Central Louisiana Technical Community College
Louisiana Community and Technical College System
A Component Unit of the State of Louisiana

Financial Statement Audit
For the Year Ended June 30, 2013
Issued November 12, 2014

LOUISIANA LEGISLATIVE AUDITOR
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TABLE OF CONTENTS

		Page
Independent Auditor's Report		2
Management's Discussion and Analysis		5
	Statement	
Basic Financial Statements:		
Statement of Net Position	A	12
Statement of Revenues, Expenses, and Changes in Net Position	B	13
Statement of Cash Flows	C	15
Notes to the Financial Statements		17
	Schedule	
Required Supplementary Information - Schedule of Funding Progress for the Other Postemployment Benefits Plan	1	33
	Exhibit	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	A	
	Appendix	
Management's Corrective Action Plan and Response to the Finding and Recommendations	A	

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 16, 2014

Independent Auditor's Report

CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Alexandria, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Central Louisiana Technical Community College (College), a college within the Louisiana Community and Technical College System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College as of June 30, 2013, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in note 1-B, the accompanying financial statements of the College are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the business-type activities of the System that is attributable to the College. They do not purport to, and do not, present fairly the financial position of the System as of June 30, 2013, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 11 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

WMS:BAC:BDC:THC:aa

CLTCC 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Central Louisiana Technical Community College's (College) financial performance presents a narrative overview and analysis of the College's financial activities for the year ended June 30, 2013. 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 College's financial statements. **Dollar amounts are presented in thousands unless otherwise noted.**

FINANCIAL HIGHLIGHTS

The College's net position decreased from ($1,431) (restated) to ($3,056), or (113.6%), from July 1, 2012 to June 30, 2013. The overall reasons for this change included:

- reduction in federal and state funding
- reduction in auxiliary revenue due to closure of bookstores
- reduction of programs
- increase in tuition and fees
- increase in liabilities due to other postemployment benefits payable.

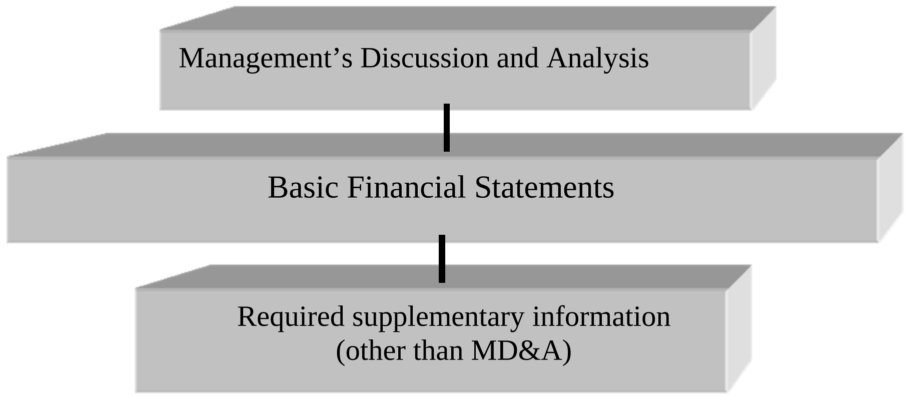
Enrollment changed from 5,704 to 5,476 from July 1, 2012 to June 30, 2013, a decrease of 4%. The reason for this change is attributed to an increase in tuition and fee rates and a reduction in program offerings.

The College's operating revenues increased from $2,368 to $3,476, or 46.8%, from July 1, 2012 to June 30, 2013. Operating expenses also decreased by 4.8% to $16,149 for the year ended June 30, 2013. The changes are due to an increase in per-credit hour charge from $118.79 to $134.67 and a decrease in scholarship expenses.

Nonoperating revenues (expenses) fluctuate depending upon the level of state operating and capital appropriations. The change to $11,044 in 2013 from $13,560 in 2012 is attributed to a decrease in state appropriations and a decrease in Pell revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for special purpose governments engaged in business-type activities established by Governmental Accounting Standards Board (GASB) Statement 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 required supplementary information.

Basic Financial Statements

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

The Statement of Net Position (page 12) presents the current and long-term portions of assets and liabilities separately. The difference between total assets, liabilities, and deferred inflows/outflows is net position and may provide a useful indicator of whether the financial position of the College is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (pages 13-14) presents information showing how the College's assets changed as a result of current-year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 15-16) presents information showing how the College's cash changed as a result of current-year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB Statement No. 34.

