

L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE YEARS ENDED
JUNE 30, 2008 AND JUNE 30, 2007
ISSUED OCTOBER 29, 2008

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

October 23, 2008

Independent Auditor's Report
on the Financial Statements and Schedule

L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Houma, Louisiana

We have audited the accompanying basic financial statements of L.E. Fletcher Technical Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the years ended June 30, 2008 and June 30, 2007, as listed in the table of contents. We have also audited the Required Supplementary Information Schedule of Funding Progress for the Other Postemployment Benefits Plan. These financial statements and the schedule are the responsibility of management of L.E. Fletcher Technical Community College. Our responsibility is to express opinions on these financial statements and the schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 provides a reasonable basis for our opinions.

As discussed in note 1-B, the accompanying financial statements of L.E. Fletcher Technical Community College are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Louisiana Community and Technical College System that is attributable to the transactions of L.E. Fletcher Technical Community College. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System as of June 30, 2008 and June 30, 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of L.E. Fletcher Technical Community College as of June 30, 2008 and June 30, 2007, and the respective changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Required Supplementary Information Schedule referred to previously presents fairly, in all material respects, the funding progress for the other postemployment benefits plan in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-N to the basic financial statements, L.E. Fletcher Technical Community College implemented Governmental Accounting Standards Board (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* for the year ended June 30, 2008.

During August and September 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 what economic impact recovery efforts will have on state and local governmental operations in Louisiana. While L.E. Fletcher Technical Community College did not directly suffer any major damage from these two hurricanes, the long-term effects of these events on L.E. Fletcher Technical Community College cannot be determined at this time. The Louisiana Community and Technical College System lost significant assets and operational functionality as a result of the hurricanes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2008, on our consideration of L.E. Fletcher Technical Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

JMJ:JR:EFS:PEP:dl

The Management's Discussion and Analysis section of L.E. Fletcher Technical Community College's (L.E. Fletcher) financial performance presents a narrative overview and analysis of L.E. Fletcher's financial activities for the years ended June 30, 2008 and 2007. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with L.E. Fletcher's financial statements, which begins on page 13.

FINANCIAL HIGHLIGHTS

L.E. Fletcher's overall net assets changed from \$4.9 million to \$5.4 million or 10% from June 30, 2007 to June 30, 2008. The overall reason for this change includes the purchase of instructional equipment.

L.E. Fletcher's overall net assets changed from \$4.1 million to \$4.9 million or 20% from June 30, 2006 to June 30, 2007. The overall reasons for this change include the following:

- Additional funding received for various projects
- Purchase of instructional and maintenance equipment

Enrollment decreased from 1,306 to 1,296 from June 30, 2007 to June 30, 2008, a change of less than 1%. Enrollment decreased from 1,614 to 1,306 from June 30, 2006 to June 30, 2007, a change of 19%. The reasons for this change are attributed to the following:

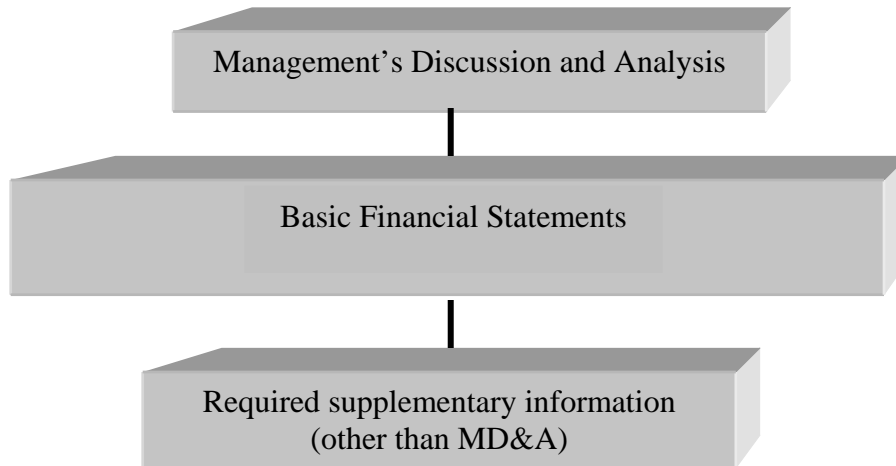
- Hurricane displaced students returned to home institutions
- Inability to implement new programs because of initial accreditation limitations

L.E. Fletcher's operating revenues increased from \$4.9 million to \$7 million or 43% from June 30, 2007 to June 30, 2008. Operating expenses increased by 36% to \$11.6 million for the year ended June 30, 2008. Increased grant activity is the primary reason for these changes. L.E. Fletcher's operating revenues increased from \$4.7 million to \$4.9 million or 4% from June 30, 2006 to June 30, 2007. Operating expenses increased by 9% to \$8.5 million for the year ended June 30, 2007. Increased activity in training, which was funded by grants, is the primary reason for these changes.

