

LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
ISSUED APRIL 23, 2008

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

April 3, 2008

Independent Auditor's Report
on the Financial Statements

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

We have audited the accompanying basic financial statements of the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of management of the Louisiana Community and Technical College System. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the blended component unit financial statements of the SLCC Facilities Corporation, the BRCC Facilities Corporation, or Campus Facilities, Inc., for the Bossier Parish Community College, which represent 40.15%, 67.75%, 6.20%, and 2.88%, respectively, of the assets, liabilities, net assets, and revenues of the Louisiana Community and Technical College System. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the SLCC Facilities Corporation, the BRCC Facilities Corporation, and Campus Facilities, Inc., is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to previously present fairly, in all material respects, the financial position of the Louisiana Community and Technical College System as of June 30, 2007, 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.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. The Louisiana Community and Technical College System lost significant assets and operational functionality as a result of these two separate events and, as explained in note 6, it has nine buildings that remained idle at June 30, 2007, because of damages from these two major hurricanes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2008, on our consideration of the Louisiana Community and Technical College System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

AD:BQD:THC:dl

The Management's Discussion and Analysis of the Louisiana Community and Technical College System (LCTCS) financial performance presents a narrative overview and analysis of the LCTCS financial activities for the year ended June 30, 2007. 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 LCTCS financial statements. The System is comprised of the following entities:

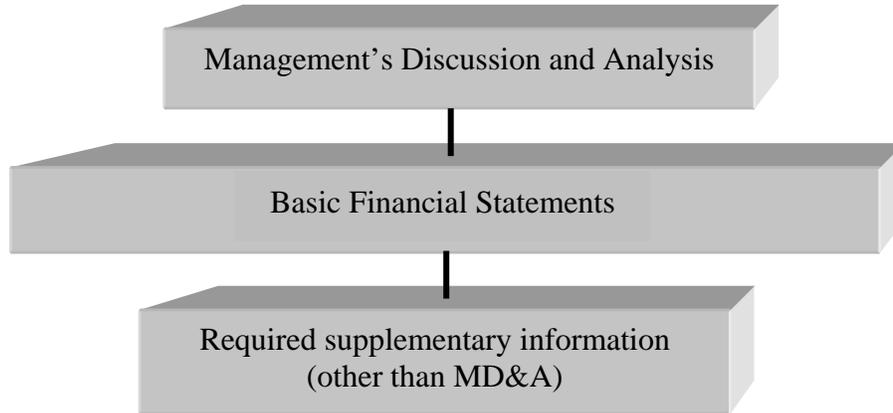
- Board Office
- Baton Rouge Community College
- Bossier Parish Community College
- Delgado Community College
- L.E. Fletcher Technical Community College
- Louisiana Delta Community College
- Louisiana Technical College
- Elaine P. Nunez Community College
- River Parishes Community College
- South Louisiana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

FINANCIAL HIGHLIGHTS

The LCTCS net assets overall changed from \$144 million to \$172 million or 19% from June 30, 2006, to June 30, 2007. The overall reasons for this change included an increase in state funding to include \$15 million of state general funds for the first-year implementation of a systemwide, integrated student information system, as well as \$3.4 million in storm recovery funds and an increase in tuition because of higher enrollment at colleges.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

Basic Financial Statements

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

The Statement of Net Assets (pages 11-12) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

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

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

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

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

FINANCIAL ANALYSIS

Table A-1
Louisiana Community and Technical College System
Statement of Net Assets
(in thousands of dollars)
For the Fiscal Year Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006 (Restated)</u>	<u>Variance</u>	<u>Percentage Change</u>
Assets				
Current and other assets	\$146,649	\$113,007	\$33,642	30%
Capital assets	<u>236,269</u>	<u>238,246</u>	<u>(1,977)</u>	-1%
Total assets	<u>382,918</u>	<u>351,253</u>	<u>31,665</u>	9%
Liabilities				
Current liabilities	56,998	49,768	7,230	15%
Long-term liabilities	<u>154,228</u>	<u>157,183</u>	<u>(2,955)</u>	-2%
Total liabilities	<u>211,226</u>	<u>206,951</u>	<u>4,275</u>	2%
Net assets:				
Invested in capital assets, net of related debt	103,305	103,050	255	0%
Restricted	39,654	21,308	18,346	86%
Unrestricted	<u>28,733</u>	<u>19,944</u>	<u>8,789</u>	44%
Total net assets	<u>\$171,692</u>	<u>\$144,302</u>	<u>\$27,390</u>	19%

This schedule is prepared from the LCTCS Statement of Net Assets as shown on page 11, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Significant Statement of Net Assets changes in 2007 include the following:

- Assets increased by \$32 million primarily because of increases in accounts receivable and the amount due from the federal government and due from the state treasury, which includes a \$15 million appropriation for the first-year implementation of a systemwide integrated student information system.

Nonoperating revenues fluctuate depending on levels of state funding. The nonoperating revenues increased by 29% to \$195 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007, the LCTCS had invested approximately \$236 million in capital assets, net of accumulated depreciation. This amount represents a net decrease (including additions and disposals, net of depreciation) of approximately 1% from the previous fiscal year. More detailed information about the LCTCS capital assets is presented in note 6 to the financial statements.

Table A-3
Louisiana Community and Technical College System
Capital Assets, Net of Depreciation
(in thousands of dollars)
As of June 30, 2007 and 2006

	2007	2006 (Restated)	Variance	Percentage Change
Land and improvements	\$17,904	\$16,637	\$1,267	8%
Buildings	188,981	185,917	3,064	2%
Equipment	25,452	25,678	(226)	-1%
Construction-in-progress	3,931	10,014	(6,083)	-61%
Total	\$236,268	\$238,246	(\$1,978)	-1%

Debt

The LCTCS had \$136 million bonds and notes outstanding at the year-end, compared to \$138 million last year, a decrease of 2% as shown in the table below.

Table A-4
Louisiana Community and Technical College System
Outstanding Bonds Payable
(in thousands of dollars)
As of June 30, 2007 and 2006

	2007	2006	Variance	Percentage Change
Revenue bonds	\$136,101	\$138,333	(\$2,232)	-2%

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Preliminary fall 2007 student enrollment numbers indicate that enrollment has increased at the LCTCS colleges by 12.4% over fall 2006 to 51,634 students. The LCTCS enrollment increase also comes on the heels of a significant legislative session where Governor Kathleen Babineaux Blanco showed her steadfast support of Louisiana's public colleges and universities, in the historic appropriation for higher education in her 2007-08 Executive Budget. The 2007-08 state budget, recently passed by the Louisiana Legislature, includes the largest single-year funding increase for public higher education in more than 25 years. This investment brings all Louisiana public colleges and universities up to a funding level at least matching the average of their peer institutions across the south.

In addition to the historic legislative session and the much needed support and funding for higher education, the fall 2007 enrollment growth for the LCTCS also demonstrates the recovery of the System. Following hurricanes Katrina and Rita, in fall 2005, the LCTCS experienced a 40% decrease in its then 51,000 record student enrollment.

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the LCTCS finances and to show the LCTCS accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shannon Sedberry, CPA, Director of Fiscal Affairs at (225) 922-0694.

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

**Statement of Net Assets
June 30, 2007**

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$53,792,487
Receivables, net (note 4)	27,768,773
Due from state treasury	18,468,205
Due from federal government	24,402,416
Inventories	1,567,827
Prepayments	559,326
Total current assets	<u>126,559,034</u>

Noncurrent assets:

Restricted assets:

Cash and cash equivalents (note 2)	15,013,293
Investments (note 3)	3,765,627
Notes receivable, net (note 5)	23,883
Capital assets, net (note 6)	236,268,687
Other noncurrent assets	1,286,966
Total noncurrent assets	<u>256,358,456</u>
Total assets	<u>382,917,490</u>

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 10)	36,928,560
Due to state treasury	5,491
Due to federal government	405,185
Deferred revenues (note 11)	12,803,403
Compensated absences payable (note 14)	1,813,309
Capital lease obligations (notes 14)	1,781,000
Amounts held in custody for others	837,568
Bonds payable, net (note 14)	2,307,400
Other current liabilities	116,045
Total current liabilities	<u>56,997,961</u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 30, 2007**

LIABILITIES (CONT.)

Noncurrent liabilities:

Compensated absences payable (note 14)	\$14,251,172
Capital lease obligations (notes 14)	6,183,000
Bonds payable, net (note 14)	<u>133,793,632</u>
Total noncurrent liabilities	<u>154,227,804</u>
Total liabilities	<u>211,225,765</u>

NET ASSETS

Invested in capital assets, net of related debt	103,304,876
Restricted:	
Nonexpendable (note 15)	3,815,611
Expendable (note 15)	35,838,700
Unrestricted	<u>28,732,538</u>
Total net assets	<u>\$171,691,725</u>

(Concluded)

The accompanying notes are an integral part of this statement.

