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

FINANCIAL STATEMENT AUDIT
ISSUED SEPTEMBER 27, 2006

LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

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OFFICE OF
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September 6, 2006

Independent Auditor's Report
on the Financial Statements

SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana

We have audited the accompanying basic financial statements of South Louisiana Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the years ended June 30, 2006 and June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of management of South Louisiana Community College. 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 SLCC Facilities Corporation, as of and for the years ended June 30, 2006 and June 30, 2005, which represent the following percentages of the assets, liabilities, net assets, and revenues of South Louisiana Community College:

	FY 2006	FY 2005
Assets	84%	83%
Liabilities	93%	89%
Net assets	9%	-
Revenues	14%	-

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 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 the other auditors provide a reasonable basis for our opinion.

As discussed in note 1-B, the accompanying financial statements of South Louisiana Community College are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Louisiana Community and Technical College System that is attributable to the transactions of South Louisiana Community College. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System or the State of Louisiana as of June 30, 2006 or June 30, 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of the other auditors, the basic financial statements referred to previously present fairly, in all material respects, the financial position of South Louisiana Community College as of June 30, 2006 and June 30, 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-N to the basic financial statements, South Louisiana Community College implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation,* and GASB Statement No. 47, *Accounting for Termination Benefits*, for the year ended June 30, 2006. However, Statement Nos. 42 and 47 have no impact on the financial statements for fiscal year 2006.

As discussed in note 18 to the financial statements, during August and September 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. While South Louisiana Community College did not directly suffer any major damage from these two hurricanes, the long-term effects of these events on South Louisiana Community College cannot be determined at this time. The Louisiana Community and Technical College System lost significant assets and operational functionality as a result of the hurricanes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2006, on our consideration of South Louisiana Community 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 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 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. However, management did not include this information in the financial statements for fiscal years ended June 30, 2006 and June 30, 2005.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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SOUTH LOUISIANA TECHNICAL COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM

Statement of Net Assets
June 30, 2006 and June 30, 2005

	JUNE 30, 2006	JUNE 30, 2005
ASSETS		
Current assets:		
Cash and cash equivalents (note 2)	$2,201,470	$1,537,379
Receivables, net (note 3)	596,419	1,367,220
Due from Louisiana Community and Technical College System	1,027	940
Total current assets	2,798,916	2,905,539
Noncurrent assets:		
Restricted assets - cash and cash equivalents (note 2)	2,650,917	2,632,991
Capital assets, net (note 4)	15,080,028	15,484,412
Unamortized bond issuance costs	344,550	366,484
Total noncurrent assets	18,075,495	18,483,887
Total assets	20,874,411	21,389,426
LIABILITIES		
Current liabilities:		
Accounts payable and accruals (note 8)	579,366	1,559,836
Due to state treasury	20,420	
Deferred revenues (note 9)	686,705	616,205
Compensated absences payable (note 10)	19,341	20,735
Amounts held in custody for others	1,221	6,408
Bonds payable (note 14)	475,000	465,000
Other liabilities	36	37,476
Total current liabilities	1,782,089	2,705,660
Noncurrent liabilities:		
Compensated absences payable (note 10)	235,596	204,822
Bonds payable (note 14)	16,667,420	17,127,615
Total noncurrent liabilities	16,903,016	17,332,437
Total liabilities	18,685,105	20,038,097
NET ASSETS		
Invested in capital assets, net of related debt	604,035	652,467
Restricted for expendable (note 15)	718,687	339,495
Unrestricted	866,584	359,367
Total net assets	$2,189,306	$1,351,329

The accompanying notes are an integral part of this statement.