The financial statements provide both long-term and short-term information about the College's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The College'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 Position. All assets, liabilities, and deferred inflows/outflows associated with the operation of the College are included in the Statement of Net Position.

FINANCIAL ANALYSIS

Table A-1
Central Louisiana Technical Community College
Comparative Statement of Net Position
(in thousands of dollars)
For the Fiscal Years Ended June 30, 2013 and 2012

	2013	2012 (Restated)	Variance	Percentage Change
Assets:				
Current and other assets	$1,949	$3,043	($1,094)	(36.0%)
Capital assets	2,785	3,157	(372)	(11.8%)
Total assets	4,734	6,200	(1,466)	(23.6%)
Liabilities:				
Current liabilities	1,073	1,275	(202)	(15.8%)
Long-term liabilities	6,717	6,356	361	5.7%
Total liabilities	7,790	7,631	159	2.1%
Net Position:				
Investment in capital assets	2,785	3,157	(372)	(11.8%)
Restricted	611	545	66	12.1%
Unrestricted	(6,452)	(5,133)	(1,319)	(25.7%)
Total net position	($3,056)	($1,431)	($1,625)	(113.6%)

This schedule is prepared from the College's Statement of Net Position as shown on page 12, which is presented on an accrual basis of accounting. Significant Statement of Net Position changes for 2013 include:

- a significant increase in liabilities due to other postemployment benefits (OPEB) payable

- a significant reduction in state funding

As previously stated, the 113.6% decrease in net position is mainly due reduction in state and federal funding, reduction in programs, increased OPEB liability, and increase in tuition and fees.

Investment in capital assets consists of capital assets net of accumulated depreciation. Restricted net position represents those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net position is the portion of net position that has no limitations on how these amounts may be spent.

Table A-2
Central Louisiana CommunityTechnical College
Comparative Statement of Revenues, Expenses
and Changes in Fund Net Position
(in thousands of dollars)
For the Fiscal Years Ended June 30, 2013 and 2012

	2013	2012 (restated)	Variance	Percentage Change
Operating revenues				
Student tuition and fees, net	$1,284	$402	$882	219.4%
Grants and contracts	1,913	1,590	323	20.3%
Auxiliary enterprises, net	274	374	(100)	(26.7%)
Other	5	2	3	150.0%
Total operating revenues	3,476	2,368	1,108	46.8%
Operating expenses				
Education and general:				
Instruction	7,736	7,735	1	0.0%
Academic support	513	376	137	36.4%
Student services	1,161	1,218	(57)	(4.7%)
Institutional support	2,472	2,306	166	7.2%
Operations and maintenance of plant	1,349	1,365	(16)	(1.2%)
Depreciation	404	426	(22)	(5.2%)
Scholarships and fellowships	1,796	2,527	(731)	(28.9%)
Auxiliary enterprises	467	675	(208)	(30.8%)
Other operating expenses	251	330	(79)	(23.9%)
Total operating expenses	16,149	16,958	(809)	(4.8%)
Operating loss	(12,673)	(14,590)	1,917	(13.1%)
Nonoperating revenue				
State appropriations	6,297	6,909	(612)	(8.9%)
Gifts	3		3	100.0%
Federal nonoperating revenues	3,939	4,935	(996)	(20.2%)
Other nonoperating revenues	805	1,716	(911)	(53.1%)
Net nonoperating revenues	11,044	13,560	(2,516)	(18.6%)
Losses before additions	(1,629)	(1,030)	(599)	58.2%
Additions to permanent endowment	4		4	100.0%
Change in net position	(1,625)	(1,030)	(595)	57.8%
Net position, beginning of year, restated	(1,431)	(401)	(1,030)	(356.7%)
Net position, end of year, restated	($3,056)	($1,431)	($1,625)	(113.6%)

Non-operating revenues decreased by 18.6% to $11,044, primarily attributable to a decrease in federal Pell revenue.

State appropriations changed from $6,909 to $6,297 due to continuing attempts by state government to correct budgeting issues.

The College's operating revenues increased by $1,108, or 46.8%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the College had invested approximately $2,785 in capital assets, net of accumulated depreciation. This amount represents a net decrease (including additions and disposals, net of depreciation) of approximately $372, or 11.8%, over the previous fiscal year. More detailed information about the College's capital assets is presented in note 4 to the financial statements.