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

**Statement of Revenues, Expenses,
and Changes in Net Assets
For the Fiscal Year Ended June 30, 2007**

OPERATING REVENUES

Student tuition and fees (net of scholarship allowances of \$23,570,040)	\$50,002,660
Federal grants and contracts	92,033,626
State and local grants and contracts	20,178,271
Nongovernmental grants and contracts	828,936
Sales and services of educational departments	4,357,078
Auxiliary enterprise revenues (net of scholarship allowances of \$844,898)	3,737,898
Other operating revenues	5,639,934
Total operating revenues	<u>176,778,403</u>

OPERATING EXPENSES

Educational and general:	
Instruction	151,636,104
Public service	3,590,424
Academic support	34,764,887
Student services	26,107,233
Institutional support	57,098,999
Operations and maintenance of plant	33,656,864
Depreciation	13,659,567
Scholarships and fellowships	35,088,958
Auxiliary enterprises	4,911,647
Other operating expenses	1,599,148
Total operating expenses	<u>362,113,831</u>

OPERATING LOSS (185,335,428)

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses,
and Changes in Net Assets, 2007**

NONOPERATING REVENUES (Expenses)	
State appropriations	\$193,107,741
Gifts	497,088
Investment income	4,116,722
Interest expense	(6,581,465)
Other nonoperating revenues	4,094,971
Net nonoperating revenues	<u>195,235,057</u>
Income before other revenues and losses	9,899,629
Capital appropriations	15,889,924
Capital grants and gifts	1,079,069
Additions to permanent endowments	142,839
Other additions	<u>377,955</u>
CHANGE IN NET ASSETS	27,389,416
NET ASSETS - BEGINNING OF YEAR (Restated) (note 16)	<u>144,302,309</u>
NET ASSETS - END OF YEAR	<u><u>\$171,691,725</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

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

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$50,545,277
Grants and contracts	115,852,795
Sales and services of educational departments	3,804,433
Auxiliary enterprise receipts	3,856,619
Payments to employee compensation	(146,423,506)
Payments for benefits	(41,870,915)
Payments for utilities	(10,952,819)
Payments for supplies and services	(111,346,670)
Payments for scholarships and fellowships	(28,357,052)
Other receipts	1,651,146
Net cash used by operating activities	<u>(163,240,692)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	169,122,432
Gifts and grants for other than capital purposes	587,765
Private gifts for endowment purposes	82,839
TOPS receipts	2,179,392
TOPS disbursements	(1,996,463)
Direct lending receipts	115,283
Direct lending disbursements	(115,283)
Federal Family Education Loan Program receipts	9,332,685
Federal Family Education Loan Program disbursements	(9,371,525)
Other disbursements	5,162,280
Net cash provided by noncapital financing sources	<u>175,099,405</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital appropriations received	14,438,269
Capital grants and gifts received	498,029
Proceeds from sale of capital assets	(31,122)
Purchases of capital assets	(9,726,535)
Principal paid on capital debt and leases	(3,756,999)
Interest paid on capital debt and leases	(6,902,399)
Other disbursements	(80,374)
Net cash used by capital financing activities	<u>(5,561,131)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales and maturities of investments	310,370
Interest received on investments	4,129,072
Purchase of investments	(773,081)
Net cash provided by investing activities	<u>3,666,361</u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2007**

Net increase in cash and cash equivalents	\$9,963,943
Cash and cash equivalents at beginning of year, restated	<u>58,841,837</u>
Cash and cash equivalents at end of year	<u><u>\$68,805,780</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	(\$185,335,428)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	13,659,567
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(4,945,886)
(Increase) in inventories	(193,741)
Decrease in prepaid expenses	126,612
Decrease in notes receivable	952
Decrease in other assets	77,873
Increase in accounts payable	11,945,646
Increase in deferred revenue	469,123
Increase in amounts held in custody for others	234,518
Increase in compensated absences	722,150
(Decrease) in other liabilities	<u>(2,078)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>(\$163,240,692)</u></u>
Noncash Transactions	
Capital appropriations for construction of buildings/land acquisitions	\$1,451,655
Capital grants and gifts	581,040
Loss on disposal of capital assets	44,053
ORM insurance recoveries	844,939
FEMA recoveries	180,714
Expenses paid by FEMA and ORM	(1,025,653)
Reduction in accounts payable for capital asset purchases	(466,712)
Interest income and interest expense capitalized during construction	419,480
Accretion of discount and amortization of premium on bonds	203,426
Noncash scholarships	192,606
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets	
Cash and cash equivalents classified as current assets	53,792,487
Cash and cash equivalents classified as noncurrent assets	<u>15,013,293</u>
	<u><u>\$68,805,780</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

The Louisiana Community and Technical College System (System) is a publicly supported institution of higher education. The System is a component unit of the State of Louisiana, within the executive branch of government. The System is under the management and supervision of the Board of Supervisors of the Louisiana Community and Technical College System; however, the annual budget of the System, and changes in the degree programs, and departments of instruction of the individual institutions require the approval of the Louisiana Board of Regents of Higher Education. The board of supervisors is comprised of 15 members appointed for six-year terms by the governor, with the consent of the Senate, and two student members appointed for one-year terms. One student member is selected by and from a council composed of the student body presidents of the System's community colleges, and one student member is selected by and from a council composed of the student body presidents of the System's technical college campuses. As a state institution, operations of the System's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the System is the president.

The System includes all programs of public post-secondary vocational/technical training and the institutions of higher education that offer associate degrees but not baccalaureate degrees. The System is comprised of nine community colleges: Baton Rouge Community College, Bossier Parish Community College, Delgado Community College, L.E. Fletcher Technical Community College, Elaine P. Nunez Community College, Louisiana Delta Community College, River Parishes Community College, Sowela Technical Community College, and South Louisiana Community College and the Louisiana Technical College, which includes 40 campuses throughout the state.

Student enrollment for the System for the 2006 fall semester totaled 45,958 full-time equivalent students. During fiscal year 2007, the System had approximately 3,520 faculty and staff.

Thousands of students graduate each year with the knowledge, skills, and abilities to improve their lives, careers, families, and communities. The System's legacy is to provide programs that will prepare students to transfer to Louisiana's outstanding four-year colleges and universities. The System also strives to provide the skills needed to ensure that our state has a skilled workforce that will ensure both job and economic growth.

On January 15, 2007, Dr. Joe D. May replaced Dr. Walter Bumphus as President of the System. Before his current position, Dr. May was Senior Vice President for Best Associates (Higher Ed Holdings, LLC), where he provided operational leadership for new colleges in Illinois, Massachusetts, Panama, and Columbia. His background includes serving in leadership roles in business organizations, public colleges and universities, and private colleges and universities. His experience ranges from having served as a counselor and a faculty member to the System President of the Colorado Community College System.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. BASIS OF PRESENTATION**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The System has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board (FASB) statements. However, three of the community colleges each have a nongovernmental blended component unit (the BRCC Facilities Corporation for Baton Rouge Community College, the SLCC Facilities Corporation for South Louisiana Community College, and the Campus Facilities, Inc., for Bossier Parish Community College), which are presented under FASB Statement No. 117.

B. REPORTING ENTITY

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

Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying basic financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

Criteria described in GASB 2100 were used to evaluate whether potential component units should be blended with the System, discretely reported, disclosed in the notes to the financial statements, or excluded from the reporting entity. This evaluation was made to identify those component units for which the System is financially accountable and other organizations for which the nature and significance of their relationships with the System are such that exclusion would cause the financial statements of the System to be misleading or incomplete.

- The SLCC Facilities Corporation is a nonprofit corporation formed in December 2001 to provide funds and oversee construction for the South Louisiana Community College (SLCC) campus. The corporation has been blended into the SLCC financial statements and, as such, has been

appropriately included in the accompanying financial statements. The SLCC Facilities Corporation has a June 30 year-end and audited financial statements for the corporation may be obtained at 908 Ember Drive, New Iberia, Louisiana 70560.

- Campus Facilities, Inc., is a nonprofit organization formed in May 2001 to provide funds for and oversee construction of the campus for Bossier Parish Community College (BPCC). The corporation has been blended into the BPCC financial statements and, as such, has been appropriately included in the accompanying financial statements. Campus Facilities, Inc., has a December 31 year-end and audited financial statements for Campus Facilities, Inc., may be obtained at 2719 Airline Drive, North Bossier Parish, Louisiana 71111.
- BRCC Facilities Corporation is a nonprofit corporation formed in February 2002 to provide funds and oversee construction of the campus for Baton Rouge Community College (BRCC). The corporation has been blended into the BRCC financial statements and, as such, has been appropriately included in the accompanying financial statements. BRCC Facilities Corporation has a June 30 year-end and audited financial statements for the corporation may be obtained at 5310 Florida Boulevard, Baton Rouge, Louisiana 70806.

C. BASIS OF ACCOUNTING

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

D. BUDGET PRACTICES

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

The budget amounts for fiscal year 2006-2007 include the original approved budget and subsequent amendments approved as follows:

	Original Approved Budget	Increases (Decreases)			Total Budgeted Amounts
		State General Fund (Direct)	Fees and Self-Generated	Statutory Dedications	
Board of Supervisors	\$32,060,538	\$15,551,423		\$9,527,368	\$57,139,329
Baton Rouge Community College	22,380,195	2,194,669	\$751,372		25,326,236
Bossier Parish Community College	20,141,803	341,430	(71,397)		20,411,836
Delgado Community College	59,932,836	3,587,757	(9,256)		63,511,337
Elaine P. Nunez Community College	7,456,356	1,117,970	(749,626)		7,824,700
L.E. Fletcher Technical Community College	5,530,614	185,910	100,224		5,816,748
Louisiana Delta Community College	5,156,843	194,018	(399,875)		4,950,986
Louisiana Technical College	123,713,007	727,929	18,982		124,459,918
River Parishes Community College	3,882,007	36,359	9		3,918,375
South Louisiana Community College	6,988,740	299,140	399,875		7,687,755
Sowela Technical Community College	9,870,949	483,708			10,354,657
Total	\$297,113,888	\$24,720,313	\$40,308	\$9,527,368	\$331,401,877

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are maintained in investment accounts in external foundations as authorized by policies and procedures established by the Board of Regents and are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets, except for the investments of the facility corporations where gains and losses are reported as a component of the amount capitalized to capital assets, as required by FASB 62. For purposes of the Statement of Cash Flows, the System considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. INVENTORIES

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

G. RESTRICTED CASH AND INVESTMENTS

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

H. CAPITAL ASSETS

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

I. DEFERRED REVENUES

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

J. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having

nonexempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

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

K. NONCURRENT LIABILITIES

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

L. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The System provides certain continuing health care and life insurances benefits for its retired employees. The System recognized the cost of providing these retiree benefits as an expense when paid during the year.