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SOUTH LOUISIANA TECHNICAL COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM

Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2006 and June 30, 2005

	JUNE 30,	
	2006	2005
OPERATING REVENUES		
Student tuition and fees	$3,335,931	$3,282,470
Less scholarship allowances	(938,845)	(744,193)
Net student tuition and fees	2,397,086	2,538,277
Federal grants and contracts	1,267,759	6,317
State and local grants and contracts	310,153	1,170,648
Nongovernmental grants and contracts	28,470	
Auxiliary enterprise revenues	25,346	17,100
Other operating revenues	10,613	3,782
Total operating revenues	4,039,427	3,736,124
OPERATING EXPENSES		
Educational and general:		
Instruction	2,921,033	2,976,077
Academic support	991,641	873,583
Student services	438,160	420,685
Institutional support	1,387,941	1,280,044
Operations and maintenance of plant	677,124	670,250
Depreciation (note 4)	654,691	225,325
Scholarships and fellowships	463,622	
Other operating expenses	44,187	56,899
Total operating expenses	7,578,399	6,502,863
OPERATING LOSS	(3,538,972)	(2,766,739)
NONOPERATING REVENUES (Expenses)		
State appropriations	3,624,194	3,517,824
Gifts	44,293	55,000
Net investment income	136,340	13,431
Interest expense	(789,685)	
Other nonoperating expenses		(4,227)
Total nonoperating revenues	3,015,142	3,582,028
INCOME (Loss) BEFORE OTHER REVENUES	(523,830)	815,289
Capital appropriations	1,361,807	NONE
INCREASE IN NET ASSETS	837,977	815,289
NET ASSETS AT BEGINNING OF YEAR	1,351,329	536,040
NET ASSETS AT END OF YEAR	$2,189,306	$1,351,329

The accompanying notes are an integral part of this statement.

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SOUTH LOUISIANA TECHNICAL COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM

Statement of Cash Flows
For the Fiscal Years Ended June 30, 2006 and June 30, 2005

	JUNE 30, 2006	JUNE 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$2,878,077	$1,850,448
Grants and contracts	1,978,741	1,822,473
Auxiliary enterprise receipts	13,449	9,167
Payments for employee compensation	(2,892,333)	(2,733,333)
Payments for benefits	(673,940)	(596,677)
Payments for utilities	(275,689)	(159,926)
Payments for supplies and services	(3,678,289)	(3,642,745)
Payments for scholarships and fellowships	(352,114)	
Other receipts (payments)	(27,063)	65,303
Net cash provided (used) by operating activities	(3,029,161)	(3,385,290)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	3,644,614	3,517,824
Gifts and grants for other than capital purposes	44,293	55,000
TOPS receipts	64,424	44,122
TOPS disbursements	(64,424)	(44,122)
Student organization agency transactions	(5,187)	(189)
Other receipts	21,934	22,730
Net cash provided by noncapital financing sources	3,705,654	3,595,365
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations received	1,361,807	
Purchases of capital assets	(440,370)	(6,248,015)
Principal paid on capital debt and leases	(465,000)	
Interest paid on capital debt and leases	(602,058)	
Other sources	14,805	18,188
Net cash used by capital financing activities	(130,816)	(6,229,827)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	136,340	13,431
Net cash provided by investing activities	136,340	13,431
Net increase (decrease) in cash and cash equivalents	682,017	(6,006,321)
Cash and cash equivalents at beginning of year	4,170,370	10,176,691
Cash at end of year	$4,852,387	$4,170,370

(Continued)

The accompanying notes are an integral part of this statement.

SOUTH LOUISIANA TECHNICAL COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
Statement of Cash Flows
June 30, 2006 and June 30, 2005

	JUNE 30, 2006	JUNE 30, 2005
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	($3,538,972)	($2,766,739)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	654,691	225,325
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	770,714	(104,171)
Decrease in accounts payable	(978,036)	(858,340)
Increase in deferred revenue	70,500	77,965
Increase in compensated absences	29,380	3,197
Increase (decrease) in other liabilities	(37,438)	37,473
Net cash used by operating activities	($3,029,161)	($3,385,290)

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

South Louisiana Community College is a publicly supported institution of higher education. The college is a part of the Louisiana Community and Technical College System, which is a component unit of the State of Louisiana, within the executive branch of government. The college was enacted under Louisiana Revised Statute (R.S.) 17:3223 and is under the management and supervision of the Board of Supervisors of the Louisiana Community and Technical College System; however, certain items, such as the annual budget of the college and changes to the degree programs and departments of instruction, require the approval of the 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.

