

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



FINANCIAL STATEMENT AUDIT
ISSUED OCTOBER 11, 2006

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

LEGISLATIVE AUDIT ADVISORY COUNCIL

SENATOR J. "TOM" SCHEDLER, CHAIRMAN
REPRESENTATIVE CEDRIC RICHMOND, VICE CHAIRMAN

SENATOR ROBERT J. BARHAM
SENATOR WILLIE L. MOUNT
SENATOR EDWIN R. MURRAY
SENATOR BEN W. NEVERS, SR.
REPRESENTATIVE RICK FARRAR
REPRESENTATIVE HENRY W. "TANK" POWELL
REPRESENTATIVE T. TAYLOR TOWNSEND
REPRESENTATIVE WARREN J. TRICHE, JR.

LEGISLATIVE AUDITOR

STEVE J. THERIOT, CPA

DIRECTOR OF FINANCIAL AUDIT

PAUL E. PENDAS, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Seven copies of this public document were produced at an approximate cost of \$21.70. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.lla.state.la.us. When contacting the office, you may refer to Agency ID No. 3573 or Report ID No. 06502851 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

TABLE OF CONTENTS

	Page
Independent Auditor's Report on the Financial Statements.....	3
Management's Discussion and Analysis	5

Statement

Basic Financial Statements:

Statement of Net Assets.....	A.....	11
Statement of Revenues, Expenses, and Changes in Net Assets.....	B.....	13
Statement of Cash Flows	C.....	15
Notes to the Financial Statements		17

Exhibit

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A
--	---



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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

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

October 3, 2006

Independent Auditor's Report
on the Financial Statements

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 year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of management of L.E. Fletcher Technical Community College. Our responsibility is to express an opinion on these financial statements 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 opinion.

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, 2006, and the changes in its financial position and its cash flows, where applicable, for the year 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, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

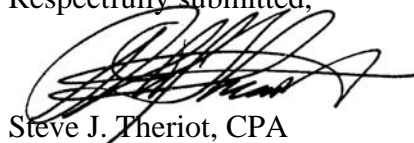
As discussed in note 1-N to the basic financial statements, L.E. Fletcher Technical Community College implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*, for the year ended June 30, 2006. However, the statements have no impact on the financial statements for fiscal year 2006.

As discussed in note 18 to the financial statements, 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 3, 2006, 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 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally 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.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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 year ended June 30, 2006. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with L.E. Fletcher's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

L.E. Fletcher's overall net assets changed from \$2.4 million to \$4.1 million or 71% from June 30, 2005, to June 30, 2006. The overall reasons for this change include:

- Acquisition of a new facility for the Allied Health Program
- 100% enrollment increase

Enrollment changed from 805 to 1,614 from June 30, 2005, to June 30, 2006, a change of 100%. The reason for this change is attributed to the following:

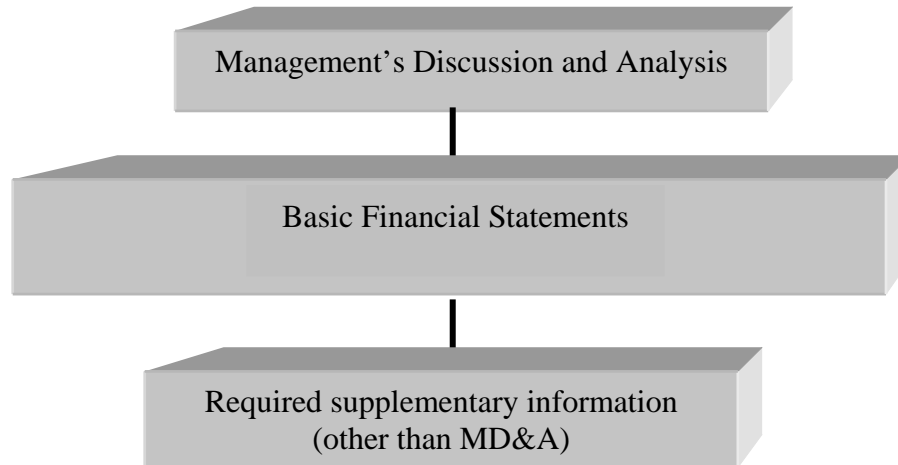
- New admission requirements at Nicholls State University
- Addition of several transferable general education classes
- Public relations activities regarding the services of the technical community college
- Hurricane Katrina displaced students