M. NET ASSETS

The System's net assets are classified as follows:

1. *Invested in capital assets, net of related debt* consists of the System's total investment in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.
2. *Restricted net assets - nonexpendable* consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

3. *Restricted net assets - expendable* consist of resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
4. *Unrestricted net assets* consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the System and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

N. CLASSIFICATION OF REVENUES AND EXPENSES

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

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

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

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

O. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

the stated charge for services (tuition and fees) provided by the System and the amount that is paid by students and/or third parties making payments on the students' behalf.

2. CASH AND CASH EQUIVALENTS

At June 30, 2007, the System has cash and cash equivalents (book balances) of \$68,805,780 as follows:

Petty cash	\$33,280
Demand deposits	54,691,624
Certificates of deposit	735,672
Cash equivalents - money market mutual funds	<u>13,345,204</u>
Total	<u><u>\$68,805,780</u></u>

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

Current assets	\$53,792,487
Noncurrent assets	<u>15,013,293</u>
Total	<u><u>\$68,805,780</u></u>

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. As of June 30, 2007, demand deposits totaling \$1,214,203 were reported in the financial statements for the BRCC Facilities Corporation and Campus Facilities, Inc, 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, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the notes to the financial statements of the corporations do not reflect the requirements of GASB Statement No. 3, as revised by Statement No. 40. There were no risk disclosures for the \$11,277 in the demand deposits for the BRCC Facilities Corporation. The \$1,202,926 in demand deposits for Campus Facilities, Inc., was reported in the notes to the financial statements as being subject to custodial credit risk.

Disclosures required for the investments reported as cash equivalents are included in note 3.

3. INVESTMENTS

At June 30, 2007, the System has restricted investments totaling \$3,765,627 as follows:

		<u>Average Duration (Years)</u>
Mutual funds:		
Pooled equity funds	\$918,726	
Fixed income securities	1,139,755	4.7
Short-term federal funds	541,989	2.2
International equity funds	206,829	
Other	<u>7,926</u>	
	\$2,815,225	
Other		544,318
Investments held by private foundation - external investment pool		<u>406,084</u>
Total investments		<u><u>\$3,765,627</u></u>

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

For the monies held by the private foundation of \$406,084 and mutual funds of \$2,815,225, there are no credit quality ratings.

The mutual funds of \$2,815,225 are held pursuant to the Eminent Scholars and Endowed Professorships Program. To reduce overall volatility of investment returns and to provide a hedge against the effects of economic downturns, the investment policy for that program requires at least 40% of assets be invested in fixed-income funds before January 1, 2007. Effective January 1, 2007, a new policy decreases the 40% to 26%. The fixed-income funds are diversified among various sectors of the fixed-income market. The overall average credit quality rating of the fixed-income fund must be at least AA. The interest rate risks are limited by managing their performance using fixed-income indices as benchmarks to gauge and limit such risk. Investments in foreign stocks and foreign fixed income are limited to 15% and 5% of the equity and fixed-income funds, respectively.

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

Money market mutual funds totaling \$13,345,204 (cash equivalents) were reported in the financial statements and notes to the financial statements for the BRCC Facilities Corporation, SLCC Facilities Corporation, and Campus Facilities, Inc., which were prepared in accordance

with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the notes to the financial statements of the corporations do not reflect the requirements of GASB Statement No. 3, as revised by Statement No. 40. There were no risk disclosures for the \$9,861,302 of the money market funds of the BRCC Facility Corporation. The money market funds of the South Louisiana Community College Facilities Corporation (\$2,902,164) as well as those of the Campus Facilities, Inc., (\$581,738) are reported in the notes to the financial statements as uninsured and unregistered and are held by the broker or dealer or by its trust department or agent but not in the name of the entity.

4. RECEIVABLES

Receivables are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2007. These receivables are composed of the following:

	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	\$12,540,037	(\$1,512,786)	\$11,027,251
Auxiliary enterprise	489,820	(428)	489,392
Federal, state, and private grants and contracts	9,899,225		9,899,225
Other	6,367,381	(14,476)	6,352,905
Total	<u>\$29,296,463</u>	<u>(\$1,527,690)</u>	<u>\$27,768,773</u>

5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan and miscellaneous private student loan programs of \$8,375 and \$15,508, respectively. Loans are no longer issued under the Federal Perkins Loan program, but collections are still made on outstanding loans. None of the balances are expected to be collected within the next fiscal year.

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2007, follows:

	Balance June 30, 2006	Prior Period Adjustment	Adjusted Balance June 30, 2006	Additions	Transfers	Retirements	Balance June 30, 2007
Capital assets not being depreciated:							
Land	\$15,897,431	\$55,000	\$15,952,431	\$1,369,387			\$17,321,818
Capitalized collections		6,000	6,000				6,000
Construction-in-progress	10,014,243		10,014,243	3,038,573	(\$9,122,004)		3,930,812
Total capital assets not being depreciated	25,911,674	61,000	25,972,674	4,407,960	(9,122,004)	NONE	21,258,630
Capital assets, being depreciated:							
Land improvements	2,274,978		2,274,978				2,274,978
Buildings	264,375,355	678,930	265,054,285	811,758	9,179,663		275,045,706
Furniture, fixtures, and equipment	58,974,165	159,056	59,133,221	6,981,988	33,456	(\$2,726,402)	63,422,263
Total capital assets, being depreciated	325,624,498	837,986	326,462,484	7,793,746	9,213,119	(2,726,402)	340,742,947
Less accumulated depreciation for:							
Land improvements	(1,589,690)		(1,589,690)	(102,753)			(1,692,443)
Buildings	(78,594,629)	(543,146)	(79,137,775)	(6,926,793)			(86,064,568)
Furniture, fixtures, and equipment	(33,248,971)	(211,994)	(33,460,965)	(6,546,486)	(91,115)	2,122,687	(37,975,879)
Total accumulated depreciation	(113,433,290)	(755,140)	(114,188,430)	(13,576,032)	(91,115)	2,122,687	(125,732,890)
Total capital assets, being depreciated, net	212,191,208	82,846	212,274,054	(5,782,286)	9,122,004	(603,715)	215,010,057
Total capital assets, net	\$238,102,882	\$143,846	\$238,246,728	(\$1,374,326)	NONE	(\$603,715)	\$236,268,687

The June 30, 2006, balance of capital assets has been adjusted by \$143,846 to reflect prior period adjustments resulting from the correction of prior year errors. Nine buildings with a total carrying value of \$5,857,125 remain idle at June 30, 2007, because of damages from hurricanes Katrina and Rita.

7. PENSION PLANS

Plan Description. Substantially all employees of the System are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers' Retirement System (TRS), and classified/unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). TRS is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer plan because the material portion of its activity is with one employer--the State of Louisiana. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries and are administered by separate boards of trustees. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the retirement systems; employee benefits vest with TRS after five years of service and with LASERS after 10 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information for the retirement systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the System are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. For fiscal year 2007, the state is required to contribute 15.8% of covered salaries to TRS and 19.1% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to the System, funds the System's employer contribution. The System's employer contributions to TRS for the years ended June 30, 2007, 2006, and 2005 were \$12,838,089; \$12,360,703; and \$12,570,623, respectively, and to LASERS for the years ended June 30, 2007, 2006, and 2005 were \$4,221,150; \$3,937,172; and \$4,106,328, respectively, equal to the required contributions for each year.

8. OPTIONAL RETIREMENT SYSTEM

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

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

R.S. 11:927 requires the employer and each participant to contribute monthly to the optional retirement plan the same amount which they would be required to contribute to the regular retirement plan of the TRS of Louisiana if the participant were a member of that retirement plan. Employer contributions by the System are 15.8% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer and employee contributions to the optional retirement plan totaled \$3,622,843 and \$1,835,758, respectively, for the year ended June 30, 2007.

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The System provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the System's employees become eligible for these benefits if they reach normal retirement age while working for the System. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the System. The System recognizes the cost of providing these benefits to retirees (System's portion of premiums) as an expense when paid during the year. Benefits provided for 1,123 retirees totaled \$7,005,629 for the year ended June 30, 2007.

10. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accrued expenses at June 30, 2007:

<u>Account Name</u>	
Vendor payables	\$19,583,757
Accrued salaries and payroll deductions	11,393,112
Construction and retainage payables	409,039
Accrued interest payable	689,814
Other	<u>4,852,838</u>
Total payables	<u><u>\$36,928,560</u></u>

11. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2007:

Prepaid tuition and fees	\$9,485,271
Prepaid rent	1,683,558
Grants and contracts	1,210,146
Other	<u>424,428</u>
Total deferred revenues	<u><u>\$12,803,403</u></u>

12. COMPENSATED ABSENCES

At June 30, 2007, employees of the System have accumulated and vested annual, sick, and compensatory leave of \$8,307,919, \$7,484,553, and \$272,009, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

13. LEASE OBLIGATIONS**Operating Leases**

For the year ended June 30, 2007, the total rental expense for all operating leases is \$3,353,019. The following is a schedule by years of future minimum annual rental payments required under operating leases:

Nature of Operating Lease	Fiscal Year					Total Minimum Payments Required
	2008	2009	2010	2011	2012	
Office space	\$1,032,867	\$387,769	\$187,946			\$1,608,582
Land	25,000	25,000				50,000
Other	203,390	195,200	192,800	\$114,133	\$84,000	789,523
Equipment	391,339	35,232				426,571
Total	<u>\$1,652,596</u>	<u>\$643,201</u>	<u>\$380,746</u>	<u>\$114,133</u>	<u>\$84,000</u>	<u>\$2,874,676</u>

Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments, at June 30, 2007:

Fiscal Year Ending June 30:	
2008	\$2,152,213
2009	2,152,826
2010	636,757
2011	636,387
2012	311,456
2013-2017	1,550,931
2018-2022	1,544,900
2023-2027	1,536,600
2028-2029	917,400
Total minimum lease payments	<u>11,439,470</u>
Less - amount representing interest	<u>(3,475,470)</u>
Present value of net minimum lease payments	<u>\$7,964,000</u>

The gross amount of assets held under capital leases as of June 30, 2007, include office space and equipment of \$4,395,000 and \$8,750,000, respectively.

