

ELAINE P. NUNEZ COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA



ACCOUNTANT'S REVIEW REPORT  
ISSUED FEBRUARY 27, 2008

**LEGISLATIVE AUDITOR**  
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	Page
Accountant’s Review Report .....	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**

Management Letter .....	A
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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

February 1, 2008

Accountant's Review Report

**ELAINE P. NUNEZ COMMUNITY COLLEGE**  
**LOUISIANA COMMUNITY AND**  
**TECHNICAL COLLEGE SYSTEM**  
**STATE OF LOUISIANA**  
Chalmette, Louisiana

We have reviewed the accompanying basic financial statements as listed in the table of contents of Elaine P. Nunez Community College (Nunez Community College), a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2007, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of Nunez Community College.

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

As discussed in note 1-B to the basic financial statements, the accompanying financial statements of Nunez 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 Nunez Community College. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System or the State of Louisiana as of June 30, 2007, and the changes in its financial position and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these separate events and the resulting damages sustained, it is unknown what economic impact the recovery costs will have on state and local governmental operations in Louisiana. While Nunez Community College suffered severe damage from Hurricane Katrina, the community college was able to reopen its campus after critical repairs were made.

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

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

KML:JR:PEP:sr/dl

NCC07

The Management's Discussion and Analysis of Elaine P. Nunez Community College's financial performance presents a narrative overview and analysis of Elaine P. Nunez Community College's financial activities for the year ended June 30, 2007. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with Elaine P. Nunez Community College's financial statements, which begin on page 11.

### FINANCIAL HIGHLIGHTS

Elaine P. Nunez Community College's net assets increased from \$10.5 million to \$10.9 million or 3.8% from June 30, 2006, to June 30, 2007. The overall reasons for the change included the following:

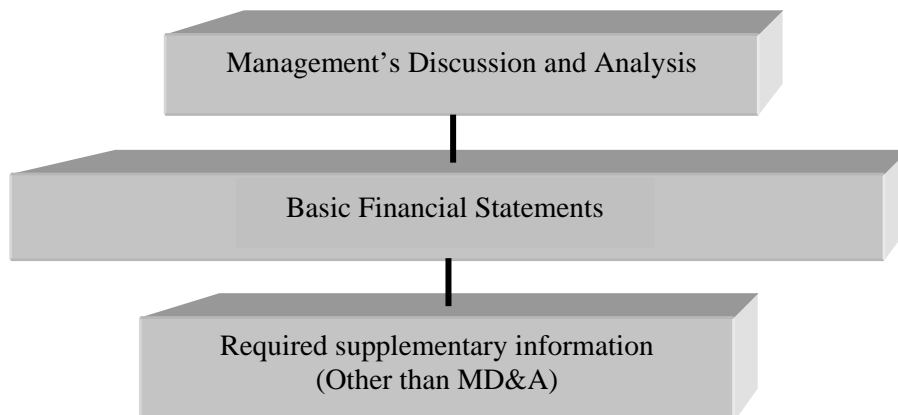
Enrollment changed from 767 to 1,216 from spring 2006 to spring 2007, a change of 59%, which is mostly attributable to students returning to the college's local service area after being displaced by Hurricane Katrina, as well as the return of many academic programs that had been suspended or reduced in scope because of Hurricane Katrina. Also, the change related to an increase in capital assets replacement for items lost during Hurricane Katrina.

Elaine P. Nunez Community College's operating revenues decreased from \$5.0 million to \$4.9 million or 2.7% from June 30, 2006, to June 30, 2007. Operating expenses, however, increased by 10.8% to \$11.6 million for the year ended June 30, 2007. The changes are the result of a reduction in funding from Hurricane Katrina recovery assistance efforts from various sources and changes in enrollment as discussed above.

