,182,045			11,359
Academic support	41,555,786	3,889,621	3,656,593	5,277,559	1,067,351	1,017,957
Student services		4,569,637	7,377,904	6,633,420	824,707	512,582
Institutional support	12,317,610	8,134,424	3,781,657	9,225,653	2,782,198	2,037,634
Operations and maintenance of plant		5,324,706	2,518,552	10,993,797	3,587,236	918,838
Depreciation	222,889	4,189,805	1,965,507	1,706,103	459,368	257,449
Scholarships and fellowships		3,132,238	1,396,025	16,906,267	853,733	648,684
Auxiliary enterprises		144,046	3,192,356	1,004,697	18,843	16,875
Other operating expenses	97,748	180,726	559,819	433,023	249,611	67,661
Total operating expenses	54,268,139	43,184,870	39,330,353	109,380,290	15,478,394	11,607,622
OPERATING LOSS	(18,065,374)	(25,432,907)	(20,795,505)	(50,738,471)	(11,158,629)	(4,596,124)
NONOPERATING REVENUES (Expenses)						
State appropriations	16,624,505	19,377,497	14,053,966	40,297,923	5,445,110	4,991,063
Gifts	14,853			8,600	708	1,600
Investment income	922,254	854,684	172,690	460,383	91,921	20,674
Interest expense		(3,377,441)	(2,507,655)	(226,250)		
Other nonoperating revenues (expenses)	68,528		(2,126)	2,205,450	23,000	23,650
Net nonoperating revenues	17,630,140	16,854,740	11,716,875	42,746,106	5,560,739	5,036,987
Income (loss) before other revenues and additions	(435,234)	(8,578,167)	(9,078,630)	(7,992,365)	(5,597,890)	440,863
Capital appropriations	1,269,645	5,996,599	4,405,679	1,453,875		
Capital grants and gifts		189,000	191,887		5,021,544	
Additions to permanent endowment		120,000		52,500	81,775	
Other additions, net				(511,772)	799,668	
Increase (decrease) in net assets	834,411	(2,272,568)	(4,481,064)	(6,997,762)	305,097	440,863
NET ASSETS - BEGINNING OF YEAR						
(Restated)	16,813,341	41,021,684	8,007,650	27,544,241	10,919,110	4,980,543
NET ASSETS - END OF YEAR						
	\$17,647,752	\$38,749,116	\$3,526,586	\$20,546,479	\$11,224,207	\$5,421,406

Schedule 4

Louisiana Delta Community College	Louisiana Technical College Less Region 1	LTC Region 1	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total Per System
\$2,338,680	\$17,769,219	\$958,734	\$1,642,684	\$4,697,307	\$2,440,248		\$82,158,520
(315,299)	(10,750,188)	(751,810)	(751,168)	(1,128,817)	(823,984)		(28,001,867)
2,023,381	7,019,031	206,924	891,516	3,568,490	1,616,264	NONE	54,156,653
84,637	30,636,848	1,018,974	984,294	1,650,965	2,289,443	(\$12,119,439)	97,500,204
497,661	15,258,680	882,012	231,487	538,583	103,804	(16,442,666)	23,207,815
107,381	26,165			21,710			1,059,777
	902,960				49,474		2,092,834
	1,709,017		7,252	52,498			5,347,605
	(792,662)						(798,907)
NONE	916,355	NONE	7,252	52,498	NONE	NONE	4,548,698
	4,872,324	108,722		12,004	393,407	(1,984,729)	6,323,089
2,713,060	59,632,363	2,216,632	2,114,549	5,844,250	4,452,392	(30,546,834)	188,889,070
2,495,469	74,686,337	3,726,782	1,449,980	4,252,331	6,888,899		188,831,929
1,140,402	5,420,314	660,451	600,025	1,208,308	421,722	(27,959,201)	2,208,642
1,048,144	9,153,108	405,791	703,550	547,725	1,148,648		37,956,888
2,050,961	26,377,287	2,197,878	1,997,044	2,086,786	2,812,204	(2,587,633)	32,925,216
585,410	11,689,073	848,845	615,571	1,177,795	1,020,036		73,213,703
53,464	3,806,458	168,435	28,892	758,967	360,453		39,279,859
2,564	10,129,402	416,825		1,020,422	1,222,898		13,977,790
	1,620,954	70,538					35,729,058
58,383	342,825	31,912	38,274	59,135			6,068,309
7,434,797	143,225,758	8,527,457	5,433,336	11,111,469	13,874,860	(30,546,834)	2,119,117
(4,721,737)	(83,593,395)	(6,310,825)	(3,318,787)	(5,267,219)	(9,422,468)	NONE	432,310,511
							(243,421,441)
3,918,751	74,632,044	5,143,114	2,874,958	5,765,403	8,299,283		201,423,617
125,000				36,070	226,547		413,378
46,993	787,690	20,400		212,527	36,501		3,626,717
			840	(765,205)			(6,875,711)
22,990	110,411	2,133	23,857	(245,368)	(1,580,696)		651,829
4,113,734	75,530,145	5,165,647	2,899,655	5,003,427	6,981,635	NONE	199,239,830
(608,003)	(8,063,250)	(1,145,178)	(419,132)	(263,792)	(2,440,833)	NONE	(44,181,611)
				1,363,904			14,489,702
2,619,000	86,000						8,107,431
							254,275
							287,896
2,010,997	(7,977,250)	(1,145,178)	(419,132)	1,100,112	(2,440,833)	NONE	(21,042,307)
1,092,430	45,619,544	5,922,757	254,093	3,289,033	6,986,977	NONE	172,451,403
\$3,103,427	\$37,642,294	\$4,777,579	(\$165,039)	\$4,389,145	\$4,546,144	NONE	\$151,409,096

