

LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM



ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDING JUNE 30, 2005

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LEGISLATIVE AUDITOR

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March 28, 2006

Independent Auditor's Report
on the Financial Statements

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

We have audited the accompanying basic financial statements of the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of management of the Louisiana Community and Technical College System. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the blended component unit financial statements of the SLCC Facilities Corporation, the BRCC Facilities Corporation, or Campus Facilities, Inc., for the Bossier Parish Community College, which represent 46.7%, 72.7%, 7.8%, and 2.3%, respectively, of the assets, liabilities, net assets, and revenues of the Louisiana Community and Technical College System. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the SLCC Facilities Corporation, the BRCC Facilities Corporation, and Campus Facilities, Inc., is based on the reports 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 reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to previously present fairly, in all material respects, the financial position of the Louisiana Community and Technical College System as of June 30, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM_____

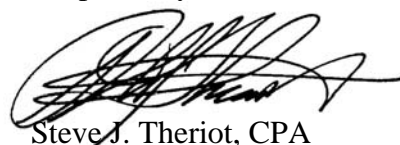
As discussed in note 23 to the financial statements, during August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown what economic impact recovery efforts will have on state and local governmental operations in Louisiana. As further explained in note 23, approximately 47% of the System's students enrolled for the 2005 fall semester were displaced as a result of these hurricanes. While the damage is considered to be extensive, no system-wide estimate of the damage is available at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2006, on our consideration of the Louisiana Community and Technical College System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana Community Technical College System's basic financial statements. The accompanying supplemental information schedules of per diem paid board members and combining financial schedules, by college, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

AD:BQD:THC:dl

[LCTCS05]

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of the financial report of the Louisiana Community and Technical College System (System) presents a narrative overview and analysis of the financial activities of the System for the year ended June 30, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the financial statements of the System which follows this section. The System is comprised of the following entities:

- Board Office
- Baton Rouge Community College
- Bossier Parish Community College
- Delgado Community College
- L.E. Fletcher Technical Community College
- Louisiana Delta Community College
- Louisiana Technical College
- Elaine P. Nunez Community College
- River Parishes Community College
- South Louisiana Community College
- SOWELA Technical Community College

FINANCIAL HIGHLIGHTS

The System's overall net assets changed from \$130.1 million to \$140.8 million, an 8.2% increase from June 30, 2004, to June 30, 2005. The overall reason for this change continues to be construction of new facilities at the Baton Rouge, Bossier Parish, and South Louisiana community colleges.

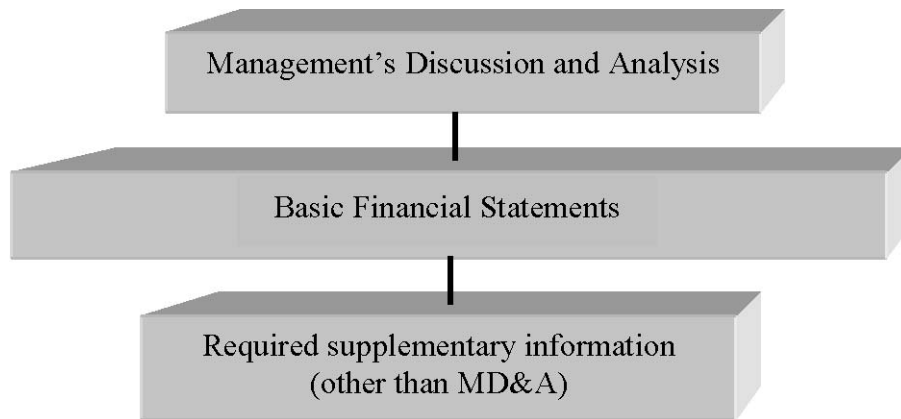
The System's operating revenues increased by approximately 3.4% to \$181.9 million from June 30, 2004, to June 30, 2005, because of an increase in student enrollment and tuition/fee increases. Operating expenses, however, increased by 3.2% to \$341.4 million for the year ended June 30, 2005. The primary reasons for this change include faculty salary increases, scholarship and fellowship increases, and general increases in operations.

Net nonoperating revenues fluctuate depending upon levels of state operating and capital appropriations. The change to \$158.2 million in 2005 from \$155 million in 2004 is primarily attributed to an increase in state appropriations to fund the increase in students.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for special purpose governments engaged in business-type activities established by GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.



These financial statements consist of three sections--Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and other supplementary information.

Basic Financial Statements

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

The Statement of Net Assets (page 13) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 14) presents information showing how System assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 15-16) presents information showing how the System'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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements provide both long-term and short-term information about the System'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. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

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

FINANCIAL ANALYSIS

Table A-1
Louisiana Community and Technical College System
Statement of Net Assets
(in thousands of dollars)
as of June 30, 2005 and 2004

| | 2005 | 2004 (Restated) | Variance | Percentage Change |
|--|-------------------|--------------------|------------------|----------------------|
| Assets | | | | |
| Current and other assets | \$ 118,034 | \$ 168,083 | \$ (50,049) | -30% |
| Capital assets | 233,563 | 175,755 | 57,808 | 33% |
| Total assets | <u>351,597</u> | <u>343,838</u> | <u>7,759</u> | 2% |
| Liabilities | | | | |
| Current liabilities | 49,500 | 48,034 | 1,466 | 3% |
| Long-term liabilities | 161,339 | 165,691 | (4,352) | -3% |
| Total liabilities | <u>210,839</u> | <u>213,725</u> | <u>(2,886)</u> | -1% |
| Net assets | | | | |
| Invested in capital assets, net of related debt | 112,249 | 105,830 | 6,419 | 6% |
| Restricted | 17,292 | 6,896 | 10,396 | 151% |
| Unrestricted | <u>11,217</u> | <u>17,387</u> | <u>(6,170)</u> | -35% |
| Total net assets | <u>\$ 140,758</u> | <u>\$ 130,113</u> | <u>\$ 10,645</u> | 8% |

This schedule is prepared from the System's Statement of Net Assets as shown on page 13, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Significant Statement of Net Asset changes in 2005 include the following: assets increased by \$7.8 million primarily because of the System's construction projects while liabilities have decreased because of a decline in capital lease obligations as more has been repaid without additional debt being incurred.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2
Louisiana Community and Technical College System
Statement of Revenues, Expenses
and Changes in Fund Net Assets
(in thousands of dollars)
For the Fiscal Year Ended June 30, 2005 and 2004

| | 2005 | 2004 (Restated) | Variance | Percentage Change |
|---|-------------------|--------------------|------------------|----------------------|
| Operating revenues | | | | |
| Student tuition and fees, net | \$ 49,629 | \$ 42,620 | \$ 7,009 | 16% |
| Grants and contracts | 121,041 | 123,306 | (2,265) | -2% |
| Auxiliary | 4,900 | 5,083 | (183) | -4% |
| Other | 6,297 | 4,890 | 1,407 | 29% |
| Total operating revenues | <u>181,867</u> | <u>175,899</u> | <u>5,968</u> | 3% |
| Operating expenses | | | | |
| Education and general: | | | | |
| Instruction | 137,989 | 135,110 | 2,879 | 2% |
| Public service | 3,139 | 4,195 | (1,056) | -25% |
| Academic support | 29,463 | 27,932 | 1,531 | 5% |
| Student services | 26,038 | 28,097 | (2,059) | -7% |
| Institutional support | 57,069 | 57,626 | (557) | -1% |
| Operations and maintenance of plant | 28,533 | 24,794 | 3,739 | 15% |
| Depreciation | 9,105 | 8,065 | 1,040 | 13% |
| Scholarships and fellowships | 40,964 | 38,249 | 2,715 | 7% |
| Other | 9,118 | 6,754 | 2,364 | 35% |
| Total operating expenses | <u>341,418</u> | <u>330,822</u> | <u>10,596</u> | 3% |
| Operating loss | <u>(159,551)</u> | <u>(154,923)</u> | <u>(4,628)</u> | 3% |
| Nonoperating revenue | | | | |
| State appropriations | 156,223 | 153,713 | 2,510 | 2% |
| Gifts | 389 | 262 | 127 | 48% |
| Other, net | 1,600 | 1,010 | 590 | 58% |
| Net nonoperating revenue | <u>158,212</u> | <u>154,985</u> | <u>3,227</u> | 2% |
| Gain (loss) before other revenues and expenditures | | | | |
| | (1,338) | 62 | (1,401) | -2260% |
| Capital appropriations | 11,270 | 10,127 | 1,143 | 11% |
| Capital grants and gifts | 425 | 339 | 86 | 25% |
| Additions to permanent endowment | 12 | 312 | (300) | -96% |
| Other additions (expenses), net | 277 | 1,742 | (1,465) | -84% |
| Change in net assets | 10,645 | 12,582 | (1,937) | -15% |
| Net assets, beginning of year, restated | <u>130,113</u> | <u>117,531</u> | <u>12,582</u> | 11% |
| Net assets, end of year | <u>\$ 140,758</u> | <u>\$ 130,113</u> | <u>\$ 10,645</u> | 8% |

Nonoperating revenues increased by 2% to \$158.2 million, primarily attributable to an increase in state funding which increased \$2.5 million from \$153.7 million to \$156.2 million due to increased funding for higher education.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The System's total operating revenues increased by \$6.0 million or 3.4% primarily because of increases in enrollment and increases in student tuition.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2005, the System had invested approximately \$234 million in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$57.8 million or 33% over the previous fiscal year. More detailed information about the System's capital assets is presented in Note 6 to the financial statements.

Table A-4
Louisiana Community and Technical College System
Capital Assets, Net of Depreciation
(in thousands of dollars)
as of June 30, 2005 and 2004

| | 2005 | 2004 (Restated) | Variance | Percentage Change |
|--------------------------|-------------------|--------------------|------------------|----------------------|
| Land and improvements | \$ 16,486 | \$ 15,476 | \$ 1,010 | 7% |
| Buildings | 112,610 | 81,521 | 31,089 | 38% |
| Equipment | 19,973 | 13,884 | 6,089 | 44% |
| Construction-in-progress | 84,494 | 64,874 | 19,620 | 30% |
| Total | <u>\$ 233,563</u> | <u>\$ 175,755</u> | <u>\$ 57,808</u> | 33% |

The major capital additions for fiscal year 2005 included the completion of the new campus of the South Louisiana Community College and the completion of the primary buildings for Bossier Parish Community College. During the year, the construction continued on the Baton Rouge Community College for the Learning Resource Center (Magnolia) and the Science and Technology Building (Cypress) with completion scheduled for this fall.

Debt Administration

The System had \$139.2 million in bonded debt outstanding at year-end, compared to a restated \$139.4 million last year, a decrease of .1% as shown in the following table.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-5
Louisiana Community and Technical College System
Outstanding Bonds Payable
(in thousands of dollars)
as of June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> <u>(Restated)</u> | <u>Variance</u> | <u>Percentage</u> <u>Change</u> |
|---------------|-------------|----------------------------------|-----------------|------------------------------------|
| Bonds Payable | \$139,199 | \$139,372 | (\$173) | -0.1% |

As principal payments will not begin until fiscal year 2006, the decrease was due to amortization of bond premiums.

See Notes 13 and 14 for details relating to changes in and the composition of capital leases and long-term liabilities.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

On August 29, 2005, Hurricane Katrina hit Southeast Louisiana seriously damaging Delgado Community College, Elaine P. Nunez Community College and many of the campuses of the Louisiana Technical College (LTC).

On September 24, 2005, Hurricane Rita made landfall along the Texas/Louisiana border impacting one additional college of the Louisiana Community and Technical College System, SOWELA Technical Community College, and additional campuses of the LTC.

The effects on the future operations of these facilities, as well as the infrastructure, cannot be reasonably estimated as of this date. However, the impact is of major proportions.

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the System's finances and to show the System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact F. Howard Karlton, CPA, at 265 South Foster Drive, Baton Rouge, Louisiana 70806 or at (225) 922-2800.