Nonoperating revenues (expenses) fluctuate depending upon levels of state and capital appropriations. The increase to \$5 million in 2008 from \$4.3 million in 2007 is attributed to an increase in state appropriations to address accreditation requirements. The increase to \$4.3 million in 2007 from \$3.7 million in 2006 is attributed to additional appropriations for accreditation expenses and for facility renovations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



These financial statements consist of Management’s Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements), and the required supplementary information schedule (Schedule 1).

Basic Financial Statements

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

The Statement of Net Assets (page 13) 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 L.E. Fletcher is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 15) presents information showing how L.E. Fletcher’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 17-18) presents information showing how L.E. Fletcher’s cash changed as a result of current year operations. The Statement of Cash Flows is prepared

using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about L.E. Fletcher'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.

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

FINANCIAL ANALYSIS

**Statement of Net Assets
As of June 30, 2008, 2007, and 2006
(in thousands)**

	Total		
	2008	2007	2006
Current and other assets	\$5,236	\$4,003	\$2,968
Capital assets	2,908	2,199	2,295
Total assets	8,144	6,202	5,263
Current liabilities	1,384	790	758
Noncurrent liabilities	1,339	431	390
Total liabilities	2,723	1,221	1,148
Net assets:			
Invested in capital assets	2,908	2,199	2,295
Restricted	394	399	
Unrestricted	2,119	2,383	1,820
Total net assets	\$5,421	\$4,981	\$4,115

This schedule is prepared from L.E. Fletcher's Statement of Net Assets as shown on page 13, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Significant statement of net assets changes include the following:

- A 32% increase from 2007 to 2008 in capital assets is due to the purchase of two training simulators used in the Marine training program.

- Decrease in restricted net assets is due to the remodeling of the Allied Health facility that was funded with restricted funds.
- Increase in noncurrent liabilities from 2007 to 2008 is due to the implementation of GASB Statement No. 45, which resulted in recognizing a liability for other postemployment benefits.

Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation, and reduced by amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets, of which there are none. 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.

Changes in Net Assets
For the Years Ended June 30, 2008, 2007, and 2006
(in thousands)

	Total		
	2008	2007	2006
Operating revenues:			
Student tuition and fees, net	\$1,215	\$973	\$1,072
Grants and contracts	5,120	3,276	3,122
Auxiliary, net	19	29	20
Other	657	683	522
Total operating revenues	7,011	4,961	4,736
Operating expenses:			
Education and general:			
Instruction	6,119	4,604	4,144
Public service	11		
Academic support	1,018	1,073	1,094
Student services	512	426	282
Institutional support	2,038	992	913
Operations and maintenance of plant	919	580	498
Depreciation	257	201	184
Scholarships and fellowships	649	528	580
Other operating expenses	84	55	71
Total operating expenses	11,607	8,459	7,766
Operating loss	(4,596)	(3,498)	(3,030)

**Changes in Net Assets
For the Years Ended June 30, 2008, 2007, and 2006
(in thousands)**

	Total		
	2008	2007	2006
Nonoperating Revenues			
State appropriations	\$4,991	\$4,336	\$3,706
Gifts	2		17
Other	44	27	8
Net nonoperating revenues	5,037	4,363	3,731
Income before other revenues, expenses, gains, losses	441	865	701
Capital appropriations			750
Capital grants and gifts			269
Increase in Net Assets	441	865	1,720
Nets assets at beginning of year	4,980	4,115	2,395
Net assets at end of year	\$5,421	\$4,980	\$4,115

Nonoperating revenues increased in 2008 by 15.4% to \$5 million, primarily attributable to increase in state appropriations. State appropriations changed from \$4.3 million to \$4.9 million in 2008 because of an increase in funding for accreditation requirements. L.E. Fletcher's operating revenues increased by \$2 million or 41.3% in 2008. This increase is attributable to an increase in federal and state grant activity. Nonoperating revenues increased in 2007 by 17% to \$4.3 million, primarily attributable to an increase in state appropriations. State appropriations changed from \$3.7 to \$4.3 million in 2007 because of an increase in funding for accreditation requirements and facility renovations. L.E. Fletcher's total revenues decreased by \$160,761 or 1.7% in 2007.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008, L.E. Fletcher had invested approximately \$2.9 million in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$706,346 or 32% over the previous fiscal year. As of June 30, 2007, L.E. Fletcher had invested approximately \$2.2 million in capital assets, net of accumulated depreciation. This amount represents a net decrease (including additions and disposals, net of depreciation) of approximately \$96,268 or 4% below the previous fiscal year.