Nonoperating revenues (expenses) fluctuate depending on levels of state operating and capital appropriations. The change to \$5.3 million in 2007 from \$4.4 million in 2006 is attributable to the partial reinstatement of prior state budget cuts as a result of Hurricane Katrina.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

### **Basic Financial Statements**

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

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

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

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

The financial statements provide both long-term and short-term information about Elaine P. Nunez Community College's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

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

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

	Total	
	2007	2006
Current and other assets	\$3,250	\$2,889
Capital assets	9,113	9,089
Total assets	<u>12,363</u>	<u>11,978</u>
Liabilities	<u>1,444</u>	<u>1,458</u>
Net assets:		
Invested in capital assets, net of debt	9,113	9,089
Restricted	1,519	672
Unrestricted	287	759
Total net assets	<u><u>\$10,919</u></u>	<u><u>\$10,520</u></u>

This schedule is prepared from Elaine P. Nunez Community College's statement of net assets as shown on page 11, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Significant statement of net asset changes from 2006 includes the following:

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

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

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Student tuition and fees, net	\$1,241	\$781
Grants and contracts	3,239	3,945
Auxiliary	33	27
Other	342	234
Total operating revenues	<u>4,855</u>	<u>4,987</u>
Operating expenses:		
Education and general:		
Instruction	3,816	3,151
Academic support	927	445
Student services	619	621
Institutional support	1,768	1,904
Operations and maintenance of plant	2,219	1,206
Depreciation	432	315
Scholarships and fellowships	1,779	2,860
Other operating expenses	74	
Total operating expenses	<u>11,634</u>	<u>10,502</u>
Operating income (loss)	<u>(6,779)</u>	<u>(5,515)</u>
Nonoperating revenues (expenses):		
State appropriations	4,939	3,437
Gifts	263	751
Other nonoperating revenues	72	224
Net nonoperating revenues	<u>5,274</u>	<u>4,412</u>
Income (loss) before other revenues, expenses, gains and losses	(1,505)	(1,103)
Capital appropriations	1,428	1,369
Additions to permanent endowments	23	12
Other additions, net	453	1,998
Extraordinary item - loss on impairment of capital assets		(9,348)
Change in Net Assets	<u>399</u>	<u>(7,072)</u>
Net assets at the beginning of the year, restated	<u>10,520</u>	<u>17,592</u>
Net assets at the end of the year	<u>\$10,919</u>	<u>\$10,520</u>

Nonoperating revenues increased by 20% to \$5.3 million and state appropriations increased from \$3.4 million to \$4.9 million primarily attributable to the partial reinstatement of prior year state budget cuts as a result of Hurricane Katrina.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2007, Elaine P. Nunez Community College had invested approximately \$9.1 million in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$24,000 or 0.2% over the previous fiscal year. More detailed information about the college's capital assets is presented in note 5 to the financial statements.

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

	2007	2006
Land	\$1,961	\$1,961
Land improvements	25	29
Construction-in-progress	3	3
Buildings	6,537	6,793
Equipment	587	303
Total	\$9,113	\$9,089

### Debt

Elaine P. Nunez Community College has no bonds or notes outstanding at June 30, 2006, 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:

- Continued increase in enrollment as a result of the return of the hurricane-displaced population
- Restoration of the state budget cuts as enrollment returns
- Significant new or additional capital appropriations and grants from the state of Louisiana and the Federal Emergency Management Agency to restore buildings damaged by the 2005 hurricane

**CONTACTING THE ELAINE P. NUNEZ COMMUNITY  
COLLEGE'S MANAGEMENT**

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of Elaine P. Nunez Community College's finances and to show Elaine P. Nunez Community College's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact the Chief Financial Officer at (504) 278-7300 or the Controller at (504) 278-7471.

