

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

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2003

February 25, 2004



DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

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

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2003

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 office of the Legislative Auditor.

February 25, 2004

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

Basic Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2003

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February 18, 2004

Independent Auditor's Report
on the Financial Statements

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

We have audited the accompanying basic financial statements of Baton Rouge Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2003. These financial statements are the responsibility of management of Baton Rouge Community College. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the BRCC Facilities Corporation, which represents 67% and 97%, respectively, of the assets and of the liabilities on the Baton Rouge Community College's Statement of Net Assets. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the BRCC Facilities Corporation, is based on the report of the other auditors.

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

As discussed in note 1-B, the accompanying financial statements of Baton Rouge Community College are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Louisiana Community and Technical College System that is attributable to the transactions of Baton Rouge Community College. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System as of June 30, 2003, 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.

LEGISLATIVE AUDITOR

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Audit Report, June 30, 2003

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to previously present fairly, in all material respects, the financial position of Baton Rouge Community College as of June 30, 2003, and its changes in financial position, including 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-B, the BRCC Facilities Corporation has been blended into Baton Rouge Community College's basic financial statements for the year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2004, on our consideration of Baton Rouge Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 4 through 11 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 primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



Grover C. Austin, CPA
First Assistant Legislative Auditor

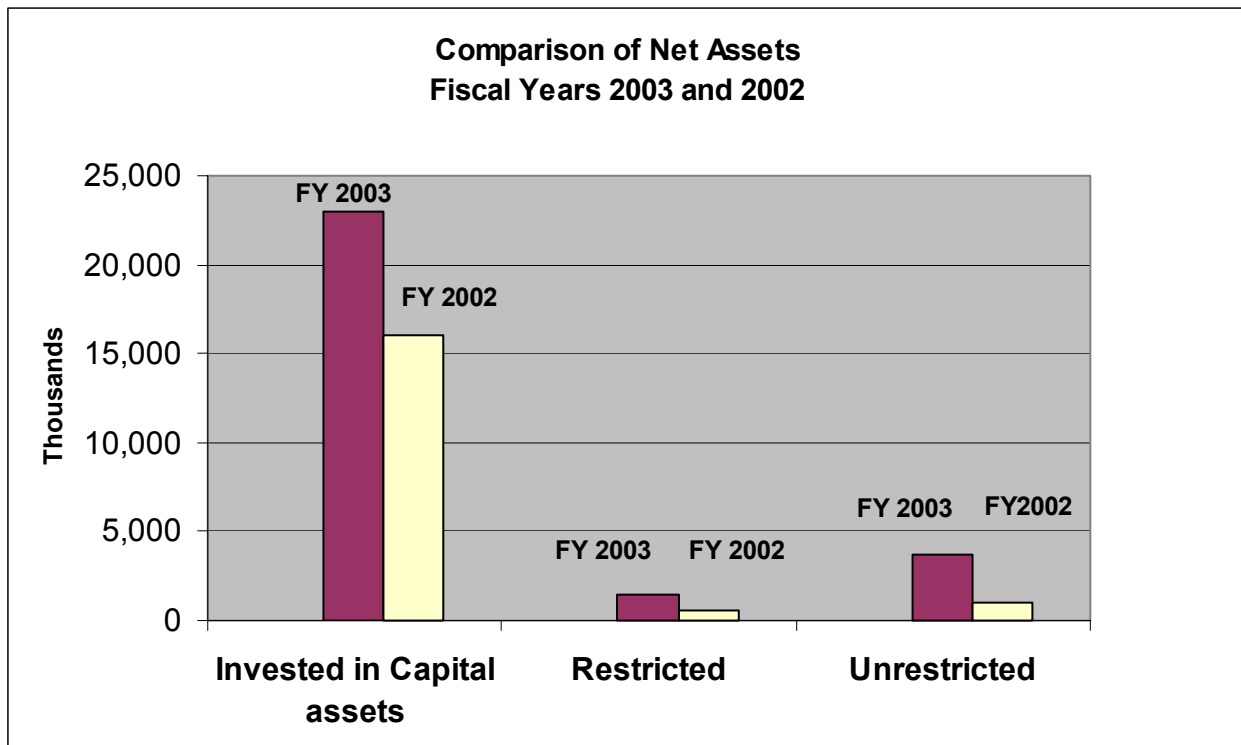
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**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Baton Rouge Community College's (BRCC) annual financial report presents a discussion and analysis of BRCC's financial performance during the fiscal year that ended June 30, 2003. Please read this section in conjunction with BRCC's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS



BRCC's net assets overall changed from \$17,716,794 to \$28,100,376 or 59% from June 30, 2002, to June 30, 2003. The overall reasons for this change was the completion of the second building (Louisiana) on campus, the transfer of the State Police land and buildings, and revenue exceeded expenses because of large enrollment growth.

Enrollment (fall 2001 Headcount to fall 2002 Headcount) changed from 4,180 to 4,842, a change of 15.8%. The reason for this change is attributed to continuing enrollment growth.

BRCC's operating revenues increased from \$5,225,231 to \$7,729,042 or 48% from June 30, 2002, to June 30, 2003. Operating expenses changed from \$13,188,943 to \$14,400,805 or 9% for the year ended June 30, 2003. The changes in enrollment as discussed above is the primary reason for these increases.

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

Management's Discussion and Analysis (Continued)

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating appropriations. The change to \$9,444,298 in 2003 from \$7,937,690 in 2002 is attributed to growth in enrollment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts: *Management's Discussion and Analysis* (this section), the basic financial statements, and the notes to the financial statements.

The basic financial statements present information for the 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 12) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the college is improving or deteriorating.

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

The Statement of Cash Flows (pages 14-15) presents information showing how the 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 Statement No. 34.

The financial statements provide both long-term and short-term information about BRCC'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.

BRCC'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 Fund Net Assets. All assets and liabilities associated with the operation of BRCC are included in the Statement of Net Assets.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Management's Discussion and Analysis (Continued)

The Statement of Net Assets reports BRCC's net assets. Net assets, the difference between BRCC's assets and liabilities, measure BRCC's financial health or position. The increase in BRCC's net assets during fiscal year 2003 is an indicator of the construction of a second building on campus.

FINANCIAL ANALYSIS

Net Assets

BRCC's total net assets at June 30, 2003, changed by \$10,383,582, a 59% increase over June 30, 2002 (see Table A-1). Total assets increased 359% to \$89,104,615 and total liabilities increased 3461% to \$61,004,129.