L.E. Fletcher's operating revenues changed from \$4.3 million to \$4.7 million or 9% from June 30, 2005, to June 30, 2006. Operating expenses, however, changed by 7% to \$7.7 million for the year ended June 30, 2006. The changes in enrollment as discussed above and the hiring of additional faculty members are the primary reasons for this change.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations. The change to \$3.7 million in 2006 from \$3.3 million in 2005 is attributed to additional funds provided from the Board of Regents for the growth of enrollment.

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 Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.



These financial statements consist of Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

Basic Financial Statements

The basic financial statements present information for 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 11) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of L.E. Fletcher is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 13-14) 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 15-16) 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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 college are included in the Statement of Net Assets.

FINANCIAL ANALYSIS

Statement of Net Assets (in thousands)

	Total	
	2006	2005 Restated
Current and other assets	\$2,968	\$1,702
Capital assets	2,295	1,283
Total assets	<u>5,263</u>	<u>2,985</u>
Current liabilities	758	450
Noncurrent liabilities	390	271
Total liabilities	<u>1,148</u>	<u>721</u>
Net assets:		
Invested in capital assets	2,295	1,283
Unrestricted	<u>1,820</u>	<u>1,112</u>
Total net assets	<u>\$4,115</u>	<u>\$2,395</u>

This schedule is prepared from L.E. Fletcher's Statement of Net Assets as shown on page 11, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Significant statement of net assets changes from 2005 include:

- Increase in capital assets because of the acquisition of a new facility for the Allied Health Program
- Increase in capital equipment which were acquired through donation
- Increase in tuition and fees because of 100% growth in student enrollment

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. Unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands)

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Student tuition and fees, net	\$1,072	\$744
Grants and contracts	3,122	2,862
Auxiliary, net	20	137
Other	522	603
Total operating revenues	<u>4,736</u>	<u>4,346</u>
Operating expenses:		
Education and general:		
Instruction	4,144	4,107
Academic support	1,094	285
Student services	282	303
Institutional support	913	1,359
Operations and maintenance of plant	498	264
Depreciation	184	226
Scholarships and fellowships	580	512
Other operating expenses	71	193
Total operating expenses	<u>7,766</u>	<u>7,249</u>
Operating income (loss)	<u>(3,030)</u>	<u>(2,903)</u>
Nonoperating Revenues (Expenses)		
State appropriations	3,706	3,322
Gifts	17	3
Other	8	5
Net nonoperating revenues (expenses)	<u>3,731</u>	<u>3,330</u>
Income before other revenues, expenses, gains, losses	701	427
Capital appropriations	750	
Capital grants and gifts	<u>269</u>	
Increase in Net Assets	1,720	427
Net assets at beginning of year, restated	<u>2,395</u>	<u>1,968</u>
Net assets at end of year	<u><u>\$4,115</u></u>	<u><u>\$2,395</u></u>

Nonoperating revenues increased by 12% to \$3.7 million, primarily attributable to increased state appropriations. State appropriations changed from \$3.3 million to \$3.7 million because of funds received from the Louisiana Board of Regents for growth in enrollment. L.E. Fletcher's total revenues increased by approximately \$789,000 or 10%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006, L.E. Fletcher had invested approximately \$2.3 million in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$1.01 million or 79% over 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>2006</u>	<u>2005</u>
Land	\$465	\$330
Buildings	1,228	533
Equipment	<u>602</u>	<u>420</u>
Total	<u>\$2,295</u>	<u>\$1,283</u>

This year's major additions included (in thousands):

- \$143 - Parking lot improvements
- \$750 - Allied Health Facility
- \$73 - Welding program equipment
- \$109 - Donations and acquisitions

Debt

The college has no bonds or notes outstanding at June 30, 2006, or at June 30, 2005.