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BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

Louisiana Community and Technical College System
State of Louisiana
Statement of Net Assets
As of June 30, 2005

ASSETS

Current assets:

| | |
|------------------------------------|-------------------|
| Cash and cash equivalents (Note 2) | \$ 42,724,018 |
| Receivables, net (Note 4) | 21,064,471 |
| Due from state treasury | 140,421 |
| Due from federal government | 9,740,684 |
| Inventories | 1,523,692 |
| Prepayments | 601,379 |
| Other current assets | 11,879 |
| Total current assets | <u>75,806,544</u> |

Noncurrent assets:

| | |
|------------------------------------|--------------------|
| Restricted assets: | |
| Cash and cash equivalents (Note 2) | 27,976,826 |
| Investments (Note 3) | 9,677,501 |
| Notes receivable, net (Note 5) | 24,735 |
| Capital assets, net (Note 6) | 233,563,214 |
| Other noncurrent assets | 4,548,615 |
| Total noncurrent assets | <u>275,790,891</u> |
| Total assets | <u>351,597,435</u> |

LIABILITIES

Current liabilities:

| | |
|---|-------------------|
| Accounts payable and accruals (Note 10) | 28,969,703 |
| Deferred revenues (Note 11) | 13,412,236 |
| Amounts held in custody for others | 807,492 |
| Compensated absences payable (Note 14) | 2,377,713 |
| Capital lease obligations (Note 14) | 2,871,479 |
| Bonds payable, net (Note 14) | 887,402 |
| Other current liabilities | 174,066 |
| Total current liabilities | <u>49,500,091</u> |

Noncurrent liabilities:

| | |
|--|--------------------|
| Compensated absences payable (Note 14) | 13,361,834 |
| Capital lease obligations (Note 14) | 9,666,000 |
| Bonds payable, net (Note 14) | 138,311,910 |
| Total noncurrent liabilities | <u>161,339,744</u> |
| Total liabilities | <u>210,839,835</u> |

Net Assets

| | |
|---|-----------------------|
| Invested in capital assets, net of related debt | 112,248,974 |
| Restricted for: | |
| Nonexpendable (Note 15) | 3,443,624 |
| Expendable (Note 15) | 13,848,647 |
| Unrestricted | 11,216,355 |
| Total net assets | <u>\$ 140,757,600</u> |

The notes to the financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

Louisiana Community and Technical College System
State of Louisiana
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2005

OPERATING REVENUES

| | |
|--|--------------------|
| Student tuition and fees (net of scholarship allowances of \$24,795,806) | \$ 49,628,567 |
| Federal grants and contracts | 91,216,878 |
| State and local grants and contracts | 29,300,162 |
| Nongovernmental grants and contracts | 524,089 |
| Sales and services of educational departments | 1,816,015 |
| Auxiliary enterprise revenues (net of scholarship allowances of \$582,083) | 4,900,317 |
| Other operating revenues | 4,480,983 |
| Total operating revenues | <u>181,867,011</u> |

OPERATING EXPENSES

| | |
|-------------------------------------|--------------------|
| Educational and general: | |
| Instruction | 137,988,820 |
| Public service | 3,138,826 |
| Academic support | 29,462,717 |
| Student services | 26,037,824 |
| Institutional support | 57,069,133 |
| Operations and maintenance of plant | 28,533,563 |
| Depreciation | 9,105,382 |
| Scholarships and fellowships | 40,963,710 |
| Auxiliary enterprises | 6,641,073 |
| Other operating expenses | 2,476,750 |
| Total operating expenses | <u>341,417,798</u> |

OPERATING LOSS

(159,550,787)

NONOPERATING REVENUES (EXPENSES)

| | |
|-----------------------------|--------------------|
| State appropriations | 156,222,709 |
| Gifts | 389,487 |
| Investment income | 1,124,848 |
| Interest expense | (346,970) |
| Other nonoperating revenues | 822,222 |
| Net nonoperating revenues | <u>158,212,296</u> |

LOSS BEFORE OTHER REVENUES AND EXPENSES

(1,338,491)

| | |
|-----------------------------------|------------|
| Capital appropriations | 11,269,417 |
| Capital grants and gifts | 424,349 |
| Additions to permanent endowments | 11,933 |
| Other additions, net | 277,381 |

CHANGE IN NET ASSETS

10,644,589

NET ASSETS - BEGINNING OF YEAR (Restated) (Note 16)

130,113,011

NET ASSETS - END OF YEAR

\$ 140,757,600

The notes to the financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

Louisiana Community and Technical College System
State of Louisiana
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

| CASH FLOWS FROM OPERATING ACTIVITIES | |
|---|----------------------|
| Tuition and fees | \$ 49,585,048 |
| Grants and contracts, net | 88,646,456 |
| Payments to suppliers | (77,412,679) |
| Payments for utilities | (8,002,242) |
| Payments to employees | (149,783,990) |
| Payments for benefits | (39,456,312) |
| Payments for scholarships and fellowships | (20,937,528) |
| Auxiliary enterprise charges | 4,431,710 |
| Sales and services of educational departments | 1,650,956 |
| Other receipts (payments) | 7,729,675 |
| Net cash used by operating activities | <u>(143,548,906)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| State appropriations | 156,537,523 |
| Gifts and grants for other than capital purposes | 478,043 |
| Private gifts for endowment purposes | 191,933 |
| TOPS receipts | 1,128,976 |
| TOPS disbursements | (1,155,704) |
| Direct lending receipts | 4,324,095 |
| Direct lending disbursements | (4,324,095) |
| Federal Family Education Loan Program receipts | 7,658,786 |
| Federal Family Education Loan Program disbursements | (7,628,751) |
| Other receipts | 1,068,447 |
| Net cash provided by noncapital financing sources | <u>158,279,253</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | |
| Capital appropriations received | 8,471,165 |
| Capital grants and gifts received | 268,497 |
| Proceeds from sale of capital assets | 16,098 |
| Purchases of capital assets | (61,516,233) |
| Principal paid on capital debt and leases | (2,899,307) |
| Interest paid on capital debt and leases | (6,546,532) |
| Other receipts | 277,381 |
| Net cash used by capital financing activities | <u>(61,928,931)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Sales and maturities of investments | 23,656,731 |
| Purchase of investments | (221,814) |
| Interest received on investments | 2,145,062 |
| Net cash provided by investing activities | <u>25,579,979</u> |
| Net increase (decrease) in cash and cash equivalents | (21,618,605) |
| Cash and cash equivalents at beginning of year, restated for prior period adjustment | <u>92,319,449</u> |
| Cash and cash equivalents at end of year | <u>\$ 70,700,844</u> |

(Continued)

The notes to the financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

Louisiana Community and Technical College System
State of Louisiana
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

| RECONCILIATION OF OPERATING LOSS TO NET | |
|---|--------------------------------|
| CASH USED BY OPERATING ACTIVITIES | |
| Operating loss | \$ (159,550,787) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation expense | 9,105,382 |
| Changes in assets and liabilities: | |
| Decrease in accounts receivable, net | 6,924,513 |
| Decrease in inventories | 65,882 |
| (Increase) in prepaid expenses | (7,277) |
| Decrease in other assets | 21,138 |
| (Decrease) in accounts payable | (955,952) |
| Increase in deferred revenue | 1,172,133 |
| Increase in amounts held in custody for others | 94,291 |
| (Decrease) in compensated absences | (462,838) |
| Increase in other liabilities | <u>44,609</u> |
| NET CASH USED BY OPERATING ACTIVITIES | \$ <u>(143,548,906)</u> |
| Noncash Transactions | |
| Loss on disposal of assets | \$83,043 |
| Capital appropriations for construction of buildings | 2,798,252 |
| Noncash scholarships | 169,188 |
| Capital grants and gifts | 34,235 |

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

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 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 system has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board (FASB) statements. However, three of the community colleges each have a nongovernmental blended component unit (the BRCC Facilities Corporation for Baton Rouge Community College, the SLCC Facilities Corporation for South Louisiana Community College, and the Campus Facilities, Inc., for Bossier Parish Community College), which are presented under FASB Statement No. 117.

B. REPORTING ENTITY

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

Criteria described in GASB 2100 were used to evaluate whether potential component units should be blended with the System, 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 System is financially accountable and other organizations for which the nature and significance of their relationships with the System are such that exclusion would cause the financial statements of the System to be misleading or incomplete.

- The SLCC Facilities Corporation is a nonprofit corporation formed in December 2001 to provide funds and oversee construction for the South Louisiana Community College (SLCC) campus. The corporation has been blended into the SLCC financial statements and, as such, has been appropriately included in the accompanying financial statements. The SLCC Facilities Corporation has a June 30 year-end and audited financial statements for the corporation may be obtained at 908 Ember Drive, New Iberia, Louisiana 70560.
- Campus Facilities, Inc., is a nonprofit organization formed in May 2001 to provide funds for and oversee construction of the campus for Bossier Parish Community College (BPCC). The corporation has been blended into the BPCC financial statements and, as such, has been appropriately included in the accompanying financial

NOTES TO THE FINANCIAL STATEMENTS

statements. Campus Facilities, Inc., has a December 31 year-end and audited financial statements for Campus Facilities, Inc., may be obtained at 2719 Airline Drive, North Bossier Parish, Louisiana 71111.

- BRCC Facilities Corporation is a nonprofit corporation formed in February 2002 to provide funds and oversee construction of the campus for Baton Rouge Community College (BRCC). The corporation has been blended into the BRCC financial statements and, as such, has been appropriately included in the accompanying financial statements. BRCC Facilities Corporation has a June 30 year-end and audited financial statements for the corporation may be obtained at 5310 Florida Boulevard, Baton Rouge, Louisiana 70806.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities. Accordingly, the System'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-system transactions have been eliminated.

D. BUDGET PRACTICES

The appropriation made for the General Fund of the System 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 2004-2005 include the original approved budget and subsequent amendments approved as follows:

NOTES TO THE FINANCIAL STATEMENTS

| | Increases (decreases) | | | | Total budgeted amounts |
|---|--------------------------|-----------------------------|-------------------------|-----------------------|------------------------|
| | Original approved budget | State General Fund (direct) | Fees and self-generated | Statutory dedications | |
| Board of Supervisors | \$ 31,382,648 | \$ (39,240) | \$ - | \$ - | \$ 31,343,408 |
| Baton Rouge Community College | 19,664,532 | (571) | - | 127,601 | 19,791,562 |
| Bossier Parish Community College | 18,623,096 | (198,932) | - | 89,764 | 18,513,928 |
| Delgado Community College | 63,944,847 | (578,843) | 1,491,176 | - | 64,857,180 |
| Elaine P. Nunez Community College | 8,596,642 | (84,734) | 200,000 | 19,531 | 8,731,439 |
| L.E. Fletcher Technical Community College | 3,979,510 | (49,795) | - | 490,357 | 4,420,072 |
| Louisiana Delta Community College | 4,713,932 | (39,904) | - | 340,019 | 5,014,047 |
| Louisiana Technical College | 121,208,290 | (1,287,079) | - | 1,004,286 | 120,925,497 |
| River Parishes Community College | 3,517,265 | (36,761) | - | 98,445 | 3,578,949 |
| South Louisiana Community College | 6,335,475 | (51,265) | 67,750 | 211,849 | 6,563,809 |
| Sowela Technical Community College | <u>7,877,097</u> | <u>(101,975)</u> | <u>-</u> | <u>624,886</u> | <u>8,400,008</u> |
| Total | <u>\$289,843,334</u> | <u>(\$2,469,099)</u> | <u>\$1,758,926</u> | <u>\$3,006,738</u> | <u>\$292,139,899</u> |

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include certificates of deposit and all highly liquid investments with a maturity of three months or less when purchased. Under state law, the System 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 System may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. In accordance with Louisiana Revised Statute (R.S.) 49:327, the System is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct repurchase agreements, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture.