Lessor - Operating Lease

Leasing operations of the System consist of Baton Rouge Community College and South Louisiana Community College's leasing of property for the purposes of providing bookstore operations to students. The estimated cost, accumulated depreciation, and carrying amount of the System's investment in operating lease property as of June 30, 2007, is \$571,479, \$38,714, and \$532,765, respectively. This includes estimated values, which are based on the ratio of the square footage of the space leased to the total square footage of the building.

The following is a schedule, by years, of minimum future rentals on noncancelable operating leases as of June 30, 2007:

Nature of Operating Lease	2008	2009	2010	2011	2012	Minimum Future Rentals
Office space	<u>\$45,000</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$165,000</u>

Minimum future rentals do not include contingent rentals that may be received as stipulated in the lease contracts. Contingent rentals received by the Baton Rouge Community College from operating leases for the year ended June 30, 2007, were \$181,661.

14. LONG-TERM LIABILITIES

The following is a summary of bonds and other long-term debt transactions of the System for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Portion Due Within One Year
Bonds payable and capital lease obligations:					
Bonds payable, net	\$138,332,743	\$20,689	(\$2,252,400)	\$136,101,032	\$2,307,400
Capital lease obligations	<u>9,666,000</u>		<u>(1,702,000)</u>	<u>7,964,000</u>	<u>1,781,000</u>
Total bonds payable and capital lease obligations	<u>147,998,743</u>	<u>20,689</u>	<u>(3,954,400)</u>	<u>144,065,032</u>	<u>4,088,400</u>
Other liabilities - compensated absences payable	<u>15,342,330</u>	<u>4,510,302</u>	<u>(3,788,151)</u>	<u>16,064,481</u>	<u>1,813,309</u>
Total long-term liabilities	<u>\$163,341,073</u>	<u>\$4,530,991</u>	<u>(\$7,742,551)</u>	<u>\$160,129,513</u>	<u>\$5,901,709</u>

Details of all debt outstanding at June 30, 2007, follow:

Bonds Payable

As presented on the Statement of Net Assets, at June 30, 2007, bonds payable totaled \$136,101,032 of which \$2,307,400 is current and the remaining \$133,793,632 is noncurrent.

Detailed summaries, by issues, of all bonded debt outstanding at June 30, 2007, follow:

	Date of Issue	Original Issue	Outstanding June 30, 2006	Issue (Redeemed)	Outstanding June 30, 2007	Maturities	Interest Rates	Future Interest Payments June 30, 2007
Baton Rouge Community College - BRCC Facilities Corporation:								
	Dec. 31, 2002	\$55,000,000	\$55,000,000		\$55,000,000	2015-2033	5.0% - 5.375%	\$50,417,850
	Dec. 23, 2003	10,000,000	10,000,000		10,000,000	2010-2018	3.8% - 5.5%	2,670,773
Bossier Parish Community College - Campus Facilities, Inc.:								
	April 18, 2002	45,000,000	45,000,000		45,000,000	2012-2028	4.2% - 5.25%	33,452,708
	June 18, 2003	10,000,000	9,775,000	(\$1,580,000)	8,195,000	2006-2012	2.0% - 3.0%	671,800
South Louisiana Community College - SLCC Facilities Corporation -								
	Oct. 29, 2002	17,840,000	17,375,000	(475,000)	16,900,000	2006-2029	2.1% - 4.75%	9,981,059
Total		<u>\$137,840,000</u>	137,150,000	(2,055,000)	135,095,000			<u>\$97,194,190</u>
Net original premiums (discounts)			1,683,685		1,683,685			
Net accumulated amortization of premiums/discounts			<u>(500,942)</u>	<u>(176,711)</u>	<u>(677,653)</u>			
Bonds payable, net			<u>\$138,332,743</u>	<u>(\$2,231,711)</u>	<u>\$136,101,032</u>			

The annual requirements to amortize all bonds outstanding at June 30, 2007, are as follows:

	Principal	Interest	Total
2008	\$2,110,000	\$6,591,631	\$8,701,631
2009	2,165,000	6,528,841	8,693,841
2010	3,780,000	6,433,216	10,213,216
2011	3,930,000	6,286,219	10,216,219
2012	4,100,000	6,124,824	10,224,824
2013-2017	23,590,000	27,556,334	51,146,334
2018-2022	28,865,000	20,958,303	49,823,303
2023-2027	36,855,000	12,720,228	49,575,228
2028-2032	25,305,000	3,884,719	29,189,719
2033-2037	4,395,000	109,875	4,504,875
Total	<u>\$135,095,000</u>	<u>\$97,194,190</u>	<u>\$232,289,190</u>

Outstanding principal of \$135,095,000 plus unamortized premium/discount of \$1,006,032 totals \$136,101,032.

Capital Lease Obligations

Capital lease obligations at June 30, 2007, for \$7,964,000 are detailed in note 13.

Accrued Compensated Absences Payable

Accrued compensated absences payable at June 30, 2007, for \$16,064,481 are detailed in note 12.

15. RESTRICTED NET ASSETS

The System has the following restricted net assets at June 30, 2007:

Nonexpendable:	
Endowments	\$3,258,021
Student Life Center Maintenance Reserve	557,590
	\$3,815,611
Total nonexpendable	\$3,815,611
Expendable:	
Systemwide ERP System	\$15,000,000
Desegregated Fund	7,489,126
Technology fee	4,415,851
Maintenance Reserve	1,855,322
Campus Facilities	1,575,858
Grants	1,114,365
Endowed professorships and scholarships	1,047,824
Other	942,842
Building use fee	1,387,381
Student fees	527,042
HB 765 (Storm Recovery)	341,995
Third-party scholarships	141,094
	141,094
Total expendable	\$35,838,700

Of the total net assets reported in the Statement of Net Assets for the year ended June 30, 2007, \$21,428,732 is restricted by enabling legislation (which also includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation).

16. RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets as reflected on Statement B has been restated to reflect the correction of errors in the prior report. The effect of the restatement is as follows:

Net assets at June 30, 2006	\$142,957,716
Reclassifications and adjustments for prior year errors	<u>1,344,593</u>
Net assets at July 1, 2006	<u><u>\$144,302,309</u></u>

17. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The System is involved in 14 lawsuits at June 30, 2007, that are being handled by contract attorneys. In the opinion of legal counsel, the possibility that the System will incur a liability in 11 of the cases is reasonably possible, with a possible loss estimated at \$335,000 for seven cases; legal counsel is unable to estimate the possible loss for the remaining four. Legal counsel has determined that for the additional three cases, there is a probable loss totaling \$96,060, which has been accrued in the accompanying financial statements.

For fiscal year 2007 there were not any significant reductions in insurance coverage from coverage in the prior year by major categories of risk. Also, the amount of settlements paid in the last three years did not exceed insurance coverage. For the claims and litigations not being handled by the Office of Risk Management, the System's individual colleges pay for settlements out of available funds or the individual college can request supplemental appropriations from the state's General Fund.

18. FOUNDATIONS

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

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

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

Certain colleges of the System have contracted with their respective foundations to invest the colleges' Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:3384. The Endowed Professorship Program endowment funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. At June 30, 2007, the foundations hold in custody \$406,084 of state Endowed Professorship Program funds.

19. DONOR RESTRICTED ENDOWMENTS

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

- Bossier Parish Community College - At June 30, 2007, net appreciation of \$5,512 is available to be spent, of which \$5,512 is restricted to specific purposes (net appreciation during the fiscal year). The College may spend the interest earnings for the purpose for which the endowment was established. However, the interest portion that may be spent cannot exceed 5% of the total interest and principal balances. The principal portion of the endowment cannot be used.
- South Louisiana Community College - At June 30, 2007, net appreciation of \$2,465 is available to be spent, of which \$2,465 is restricted to specific purposes (net appreciation during the fiscal year). The authorization for spending investment income is established in the Louisiana Board of Regents Endowed Professorship Program Policy.
- Louisiana Delta Community College - At June 30, 2007, net appreciation of \$14,137 is available to be spent, of which \$14,137 is restricted to specific purposes (net appreciation during the fiscal year). The college can spend 100% of the investment income on each of the three \$100,000 endowments. The income from two of the three endowments is designated for salaries in the nursing department. The income from the third endowment is designated for salaries in the science department.

20. DEFERRED COMPENSATION PLAN

Certain employees of the System participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available on the Internet at www.la.gov.

21. RELATED PARTY TRANSACTIONS

Delgado Community College entered into a capital lease transaction with the Delgado Community College Foundation to finance the building of the City Park Campus Student Life Center. The term of the lease is 30 years with interest payments that began April 1, 2000. Interest is paid semiannually and principal payments are made annually commencing October 1, 2000. The System records this capital lease as an asset and an obligation in the accompanying financial statements. This capital lease is included in note 13.

SOWELA Technical Community College entered into a contract for advertising with Peter O'Carroll Advertising for \$25,000 to produce and place television, radio, newspaper, and outdoor advertising. The owner of this business is also a board member of SOWELA Technical Institute Foundation, Ltd. The contract is for \$20,000 and the total amount of transactions for the fiscal year ended June 30, 2007, was \$14,320.

22. ALTERNATIVE FINANCING AGREEMENTS**Baton Rouge Community College (BRCC)**

On May 16, 2002, the Louisiana State Bond Commission approved issuing up to \$65,000,000 in bonds for constructing and furnishing new campus buildings and for renovating existing buildings on property adjacent to the BRCC campus. In December 2002, the Louisiana Government Environmental Facilities and Community Development Authority issued \$55,000,000 in revenue bonds on behalf of the BRCC Facilities Corporation, a nonprofit organization. In December 2003, the Louisiana Local Government Environmental Facilities and Community Development Authority issued an additional \$10,000,000 in revenue bonds on behalf of the BRCC Facilities Corporation. Pursuant to the terms of a Ground Lease agreement, effective December 1, 2002, the corporation has leased the land from the Board of Supervisors of the System. The lease term expires on December 1, 2032. In accordance with the provisions of the facilities lease, the corporation, on behalf of the board, is developing and constructing new facilities that are being leased back to the board for use by the students, faculty, and staff of the community college. During the later part of the fiscal year ended June 30, 2007, construction of a wellness center was started. The estimated cost for this project is approximately \$7,380,000 of which \$1,123,543 is in progress at June 30, 2007.

