Report Highlights

SOWELA Technical Community College

Southern Association of Colleges and Schools Audit

DARYL G. PURPERA,
CPA, CFE

Audit Control # 80130073
Financial Audit Services • October 2013

Why We Conducted This Audit

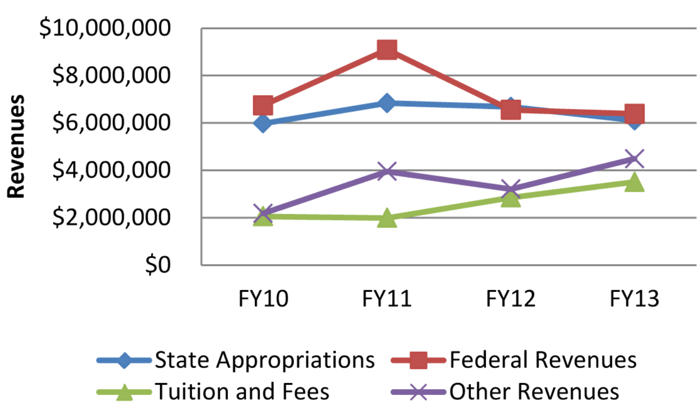
SOWELA Technical Community College (College) is seeking accreditation through the Southern Association of Colleges and Schools (SACS). During the accreditation process, SACS requires a financial statement audit.

What We Found

We considered the College's controls, compliance with laws, and financial reporting for significant financial accounts such as cash, capital assets, accounts payable, deferred revenues, benefits payable, tuition revenue, federal revenue, state appropriations, and educational and general expenses. We also analyzed the College's revenues, expenses, tuition, fees, and enrollment over the last four years. Our work disclosed:

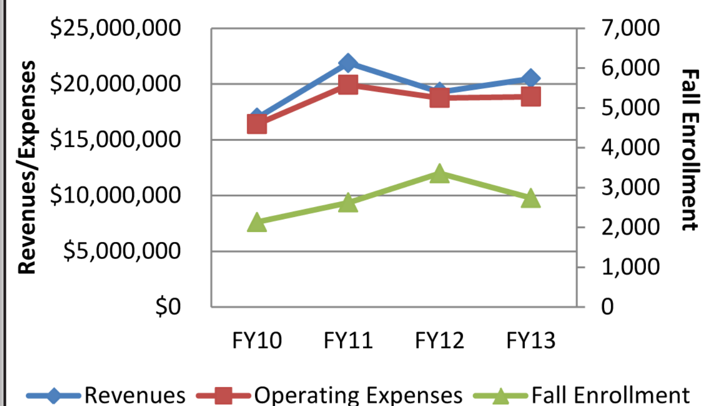
- The financial statements were fairly presented.
- We did not identify any deficiencies in internal control or instances of noncompliance or other matters that are required to be reported.
- Enrollment decreased in fiscal year 2013 because of the closure of the C. Paul Phelps Correctional Center during fiscal year 2013. Since fiscal year 2011, state funding has been generally declining, as well as federal funding through the American Recovery and Reinvestment Act. If these trends continue, the College may become more dependent on increasing tuition and fees.

Revenue Sources



Source: Financial statements and academic information

Fiscal/Enrollment Trends



Source: Financial statements and academic information

SOWELA 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 OCTOBER 16, 2013

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of $5.74. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 3583 or Report ID No. 80130073 for additional information.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 24, 2013

Independent Auditor's Report

SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lake Charles, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of SOWELA Technical Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise SOWELA Technical Community 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.

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 SOWELA Technical Community 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 Matter

As discussed in note 1-B, the accompanying financial statements of SOWELA Technical Community College are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the Louisiana Community and Technical College System that is attributable to the transactions of SOWELA Technical Community College. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 10 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 24, 2013, on our consideration of the SOWELA Technical 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 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 SOWELA Technical Community College's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KDD:BH:EFS:THC:ch

SOWELA 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of SOWELA 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. Amounts are presented in thousands unless otherwise noted.