**ELAINE P. NUNEZ COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

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

**ASSETS**

Current assets:

Cash and cash equivalents (note 2)	\$1,543,539
Receivables, net (note 4)	925,431
Due from others	341,995
Deferred charges and prepaid expenses	9,455
<b>Total current assets</b>	<u>2,820,420</u>

Noncurrent assets:

Restricted assets:

Cash and cash equivalents (note 2)	156,316
Investments (note 3)	273,171
Capital assets, net (note 5)	9,113,039
<b>Total noncurrent assets</b>	<u>9,542,526</u>

**Total assets**

12,362,946

**LIABILITIES**

Current liabilities:

Accounts payable and accrued liabilities (note 9)	674,047
Deferred revenues (note 10)	91,609
Compensated absences payable (note 12)	17,561
<b>Total current liabilities</b>	<u>783,217</u>

Noncurrent liabilities:

Amounts held in custody for others (note 12)	2,775
Compensated absences payable (note 12)	657,844
<b>Total noncurrent liabilities</b>	<u>660,619</u>

**Total liabilities**

1,443,836

**NET ASSETS**

Invested in capital assets	9,113,039
Restricted for:	
Nonexpendable (note 13)	428,670
Expendable (note 13)	1,089,964
Unrestricted	287,437

**TOTAL NET ASSETS**

\$10,919,110

See accompanying notes and accountant's review report.

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**ELAINE P. NUNEZ 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, 2007**

**OPERATING REVENUES**

Student tuition and fees	\$1,763,928
Less scholarship allowances	(522,952)
Net student tuition and fees	<u>1,240,976</u>
Federal grants and contracts	2,471,518
State and local grants and contracts	767,364
Sales and services of educational departments	161,421
Auxiliary enterprise revenues	32,564
Other operating revenues	<u>180,849</u>
Total operating revenues	<u>4,854,692</u>

**OPERATING EXPENSES**

Education and general:	
Instruction	3,816,233
Academic support	926,858
Student services	619,250
Institutional support	1,767,505
Operations and maintenance of plant	2,219,220
Depreciation	431,772
Scholarships and fellowships	1,779,151
Auxiliary enterprises	2,475
Other operating expenses	<u>71,503</u>
Total operating expenses	<u>11,633,967</u>

**Operating Loss** (6,779,275)

(Continued)

See accompanying notes and accountant's review report.

**ELAINE P. NUNEZ COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
Statement of Revenues, Expenses,  
and Changes in Net Assets, 2007**

**NONOPERATING REVENUES**

State appropriations	\$4,938,826
Gifts	262,500
Interest income	71,236
Other nonoperating revenues	1,343
<b>Nonoperating revenues</b>	<u>5,273,905</u>
 <b>Income (loss) before other revenues, expenses, gains and losses</b>	 (1,505,370)
 Capital appropriations	 1,428,241
Additions to permanent endowments	22,839
Other additions	<u>453,130</u>
 Increase in Net Assets	 <u>398,840</u>
 <b>NET ASSETS AT BEGINNING OF YEAR (Restated) (Note 17)</b>	 <u>10,520,270</u>
 <b>NET ASSETS AT END OF YEAR</b>	 <u><u>\$10,919,110</u></u>

(Concluded)

See accompanying notes and accountant's review report.

**ELAINE P. NUNEZ COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

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

**Cash flows from operating activities:**

Tuition and fees	\$1,115,817
Grants and contracts	3,605,733
Sales and services of educational departments	161,421
Auxiliary enterprise receipts	32,564
Payments for employee compensation	(4,495,199)
Payments for benefits	(1,267,395)
Payments for utilities	(134,766)
Payments for supplies and services	(3,448,461)
Payments for scholarships and fellowships	(1,779,151)
Other receipts	221,738
<b>Net cash used by operating activities</b>	<u>(5,987,699)</u>

**Cash flows from noncapital financing activities:**

State appropriations	4,603,665
Gifts and grants from other than capital purposes	262,500
Private gifts for endowment purposes	22,839
TOPS receipts	36,681
TOPS disbursements	(36,681)
Direct lending receipts	115,283
Direct lending disbursements	(115,283)
<b>Net cash provided by noncapital financing sources</b>	<u>4,889,004</u>

**Cash flows from capital financing activities:**

Capital appropriations received	1,428,241
Other sources	(2,204)
<b>Net cash provided by capital financing activities</b>	<u>1,426,037</u>

**Cash flows from investing activities:**

Interest received on investments	71,236
Purchase of investments	(5,669)
<b>Net cash provided by investing activities</b>	<u>65,567</u>

(Continued)

See accompanying notes and accountant's review report.

