

**RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Sorrento, 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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**RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Sorrento, 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 and New Orleans offices of the Legislative Auditor and at the office of the parish clerk of court.

February 25, 2004

**RIVER PARISHES 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 5, 2004

Independent Auditor's Report
on the Financial Statements

RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Sorrento, Louisiana

We have audited the accompanying basic financial statements of the River Parishes 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 the River Parishes Community College. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in note 1-B, the accompanying financial statements of River Parishes 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 River Parishes 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.

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of River Parishes Community College as of June 30, 2003, and the changes in its financial position, including cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LEGISLATIVE AUDITOR

**RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Audit Report, June 30, 2003

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2004, on our consideration of River Parishes Community College's internal control over financial reporting and on 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 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted 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

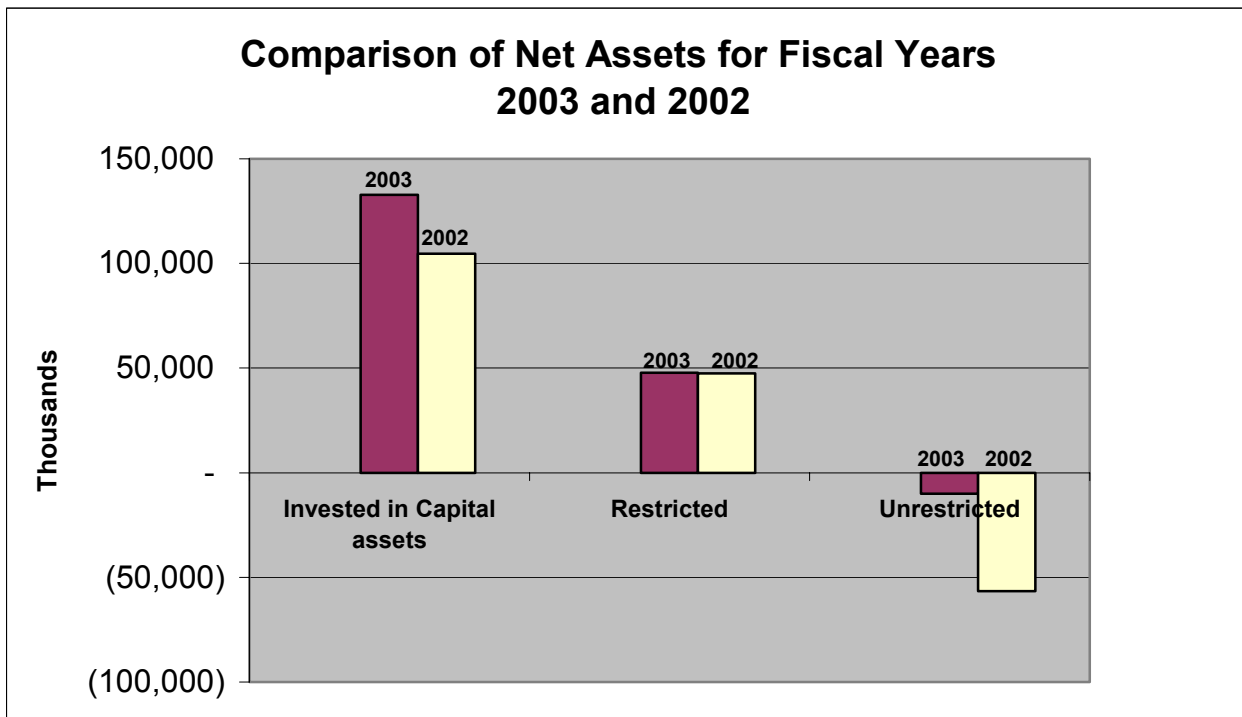
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[RPCC03]

**RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

FINANCIAL HIGHLIGHTS



RPCC's net assets overall changed from \$95,407 to \$170,477 or 79% from June 30, 2002, to June 30, 2003. The overall reasons for this change included:

- Donated equipment
- Increased number of students

Enrollment changed from 432 to 585 from June 30, 2002, to June 30, 2003, a change of 35%. The reason for this change is attributed to:

- Aggressive recruiting and marketing
- Emerging community college
- Expanded curriculum

**RIVER PARISHES COMMUNITY COLLEGE
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Management's Discussion and Analysis (Continued)

RPCC's operating revenues changed from \$453,609 to \$786,238 or 73% from June 30, 2002, to June 30, 2003. Operating expenses, however, changed by 15% to \$2,775,003 for the year ended June 30, 2003. The changes in enrollment as discussed previously and increased participation in grant opportunities are the primary reasons for this change.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations. The change to \$2,023,836 in 2003 from \$1,969,840 in 2002 is attributed to a modest increase in state appropriations and funding from the Louisiana Community and Technical College System for a student retention program and an information technology survey.

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

RPCC'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 Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the River Parishes Community College are included in the Statements of Net Assets.

The Statement of Net Assets reports RPCC's net assets. Net assets, the difference between RPCC's assets and liabilities, are one way to measure RPCC's financial health or position. The increase in RPCC's net assets during 2003 is an indicator of its positive financial health necessary to support services required by students.

**RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Management's Discussion and Analysis (Continued)

FINANCIAL ANALYSIS

Net Assets

RPCC's total net assets at June 30, 2002, reached \$170,477, a 79% increase over June 30, 2002 (see Table A-1). Total assets decreased 13% to \$326,414 and total liabilities decreased 43% to \$155,937.

Table A-1
RPCC's Net Assets

	2003	2002	Percentage Increase (Decrease)
Current assets	\$193,655	\$264,708	(27%)
Capital assets	132,759	104,653	27%
Total assets	<u>326,414</u>	<u>369,361</u>	<u>(12%)</u>
Current liabilities	77,470	197,691	(61%)
Long-term liabilities	78,467	76,263	3%
Total liabilities	<u>155,937</u>	<u>273,954</u>	<u>(43%)</u>
Net assets:			
Invested in capital assets	132,759	104,653	27%
Restricted	47,717	47,420	1%
Unrestricted (deficit)	<u>(9,999)</u>	<u>(56,666)</u>	<u>(82%)</u>
Total net assets	<u><u>\$170,477</u></u>	<u><u>\$95,407</u></u>	<u><u>79%</u></u>

This schedule is prepared from the College's statement of net assets, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Significant statement of net asset changes include:

- Current assets decreased because the Due from State Treasury was reduced as a result of the majority of the state appropriation being received by June 30, 2003.
- Capital assets increased because of a significant equipment donation as well as capital purchases through a grant and special capital outlay funds.
- Current liabilities decreased as a result of more timely receipt and payment of year-end invoices.

**RIVER PARISHES COMMUNITY COLLEGE
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Management's Discussion and Analysis (Continued)

- The unrestricted fund balance increased as a result of the addition of academic enhancement fees collected for the year.

The current ratio of RPCC is 2.49 at June 30, 2003, which is a positive indicator of financial health.

Net assets invested in capital assets consist of capital assets net of accumulated depreciation.

Changes in Net Assets

The change in net assets at June 30, 2003, was \$75,070 or 257% more than at June 30, 2002. RPCC's total operating revenues increased by 73% to \$786,238 and total operating expenses increased 15% to \$2,775,003. The changes in net assets are detailed in Table A-2, while general and education expenses are detailed in Table A-3.

These changes are the result of several factors, including:

- Increased number of students
- Increased participation in grant funding
- Stabilization of compensated absences liability after initial recognition of the liability
- One time capital appropriation
- Significant donation of equipment

**RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Management's Discussion and Analysis (Continued)

Table A-2
RPCC's Changes in Net Assets
(in thousands of dollars)