**Table A-1
BRCC's Net Assets**

	Balance, as of 2003	Balance, as of 2002 (Restated)	Percentage Increase
Current and other assets	\$57,797,077	\$3,368,697	1616%
Capital assets	<u>31,307,538</u>	<u>16,061,031</u>	95%
Total assets	<u>89,104,615</u>	<u>19,429,728</u>	359%
Current liabilities	4,419,892	1,258,720	251%
Noncurrent liabilities	<u>56,584,237</u>	<u>454,214</u>	12358%
Total liabilities	<u>61,004,129</u>	<u>1,712,934</u>	3461%
Net assets:			
Invested in capital assets, net of related debt	23,016,965	16,061,031	43%
Restricted	1,408,321	605,699	133%
Unrestricted	<u>3,675,090</u>	<u>1,050,064</u>	250%
Total net assets	<u>\$28,100,376</u>	<u>\$17,716,794</u>	59%

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

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Management's Discussion and Analysis (Continued)

Significant statement of net asset changes from 2002 include the following:

- Current and other assets have increased because of revenue exceeding expenses and receivables for tuition and contract training that reflect growth in those programs. In addition, this includes cash proceeds from the bond issued during the year for construction.
- Capital assets and invested in capital assets have increased because of the completion of a second building on campus, the transfer of the State Police land and buildings, and construction of a parking garage.
- Current liabilities have increased because of growth of budget.
- Noncurrent liabilities have increased because of increased liability for compensated absences and because of the issuance of bonds.
- Restricted net assets have increased because of revenues exceeding expenditures in a number of restricted programs.
- Unrestricted net assets have increased because of revenue exceeding expenditures.

The current ratio of current assets to liabilities at BRCC is 1.3 at June 30, 2003, which is considered good.

The 133% increase in restricted net assets reflects revenues exceeding expenses in a number of restricted programs. Net assets invested in capital assets, net of related debt consists 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.

Changes in Net Assets

The change in net assets at June 30, 2003, was \$10,383,582 or 59% more than at June 30, 2002. BRCC's total operating revenues increased by 48% to \$7,729,042 and total operating expenses increased 9% to \$14,400,805. The changes in net assets are detailed in Table A-2 and education and general expenses are detailed in Table A-3.

These changes are the result of:

State appropriations changed from \$7,852,698 to \$8,932,548 because of an increase in state support to accommodate a substantial growth in enrollment. Capital appropriations increased from \$4,289,888 to \$7,611,047 as the second building was completed and the State Police property was transferred to the college.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Continued)

**Table A-2
BRCC's Statement of Changes in Net Assets**

	Balance, as of 2003	Balance, as of 2002 (Restated)	Percentage Increase (Decrease)
REVENUES			
Operating revenues:			
Student tuition and fees	\$4,891,819	\$3,913,634	25%
Federal grants and contracts	1,949,308	220,497	784%
State and local grants and contracts	698,708	911,530	-23%
Sales and services of educational departments	24,041	33,046	-27%
Auxiliary enterprise revenues	147,893	134,079	10%
Private gifts, grants, and contracts	11,339		100%
Other operating revenues	5,934	12,445	-52%
Total operating revenues	<u>7,729,042</u>	<u>5,225,231</u>	48%
EXPENSES			
Operating expenses:			
Educational and general	14,285,635	13,044,330	10%
Other operating expenses	115,170	144,613	-20%
Total operating expenses	<u>14,400,805</u>	<u>13,188,943</u>	9%
OPERATING LOSS	<u>(6,671,763)</u>	<u>(7,963,712)</u>	-16%
NONOPERATING REVENUES			
State appropriations	8,932,548	7,852,698	14%
Gifts	61,470	46,256	33%
Net investment income	469,858	38,736	1113%
Amortization of deferred financing costs	(19,578)		100%
Net nonoperating revenues	<u>9,444,298</u>	<u>7,937,690</u>	19%
INCOME (LOSS) BEFORE OTHER REVENUES	2,772,535	(26,022)	10755%
Capital appropriations	<u>7,611,047</u>	<u>4,289,888</u>	77%
INCREASE IN NET ASSETS	10,383,582	4,263,866	144%
NET ASSETS, BEGINNING OF YEAR	<u>17,716,794</u>	<u>13,452,928</u>	32%
NET ASSETS, END OF YEAR	<u>\$28,100,376</u>	<u>\$17,716,794</u>	59%

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Continued)

**Table A-3
BRCC's Educational and General Expenses**

	Balance, as of 2003	Balance, as of 2002 (Restated)	Percentage Increase (Decrease)
Educational and general expenses:			
Instruction	\$5,213,185	\$4,942,329	5%
Public service	302,715	362,891	-17%
Academic support	1,246,249	1,434,851	-13%
Student services	1,789,931	976,599	83%
Institutional support	3,725,786	3,755,451	-1%
Operations and maintenance of plant	1,236,595	1,129,938	9%
Depreciation	771,174	442,271	74%
Total	<u>\$14,285,635</u>	<u>\$13,044,330</u>	10%

Total education and general expenses changed from \$13,044,330 in 2002 to \$14,285,635 in 2003, the change being primarily attributable to a substantial growth in student enrollment and contract training.

Depreciation expense increased from \$442,271 to \$771,174 because of completion and occupancy of the second building and additional equipment placed in service in 2003.

Statement of Cash Flows

Another way to assess the financial health of BRCC is to look at the Statement of Cash Flows. The Statement of Cash Flows assists readers of this statement to assess:

- The ability to generate future cash flows
- The ability to meet obligations as they come due
- A need for external financing

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Continued)

**Table A-4
BRCC's Statement of Cash Flows**

	Balance, as of 2003	Balance, as of 2002	Percentage Increase (Decrease)
Cash provided (used) by:			
Operating activities	(\$6,451,701)	(\$7,489,700)	14%
Noncapital financing activities	8,920,146	7,898,954	13%
Capital financing activities	49,965,823	(258,835)	19404%
Investing activities	<u>402,563</u>	<u>39,600</u>	917%
Net increase in cash	52,836,831	190,019	27706%
Cash at the beginning of the year	<u>2,556,970</u>	<u>2,366,951</u>	8%
Cash at the end of the year	<u><u>\$55,393,801</u></u>	<u><u>\$2,556,970</u></u>	2066%

As summarized in Table A-4, major sources of funds in operating activities include tuition and fees of \$4,886,500; auxiliary enterprises of \$139,742; and grants and contracts of \$1,942,133.