FINANCIAL HIGHLIGHTS

The College's net position changed from $9,203 to $10,835 or 18% from July 1, 2012, to June 30, 2013. The overall reasons for this change included:

- Capital grants received
- Increase in fees and tuition

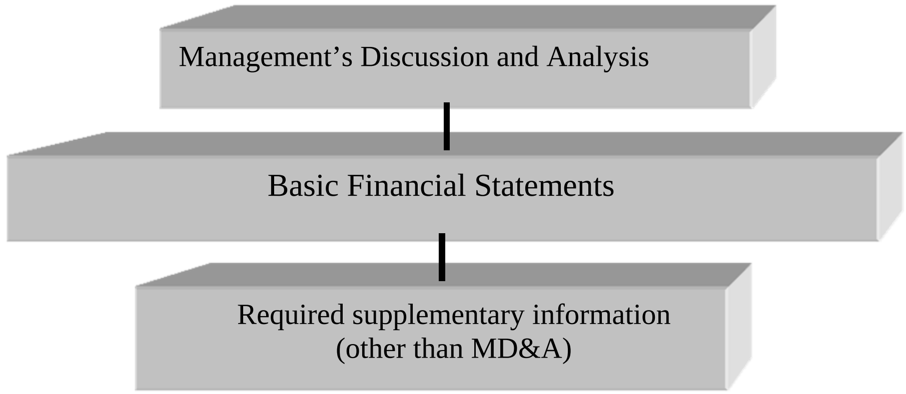
Enrollment changed from 4,122 to 4,018 from July 1, 2012, to June 30, 2013, a change of 3%. The reasons for this change are attributed to the closing of the Phelps Prison at Dequincy and a decrease in dual enrollment for high school students.

The College's operating revenues changed from $4,112 to $4,533 or 10% from July 1, 2012, to June 30, 2013. Operating expenses, however, increased by 1% to $18,854 for the year ended June 30, 2013. The increase in tuition and fees and expenses related to the Rapid Response grant are the primary reasons for this change.

Nonoperating revenues (expenses) fluctuate depending upon the level of state operating and capital appropriation. The change to $14,099 in 2013 from $13,579 in 2012 is attributed to an increase in nonoperating Rapid Response grant revenue and gifts.

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 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 11) presents the current and long-term portions of assets and liabilities separately. The difference between 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 Revenue, Expenses, and Changes in Net Position (pages 12-13) presents information showing how the College's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net 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 14-15) presents information showing how the College's cash changed as a result of current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 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

SOWELA Technical Community College
Compartive Statement of Net Position
(in thousands of dollars)
As of June 30, 2013 and 2012

	2013	2012	Variance	Percentage Change
Assets				
Current and other assets	$8,751	$7,957	$794	10%
Capital assets	9,581	8,144	1,437	18%
Total assets	18,332	16,101	2,231	14%
Liabilities				
Current liabilities	1,268	1,192	76	6%
Long-term liabilities	6,228	5,706	522	9%
Total liabilities	7,496	6,898	598	9%
Net Position				
Invested in capital assets	9,581	8,144	1,437	18%
Restricted	2,135	1,591	544	34%
Unrestricted	(881)	(532)	(349)	66%
Total net position	$10,835	$9,203	$1,632	18%

This schedule is prepared from the College's Statement of Net Position as shown on page 11, which is presented on an accrual basis of accounting. The 18% increase in net position is attributable to the capital grants received and increase in tuition and fees offset by the increase in operating expenses and decrease in state appropriations.

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.

SOWELA Technical Community College
Compartive 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	Variance	Percentage Change
Operating revenues				
Student tuition and fees, net	$3,509	$2,850	$659	23%
Grants and contracts	971	1,121	(150)	(13%)
Sales and services of educational departments	5		5	100%
Auxiliary enterprises, net	43	102	(59)	(58%)
Other	5	39	(34)	(87%)
Total operating revenues	4,533	4,112	421	10%
Nonoperating revenues				
State appropriations	6,106	6,676	(570)	(9%)
Gifts	432	151	281	186%
Federal nonoperating revenues	5,804	5,857	(53)	(1%)
Net investment income	32	33	(1)	(3%)
Other nonoperating revenues	1,725	862	863	100%
Net nonoperating revenues	14,099	13,579	520	4%
Total Revenues	18,632	17,691	941	5%
Operating expenses				
Education and general:				
Instruction	7,575	7,523	52	1%
Academic support	1,362	978	384	39%
Student services	1,538	1,452	86	6%
Institutional support	3,350	3,603	(253)	(7%)
Operations and maintenace of plant	1,327	1,150	177	15%
Depreciation	667	680	(13)	(2%)
Scholarships and fellowships	2,993	3,272	(279)	(9%)
Auxiliary enterprises	42	91	(49)	(54%)
Total operating expenses	18,854	18,749	105	1%
Nonoperating expenses				
Other nonoperating expenses	NONE	NONE	NONE	
Total Expenses	18,854	18,749	105	1%
Loss before capital gifts and grants	(222)	(1,058)	836	(79%)
Capital gifts and grants	1,854	1,594	260	16%
Change in net position	1,632	536	1,096	204%
Net position, beginning of year	9,203	8,667	536	6%
Net position, end of year	$10,835	$9,203	$1,632	18%

Nonoperating revenues increased by 4% to $14,099, primarily attributable to an increase in non-operating Rapid Response grant revenue and gifts.