	2003	2002	Percentage Increase (Decrease)
Operating revenues:			
Student tuition and fees, net	\$579	\$373	55%
Other	207	80	159%
Total operating revenues	<u>786</u>	<u>453</u>	<u>74%</u>
Operating expenses:			
Educational and general	2,771	2,370	17%
Other	3	32	(91%)
Total operating expenses	<u>2,774</u>	<u>2,402</u>	<u>15%</u>
Operating loss	(1,988)	(1,949)	2%
Nonoperating revenues:			
State appropriations	1,997	1,933	3%
Other	26	37	(30%)
Total nonoperating revenues	<u>2,023</u>	<u>1,970</u>	<u>3%</u>
Income before capital appropriations and contributions	35	21	67%
Capital appropriations	10		100%
Capital contributions	30		100%
Change in net assets	75	21	257%
Total net assets, beginning of the year	<u>95</u>	<u>74</u>	<u>28%</u>
Total net assets, end of the year	<u>\$170</u>	<u>\$95</u>	<u>79%</u>

Nonoperating revenues increased by 2.7% to \$2,023,836, primarily attributable to a modest increase in the state appropriation and funding from the Louisiana Community and Technical College System for a student retention program and an information technology survey.

Capital and state appropriations changed from \$1,933,013 to \$2,007,480 because of an increase in the base amount of formula funding and one time funding from capital outlay for equipment needs.

**RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Management's Discussion and Analysis (Continued)

Table A-3
RPCC's Educational and General Expenses
(in thousands of dollars)

	<u>2003</u>	<u>2002</u>	<u>Percentage Increase (Decrease)</u>
Educational and general expenses:			
Instruction	\$726	\$561	29%
Academic support	339	405	(16%)
Student services	450	307	47%
Institutional support	870	720	21%
Operations and maintenance of plant	353	355	(1%)
Depreciation	<u>33</u>	<u>22</u>	<u>50%</u>
Total	<u><u>\$2,771</u></u>	<u><u>\$2,370</u></u>	<u><u>17%</u></u>

Total education and general expenses changed from \$2,370,794 in 2002 to \$2,772,391 in 2003, the change which is primarily attributable to:

- Increased student enrollment
- Increase in full-time faculty members
- Increase in adjunct faculty
- Decrease in library materials purchases
- Increase in student services staff and materials
- Increase in professional services for special projects

Depreciation expense increased by 50% to \$33,138 as a result of additional property and equipment placed in service in 2003.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2003, RPCC had invested \$219,257 in capital assets. Net of accumulated depreciation, RPCC's net capital assets at June 30, 2003, totaled approximately \$132,759. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$28,105 or 27% over June 30, 2002.

**RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Management's Discussion and Analysis (Concluded)

CONTACTING RPCC'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 RPCC's finances and to demonstrate RPCC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Joe Ben Welch, Chief Business Officer, at (225) 675-8270.

**RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Statement of Net Assets, June 30, 2003

ASSETS

Current Assets:

Cash (note 2)	\$124,725
Receivables (note 3)	15,388
Due from Louisiana Community and Technical College System Administration	29,863
Due from Louisiana Technical College	4,575
Due from state treasury (note 8)	741
Prepayments	18,363
Total current assets	<u>193,655</u>

Noncurrent Assets -

capital assets, net (note 4)	<u>132,759</u>
Total assets	<u>326,414</u>

LIABILITIES

Current Liabilities:

Accounts payable and accruals	40,356
Deferred revenues	36,230
Amounts held in custody for others	884
Total current liabilities	<u>77,470</u>

Noncurrent Liabilities -

compensated absences payable (note 1-H)	<u>78,467</u>
Total liabilities	<u>155,937</u>

NET ASSETS

Investment in capital assets	132,759
Restricted - expendable (note 9)	47,717
Unrestricted (note 9)	<u>(9,999)</u>

Total net assets	<u><u>\$170,477</u></u>
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The accompanying notes are an integral part of this statement.

**RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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**Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2003**

OPERATING REVENUES

Student tuition and fees	\$715,259
Less scholarship allowances	(136,445)
Net student tuition and fees	<u>578,814</u>
Federal grants and contracts	101,705
State and local grants and contracts	102,671
Auxiliary enterprise revenues	<u>3,048</u>
Total operating revenues	<u>786,238</u>

OPERATING EXPENSES

Educational and general:	
Instruction	726,203
Academic support	339,468
Student services	450,306
Institutional support	868,960
Operations and maintenance of plant	354,316
Depreciation	33,138
Other operating expenses	<u>2,612</u>
Total operating expenses	<u>2,775,003</u>

OPERATING LOSS (1,988,765)

NONOPERATING REVENUES

State appropriations	1,997,481
Other nonoperating revenues	<u>26,355</u>
Total nonoperating revenues	<u>2,023,836</u>

**Income Before Capital Appropriations
and Contributions**

35,071

Capital appropriations	9,999
Capital contributions	<u>30,000</u>

INCREASE IN NET ASSETS 75,070

NET ASSETS AT THE BEGINNING OF THE YEAR 95,407

NET ASSETS AT THE END OF THE YEAR \$170,477

The accompanying notes are an integral part of this statement.