The largest source of cash flows from noncapital financing activities is from state appropriations, which totaled \$8,920,146 for fiscal year 2003.

Cash flows from capital financing activities primarily result from the issuance of bonds of \$55,176,147 for the construction of additional buildings; purchases of equipment in the amount of (\$675,478); construction of additional buildings of (\$3,350,655); and payment of interest on the bonds of (\$1,184,191).

Cash flows from investing activities result from interest income in the amount of \$402,563.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2003, BRCC had invested approximately \$34,689,672 in capital assets. Net of accumulated depreciation, BRCC's net capital assets at June 30, 2003, total \$31,307,538. This amount represents a net increase (including additions and disposals, net of depreciation) of \$15,246,507 or 95% over June 30, 2002. See note 4 to the financial statements for detailed capital assets changes.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Concluded)

Debt Administration

See notes 10 and 11 to the financial statements for details relating to changes in and the composition of long-term liability.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

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

- Changes in enrollment (Student headcount increased by 19% from fall 2002 to fall 2003, including the fall mini-semester.)

CONTACTING BRCC'S FINANCIAL MANAGEMENT

This financial report is designed to provide our legislature, state officials, the Louisiana Legislative Auditor's Office, patrons, and other interested parties with a general overview of BRCC's finances and to demonstrate BRCC's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact Maxine Rogers, Vice-Chancellor for Administration and Finance, at (225) 216-8040.

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

Statement of Net Assets, June 30, 2003

ASSETS

Current assets:

Cash (note 2)	\$4,398,242
Receivables, net (note 3)	1,489,938
Due from state treasury	19,240
Total current assets	<u>5,907,420</u>

Noncurrent assets:

Restricted assets - cash equivalents (notes 2 and 12)	50,995,559
Capital assets, net (note 4)	31,307,538
Other noncurrent assets (note 10)	894,098
Total noncurrent assets	<u>83,197,195</u>
Total assets	<u>89,104,615</u>

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 5)	4,015,961
Deferred revenues	369,298
Amount held in custody for others	8,845
Compensated absences payable (note 11)	25,788
Total current liabilities	<u>4,419,892</u>

Noncurrent liabilities:

Compensated absences payable (note 11)	518,258
Bonds payable (note 10)	55,000,000
Premium on bonds payable (note 10)	1,016,089
Other noncurrent liabilities (note 8)	50,000
Total noncurrent liabilities	<u>56,584,347</u>
Total liabilities	<u>61,004,239</u>

NET ASSETS

Invested in capital assets, net of related debt	23,016,965
Restricted - expendable (note 15)	1,408,321
Unrestricted (note 15)	<u>3,675,090</u>
Total net assets	<u>\$28,100,376</u>

The accompanying notes are an integral part of this statement.

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

**Statement of Revenues, Expenses,
and Changes in Fund Net Assets
For the Year Ended June 30, 2003**

OPERATING REVENUES

Student tuition and fees	\$6,382,408
Less scholarship allowances	(1,490,589)
Net student tuition and fees	<u>4,891,819</u>
Federal grants and contracts	1,949,308
State and local grants and contracts	698,708
Sales and services of educational departments	24,041
Auxiliary enterprise revenues	147,893
Private grants	11,339
Other operating revenues	5,934
Total operating revenues	<u>7,729,042</u>

OPERATING EXPENSES

Educational and general:	
Instruction	5,213,185
Public service	302,715
Academic support	1,246,249
Student services	1,789,931
Institutional support	3,725,786
Operations and maintenance of plant	1,236,595
Depreciation	771,174
Other operating expenses	115,170
Total operating expenses	<u>14,400,805</u>

OPERATING LOSS (6,671,763)

NONOPERATING REVENUES (EXPENSES)

State appropriations	8,932,548
Gifts	61,470
Net investment income	469,858
Amortization of deferred financing costs	(19,578)
Net nonoperating revenues	<u>9,444,298</u>

INCOME BEFORE OTHER REVENUES 2,772,535

Capital appropriations 7,611,047

INCREASE IN NET ASSETS 10,383,582

**NET ASSETS AT THE BEGINNING OF THE YEAR,
AS RESTATED (note 16)** 17,716,794

NET ASSETS AT THE END OF THE YEAR \$28,100,376

The accompanying notes are an integral part of this statement.

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

**Statement of Cash Flows
For the Year Ended June 30, 2003**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$4,886,500
Grants and contracts	1,942,133
Payments to suppliers	(3,425,626)
Payments for utilities	(659,160)
Payments to employees	(8,070,971)
Payments for benefits	(1,326,834)
Sales and services of educational departments	56,581
Auxiliary enterprise charges	139,742
Other receipts	5,934
Net cash used by operating activities	<u>(6,451,701)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

State appropriations	8,920,146
TOPS receipts	199,737
TOPS disbursements	(199,737)
Net cash provided by noncapital financing sources	<u>8,920,146</u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Proceeds from capital debt	55,176,147
Purchases of capital assets	(4,026,133)
Interest paid on capital debt	(1,184,191)
Net cash provided by capital financing activities	<u>49,965,823</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest revenue	<u>402,563</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS 52,836,831

CASH AT THE BEGINNING OF THE YEAR 2,556,970

CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR \$55,393,801

(Continued)

The accompanying notes are an integral part of this statement.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, June 30, 2003**

**RECONCILIATION OF NET LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating loss	(\$6,671,763)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	771,174
Noncash gift expense	61,470
Changes in assets and liabilities:	
(Increase) in accounts receivable	(617,755)
(Decrease) in accounts payable	(139,601)
Increase in deferred revenue	20,759
Increase in amounts held for others	8,845
Increase in compensated absences	65,170
Increase in other liabilities	<u>50,000</u>
Net cash used by operating activities	<u><u>(\$6,451,701)</u></u>

Noncash and Noncapital Financing Transactions

The college received noncash capital appropriations totaling \$6,914,697.