More detailed information about the system's capital assets is presented in note 4 to the financial statements.

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Land and land improvements	\$451	\$458	\$465
Buildings	1,308	1,172	1,228
Equipment	<u>1,149</u>	<u>569</u>	<u>602</u>
Total	<u><u>\$2,908</u></u>	<u><u>\$2,199</u></u>	<u><u>\$2,295</u></u>

2008's major additions included the following:

- Renovations were made to the Allied Health facility which provided additional classroom space.
- A Dynamic Positioning simulator was purchased to train students for the Maritime industry.
- A Full Bridge Ship simulator was purchased to train students for the Maritime industry.
- A new campus phone system was purchased that connects all three facilities of L.E. Fletcher.

2007's major additions include the following (in thousands):

- \$91 - Equipment from another state agency
- \$58 - Facility maintenance equipment
- \$17 - Telephone system for Allied Health Building

Debt

The college has no bonds or notes outstanding at June 30, 2008, or at June 30, 2007.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

- A 5% tuition increase was authorized and will be effective for fall 2008.
- HB 734 of 2008 authorized tuition increases subject to a maximum each year until fiscal year 2012.
- A marketing campaign was initiated in 2008 that is expected to result in an increase in student enrollment.
- Act 391 of 2007 authorized construction of buildings for a new campus facility.
- Increases in enrollment as a result of increased admission standards for four-year institutions.
- Increases in enrollment because of candidacy status with the Southern Association of Colleges and Schools.
- Increase state funds for building improvements to Marine and Petroleum Instructional facility.
- Increase participation in Federal Work Study Program.

CONTACTING L.E. FLETCHER'S MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of L.E. Fletcher's finances and to show L.E. Fletcher's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Andrew Boyne, Director of Accounting, at (985) 857-3655.

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**L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

**Statement of Net Assets
June 30, 2008 and June 30, 2007**

	JUNE 30,	
	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets:		
Cash (note 2)	\$4,144,792	\$3,190,986
Receivables (note 3)	445,139	412,375
Due from federal government	614,189	225,327
Inventories	6,962	6,542
Deferred charges and prepaid expenses	25,062	17,861
Total current assets	<u>5,236,144</u>	<u>3,853,091</u>
Noncurrent assets:		
Restricted cash (note 2)		150,000
Capital assets, net of accumulated depreciation (note 4)	2,908,109	2,198,763
Total noncurrent assets	<u>2,908,109</u>	<u>2,348,763</u>
Total assets	<u>8,144,253</u>	<u>6,201,854</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accruals (note 6)	959,275	519,961
Due to federal government	638	2,312
Due to Louisiana Community and Technical College System	277,862	60,240
Deferred revenues (note 7)	104,985	176,620
Compensated absences payable (note 8)	11,964	12,376
Amounts held in custody for others	28,287	18,868
Other current liabilities	767	
Total current liabilities	<u>1,383,778</u>	<u>790,377</u>
Noncurrent liabilities:		
Compensated absences payable (note 8)	499,007	430,934
Other postemployment benefits payable (note 11)	840,062	
Total noncurrent liabilities	<u>1,339,069</u>	<u>430,934</u>
Total liabilities	<u>2,722,847</u>	<u>1,221,311</u>
NET ASSETS		
Invested in capital assets	2,908,109	2,198,763
Restricted - expendable (note 5)	394,085	398,552
Unrestricted	2,119,212	2,383,228
Total net assets	<u>\$5,421,406</u>	<u>\$4,980,543</u>

The accompanying notes are an integral part of this statement.

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**L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,
and Changes in Net Assets
For the Years Ended June 30, 2008 and June 30, 2007**