South Louisiana Community College has campuses in Lafayette and New Iberia and a site in Franklin. The college offers associate of arts degrees in early childhood education and liberal arts; an associate of general studies; an associate of applied science in emergency health science; and associate of science degrees in criminal justice, general business, and industrial technology. The college had enrollment of 874 and 1,966 in the summer and fall of 2005, respectively, and 1,840 in the spring of 2006. The college has 71 full-time faculty and staff.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

South Louisiana Community College is part of the Louisiana Community and Technical College System (System) which is considered a component unit of the State of Louisiana 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 South Louisiana Community College.

Criteria described in GASB 2100 were used to evaluate whether potential component units should be blended with the college, discretely reported, disclosed in the notes to the financial statements, or excluded from the reporting entity. This evaluation was made to identify those component units for which the college is financially accountable and other organizations for which the nature and significance of their relationships with the college are such that exclusion would cause the financial statements of the college to be misleading or incomplete. The SLCC Facilities Corporation is a nonprofit corporation formed in December 2001 to provide funds and oversee construction for the college. The corporation has been blended into the college's 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 320 Devalcourt, Lafayette, Louisiana 70506.

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

The college has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board (FASB) statements. However, the nongovernmental blended component unit (SLCC Facilities Corporation) is presented under FASB Statement No. 117.

D. BUDGET PRACTICES

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

The budget amounts for fiscal years 2006 and 2005 include the original approved budget and subsequent amendments approved as follows:

	Fiscal Year	
	2006	2005
Original approved budget	$6,334,143	$6,335,475
Amendments:		
State General Fund decreases	(177,333)	(51,164)
Statutory dedications increases	244,488	211,748
Fees and self-generated increases		67,750
Total	$6,401,298	$6,563,809

E. CASH

Cash includes cash on hand and interest-bearing demand deposits. Under state law, the college may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the college may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. RESTRICTED CASH AND CASH EQUIVALENTS

Cash and cash equivalents 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 cash equivalents.

G. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property (equipment), 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 also capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and 3 to 10 years for most movable property.

H. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees 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.

I. COMPENSATED ABSENCES

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

Upon separation or termination 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 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 employee's hourly rate of pay at termination or transfer.

J. NONCURRENT LIABILITIES

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

K. NET ASSETS

The college's net assets are classified as follows:

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

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

3. Unrestricted net assets consist 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.

L. CLASSIFICATION OF REVENUES AND EXPENSES

The college 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 college 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.

M. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

N. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2006, the college implemented GASB Statements No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, No. 46, *Net Assets Restricted by Enabling Legislation,* and No. 47, *Accounting for Termination Benefits*. Statements 42 and 47 have no impact on reporting for the college.

2. CASH AND CASH EQUIVALENTS

At June 30, 2006 and June 30, 2005, the college has cash and cash equivalents (book balances) of $4,852,387 and $4,170,370, respectively, as follows:

	June 30, 2006	June 30, 2005
Petty cash	$500	$500
Interest-bearing demand deposits	2,200,970	1,536,879
Current assets - cash and cash equivalents	2,201,470	1,537,379
Noncurrent assets - restricted assets - cash and cash equivalents - money market funds	2,650,917	2,632,991
Total	$4,852,387	$4,170,370

At June 30, 2006 and June 30, 2005, money market mutual funds totaling $2,650,917 and $2,632,991, respectively, were reported in the financial statements and notes to the financial statements for the SLCC Facilities Corporation which were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements for Not-for-Profit Organizations*. Generally accepted accounting principles allow for the inclusion, is 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 corporation do not reflect the requirements of GASB Statement No. 3, as revised by Statement No. 40. The corporation maintains money market balances required for financing the costs of the development, design, construction, and equipping of a new campus and related facilities for students, faculty, and staff of the South Louisiana Community College, funding a debt service reserve fund, paying capitalized interest on the bonds, and paying costs of issuance of the bonds, including the premium for the Bond Insurance Policy. The funds are held in trust and can only be disbursed in accordance with the trust agreement by the trustee.