Table A-3
Central Louisiana Community Technical College
Capital Assets, Net of Depreciation
(in thousands of dollars)
as of June 30, 2013 and 2012

	2013	2012	Variance	Percentage Change
Land and improvements	$589	$589		0.0%
Buildings	1,625	1,879	($254)	(13.5%)
Equipment	571	689	(118)	(17.1%)
Total	$2,785	$3,157	($372)	(11.8%)

This year's major additions included educational equipment purchases of $93,778 (actual dollars).

Debt

The College had no bonds or notes outstanding at year-end.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

- Increase in tuition and fees
- Decrease in state appropriations
- Approved funding for a new facility

CONTACTING THE CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Anas Massri at (318) 487-5443, Ext. 1161 or anasmassri@cltcc.edu.

CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA

Statement of Net Position
June 30, 2013

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$794,823
Receivables, net (note 3)	370,954
Due from federal government (note 3)	182,246
Due from Louisiana Community and Technical College System (LCTCS)	284,339
Deferred charges and prepaid expenses	25,715
Total current assets	1,658,077
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (note 2)	290,829
Capital assets, net (note 4)	2,785,412
Total noncurrent assets	3,076,241
Total assets	4,734,318
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 8)	494,806
Due to federal government	17,619
Due to LCTCS	73,790
Unearned revenues (note 9)	349,966
Compensated absences payable (notes 10 and 11)	123,294
Amounts held in custody for others	14,047
Total current liabilities	1,073,522
Noncurrent liabilities:	
Compensated absences payable (notes 10 and 11)	507,241
Other postemployment benefits payable (notes 7 and 11)	6,210,000
Total noncurrent liabilities	6,717,241
Total liabilities	7,790,763
NET POSITION	
Investment in capital assets	2,785,412
Restricted for nonexpendable (note 12)	288,536
Restricted for expendable (note 12)	322,449
Unrestricted	(6,452,842)
Total Net Position	($3,056,445)

The accompanying notes are an integral part of this statement.

CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013

OPERATING REVENUES	
Student tuition and fees	$6,064,516
Less scholarship allowances	(4,780,508)
Net student tuition and fees	1,284,008
Federal grants and contracts	1,327,057
State and local grants and contracts	557,335
Nongovernmental grants and contracts	28,206
Auxiliary enterprise revenues	274,565
Other operating revenues	4,639
Total operating revenues	3,475,810
OPERATING EXPENSES	
Educational and general:	
Instruction	7,735,640
Academic support	513,146
Student services	1,160,575
Institutional support	2,472,572
Operations and maintenance of plant	1,348,691
Depreciation (note 4)	403,461
Scholarships and fellowships	1,796,181
Auxiliary enterprises	466,910
Other operating expenses	251,420
Total operating expenses	16,148,596
OPERATING LOSS	(12,672,786)

(Continued)

The accompanying notes are an integral part of this statement.

CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013

NONOPERATING REVENUES	
State appropriations	$6,296,538
Gifts	3,000
Federal nonoperating revenues	3,938,803
Net investment income	1,129
Other nonoperating revenues	804,719
Net nonoperating revenues	11,044,189
LOSS BEFORE ADDITIONS	(1,628,597)
Additions to permanent endowments	3,806
DECREASE IN NET POSITION	(1,624,791)
NET POSITION AT BEGINNING OF YEAR, RESTATED (note 13)	(1,431,654)
NET POSITION AT END OF YEAR	($3,056,445)

(Concluded)

The accompanying notes are an integral part of this statement.

CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$3,773,991
Grants and contracts	2,566,809
Auxiliary enterprise receipts	274,981
Payments for employee compensation	(6,822,781)
Payments for benefits	(2,964,563)
Payments for utilities	(476,040)
Payments for supplies and services	(2,747,673)
Payments for scholarships and fellowships	(4,359,657)
Other payments	(763,028)
Net cash used by operating activities	(11,517,961)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	6,299,293
Gifts and grants for other than capital purposes	4,791,803
Private gifts for endowment purposes	3,806
Taylor Opportunity Program for Students receipts	180,099
Taylor Opportunity Program for Students disbursements	(180,099)
Federal Emergency Management Agency receipts	110
Federal Emergency Management Agency disbursements	(110)
Other receipts	18,268
Net cash provided by noncapital financing activities	11,113,170
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Purchases of capital assets	(93,778)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	1,129

(Continued)

The accompanying notes are an integral part of this statement.

CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
Statement of Cash Flows, 2013

NET DECREASE IN CASH AND CASH EQUIVALENTS	($499,077)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (restated)	1,584,729
CASH AND CASH EQUIVALENTS AT END OF YEAR	$1,085,652
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($12,672,786)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	403,461
Changes in assets and liabilities:	
Decrease in accounts receivable, net	454,311
Decrease in inventories	129,574
Decrease in prepaid expenses	6,539
(Decrease) in accounts payable	(433,052)
Increase in unearned revenue	216,141
Increase in amounts held in custody for others	212
(Decrease) in compensated absences	(16,161)
Increase in other postemployment benefits payable	393,800
Net cash used by operating activities	($11,517,961)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS:	
Noncash loss on disposal of capital assets	($61,912)

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Central Louisiana Technical Community College (College) is a publicly-supported institution of higher education. The College is a part of the Louisiana Community and Technical College System (System), which is a component unit of the state of Louisiana within the executive branch of government. The College is under the management and supervision of the System Board of Supervisors; however, certain items, such as the annual budget of the College and changes to the degree programs and departments of instruction, require the approval of the Louisiana Board of Regents of Higher Education. As a state college, operations of the College's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

The College is comprised of six campuses located in Alexandria, Cottonport, Winnfield, Ferriday, Leesville, and Oakdale. The college also provides training programs at five correctional centers and one penitentiary.

The College offers associate degree programs, certificate programs, and diploma programs.

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 GASB. The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

B. REPORTING ENTITY

Using the criteria in GASB Statement 61, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. The College is part of the System, which is considered a component unit blended as an enterprise fund of the state of Louisiana, because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; and (3) the state has agreed through cooperative endeavor agreements to fund lease/debt services payments on all outstanding bonds. The accompanying financial statements present information only as to the transactions of the programs of the College.

Annually, the state of Louisiana issues a Comprehensive Annual Financial Report (CAFR), which includes the activity contained in the accompanying financial statements within the System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the System and the state of Louisiana.

C. BASIS OF ACCOUNTING

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

D. CASH AND CASH EQUIVALENTS

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

The College may also invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The College considers certificates of deposit and all highly liquid investments with an original maturity of three months or less to be cash equivalents.

E. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the College's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Buildings and improvements costing $100,000 or more are capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. 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 and three to 10 years for most movable property.

F. UNEARNED REVENUES

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

G. NONCURRENT LIABILITIES

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

H. COMPENSATED ABSENCES

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

Upon separation of employment, both classified and 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 (LASERS), upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits for the Teachers' Retirement System of Louisiana and LASERS but not for the Optional Retirement System.

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

I. NET POSITION

Net position comprises the various net earnings from operations, nonoperation revenues, expenses, and contributions of capital. The College's net position is classified as follows:

(a) *Investment in capital assets* consists of the College's total investment in capital assets, net of accumulated depreciation. The College does not have any outstanding debt obligations related to capital assets.

(b) *Restricted net position - nonexpendable* consists of endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

(c) *Restricted net position - expendable* consists of resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties

(d) *Unrestricted net position* consists of resources derived from student tuition and fees, state appropriations, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

J. CLASSIFICATION OF REVENUES AND EXPENSES

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

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

- *Nonoperating revenue* includes activities that have the characteristics of nonexchange transactions, such as state appropriations, certain federal revenues (Pell), gifts, investment income, and grants that do not have the characteristics of exchange transactions.

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

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

K. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for services (tuition and fees) provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf.

L. ADOPTION OF NEW ACCOUNING PRINCIPLES

The Board implemented GASB No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.* Criteria described in the statement was used to evaluate whether potential component units should be blended with the College, discretely presented, disclosed in the notes to the financial statements, or excluded from the reporting entity. The evaluation was made to identify those component units for which the college is financially accountable and other organizations for which the nature and significance of their relationship with the College are such that exclusion would cause the financial statements of the College to be misleading or incomplete.

The Board implemented GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The effect of the implementation was to replace the term of net assets with net position and the statement addresses reporting of "deferred outflows of resources" and "deferred inflows of resources." The college had no deferred outflows/inflows during the fiscal year ended June 30, 2013.

M. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

2. CASH AND CASH EQUIVALENTS

At June 30, 2013, the College has cash and cash equivalents (book balances) of $1,085,652 as follows:

Demand deposits	$794,616
Certificates of deposit	288,536
Petty Cash	2,500
Total	$1,085,652

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

Current assets	$794,823
Noncurrent assets	290,829
Total	$1,085,652

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the College or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2013, the College has $1,176,662 in deposits (collective bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

3. RECEIVABLES

Receivables are shown on the Statement of Net Position, net of allowances for doubtful accounts at June 30, 2013. These receivables are composed of the following:

	Accounts Receivables	Allowance for Doubtful Accounts	Accounts Receivables, Net
Student tuition and fees	$328,277	($78,195)	$250,082
State and private grants and contracts	$49,250	NONE	$49,250
Other	71,622	NONE	71,622
Total	$449,149	$78,195	$370,954
Due from Federal Government	$182,246	NONE	$182,246

There is no noncurrent portion of receivables.

4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013 follows:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Capital assets not being depreciated:				
Land	$589,179			$589,179
Total capital assets not being depreciated	$589,179	NONE	NONE	$589,179
Other capital assets:				
Buildings	$8,522,978		($376,220)	$8,146,758
Less accumulated depreciation	(6,643,567)	($198,183)	319,787	(6,521,963)
Total buildings	1,879,411	(198,183)	(56,433)	1,624,795
Equipment	3,381,652	93,778	($94,756)	3,380,674
Less accumulated depreciation	(2,693,235)	(205,278)	89,277	(2,809,236)
Total equipment	688,417	(111,500)	(5,479)	571,438
Total other capital assets	$2,567,828	($309,683)	($61,912)	$2,196,233
Capital asset summary:				
Capital assets not being depreciated	$589,179			$589,179
Other capital assets, at cost	11,904,630	$93,778	($470,976)	11,527,432
Total cost of capital assets	12,493,809	93,778	(470,976)	12,116,611
Less accumulated depreciation	(9,336,802)	(403,461)	409,064	(9,331,199)
Capital assets, net	$3,157,007	($309,683)	($61,912)	$2,785,412

5. PENSION PLANS

Plan Description. Substantially all employees of the College are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified/unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). TRSL is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer defined benefit pension plan because the material portion of its activity is with one employer -- the state of Louisiana. TRSL 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 TRSL after five years of service and with LASERS after 10 years of service. Article 10, Section 29 of the Louisiana

Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems issue annual publicly-available financial reports that include financial statements and required supplementary information for the retirement systems. The TRSL reports may be obtained online at www.trsl.org or by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446. The LASERS reports may be obtained online at www.lasersonline.org or by writing the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the College are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRSL) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. In fiscal year 2013, the state contributed 24.4% of covered salaries to TRSL and 29.1% of covered salaries to LASERS. The employer contribution is funded through annual appropriations by the state of Louisiana. The College's employer contributions to TRSL for the years ended June 30, 2013, 2012, and 2011 were $1,265,752; $1,229,259; and $1,192,465, respectively, and to LASERS for the years ended June 30, 2013, 2012, and 2011 were $241,829; $218,422; and $239,250 respectively, equal to the required contributions for each year.

6. OPTIONAL RETIREMENT SYSTEM

TRSL administers an optional retirement plan, which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. This plan was designed to aid colleges in recruiting employees who may not be expected to remain in the TRSL for five 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 TRSL 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 TRSL if the participant were a member of that retirement plan. Employer contributions by the College are 24.4% 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, TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSL 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 TRSL. 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.

The College has no employees who participate in the optional retirement plan for the year ended June 30, 2013.

7. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. Employees of the College voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system, and they must be covered by the active medical plan immediately before retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report; however, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy. The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the College are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) Plan, and the Medical Home HMO Plan. OGB also offers the Consumer Driven Health Plan with a Health Savings Account option for active employees. OGB also offered the Regional HMO Plan for the first part of the fiscal year which ended December 31, 2012. Retired employees who have Medicare Part A and Part B coverage also have access to three OGB Medicare Advantage plans: the Peoples Health HMO-POS Plan, the Vantage HMO-POS Plan, and the Vantage Zero-Premium HMO-POS Plan. There is also a Health Exchange Plan that is not an OGB plan; however, OGB is partnering with Extend Health Plan to offer access to multiple Medicare plans. There are no premiums to the state for the Vantage Zero-Premium HMO-POS Plan or the Health Exchange Plan. During calendar year 2012, OGB offered five Medicare Advantage plans: Humana HMO Plan, Peoples Health HMO-POS Plan, Vantage HMO-POS Plan, Humana PPO Plan, and United Healthcare PPO Plan.