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

**Combining Schedule of Cash Flows, by College
For the Year Ended June 30, 2008**

	Board Office	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College	L.E. Fletcher Community College
CASH FLOWS FROM OPERATING ACTIVITIES:						
Tuition and fees		\$7,945,310	\$4,638,985	\$28,094,003	\$713,604	\$1,235,610
Grants and contracts	\$35,577,100	10,536,120	8,285,234	30,499,447	3,570,209	4,605,952
Sales and services of educational departments		142,387	372,186		156,053	469,774
Auxiliary enterprise receipts		492,648	2,051,833	1,018,614	33,525	19,298
Payments for employee compensation	(4,657,528)	(16,047,451)	(16,720,166)	(53,554,842)	(5,536,190)	(4,344,205)
Payments for benefits	(1,746,288)	(4,043,872)	(2,840,027)	(4,528,701)	(2,606,599)	(2,102,151)
Payments for utilities		(1,970,500)	(596,509)	(3,524,483)	(222,202)	(181,073)
Payments to supplies and services	(32,616,385)	(13,689,091)	(8,039,247)	(38,422,068)	(4,234,385)	(2,518,695)
Payments for scholarships and fellowships			(3,115,939)		(853,733)	(648,685)
Other receipts (payments)	1,612,029	98,861	879,313	390,534	64,358	187,601
Net cash used by operating activities	(1,831,072)	(16,535,588)	(15,084,337)	(40,027,496)	(8,915,360)	(3,276,574)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
State appropriations	16,624,505	19,377,497	14,053,966	43,047,001	5,439,621	4,991,063
Gifts and grants for other than capital purposes	14,853	120,000		8,600	708	1,600
Private gifts for endowment purposes				52,500		
TOPS receipts		527,904	425,438	628,190	41,064	134,184
TOPS disbursements		(527,904)	(429,622)	(628,190)	(41,064)	(134,184)
Direct lending receipts					189,889	
Direct lending disbursements					(189,889)	
Federal Family Education Loan Program receipts			7,895,184			
Federal Family Education Loan Program disbursement:			(7,904,808)			
Other receipts	68,529	65,284	635,491	2,205,451	23,000	23,650
Net cash provided by noncapital financing sources	16,707,887	19,562,781	14,675,649	45,313,552	5,463,329	5,016,313
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital appropriations received	1,269,645	5,193,363	4,125,679	1,453,875		
Capital grants and gifts received			191,887		5,021,544	
Purchases of capital assets	(357,290)	(6,352,305)	(1,095,709)	(3,455,032)	(797,362)	(966,793)
Principal paid on capital debt and leases		(1,696,000)	(1,620,000)	(85,000)		
Interest paid on capital debt and leases		(3,497,364)	(2,505,679)	(226,250)		
Deposit with Trustees		754,137				
Other sources			149,708		827,630	767
Net cash provided (used) by capital and related financing activities	912,355	(5,598,169)	(754,114)	(2,312,407)	5,051,812	(966,026)
Cash Flows From Investing Activities:						
Proceeds from sales and maturities of investments			114,117			
Interest received on investments	922,254	879,602	182,276	460,383	91,921	20,674
Purchase of investments		(120,000)	(114,117)	(24,516)		9,419
Net cash provided by investing activities	922,254	759,602	182,276	435,867	91,921	30,093
Net increase (decrease) in cash	16,711,424	(1,811,374)	(980,526)	3,409,516	1,691,702	803,806
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
	4,240,854	24,858,345	3,713,727	3,284,477	1,699,855	3,340,986
CASH AND CASH EQUIVALENTS AT END OF YEAR						
	\$20,952,278	\$23,046,971	\$2,733,201	\$6,693,993	\$3,391,557	\$4,144,792