These money market funds are not bank deposits or obligations, are not guaranteed by the bank in trust, and are not insured by the FDIC, the Federal Reserve Board, or any other government agency, and are collateralized by securities held by the pledging financial institution's trust department, but not in the corporation's name. These funds are reflected as restricted assets in the Statement of Net Assets.

3. RECEIVABLES

Receivables are shown on the Statement of Net Assets net of allowances for doubtful accounts at June 30, 2006, and June 30, 2005. These receivables are composed of the following:

June 30, 2006	Receivables	Allowance for Doubtful Accounts	Net Receivables
Student tuition and fees	$631,771	$55,334	$576,437
Auxiliary enterprises	16,179		16,179
Other	3,803		3,803
Total	$651,753	$55,334	$596,419

June 30, 2005	Receivables	Allowance for Doubtful Accounts	Net Receivables
Student tuition and fees	$975,372	$41,667	$933,705
Auxiliary enterprises	7,933		7,933
Federal, state, and private grants and contracts	425,582		425,582
Total	$1,408,887	$41,667	$1,367,220

There is no noncurrent portion of receivables.

4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2006, follows:

	Balance June 30, 2005	Additions	Transfers	Retirements	Balance June 30, 2006
Capital assets not being depreciated:					
Construction in progress	$12,879,868	$147,157	($13,027,025)		
Capitalized interest costs	1,947,850		(1,947,850)		
Total capital assets not being depreciated	$14,827,718	$147,157	($14,974,875)	NONE	NONE
Other capital assets:					
Buildings			$14,074,875		$14,074,875
Equipment	$1,102,206	$103,150	900,000	($37,343)	2,068,013
Less accumulated depreciation	(445,512)	(654,691)		37,343	(1,062,860)
Total other capital assets	$656,694	($551,541)	$14,974,875	NONE	$15,080,028
Capital asset summary:					
Capital assets not being depreciated	$14,827,718	$147,157	($14,974,875)		
Other capital assets, at cost	1,102,206	103,150	14,974,875	($37,343)	$16,142,888
Total cost of capital assets	15,929,924	250,307	NONE	(37,343)	16,142,888
Less accumulated depreciation	(445,512)	(654,691)	NONE	37,343	(1,062,860)
Capital assets, net	$15,484,412	($404,384)	NONE	NONE	$15,080,028

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

	Balance June 30, 2004	Additions	Transfers	Retirements	Balance June 30, 2005
Capital assets not being depreciated:					
Construction in progress	$7,491,037	$5,388,831			$12,879,868
Capitalized interest costs	1,208,942	738,908			1,947,850
Total capital assets not being depreciated	$8,699,979	$6,127,739	NONE	NONE	$14,827,718
Other capital assets - equipment	$791,867	$310,339			$1,102,206
Less accumulated depreciation	(220,187)	(225,325)			(445,512)
Total other capital assets	$571,680	$85,014	NONE	NONE	$656,694
Capital asset summary:					
Capital assets not being depreciated	$8,699,979	$6,127,739			$14,827,718
Other capital assets, at cost	791,867	310,339			1,102,206
Total cost of capital assets	9,491,846	6,438,078	NONE	NONE	15,929,924
Less accumulated depreciation	(220,187)	(225,325)	NONE	NONE	(445,512)
Capital assets, net	$9,271,659	$6,212,753	NONE	NONE	$15,484,412