	JUNE 30,	
	2008	2007
OPERATING REVENUES		
Student tuition and fees	\$1,995,335	\$1,630,831
Less scholarship allowances	(780,254)	(657,489)
Net student tuition and fees	1,215,081	973,342
Federal grants and contracts	3,070,394	2,223,951
State and local grants and contracts	2,049,349	1,051,772
Sales and services of educational departments	469,774	605,221
Auxiliary enterprise revenues	19,299	28,794
Other operating revenues	187,601	78,151
Total operating revenues	7,011,498	4,961,231
OPERATING EXPENSES		
Educational and general:		
Instruction	6,118,583	4,604,470
Public service	11,359	
Academic support	1,017,957	1,073,250
Student services	512,582	425,981
Institutional support	2,037,634	991,739
Operations and maintenance of plant	918,838	579,844
Depreciation (note 4)	257,449	201,468
Scholarships and fellowships	648,685	528,410
Auxiliary enterprise expenses	16,875	7,577
Other operating expenses	67,660	46,219
Total operating expenses	11,607,622	8,458,958
OPERATING LOSS	(4,596,124)	(3,497,727)
NONOPERATING REVENUES		
State appropriations	4,991,063	4,335,736
Gifts	1,600	900
Net investment income	20,674	16,244
Other nonoperating revenues	23,650	10,420
Total nonoperating revenues	5,036,987	4,363,300
INCREASE IN NET ASSETS	440,863	865,573
NET ASSETS AT BEGINNING OF YEAR	4,980,543	4,114,970
NET ASSETS AT END OF YEAR	\$5,421,406	\$4,980,543

The accompanying notes are an integral part of this statement.

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**L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Years Ended June 30, 2008 and June 30, 2007**

	JUNE 30,	
	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities:		
Tuition and fees	\$1,235,610	\$1,416,654
Grants and contracts	4,605,952	2,841,865
Sales and services to education departments	469,774	605,221
Auxiliary enterprise receipts	19,299	28,794
Payments for employee compensation	(4,344,206)	(3,673,350)
Payments for benefits	(2,102,151)	(1,086,976)
Payments for utilities	(181,073)	(183,019)
Payments for supplies and services	(2,518,695)	(2,629,522)
Payments for scholarships and fellowships	(648,685)	(525,899)
Other receipts	187,601	78,151
Net cash used by operating activities	<u>(3,276,574)</u>	<u>(3,128,081)</u>
Cash Flows From Noncapital Financing Activities:		
State appropriations	4,991,063	4,335,736
Gifts and grants for other than capital purposes	1,600	900
TOPS receipts	134,184	113,095
TOPS disbursements	(134,184)	(113,095)
Other receipts	23,650	10,420
Net cash provided by noncapital financing sources	<u>5,016,313</u>	<u>4,347,056</u>
Cash Flows From Capital and Related Financing Activities:		
Purchases of capital assets	(966,793)	(105,200)
Other sources	767	
Net cash used by capital and related financing activities	<u>(966,026)</u>	<u>(105,200)</u>
Cash Flows From Investing Activities:		
Interest received on investments	20,674	16,244
Increase in deposits held for others	9,419	7,141
Net cash provided by investing activities	<u>30,093</u>	<u>23,385</u>
Net Increase in Cash	803,806	1,137,160
Cash at Beginning of Year	<u>3,340,986</u>	<u>2,203,826</u>
Cash at End of Year	<u><u>\$4,144,792</u></u>	<u><u>\$3,340,986</u></u>

(Continued)

The accompanying notes are an integral part of this statement.

**L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, June 30, 2008 and June 30, 2007**

	JUNE 30,	
	<u>2008</u>	<u>2007</u>
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	(\$4,596,124)	(\$3,497,727)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	257,449	201,468
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(421,626)	118,121
(Increase) decrease in inventories	(420)	1,565
(Increase) in deferred charges and prepaid expenses	(7,201)	(17,481)
Increase in accounts payable	656,934	124,751
(Decrease) in deferred revenue	(71,635)	(106,919)
Increase in compensated absences	67,661	46,219
Increase in other postemployment benefits payable	840,062	
Increase (decrease) in due to federal government	(1,674)	1,922
	<u>(\$3,276,574)</u>	<u>(\$3,128,081)</u>
Net cash used by operating activities		

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

L.E. Fletcher Technical Community College (college) is a publicly supported institution of higher education. The college is a part of the Louisiana Community and Technical College System, which is a component unit of the State of Louisiana, within the executive branch of government. The college was enacted under Louisiana Revised Statute (R.S.) 17:3224 and is under the management and supervision of the Board of Supervisors of the Louisiana Community and Technical College System; however, certain items, such as the annual budget of the college and changes to the degree programs and departments of instruction, require the approval of the Louisiana Board of Regents for Higher Education. As a state college, operations of the college's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

L.E. Fletcher Technical Community College is located at 310 St. Charles Street, Houma, Louisiana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The college is a part of the Louisiana Community and Technical College System, which is considered to be a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the 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 L.E. Fletcher Technical Community College.