**ELAINE P. NUNEZ COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
Statement of Cash Flows, 2007**

<b>Net increase in cash and cash equivalents</b>	\$392,909
<b>Cash and cash equivalents at beginning of year</b>	<u>1,306,946</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$1,699,855</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	(\$6,779,275)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	431,772
Changes in assets and liabilities:	
Decrease in accounts receivable, net	380,765
(Increase) in deferred charges and prepaid expenses	(2,355)
Decrease in notes receivable	952
(Decrease) in accounts payable and accrued liabilities	(94,513)
Increase in deferred revenue	3,453
Increase in compensated absences	<u>71,502</u>
<b>Net cash used by operating activities</b>	<u><u>(\$5,987,699)</u></u>

(Concluded)

See accompanying notes and accountant's review report.

## **INTRODUCTION**

Elaine P. Nunez Community College is a publicly supported institution of higher education. The college is part of the Louisiana Community and Technical College System, which is a component unit of the State of Louisiana, within the executive branch of government. The college is under 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 Board of Regents for Higher Education. As a state college, operations of Elaine P. Nunez's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the college is the chancellor.

The Elaine P. Nunez Community College main campus is located in Chalmette. Student enrollment at June 30, 2007, is 1,216 and the college employs approximately 128 full-time faculty and staff members.

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. BASIS OF PRESENTATION**

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

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

#### **B. REPORTING ENTITY**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Elaine P. Nunez Community College is part of the Louisiana Community and Technical College System, which is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the colleges within the system primarily serve state residents. The accompanying college financial statements present information only as to the transactions of the programs of Elaine P. Nunez Community College.

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

**C. BASIS OF ACCOUNTING**

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

**D. BUDGET PRACTICES**

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

The original approved budget and subsequent approved amendments for fiscal year 2007 are as follows:

Original approved budget	\$7,456,356
Increase - state General Fund	1,117,970
Decrease - self-generated	<u>(749,626)</u>
Final budget	<u><u>\$7,824,700</u></u>

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

**E. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash includes cash on hand, interest-bearing demand deposits, and certificates of deposit. Under state law, the college may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of

the United States. Furthermore, the college may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

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

#### **F. RESTRICTED CASH AND INVESTMENTS**

Restricted cash and investments that are externally restricted for scholarships, grants, and endowments or to purchase or construct capital assets are classified as noncurrent restricted assets in the Statement of Net Assets.

#### **G. CAPITAL ASSETS**

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

#### **H. DEFERRED REVENUES**

Deferred revenues include amounts received for tuition and fees prior to the end of the fiscal year, which are related to subsequent accounting periods.

**I. COMPENSATED ABSENCES**

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

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

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

**J. NONCURRENT LIABILITIES**

Noncurrent liabilities include estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

**K. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

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

**L. NET ASSETS**

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

- (a) Invested in capital assets consists of the college's total investment in capital assets, net of accumulated depreciation.

- (b) Restricted - nonexpendable consists of endowment and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- (c) Restricted - expendable consists of resources that the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties and enabling legislation.
- (d) Unrestricted consists of resources derived from student tuition and certain fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the college and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

#### **M. CLASSIFICATION OF REVENUES**

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

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

#### **N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for 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.

**O. ELIMINATING INTERFUND ACTIVITY**

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

**2. CASH AND CASH EQUIVALENTS**

At June 30, 2007, the college has cash and cash equivalents (book balances) of \$1,699,855 as follows:

Petty cash	\$200
Demand deposits	1,304,673
Certificates of deposit	<u>394,982</u>
 Total	 <u><u>\$1,699,855</u></u>

Custodial credit risk is the risk that in the event of a bank failure, the college’s deposits may not be recovered. Under state law, the college’s deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the college or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2007, \$1,945,332 of the college’s total bank balance of \$2,150,021 was uninsured and collateralized with securities held by pledging institutions and therefore exposed to custodial credit risk.