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 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. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 5 and 10 years of service in the TRS and LASERS, respectively. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems 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 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. For fiscal years 2006 and 2005, employees contributed 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 15.9% of covered salaries to TRS and 19.1% of covered salaries to LASERS for fiscal year 2006 and 15.5% of covered salaries to TRS and 17.8% of covered salaries to LASERS for fiscal year 2005. The college's employer contribution is funded by the State of Louisiana through the annual appropriation to the college. The college's employer contributions to TRS for the years ended June 30, 2006, 2005, 2004, and 2003 were $217,574, $190,626, $176,099, and $143,173, respectively, and to LASERS for the years ended June 30, 2006, 2005, 2004, and 2003 were $53,154, $37,606, $41,187, and $42,563, respectively, equal to the required contributions for each year.

6. OPTIONAL RETIREMENT SYSTEM

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

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

Total contributions by the college were 15.9% of the covered payroll for fiscal year 2006 and 15.5% for fiscal year 2005. The participant's contribution, which was 8% for fiscal years 2006 and 2005, less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled \$131,180 and \$66,018, respectively, for the year ended June 30, 2006, and \$129,322 and \$66,746, respectively, for the year ended June 30, 2005.

7. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The college provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the college's employees become eligible for these benefits if they reach normal retirement age while working for the college. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the college. The college recognizes the cost of providing these benefits to retirees (college's portion of premiums) as an expense when paid during the year. The cost of providing benefits for the two retirees totaled \$25,478 for the year ended June 30, 2006, and benefits for the two retirees totaled \$24,110 for the year ended June 30, 2005.

8. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accrued expenses at June 30, 2006 and June 30, 2005:

	June 30, 2006	June 30, 2005
Vendors	$134,433	$1,222,049
Salaries and benefits	257,307	103,271
Construction and retainage payable		44,448
Interest	187,626	190,068
Total payables	$579,366	$1,559,836

9. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2006 and June 30, 2005:

	June 30, 2006	June 30, 2005
Tuition and fees	$673,443	$549,719
Grants and contracts	13,262	66,486
Total deferred revenues	$686,705	$616,205

10. COMPENSATED ABSENCES

Employees of the college have accumulated and vested annual, sick, and compensatory leave at June 30, 2006 and June 30, 2005, as follows:

	June 30, 2006	June 30, 2005
Compensated absences payable:		
Annual	$126,484	$109,511
Sick	128,381	115,855
Compensatory	72	191
Total compensated absences payable	$254,937	$225,557

These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

11. OPERATING LEASES

For the years ended June 30, 2006 and June 30, 2005, the total rental expense for all operating leases is $2,225 and $296,419, respectively. The college has no capital leases. The following is a schedule by years of future minimum annual rental payments required under operating leases:

Fiscal Year	Equipment
2007	$453
2008	453
Total minimum future rentals	$906

12. REVENUE LEASES

The college sub-leases space for operating a bookstore on the Lafayette campus. The lease term is for one year and the minimum future rental for fiscal year 2007 is $15,000.

13. ALTERNATIVE FINANCING AGREEMENT

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 South Louisiana Community College campus. On October 29, 2002, the Lafayette Public Trust Financing Authority issued $17,840,000 in revenue bonds on behalf of the SLCC Facilities Corporation, 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.

14. LONG-TERM LIABILITIES

The following is a summary of bonds and other long-term debt transactions of the college for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Portion Due Within One Year
Bonds payable	$17,592,615	$14,805	($465,000)	$17,142,420	$475,000
Compensated absences payable	225,557	47,685	(18,305)	254,937	19,341
Total long-term liabilities	$17,818,172	$62,490	($483,305)	$17,397,357	$494,341

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

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Portion Due Within One Year
Bonds payable	$17,574,427	$18,188		$17,592,615	$465,000
Compensated absences payable	222,360	21,233	($18,036)	225,557	20,735
Total long-term liabilities	$17,796,787	$39,421	($18,036)	$17,818,172	$485,735

Details of bonds payable at June 30, 2006 and at June 30, 2005, follow:

In accordance with the alternative financing agreement, revenue bonds with an aggregate principal amount of $17,840,000 were issued by the Lafayette Public Trust Financing Authority and the proceeds were loaned to the SLCC Facilities Corporation pursuant to a loan agreement dated October 29, 2002. The purchase price of the bonds was $17,298,461, which represents the original principal amount, less original issue discount $285,359, less costs of issuance (underwriter's discount and bond insurance premium) totaling $256,180.