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

C. BASIS OF ACCOUNTING

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

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

D. BUDGETARY PRACTICES

The State of Louisiana’s appropriation to the college is an annual lapsing appropriation established by legislative action and Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are prorated to the year earned; and (4) certain inventories are recorded as expenditures at the time of purchase. A formal budgetary comparison is not required by GASB reporting standards for proprietary funds and, therefore, budgetary comparisons are not presented.

The original approved budget and subsequent approved amendments are as follows:

	<u>2008</u>	<u>2007</u>
Original approved budget	\$6,319,413	\$5,530,614
Net increase:		
State General Fund direct		185,910
Self-generated revenue	200,000	100,224
Statutory dedications	<u>271,650</u>	
Final Budget	<u><u>\$6,791,063</u></u>	<u><u>\$5,816,748</u></u>

E. CASH

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

F. INVENTORIES

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

G. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the college's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Buildings and improvements costing \$100,000 or more are capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are also capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and 3 to 10 years for most movable property.

H. DEFERRED REVENUES

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

I. NONCURRENT LIABILITIES

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

J. COMPENSATED ABSENCES

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

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

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

K. NET ASSETS

The college's net assets are classified in the following components:

- (a) Invested in capital assets represents the college's total investment in capital assets, net of accumulated depreciation. The college does not have any outstanding debt related to capital assets.
- (b) Restricted net assets (expendable) consist of resources that the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (c) Unrestricted net assets consist of resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the college and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

L. CLASSIFICATION OF REVENUES AND EXPENSES

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

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

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

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

M. 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 is the difference between the stated charge for goods and services (tuition and fees) provided by the college and the amount that is paid by students and/or third parties making payments on the students' behalf.

N. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2008, the college 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 a prospective basis. The implementation of Statement No. 50 had no significant impact on the financial statements or notes.

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 from those estimates.

2. CASH

At June 30, 2008 and 2007, the college has cash (book balances) of \$4,144,792 and \$3,340,986, respectively, as follows:

	<u>2008</u>	<u>2007</u>
Petty cash	\$500	\$400
Demand deposits - unrestricted	4,144,292	3,190,586
Total unrestricted	<u>4,144,792</u>	<u>3,190,986</u>
Demand deposits - restricted	NONE	150,000
	<u> </u>	<u> </u>
Total	<u><u>\$4,144,792</u></u>	<u><u>\$3,340,986</u></u>

Deposits in bank accounts are stated at cost, which approximates market. Custodial risk is the risk that in the event of a bank failure, the college’s deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the college in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer. At June 30, 2008 and 2007, the college has \$4,409,823 and \$3,595,854, respectively, in deposits (collected bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

3. RECEIVABLES

Receivables are shown in the following table. No allowance for doubtful accounts has been established.

<u>Type</u>	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Student tuition and fees	\$43,915	\$61,081
State and local grants and contracts	401,224	351,294
	<u> </u>	<u> </u>
Total	<u><u>\$445,139</u></u>	<u><u>\$412,375</u></u>

4. CHANGES IN CAPITAL ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Capital assets not being depreciated - land	\$330,000			\$330,000
Total capital assets not being depreciated	<u>\$330,000</u>	NONE	NONE	<u>\$330,000</u>
Other capital assets:				
Land improvements	\$142,588			\$142,588
Less accumulated depreciation	(14,258)	(\$7,130)		(21,388)
Total land improvements	<u>128,330</u>	<u>(7,130)</u>	NONE	<u>121,200</u>
Buildings	3,163,847	196,094		3,359,941
Less accumulated depreciation	(1,991,376)	(60,212)		(2,051,588)
Total buildings	<u>1,172,471</u>	<u>135,882</u>	NONE	<u>1,308,353</u>
Equipment	1,885,759	770,701	(\$139,411)	2,517,049
Less accumulated depreciation	(1,317,797)	(190,107)	139,411	(1,368,493)
Total equipment	<u>567,962</u>	<u>580,594</u>	NONE	<u>1,148,556</u>
Total other capital assets	<u>\$1,868,763</u>	<u>\$709,346</u>	NONE	<u>\$2,578,109</u>
Capital asset summary:				
Capital assets not being depreciated	\$330,000			\$330,000
Other capital assets, at cost	<u>5,192,194</u>	<u>\$966,795</u>	<u>(\$139,411)</u>	<u>6,019,578</u>
Total cost of capital assets	<u>5,522,194</u>	<u>966,795</u>	<u>(139,411)</u>	<u>6,349,578</u>
Less accumulated depreciation	<u>(3,323,431)</u>	<u>(257,449)</u>	<u>139,411</u>	<u>(3,441,469)</u>
Capital assets, net	<u>\$2,198,763</u>	<u>\$709,346</u>	NONE	<u>\$2,908,109</u>