**3. INVESTMENTS**

At June 30, 2007, the college has restricted investments totaling \$273,171. The college does not maintain investment accounts. The amount of matching funds received by Nunez Community College from the State of Louisiana Board of Regents pursuant to the endowed chair and professorship program are held and invested by the college’s foundation in an external investment pool managed in accordance with the terms outlined in a management agreement executed between the college and the foundation.

<u>Type of Investment</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Investments held by private foundation - external investment pool	<u>\$273,171</u>	<u>\$273,171</u>

**4. RECEIVABLES**

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

<u>List Type</u>	<u>Receivables</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Student tuition and fees	\$234,733	(\$27,400)	\$207,333
Federal, state, and private grants and contracts	684,246		684,246
Other	<u>33,852</u>		<u>33,852</u>
Total	<u>\$952,831</u>	<u>(\$27,400)</u>	<u>\$925,431</u>

**5. CHANGES IN CAPITAL ASSETS**

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

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$1,961,316			\$1,961,316
Construction-in-progress	3,225			3,225
Total capital assets not being depreciated	<u>\$1,964,541</u>	<u>NONE</u>	<u>NONE</u>	<u>\$1,964,541</u>
Other capital assets:				
Land improvements	\$71,562			\$71,562
Less accumulated depreciation	(43,680)	(\$3,578)		(47,258)
Total land improvements	<u>27,882</u>	<u>(3,578)</u>	<u>NONE</u>	<u>24,304</u>
Buildings	8,292,536			8,292,536
Less accumulated depreciation	(1,499,191)	(256,276)		(1,755,467)
Total buildings	<u>6,793,345</u>	<u>(256,276)</u>	<u>NONE</u>	<u>6,537,069</u>
Equipment	544,939	455,334	(\$160,684)	839,589
Less accumulated depreciation	(241,230)	(171,918)	160,684	(252,464)
Total equipment	<u>303,709</u>	<u>283,416</u>	<u>NONE</u>	<u>587,125</u>
Total other capital assets	<u>\$7,124,936</u>	<u>\$23,562</u>	<u>NONE</u>	<u>\$7,148,498</u>
Capital asset summary:				
Capital assets not being depreciated	\$1,964,541			\$1,964,541
Other capital assets, at cost	8,909,037	\$455,334	(\$160,684)	9,203,687
Total cost of capital assets	<u>10,873,578</u>	<u>455,334</u>	<u>(160,684)</u>	<u>11,168,228</u>
Less accumulated depreciation	(1,784,101)	(431,772)	160,684	(2,055,189)
Capital assets, net	<u>\$9,089,477</u>	<u>\$23,562</u>	<u>NONE</u>	<u>\$9,113,039</u>

## 6. PENSION PLANS

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

*Funding Policy.* The contribution requirements of 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 8.0% (TRS) and 7.5%-8.0% (LASERS) of covered salaries. In fiscal year 2007, the state contributed 15.8% of covered salaries to TRS and 19.1% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to the college, funds the college's employer contribution. The college's employer contributions to TRS for the years ended June 30, 2007, 2006, and 2005 were \$422,764; \$419,381; and \$579,374, respectively, and to LASERS for the years ended June 30, 2007, 2006, and 2005 were \$128,125; \$126,144; and \$164,515, respectively equal to the required contributions 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 TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

Total contributions by the college are 15.8% of the covered payroll for fiscal year 2007. The participant's contribution (8.0%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer contributions to the optional retirement plan for the years ended June 30, 2007, 2006, and 2005 totaled \$80,063; \$83,635; and 106,885, respectively, and employee contributions for the years ended June 30, 2007, 2006, and 2005 totaled \$40,538; \$42,081; and \$55,166, respectively.