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

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

Bossier Parish Community College (BPCC)

On December 13, 2001, the Louisiana State Bond Commission approved issuing up to \$45,000,000 in bonds for constructing a new BPCC campus. On April 18, 2002, the Louisiana Government Facilities and Community Development Authority issued \$45,000,000 in revenue bonds on behalf of Campus Facilities, Inc., a nonprofit organization. In June 2003, an amount of \$10,000,000 in Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds was issued to provide additional funds to complete construction. Pursuant to terms of a Ground Lease agreement, effective April 1, 2002, the corporation has leased the land from the Board of Supervisors of the System. The lease term expires on January 1, 2028. In accordance with the provisions of the facilities lease, the corporation, on behalf of the board, has developed and constructed new facilities that are being 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.

South Louisiana Community College (SLCC)

On May 16, 2002, the Louisiana State Bond Commission approved issuing up to \$20,000,000 in bonds for constructing a new SLCC campus. On October 29, 2002, the Lafayette Public Trust Financing Authority issued \$17,840,000 in revenue bonds on behalf of the SLCC Facilities, Inc., a nonprofit organization. Pursuant to terms of a Ground Lease agreement effective October 29, 2002, the corporation has leased the land from the Board of Supervisors of the System. The lease term expires on October 1, 2028. In accordance with the provisions of the facilities lease, the corporation, on behalf of the board, has developed and constructed new facilities that are being leased back to the board for use by the students, faculty, and staff of the community college.

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

23. SUBSEQUENT EVENTS

During the 2007 Legislative Sessions, the Louisiana Legislature authorized financing of \$173,000,000 for 23 capital outlay projects at 14 System locations through Act 391 (SB 337). Under provisions of the bill, the System will be allowed to arrange financing of \$151,000,000 for its colleges to complete high priority capital projects. The projects were determined to be extraordinarily vital to the state's response to the need for a competent and skilled workforce, including \$25,000,000 to augment hurricane recovery.

On December 20, 2007, the state Bond Commission gave conditional approval for the Calcasieu Parish Public Trust Authority to issue revenue bonds not to exceed \$10,000,000 to construct a new classroom, office, and other educational facilities at the SOWELA Technical Community College campus in Lake Charles.

On January 22, 2008, the state Bond Commission gave conditional approval for the Louisiana Community Development Authority to issue revenue bonds not to exceed \$45,000,000 for the benefit of Delta Campus Facilities Corporation for financing the costs of development, acquisition, purchase, construction, improvement, and equipping a new campus for Louisiana Delta Community College to be located in Monroe.

SCHEDULE OF PER DIEM PAID BOARD MEMBERS (CASH BASIS)

Schedule 1 presents the per diem paid board members for the year ended June 30, 2007. Louisiana Revised Statute 17:3206 provides that appointed members of the Board of Directors shall be entitled to \$50 per day for attendance at meetings of the board, meetings of committees appointed by the board on which the member serves, or while on business as assigned by and on behalf of the board. This schedule is prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

COMBINING SCHEDULE OF NET ASSETS, BY COLLEGE

Schedule 2 presents a combining Schedule of Net Assets, by college.

**COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS, BY COLLEGE**

Schedule 3 presents a combining Schedule of Revenues, Expenses, and Changes in Net Assets, by college.

COMBINING SCHEDULE OF CASH FLOWS, BY COLLEGE

Schedule 4 presents a combining Schedule of Cash Flows, by college.

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**STATE OF LOUISIANA
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
BOARD OF SUPERVISORS**

**Schedule of Per Diem Paid Board Members (Cash Basis)
For the Year Ended June 30, 2007**

	<u>AMOUNT</u>
Barham, Erle E.	\$775
Carter, Helen	950
Conley, Mark	150
Dejoie, Ava M.	1,250
Delaney, John	300
Franklin, Carl	750
Hampton, Cedric	150
Johnson, Kathy E.	2,200
Kimble, Alvin	50
Knapp, Ann H.	950
McHenry, Joan	950
Mellington, Brett J.	1,700
Murphy, Michael	550
Norris, Cleartis Jr.	1,350
Smith, Stephen	900
St. Blanc III, Vincent	1,150
Stone, Fredrick M.	700
Taylor, Geraldine	300
	<hr/>
Total	<u><u>\$15,125</u></u>

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

**Combining Schedule of Net Assets, by College
For the Year Ended June 30, 2007**

	Board Office	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College	L.E. Fletcher Community College
ASSETS						
Current assets:						
Cash and cash equivalents	\$4,240,854	\$14,985,766	\$1,918,829	\$3,284,477	\$1,543,539	\$3,340,986
Receivables (net)	3,602	1,979,805	1,390,692	10,237,569	395,302	412,375
Due from state treasury	24,276,303					
Due from federal government	12,034,476	1,868,359	94,461	8,037,012	530,129	226,871
Due from LCTCS colleges/LCTCS	83,286		8,718	2,749,078	341,995	
Inventories			561,244			6,542
Prepayments			6,607	179,697	9,455	17,861
Total current assets	<u>40,638,521</u>	<u>18,833,930</u>	<u>3,980,551</u>	<u>24,487,833</u>	<u>2,820,420</u>	<u>4,004,635</u>
Noncurrent Assets						
Restricted assets:						
Cash and cash equivalents		9,872,579	1,794,898		156,316	
Investments		132,913	100,000	2,815,225	273,171	
Notes receivable, net				23,883		
Capital assets (net)	368,810	89,420,444	58,589,243	22,036,139	9,113,039	2,198,763
Other noncurrent assets		964,137				
Total noncurrent assets	<u>368,810</u>	<u>100,390,073</u>	<u>60,484,141</u>	<u>24,875,247</u>	<u>9,542,526</u>	<u>2,198,763</u>
Total Assets	<u>\$41,007,331</u>	<u>\$119,224,003</u>	<u>\$64,464,692</u>	<u>\$49,363,080</u>	<u>\$12,362,946</u>	<u>\$6,203,398</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accruals	\$20,172,877	\$3,779,285	\$2,069,255	\$5,585,675	\$668,557	\$535,259
Due to state treasury					5,491	
Due to federal government	31,800	208,841		133,815		2,312
Due to LCTCS college/LCTCS	3,386,424	471,520	63,201	318,440		44,942
Deferred revenues		1,529,261	573,260	7,982,515	91,609	176,620
Compensated absences payable	47,794	54,870	45,342	809,534	17,560	12,376
Capital lease obligations		1,696,000		85,000		
Amounts held in custody for others		529,579	48,715		2,775	18,868
Bonds payable, net		197,400	1,620,000			
Other current liabilities				111,804		
Total current liabilities	<u>23,638,895</u>	<u>8,466,756</u>	<u>4,419,773</u>	<u>15,026,783</u>	<u>785,992</u>	<u>790,377</u>
Noncurrent Liabilities						
Compensated absences payable	555,095	986,581	1,291,702	3,002,056	657,844	430,934
Capital lease obligations		2,393,000		3,790,000		
Bonds payable, net		66,355,982	51,245,567			
Total noncurrent liabilities	<u>555,095</u>	<u>69,735,563</u>	<u>52,537,269</u>	<u>6,792,056</u>	<u>657,844</u>	<u>430,934</u>
Total liabilities	<u>24,193,990</u>	<u>78,202,319</u>	<u>56,957,042</u>	<u>21,818,839</u>	<u>1,443,836</u>	<u>1,221,311</u>
Net Assets						
Investment in capital assets, net of related debt	368,810	27,540,136	5,314,638	18,161,139	9,113,039	2,198,763
Restricted for:						
Nonexpendable		120,000	100,000	2,479,605	428,670	
Expendable	15,217,093	10,856,004	2,274,412	2,127,636	1,154,135	150,000
Unrestricted	1,227,438	2,505,544	(181,400)	4,775,861	223,266	2,633,324
Total net assets	<u>\$16,813,341</u>	<u>\$41,021,684</u>	<u>\$7,507,650</u>	<u>\$27,544,241</u>	<u>\$10,919,110</u>	<u>\$4,982,087</u>

Schedule 2

Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total Per System
\$878,955	\$16,866,337	\$332,468	\$3,174,525	\$3,225,751		\$53,792,487
270,840	9,997,280	167,053	963,871	1,950,384		27,768,773
	4,258,938			1,471	(\$5,808,098)	18,468,205
	892,819			295,351	(2,649,301)	24,402,416
1,684	998,357				(4,371,247)	1,567,827
64,041	228,524	29,836		23,305		559,326
<u>1,215,520</u>	<u>33,242,255</u>	<u>529,357</u>	<u>4,138,396</u>	<u>5,496,262</u>	<u>(12,828,646)</u>	<u>126,559,034</u>
	287,336		2,902,164			15,013,293
444,318						3,765,627
						23,883
313,662	36,665,674	83,315	14,635,700	2,843,898		236,268,687
			322,829			1,286,966
<u>757,980</u>	<u>36,953,010</u>	<u>83,315</u>	<u>17,860,693</u>	<u>2,843,898</u>	<u>NONE</u>	<u>256,358,456</u>
<u>\$1,973,500</u>	<u>\$70,195,265</u>	<u>\$612,672</u>	<u>\$21,999,089</u>	<u>\$8,340,160</u>	<u>(\$12,828,646)</u>	<u>\$382,917,490</u>
\$394,832	\$10,976,273	\$100,994	\$696,851	\$406,101	(\$8,457,399)	\$36,928,560
	28,417					5,491
	86,720					405,185
166,983	950,912	60,518	1,033,337	238,388	(4,371,247)	12,803,403
13,630	726,651		17,658	67,894		1,813,309
						1,781,000
1,000	174,432	32,666	1,209	28,324		837,568
			490,000			2,307,400
			4,241			116,045
<u>576,445</u>	<u>12,943,405</u>	<u>194,178</u>	<u>2,243,296</u>	<u>740,707</u>	<u>(12,828,646)</u>	<u>56,997,961</u>
263,296	5,980,806	195,705	274,677	612,476		14,251,172
			16,192,083			6,183,000
<u>263,296</u>	<u>5,980,806</u>	<u>195,705</u>	<u>16,466,760</u>	<u>612,476</u>	<u>NONE</u>	<u>154,227,804</u>
<u>839,741</u>	<u>18,924,211</u>	<u>389,883</u>	<u>18,710,056</u>	<u>1,353,183</u>	<u>(12,828,646)</u>	<u>211,225,765</u>
313,662	36,665,674	83,315	701,802	2,843,898		103,304,876
300,000	287,336		100,000			3,815,611
381,145	2,169,600	49,285	1,382,950	76,440		35,838,700
138,952	12,148,444	90,189	1,104,281	4,066,639		28,732,538
<u>\$1,133,759</u>	<u>\$51,271,054</u>	<u>\$222,789</u>	<u>\$3,289,033</u>	<u>\$6,986,977</u>	<u>NONE</u>	<u>\$171,691,725</u>