Employees hired before January 1, 2002, pay approximately 25% of the cost of medical coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). Employees hired on or after January 1, 2002, pay a percentage of the total contribution rate upon retirement based on the following schedule:

Service	Employee Contribution Percentage	Employer Contribution Percentage
Under 10 years	81%	19%
10 - 14 years	62%	38%
15 - 19 years	44%	56%
20+ years	25%	75%

The following table shows the rates in effect for the fiscal year ended June 30, 2013.

	PPO	HMO	CDHP with HSA	Medical Home HMO Health Plan
Active				
Single	$576	$544	$447	$536
With Spouse	1,223	1,156	950	1,122
With Children	702	664	545	651
Family	1,290	1,219	1,001	1,183
Retired No Medicare and Re-employed Retiree				
Single	$1,071	$1,015	NA	$985
With Spouse	1,892	1,793	NA	1,727
With Children	1,193	1,131	NA	1,095
Family	1,883	1,784	NA	1,719
*Retired with 1 Medicare				
Single	$348	$336	NA	$330
With Spouse	1,287	1,228	NA	1,180
With Children	603	578	NA	561
Family	1,715	1,634	NA	1,567
*Retired with 2 Medicare				
With Spouse	$626	$602	NA	$582
Family	775	746	NA	717

*All members who retire on or after July 1, 1997 must have Medicare Parts A and B to qualify for the reduced premium rates.

The following table shows the Medicare Advantage Plans monthly premium rates in effect at June 30, 2013.

	Calendar Year 2013		Calendar Year 2012	
	Retired with		Retired with	
Medicare Supplemental Rates	1 Medicare	2 Medicare	1 Medicare	2 Medicare
People's Health (HMO Plan)	$234	$468	$167	$334
Vantage (HMO Plan)	184	369	279	558
Humana (HMO Plan)	NA	NA	156	312
Humana (PPO Plan)	NA	NA	150	300
United Health Care (PPO Plan)	NA	NA	214	428

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. Effective January 1, 2013, the total monthly premium is approximately $1 per thousand dollars of coverage of which the employer pays 50% of retirees. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability. The College's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year open amortization period has been used. The total ARC for fiscal year 2013 is $1,028,584.

The following schedule presents the components of the College's annual OPEB cost for fiscal year 2013, the amount actually contributed to the plan, and changes in the College's net OPEB obligation to the OPEB plan:

ARC	$1,028,584
Interest on net OPEB obligation	232,647
ARC adjustment	(222,246)
Annual OPEB cost	1,038,985
Contributions made - current year retiree premiums	(645,185)
Increase in net OPEB obligation	393,800
Beginning net OPEB obligation at June 30, 2012	5,816,200
Ending net OPEB obligation at June 30, 2013	$6,210,000

The College's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2013, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$1,661,000	38%	$5,791,100
June 30, 2012	$1,069,185	60%	$5,816,200
June 30, 2013	$1,038,985	62%	$6,210,000

Funded Status and Funding Progress. During fiscal year 2013, neither the College nor the state of Louisiana made contributions to a postemployment benefits plan trust. A trust was established July 1, 2008, but was not funded, has no assets, and hence has a funded ratio of zero.

Since the plan was not funded, the College's entire actuarial accrued liability (AAL) of $15,807,400 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2012, was as follows:

AAL	$15,807,400
Actuarial value of plan assets	NONE
UAAL	$15,807,400
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$4,087,179
UAAL as percentage of covered payroll	387%

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2012 OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an initial annual healthcare cost trend rate of 8.0% and 6.0% for pre-Medicare- and Medicare-eligible employees, respectively, scaling down to ultimate rates of 4.5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's UAAL is being amortized over 30 years as a level percentage of projected payroll on an open basis. Annual per capita medical claims costs were updated to reflect an additional year of actual experience.

8. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accruals at June 30, 2013:

Vendors	$155,499
Accrued salaries and benefits	293,947
Other	45,360
Total	$494,806

9. UNEARNED REVENUES

The following is a summary of unearned revenues at June 30, 2013:

Prepaid tuition and fees	$349,966

10. COMPENSATED ABSENCES

At June 30, 2013, employees of the College have accumulated and vested annual, sick, and compensatory leave of $363,181; $266,886; and $468, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

11. LONG-TERM LIABILITIES

The following is a summary of long-term transactions of the College for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Portion Due Within One Year
Compensated absences payable (note 10)	$646,696	$262,361	($278,522)	$630,535	$123,294
OPEB payable (note 7)	5,816,200	1,038,985	(645,185)	6,210,000	
Total	$6,462,896	$1,301,346	($923,707)	$6,840,535	$123,294

12. RESTRICTED NET POSITION

At June 30, 2013, the College has the following restricted net position:

Phoebe Jackson Trust	$288,536
Expendable:	
Student technology fee	$163,559
Vehicle registration fee	47,252
Academic excellence fee	41,532
Operational fee	74
Grants and donations	14,160
Building use fee	1,100
Phoebe Jackson Trust	6,676
Student Government Association fee	48,096
Total	$322,449

Of the total net position reported in the Statement of Net Position for the year ended June 30, 2013, $253,517 is restricted by enabling legislation (which also includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation).

13. RESTATEMENT OF BEGINNING NET POSITION

The beginning net position as reflected on Statement B has been restated to reflect the following adjustments:

Net position at June 30, 2012	($1,503,953)
Bank reconciliation adjustments	(331,801)
OPEB liability adjustment for Morgan Smith Campus	404,100
Net position at July 1, 2012, restated	($1,431,654)

14. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies would be paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The College is not involved in any lawsuits at June 30, 2013 that are handled by contract attorneys. During fiscal year 2013, no direct claims or litigation costs were incurred by the College.

Also, the amount of settlements paid in the last three years did not exceed insurance coverage. For the claims and litigations not being handled by the Office of Risk Management, the College pays for settlements out of available funds or can request supplemental appropriations from the state's General Fund.

15. DEFERRED COMPENSATION PLAN

Certain employees of the College participate in the Louisiana Public Employees' Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the plan are included in the separately issued audit report for the plan, available on the Louisiana Legislative Auditor's website at www.lla.la.gov.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the
Other Postemployment Benefits Plan

The schedule of funding progress is required supplementary information that presents certain specific data regarding the funding progress for the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the
Other Postemployment Benefits Plan
Fiscal Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2010	NONE	$22,720,000	$22,720,000	0.0%	$4,662,913	487%
July 1, 2011	NONE	$15,302,300	$15,302,300	0.0%	$4,004,880	382%
July 1, 2012	NONE	$15,807,400	$15,807,400	0.0%	$4,087,179	387%

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws and 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 significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 16, 2014

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

Independent Auditor's Report

CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Alexandria, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Central Louisiana Technical Community College (College), a college within the Louisiana Community and Technical College System, a component unit of the state of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 16, 2014. Our report was modified to include an emphasis of a matter paragraph regarding financial statement comparability.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

Inaccurate and Untimely Fiscal Report

The College failed to prepare an accurate and timely Annual Fiscal Report (AFR) for fiscal year 2013 and incurred approximately $9,000 in additional costs to hire an outside consultant to reconcile accounts and revise the AFR, which was not completed until July 2014.

Numerous errors in the AFR requiring adjustment were noted as follows:

- Cash was overstated by $353,942. As of June 30, 2013, the college had not reconciled its bank accounts since February 2013. Bank accounts for fiscal year 2013 were not reconciled until July 2014.

- Net Tuition and Fees were overstated by approximately $2.3 million.

- Scholarship and fellowship expenses were overstated by approximately $2.5 million.

- Student Receivables initially did not reconcile to the detail records by $113,186 and did not include an allowance for doubtful accounts. The account was eventually determined to be overstated by $11,671.

These errors resulted from inaccurate information provided by the college's accounting staff to the CPA compiling the financial statements. The college's accounting personnel did not have the required knowledge to accurately complete the AFR and were unfamiliar with basic financial controls, as well as their new Banner accounting system. Good internal controls should include timely reconciliations of financial data, and sufficient training for accounting personnel to ensure they have the knowledge and skills to prepare and review the AFR.

Management should provide additional accounting and Banner training to its accounting personnel, assign a knowledgeable person to review financial information, and ensure that accounts are reconciled timely. Management concurred with the finding and recommendations and outlined a plan of corrective action.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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*.