A summary of changes in capital assets for the year ended June 30, 2007, follows:

	Balance July 1, 2006	Prior Period Adjustment	Adjusted Balance June 30, 2006	Additions	Transfers	Retirements	Balance June 30, 2007
Capital assets not being depreciated - land	\$330,000		\$330,000				\$330,000
Total capital assets not being depreciated	<u>\$330,000</u>	NONE	<u>\$330,000</u>	NONE	NONE	NONE	<u>\$330,000</u>
Other capital assets:							
Land improvements	\$142,588		\$142,588				\$142,588
Less accumulated depreciation	(7,129)		(7,129)	(\$7,129)			(14,258)
Total land improvements	<u>135,459</u>	NONE	<u>135,459</u>	<u>(7,129)</u>	NONE	NONE	<u>128,330</u>
Buildings	3,163,847		3,163,847				3,163,847
Less accumulated depreciation	(1,936,066)		(1,936,066)	(55,310)			(1,991,376)
Total buildings	<u>1,227,781</u>	NONE	<u>1,227,781</u>	<u>(55,310)</u>	NONE	NONE	<u>1,172,471</u>
Equipment	1,866,068	(\$53,883)	1,812,185	105,200	\$91,115	(\$122,741)	1,885,759
Less accumulated depreciation	(1,264,277)	53,883	(1,210,394)	(139,029)	(91,115)	122,741	(1,317,797)
Total equipment	<u>601,791</u>	NONE	<u>601,791</u>	<u>(33,829)</u>	NONE	NONE	<u>567,962</u>
Total other capital assets	<u>\$1,965,031</u>	NONE	<u>\$1,965,031</u>	<u>(\$96,268)</u>	NONE	NONE	<u>\$1,868,763</u>

	Balance July 1, 2006	Prior Period Adjustment	Adjusted Balance June 30, 2006	Additions	Transfers	Retirements	Balance June 30, 2007
Capital asset summary:							
Capital assets not being depreciated	\$330,000		\$330,000				\$330,000
Other capital assets, at cost	5,172,503	(53,883)	5,118,620	\$105,200	\$91,115	(\$122,741)	5,192,194
Total cost of capital assets	5,502,503	(53,883)	5,448,620	105,200	91,115	(122,741)	5,522,194
Less accumulated depreciation	(3,207,472)	53,883	(3,153,589)	(201,468)	(91,115)	122,741	(3,323,431)
Capital assets, net	\$2,295,031	NONE	\$2,295,031	(\$96,268)	NONE	NONE	\$2,198,763

5. RESTRICTED NET ASSETS

The college has the following restricted - expendable net assets:

	June 30,	
	2008	2007
Renovations to Allied Health Facility		\$150,000
Academic excellence fees	\$328,541	207,525
Operational fees	65,544	41,027
Total	\$394,085	\$398,552

The academic excellence fees and the operational fees were reported as restricted by enabling legislation in the Statement of Net Assets at June 30, 2008 and June 30, 2007. The academic excellence fee is restricted by R.S. 17:3351.10 and the operational fee is restricted by R.S. 17:3351(A)(5)(d). The funds related to the Allied Health Facility were provided out of the state General Fund (Direct) to the college for renovations.

6. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accrued expenses:

<u>Account Name</u>	June 30,	
	2008	2007
Vendor payables	\$881,007	\$276,705
Accrued salaries and payroll deductions	78,268	243,256
Total payables	\$959,275	\$519,961

7. DEFERRED REVENUES

The following is a summary of deferred revenues:

<u>Account Name</u>	June 30,	
	2008	2007
Cooperative endeavor agreement (note 14)		\$75,000
Prepaid tuition and fees	\$66,060	98,695
Grants and contracts	38,925	2,925
Total deferred revenues	\$104,985	\$176,620

8. COMPENSATED ABSENCES

The liability for unused annual leave, sick leave, and compensatory leave at June 30, 2008, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60, is estimated to be \$282,308; \$228,450; and \$213, respectively. The liability for unused annual leave, sick leave, and compensatory leave at June 30, 2007, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60, is estimated to be \$247,744; \$193,433; and \$2,133, respectively. The leave payable is recorded in the accompanying financial statements.