Reconciliation of Cash to the Statement of Net Assets

Cash and cash equivalents classified as current assets	\$4,398,242
Cash and cash equivalents classified as noncurrent assets	<u>50,995,559</u>
Total cash and cash equivalents	<u><u>\$55,393,801</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

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

Notes to the Financial Statements
As of and for the Year Ended June 30, 2003

INTRODUCTION

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

The BRCC's main campus is located at 5310 Florida Boulevard, Baton Rouge, Louisiana. The college's Frazier Business and Technology Annex is located at 555 Julia Street. The college offers associate degrees in the areas of liberal arts, general studies, applied science in business technology, general science, applied science in process technology, and a certificate in business technology. Student enrollment was 1,633; 117; 4,842; 4,500; 225; and 1,924 for the summer (2002), fall mini-semester, fall, spring, summer mini-semester and summer (2003) semesters, respectively, during the fiscal year 2003. The college had approximately 174 full-time faculty and staff and 158 part-time adjunct instructors for the 2002-2003 fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. 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 applies all GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The college does not apply FASB pronouncements issued after November 30, 1989. However, the

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college has a nongovernmental blended component unit, the BRCC Facilities Corporation, which follows the not-for-profit model for financial reporting as set forth in Financial Accounting Standards Board Statement No. 117, *Financial Statements of Not-for-Profit Organizations*.

B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy has defined the governmental reporting entity to be the State of Louisiana. The college is part of the LCTCS, 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 college primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of BRCC.

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

Criteria described in GASB 2100 were used to evaluate whether potential component units should be blended with the college, discretely reported, disclosed in the notes to the financial statements, or excluded from the reporting entity. This evaluation was made to identify those component units for which the college is financially accountable and other organizations for which the nature and significance of their relationships with the college are such that exclusion would cause the financial statements of the college to be misleading or incomplete. The BRCC Facilities Corporation is a nonprofit corporation formed in February 2002 to provide funds and oversee construction for renovations and additions on the BRCC campus. The corporation has been blended into the accompanying financial statements. The BRCC Facilities Corporation has a June 30 year-end and audited financial statements for the BRCC Facilities Corporation may be obtained at Post Office Box 3197, Baton Rouge, Louisiana 70821-5091.

C. FUND ACCOUNTING

For financial reporting purposes, BRCC is treated as a special-purpose government engaged only in business-type activities. All activities of the college are accounted for within a single proprietary (enterprise) fund to report on its financial position, results of operation, and cash flows. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the

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intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, regardless of the measurement focus applied. The transactions of the college are accounted for using the accrual basis of accounting and on a flow of economic resources measurement focus where the aim is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. Accordingly, revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred.

E. BUDGET PRACTICES

The appropriation made for the General Fund of the college is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. 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) carry forward of prior-year funds is recognized as revenue in the current year.

The budget amounts for fiscal year 2002-2003 include the original approved budget and subsequent amendments approved as follows:

Original approved budget	\$11,447,604
Amendments:	
State General Fund increases	1,374,788
Carryover of unexpended fiscal year 2002 funds	<u>500,000</u>
Total	<u><u>\$13,322,392</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.

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F. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and interest-bearing demand deposits maintained by BRCC. 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.

Cash equivalents include repurchase agreements and money market mutual funds of the BRCC Facilities Corporation. They are highly liquid investments with an original maturity of three months or less and are included in the accompanying financial statements at cost, which approximates their fair value. The requirements of state law are not applicable to the cash equivalents held by the BRCC Facilities Corporation. However, the bond's official statement dated December 19, 2002, authorizes the trustee to invest in direct obligations of the United States of America or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by the federal agencies; bonds, debenture, notes or other evidence of indebtedness issued or guaranteed by the non-full faith and credit U.S. government agencies; money market funds; certificates of deposit, savings accounts, deposit accounts, or money market deposits; investment agreements; commercial paper; bonds or notes issued by any state or municipality; federal funds or bankers acceptances; repurchase agreements; pre-funded municipal bonds; and any other investment acceptable to the district, the trustee, and the bond issuer.

G. RESTRICTED ASSETS

Restricted assets consist of bond proceeds maintained in trust accounts created pursuant to trust indentures of the related bonds. The trust accounts, which are administered by a trustee bank, provide for the custody of the assets, debt service payments and bond redemption requirements, and payment of administrative expenses. The bonds were issued to finance the costs of development, design, and construction of additions and renovations to the BRCC campus.

H. CAPITAL ASSETS

The college follows the capitalization policies established by the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy. Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. Construction in progress and related debt interest costs are capitalized during construction. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and

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maintenance are charged to operating expense in the year in which the expense was incurred.

The capitalization policy includes all movable property items with a unit cost of \$5,000 or more and an estimated useful life greater than one year and all buildings with an original cost of \$100,000 or more. In addition, library collections with a total acquisition cost of less than \$5,000,000 are not capitalized and depreciated.

Depreciation is computed assuming no salvage value and using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and 5 to 10 years for movable property. GASB Statement No. 34 requires the recognition of depreciation on capital assets, resulting in the recognition of accumulated depreciation for current and prior years.

I. DEFERRED REVENUES

Deferred revenues include amounts received or owed for tuition and fees before the end of the fiscal year but are related to the subsequent accounting period.

J. NONCURRENT LIABILITIES

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

K. 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 non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

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Upon termination or transfer, an employee will be paid for any time and one-half 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.

L. NET ASSETS

The college's net assets are classified as follows:

INVESTED IN CAPITAL ASSETS

This represents the college's total investment in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.

RESTRICTED NET ASSETS - EXPENDABLE

Restricted expendable net assets include resources that the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

UNRESTRICTED NET ASSETS

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, 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 AND EXPENSES

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

OPERATING REVENUE - 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.

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NONOPERATING REVENUE - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and state appropriations.

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

OPERATING EXPENSES - Operating expenses generally include transactions resulting from providing goods or services, such as (1) payments to vendors for goods or services; (2) payments to employees for services; and (3) payments for employee benefits.

NONOPERATING EXPENSES - Nonoperating expenses include transactions resulting from financing activities, capital acquisitions, and investing activities.

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 Fund 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.

2. CASH AND CASH EQUIVALENTS

At June 30, 2003, the college has cash and cash equivalents (book balances) totaling \$55,393,801. Of this amount, the college has \$650 cash on hand (petty cash), \$4,397,592 in interest-bearing demand deposits. In addition, this amount includes \$50,918,318 in repurchase agreements and \$77,241 in money market accounts for the BRCC Facilities Corporation.

Under state law, all deposits (or resulting bank balances) of the college 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. At June 30, 2003, the college has \$4,489,479 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance (GASB Category 1) and \$4,389,479 of pledged securities, which are held under collateral security agreements by the custodial bank for the account of the college (GASB Category 1).