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

**Combining Schedule of Revenues, Expenses,
and Changes in Net Assets, by College
For the Year Ended June 30, 2007**

	Board Office	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College	L.E. Fletcher Community College
Operating Revenues						
Student tuition and fees		\$10,580,520	\$8,269,552	\$26,828,633	\$1,763,928	\$1,630,831
(Less scholarship allowances)		(2,244,549)	(1,724,233)	(5,580,103)	(522,952)	(657,489)
Net student tuition and fees	NONE	8,335,971	6,545,319	21,248,530	1,240,976	973,342
Federal grants and contracts	\$28,190,365	5,969,285	5,058,792	27,231,584	2,471,518	2,225,495
State and local grants and contracts	358,500	1,895,910	4,403,127	3,072,772	767,364	1,051,772
Nongovernmental grants and contracts		59,018	425,707	116,481		
Sales and services of educational departments		9,716	211,320		161,421	605,221
Auxiliary enterprise revenues		615,393	1,726,384	89,971	32,564	28,794
(Less scholarship allowances)			(6,268)			
Net auxiliary revenues	NONE	615,393	1,720,116	89,971	32,564	28,794
Interagency revenues	1,683,212					
Other operating revenues			226,588	326,547	180,849	78,151
Total operating revenues	30,232,077	16,885,293	18,590,969	52,085,885	4,854,692	4,962,775
Operating Expenses						
Educational and general:						
Instruction		10,379,833	10,082,400	46,567,935	3,816,233	4,604,470
Public service			3,590,424			
Academic support	34,383,336	3,489,179	2,516,677	4,297,764	926,858	1,073,250
Student services		2,927,002	6,694,070	5,725,542	619,250	425,981
Institutional support	9,204,140	6,413,482	3,207,263	6,877,997	1,674,244	926,649
Operations and maintenance of plant		5,863,893	2,938,082	9,337,777	2,219,221	579,844
Depreciation	161,487	4,086,937	1,927,606	1,641,721	431,772	201,468
Scholarships and fellowships		3,070,241	1,036,379	15,093,708	1,779,151	528,410
Auxiliary enterprises		270,011	2,261,212	532,688	2,475	7,577
Interagency expenses		63,317	47,863	104,729	93,260	65,090
Other operating expenses	56,243	124,685	752,268	413,197	71,503	46,219
Total operating expenses	43,805,206	36,688,580	35,054,244	90,593,058	11,633,967	8,458,958
Operating income (loss)	(13,573,129)	(19,803,287)	(16,463,275)	(38,507,173)	(6,779,275)	(3,496,183)
Nonoperating Revenues (Expenses)						
State appropriations	28,207,246	15,504,733	12,708,942	36,165,770	4,938,826	4,335,736
Gifts	129,521			18,352	262,500	900
Net investment income (loss)	391,743	1,306,341	278,064	806,467	71,236	16,244
Interest expense		(3,243,426)	(2,329,231)	(230,468)		
Other nonoperating revenues (expenses)	17,494		69,022	4,785,946	1,343	10,420
Net nonoperating revenues (expenses)	28,746,004	13,567,648	10,726,797	41,546,067	5,273,905	4,363,300
Income (loss) before other revenues, expenses, gains and losses	15,172,875	(6,235,639)	(5,736,478)	3,038,894	(1,505,370)	867,117
Capital appropriations		6,293,655	5,783,800	1,023,009	1,428,241	
Capital grants and gifts			247,046			
Additions to permanent endowment		60,000			22,839	
Other additions, net				(75,175)	453,130	
Increase (decrease) in net assets	15,172,875	118,016	294,368	3,986,728	398,840	867,117
Net assets at beginning of the year, restated	1,640,466	40,903,668	7,213,282	23,557,513	10,520,270	4,114,970
Net assets at end of the year	\$16,813,341	\$41,021,684	\$7,507,650	\$27,544,241	\$10,919,110	\$4,982,087

Schedule 3

Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total Per System
\$1,939,661	\$14,972,558	\$1,618,382	\$3,830,024	\$2,138,611		\$73,572,700
(192,606)	(10,510,657)	(604,887)	(950,482)	(582,082)		(23,570,040)
1,747,055	4,461,901	1,013,495	2,879,542	1,556,529	NONE	50,002,660
28,093	27,789,732	976,767	1,443,225	1,709,801	(\$11,061,031)	92,033,626
525,814	16,673,276	20,091	302,137	179,599	(9,072,091)	20,178,271
164,066	14,038		23,140	26,486		828,936
	3,317,713		1,271	50,416		4,357,078
	2,039,236	7,922	42,532			4,582,796
	(838,630)					(844,898)
NONE	1,200,606	7,922	42,532	NONE	NONE	3,737,898
					(1,683,212)	
1,271	4,445,291		4,961	376,276		5,639,934
2,466,299	57,902,557	2,018,275	4,696,808	3,899,107	(21,816,334)	176,778,403
1,799,554	64,039,753	1,306,302	3,707,532	5,332,092		151,636,104
						3,590,424
832,511	5,657,754	411,152	828,764	380,764	(20,033,122)	34,764,887
619,596	7,399,280	553,445	468,751	674,316		26,107,233
1,504,572	22,292,994	1,704,049	1,270,969	2,122,640	(100,000)	57,098,999
474,973	10,201,607	467,006	934,457	640,004		33,656,864
49,521	4,085,707	33,141	691,914	348,293		13,659,567
	12,034,456		706,453	840,160		35,088,958
	1,837,684					4,911,647
53,692	1,028,502	42,304	76,926	107,529	(1,683,212)	
75,494	16,622	32,577	10,340			1,599,148
5,409,913	128,594,359	4,549,976	8,696,106	10,445,798	(21,816,334)	362,113,831
(2,943,614)	(70,691,802)	(2,531,701)	(3,999,298)	(6,546,691)	NONE	(185,335,428)
3,150,985	74,358,409	2,437,055	4,130,861	7,169,178		193,107,741
			68,675	17,140		497,088
67,515	897,048	871	256,610	24,583		4,116,722
			(778,340)			(6,581,465)
62,862	(75,402)	10,772		(787,486)		4,094,971
3,281,362	75,180,055	2,448,698	3,677,806	6,423,415	NONE	195,235,057
337,748	4,488,253	(83,003)	(321,492)	(123,276)	NONE	9,899,629
			1,361,219			15,889,924
250,983	226,040		60,000	355,000		1,079,069
						142,839
						377,955
588,731	4,714,293	(83,003)	1,099,727	231,724	NONE	27,389,416
545,028	46,556,761	305,792	2,189,306	6,755,253	NONE	144,302,309
\$1,133,759	\$51,271,054	\$222,789	\$3,289,033	\$6,986,977	NONE	\$171,691,725