**RIVER PARISHES COMMUNITY COLLEGE
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**Statement of Cash Flows
For the Year Ended June 30, 2003**

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$579,305
Grants and contracts	186,216
Payments to suppliers	(939,706)
Payments for utilities	(37,701)
Payments to employees	(1,581,915)
Payments for benefits	(309,917)
Auxiliary enterprise charges	5,705
Other receipts	884
Net cash used by operating activities	<u>(2,097,129)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	2,041,852
Gifts and grants for other than capital purposes	<u>26,355</u>
Net cash provided by noncapital financing sources	<u>2,068,207</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Capital appropriations received	9,999
Purchases of capital assets	<u>(31,244)</u>
Net cash used by capital financing activities	<u>(21,245)</u>

NET DECREASE IN CASH (50,167)

CASH AT THE BEGINNING OF THE YEAR 174,892

CASH AT THE END OF THE YEAR \$124,725

(Continued)

The accompanying notes are an integral part of this statement.

**RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2003**

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

Operating loss	(\$1,988,765)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	33,138
Changes in assets and liabilities:	
(Increase) in accounts receivable	(2,676)
(Increase) in prepaid expenses	(4,530)
(Increase) in due from LCTCS and LTC	(22,735)
(Decrease) in accounts payable and accrued liabilities	(125,048)
Increase in deferred revenue	10,399
Increase in amounts held in custody for others	884
Increase in compensated absences	<u>2,204</u>
Net cash used by operating activities	<u><u>(\$2,097,129)</u></u>

NONCASH CAPITAL AND FINANCING ACTIVITIES:

In October 2002, the college received a gift of equipment valued at \$30,000.
The college provided noncash scholarships totaling \$136,445.

(Concluded)

The accompanying notes are an integral part of this statement.

**RIVER PARISHES COMMUNITY COLLEGE
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STATE OF LOUISIANA**

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

INTRODUCTION

River Parishes Community College (RPCC) is a publicly supported institution of higher education. The college is a part of the Louisiana Community and Technical College System, which is a component unit of the State of Louisiana, within the executive branch of government. RPCC was enacted under Louisiana Revised Statute (R.S.) 17:3224 and is under the management and supervision of the Board of Supervisors of the Louisiana Community and Technical College System; however, certain items like the annual budget of the college, and changes to the degree programs and departments of instruction, require the approval of the Louisiana Board of Regents 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.

RPCC is located at 7384 John LeBlanc Boulevard, Sorrento, Louisiana. The college offers associate degrees in the areas of liberal arts, general science, and general studies. Student enrollment was 185, 585, and 590 during the summer, fall, and spring semesters, respectively, of the 2002-2003 fiscal year. The college had approximately 38 full-time faculty and staff and 20 part-time instructors for the 2002-2003 fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The 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

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Notes to the Financial Statements (Continued)

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 the RPCC.

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 system.

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 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; and (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.

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

Original approved budget	\$2,809,161
Amendments -	
State General Fund increase	<u>40,000</u>
Total	<u><u>\$2,849,161</u></u>

E. CASH

Cash includes cash on hand and interest-bearing demand deposits. Under state law, the college may deposit funds within a fiscal agent bank organized under the laws of the

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Notes to the Financial Statements (Continued)

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

F. 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. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 5 years for most movable property. The college has no infrastructure or buildings that require capitalization. In addition, capitalization policy of the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy excludes library collections with a total acquisition cost less than \$5 million.

G. DEFERRED REVENUES

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

H. NONCURRENT LIABILITIES

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

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 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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Notes to the Financial Statements (Continued)

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.