At June 30, 2008, employees of the college have accumulated and vested annual, sick, and compensatory leave of \$510,971. A summary of changes in compensated absences follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts due within one year
Compensated absences payable	\$443,310	\$215,566	\$147,905	\$510,971	\$11,964

At June 30, 2007, employees of the college have accumulated and vested annual, sick, and compensatory leave of \$443,310. A summary of changes in compensated absences follows:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts due within one year
Compensated absences payable	\$397,091	\$187,274	\$141,055	\$443,310	\$12,376

9. PENSION PLANS

Plan Description. Substantially all employees of the college are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers Retirement System of Louisiana (TRSLA), and classified and unclassified state

employees are generally members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSLA is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer plan because the material portion of its activity is with one employer--the State of Louisiana. TRSLA and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the retirement systems; employee benefits vest with TRSLA 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. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or calling (225) 922-0600.

Funding Policy. The contribution requirements of employee plan members and the college are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. For fiscal years 2008 and 2007, employees contribute 8% (TRSLA) 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. The state is required to contribute 16.6% of covered salaries to TRSLA and 20.4% of covered salaries to LASERS for fiscal year 2008 and 15.8% of covered salaries to TRSLA and 19.1% of covered salaries to LASERS for fiscal year 2007. The State of Louisiana, through the annual appropriation to the college, funds the college's employer contribution. The college's employer contributions to TRSLA for the years ended June 30, 2008, 2007, 2006, and 2005 were \$524,036; \$423,509; and \$363,180; and \$275,720, respectively, and to LASERS for the years ended June 30, 2008, 2007, 2006, and 2005 were \$86,581; \$83,672; \$82,493; and \$83,753, respectively, equal to the required contributions for each year.

10. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This plan was designed to aid universities in recruiting employees who may not be expected to remain in the TRSLA 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 TRSLA and purchase retirement and death benefits through contracts provided by designated companies.

R.S. 11:927 set the contribution requirements of the plan members and the system equal to the contribution rates established for the regular retirement plan of TRSLA. Total contributions by the college are 16.6% of the covered payroll for fiscal year 2008 and 15.8% for fiscal year 2007. The participant's contribution, which was 8% for fiscal years 2008 and 2007, 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 TRSLA 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 TRSLA retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the TRSLA. 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 \$48,094 and \$22,708, respectively, for the year ended June 30, 2008. Employer and employee contributions to the optional retirement plan totaled \$37,434 and \$21,017, respectively, for the year ended June 30, 2007.

11. OTHER POSTEMPLOYMENT BENEFITS

Plan Description--Employees of the college voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately prior to 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 college are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) plan, the 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 two OGB Medicare Advantage plans - one HMO plan and one private fee-for-service (PFFS) plan, offered by two companies. Depending upon the plan selected, during fiscal year 2008, employee premiums for a single member receiving benefits range from \$34 to \$92 per month for retiree-only coverage with Medicare or from \$126

to \$170 per month for retiree-only coverage without Medicare. The fiscal year 2008 employee premiums for a retiree with spouse, children, or family coverage range from \$69 to \$452 per month for those with Medicare and from \$181 to \$496 per month for those without Medicare.

The plan is currently financed on a pay-as-you-go basis with the college contributing from \$103 to \$237 per month for retiree-only coverage with Medicare or from \$809 to \$842 per month for retiree-only coverage without Medicare during fiscal year 2008. Also, the college's contributions range from \$207 to \$1,168 per month for retiree with spouse, children, or family coverage with Medicare or from \$1,231 to \$1,293 for retiree with spouse, children, or family coverage 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 premium is approximately \$1 per thousand dollars of coverage of which the employer pays one-half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability--The college's Annual Required Contribution (ARC) 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 \$1,021,000 as set forth below:

Normal cost	\$625,700
30-year UAAL amortization amount	356,031
Interest	<u>39,269</u>
Annual required contribution (ARC)	<u><u>\$1,021,000</u></u>

The following schedule presents the college's OPEB obligation for fiscal year 2008:

Beginning net OPEB obligations at July 1, 2007	NONE
Annual required contribution	\$1,021,000
Interest on net OPEB obligation	NONE
ARC adjustment	NONE
OPEB cost	<u>1,021,000</u>
Contributions made -	
current year retiree premiums	<u>(180,938)</u>
Change in net OPEB obligation	<u>840,062</u>
Ending net OPEB obligation at June 30, 2008	<u><u>\$840,062</u></u>

Using the pay-as-you-go method, the college contributed 17.7% of the annual postemployment benefits cost during 2008.