Investments are maintained in investment accounts in external foundations as authorized by policies and procedures established by the Board of Regents and are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets, except for the investments of the facility corporations where gains and losses are reported as a component of the amount capitalized to capital assets, as required by FASB 62. For purposes of the Statement of

NOTES TO THE FINANCIAL STATEMENTS

Cash Flows, the System considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. INVENTORIES

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

G. RESTRICTED CASH AND INVESTMENTS

Cash and investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are reported as restricted cash and investments. Restricted investments also consist of endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity.

H. 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 (equipment), the System's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Buildings and improvements and depreciable land improvements costing \$100,000 or more are capitalized and infrastructure costing \$3,000,000 or more is required to be capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. In addition, under OSRAP's policy, library collections with a total acquisition cost of less than \$5 million are not capitalized or depreciated. Computer software purchased for internal use with depreciable costs of \$1,000,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings, 20 years for depreciable land improvements, and 3 to 10 years for most movable property (equipment, including capitalized costs for computer software).

I. DEFERRED REVENUES

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

J. COMPENSATED ABSENCES

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

NOTES TO THE FINANCIAL STATEMENTS

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. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

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

K. NONCURRENT LIABILITIES

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

L. NET ASSETS

The System's net assets are classified as follows:

1. Invested in capital assets, net of related debt consists of the System'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.
2. Restricted net assets - nonexpendable consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
3. Restricted net assets - expendable consist of resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
4. Unrestricted net assets consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the System and may be used at the discretion of the governing board to meet current expenses and for any purpose.

NOTES TO THE FINANCIAL STATEMENTS

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

M. CLASSIFICATION OF REVENUES AND EXPENSES

The System has classified its revenues as either operating or nonoperating according to the following criteria: (1) Operating revenue includes activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and most federal, state, and local grants and contracts. (2) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

The System has classified its expenses as either operating or nonoperating according to the following criteria: (1) Operating expenses generally include transactions resulting from providing goods or services, such as payments to vendors for goods or services; payments to employees for services; and payments for employee benefits. (2) 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 services (tuition and fees) provided by the System 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, 2005, the System has cash and cash equivalents (book balances) of \$70,700,844 as follows:

| | |
|---|----------------------|
| Petty cash | \$ 38,778 |
| Demand deposits | 38,511,694 |
| Certificates of deposit | 721,231 |
| Cash equivalents: | |
| Federal Home Loan Bank (short-term notes) | 2,335,601 |
| Federal Home Loan Mortgage Corporation (short-term notes) | 2,033,251 |
| Guaranteed Investment Certificates (GICs) | 10,990,412 |
| Money Market Mutual Funds | 16,064,627 |
| Other | 5,250 |
| Total | <u>\$ 70,700,844</u> |

These cash and cash equivalents are reported as follows on the Statement of Net Assets:

| | |
|-------------------|----------------------|
| Current assets | \$ 42,724,018 |
| Noncurrent assets | <u>27,976,826</u> |
| Total | <u>\$ 70,700,844</u> |

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENTS

At June 30, 2005, the System has restricted investments totaling \$9,677,501 as follows:

| | | <u>Average Duration (Years)</u> |
|---|-------------------------|---|
| Repurchase agreements | \$ 6,905,990 | |
| Mutual funds: | | |
| Pooled equity funds | \$ 663,283 | - |
| Fixed income securities | 1,095,366 | 4.2 |
| Short-term federal funds | 519,477 | 2 |
| International equity funds | 126,134 | - |
| Other | <u>6,218</u> | - |
| Other | 100,000 | |
| Investment held by private foundation - external investment pool | <u>261,033</u> | |
| Total investments | <u>\$ 9,677,501</u> | |

These investments are reported at fair market value. They are reported on the Statement of Net Assets as noncurrent assets - investments. Investments held by private foundations are managed in accordance with the terms outlined in management agreements executed between the System's colleges and their respective foundations. The System's colleges are voluntary participants.

For the monies held by the private foundation of \$261,033 and the mutual funds of \$2,410,478, there are no credit quality ratings. All of the investments of the college which are held by the private foundation are certificates of deposits. These are insured in their entirety by federal deposit insurance and by the additional pledge of collateral by the bank. Both the Federal Home Loan Bank investment of \$2,335,601 and the Federal Home Loan Mortgage Corporation investment of \$2,033,251 are rated A-1+ by Standard and Poor's and have maturities of September 2, 2005, and October 18, 2005, respectively. Credit quality ratings are not required for the remaining investments.

The mutual funds of \$2,410,478 are held pursuant to the Eminent Scholars and Endowed Professorships Program. To reduce overall volatility of investment returns and to provide a hedge against the effects of economic downturns, the investment policy for that program requires at least 40% of assets be invested in fixed-income funds. The fixed-income funds are diversified among various sectors of the fixed-income market. Up to 15% may be invested in quality ratings between AA and BB, while the overall average quality must be at least AA. The interest rate risks are limited by managing their performance using fixed-income indices as benchmarks to gauge and limit such risk. Investments in foreign stocks and foreign fixed-income are limited to 15% and 5% of the equity and fixed income funds, respectively.

For the remaining investments, there is no formally adopted investment policy regarding the acceptable credit quality ratings of investments or that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Repurchase agreements totaling \$6,905,990, money market mutual funds totaling \$16,014,276 and GICs totaling \$10,990,412 were reported in the financial statements and notes to the financial statements for the

NOTES TO THE FINANCIAL STATEMENTS

BRCC Facilities Corporation, SLCC Facilities Corporation, and Campus Facilities, Inc., which were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the notes to the financial statements of the corporations do not reflect the requirements of GASB Statement No. 3, as revised by Statement No. 40. However, the notes to these financial statements reported that the repurchase agreements are invested pursuant to an agreement by and between MBIA, Inc. (as seller), Regions Bank (as buyer and trustee for the bonds) and Wells Fargo Bank Minnesota (as custodian). The repurchase agreements are collateralized by treasury and agency securities held in the name of Regions Bank at Wells Fargo Bank Minnesota and insured by MBIA Insurance Corporation. There were no risk disclosures for the GICs or \$13,302,260 of the money market funds of the BRCC Facility Corporation. The money market funds of the South Louisiana Community College Facilities Corporation (\$2,632,991), as well as those of the Campus Facilities, Inc. (\$79,025), are reported in the notes to the financial statements as uninsured and unregistered and are held by the broker or dealer or by its trust department or agent but not in the name of the entity.

Investments in any one issuer that represent 5% or more of the total investments (not including U.S. government securities, mutual funds and external investment pools) follow: Guaranteed Investment Certificates represent 27%, Federal Home Loan Bank represents 6%, and Federal Home Loan Mortgage Corporation represents 5%.

4. RECEIVABLES

Receivables are shown on the Statement of Net Assets net of an allowance for doubtful accounts at June 30, 2005. These receivables are composed of the following:

| | Accounts Receivable | Allowance for Doubtful Accounts | Net Accounts Receivable |
|---|------------------------|---------------------------------------|----------------------------|
| Student tuition and fees | \$ 10,473,502 | \$ (952,182) | \$ 9,521,320 |
| Auxiliary enterprise | 246,320 | - | 246,320 |
| Federal, state, and private grants and contracts | - | - | - |
| Other | 10,318,985 | - | 10,318,985 |
| | <u>977,846</u> | <u>-</u> | <u>977,846</u> |
| Total | <u>\$ 22,016,653</u> | <u>\$ (952,182)</u> | <u>\$ 21,064,471</u> |

There is no noncurrent portion of accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS

5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan and miscellaneous private student loan programs of \$5,080 and \$19,655, respectively. Loans are no longer issued under the Federal Perkins Loan program, but collections are still made on outstanding loans. None of the balances are expected to be collected within the next fiscal year.

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2005, follows:

| | Balance June 30, 2004 | Prior Period Adjustment | Adjusted Balance June 30, 2004 | Additions | Transfers | Retirements | Balance June 30, 2005 |
|---|--------------------------|----------------------------|-----------------------------------|----------------------|---------------------|---------------------|--------------------------|
| Capital assets not being depreciated | | | | | | | |
| Land | \$ 14,658,679 | \$ 75,000 | \$ 14,733,679 | \$ 1,107,452 | \$ - | \$ - | \$ 15,841,131 |
| Construction in progress | 65,522,345 | (1,856,888) | 63,665,457 | 57,057,385 | (37,716,474) | (460,371) | 82,545,997 |
| Capitalized interest costs | 1,208,942 | - | 1,208,942 | 738,908 | - | - | 1,947,850 |
| Total capital assets not being depreciated | <u>81,389,966</u> | <u>(1,781,888)</u> | <u>79,608,078</u> | <u>58,903,745</u> | <u>(37,716,474)</u> | <u>(460,371)</u> | <u>100,334,978</u> |
| Capital assets being depreciated | | | | | | | |
| Land improvements | 2,132,390 | - | 2,132,390 | - | - | - | 2,132,390 |
| Buildings | 151,536,749 | (122,738) | 151,414,011 | 171,923 | 36,328,723 | (167,383) | 187,747,274 |
| Furniture, fixtures and equipment | 46,532,342 | 350,707 | 46,883,049 | 8,607,706 | 2,059,537 | (2,061,680) | 55,488,612 |
| Total capital assets being depreciated | <u>200,201,481</u> | <u>227,969</u> | <u>200,429,450</u> | <u>8,779,629</u> | <u>38,388,260</u> | <u>(2,229,063)</u> | <u>245,368,276</u> |
| Less accumulated depreciation | | | | | | | |
| Land improvements | (1,391,313) | - | (1,391,313) | (95,624) | - | - | (1,486,937) |
| Buildings | (69,732,306) | (160,230) | (69,892,536) | (4,607,635) | (695,786) | 58,584 | (75,137,373) |
| Furniture, fixtures and equipment | (32,988,397) | (10,400) | (32,998,797) | (4,402,124) | 24,000 | 1,861,191 | (35,515,730) |
| Total accumulated depreciation | <u>(104,112,016)</u> | <u>(170,630)</u> | <u>(104,282,646)</u> | <u>(9,105,383)</u> | <u>(671,786)</u> | <u>1,919,775</u> | <u>(112,140,040)</u> |
| Total capital assets being depreciated, net | <u>96,089,465</u> | <u>57,339</u> | <u>96,146,804</u> | <u>(325,754)</u> | <u>37,716,474</u> | <u>(309,288)</u> | <u>133,228,236</u> |
| Total capital assets, net | <u>\$ 177,479,431</u> | <u>\$ (1,724,549)</u> | <u>\$ 175,754,882</u> | <u>\$ 58,577,991</u> | <u>\$ -</u> | <u>\$ (769,659)</u> | <u>\$ 233,563,214</u> |

The June 30, 2004, balance of capital assets has been reduced \$1,724,549 to reflect prior period adjustments resulting from the correction of prior year errors.

7. PENSION PLANS

Plan Description. Substantially all employees of the System 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 generally members of the Louisiana State Employees' Retirement System (LASERS). TRS is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single employer plan because the material portion of its activity is with one employer--the State of Louisiana. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries and are administered by separate boards of trustees. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the retirement systems; employee benefits vest with TRS after five years of service and with LASERS after 10 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems

NOTES TO THE FINANCIAL STATEMENTS

issue annual publicly available financial reports that include financial statements and required supplementary information for the retirement systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the System 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 15.5% of covered salaries to TRS and 17.8% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to the System, funds the System's employer contribution. The System's employer contributions to TRS for the years ended June 30, 2005, 2004, and 2003 were \$12,570,623, \$11,025,700, and \$9,181,342, respectively, and to LASERS for the years ended June 30, 2005, 2004, and 2003 were \$4,106,328, \$3,498,973, and \$2,875,992, respectively, equal to the required contributions for each year.

8. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921-931 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program, which is administered by TRS, was designed to aid colleges in recruiting employees who may not be expected to remain in the TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

R.S. 11:927 requires the employer and each participant to contribute monthly to the optional retirement plan the same amount which they would be required to contribute to the regular retirement plan of the TRS of Louisiana if the participant were a member of that retirement plan. Employer contributions by the System are 15.5% 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 the actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer and employee contributions to the optional retirement plan totaled \$3,514,550 and \$1,772,924, respectively, for the year ended June 30, 2005.