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:

- Increase in enrollment because of increased admission standards at four-year institutions
- Increase in tuition or fees that were approved by the LCTCS Board for fall 2006
- Increase in state funds for building improvements to the Allied Health Facility
- Participation in the 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 Pamela Diez, Vice Chancellor for Finance and Administration, at (985) 857-3655.

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

Statement of Net Assets, June 30, 2006

ASSETS

Current assets:

Cash (note 2)	\$2,203,826
Receivables (note 3)	552,429
Due from federal government	201,644
Due from Louisiana Community and Technical College System	1,750
Inventories	8,106
Deferred charges and prepaid expenses	380
Total current assets	<u>2,968,135</u>

Noncurrent assets - capital assets, net (note 4)

2,295,031

Total assets

5,263,166

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 9)	455,449
Due to federal government	390
Deferred revenues (note 10)	283,539
Compensated absences payable (note 11)	7,379
Amounts held in custody for others	11,727
Total current liabilities	<u>758,484</u>

Noncurrent liabilities -

compensated absences payable (note 11)	<u>389,712</u>
--	----------------

Total liabilities

1,148,196

NET ASSETS

Invested in capital assets	2,295,031
Unrestricted	<u>1,819,939</u>

Total net assets

\$4,114,970

The accompanying notes are an integral part of this statement.

This page is intentionally blank.

**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 Year Ended June 30, 2006**

OPERATING REVENUES

Student tuition and fees	\$1,450,127
Less scholarship allowances	(378,010)
Net student tuition and fees	<u>1,072,117</u>
Federal grants and contracts	1,704,148
State and local grants and contracts	1,416,487
Sales and services of educational departments	362,332
Auxiliary enterprise revenues	19,948
Interagency revenues	9,233
Other operating revenues	<u>150,896</u>
Total operating revenues	<u><u>4,735,161</u></u>

OPERATING EXPENSES

Educational and general:	
Instruction	4,143,755
Academic support	1,093,847
Student services	281,628
Institutional support	913,549
Operations and maintenance of plant	497,658
Depreciation (note 4)	184,016
Scholarships and fellowships	580,098
Auxiliary enterprise expenses	23,064
Interagency expenses	<u>47,592</u>
Total operating expenses	<u><u>7,765,207</u></u>

OPERATING LOSS (3,030,046)

(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 Revenues, Expenses,
and Changes in Net Assets, 2006**

NONOPERATING REVENUES	
State appropriations	\$3,706,045
Gifts	16,783
Net investment income	8,482
Total nonoperating revenues	<u>3,731,310</u>
Income Before Other Revenues	701,264
Capital appropriations	750,000
Capital grants and gifts	268,821
Total other revenues	<u>1,018,821</u>
INCREASE IN NET ASSETS	1,720,085
NET ASSETS AT BEGINNING OF YEAR, RESTATED (note 5)	<u>2,394,885</u>
NET ASSETS AT END OF YEAR	<u><u>\$4,114,970</u></u>

(Concluded)

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
For the Year Ended June 30, 2006**

Cash Flows From Operating Activities:

Tuition and fees	\$797,415
Grants and contracts	3,115,786
Sales and services to education departments	362,332
Auxiliary enterprise receipts	19,948
Payments for employee compensation	(3,052,966)
Payments for benefits	(1,051,707)
Payments for utilities	(184,613)
Payments for supplies and services	(1,919,362)
Payments for scholarships and fellowships	(987,712)
Other receipts	160,129
Net cash provided (used) by operating activities	<u>(2,740,750)</u>

Cash Flows From Noncapital Financing Activities:

State appropriations	3,706,045
Gifts and grants for other than capital purposes	16,783
TOPS receipts	36,697
TOPS disbursements	(36,697)
Net cash provided by noncapital financing sources	<u>3,722,828</u>

Cash Flows From Capital Financing Activities:

Purchases of capital assets	(177,234)
Net cash used by capital financing activities	<u>(177,234)</u>