(Continued)

Louisiana Delta Community College	Louisiana Technical College Less Region 1	LTC Region 1	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total Per System
\$1,845,874	\$9,506,921	\$1,955,515	\$879,932	\$3,804,000	\$1,697,157		\$62,316,911
977,144	46,561,625	2,968,210	1,219,637	2,221,194	1,927,368	(\$22,888,121)	126,061,119
	902,915				49,474		2,092,789
	843,069		7,253	48,398			4,514,638
(3,539,944)	(56,511,920)	(3,910,593)	(2,497,201)	(4,357,343)	(6,080,060)		(177,757,443)
(937,778)	(19,703,343)	(474,203)	(131,644)	(878,079)	(1,873,216)		(41,865,901)
(86,471)	(6,498,500)	(315,422)	(134,482)	(443,617)	(303,896)		(14,277,155)
(1,987,452)	(29,686,010)	(4,316,149)	(2,131,049)	(3,871,646)	(2,201,925)	24,872,850	(118,841,252)
(71,011)	(17,082,981)			(855,233)	(1,222,898)		(23,850,480)
	4,864,789	108,722		574,975	293,080	(1,984,729)	7,089,533
<u>(3,799,638)</u>	<u>(66,803,435)</u>	<u>(3,983,920)</u>	<u>(2,787,554)</u>	<u>(3,757,351)</u>	<u>(7,714,916)</u>	<u>NONE</u>	<u>(174,517,241)</u>
3,918,751	74,632,043	5,143,114	2,898,815	5,765,403	8,299,283		204,191,062
125,000				36,070	226,547		533,378
							52,500
51,546			65,896	73,301	123,083		2,070,606
(51,546)			(65,896)	(73,301)	(123,083)		(2,074,790)
							189,889
							(189,889)
			1,574,081				9,469,265
			(1,574,081)				(9,478,889)
22,990	113,879	5,965	840	21,642	32,003		3,218,724
<u>4,066,741</u>	<u>74,745,922</u>	<u>5,149,079</u>	<u>2,899,655</u>	<u>5,823,115</u>	<u>8,557,833</u>	<u>NONE</u>	<u>207,981,856</u>
	86,000			1,363,904			13,406,466
(31,920)	(4,521,956)	(42,110)		(681,780)	(330,202)		5,299,431
				(490,000)			(18,632,459)
				(768,514)			(3,891,000)
							(6,997,807)
							754,137
				14,517			992,622
<u>(31,920)</u>	<u>(4,435,956)</u>	<u>(42,110)</u>	<u>NONE</u>	<u>(561,873)</u>	<u>(330,202)</u>	<u>NONE</u>	<u>(9,068,610)</u>
444,318							558,435
74,633	787,691	20,400		212,526	36,500		3,688,860
<u>(335,756)</u>							<u>(584,970)</u>
183,195	787,691	20,400	NONE	212,526	36,500	NONE	3,662,325
418,378	4,294,222	1,143,449	112,101	1,716,417	549,215	NONE	28,058,330
878,955	16,551,023	602,650	332,468	6,076,689	3,225,751	NONE	68,805,780
<u>\$1,297,333</u>	<u>\$20,845,245</u>	<u>\$1,746,099</u>	<u>\$444,569</u>	<u>\$7,793,106</u>	<u>\$3,774,966</u>	<u>NONE</u>	<u>\$96,864,110</u>

**LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by College, 2008**

	Board Office	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College	L.E. Fletcher Community College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:						
Operating loss	(\$18,065,374)	(\$25,432,907)	(\$20,795,505)	(\$50,738,471)	(\$11,158,629)	(\$4,596,124)
Adjustments to reconcile operating loss to net cash used by operating activities:						
Depreciation expense	222,889	4,189,805	1,965,507	1,706,103	459,368	257,449
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable, net	21,156,205	2,495,865	(452,407)	623,955	185,551	(421,626)
(Increase) decrease in inventories			(33,623)			(420)
(Increase) decrease in prepaid expenses		(77,077)	(765)	(175,149)	9,455	(7,201)
(Increase) decrease in other assets						
Increase (decrease) in accounts payable	(5,902,608)	(646,134)	(156,115)	(404,878)	291,661	656,934
Increase (decrease) in deferred revenue		(303,885)	612,917	870,639	32,432	(71,635)
Increase (decrease) in amounts held in custody for others		65,284	(5,890)			
Increase (decrease) in compensated absences	97,749	180,727	177,106	408,165	84,752	67,661
Increase (decrease) in OPEB payable	660,067	2,992,734	3,604,438	7,724,133	1,180,050	840,062
Increase (decrease) in other liabilities				(41,993)		(1,674)
Net cash used by operating activities	(\$1,831,072)	(\$16,535,588)	(\$15,084,337)	(\$40,027,496)	(\$8,915,360)	(\$3,276,574)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:						
Cash and cash equivalents classified as current assets	\$20,952,278	\$18,002,230	\$1,214,565	\$6,693,993	\$3,143,929	\$4,144,792
Cash and cash equivalents classified as noncurrent assets		5,044,741	1,518,636		247,628	
Cash and cash equivalents at the end of the year	\$20,952,278	\$23,046,971	\$2,733,201	\$6,693,993	\$3,391,557	\$4,144,792
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital appropriations for purchase of equipment, buildings, or land	\$249,812	\$49,099				
Private gift of equipment		189,000				
Accretion of discount and amortization of premium on bond:			\$6,026			
Book value of equipment retired			1,207			
Loss on disposal of capital assets				\$511,772		
Unrealized loss on investments						
Expenses paid by FEMA, ORM, and Facilities Planning						