NOTES TO THE FINANCIAL STATEMENTS

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The System provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the System's employees become eligible for these benefits if they reach normal retirement age while working for the System. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the System. The System recognizes the cost of providing these benefits to retirees (System's portion of premiums) as an expense when paid during the year. Benefits provided for 1005 retirees totaled \$5,192,679 for the year ended June 30, 2005.

10. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accrued expenses at June 30, 2005:

Account Name

| | |
|---|----------------------------|
| Vendor payables | \$10,061,757 |
| Accrued salaries and payroll deductions | 10,082,617 |
| Construction and retainage payables | 4,905,744 |
| Accrued interest payable | 719,659 |
| Other | <u>3,199,926</u> |
| Total payables | <u><u>\$28,969,703</u></u> |

11. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2005:

| | |
|--------------------------|----------------------------|
| Prepaid tuition and fees | \$11,023,104 |
| Prepaid rent | 1,894,003 |
| Grants and contracts | 384,280 |
| Other | <u>110,849</u> |
| Total deferred revenues | <u><u>\$13,412,236</u></u> |

12. COMPENSATED ABSENCES

At June 30, 2005, employees of the System have accumulated and vested annual, sick, and compensatory leave of \$8,604,304, \$6,976,273, and \$158,970, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

13. LEASE OBLIGATIONS

Operating Leases

For the year ended June 30, 2005, the total rental expense for all operating leases is \$3,520,429. The

NOTES TO THE FINANCIAL STATEMENTS

following is a schedule by years of future minimum annual rental payments required under operating leases:

| Fiscal Year(s) | Office Space | Equipment | Land | Other | Total |
|---------------------------------|---------------------|---------------------|-------------------|------------------|---------------------|
| 2006 | \$ 994,239 | \$ 553,208 | \$ 25,000 | \$ 11,177 | \$ 1,583,624 |
| 2007 | 474,699 | 575,772 | 25,000 | - | 1,075,471 |
| 2008 | 254,625 | 598,768 | 25,000 | - | 878,393 |
| 2009 | 226,369 | 623,462 | 25,000 | - | 874,831 |
| 2010 | 65,396 | 648,280 | - | - | 713,676 |
| 2011-2015 | - | 943,492 | - | - | 943,492 |
| 2016-2020 | - | 980,131 | - | - | 980,131 |
| Total Minimum Payments Required | <u>\$ 2,015,328</u> | <u>\$ 4,923,113</u> | <u>\$ 100,000</u> | <u>\$ 11,177</u> | <u>\$ 7,049,618</u> |

Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments, at June 30, 2005:

| | |
|---|----------------------|
| Fiscal Year Ending June 30: | |
| 2006 | \$ 3,516,773 |
| 2007 | 2,150,958 |
| 2008 | 2,152,213 |
| 2009 | 2,152,825 |
| 2010 | 636,757 |
| 2011-2015 | 1,878,675 |
| 2016-2020 | 4,619,000 |
| 2021-2025 | - |
| 2026-2030 | - |
| 2031 | - |
| Total minimum lease payments | <u>17,107,201</u> |
| Less - amount representing interest | <u>(4,569,722)</u> |
| Present value of net minimum lease payments | <u>\$ 12,537,479</u> |

The gross amount (or historical cost) of assets held under capital leases as of June 30, 2005, include buildings and equipment of \$4,395,000 and \$12,365,000, respectively.

Lessor - Operating Lease

Leasing operations of the System consist of Baton Rouge Community College's leasing of property for the purposes of providing bookstore operations to students. The estimated cost, accumulated depreciation, and carrying amount of the System's investment in operating lease property as of June 30, 2005, is \$409,245, \$9,619, and \$399,626, respectively. This includes estimated values, which are based on the ratio of the square footage of the space leased to the total square footage of the building.

NOTES TO THE FINANCIAL STATEMENTS

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2005:

| Fiscal Year(s) | Office Space | Equipment | Land | Other | Total |
|---------------------------------|-------------------|-------------|-------------|-------------|-------------------|
| 2006 | \$ 39,167 | \$ - | \$ - | \$ - | \$ 39,167 |
| 2007 | 30,000 | - | - | - | 30,000 |
| 2008 | 30,000 | - | - | - | 30,000 |
| 2009 | 30,000 | - | - | - | 30,000 |
| 2010 | 30,000 | - | - | - | 30,000 |
| 2011-2015 | 60,000 | - | - | - | 60,000 |
| 2016-2020 | - | - | - | - | - |
| Total Minimum Payments Required | <u>\$ 219,167</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 219,167</u> |

Minimum future rentals do not include contingent rentals that may be received as stipulated in the lease contracts. Contingent rentals received by the Baton Rouge Community College from operating leases for the year ended June 30, 2005, were \$30,000.

14. LONG-TERM LIABILITIES

The following is a summary of bonds and other long-term debt transactions of the System for the year ended June 30, 2005:

| | Balance June 30, 2004 | Additions | Reductions | Balance June 30, 2005 | Portion Due Within One Year |
|--|--------------------------|---------------------|-----------------------|--------------------------|-----------------------------------|
| Bonds payable and capital lease obligations: | | | | | |
| Bonds payable, net | \$ 139,372,496 | \$ 9,639 | \$ (182,823) | \$ 139,199,312 | \$ 887,402 |
| Capital lease obligations | 15,436,786 | - | (2,899,307) | 12,537,479 | 2,871,479 |
| Total bonds payable and capital lease obligations | <u>154,809,282</u> | <u>9,639</u> | <u>(3,082,130)</u> | <u>151,736,791</u> | <u>3,758,881</u> |
| Other liabilities: | | | | | |
| Compensated absences payable | 16,202,387 | 4,170,387 | (4,633,227) | 15,739,547 | 2,377,713 |
| Total other liabilities | <u>16,202,387</u> | <u>4,170,387</u> | <u>(4,633,227)</u> | <u>15,739,547</u> | <u>2,377,713</u> |
| Total long-term liabilities | <u>\$ 171,011,669</u> | <u>\$ 4,180,026</u> | <u>\$ (7,715,357)</u> | <u>\$ 167,476,338</u> | <u>\$ 6,136,594</u> |

Details of all debt outstanding at June 30, 2005, follow:

Bonds Payable

As presented on the Statement of Net Assets, at June 30, 2005, bonds payable total \$139,199,312 of which \$887,402 is current and the remaining \$138,311,910 is noncurrent.

Detailed summaries, by issues, of all bonded debt outstanding at June 30, 2005, follow:

NOTES TO THE FINANCIAL STATEMENTS

| | <u>Date of Issue</u> | <u>Original Issue</u> | <u>Outstanding June 30, 2004</u> | <u>Issue (Redeemed)</u> | <u>Outstanding June 30, 2005</u> | <u>Maturities</u> | <u>Interest Rates</u> | <u>Future Interest Payments June 30, 2005</u> |
|---|----------------------|-----------------------|--------------------------------------|-----------------------------|--------------------------------------|-------------------|-----------------------|---|
| Baton Rouge Community College | | | | | | | | |
| BRCC Facilities Corp.: | | | | | | | | |
| Series 2002 Revenue Bonds | Dec. 31, 2002 | \$ 55,000,000 | \$ 55,000,000 | - | \$ 55,000,000 | 2015-2033 | 5.0% - 5.37% | \$ 56,064,325 |
| Series 2003 Revenue Bonds | Dec. 23, 2003 | 10,000,000 | 10,000,000 | - | 10,000,000 | 2010-2018 | 3.8% - 5.5% | 3,731,223 |
| Bossier Parish Community College | | | | | | | | |
| Campus Facilities Inc.: | | | | | | | | |
| Series 2002 Revenue Bonds | April 18, 2002 | 45,000,000 | 45,000,000 | - | 45,000,000 | 2012-2028 | 4.2% - 5.25% | 38,018,640 |
| Series 2003 Revenue Bonds | June 18, 2003 | 10,000,000 | 10,000,000 | - | 10,000,000 | 2006-2012 | 2.0% - 3.0% | 1,184,925 |
| South Louisiana Community College | | | | | | | | |
| SLCC Facilities Corp.: | | | | | | | | |
| Series 2002 Revenue Bonds | Oct. 29, 2002 | 17,840,000 | 17,840,000 | - | 17,840,000 | 2006-2029 | 2.1% - 4.75% | 11,481,252 |
| Total | | <u>\$ 137,840,000</u> | <u>\$ 137,840,000</u> | <u>-</u> | <u>\$ 137,840,000</u> | | | <u>\$ 110,480,365</u> |
| Net original premiums (discounts) | | | 1,683,685 | - | 1,683,685 | | | |
| Net accumulated amortization of premiums/discounts | | | <u>(151,189)</u> | <u>(173,184)</u> | <u>(324,373)</u> | | | |
| Bonds payable, net | | | <u>\$ 139,372,496</u> | <u>\$ (173,184)</u> | <u>\$ 139,199,312</u> | | | |

The annual requirements to amortize all bonds outstanding at June 30, 2005, are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-----------------------|-----------------------|-----------------------|
| 2006 | \$ 690,000 | \$ 6,650,629 | \$ 7,340,629 |
| 2007 | 2,055,000 | 6,635,546 | 8,690,546 |
| 2008 | 2,110,000 | 6,591,631 | 8,701,631 |
| 2009 | 2,165,000 | 6,528,841 | 8,693,841 |
| 2010 | 3,780,000 | 6,433,216 | 10,213,216 |
| 2011-2015 | 21,485,000 | 29,631,450 | 51,116,450 |
| 2016-2020 | 26,700,000 | 23,797,095 | 50,497,095 |
| 2021-2025 | 33,290,000 | 16,238,166 | 49,528,166 |
| 2026-2030 | 33,010,000 | 7,011,416 | 40,021,416 |
| 2031-2034 | 12,555,000 | 962,375 | 13,517,375 |
| Total | <u>\$ 137,840,000</u> | <u>\$ 110,480,365</u> | <u>\$ 248,320,365</u> |

Outstanding principal of \$137,840,000 plus unamortized premium/discount of \$1,359,312 totals \$139,199,312. This amount is reported as bonds payable, net, on the Statement of Net Assets, as follows: current \$887,402 and noncurrent \$138,311,910.

Details of capital lease obligations and accrued compensated absences payable are shown in Notes 13 and 12, respectively.

NOTES TO THE FINANCIAL STATEMENTS

15. RESTRICTED NET ASSETS

The System has the following restricted net assets at June 30, 2005:

| | |
|--|----------------------------|
| Nonexpendable: | |
| Endowments | \$2,903,420 |
| Student Life Center Maintenance Reserve | <u>540,204</u> |
| Total nonexpendable | <u><u>\$3,443,624</u></u> |
| Expendable: | |
| Cash remaining to complete construction projects | \$2,457,188 |
| Operating income and cumulative unexpended carryover | 7,343,285 |
| Student fees | 1,893,626 |
| Endowed professorships and scholarships | 619,889 |
| Technology fee | 510,854 |
| Other | 411,881 |
| Building use fee | 245,245 |
| Grants | 183,807 |
| Accumulation of restricted student fees & other restricted | 163,238 |
| Third party scholarships | <u>19,634</u> |
| Total expendable | <u><u>\$13,848,647</u></u> |

16. RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets as reflected on the Statement of Revenues, Expenses and Changes in Net Assets have been restated to reflect the correction of errors in the prior report. The effect of the restatement is as follows:

| | |
|---|-----------------------------|
| Net assets at June 30, 2004 | \$132,476,613 |
| Reclassifications and adjustments for prior year errors | <u>(2,363,602)</u> |
| Net assets at July 1, 2004 | <u><u>\$130,113,011</u></u> |

17. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The System is involved in eight lawsuits at June 30, 2005, that are being handled by contract attorneys. In the opinion of legal counsel, the possibility that the System will incur a liability in these cases is reasonably possible with a possible loss estimated at \$638,000. This amount is not reflected in the accompanying financial statements. Claims and litigation costs of \$229,604 were incurred in the current year and are reflected in the accompanying financial statements.