The original issue discount of $285,359 and bond issuance costs of $256,180 were deducted directly from the bond proceeds when issued in fiscal year 2003. The bond discount of $285,359 and issuance costs of $422,740 ($256,180 of costs deducted from bond proceeds and $166,560 of paid costs) are being amortized over the term of the bonds using the interest method. The amortization of the original issue discount and the bond issuance costs for the fiscal year ended June 30, 2006, was $14,805 and $21,934, respectively, and $18,188 and $26,957, respectively, for the fiscal year ended June 30, 2005. At June 30, 2006 and 2005, the Statement of Net Assets includes noncurrent assets representing unamortized bond issuance costs of $344,550 and $366,484, respectively. At June 30, 2006 and 2005, the unamortized bond discount of $232,580 and $247,385, respectively, is included in bonds payable in the Statement of Net Assets. For the year ended June 30, 2005, the amortization is included in capitalized interest costs.

In addition, at June 30, 2006 and 2005, accrued interest payable for $187,626 and $190,068, respectively, was recorded for the portion of the scheduled October interest payment that relates to the current fiscal year. For the year ended June 30, 2005, the interest accrual is included in capitalized interest costs. Cash payments for interest during the years ended June 30, 2006 and 2005 were $755,388 and $760,270, respectively. Future interest rates range from 2.4% to 4.75%. The average interest rate on the debt issuance is 4.26%. Aggregate maturities required on long-term debt, including interest of $10,725,865, are as follows at June 30, 2006:

	Principal	Interest	Total
2007	$475,000	$744,805	$1,219,805
2008	490,000	732,490	1,222,490
2009	505,000	718,300	1,223,300
2010	520,000	702,925	1,222,925
2011	535,000	686,565	1,221,565
2012-2016	2,985,000	3,124,282	6,109,282
2017-2021	3,730,000	2,375,787	6,105,787
2022-2026	4,715,000	1,391,812	6,106,812
2027-2029	3,420,000	248,899	3,668,899
Total	$17,375,000	$10,725,865	$28,100,865

15. RESTRICTED NET ASSETS

At June 30, 2006 and 2005, the college has $718,687 and $339,495, respectively, in restricted expendable net assets as follows:

	June 30, 2006	June 30, 2005
Technology fees	$533,088	$337,995
Grants	12,154	
Scholarships	32,031	1,500
Maintenance reserve	141,414	
Total expendable	$718,687	$339,495

Of the total restricted net assets at June 30, 2006, $533,088 is restricted by enabling legislation.

16. CONTINGENT LIABILITIES

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 or by appropriation from the state's General Fund. The college was not involved in any lawsuits at June 30, 2006 or June 30, 2005.

17. DEFERRED COMPENSATION PLAN

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

18. HURRICANES KATRINA AND RITA

During August and September 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 damages sustained by the state, it is unknown exactly what economic impact recovery efforts will have on state and local governmental operations in Louisiana. While South Louisiana Community College did not directly suffer any major damage from these two hurricanes, the Louisiana Community and Technical College System lost significant assets and operational functionality as a result of the hurricanes. The long-term effects of these events on South Louisiana Community College cannot be determined at this time.

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OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control 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.

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
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September 6, 2006

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*

SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana

We have audited the basic financial statements of South Louisiana Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the years ended June 30, 2006 and June 30, 2005, and have issued our report thereon dated September 6, 2006. We did not audit the operations or financial statements of the SLCC Facilities Corporation. 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 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 South Louisiana Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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