At June 30, 2003, employees of the college have accumulated and vested annual, sick, and compensatory leave benefits of \$56,450, \$19,819, and \$2,198, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements. At June 30, 2003, the college estimates that \$78,467 of the accrued compensated absences liability will be paid from State of Louisiana General Fund appropriations to the college in years subsequent to June 30, 2003, rather than from funds of the Louisiana Community and Technical College System. Based on past history, the college has not recognized a portion of compensated absences as a current liability.

J. 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. The college does not have any outstanding debt obligations related to acquisition, construction, or improvement of those capital 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.

**RIVER PARISHES COMMUNITY COLLEGE
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Notes to the Financial Statements (Continued)

K. 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 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.

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

OPERATING AND NONOPERATING 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. All other expenses are nonoperating.

L. 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.

2. CASH

At June 30, 2003, the college has cash (book balances) totaling \$124,725. Of this amount, the college has \$600 cash on hand (petty cash) and \$124,125 in interest-bearing demand deposits.

Under state law, all deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2003, the college has \$197,949 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance (GASB Category 1) and \$97,949 of pledged securities, which are held under collateral security agreements by the custodial bank for the account of the college (GASB Category 2).

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Notes to the Financial Statements (Continued)

3. ACCOUNTS RECEIVABLE

Accounts receivable are shown on Statement A and consist of student tuition and fees totaling \$15,388. The college estimates that there are no uncollectible balances.

4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2003
Capital assets, being depreciated - furniture, fixtures, and equipment	\$158,013	\$61,244		\$219,257
Total capital assets, being depreciated	<u>158,013</u>	<u>61,244</u>	NONE	<u>219,257</u>
Less accumulated depreciation for furniture, fixtures, and equipment	53,360	33,138		86,498
Total accumulated depreciation	<u>53,360</u>	<u>33,138</u>	NONE	<u>86,498</u>
Capital assets, net	<u>\$104,653</u>	<u>\$28,106</u>	NONE	<u>\$132,759</u>

5. 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 years of service for TRS and 10 years of service for LASERS. 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.

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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 \$50,373, \$31,718, and \$13,626, respectively, and to LASERS for the years ended June 30, 2003, 2002, and 2001, were \$26,460, \$21,736, and \$21,528, respectively, equal to the required contributions for each year.

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 \$116,101 and \$70,851, respectively, for the year ended June 30, 2003.

6. 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

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Notes to the Financial Statements (Continued)

responsible for the state's risk management program or by General Fund appropriation. The college is not involved in any lawsuits at June 30, 2003.

7. OPERATING LEASES

The RPCC has entered into agreements to lease land and buildings. For the year ended June 30, 2003, the total rental expenses for all operating leases is \$238,369. The remaining annual rental payments for two noncancelable operating leases are presented as follows:

For the year ended:	
2004	\$229,369
2005	<u>65,396</u>
Total	<u><u>\$294,765</u></u>

8. DUE TO STATE TREASURY

As shown on Statement A, the college has a total of \$741 due from the state treasury (net) at June 30, 2003. This amount consists of the following:

<u>Description</u>	<u>Due (to)/from</u>
Support Education in Louisiana First (SELF) Funds	\$1,149
Return of appropriation	<u>(408)</u>
Total	<u><u>\$741</u></u>

9. NET ASSETS

The college had \$47,717 in restricted expendable net assets for scholarships, as of June 30, 2003.

The unrestricted net asset deficit of (\$9,999) resulted from the liability for compensated absences, which will be paid in future years from state appropriations to the college.

10. FOUNDATION

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

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Notes to the Financial Statements (Concluded)

11. DEFERRED COMPENSATION PLAN

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

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on 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
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February 5, 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*

**RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
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Sorrento, Louisiana

We have audited the basic financial statements of River Parishes 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 5, 2004. 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 River Parishes Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered River Parishes 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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

LEGISLATIVE AUDITOR

**RIVER PARISHES COMMUNITY COLLEGE
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Compliance and Internal Control Report

February 5, 2004

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the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of River Parishes 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

CGW:ES:THC:ss

[RPCC03]