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In addition to the college's collected bank balances, at June 30, 2003, the BRCC Facilities Corporation has deposits in money market funds invested in United States treasury securities as well as overnight repurchase agreements with market values of \$77,241 and \$50,918,318, respectively. The credit risk of GASB Codification Section 150.125 was applied to the corporation's investments. The repurchase agreements and United States treasury securities are considered to be uninsured and unregistered and are held by the broker or dealer or by its trust department or agent but not in the entity's name (GASB Category 3).

3. ACCOUNTS RECEIVABLE

Accounts receivable are shown on Statement A net of an allowance for doubtful accounts as follows:

	Accounts Receivable	Allowance for Doubtful Accounts	Net Receivable
Student tuition and fees	\$77,534	\$48,936	\$28,598
Auxiliary enterprises	113,779		113,779
Federal, state, and private grants and contracts	1,278,085		1,278,085
Other	69,476		69,476
	<u>1,538,874</u>	<u>\$48,936</u>	<u>\$1,489,938</u>
Total	<u>\$1,538,874</u>	<u>\$48,936</u>	<u>\$1,489,938</u>

During the year, the college changed its estimation method for the allowance for doubtful accounts. In the prior year, the college included in the estimated allowance for doubtful accounts those balances outstanding for more than 90 days. In the current year, the college began estimating the allowance for doubtful accounts based on a percentage of actual collections to the amount originally billed during the year.

4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

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	Balance June 30, 2002	Additions	Transfers	Balance June 30, 2003
Capital assets not being depreciated:				
Land	\$3,009,260	\$2,092,975		\$5,102,235
Construction-in-progress	4,591,075	12,883,352	(\$6,973,370)	10,501,057
Total capital assets, not being depreciated	<u>7,600,335</u>	<u>14,976,327</u>	<u>(6,973,370)</u>	<u>15,603,292</u>
Capital assets, being depreciated:				
Buildings	9,822,079	35,733	6,973,370	16,831,182
Furniture, fixtures, and equipment	1,249,578	1,005,620		2,255,198
Total capital assets, being depreciated	<u>11,071,657</u>	<u>1,041,353</u>	<u>6,973,370</u>	<u>19,086,380</u>
Less accumulated depreciation for:				
Buildings	(2,002,287)	(420,779)		(2,423,066)
Furniture, fixtures, and equipment	(608,674)	(350,394)		(959,068)
Total accumulated depreciation	<u>(2,610,961)</u>	<u>(771,173)</u>	<u>NONE</u>	<u>(3,382,134)</u>
Total capital assets, being depreciated, net	<u>8,460,696</u>	<u>270,180</u>	<u>6,973,370</u>	<u>15,704,246</u>
Capital assets, net	<u>\$16,061,031</u>	<u>\$15,246,507</u>	<u>NONE</u>	<u>\$31,307,538</u>

On February 25, 2003, the LCTCS Board of Directors approved the construction of a 980-space parking garage for a total cost of approximately \$9,291,000. At June 30, 2003, construction and purchases in progress totaled approximately \$7,780,000. Of this amount, \$263,136 is attributable to retainage payable. For the project, the BRCC Facilities Corporation has contracted with the services of CSRS as general contractor for \$12,000 per month. In addition, the BRCC Facilities Corporation has contracted the construction to a single contractor, Coleman/Womack Development Partnership.

5. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2003, are as follows:

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Vendors	\$300,237
Salaries and benefits	445,681
Construction costs payable	2,771,637
Accrued interest payable	235,270
Retainage payable	<u>263,136</u>
Total	<u><u>\$4,015,961</u></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 Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 5 and 10 years of service in the TRS and LASERS, respectively. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of 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% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 13.1% of covered salaries to TRS and 14.1% of covered salaries to LASERS. The college's employer contribution is funded by the State of Louisiana through the annual appropriation to the college. The college's employer contributions to TRS for the years ended June 30, 2003, 2002, and 2001, were \$374,221, \$322,062, and \$228,374, respectively, and to LASERS for the years ended June 30, 2003, 2002, and 2001, were \$207,211, \$160,616, and \$120,662, respectively, equal to the required contributions for each year.

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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 colleges in recruiting employees who may not be expected to remain in 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 were 13.1% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the 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 an 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 and employee contributions to the optional retirement plan totaled \$372,961 and \$227,762 respectively, for the year ended June 30, 2003.

8. CONTINGENT LIABILITIES

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program or by General Fund appropriation. At June 30 2003, the college is involved in two lawsuits insured by the Office of Risk Management. Any liability resulting from settlement of these cases will be paid by the Office of Risk Management. In addition, the college is involved in two lawsuits that are not insured by the Office of Risk Management. Any liability resulting from settlement of these cases will be paid by the college. In the opinion of the college's legal counsel, it is probable that settlement of one case will result in a liability payable by the college. Accordingly, the accompanying financial statements include an accrued liability of \$50,000 for settlement of this case.

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9. ALTERNATIVE FINANCING AGREEMENT

On May 16, 2002, the Louisiana State Bond Commission approved the issuance of up to \$65,000,000 in bonds for the purpose of constructing and furnishing new campus buildings and for renovation of existing buildings on property adjacent to the college's campus. In December 2002, the Louisiana Government Environmental Facilities and Community Development Authority issued \$55,000,000 in revenue bonds on behalf of the BRCC Facilities Corporation, a nonprofit organization. Pursuant to terms of a Ground Lease agreement, effective December 1, 2002, the corporation has leased the land from the LCTCS Board of Supervisors. The lease term expires on December 1, 2032. In accordance with the provisions of the facilities lease, the corporation, on behalf of the board, is developing and constructing new facilities that will be leased back to the board for use by the students, faculty, and staff of the community college. Future monies appropriated to the LCTCS will be used to fund the annual lease payments. The obligation of the corporation to make payments to the authority for debt service is limited to the rents received from the LCTCS. The corporation has assigned its rights under the Facility lease to the authority as security for the bonds.

10. LONG-TERM DEBT

In accordance with the alternative financing agreement, revenue bonds with an aggregate principal amount of \$55,000,000 were issued by the Louisiana Government Environmental Facilities and Community Development Authority and the proceeds were loaned to the BRCC Facilities Corporation pursuant to a loan agreement dated December 1, 2002. The purchase price of the bonds was \$55,119,073, which represents the original principal amount, plus net original issue premium \$1,089,823 less costs of issuance (underwriter's discount and bond insurance premium) totaling \$970,750.