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

**Combining Schedule of Cash Flows, by College
For the Year Ended June 30, 2007**

	Board Office	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College
Cash Flows From Operating Activities					
Tuition and fees		\$7,832,887	\$4,405,913	\$24,485,483	\$1,115,817
Grants and contracts	\$28,418,113	5,795,658	9,148,244	25,336,338	3,605,733
Sales and services of educational departments		9,716	211,320		161,421
Auxiliary enterprise receipts		582,790	1,744,495	89,971	32,564
Payments to employee compensation	(4,063,302)	(13,697,787)	(14,216,083)	(39,184,113)	(4,495,199)
Payments for benefits	(962,704)	(2,571,414)	(3,867,627)	(10,382,877)	(1,267,395)
Payments for utilities		(1,924,554)	(609,786)	(3,582,134)	(134,766)
Payments to supplies and services	(14,583,339)	(8,549,838)	(9,585,549)	(36,137,893)	(3,448,461)
Payments for scholarships and fellowships		(3,070,241)	(2,507,553)		(1,779,151)
Other receipts (payments)	(16,337,965)		937,933	326,547	221,738
Net cash used by operating activities	<u>(7,529,197)</u>	<u>(15,592,783)</u>	<u>(14,338,693)</u>	<u>(39,048,678)</u>	<u>(5,987,699)</u>
Cash Flows From Noncapital Financing Activities					
State appropriations	7,532,971	15,504,733	12,797,916	33,416,692	4,603,665
Gifts and grants for other than capital purposes	129,521	60,000		18,351	262,500
Private gifts for endowment purposes					22,839
TOPS receipts		490,874	411,039	627,370	36,681
TOPS disbursements		(506,328)	(49,273)	(833,708)	(36,681)
Direct lending receipts					115,283
Direct lending disbursements					(115,283)
Federal Family Education Loan Program receipt:			7,870,258		
Federal Family Education Loan Program disbursement:			(7,909,098)		
Other receipts (disbursements)	17,494		37,321	4,786,307	
Net cash provided by noncapital financing sources	<u>7,679,986</u>	<u>15,549,279</u>	<u>13,158,163</u>	<u>38,015,012</u>	<u>4,889,004</u>
Cash Flows From Capital and Related Financing Activities					
Capital appropriations received		5,942,000	4,683,800	1,023,009	1,428,241
Capital grants and gifts received			247,046		
Proceeds from sale of capital assets					
Purchases of capital assets	(153,034)	(2,676,945)	(884,089)	(2,649,264)	
Principal paid on capital debt and leases		(1,622,000)	(1,580,000)	(80,000)	
Interest paid on capital debt and leases		(3,353,463)	(2,537,279)	(230,468)	
Other sources			(92,832)		(2,204)
Net cash provided (used) by capital financing activities	<u>(153,034)</u>	<u>(1,710,408)</u>	<u>(163,354)</u>	<u>(1,936,723)</u>	<u>1,426,037</u>
Cash Flows From Investing Activities					
Proceeds from sales and maturities of investments			3,544		
Interest received on investments	391,743	1,318,542	281,463	806,467	71,236
Purchase of investments		(70,784)	(3,008)	(256,443)	(5,669)
Net cash provided (used) by investing activities	<u>391,743</u>	<u>1,247,758</u>	<u>281,999</u>	<u>550,024</u>	<u>65,567</u>
Net increase (decrease) in cash	389,498	(506,154)	(1,061,885)	(2,420,365)	392,909
Cash at beginning of the year, restated	3,851,356	25,364,499	4,775,612	5,704,842	1,306,946
Cash at end of the year	<u>\$4,240,854</u>	<u>\$24,858,345</u>	<u>\$3,713,727</u>	<u>\$3,284,477</u>	<u>\$1,699,855</u>

(Continued)

Schedule 4

L.E. Fletcher Community College	Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total Per System
\$1,416,654	\$1,634,873	\$4,747,102	\$365,446	\$2,879,198	\$1,661,904		\$50,545,277
2,841,865	922,473	44,954,470	1,007,838	1,735,397	3,662,389	(\$11,575,723)	115,852,795
605,221		2,765,068		1,271	50,416		3,804,433
28,794		1,314,582	7,922	55,501			3,856,619
(3,673,350)	(2,959,097)	(52,704,653)	(2,361,768)	(3,547,975)	(5,520,179)		(146,423,506)
(1,086,976)	(740,000)	(18,000,745)	(588,185)	(774,758)	(1,628,234)		(41,870,915)
(183,019)	(62,198)	(3,842,221)	(92,582)	(271,389)	(250,170)		(10,952,819)
(2,629,522)	(1,514,759)	(29,547,170)	(945,232)	(2,668,063)	(1,736,844)		(111,346,670)
(525,899)	(951)	(19,048,822)		(584,274)	(840,161)		(28,357,052)
78,151	(19,216)	4,448,469		9,853	409,913	11,575,723	1,651,146
<u>(3,128,081)</u>	<u>(2,738,875)</u>	<u>(64,913,920)</u>	<u>(2,606,561)</u>	<u>(3,165,239)</u>	<u>(4,190,966)</u>	<u>NONE</u>	<u>(163,240,692)</u>
4,335,736	3,150,986	74,358,409	2,437,055	4,110,441	6,873,828		169,122,432
900	19,906		10,772	68,675	17,140		587,765
				60,000			82,839
113,095	43,355	162,249	76,840	79,164	138,725		2,179,392
(113,095)	(400)	(162,249)	(76,840)	(79,164)	(138,725)		(1,996,463)
							115,283
							(115,283)
			1,462,427				9,332,685
			(1,462,427)				(9,371,525)
10,420		255,798		21,708	33,232		5,162,280
<u>4,347,056</u>	<u>3,213,847</u>	<u>74,614,207</u>	<u>2,447,827</u>	<u>4,260,824</u>	<u>6,924,200</u>	<u>NONE</u>	<u>175,099,405</u>
	250,983			1,361,219			14,438,269
		(31,122)					498,029
(105,200)	(250,983)	(2,499,771)	(15,943)	(247,586)	(243,720)		(31,122)
				(474,999)			(9,726,535)
				(781,189)			(3,756,999)
				14,662			(6,902,399)
<u>(105,200)</u>	<u>NONE</u>	<u>(2,530,893)</u>	<u>(15,943)</u>	<u>(127,893)</u>	<u>(243,720)</u>	<u>NONE</u>	<u>(80,374)</u>
	306,826						14,438,269
16,244	64,265	897,048	871	256,610	24,583		498,029
7,141	(444,318)						(31,122)
<u>23,385</u>	<u>(73,227)</u>	<u>897,048</u>	<u>871</u>	<u>256,610</u>	<u>24,583</u>	<u>NONE</u>	<u>(9,726,535)</u>
1,137,160	401,745	8,066,442	(173,806)	1,224,302	2,514,097		(3,756,999)
2,203,826	477,210	9,087,231	506,274	4,852,387	711,654		(6,902,399)
<u>\$3,340,986</u>	<u>\$878,955</u>	<u>\$17,153,673</u>	<u>\$332,468</u>	<u>\$6,076,689</u>	<u>\$3,225,751</u>	<u>NONE</u>	<u>(80,374)</u>
							(5,561,131)
							310,370
							4,129,072
							(773,081)
							3,666,361
							9,963,943
							58,841,837
							<u>\$68,805,780</u>

**STATE OF LOUISIANA
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
Combining Schedule of Cash Flows, by College, 2007**

	Board Office	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities					
Operating loss	(\$13,573,129)	(\$19,803,287)	(\$16,463,275)	(\$38,507,173)	(\$6,779,275)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation expense	161,487	4,086,937	1,927,606	1,641,721	431,772
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(242,566)	(2,297,473)	213,525	(1,820,813)	380,765
(Increase) decrease in inventories			(241,275)		
(Increase) decrease in prepaid expenses			3,495	200,414	(2,355)
(Increase) decrease in notes receivable					952
(Increase) decrease in other assets					
Increase (decrease) in accounts payable	6,068,768	2,186,919	(113,928)	(570,526)	(94,513)
Increase (decrease) in deferred revenue		(84,736)	176,872	(153,108)	3,453
Increase (decrease) in amounts held in custody for others:		194,173	1,240		
Increase (decrease) in compensated absences	56,243	124,684	157,047	169,012	71,502
Increase (decrease) in other liabilities				(8,205)	
Net cash used by operating activities	<u>(7,529,197)</u>	<u>(15,592,783)</u>	<u>(14,338,693)</u>	<u>(39,048,678)</u>	<u>(5,987,699)</u>
Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions					
Capital appropriations for construction of buildings/land acquisition		351,655	1,100,000		
Capital grants and gifts					
Loss on disposal of capital asset				75,175	
ORM insurance recoveries paid in FY07					
FEMA recoveries					
Expenses paid by FEMA and ORM					
Reduction in accounts payable for capital asset purchases			(466,712)		
Interest income and interest expense capitalized during construction			419,480		
Accretion of discount and amortization of premium on bond:		197,400	6,026		
Noncash scholarships					
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets					
Cash and cash equivalents classified as current assets			\$53,792,487		
Cash and cash equivalents classified as noncurrent assets			<u>15,013,293</u>		
			<u>\$68,805,780</u>		

(Concluded)

Schedule 4

<u>L.E. Fletcher Community College</u>	<u>Louisiana Delta Community College</u>	<u>Louisiana Technical College</u>	<u>River Parishes Community College</u>	<u>South Louisiana Community College</u>	<u>Sowela Technical Community College</u>	<u>System Eliminating Entries</u>	<u>Total Per System</u>
(\$3,496,183)	(\$2,943,614)	(\$70,691,802)	(\$2,531,701)	(\$3,999,298)	(\$6,546,691)		(\$185,335,428)
201,468	49,521	4,085,707	33,141	691,914	348,293		13,659,567
116,577	17,027	(2,591,975)	(102,571)	(366,425)	1,748,043		(4,945,886)
1,565	4,347	41,622					(193,741)
(17,481)	4,200	(55,190)	2,179		(8,650)		126,612
							952
					77,873		77,873
124,751	4,880	4,202,057	(42,553)	120,335	59,456		11,945,646
(106,919)	48,271	111,469	(9,943)	346,632	137,132		469,123
	1,000	7,757	30,348				234,518
46,219	75,493	(23,565)	14,539	37,398	(6,422)		722,150
1,922				4,205			(2,078)
<u>(3,128,081)</u>	<u>(2,738,875)</u>	<u>(64,913,920)</u>	<u>(2,606,561)</u>	<u>(3,165,239)</u>	<u>(4,190,966)</u>	<u>NONE</u>	<u>(163,240,692)</u>
		226,040			355,000		1,451,655
		(31,122)					581,040
							44,053
					844,939		844,939
					180,714		180,714
					(1,025,653)		(1,025,653)
							(466,712)
							419,480
							203,426
	192,606						192,606

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OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

April 3, 2008

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*

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

We have audited the financial statements of the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2007, and have issued our report thereon dated April 3, 2008. Our report was modified to include a reference to other auditors and an emphasis of a matter regarding the impact of hurricanes Katrina and Rita. 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. Other auditors audited the financial statements of the SLCC Facilities Corporation of the South Louisiana Community College; the BRCC Facilities Corporation for the Baton Rouge Community College; and Campus Facilities, Inc., for the Bossier Parish Community College, as described in our report on the Louisiana Community and Technical College System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Community and Technical College System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Community and Technical College System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Community and Technical College System's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Unlocated and Stolen Movable Property

For the third consecutive year, the Louisiana Community and Technical College System (LCTCS) failed to ensure that all institutions under its authority maintained adequate internal control over movable property as prescribed by the commissioner of administration and Louisiana law. Delgado Community College (Delgado) and the Louisiana Technical College (LTC) identified unlocated movable property items totaling \$1,456,516 and \$1,599,399, respectively, as a result of annual property inventory procedures. In addition to the unlocated property, Delgado and LTC reported thefts of movable property totaling \$8,353 and \$112,388, respectively.