Central Louisiana Community Technical College's Response to Finding

The College's response to the finding identified in this report is attached in Appendix A. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

WMS:BAC:BDC:THC:aa

CLTCC 2013

APPENDIX A

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

September 16, 2014

Mr. Darryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
Baton Rouge LA 70804-9397

Re: Inaccurate and Untimely Fiscal Reporting

Dear Mr. Purpera:

Management of Central Louisiana Technical Community College concurs with the finding related to "Inaccurate and Untimely Fiscal Report". The management of Central Louisiana Technical Community College recognizes its responsibility in accurately and timely reporting the financial condition of the college.

- FINDING: The Central Louisiana Technical Community College failed to prepare an accurate and timely Annual Fiscal Report (AFR) for fiscal year 2013 and incurred approximately $9,000 in additional costs to hire an outside consultant to reconcile accounts and revise the AFR, which was not completed until July, 2014.

  CORRECTIVE ACTION: Financial data will be reconciled in a timely manner to ensure that all information submitted for the preparation of the AFR is correct. This will be accomplished by timely preparation of the Monthly Bank Reconciliations. Also, monthly reviews of Transaction Detail information for discrepancies in recording of expenses and revenues will be performed to avoid mistakes in classification of transactions.

- FINDING: Cash was overstated by $353,942. As of June 30, 2013, the college had not reconciled its bank accounts since February 2013. Bank accounts for fiscal year 2013 were not reconciled until July 2014.

  CORRECTIVE ACTION: CLTCC is implementing a policy which will require all bank accounts held by CLTCC to be reconciled by the 15th of the month following the period. FY 2014 Reconciliations are current through June 2014.

- FINDING: Net Tuition and Fees were overstated by approximately $2.3 million.

  CORRECTIVE ACTION: This was caused by a misinterpretation of the reporting requirements and a misunderstanding of Banner Student Accounts Receivable setup. This situation has been corrected by an evaluation of the Banner Student Accounts Receivable Detail Code setup to verify that the Detail Codes for recording of Net Tuition and Fees are now correctly established. Finance Student AR staff will also be attending the 2014 Louisiana Banner Users Group Conference in October for training.

- FINDING: Scholarship and Fellowship expenses were overstated by approximately $2.5 million.

  CORRECTIVE ACTION: This was caused by a misinterpretation of the reporting requirements and a misunderstanding of Banner Student Accounts Receivable setup. This situation has been corrected by an evaluation of the Banner Student Accounts Receivable Detail Code setup to verify that the Detail Codes for recording of Scholarship and Fellowship are now correctly established and that no additional adjustments are required for the annual reporting of these items. Finance staff will also be attending the 2014 Louisiana Banner Users Group Conference in October for training.

- FINDING: Student Receivables initially did not reconcile to the detail records by $113,186 and did not include an allowance for doubtful accounts. The account was eventually determined to be overstated by $11,671.

  CORRECTIVE ACTION: Detail Codes have been evaluated and corrected for reporting. Training will be obtained concerning reconciliation of the Banner Student Accounts Receivable module to the Banner Finance General Ledger related accounts; CLTCC has been invited to participate in a Banner Student Accounts Receivable review and training session to be conducted before the end of the fiscal year. A method of estimating an Allowance for Doubtful Accounts has been established and is in use.

- FINDING: These errors resulted from inaccurate information provided by the college's accounting staff to the CPA compiling the financial statements. The college's accounting personnel did not have the required knowledge to accurately complete the AFR and were unfamiliar with basic accounting controls, as well as their new Banner accounting system. Good internal controls should include timely reconciliations of financial data, and sufficient training for accounting personnel to ensure they have the knowledge and skills to prepare and review the AFR.

  CORRECTIVE ACTION: Bank accounts will be reconciled in a timely manner. Training will be obtained related to Student Accounts Receivable reconciliation via a contract through Baton Rouge Community College which will bring in an Ellucian Banner Student AR module expert who will evaluate each College's live data, explain how it is compiled, and demonstrate how to back track it to its source in Banner. This training should be completed before Thanksgiving 2014 based on current scheduling.

Respectfully,

Rodney Ellis, Chancellor

C: Dr. Monty Sullivan, LCTCS President
Michael Redmond, LCTCS Internal Auditor
Anas Massri, Vice Chancellor of Finance and Administration