NOTES TO THE FINANCIAL STATEMENTS

18. FOUNDATIONS

The accompanying financial statements do not include the accounts of the following foundations:

Baton Rouge Community College Foundation, Incorporated
Bossier Parish Community College Foundation
Cavalier Athletic Foundation
Delgado Community College Foundation
Louisiana Delta Community College Foundation
Louisiana Technical College:
 District IV Foundation
 Northeast Louisiana Technical Institute Foundation, Limited
 Tallulah Foundation
 Sullivan Vocational Foundation, Incorporated
Nunez Community College Foundation
River Parishes Community College Foundation, Incorporated
Sowela Technical Institute Foundation, Limited

These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

Certain colleges of the System have contracted with their respective foundations to invest the colleges' Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:3384. The Endowed Professorship Program endowment funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. At June 30, 2005, the foundations hold in custody \$261,033 of state Endowed Professorship Program funds.

19. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the college to authorize for expenditure 75% of the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

At June 30, 2005, net appreciation of \$9,529 is available to be spent, which is restricted to specific purposes. Funds are invested and spent according to the guidelines established by the Board of Regents, provided that the maximum spending shall not exceed 5% of the market value of program assets averaged for the previous five-year period and no more than 60% of the funds can be invested in equities.

20. DEFERRED COMPENSATION PLAN

Certain employees of the System 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.

NOTES TO THE FINANCIAL STATEMENTS

21. RELATED PARTY TRANSACTIONS

Delgado Community College entered into a capital lease transaction with the Delgado Community College Foundation to finance the building of the City Park Campus Student Life Center. The term of the lease is 30 years with interest payments commencing April 1, 2000.

22. ALTERNATIVE FINANCING AGREEMENTS

Baton Rouge Community College (BRCC)

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 renovating existing buildings on property adjacent to the BRCC 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. In December 2003, the Louisiana Local Government Environmental Facilities and Community Development Authority issued an additional \$10,000,000 in revenue bonds on behalf of the BRCC Facilities Corporation. Pursuant to the terms of a Ground Lease agreement, effective December 1, 2002, the corporation has leased the land from the Board of Supervisors of the System. 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, which upon completion are being leased back to the board for use by the students, faculty, and staff of the community college. Estimated costs for construction projects not yet complete total approximately \$46,957,643 of which \$15,564,051 was in progress at June 30, 2005.

On June 3, 2004, the BRCC Facilities Corporation entered into two lease-sublease purchase agreements with Suntrust Leasing Corporation for the maximum amounts of \$6,800,000 and \$1,950,000 to purchase equipment, furniture and fixtures. The lease terms expire on June 3, 2011.

Future monies appropriated to the System will be used to fund the annual lease payments.

Bossier Parish Community College (BPCC)

On December 13, 2001, the Louisiana State Bond Commission approved the issuance of up to \$45,000,000 in bonds for the purpose of constructing a new BPCC campus. On April 18, 2002, the Louisiana Government Facilities and Community Development Authority issued \$45,000,000 in revenue bonds on behalf of Campus Facilities, Inc., a nonprofit organization. In June 2003, an amount of \$10,000,000 in Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds were issued to provide additional funds to complete construction. Pursuant to terms of a Ground Lease agreement, effective April 1, 2002, the corporation has leased the land from the Board of Supervisors of the System. The lease term expires on January 1, 2028. 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. Commitments for construction not yet complete totaled approximately \$5,587,465 at December 31, 2004.

On December 4, 2003, Campus Facilities, Inc., entered into a leasing agreement for equipment in the

NOTES TO THE FINANCIAL STATEMENTS

amount of \$3,615,000 with Landmark Leasing whereby scheduled lease payments are made to Landmark Leasing beginning December 2003 and ending December 2005.

Future monies appropriated to the System will be used to fund the annual lease payments.

South Louisiana Community College (SLCC)

On May 16, 2002, the Louisiana State Bond Commission approved the issuance of up to \$20,000,000 in bonds for the purpose of constructing a new SLCC campus. On October 29, 2002, the Lafayette Public Trust Financing Authority issued \$17,840,000 in revenue bonds on behalf of the SLCC Facilities, Inc., a nonprofit organization. Pursuant to terms of a Ground Lease agreement effective October 29, 2002, the corporation has leased the land from the Board of Supervisors of the System. The lease term expires on October 1, 2028. 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 System will be used to fund the annual lease payments.

23. SUBSEQUENT EVENTS

On August 29, 2005, Hurricane Katrina hit southeast Louisiana. Three colleges of the Louisiana Community and Technical College System were impacted by the hurricane: Delgado Community College, Elaine P. Nunez Community College, and multiple campuses of the Louisiana Technical College (LTC). On September 24, 2005, Hurricane Rita made landfall along the Texas/Louisiana border impacting one additional college of the Louisiana Community and Technical College System, SOWELA Technical Community College, and additional campuses of the LTC. As a result of both hurricanes, approximately 47% of the students enrolled for the fall semester were displaced. While the damage from both hurricanes is considered to be extensive, no estimate of the damage is available at this time.

During the fiscal year ended June 30, 2005, construction continued on a learning resource center at the Baton Rouge Community College. Site signage and landscaping projects have also begun.

Bossier Parish Community College, while mostly complete, has two buildings currently under construction which are expected to be complete by June 30, 2006: the theatre/auditorium and the health and physical education complex.

Act 506 of the 2005 Regular Legislative Session required the Board of Regents to conduct a study proposing the restructuring of the Louisiana Technical College and to present this proposal to the Board of Supervisors of Louisiana Community and Technical Colleges for action by February 15, 2006. The LCTCS Board received the report from the Board of Regents at its February 2006 meeting and recommended changes to the organizational structure of the Louisiana Technical College at its March 2006 meeting. The LCTCS Board recommendation calls for an incremental implementation for restructuring the Louisiana Technical College by eliminating the LTC Central Office (i.e. Chancellor's Office) by July 1, 2006 and migrating certain campuses under the management of community/technical colleges while also providing some campuses to operate under a regional structure. Details for this conversion are still under review by the LCTCS Board staff with further recommendations due no later than the May 2006 LCTCS Board meeting.

SUPPLEMENTARY INFORMATION

SCHEDULES

**LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
BOARD OF SUPERVISORS
STATE OF LOUISIANA
Schedule of Per Diem Paid to Board Members
For the Fiscal Year Ending June 30, 2005**

| | <u>AMOUNT</u> |
|------------------------------|-----------------------------|
| Barham, Erle | \$ 1,200 |
| Chandler, Mike | 100 |
| Chigbu, Gibson C. | 550 |
| Chissell, Tonya | 1,000 |
| Dejoie, Ava M. | 650 |
| Delaney, John | 500 |
| Franklin, Carl | 1,100 |
| Johnson, Kathy E. | 3,400 |
| Kimble, Alvin | 350 |
| Knapp, Ann H. | 1,700 |
| McCotter, J. K. | 1,250 |
| Mellington, Brett J. | 950 |
| Nealy, Angela | 1,250 |
| Packer, Jr., Daniel | 500 |
| Smith, Stephen | 900 |
| Stone, Fredrick M. | 450 |
| Trist, Nicholas P. | 700 |
| Womack-Williams, Karondellet | <u>100</u> |
| Total | \$ <u><u>16,650</u></u> |

SCHEDULES

**LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
COMBINING SCHEDULE OF NET ASSETS BY COLLEGE
AS OF JUNE 30, 2005**

| | Board Office | Baton Rouge Community College | Bossier Parish Community College | Delgado Community College | Elaine P. Nunez Community College |
|---|---------------------|-------------------------------------|--|---------------------------------|--------------------------------------|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | \$ 3,740,675 | \$ 11,145,627 | \$ 4,058,288 | \$ 12,122,534 | \$ 534,625 |
| Receivables (net) | 16,201 | 493,898 | 1,216,610 | 9,137,549 | 832,334 |
| Due from State Treasury | 140,421 | - | - | - | - |
| Due from Federal Government | 8,691,988 | 81,656 | 166,580 | 989,139 | - |
| Due from LCTCS Colleges/LCTCS | 18,357 | 14,411 | 33,945 | 151,523 | 14,524 |
| Inventories | - | - | 384,523 | - | - |
| Prepayments | - | - | 9,515 | 176,676 | 132,816 |
| Other current assets | 3,167 | 900 | 7,812 | - | - |
| Total current assets | 12,610,809 | 11,736,492 | 5,877,273 | 22,577,421 | 1,514,299 |
| Noncurrent Assets | | | | | |
| Restricted assets: | | | | | |
| Cash and cash equivalents | - | 24,304,480 | 79,025 | - | 373,394 |
| Investments | - | - | 7,005,990 | 2,410,478 | 261,033 |
| Notes receivable, net | - | - | - | 24,735 | - |
| Capital assets (net) | 126,060 | 79,701,871 | 54,653,752 | 23,426,462 | 17,005,741 |
| Other noncurrent assets | - | 1,157,772 | 3,024,360 | - | - |
| Total noncurrent assets | 126,060 | 105,164,123 | 64,763,127 | 25,861,675 | 17,640,168 |
| Total Assets | 12,736,869 | 116,900,615 | 70,640,400 | 48,439,096 | 19,154,467 |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Accounts payable and accruals | 10,185,021 | 2,231,646 | 5,019,648 | 6,084,944 | 610,519 |
| Due to LCTCS Colleges/LCTCS | 852,247 | - | - | - | - |
| Deferred revenues | - | 886,356 | 421,007 | 9,705,921 | 293,595 |
| Amounts held in custody for others | - | 572,302 | 46,971 | - | 2,774 |
| Compensated absences payable | 23,498 | 40,755 | 26,889 | 1,560,807 | 24,270 |
| Capital lease obligations | - | 1,552,000 | 1,244,479 | 75,000 | - |
| Bonds payable, net | - | 197,402 | 225,000 | - | - |
| Other current liabilities | - | - | - | 102,019 | 5,272 |
| Total current liabilities | 11,060,766 | 5,480,461 | 6,983,994 | 17,528,691 | 936,430 |
| Noncurrent Liabilities | | | | | |
| Compensated absences payable | 445,001 | 680,568 | 1,147,919 | 2,409,423 | 625,839 |
| Capital lease obligations | - | 5,711,000 | - | 3,955,000 | - |
| Bonds payable, net | - | 66,750,780 | 54,433,515 | - | - |
| Total noncurrent liabilities | 445,001 | 73,142,348 | 55,581,434 | 6,364,423 | 625,839 |
| Total liabilities | 11,505,767 | 78,622,809 | 62,565,428 | 23,893,114 | 1,562,269 |
| Net Assets | | | | | |
| Investment in capital assets, net of related debt | 126,060 | 29,356,412 | 2,542,690 | 19,396,462 | 17,005,741 |
| Restricted for: | - | - | - | - | - |
| Nonexpendable | - | - | 100,000 | 2,362,219 | 394,469 |
| Expendable | 13,384 | 7,343,285 | 4,697,654 | 588,463 | 187,112 |
| Unrestricted | 1,091,658 | 1,578,109 | 734,628 | 2,198,838 | 4,876 |
| Total net assets | \$ 1,231,102 | \$ 38,277,806 | \$ 8,074,972 | \$ 24,545,982 | \$ 17,592,198 |