State appropriations changed from $6,676 to $6,106 because of a reduction in our initial appropriation and subsequent budget adjustments.

The College's operating revenues increased by $421 or 10% because of an increase in tuition and fees and grants.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the College had invested approximately $9,581 in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $1,437 or 18% over the previous fiscal year. More detailed information about the College's capital assets is presented in note 1-H and note 5 to the financial statements.

SOWELA Technical Community 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	$591	$590	$1	0%
Buildings	5,650	3,984	1,666	42%
Equipment	1,413	1,474	(61)	(4%)
Construction-in-progress	1,927	2,096	(169)	(8%)
Total	$9,581	$8,144	$1,437	18%

This year's major additions included (in thousands):

- Equipment purchased in the amount of $356
- Construction-in-progress on new building for $1,753
- Construction completed on one building for $1,921

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:

- Changes in tuition or fees
- Industry planning to expand locally creating a demand for skilled workers
- New state and federal funds of $20 million committed for construction of a training facility
- Significant new or additional capital appropriations

CONTACTING THE SOWELA 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 Francis Porche, CPA, Controller, at 3820 Senator J. Bennett Johnston Avenue, Lake Charles, Louisiana 70615; telephone number (337) 491-6916.

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

Statement of Net Position
June 30, 2013

ASSETS	
Current assets:	
Cash (note 2)	$7,486,763
Receivables, net (note 4)	669,489
Due from federal government (note 4)	465,820
Due from Louisiana Community and Technical College System	78,442
Inventories	3,492
Total current assets	8,704,006
Noncurrent assets:	
Restricted investments (note 3)	46,868
Capital assets, net (note 5)	9,580,661
Total noncurrent assets	9,627,529
Total assets	18,331,535
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 10)	561,594
Due to Louisiana Community and Technical College System	10,365
Deferred revenues (note 11)	595,015
Compensated absences payable (notes 12 and 13)	94,455
Amounts held in custody for others	6,197
Total current liabilities	1,267,626
Noncurrent liabilities:	
Compensated absences payable (notes 12 and 13)	660,140
Other postemployment benefits payable (notes 9 and 13)	5,568,346
Total noncurrent liabilities	6,228,486
Total liabilities	7,496,112
NET POSITION	
Investment in capital assets	9,580,661
Restricted for expendable (note 14)	2,134,744
Unrestricted	(879,982)
TOTAL NET POSITION	$10,835,423

The accompanying notes are an integral part of this statement.

SOWELA 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	$7,474,021
Less scholarship allowances	(3,965,500)
Net student tuition and fees	3,508,521
Federal grants and contracts	580,408
State and local grants and contracts	248,474
Nongovernmental grants and contracts	142,119
Sales and services of educational departments	5,461
Auxiliary enterprise revenue	43,270
Other operating revenues	5,022
Total operating revenues	4,533,275
OPERATING EXPENSES	
Educational and general:	
Instruction	7,574,871
Academic support	1,361,741
Student services	1,538,214
Institutional support	3,350,437
Operations and maintenance of plant	1,327,052
Depreciation (note 5)	667,522
Scholarships and fellowships	2,992,591
Auxiliary enterprises	41,849
Total operating expenses	18,854,277
OPERATING LOSS	(14,321,002)

(Continued)

The accompanying notes are an integral part of this statement.

SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses,
and Changes in Net Position, 2013

NONOPERATING REVENUES	
State appropriations	$6,105,642
Gifts	431,800
Federal nonoperating revenues	5,804,081
Net investment income	31,954
Other nonoperating revenues	1,725,590
Net nonoperating revenues	14,099,067
LOSS BEFORE OTHER REVENUES	(221,935)
Capital grants and gifts	1,854,218
INCREASE IN NET POSITION	1,632,283
NET POSITION AT BEGINNING OF YEAR	9,203,140
NET POSITION AT END OF YEAR	$10,835,423

(Concluded)

The accompanying notes are an integral part of this statement.