(Concluded)

Schedule 5

Louisiana Delta Community College	Louisiana Technical College	LTC Region 1	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total Per System
(\$4,721,737)	(\$83,593,395)	(\$6,310,825)	(\$3,318,787)	(\$5,267,219)	(\$9,422,468)		(\$243,421,441)
53,464	3,806,458	168,435	28,892	758,967	360,453		13,977,790
182,218	3,025,078	2,869,729	(18,300)	(145,997)	(587,360)		28,912,911
(4,921)	41,733	31,512			(6,576)		27,705
(1,063)	63,981	(13,531)	(12,180)		(36,158)		(249,688)
					295,351		295,351
(3,116)	(3,995,623)	(1,145,412)	26,838	(58,957)	391,368		(10,946,042)
(10,044)	412,624	(53,783)	5,675	342,475	102,047		1,939,462
(1,000)	(17,979)	(129)	365				40,651
58,384	440,501	31,912	2,043	44,386	5,388		1,598,774
648,177	13,013,187	438,172	497,900	573,234	1,183,039		33,355,193
				(4,240)			(47,907)
<u>(\$3,799,638)</u>	<u>(\$66,803,435)</u>	<u>(\$3,983,920)</u>	<u>(\$2,787,554)</u>	<u>(\$3,757,351)</u>	<u>(\$7,714,916)</u>	<u>NONE</u>	<u>(\$174,517,241)</u>
\$1,297,333	\$20,551,512 293,733	\$1,746,099	\$444,569	\$4,881,359 2,911,747	\$3,774,966		\$86,847,625 10,016,485
<u>\$1,297,333</u>	<u>\$20,845,245</u>	<u>\$1,746,099</u>	<u>\$444,569</u>	<u>\$7,793,106</u>	<u>\$3,774,966</u>	<u>NONE</u>	<u>\$96,864,110</u>
\$2,619,000					\$1,715,286		\$4,633,197 189,000 6,026 1,207 511,772 11,393
11,393					(3,404,233)		11,393 (3,404,233)

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OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

March 25, 2009

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

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

We have audited the financial statements of the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, and have issued our report thereon dated March 25, 2009. Our report was modified to include a reference to other auditors and an emphasis of a matter regarding the impact of hurricanes Katrina and Rita. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the South Louisiana Facilities Corporation of the South Louisiana Community College; the BRCC Facilities Corporation for the Baton Rouge Community College; and Campus Facilities, Inc., for the Bossier Parish Community College, as described in our report on the Louisiana Community and Technical College System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Community and Technical College System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Community and Technical College System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Community and Technical College System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Other Reports

Other external auditors audited the South Louisiana Facilities Corporation, Campus Facilities, Inc., and the BRCC Facilities Corporation, which are blended component units included in the Louisiana Community and Technical College System's basic financial statements for the year ended June 30, 2008. To obtain copies of those reports, refer to note 1-B to the basic financial statements for mailing addresses.

As a part of our audit of the Louisiana Community and Technical College System's basic financial statements for the year ended June 30, 2008, we performed certain procedures on campuses within the System. Our reports on those procedures for those campuses are listed as follows:

COMPLIANCE AND INTERNAL CONTROL REPORT

	<u>Issue Date</u>
Baton Rouge Community College	Pending
Delgado Community College	January 14, 2009
L.E. Fletcher Technical Community College	October 29, 2008
Louisiana Delta Community College	October 23, 2008
Louisiana Technical College - Region 1	January 21, 2009
Louisiana Technical College - Region 2	May 6, 2009
Louisiana Technical College - Region 3	March 4, 2009
Louisiana Technical College - Region 4	February 4, 2009
Louisiana Technical College - Region 6	March 11, 2009
SOWELA Technical College	December 17, 2008

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

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

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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