SCHEDULES

| L.E. Fletcher Technical Community College | Louisiana Delta Community College | Louisiana Technical College | River Parishes Community College | South Louisiana Community College | Sowela Technical Community College | System Eliminating Entries | System Totals |
|---|--------------------------------------|-----------------------------------|--|--|---|----------------------------------|-----------------------|
| \$ 1,380,924 | \$ 392,721 | \$ 6,753,889 | \$ 369,217 | \$ 1,537,379 | \$ 688,139 | | \$ 42,724,018 |
| 216,882 | 20,059 | 7,487,030 | 119,076 | 989,458 | 535,374 | | 21,064,471 |
| - | - | - | - | - | - | | 140,421 |
| 68,064 | - | 1,835,402 | 12,834 | - | 18,482 | \$ (2,123,461) | 9,740,684 |
| 7,921 | 1,455 | 739,588 | 7,240 | 940 | 31,757 | (1,021,661) | - |
| 23,089 | 5,566 | 1,092,612 | - | - | 17,902 | | 1,523,692 |
| 5,213 | 64,041 | 174,633 | 22,894 | - | 15,591 | | 601,379 |
| - | - | - | - | - | - | | 11,879 |
| <u>1,702,093</u> | <u>483,842</u> | <u>18,083,154</u> | <u>531,261</u> | <u>2,527,777</u> | <u>1,307,245</u> | <u>(3,145,122)</u> | <u>75,806,544</u> |
| - | 300,000 | 286,936 | - | 2,632,991 | - | | 27,976,826 |
| - | - | - | - | - | - | | 9,677,501 |
| - | - | - | - | - | - | | 24,735 |
| 1,388,126 | 84,100 | 38,521,771 | 94,807 | 15,459,705 | 3,100,819 | | 233,563,214 |
| - | - | - | - | 366,483 | - | | 4,548,615 |
| <u>1,388,126</u> | <u>384,100</u> | <u>38,808,707</u> | <u>94,807</u> | <u>18,459,179</u> | <u>3,100,819</u> | <u>-</u> | <u>275,790,891</u> |
| <u>3,090,219</u> | <u>867,942</u> | <u>56,891,861</u> | <u>626,068</u> | <u>20,986,956</u> | <u>4,408,064</u> | <u>(3,145,122)</u> | <u>351,597,435</u> |
| 177,657 | 288,572 | 4,571,581 | 76,352 | 1,559,836 | 287,388 | (2,123,461) | 28,969,703 |
| 42 | - | 43,377 | - | 3 | 125,992 | (1,021,661) | - |
| 222,695 | 129,114 | 1,430,946 | 67,973 | 147,139 | 107,490 | | 13,412,236 |
| 2,151 | - | 157,757 | 1,780 | 6,408 | 17,349 | | 807,492 |
| 47,776 | 11,896 | 600,210 | - | 20,735 | 20,877 | | 2,377,713 |
| - | - | - | - | - | - | | 2,871,479 |
| - | - | - | - | 465,000 | - | | 887,402 |
| - | - | 29,302 | - | 37,473 | - | | 174,066 |
| <u>450,321</u> | <u>429,582</u> | <u>6,833,173</u> | <u>146,105</u> | <u>2,236,594</u> | <u>559,096</u> | <u>(3,145,122)</u> | <u>49,500,091</u> |
| 270,736 | 93,943 | 6,602,512 | 190,708 | 204,631 | 690,554 | | 13,361,834 |
| - | - | - | - | - | - | | 9,666,000 |
| - | - | - | - | 17,127,615 | - | | 138,311,910 |
| <u>270,736</u> | <u>93,943</u> | <u>6,602,512</u> | <u>190,708</u> | <u>17,332,246</u> | <u>690,554</u> | <u>-</u> | <u>161,339,744</u> |
| <u>721,057</u> | <u>523,525</u> | <u>13,435,685</u> | <u>336,813</u> | <u>19,568,840</u> | <u>1,249,650</u> | <u>(3,145,122)</u> | <u>210,839,835</u> |
| 1,388,126 | 84,100 | 38,521,771 | 94,807 | 631,986 | 3,100,819 | | 112,248,974 |
| - | - | - | - | - | - | | - |
| - | 300,000 | 286,936 | - | - | - | | 3,443,624 |
| - | 162,111 | 216 | 194,448 | 661,974 | - | | 13,848,647 |
| 981,036 | (201,794) | 4,647,253 | - | 124,156 | 57,595 | | 11,216,355 |
| <u>\$ 2,369,162</u> | <u>\$ 344,417</u> | <u>\$ 43,456,176</u> | <u>\$ 289,255</u> | <u>\$ 1,418,116</u> | <u>\$ 3,158,414</u> | <u>\$ -</u> | <u>\$ 140,757,600</u> |

SCHEDULES

**LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY COLLEGE
FOR THE YEAR ENDED JUNE 30, 2005**

| | Board Office | Baton Rouge Community College | Bossier Parish Community College | Delgado Community College | Elaine P. Nunez Community College |
|--|--------------|-------------------------------------|---|---------------------------------|---|
| Operating Revenues | | | | | |
| Student tuition and fees | \$ - | \$ 7,924,802 | \$ 7,073,256 | \$ 34,184,843 | \$ 3,669,279 |
| Less scholarship allowances | - | 2,980,396 | 1,428,743 | 11,268,386 | 1,619,926 |
| Net student tuition and fees | - | 4,944,406 | 5,644,513 | 22,916,457 | 2,049,353 |
| Federal grants and contracts | 24,621,647 | 5,804,040 | 4,999,560 | 27,740,095 | 4,916,718 |
| State and local grants and contracts | 105,286 | 1,492,104 | 3,764,155 | 4,834,164 | 592,568 |
| Nongovernmental grants and contracts | 35,000 | - | 413,191 | 54,029 | - |
| Sales and services of educational departments | - | 236,024 | 167,688 | - | 55,247 |
| Auxiliary enterprise revenues | - | 235,736 | 1,683,516 | 645,032 | 79,610 |
| Less scholarship allowances | - | - | 42,835 | - | - |
| Net auxiliary revenues | - | 235,736 | 1,640,681 | 645,032 | 79,610 |
| Other operating revenues | 1,872,681 | - | 18,431 | 348,552 | 260,955 |
| Total operating revenues | 26,634,614 | 12,712,310 | 16,648,219 | 56,538,329 | 7,954,451 |
| Operating Expenses | | | | | |
| Educational and general: | | | | | |
| Instruction | - | 7,012,353 | 9,239,414 | 43,053,759 | 4,505,519 |
| Public service | - | - | 3,138,826 | - | - |
| Academic support | 23,190,482 | 2,277,758 | 2,425,561 | 4,648,455 | 719,740 |
| Student services | - | 1,535,058 | 4,993,295 | 8,721,003 | 918,702 |
| Institutional support | 6,577,223 | 4,417,202 | 2,801,176 | 6,632,360 | 2,238,868 |
| Operations and maintenance of plant | - | 2,231,192 | 2,743,453 | 8,472,443 | 1,862,739 |
| Depreciation | 61,160 | 2,030,270 | 303,424 | 1,720,410 | 564,349 |
| Scholarships and fellowships | - | 3,218,954 | 1,132,765 | 17,342,248 | 2,757,529 |
| Auxiliary enterprises | - | 112,651 | 2,385,866 | 999,721 | - |
| Interagency expenses | - | 33,004 | 33,403 | 105,980 | 117,706 |
| Other operating expenses | 39,473 | (28,980) | 1,096,035 | 1,726,232 | - |
| Total operating expenses | 29,868,338 | 22,839,462 | 30,293,218 | 93,422,611 | 13,685,152 |
| Operating income (loss) | (3,233,724) | (10,127,152) | (13,644,999) | (36,884,282) | (5,730,701) |
| Nonoperating Revenues (Expenses) | | | | | |
| State appropriations | 2,411,325 | 10,907,201 | 11,620,296 | 34,667,629 | 5,023,389 |
| Gifts | - | - | - | 11,750 | - |
| Net investment income (loss) | 116,515 | 230,115 | 94,051 | 388,503 | 24,142 |
| Interest expense | - | (109,131) | - | (237,839) | - |
| Other nonoperating revenues (expenses) | - | - | 12,095 | 787,818 | - |
| Net nonoperating revenues (expenses) | 2,527,840 | 11,028,185 | 11,726,442 | 35,617,861 | 5,047,531 |
| Income (loss) before other revenues, expenses, gains and losses | (705,884) | 901,033 | (1,918,557) | (1,266,421) | (683,170) |
| Capital appropriations | 19,706 | 6,838,947 | 2,795,177 | 462,489 | - |
| Capital grants and gifts | - | - | 362,305 | - | - |
| Additions to permanent endowment | - | - | - | - | 11,658 |
| Other additions, net | - | - | - | (460,370) | 737,751 |
| Increase (decrease) in net assets | (686,178) | 7,739,980 | 1,238,925 | (1,264,302) | 66,239 |
| Net assets at the beginning of the year, restated | 1,917,280 | 30,537,826 | 6,836,047 | 25,810,284 | 17,525,959 |
| Net assets at the end of the year | \$ 1,231,102 | \$ 38,277,806 | \$ 8,074,972 | \$ 24,545,982 | \$ 17,592,198 |

SCHEDULES

| L.E. Fletcher Technical Community College | Louisiana Delta Community College | Louisiana Technical College | River Parishes Community College | South Louisiana Community College | Sowela Technical Community College | System Eliminating Entries | System Totals |
|--|--|-----------------------------------|---|--|---|----------------------------------|----------------|
| \$ 943,558 | \$ 1,657,654 | \$ 12,844,083 | \$ 1,208,211 | \$ 3,298,079 | \$ 1,620,608 | | \$ 74,424,373 |
| 199,563 | 173,892 | 6,343,612 | 383,991 | 212,344 | 184,953 | | 24,795,806 |
| 743,995 | 1,483,762 | 6,500,471 | 824,220 | 3,085,735 | 1,435,655 | - | 49,628,567 |
| 1,027,529 | 15,498 | 28,687,248 | 637,392 | 6,001 | 1,516,408 | \$ (8,755,258) | 91,216,878 |
| 1,705,916 | 222,619 | 14,962,159 | 299,258 | 577,053 | 744,880 | | 29,300,162 |
| - | 3,970 | 17,899 | - | - | - | | 524,089 |
| 25,592 | - | 1,247,986 | - | - | 83,478 | | 1,816,015 |
| 157,957 | - | 2,658,834 | 4,615 | 17,100 | - | | 5,482,400 |
| 21,438 | - | 517,810 | - | - | - | | 582,083 |
| 136,519 | - | 2,141,024 | 4,615 | 17,100 | - | - | 4,900,317 |
| 578,282 | - | 2,427,219 | - | 82,700 | 466,249 | (1,574,086) | 4,480,983 |
| 4,217,833 | 1,725,849 | 55,984,006 | 1,765,485 | 3,768,589 | 4,246,670 | (10,329,344) | 181,867,011 |
| 4,107,056 | 1,744,027 | 58,511,262 | 1,312,643 | 3,143,680 | 5,359,107 | | 137,988,820 |
| - | - | - | - | - | - | | 3,138,826 |
| 285,722 | 395,060 | 2,459,883 | 393,023 | 954,642 | 467,649 | (8,755,258) | 29,462,717 |
| 303,617 | 417,956 | 7,709,049 | 511,538 | 420,685 | 506,921 | | 26,037,824 |
| 1,359,865 | 1,536,277 | 27,529,100 | 981,226 | 1,280,044 | 1,715,792 | | 57,069,133 |
| 263,585 | 445,343 | 10,470,302 | 699,268 | 689,302 | 655,936 | | 28,533,563 |
| 121,776 | 51,651 | 3,682,106 | 34,999 | 230,921 | 304,316 | | 9,105,382 |
| 512,315 | - | 14,729,750 | - | - | 1,270,149 | | 40,963,710 |
| 156,314 | - | 2,986,521 | - | - | - | | 6,641,073 |
| 36,907 | 32,998 | 1,033,635 | 31,880 | 53,702 | 94,871 | (1,574,086) | - |
| - | 8,133 | (468,274) | 104,131 | - | - | | 2,476,750 |
| 7,147,157 | 4,631,445 | 128,643,334 | 4,068,708 | 6,772,976 | 10,374,741 | (10,329,344) | 341,417,798 |
| (2,929,324) | (2,905,596) | (72,659,328) | (2,303,223) | (3,004,387) | (6,128,071) | - | (159,550,787) |
| 3,323,304 | 2,885,048 | 73,097,648 | 2,296,149 | 3,517,824 | 6,472,896 | | 156,222,709 |
| 3,260 | - | 259,610 | - | 55,000 | 59,867 | | 389,487 |
| 4,270 | 17,069 | 235,628 | 910 | 13,431 | 214 | | 1,124,848 |
| - | - | - | - | - | - | | (346,970) |
| - | - | (21,007) | 88,558 | (70,799) | 25,557 | | 822,222 |
| 3,330,834 | 2,902,117 | 73,571,879 | 2,385,617 | 3,515,456 | 6,558,534 | - | 158,212,296 |
| 401,510 | (3,479) | 912,551 | 82,394 | 511,069 | 430,463 | - | (1,338,491) |
| - | - | 1,153,098 | - | - | - | | 11,269,417 |
| - | 27,809 | 34,235 | - | - | - | | 424,349 |
| - | - | 275 | - | - | - | | 11,933 |
| - | - | - | - | - | - | | 277,381 |
| 401,510 | 24,330 | 2,100,159 | 82,394 | 511,069 | 430,463 | - | 10,644,589 |
| 1,967,652 | 320,087 | 41,356,017 | 206,861 | 907,047 | 2,727,951 | | 130,113,011 |
| \$ 2,369,162 | \$ 344,417 | \$ 43,456,176 | \$ 289,255 | \$ 1,418,116 | \$ 3,158,414 | \$ - | \$ 140,757,600 |