The original issue premium of \$1,089,823 is deferred and amortized to interest expense over the term of the bonds using a method that approximates the interest method. The bond issuance costs of \$970,750 are deferred and amortized over the term of the bonds based upon the principal amount of bonds outstanding. The amortization of the original issue premium and the bond issuance costs for the fiscal year ended June 30, 2003, was \$24,578 and \$19,578, respectively. At June 30, 2003, Statement A includes noncurrent assets of \$894,098 and noncurrent liabilities of \$1,016,089, representing unamortized bond issuance costs and unamortized bond premium, respectively.

In addition, accrued interest payable was recorded in the amount of \$235,270 at June 30, 2003, for the portion of the scheduled November 1, 2003, interest payment that relates to the current fiscal year. Cash paid for interest during the year ended June 30, 2003, was \$1,184,191. Future interest rates range from 5% to 5.375%. Aggregate maturities required on long-term debt, including interest of \$61,710,806, are as follows at June 30, 2003:

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<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004		\$2,823,238	\$2,823,238
2005		2,823,238	2,823,238
2006		2,823,238	2,823,238
2007		2,823,238	2,823,238
2008		2,823,238	2,823,238
2009-2013		14,116,190	14,116,190
2014-2018	\$7,530,000	13,333,588	20,863,588
2019-2023	12,000,000	10,549,338	22,549,338
2024-2028	15,530,000	7,003,750	22,533,750
2029-2033	19,940,000	2,591,750	22,531,750
Total	<u>\$55,000,000</u>	<u>\$61,710,806</u>	<u>\$116,710,806</u>

11. COMPENSATED ABSENCES

At June 30, 2003, employees of the college have accumulated and vested annual and sick leave benefits of \$285,858 and \$258,188, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements. The following is a schedule of changes in the liability associated with compensated absences:

Balance as of June 30, 2002	\$478,876
Additions	222,551
Deletions	<u>(157,381)</u>
Balance as of June 30, 2003	<u>\$544,046</u>
Amounts due within one year	<u>\$25,788</u>

12. RESTRICTED ASSETS

Restricted assets at June 30, 2003, shown on Statement A, amount to \$50,995,559 of cash equivalents held in trust accounts created pursuant to trust indentures of the related bonds. The trust accounts are invested in money market funds. The trust accounts, which are administered by a trustee bank, provide for financing the costs of the development, design, renovation, construction and equipping of new and existing buildings and related facilities of BRCC and the administrative offices of the LCTCS; paying capitalized interest on the bonds; and paying costs of issuance of the bonds, including the premium for the Bond Insurance Policy. The funds can only be disbursed in accordance with the trust agreement by the trustee.

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13. OPERATING LEASES

For the year ended June 30, 2003, the college expended \$138,847 to rent classroom space, copiers, and computers. Future minimum annual rental payments for computer equipment are as follows:

Fiscal Year Ending June 30:

2004	\$42,254
2005	<u>42,254</u>
Total	<u><u>\$84,508</u></u>

14. REVENUE LEASES

The college's leasing operation consists of the leasing of property for the purposes of providing bookstore operations to students. The estimated cost, accumulated depreciation, and carrying amount of the college's investment in property on operating leases as of June 30, 2003, is \$141,682, \$17,286, and \$124,396, respectively. These estimated values are based on the ratio of the square footage of the space leased to the total square footage of the building in which the bookstore is located.

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2003:

<u>Nature of Operating Lease</u>	<u>2004</u>	<u>2005</u>	<u>Total Minimum Future Rentals</u>
Office space	<u>\$29,583</u>	<u>\$2,500</u>	<u>\$32,083</u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume. Contingent rentals amounted to \$110,493 for the year ended June 30, 2003.

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15. NET ASSETS

The college had \$1,408,321 in restricted expendable net assets as of June 30, 2003, as follows:

Technology fees	\$290,168
Incumbent Worker Training Program	69,302
BRCC Facilities Corporation	961,393
Student government association	11,253
Other grants	<u>76,205</u>
 Total	 <u><u>\$1,408,321</u></u>

The college had \$3,675,090 in unrestricted net assets as of June 30, 2003. Of that amount, the college had the following internally restricted net asset balances:

Academic enhancement fees	\$359,135
Building use fees	241,636
Vehicle registration fees	<u>64,195</u>
 Total	 <u><u>\$664,966</u></u>

16. RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets amount as reflected on Statement B has been restated (increased) by \$14,767 to reflect the correction of errors in the prior year report.

17. UNEXPENDED APPROPRIATION

At June 30, 2002, the college had unexpended General Fund appropriation of \$3,076,966 in current operations - unrestricted (exclusive of the liability for compensated absences). Act 14 of the 2003 Regular Session provides that any funds that were specifically appropriated for implementation of the United States v. State of Louisiana Settlement Agreement and remain unexpended on June 30, 2003, shall be reappropriated for use by the college for the continued implementation of the agreement.

18. FOUNDATION

The accompanying financial statements do not include the accounts of the Baton Rouge Community College Foundation, Incorporated. This foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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STATE OF LOUISIANA**
Notes to the Financial Statements (Concluded)

19. DEFERRED COMPENSATION PLAN

Certain employees of BRCC 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.

20. ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. The amount of on-behalf payments for fringe benefits and salaries included in Statement B for fiscal year ended June 30, 2003, is \$11,339. There were no on-behalf payments made as contributions to a pension plan for which the college is not legally responsible.

21. SUBSEQUENT EVENT

On July 17, 2003, the Board of Directors of the Louisiana Local Government Environmental Facilities and Community Development Authority, pursuant to a Supplemental Trust Indenture and a Supplemental Loan and Assignment of BRCC, approved the issuance of Series 2003 Bonds in an amount not to exceed \$10,000,000. These bonds were issued on December 23, 2003.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control 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 matters that would be material to the presented financial statements.



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

February 18, 2004

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

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

We have audited the basic financial statements of Baton Rouge Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 18, 2004. We did not audit the financial statements of the BRCC Facilities Corporation, a blended component unit of Baton Rouge Community College. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the BRCC Facilities Corporation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Baton Rouge Community College's basic 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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Stipends Paid for Work Performed for Foundation

The Baton Rouge Community College paid the college's Vice Chancellor of Workforce, Continuing and Corporate Education stipends totaling \$12,284, for work performed for the Baton Rouge Community College Foundation. The Louisiana Constitution, Article 7, Section 14, prohibits the loaning, pledging, or donating of property or things of value to any person, association, or corporation, public or private. Payments of salaries by the college for work performed for the foundation may constitute a donation under the provisions of the Louisiana Constitution, Article 7, Section 14.