Cash Flows From Investing Activities:

Interest received on investments	8,482
Increase in deposits held for others	9,576
Net cash provided by investing activities	<u>18,058</u>

Net Increase in Cash 822,902

(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, 2006**

Cash at Beginning of Year	<u>\$1,380,924</u>
Cash at End of Year	<u><u>\$2,203,826</u></u>
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	(\$3,030,046)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	184,016
Changes in assets and liabilities:	
Increase in accounts receivable	(334,225)
Decrease in inventories	14,983
Decrease in deferred charges and prepaid expenses	4,833
Increase in accounts payable	279,876
Increase in deferred revenue	60,844
Increase in compensated absences	78,579
Increase in other liabilities	<u>390</u>
Net cash used by operating activities	<u><u>(\$2,740,750)</u></u>
Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions:	
Non-cash state appropriations and grants for property	\$1,018,821

(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 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. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The college has 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.

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 boards 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 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.

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 for fiscal year 2006 are as follows:

Original approved budget	\$4,763,744
Net increase (decrease):	
State General Fund direct	(217,503)
Self-generated revenue	583,663
Other	<u>450,000</u>
Final Budget	<u><u>\$5,579,904</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, as well as the unearned cooperative endeavor receipts described in note 14.

I. NONCURRENT LIABILITIES

Noncurrent liabilities include estimated amounts for accrued compensated absences 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.
- (b) 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.

L. CLASSIFICATION OF REVENUES

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.

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 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, 2006, the college implemented GASB Statements No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits*. The statements had no impact on reporting for the college.

2. CASH

At June 30, 2006, the college has cash (book balances) of \$2,203,826 as follows:

Petty cash	\$400
Demand deposits	<u>2,203,426</u>
Total	<u><u>\$2,203,826</u></u>

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits 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.

3. RECEIVABLES

Receivables, which are scheduled for collection within one year, are shown in the following table. No allowance for doubtful accounts has been established.

<u>Type</u>	<u>Accounts Receivable</u>
Student tuition and fees	\$62,706
State and local grants and contracts	<u>489,723</u>
Total	<u><u>\$552,429</u></u>

4. CHANGES IN CAPITAL ASSETS

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

	Balance July 1, 2005	Prior Period Adjustment	Adjusted Balance July 1, 2005	Additions	Transfers	Retirements	Balance June 30, 2006
Capital assets not being depreciated - land	\$330,000		\$330,000				\$330,000
Total capital assets not being depreciated	\$330,000	NONE	\$330,000	NONE	NONE	NONE	\$330,000
Other capital assets:							
Land improvements				\$142,588			\$142,588
Less accumulated depreciation				(7,129)			(7,129)
Total land improvements	NONE	NONE	NONE	135,459	NONE	NONE	135,459
Buildings	\$2,413,847		\$2,413,847	750,000			3,163,847
Less accumulated depreciation	(1,847,129)	(\$33,627)	(1,880,756)	(55,310)			(1,936,066)
Total buildings	566,718	(33,627)	533,091	694,690	NONE	NONE	1,227,781
Equipment	1,389,911		1,389,911	230,646	\$277,339	(\$85,711)	1,812,185
Less accumulated depreciation	(898,503)	(71,507)	(970,010)	(121,577)	(204,518)	85,711	(1,210,394)
Total equipment	491,408	(71,507)	419,901	109,069	72,821	NONE	601,791
Total other capital assets	\$1,058,126	(\$105,134)	\$952,992	\$939,218	\$72,821	NONE	\$1,965,031
Capital asset summary:							
Capital assets not being depreciated	\$330,000		\$330,000				\$330,000
Other capital assets, at cost	3,803,758		3,803,758	\$1,123,234	\$277,339	(\$85,711)	5,118,620
Total cost of capital assets	4,133,758	NONE	4,133,758	1,123,234	277,339	(85,711)	5,448,620
Less accumulated depreciation	(2,745,632)	(\$105,134)	(2,850,766)	(184,016)	(204,518)	85,711	(3,153,589)
Capital assets, net	\$1,388,126	(\$105,134)	\$1,282,992	\$939,218	\$72,821	NONE	\$2,295,031