**8. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

Elaine P. Nunez 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 these benefits if they reach normal retirement age while working for the college. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the college. The college recognizes the cost of providing these benefits to retirees (college's portion of premiums) as an expense when paid during the year. These benefits, for 31 retirees, totaled \$181,951 for the year ended June 30, 2007.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

<u>Account Name</u>	
Vendor payables	\$222,133
Accrued salaries and payroll deductions	446,423
Due to State Treasury	<u>5,491</u>
 Total payables	 <u><u>\$674,047</u></u>

**10. DEFERRED REVENUES**

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

<u>Account Name</u>	
Prepaid tuition and fees	<u><u>\$91,609</u></u>

**11. COMPENSATED ABSENCES**

At June 30, 2007, employees of the college have accumulated and vested annual leave, sick leave, and compensatory leave of \$259,785; \$390,082; and \$25,538, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

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

The following is a summary of long-term liability transactions of the college for the year ended June 30, 2007:

	Balance June 30, 2006	Increase (Decrease)	Balance June 30, 2007	Amounts Due Within One Year
Compensated absences payable	\$603,903	\$71,502	\$675,405	\$17,561
Amounts held in custody for others	<u>2,775</u>		<u>2,775</u>	
Total long-term liabilities	<u>\$606,678</u>	<u>\$71,502</u>	<u>\$678,180</u>	<u>\$17,561</u>

**13. RESTRICTED NET ASSETS**

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

Nonexpendable - endowments	<u>\$428,670</u>
Expendable:	
Grants and contracts	\$124,400
Endowed professorships and scholarships	16,618
Student aid	69,618
House Bill 765 - Storm Recovery	341,995
Student technology fee	338,322
CISCO	13,780
Murphy Oil BOT	96,010
Maintenance reserve	63,487
Site development construction enhancement	10,000
Other	<u>15,734</u>
Total expendable	<u>\$1,089,964</u>

**14. CONTINGENT LIABILITIES  
AND RISK MANAGEMENT**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management or by appropriation from the legislature and not the college. The college was involved in one lawsuit at June 30, 2007, in which the plaintiffs are seeking claims totaling \$50,000. In the opinion of the legal counsel, the college will prevail in the lawsuit.

**15. DEFERRED COMPENSATION PLAN**

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

**16. NET ASSETS RESTRICTED BY ENABLING LEGISLATION**

Of the total net assets reported in the Statement of Net Assets for the year ended June 30, 2007, the following is restricted by enabling legislation:

Student technology fee	<u><u>\$338,322</u></u>
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**17. RESTATEMENT OF NET ASSETS BEGINNING OF YEAR**

Net assets at June 30, 2006	\$10,771,863
Changes in capital assets	<u>(251,593)</u>
Net assets restated at June 30, 2006	<u><u>\$10,520,270</u></u>

## Management Letter





LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

February 1, 2008

**ELAINE P. NUNEZ COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
New Orleans, Louisiana

We have reviewed the financial statements of Elaine P. Nunez Community College, as of and for the year ended June 30, 2007, and have issued our accountant's review report thereon dated February 1, 2008. Elaine P. Nunez Community College (Nunez Community College) is a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana. The college's accounts are an integral part of the Louisiana Community and Technical College System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

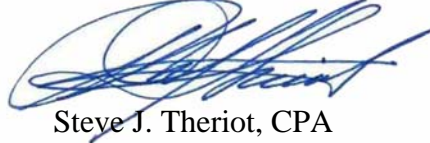
Our review of the financial statements did not disclose any transactions entered into by the college during the year that were both significant and unusual or transactions for which there is a lack of authoritative guidance.

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

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting Nunez Community College's internal control, compliance with applicable laws and regulations, and operational efficiencies was not an objective of our procedures. Accordingly, our review procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, during our review procedures, we noted no significant matters requiring recommendations to management concerning internal control, compliance, or operational efficiencies.

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

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

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