**BATON ROUGE COMMUNITY COLLEGE
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Compliance and Internal Control Report

February 18, 2004

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Between October 2002 and June 2003, the college made biweekly payments to the college's Vice Chancellor in addition to her regular salary for work performed solely for the benefit of the foundation. The work performed included, coordinating the Baton Rouge Community College Foundation's financial statement audit, planning and implementing a foundation reception for the college's Chancellor, organizing the files of the foundation, initiating a new capital campaign, and serving as the foundation's liaison to the Baton Rouge Community College. Management of the college was unaware that the payments for work performed for the foundation might be in violation of the provisions of the Louisiana Constitution.

Payments by the college to an employee for work performed for the Baton Rouge Community College Foundation constitutes a use of state funds for benefit of a not-for-profit corporation and not for the purposes for which they were appropriated. The college should take action necessary to obtain reimbursement from the foundation for all college funds paid for the benefit of the foundation. The college should ensure that payments are not made to employees or other individuals that would violate Article 7, Section 14 of the Louisiana Constitution. Management concurred in part with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Baton Rouge 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 assurance on the internal control over financial reporting. However, we noted certain matters described below involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Baton Rouge Community College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Lack of Controls Over the Collection of WCCE Tuition

For the third consecutive year, the Baton Rouge Community College did not establish adequate controls over the collection of student tuition for the college's Workforce, Corporate, and Continuing Education (WCCE) division courses. An adequate system of internal control would include procedures to ensure that tuition collected is recorded in the accounting records and reconciled to the students enrolled for each class.

**BATON ROUGE COMMUNITY COLLEGE
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Compliance and Internal Control Report

February 18, 2004

Page 3

During the fiscal year ended June 30, 2003, the bursar's office on the main campus collected all tuition for WCCE classes. The bursar's office cashiers collected tuition and the class registration forms from students and issued manual receipts for payment. The student name, class name, and amount received were recorded by the college's coordinator of accounting on a spreadsheet. The coordinator of accounting then prepared a voucher to record the tuition in the college's accounting records and prepared a bank deposit slip. A copy of the spreadsheet and completed student enrollment forms was transmitted to WCCE division personnel at the Frazier campus who entered the student names and classes in the college's enrollment system.

The college did not reconcile the tuition received by the bursar's office to the amount recorded on the spreadsheet maintained by the coordinator of accounting, or the amount recorded in the accounting records, or to the tuition based on actual class enrollment. At June 30, 2003, the college's general ledger includes WCCE tuition of \$69,688, while the net tuition recorded on the coordinator of accounting's spreadsheet totals \$68,918. The college could not explain the difference of \$770. In addition, an analysis of enrollment system data for the WCCE classes, including the number of students enrolled in each class and the applicable tuition, indicated that tuition totaling approximately \$61,752 should have been assessed. The college was unable to explain the \$7,936 difference between the amount of tuition based on the enrollment system data and the amount recorded in the general ledger.

The college did not place sufficient emphasis on controls over collection of tuition for the WCCE classes. Failure to establish adequate controls, including reconciling actual tuition collected to the amount of anticipated tuition based on student enrollment data, increases the risk that students enrolled may not pay the appropriate tuition and that students paying tuition may not be properly recorded in the enrollment records.

The college should establish procedures to ensure that tuition collected for classes is recorded in the accounting records and reconciled to anticipated tuition based on class enrollment. Management concurred in part with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2).

**BATON ROUGE COMMUNITY COLLEGE
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Compliance and Internal Control Report

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Page 4

Bank Accounts Not Properly Reconciled

For the third consecutive year, the Baton Rouge Community College has not properly reconciled the college's operating and payroll bank account balances to cash reported in the accounting records at June 30, 2003. In addition, there is no documentation that the bank reconciliations were performed timely or that they were reviewed and approved by a supervisor. Good internal control requires a periodic reconciliation of the bank account balances to the accounting records (book balances) and that they be reviewed and approved by a supervisor. The bank reconciliations provide management with a basis to ensure that all transactions affecting the bank accounts and the accounting records are in agreement.

At June 30, 2003, an unreconciled difference of \$204,278 exists between the cash reported in the financial statements and the general ledger (book balance). This difference was subsequently identified during the audit as errors in the compilation of the financial statements. In addition, the college adjusted the general ledger to reduce cash by \$5,538 for unreconciled differences between the general ledger and the bank balance. The college subsequently discovered that this was due primarily to an error in the manner that the bank reconciliation was being prepared. Although these differences and the procedural error have been identified and corrected, there is no evidence on the bank reconciliations of when they were completed, that they were prepared timely, or that they were reviewed and approved by a supervisor.

Failure to properly reconcile, review, and approve the bank balance to the accounting records used to prepare the college's financial statements could lead to the misappropriation of funds or fraud and increases the risk that assets could be lost or misused and not be detected timely.

The college should ensure that the bank account balance is properly reconciled to the accounting records used to prepare the college's financial statements. Any unreconciled difference should be investigated and corrected timely. In addition, the bank reconciliations should be signed and dated by the preparer and supervisor to provide documentation that they were prepared timely, reviewed, and approved. Management concurred in part with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 3).

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
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Compliance and Internal Control Report

February 18, 2004

Page 5

**Inappropriate Access to the Accounting
Information System**

For the third consecutive year, the Baton Rouge Community College did not follow established internal control for the assigning and monitoring of access given to users of the college's accounting information system. An adequate system of internal control should provide that users are assigned business-need-only access to data files and functions and that a user's access is disabled timely when he/she terminates employment.

In a test of application controls over the college's accounting information system, the following deficiencies in controls over access to the system were identified:

- The college's payroll manager has the capability to process adjusting journal vouchers to the college's general ledger, which is incompatible with her job function.
- Six former employees still have an active system user access code. These employees terminated between two and 13 months before June 30, 2003.

The college did not follow established controls over access to the accounting information system. Failure to follow established controls increases the risk that transactions could be processed without proper authorization or approval and that errors or fraud could occur and not be detected timely.

The college should follow established internal controls over system access to ensure that access granted to users is limited to a business-need-only basis and a user's access is disabled when he/she terminates employment. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 4).

A material weakness is a 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described previously are material weaknesses.