SOWELA 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	$3,503,610
Grants and contracts	414,093
Sales and services of educational departments	5,461
Auxiliary enterprise receipts	43,270
Payments for employee compensation	(7,788,736)
Payments for benefits	(2,942,262)
Payments for utilities	(371,784)
Payments for supplies and services	(3,277,411)
Payments for scholarships and fellowships	(3,066,980)
Other payments	(157,868)
Net cash used by operating activities	(13,638,607)
Cash Flows From Noncapital Financing Activities:	
State appropriations	6,103,706
Gifts and grants for other than capital purposes	7,443,781
TOPS receipts	500,738
TOPS disbursements	(500,738)
FEMA receipts	822
FEMA disbursements	(822)
Other receipts	1,046,289
Net cash provided by noncapital financing activities	14,593,776
Cash Flows From Capital Financing Activities:	
Capital grants and gifts received	96,500
Purchases of capital assets	(350,764)
Net cash used by capital financing activities	(254,264)
Cash Flows From Investing Activities:	
Interest received on investments	31,954
Net cash provided by investing activities	31,954
Net increase in cash	732,859
Cash at beginning of year	6,753,904
Cash at end of year	$7,486,763

(Continued)

The accompanying notes are an integral part of this statement.

SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2013

Reconciliation of Net Operating Loss to	
Net Cash Used by Operating Activities:	
Operating loss	($14,321,002)
Adjustments to reconcile operating loss to net cash	
used by operating activities:	
Depreciation expense	667,522
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(628,875)
Decrease in deferred charges and prepaid expenses	21,722
Decrease in inventories	12,328
Increase in accounts payable	65,841
Increase in deferred revenue	62,513
(Decrease) in amounts held in custody for others	(41,766)
Increase in compensated absences	29,235
Increase in other postemployment benefits payable	493,875
Net cash used by operating activities	($13,638,607)
Noncash Investing, Noncapital Financing, and Capital and	
Related Financing Transactions:	
Capital grants and gifts	$1,757,718
Noncash loss on capital assets	($4,854)

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

SOWELA 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 Board of Supervisors of the 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.

The College's main campus is located in Lake Charles. The College also operates two off-campus sites. The Morgan Smith site is located in Jennings and the Plumbers and Steamfitters Local Number 106 Training Center is located in Lake Charles.

The College offers associate of applied science degrees in the areas of accounting technology, aviation maintenance technology, computer technology-networking specialist, computer technology-programming specialist, criminal justice, culinary arts and occupations, graphic art, drafting and design technology, industrial instrumentation technology, office systems technology, and process technology; technical competency areas in certified nurse assistant; an associate in general studies; and technical diplomas in the areas of automotive technology, collision repair technology, culinary arts and occupations, general apprenticeship: electrical construction, plumbing construction, industrial electrician, practical nursing, and welding.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The 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 established 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 of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) the state issues bonds to finance certain construction; and (4) the colleges within the System primarily serve state residents. The accompanying financial statements present information only as to the transactions of the programs of the College.

Annually, the State of Louisiana issues a comprehensive financial report, 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. BUDGETARY PRACTICES

The State of Louisiana's appropriation to the College is an annual lapsing appropriation established by legislative action and 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; (4) certain inventories are recorded as expenditures at the time of purchase. A formal budgetary comparison is not required by GASB reporting standards for proprietary funds and, therefore, budgetary comparisons are not presented.

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.

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. The college has no cash equivalents at June 30, 2013.

F. INVESTMENTS

Investments reported on the Statement of Net Position include a nonnegotiable certificate of deposit whose original maturity exceeds three months.

G. INVENTORIES

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

H. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property (equipment), the 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.

I. DEFERRED REVENUES

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

J. 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.

K. COMPENSATED ABSENCES

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

Upon separation or termination of employment, both classified and nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and nonclassified 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.

L. NET POSITION

The College's net position is classified as follows:

(a) Investment in capital assets represents 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 (expendable) consist of resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(c) Unrestricted net position consist of resources derived from student tuition and fees, state appropriations, sales and services of educational departments, 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.

M. 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 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.

- *Nonoperating revenue* includes activities that have the characteristics of nonexchange transactions, such as state appropriations, 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 payments to vendors for goods or services; payments to employees for services; and payments for employee benefits.

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

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

O. 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 from those estimates.

P. ELIMINATING INTERFUND ACTIVITY

Activities between the College's internal funds are eliminated for purposes of preparing the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Net Position.

Q. ADOPTION OF NEW ACCOUNTING PRINCIPLE

The Board implemented GASB 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. 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 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 Statement 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.