5. PRIOR-YEAR RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets for June 30, 2006:

Net assets July 1, 2005, previously reported	\$2,369,162
Prior period adjustments:	
Accumulated depreciation	(105,134)
Grants and contracts	130,857
Net assets July 1, 2005, as restated	<u>\$2,394,885</u>

6. PENSION PLANS

Plan Description. Substantially all employees of the college are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers Retirement System of Louisiana (TRSLA), and classified and unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). 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 for the retirement systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or calling (225) 922-0600.

Funding Policy. The contribution requirements of employee plan members and the college are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRSLA) and 7.5% (LASERS) of covered salaries. The state is required to contribute 15.9% of covered salaries to TRSLA and 19.1% of covered salaries to LASERS for fiscal year 2006. 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, 2006, 2005, and 2004 were \$363,180, \$275,720, and \$210,288, respectively, and to LASERS for the years ended June 30, 2006, 2005, and 2004 were \$82,493, \$83,753, and \$68,936, respectively, equal to the required contributions for each year.

7. OPTIONAL RETIREMENT SYSTEM

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

Total contributions by the college are 15.9% of the covered payroll for fiscal year 2006. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the 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 \$28,032 and \$15,469, respectively, for the year ended June 30, 2006.

8. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

L.E. Fletcher Technical Community College provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the college's employees become eligible for those benefits if they reach normal retirement age while working for the college. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the college. The college recognizes the cost of providing these benefits to retirees (college's portion of premiums) as an expense when paid during the year. These retiree benefits, for 20 retirees, totaled \$198,835 for the year ended June 30, 2006.

9. ACCOUNTS PAYABLE AND ACCRUALS

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

<u>Account Name</u>	
Vendor payables	\$262,631
Accrued salaries and payroll deductions	<u>192,818</u>
Total payables	<u><u>\$455,449</u></u>

10. DEFERRED REVENUES

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

<u>Account Name</u>	
Cooperative endeavor agreement (note 14)	\$75,000
Prepaid tuition and fees	146,720
Grants and contracts	<u>61,819</u>
Total deferred revenues	<u><u>\$283,539</u></u>

11. COMPENSATED ABSENCES

The liability for unused annual leave, sick leave, and compensatory leave at June 30, 2006, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60, is estimated to be \$224,568, \$170,060, and \$2,463, respectively. The leave payable is recorded in the accompanying financial statements.

At June 30, 2006, employees of the college have accumulated and vested annual, sick, and compensatory leave of \$397,091. A summary of changes in compensated absences follows:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Amounts due within one year
Compensated absences payable	\$318,512	\$166,340	\$87,761	\$397,091	\$7,379

12. LEASE OBLIGATIONS

The college had no operating leases, capital leases, or lessor direct financing leasing in effect during the fiscal year ended June 30, 2006

13. CONTINGENT LIABILITIES AND RISK MANAGEMENT

The college is not involved in any lawsuits at June 30, 2006. 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 year 2006, 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 Program (ADRN) 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 L.E. Fletcher Technical Community 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.

15. HURRICANES KATRINA AND RITA

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 damages sustained by the state, it is unknown exactly 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 Louisiana Community and Technical College System lost significant assets and operational functionality as a result of the hurricanes. The long-term effects of these events on L.E. Fletcher Technical Community College cannot be determined at this time.

16. 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.

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 reportable conditions and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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

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

October 3, 2006

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 of L.E. Fletcher Technical Community College, a college within the Louisiana Community and Technical College System, which is a component unit of the State of Louisiana, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 3, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

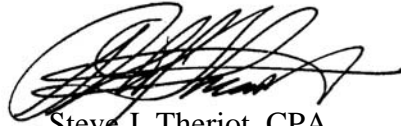
Compliance and Other Matters

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, 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 L.E. Fletcher Technical Community College and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

JMJ:JR:PEP:dl

[LEFTCC06]