LEGISLATIVE AUDITOR

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

Compliance and Internal Control Report

February 18, 2004

Page 6

This report is intended solely for the information and use of the Baton Rouge 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,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large initial "G" and "A".

Grover C. Austin, CPA
First Assistant Legislative Auditor

LG:WDD:THC:ss

[BRCC03]

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



5310 Florida Boulevard, Baton Rouge, LA 70806

Office of the Chancellor

February 6, 2004

Wayne DeLeo, CPA
Audit Manager
Office of the Legislative Auditor
1600 North Third St.
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. DeLeo:

Management of Baton Rouge Community College (BRCC) concurs in part with the finding and recommendations related to the finding "Stipends Paid for Work Performed for Foundation".

Management of BRCC recognizes the importance of separating the duties and responsibilities of its employees from the operation and functions of the BRCC Foundation. Whereas the work performed for the Foundation was above and beyond the regular work schedule for the Vice Chancellor it is understood by management that compensation for this work is the responsibility of the Foundation. The management of BRCC will review the payments made and request reimbursement of said funds.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Myrtle E.B. Dorsey", written over a circular embossed seal.

Myrtle E.B. Dorsey, Ph.D.
Chancellor

cc: Ms. Jan Jackson, Senior Vice President, Finance and Administration, LCTCS
Mr. Allen Brown, Director, Internal Auditor, LCTCS



5310 Florida Boulevard, Baton Rouge, LA 70806

Office of the Chancellor

February 10, 2004

Wayne DeLeo, CPA
Audit Manager
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. DeLeo:

Management of Baton Rouge Community College concurs in part with the finding and recommendations related to the finding "Lack of Controls Over the Collection of Fees."

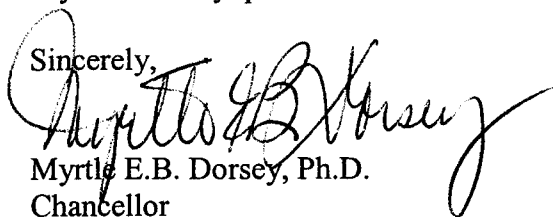
Management has recognized the areas that need to be strengthened in Workforce, Corporate and Continuing Education (WCCE) and toward the latter part of fiscal year 2003 significant progress has been made in addressing the concerns in the following manner:

- The title of the executive secretary to administrative specialist I
- The primary duties and responsibilities for the management of course input and maintenance have been redefined.
- The management and the WCCE team migrated the WCCE course offerings to SCT Banner 5, which is the student information system utilized by the college for credit offerings. (This has been a move from a manual to an automated system.)
- The Office of Enrollment Services is now responsible for the enrollment of WCCE students.

Management will continue to charge the staff to identify and clarify the stated concerns from FY 2003 and insure that these concerns do not reoccur in FY 2004. The Vice Chancellors for Administration and Finance and WCCE, and the Dean of Finance will be responsible for the collection of fees and reconciliation.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,



Myrtle E.B. Dorsey, Ph.D.
Chancellor

c: Ms. Jan Jackson, Senior Vice President, Finance and Administration, LCTCS
Mr. Allen Brown, Director, Internal Audit, LCTCS



batonrouge
COMMUNITY COLLEGE

5310 Florida Boulevard, Baton Rouge, LA 70806

Office of the Chancellor

February 17, 2004

Wayne DeLeo, CPA
Audit Manager
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. DeLeo:

Management of Baton Rouge Community College concurs in part with the finding and recommendations related to the finding "Bank Accounts Not Properly Reconciled."

As you are aware this has been a challenge that the institution has placed great emphasis in developing a process that would support the timely and accurate reconciliation of the bank accounts. To address this concern, Management has:

- Hired a full-time Accountant Technician whose primary duties and responsibilities is bank reconciliation.
- Contracted with banking institution for positive pay/full recon services.

Results have been that the FY 2003 bank reconciliations were brought to current status and the FY 2004 bank reconciliations are up to date.

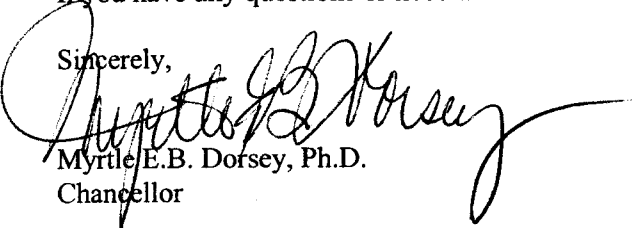
In review of your findings, the Management has determined that:

- The bank reconciliations have been completed.
- That actions and processes to insure the timeliness of the bank reconciliation and subsequent adjustments have been implemented.
- There is review of this process.
- Supervisory review will be documented through appropriate signatures.

The Vice Chancellor for Administration and Finance and the Dean of Finance will be responsible for insuring that the bank reconciliations and any applicable adjustments are done in a timely manner.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,



Myrtle E.B. Dorsey, Ph.D.
Chancellor

c: Ms. Jan Jackson, Senior Vice President, Finance and Administration, LCTCS
Mr. Allen Brown, Director, Internal Audit, LCTCS



5310 Florida Boulevard, Baton Rouge, LA 70806

Office of the Chancellor

February 13, 2004

Wayne DeLeo, CPA
Audit Manager
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. DeLeo:

Management of Baton Rouge Community College (BRCC) concurs with the finding and recommendations related to the finding "Inappropriate Access to the Accounting Information System".

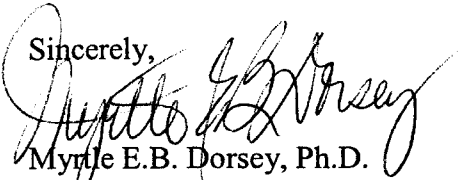
During FY 2003 management put forth a concerted effort to minimize the possibility of inappropriate access to the Accounting Information System. This is evidenced by a reduction in incidents to only one. Management does realize that even one incident can be a major problem and will continue to monitor access to mitigate any and all possibilities.

There are processes in place to insure that terminating employees are removed from BRCC's communication and accounting system. In review Management realizes that there are some areas that are in need of additional attention.

The Vice Chancellor of Administration and Finance, the Associate Directors of Information Technology and the Director of Human Resources will be responsible for improving all areas of concern.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,



Myrtle E.B. Dorsey, Ph.D.
Chancellor

c: Ms. Jan Jackson, Senior Vice President, Finance and Administration, LCTCS
Mr. Allen Brown, Director, Internal Audit, LCTCS