2. CASH

At June 30, 2013, the College has cash (book balance) of $7,486,763 as follows:

Petty cash	$800
Interest-bearing demand deposits	7,485,963
Total	$7,486,763

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 $7,813,456 in deposits (collective bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

3. INVESTMENS

At June 30, 2013, the College has restricted investments totaling $46,868 as follows:

	Fair Value June 30, 2013	Investment Maturities (Years)	Credit Quality Rating
Non-negotiable certificate of deposit	$46,868	0.38	Not Applicable

This investment is a non-negotiable certificate of deposit whose original maturity exceeds three months. The investment is reported at fair value on the Statement of Net Position and a noncurrent asset.

4. 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:

	Receivables	Allowance for Doubtful Accounts	Net Receivables
Student tuition and fees	$889,877	($713,120)	$176,757
State and private grants and contracts	206,416		206,416
Other	286,316		286,316
Total	$1,382,609	($713,120)	$669,489
Due from federal government	$465,820	NONE	$465,820

There is no noncurrent portion of receivables.

5. CHANGES IN CAPITAL ASSETS

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

	Balance June 30, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Capital assets not being depreciated:					
Land	$590,505				$590,505
Construction-in-progress	2,095,810	$1,752,869	($1,921,341)		1,927,338
Total capital assets not being depreciated	$2,686,315	$1,752,869	($1,921,341)	NONE	$2,517,843
Other capital assets:					
Buildings	$9,381,735		$1,921,341		$11,303,076
Less accumulated depreciation	(5,397,538)	($256,061)			(5,653,599)
Total buildings	3,984,197	(256,061)	1,921,341	NONE	5,649,477
Equipment	4,855,028	355,613		($453,557)	4,757,084
Less accumulated depreciation	(3,380,985)	(411,461)		448,703	(3,343,743)
Total equipment	1,474,043	(55,848)	NONE	(4,854)	1,413,341
Total other capital assets	$5,458,240	($311,909)	$1,921,341	($4,854)	$7,062,818
Capital asset summary:					
Capital assets not being depreciated	$2,686,315	$1,752,869	($1,921,341)		$2,517,843
Other capital assets, at cost	14,236,763	355,613	1,921,341	($453,557)	16,060,160
Total cost of capital assets	16,923,078	2,108,482	NONE	(453,557)	18,578,003
Less accumulated depreciation	(8,778,523)	(667,522)	NONE	448,703	(8,997,342)
Capital assets, net	$8,144,555	$1,440,960	NONE	($4,854)	$9,580,661

6. CAPITAL ASSETS HELD BY OTHERS

The construction of an Arts and Humanities Building was completed in March 2013. The College also implemented Banner Student and Human Resources modules during the year. The construction and some of the Banner implementation costs were funded by bonds issued by the System Facilities Corporation in accordance with Act 391 of the 2007 Regular Legislative Session. The cost of the construction along with the related bond debt is recorded in the System financial statements through the blending of the System Facilities Corporation. The Banner asset will be capitalized by the System Board Office.

7. 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 and unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. 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. 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 with employee benefits vesting after five years of service for TRSL and after 10 years of service for LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information. The TRSL reports may be obtained online at www.trsl.org or by writing to the Teachers' Retirement System of Louisiana at 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 at Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or 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 Louisiana Revised Statute (R.S.) 11:102. For fiscal year 2013, employees contributed 8% (TRSL) and 7.5% (LASERS) of covered salaries (8% for LASERS employees hired after July 1, 2006). For fiscal year 2013, the state is required to contribute 24.4% of covered salaries to TRSL and 29.1% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to the College, funds the College's employer contribution. The College's employer contributions to TRSL for the years ended June 30, 2013, 2012, and 2011 were $1,348,730; $1,256,982; and $907,645, respectively, and to LASERS for the years ended June 30, 2013, 2012, and 2011 were $203,729; $209,295; and $174,411, respectively, equal to the required contributions for each year.

8. 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 set the contribution requirements of the plan members and the College equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the College are 24.4% of the covered payroll for fiscal year 2013. The participant's contribution, which was 8% for fiscal year 2013, 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 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 the 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. Employer and employee contributions to the optional retirement plan totaled $115,639 and $37,914, respectively, for the fiscal year ended June 30, 2013.

9. 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 (CDHP-HSA) 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 which is not an OGB plan; however, OGB is partnering with Extend Health 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 monthly premium rates in effect at 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)			156	312
Humana (PPO Plan)			150	300
United Health Care (PPO Plan)			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. The total monthly premium is approximately $1 per thousand dollars of coverage of which the employer pays fifty cents for retirees and twelve cents for spouses. The monthly premium is reduced to less than $1 per thousand for retired employees age 70 and over. 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 $916,500.