SCHEDULES

**STATE OF LOUISIANA
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
COMBINING SCHEDULE OF CASH FLOWS BY COLLEGE
FOR THE YEAR ENDED JUNE 30, 2005**

| | Board Office | Baton Rouge Community College | Bossier Parish Community College | Delgado Community College | Elaine P. Nunez Community College |
|---|--------------|-------------------------------------|--|---------------------------------|--|
| Cash Flows From Operating Activities | | | | | |
| Tuition and fees | \$ - | \$ 5,326,845 | \$ 3,812,757 | \$ 22,980,169 | \$ 2,206,850 |
| Grants and contracts, net | 3,530,775 | 7,330,153 | 8,547,767 | 14,729,747 | 5,670,749 |
| Payments to supplies and services | (3,245,630) | (7,982,563) | (10,281,938) | (13,248,129) | (2,200,457) |
| Payments for utilities | - | (1,256,465) | (239,020) | (1,745,790) | (384,453) |
| Payments to employee compensation | (2,882,808) | (10,255,285) | (11,294,443) | (45,101,907) | (6,294,322) |
| Payments for benefits | (599,461) | (1,641,009) | (3,401,206) | (11,349,128) | (1,674,048) |
| Payments for scholarships and fellowships | - | - | (2,761,791) | - | (2,716,808) |
| Auxiliary enterprise receipts | - | - | 1,575,922 | 645,032 | 79,610 |
| Sales and services of educational department | - | - | 197,188 | - | 55,247 |
| Other receipts (payments) | 1,872,681 | 830,192 | 834,372 | 348,552 | 260,955 |
| Net cash provided (used) by operating activities | (1,324,443) | (7,648,132) | (13,010,392) | (32,741,454) | (4,996,677) |
| Cash Flows From Non-Capital Financing Activities | | | | | |
| State appropriations | 2,411,325 | 10,907,201 | 11,741,645 | 34,938,275 | 5,018,602 |
| Gifts and grants for other than capital purposes | - | - | - | 11,750 | - |
| Private gifts for endowment purposes | - | - | - | - | 11,658 |
| TOPS receipts | - | - | 285,105 | 575,953 | 46,990 |
| TOPS disbursements | - | - | (285,105) | (602,681) | (46,990) |
| Direct lending receipts | - | - | - | - | 3,592,299 |
| Direct lending disbursements | - | - | - | - | (3,592,299) |
| Federal Family Education Loan Program receipts | - | - | 7,658,786 | - | - |
| Federal Family Education Loan Program disbursements | - | - | (7,628,751) | - | - |
| Other receipts (disbursements) | - | - | 262,147 | 868,562 | - |
| Net cash provided by noncapital financing sources | 2,411,325 | 10,907,201 | 12,033,827 | 35,791,859 | 5,030,260 |
| Cash Flows From Capital Financing Activities | | | | | |
| Capital appropriations received | 19,706 | 5,193,793 | 2,795,177 | 462,489 | - |
| Capital grants and gifts received | - | - | 240,688 | - | - |
| Proceeds from sale of capital assets | 16,098 | - | - | - | - |
| Purchases of capital assets | (19,706) | (25,269,152) | (24,546,225) | (1,755,250) | (696,725) |
| Principal paid on capital debt and leases | - | (1,487,000) | (1,337,307) | (75,000) | - |
| Interest paid on capital debt and leases | - | (3,706,793) | (2,541,779) | (297,960) | - |
| Other sources | - | - | - | (460,370) | 737,751 |
| Net cash used by capital financing activities | 16,098 | (25,269,152) | (25,389,446) | (2,126,091) | 41,026 |
| Cash Flows From Investing Activities | | | | | |
| Proceeds from sales and maturities of investments | - | - | 23,656,731 | - | - |
| Purchase of investments | - | - | (100,000) | (121,814) | - |
| Interest received on investments | 116,515 | 868,807 | 483,989 | 388,503 | 23,081 |
| Net cash provided (used) by investing activities | 116,515 | 868,807 | 24,040,720 | 266,689 | 23,081 |
| Net increase (decrease) in Cash | 1,219,495 | (21,141,276) | (2,325,291) | 1,191,003 | 97,690 |
| Cash at the beginning of the year, as restated | 2,521,180 | 56,591,383 | 6,462,604 | 10,931,531 | 810,329 |
| Cash at the end of the year | \$ 3,740,675 | \$ 35,450,107 | \$ 4,137,313 | \$ 12,122,534 | \$ 908,019 |

SCHEDULES

| L.E. Fletcher Technical Community College | Louisiana Delta Community College | Louisiana Technical College | River Parishes Community College | South Louisiana Community College | Sowela Technical Community College | System Totals |
|--|--|-----------------------------------|---|--|---|----------------------|
| \$ 837,282 | \$ 1,537,150 | \$ 7,303,861 | \$ 986,176 | \$ 3,141,965 | \$ 1,451,993 | \$ 49,585,048 |
| 2,864,217 | 260,564 | 43,456,428 | 1,046,761 | 127,676 | 1,081,619 | 88,646,456 |
| (2,809,889) | (1,356,081) | (30,356,417) | (1,903,738) | (2,885,550) | (1,142,287) | (77,412,679) |
| (130,034) | (34,906) | (3,772,853) | (73,946) | (115,554) | (249,221) | (8,002,242) |
| (2,688,391) | (2,539,179) | (58,475,615) | (1,941,277) | (2,731,930) | (5,578,833) | (149,783,990) |
| (803,274) | (569,982) | (16,948,971) | (444,371) | (593,671) | (1,431,191) | (39,456,312) |
| (510,795) | - | (14,729,750) | - | (212,344) | (6,040) | (20,937,528) |
| 136,519 | - | 1,950,676 | 4,615 | 17,100 | 22,236 | 4,431,710 |
| 54,413 | 35,520 | 1,247,986 | - | - | 60,602 | 1,650,956 |
| 578,282 | 3,385 | 2,427,219 | - | 120,058 | 453,979 | 7,729,675 |
| <u>(2,471,670)</u> | <u>(2,663,529)</u> | <u>(67,897,436)</u> | <u>(2,325,780)</u> | <u>(3,132,250)</u> | <u>(5,337,143)</u> | <u>(143,548,906)</u> |
| 3,399,680 | 2,885,048 | 72,988,520 | 2,413,385 | 3,516,783 | 6,317,059 | 156,537,523 |
| 3,260 | - | 259,610 | 88,557 | 55,000 | 59,866 | 478,043 |
| - | 180,000 | 275 | - | - | - | 191,933 |
| 30,608 | - | 84,945 | 70,940 | - | 34,435 | 1,128,976 |
| (30,608) | - | (84,945) | (70,940) | - | (34,435) | (1,155,704) |
| 731,796 | - | - | - | - | - | 4,324,095 |
| (731,796) | - | - | - | - | - | (4,324,095) |
| - | - | - | - | - | - | 7,658,786 |
| - | - | - | - | - | - | (7,628,751) |
| - | (936) | (21,007) | - | (40,319) | - | 1,068,447 |
| <u>3,402,940</u> | <u>3,064,112</u> | <u>73,227,398</u> | <u>2,501,942</u> | <u>3,531,464</u> | <u>6,376,925</u> | <u>158,279,253</u> |
| - | - | - | - | - | - | 8,471,165 |
| - | 27,809 | - | - | - | - | 268,497 |
| - | - | - | - | - | - | 16,098 |
| (96,522) | (42,915) | (2,326,779) | (26,958) | (6,418,966) | (317,035) | (61,516,233) |
| - | - | - | - | - | - | (2,899,307) |
| - | - | - | - | - | - | (6,546,532) |
| - | - | - | - | - | - | 277,381 |
| <u>(96,522)</u> | <u>(15,106)</u> | <u>(2,326,779)</u> | <u>(26,958)</u> | <u>(6,418,966)</u> | <u>(317,035)</u> | <u>(61,928,931)</u> |
| - | - | - | - | - | - | 23,656,731 |
| - | - | - | - | - | - | (221,814) |
| 4,270 | 10,624 | 235,628 | - | 13,431 | 214 | 2,145,062 |
| <u>4,270</u> | <u>10,624</u> | <u>235,628</u> | <u>-</u> | <u>13,431</u> | <u>214</u> | <u>25,579,979</u> |
| 839,018 | 396,101 | 3,238,811 | 149,204 | (6,006,321) | 722,961 | (21,618,605) |
| 541,906 | 296,620 | 3,802,014 | 220,013 | 10,176,691 | (34,822) | 92,319,449 |
| <u>\$ 1,380,924</u> | <u>\$ 692,721</u> | <u>\$ 7,040,825</u> | <u>\$ 369,217</u> | <u>\$ 4,170,370</u> | <u>\$ 688,139</u> | <u>\$ 70,700,844</u> |

SCHEDULES

**STATE OF LOUISIANA
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
COMBINING SCHEDULE OF CASH FLOWS BY COLLEGE
FOR THE YEAR ENDED JUNE 30, 2005**

| | Board Office | Baton Rouge Community College | Bossier Parish Community College | Delgado Community College | Elaine P. Nunez Community College |
|--|-----------------------|-------------------------------------|--|---------------------------------|--|
| Reconciliation of Operating Loss to Net Cash Used by Operating Activities | | | | | |
| Operating income (loss) | \$ (3,233,724) | \$ (10,127,152) | \$ (13,644,999) | \$ (36,884,282) | \$ (5,730,701) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | | | | |
| Depreciation expense | 61,160 | 2,030,270 | 303,424 | 1,720,410 | 564,349 |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in accounts receivable, net | 5,967,273 | 517,566 | (180,695) | (475,683) | 358,527 |
| (Increase) decrease in inventories | - | - | (48,320) | - | - |
| (Increase) decrease in prepaid expenses | (3,167) | - | (1,124) | (100,678) | (34,276) |
| (Increase) decrease in other assets | - | - | - | - | - |
| Increase (decrease) in accounts payable | (4,155,458) | (297,151) | 461,862 | 3,061,645 | (60,723) |
| Increase (decrease) in deferred revenue | - | 186,839 | 22,575 | (33,443) | 60,896 |
| Increase (decrease) in amounts held in custody for others | - | 70,476 | 1,796 | - | - |
| Increase (decrease) in compensated absences | 39,473 | (28,980) | 75,089 | (16,396) | (151,309) |
| Increase (decrease) in other liabilities | - | - | - | (13,027) | (3,440) |
| Net cash provided (used) by operating activities: | <u>\$ (1,324,443)</u> | <u>\$ (7,648,132)</u> | <u>\$ (13,010,392)</u> | <u>\$ (32,741,454)</u> | <u>\$ (4,996,677)</u> |
| Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions | | | | | |
| Loss on disposal of assets | | | | 83,043 | |
| Capital appropriations for construction of buildings | | 1,645,154 | | | |
| Noncash scholarships | | | | | |
| Capital grants and gifts | | | | | |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets | | | | | |
| Cash and cash equivalents classified as current assets | | | | | |
| Cash and cash equivalents classified as noncurrent assets | | | | | |