Funded Status and Funding Progress--During fiscal year 2008, neither the college nor the State of Louisiana made contributions to its postemployment benefits plan trust. A trust was established during fiscal year 2008, but was not funded and has no assets. Hence, the funded ratio is zero. Since the plan was not funded, the college's entire actuarial accrued liability of \$9,318,300 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)	\$9,318,300
Actuarial value of plan assets	<u>NONE</u>
Unfunded actuarial accrued liability	<u><u>\$9,318,300</u></u>
Funded ration (actuarial value of plan assets/AAL)	0%
Covered payroll	\$3,166,917
UAAL as a percentage of covered payroll	294%

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.

12. LEASE OBLIGATIONS

Operating Leases

For the year ended June 30, 2008, the total expense for operating leases is \$8,349. The college’s lease agreements have non-appropriation exculpatory clauses that allow lease cancellation if the legislature does not make for its continuation during any future fiscal period. The following is a schedule by years of future minimum annual rental payments required under the operating leases:

<u>Fiscal Year</u>	<u>Office Space</u>
2009	\$29,760
2010	29,760
2011	<u>21,411</u>
Total minimum payments required	<u><u>\$80,931</u></u>

Capital Leases

The college has no capital leases in effect during the fiscal years ended June 30, 2008 and 2007.

13. CONTINGENT LIABILITIES AND RISK MANAGEMENT

The college is not involved in any lawsuits at June 30, 2008. Any losses arising from judgments, claims, and similar contingencies would be 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. During fiscal years 2008 and 2007, no direct claims or litigation costs were incurred by the college.

14. COOPERATIVE ENDEAVORS

R.S. 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The state of Louisiana has entered into cooperative endeavor agreements with certain entities aimed at developing the economy of the state.

Effective May 26, 2004, the college entered into a cooperative endeavor agreement with Terrebonne General Medical Center (TGMC) for funding of the Associate Degree Registered Nurse (ADRN) program at the college conditioned upon the ADRN program being in place and functioning within one year of the date of the cooperative endeavor. TGMC has provided funding for \$75,000 to be used in connection with the establishment and operation of the ADRN program, which the college has recorded in deferred revenue on the Statement of Net Assets at June 30, 2006.

Effective March 9, 2005, an amendment to the cooperative endeavor agreement was entered into since the program was not going to be fully operational by May 26, 2005. A twelve-month extension was granted. The amendment stated that the college shall have the program fully operational not later than 24 months from the effective date of the original agreement, i.e., by May 26, 2006.

Effective May 27, 2006, an amendment to the cooperative endeavor agreement was entered into extending the requirement to have the ADRN Program fully operational by September 30, 2007.

The Louisiana State Board of Nursing agreed to allow the initiation of the Association of Science in Nursing program at the college in the spring 2008 semester. Classes began January 14, 2008.

15. DEFERRED COMPENSATION PLAN

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

16. SUBSEQUENT EVENTS

During September 2008, the State of Louisiana suffered considerable damage from two major hurricanes, Gustav and Ike, resulting in the President of the United States declaring portions of Louisiana a major disaster area. As a result of these hurricanes, the college was rendered nonoperative for several days and sustained differing levels of damage at the various campus locations:

- The main campus experienced mold growth and damage to components of the air conditioning unit because of loss of electricity and power surge.
- The Louisiana Marine Petroleum Institute campus sustained substantial roof damage that resulted in water damage to the building contents and interior. The entire roof, equipment, machinery, and several windows were damaged and in need of being replaced. Several pieces of electrical equipment were ruined by water that came in through the damaged roof. The lack of air conditioning caused mold growth. Mold remediation efforts resulted in large portions of the interior walls to be removed that will need to be replaced.
- The Allied Health campus sustained minor damage to the siding and roof of its building.

Management of the college estimated that the total cost of damages sustained is \$540,000.

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.

**L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

**Schedule of Funding Progress for the
Other Postemployment Benefits Plan
Fiscal Year Ended June 30, 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	\$9,318,300	\$9,318,300	0.0%	\$3,166,917	294%

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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OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

October 23, 2008

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*

**L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Houma, Louisiana**

We have audited the basic financial statements and the Schedule of Funding Progress for the Other Postemployment Benefits Plan of L.E. Fletcher Technical Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the years ended June 30, 2008 and June 30, 2007, and have issued our report thereon dated October 23, 2008. Our report was modified to include an emphasis of a matter regarding the impact of hurricanes Katrina and Rita and the implementation of new reporting standards. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered L.E. Fletcher Technical Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of L.E. Fletcher Technical Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of L.E. Fletcher Technical Community College'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 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 L.E. Fletcher Technical Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

This report is intended solely for the information and use of college management, the Louisiana Community and Technical College System, the Louisiana Community and Technical College System Board of Supervisors, others within the entity, 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

JMJ:JR:EFS:PEP:dl

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