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	$916,500
Interest on net OPEB obligation	202,979
ARC adjustment	(193,904)
Annual OPEB cost	925,575
Contributions made - current year retiree premiums	(431,700)
Increase in net OPEB obligation	493,875
Beginning net OPEB obligation at June 30, 2012, restated	5,074,471
Ending net OPEB obligation at June 30, 2013	$5,568,346

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	$1,041,000	28%	$4,147,800
June 30, 2012	$963,739	46%	$5,074,471
June 30, 2013	$925,575	47%	$5,568,346

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 $12,183,200 was unfunded.

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

AAL	$12,183,200
Actuarial value of plan assets	NONE
UAAL	$12,183,200
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$4,919,813
UAAL as percentage of covered payroll	248%

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 multiyear 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 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 unfunded actuarial accrued liability 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.

10. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2013, are as follows:

Vendors	$138,508
Salaries and benefits	411,561
Other payable	11,525
Total	$561,594

11. DEFERRED REVENUES

For the year ended June 30, 2013, the amount of tuition and fees, grants, and other income recorded prior to the end of the fiscal year but related to the subsequent accounting period is as follows:

Tuition and fees	$400,470
Prepaid rent	35,694
Grants and contracts	158,851
Total	$595,015

12. COMPENSATED ABSENCES

At June 30, 2013, employees of the College have accumulated and vested annual, sick, and compensatory leave benefits of $417,392; $337,203; and $0, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

13. LONG-TERM LIABILITIES

The following is a summary of changes in the College's long-term liabilities for the year ended June 30, 2013:

	Restated Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Accrued compensated absences	$725,360	$267,635	($238,400)	$754,595	$94,455
Other postemployment benefits	5,074,471	925,575	(431,700)	5,568,346	
Total	$5,799,831	$1,193,210	($670,100)	$6,322,941	$94,455

14. RESTRICTED NET POSITION

At June 30, 2013, the College has $2,134,744 in restricted expendable net position as follows:

Student technology fee	$170,442
Building use fee	40,868
Student government	58,913
Vehicle registration fee	60,537
Academic excellence fee	610,843
Grants, contracts, and donations	1,193,141
Total	$2,134,744

Of the total restricted net position at June 30, 2013, $882,690 is restricted by enabling legislation.

15. 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 does not have any contingent liabilities to disclose at June 30, 2013.

16. FOUNDATION

The accompanying financial statements do not include the accounts of the SOWELA Technical Community College Foundation. This foundation is not included because it does not meet criteria established by the Division of Administration, Office of Statewide Reporting and Accounting Policy, for determining component units included in the College system's financial statement in accordance with GASB Statement 14, as amended by GASB Statements 39 and 61. This foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants.

17. 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 from the Louisiana Legislative Auditor's website at www.lla.la.gov.

18. FUTURE DEVELOPMENT

The College has signed a co-operative endeavor agreement with several local government agencies, including, but not limited to, Calcasieu Parish Police Jury, Calcasieu Parish School Board, Calcasieu Parish Sheriff's Office, City of Lake Charles, McNeese State University, and

South West Louisiana Economic Development Alliance to establish the Southwest Louisiana Task Force for Growth and Opportunity (GO Group). The purpose of this group is to coordinate efforts among participating agencies to increase the success of economic development projects coming forth and for future generations.

In addition to this agreement, the state and federal government committed to funding $20 million in capital expenditures to SOWELA. SOWELA will develop and furnish a training facility on the SOWELA Technical Community College campus to further the economic development in the area.

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 of the other postemployment benefits plan, including the unfunded actuarial accrued liability.

SOWELA 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	$12,833,800	$12,833,800	0.0%	$4,317,800	297%
July 1, 2011	NONE	$11,511,500	$11,511,500	0.0%	$4,462,518	258%
July 1, 2012	NONE	$12,183,200	$12,183,200	0.0%	$4,919,813	248%

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 required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The 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 24, 2013

Independent Auditor's 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*

SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lafayette, 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 SOWELA Technical Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise SOWELA Technical Community College's basic financial statements, and have issued our report thereon dated September 24, 2013. 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 SOWELA Technical Community 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 SOWELA Technical Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of SOWELA Technical Community 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

KDD:BH:EFS:THC:ch

SOWELA 2013