SCHEDULES

| L.E. Fletcher Technical Community College | Louisiana Delta Community College | Louisiana Technical College | River Parishes Community College | South Louisiana Community College | Sowela Technical Community College | Total Per System |
|--|--|-----------------------------------|---|--|---|-------------------------|
| \$ (2,929,324) | \$ (2,905,596) | \$ (72,659,328) | \$ (2,303,223) | \$ (3,004,387) | \$ (6,128,071) | \$ (159,550,787) |
| 121,776 | 51,651 | 3,682,106 | 34,999 | 230,921 | 304,316 | 9,105,382 |
| - | - | - | - | - | - | - |
| 161,648 | 47,231 | 228,557 | (85,574) | 198,207 | 187,456 | 6,924,513 |
| 28,821 | (2,794) | 75,527 | - | - | 12,648 | 65,882 |
| 3,163 | - | 134,574 | (1,907) | - | (3,862) | (7,277) |
| - | - | - | - | - | 21,138 | 21,138 |
| 40,805 | 90,245 | 468,584 | (91,273) | (653,585) | 179,097 | (955,952) |
| 75,026 | 49,878 | 732,126 | 16,803 | 56,230 | 5,203 | 1,172,133 |
| 1,110 | (315) | 15,606 | 264 | - | 5,354 | 94,291 |
| 25,305 | 6,171 | (598,906) | 104,131 | 3,006 | 79,578 | (462,838) |
| - | - | 23,718 | - | 37,358 | - | 44,609 |
| <u>\$ (2,471,670)</u> | <u>\$ (2,663,529)</u> | <u>\$ (67,897,436)</u> | <u>\$ (2,325,780)</u> | <u>\$ (3,132,250)</u> | <u>\$ (5,337,143)</u> | <u>\$ (143,548,906)</u> |
| | | 1,153,098 | | | | 83,043 |
| | 169,188 | | | | | 2,798,252 |
| | | 34,235 | | | | 169,188 |
| | | | | | | 34,235 |
| | | | | | \$ | 42,724,018 |
| | | | | | \$ | 27,976,826 |
| | | | | | <u>\$</u> | <u>70,700,844</u> |

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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LEGISLATIVE AUDITOR
STATE OF LOUISIANA
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March 28, 2006

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

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

We have audited the basic financial statements of the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2005, and have issued our report thereon dated March 28, 2006. We did not audit the operations or financial statements of the SLCC Facilities Corporation for the South Louisiana Community College; the BRCC Facilities Corporation for the Baton Rouge Community College; or Campus Facilities, Inc., for the Bossier Parish Community College. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for the SLCC Facilities Corporation, the BRCC Facilities Corporation, and Campus Facilities, Inc., is based on the reports 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Community and Technical College System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter described below involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Louisiana Community and Technical College System's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Unlocated and Stolen Movable Property

The Louisiana Community and Technical College System (LCTCS) failed to ensure that all institutions under its authority maintained adequate internal control over movable property as prescribed by the commissioner of administration and Louisiana law. Delgado Community College (Delgado) and the Louisiana Technical College (LTC) identified unlocated movable property items totaling \$1,477,435 and \$1,004,561, respectively, as a result of annual property inventory procedures. In addition to the unlocated property, Delgado and the LTC reported thefts of movable property totaling \$53,255 and \$74,892, respectively.

Louisiana Revised Statute 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated items to the Louisiana Property Assistance Agency (LPAA). Louisiana Administrative Code 34.VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted. During fiscal year 2005, each of the 40 LTC campuses, the Chancellor's Office of the LTC, and Delgado submitted their annual certifications of property inventory to the LPAA according to their individual due dates. These certifications disclosed \$19,329,421 and \$63,267,762 in total movable property administered by Delgado and the LTC, respectively.

Annual property certifications for Delgado and the LTC disclosed the following:

- Delgado identified unlocated movable property items totaling \$1,477,435. Of that amount, items totaling \$382,755 were removed from the property records because they had not been located for three consecutive years. Furthermore, the amount of unlocated computers and computer-related equipment totaled \$1,021,534 or 69% of the total unlocated property for Delgado.
- The LTC identified unlocated movable property items totaling \$1,004,561. Of that amount, items totaling \$140,561 were removed from the property records because they had not been located for three consecutive years. Furthermore, the amount of unlocated computers and computer-related equipment totaled \$555,684 or 55% of the total unlocated property for the LTC.

Although LCTCS institutions have policies and procedures governing movable property, management has not placed sufficient emphasis on maintaining adequate controls over the safeguarding of its movable property. Failure to maintain adequate controls over movable property increases the risk of loss arising from unauthorized use of property and subjects institutions to noncompliance with state laws and regulations. Because of the nature of the services provided by LCTCS, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

Management of LCTCS should take the necessary measures to ensure that all institutions under its control maintain adequate internal control over movable property to secure its assets and comply with state movable property regulations as prescribed by the commissioner of administration and Louisiana law and to minimize the amount of unlocated and/or stolen equipment. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

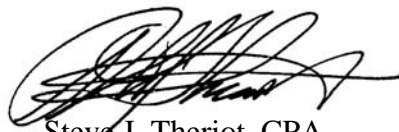
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 do not believe that the reportable condition described previously is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Community and Technical College System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Louisiana Community and Technical College System and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

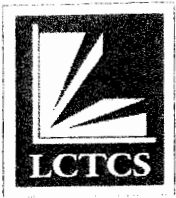


Steve J. Theriot, CPA
Legislative Auditor

AD:BQD:THC:dl

LCTCS05

Management's Corrective Action
Plan and Response to the
Finding and Recommendation



LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

*Changing Lives,
Creating Futures*

March 15, 2006

Walter G. Bumphus, Ph.D.
System President

Mr. Steve J. Theriot, CPA
Legislative Auditor
Louisiana Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Officers:

Kathy Sellers Johnson
Chair

Dear Mr. Theriot:

Brett J. Mellington
First Vice Chair

Management of the Board of Supervisors of the Louisiana Community and Technical College System (LCTCS) concurs with the findings and recommendations related to unlocated and stolen movable property.

Stephen C. Smith
Second Vice Chair

Unlocated and Stolen Movable Property

Members:

Included with letter are the responses from the colleges within the LCTCS that the Louisiana Legislative Auditor specifically identified as problematic in this area: Delgado Community College and Louisiana Technical College. Both of the colleges have documented the ways they will place sufficient emphasis on maintaining adequate controls over the movable property. From a System Office standpoint, each of our colleges will be contacted concerning the importance of maintaining the integrity of movable property inventories. In addition, we will be urging that each college identify and attend training to ensure that established procedures are followed.

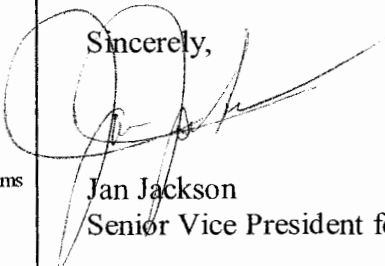
E. Edwards Barham
Gibson C. Chigbu
Ava Dejoie
John E. DeLaney
Carl H. Franklin
Alvin Kimble
Ann H. Knapp
Dan Packer
Sean E. Reilly
Vincent J. St. Blanc, III
F. Mike Stone

The person responsible for the correction action is Mr. F. Howard Karlton. His telephone number is (225) 922-0468. Please let me know if you need additional information.

Student Members:

Sincerely,

Mike Chandler
Karondellet Womack-Williams


Jan Jackson
Senior Vice President for Finance and Administration

Louisiana
Community
& Technical
College System

Cc: Dr. Walter G. Bumphus
Mr. F. Howard Karlton, CPA

265 South Foster Drive
Baton Rouge, LA 70806

audit finding—March 1, 2006

Phone: 225-922-2800
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www.lctcs.org



LOUISIANA TECHNICAL COLLEGE

Office of the Chancellor

Margaret Montgomery-Richard, Ph.D., Chancellor

150 Third Street – Suite 200 Baton Rouge, LA 70801-1303
Telephone: (225) 219-0000 Fax: (225) 219-9497

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Jumonville Memorial
Lafayette
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Lamar Salter
Mansfield
Morgan Smith
Natchitoches
North Central
Northeast Louisiana
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Sabine Valley
Shelby M. Jackson
Shreveport Bossier
Sidney N. Collier
Slidell
Sullivan
T. H. Harris
Tallulah
Teche Area
West Jefferson
Westside
Young Memorial

**An Equal Opportunity
College**

January 11, 2006

Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Unlocated and Stolen Movable Property

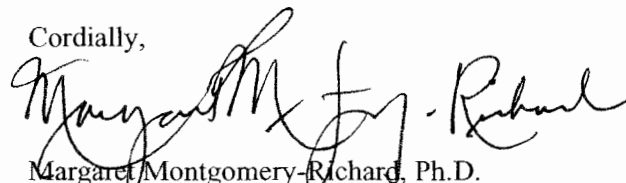
Dear Mr. Theriot,

Management of Louisiana Technical College (LTC) concurs with the finding and recommendation related to unlocated and stolen movable property.

Management has discussed the movable property issue with the District Vice Chancellors and reiterated the importance of implementing and maintaining adequate controls over the safeguarding of movable property. Staff of the Chancellor's Office have and will follow up with campus personnel to review and advise on their campus procedures related to movable property. Some of the property reported as unlocated in FY 2005 has been located. This will be reflected on future movable property certifications.

The person responsible for corrective action is Beth Sigler, Vice Chancellor of Finance and Administration. She can be reached at 225-219-8787.

Cordially,


Margaret Montgomery-Richard, Ph.D.
Chancellor

TEMPORARY EXECUTIVE OFFICES

2703 General DeGaulle Avenue
New Orleans, LA 70114-6222
www.dcc.edu

January 27, 2006

Chancellor's Office: (504) 361-6609
Business and Administrative Affairs: (504) 361-6739
Learning and Student Development: (504) 361-6695
Public Relations: (504) 361-6698

Mr. Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

Dear Mr. Theriot:

Management of Delgado Community College concurs with the finding and recommendations related to Unlocated and Stolen Movable Property. The current year discrepancy was less than any of the previous five years, and indicates that progress on reducing the unlocated property has been made. On the theft problem reported in the 2004 audit, the college took steps which reduced the value of stolen property 31% from that reported in the prior year. The college will take additional steps to strengthen our procedures and ensure that those procedures are followed:

1. The Director of Campus Security conducted security reviews of each campus and has updated these reviews since Hurricane Katrina and will continue to recommend general and specific improvements in lighting, physical security and monitoring.
2. This review will include suggesting, if needed, updates to the policies of Management and Control of State Property and Access Control Procedures.
3. Each theft has been investigated by competent police personnel and includes recommendations for specific security improvements in a separate document.
4. Other specific actions that have been taken include changing locks and restricting keys in the warehouse, and increasing physical security of the imaging printers.
5. As a result of Hurricane Katrina and the extensive damage done to Delgado's movable property, the college will conduct a comprehensive inventory of all property which may reduce the amount of unlocated property reported in the 2006 year.
6. The college will emphasize the increased responsibilities of property location supervisors, including sanctions for procedures not followed.

The person responsible for corrective action is A. C. Eagan, Vice-Chancellor of Business and Administrative Affairs.

Sincerely,



Alex Johnson
Chancellor