Louisiana Revised Statute 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated items to the Louisiana Property Assistance Agency (LPAA). Louisiana Administrative Code 34.VII.313 states, in part, that efforts must be made to locate all movable property items for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted. During fiscal year 2007, 38 of the 40 LTC campuses, the former Chancellor's Office of the LTC, and Delgado submitted their annual certifications of property inventory to the LPAA according to their individual due dates. These certifications disclosed \$21,602,910 and \$65,559,230 in total movable property administered by Delgado and the LTC, respectively. Two campuses of LTC remain closed because of the destruction of Hurricane Katrina.

Annual property certifications for Delgado and LTC disclosed the following:

- Delgado identified unlocated movable property items totaling \$1,456,516. Of that amount, items totaling \$435,659 were removed from the property records because they had not been located for three consecutive years.

Furthermore, the amount of unlocated computers and computer-related equipment totaled \$977,235 or 67.1% of the total unlocated property for Delgado.

- LTC identified unlocated movable property items totaling \$1,599,399. Of that amount, items totaling \$145,857 were removed from the property records because they had not been located for three consecutive years. Furthermore, the amount of unlocated computers and computer-related equipment totaled \$980,880 or 61.3% of the total unlocated property for the LTC.

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

Management of LCTCS should take the necessary measures to ensure that all institutions under its control maintain adequate internal control over movable property to secure its assets and comply with state movable property regulations as prescribed by the commissioner of administration and Louisiana law and to minimize the amount of unlocated and/or stolen equipment. Management concurred with the finding and recommendation and outlined a plan of corrective action (See Appendix A, pages 1-3).

Inadequate Internal Control Over Financial Accounting Operations

For the second consecutive year, LTC does not have adequate internal control over its financial accounting operations. Good internal control requires (1) supporting documentation for correcting journal entries, including the specific identification of transactions causing errors to ensure correcting entries are posted to the appropriate accounts; (2) monitoring recorded payables to ensure that prior year payables are appropriately offset in the accounting system when liquidated and to ensure adequate support for amounts reported in the financial statements; (3) reconciling recorded revenues and expenditures for Pell transactions to the source data contained in the U.S. Department of Education system to identify and investigate variances to ensure accurate financial reporting; (4) communicating adequate policies and procedures to regional accountants to ensure appropriate classification of transactions in the accounting system; (5) training and supervising regional accountants adequately to ensure accurate financial reporting; and (6) adequate compilation and review procedures to prevent and detect errors in the financial statements.

Our audit procedures revealed the following internal control weaknesses over financial accounting:

- LTC reported that cash per books was overstated by \$827,334 because of coding errors in the accounting system. A correcting entry was made to reduce cash and increase expenses. The adjustment to increase expenses was not supported by specific transactions to verify that the entry was posted to the appropriate accounts.
- Accounts payable appear to be overstated by \$844,877, as those amounts were not identifiable to specific transactions. Management was unable to explain this variance but is investigating further to determine the appropriate correcting entry to be made in the accounting system.
- LTC did not adequately reconcile federal Pell fund draws and returns to the revenue and expenditures recorded in the LTC financial system.

The following errors in financial reporting required adjustments to the LTC annual fiscal report (AFR):

- Net cash used by operating activities as reported on the cash flow statement was understated by \$2,103,000 because of compilation errors.
- Technology fees totaling \$1,405,573 were incorrectly reported in net assets as restricted non-expendable, which also required a corresponding adjustment to the related footnote for restricted net assets.
- Receivables were incorrectly classified by fund rather than by account type in the disaggregation of receivables footnote, resulting in a reclassification adjustment totaling \$1,024,409.
- State and local grants and contracts revenue were incorrectly reported as federal grants and contracts revenue requiring a net adjustment of \$963,795.
- Scholarship allowances were incorrectly recorded resulting in an overstatement of tuition and fee revenue totaling \$568,015; an overstatement of tuition and fee allowances totaling \$771,473; an understatement of auxiliary allowances totaling \$59,807; and an understatement of operating expenses - scholarships and fellowships totaling \$143,651.
- A budget note compilation error resulted in an understatement of state general fund, self-generated revenues - actual on budget basis of \$530,000.
- Federal grants and contracts revenue totaling \$271,418 were incorrectly recorded as sales and services of educational departments. Also, student

tuition and fees and the related scholarship allowance were understated by the related amount.

- Federal Pell revenue and expenses were understated by \$108,805 because of inadequate reconciliation of financial records to source documentation.
- Future minimum lease payments disclosed in the Operating Lease footnote were overstated by \$81,790 because of errors in compilation.
- Operating expenses and claims and litigation payable were understated by \$76,060 because of unrecorded claim settlements, which also required corresponding adjustments to the related footnotes for contingent liabilities and payables.
- Operating expenses and accounts payable were understated by \$72,390 because of recording an expense in the incorrect fiscal year, which also required a corresponding adjustment to the footnote for the disaggregation of payables.
- State and local incumbent worker grant and tech center receivables totaling \$57,972 were incorrectly reported as due from the federal government.
- Operating expenses totaling \$7,093 for the federal STEP program were incorrectly classified as scholarship and fellowships, instruction, and institutional support rather than to student services expenses.
- Operating expenses totaling \$6,986 for the federal STEP program were incorrectly classified as student services and institutional support rather than to scholarship and fellowship expenses.
- Auxiliary revenue totaling \$3,178 was incorrectly classified as other revenue.

Management has not placed sufficient emphasis on establishing and maintaining good internal control over its financial operations. In addition, the LTC central office was eliminated on July 1, 2006, resulting in the transition of financial accounting and reporting duties to the transition office and the eight regional offices.

Failure to provide support for correcting journal entries; monitoring recorded payables; reconciling accounting records to source documentation; communicating policies on classification of transactions; training and supervising regional accountants; and ensuring the accurate preparation and review of the financial statements could result in misreported financial data and undetected errors or fraud.

Management of LTC should establish policies and procedures over financial operations to ensure that accounting records are analyzed and reconciled; adequate supporting documentation is maintained; and an accurate AFR is submitted to the system office.

Management partially concurred with the finding and recommendation and outlined a plan of corrective action.

Additional Comment: Management stated in the response that not all points of the finding supported the overall conclusion of LTC not having adequate control over financial accounting operations, such as making correcting entries. We would like to clarify that the problem with the correcting entries was that the entries made were not fully supported to ensure posting to the correct accounts. Adequate controls over financial accounting operations require that supporting documentation be maintained for correcting entries (see Appendix A, pages 4-5).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiencies above to be material weaknesses.

Compliance and Other Matters

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

The Louisiana Community and Technical College System's response to the findings identified in our audit is attached in Appendix A. We did not audit the System's responses, and, accordingly, we express no opinion on them.

Other Reports

Other external auditors audited the SLCC Facilities Corporation, Campus Facilities, Inc., and the BRCC Facilities Corporation, which are blended component units included in the Louisiana Community and Technical College System's basic financial statements for the year ended June 30, 2007. To obtain copies of those reports, refer to note 1-B to the basic financial statements for mailing addresses.

As a part of our audit of the Louisiana Community and Technical College System's basic financial statements for the year ended June 30, 2007, we performed certain procedures on campuses within the System. Our reports on those procedures for those campuses are listed as follows:

	<u>Issue Date</u>
Baton Rouge Community College	April 9, 2008
Delgado Community College	January 23, 2008
Louisiana Technical College	April 23, 2008
Nunez Community College	February 27, 2008
River Parishes Community College	March 12, 2008
Sowela Technical Community College	January 9, 2008

Those reports contain compliance and internal control findings, where applicable, relating to those campuses. Management's responses are also included in those reports. Copies of those reports are available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor and can also be found on the Internet at www.lla.la.gov.

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

Respectfully submitted,

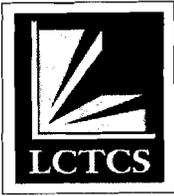


Steve J. Theriot, CPA
Legislative Auditor

AD:BQD:THC:dl

LCTCS07

Management's Corrective Action
Plans and Responses to the
Findings and Recommendations



LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

*Changing Lives,
Creating Futures*

March 14, 2008

Joe May
System President

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

Officers:

Dear Mr. Theriot:

Brett J. Mellington
Chair

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

Stephen C. Smith
First Vice Chair

Unlocated and Stolen Movable Property

Sean E. Reilly
Second Vice Chair

Included with this letter are the responses to the moveable property findings from Delgado Community College and the Louisiana Technical College. Both of these colleges will continue to document the focus that each has placed on maintaining adequate controls over movable property.

Members:

To address this issue, LCTCS management has continued to emphasize and discuss at monthly Chief Financial Officers' meetings the importance of safeguarding the assets of the colleges and the integrity of the inventories. At these meetings, staff has shared recommended policies and various tools that would help in tracking moveable property, as well as safeguarding these assets. A few of the tools recommended include the implementation of an internal online transfer system for tracking asset movement; requiring custody receipts for all equipment taken off site; and, consideration of the installation of tracking software on all laptops and desktop computers. The LCTCS staff also continues to identify and recommend training sessions by the Louisiana Property Control Agency for college personnel to ensure that established procedures are followed.

E. Edwards Barham
Helen Bridges Carter
Ava Dejoie
John E. DeLaney
Carl H. Franklin
Kathy Sellers Johnson
Michael Murphy
Dan Packer
Vincent J. St. Blanc, III
F. Mike Stone
Geraldine Grissette Taylor

For questions relating to the oversight of corrective action, please contact Shannon Sedberry, Director of Fiscal Affairs at LCTCS, at 225-922-0694. Please let me know if additional information is needed.

Student Members:

Joan McHenry
Cleo Norris

Louisiana
Community
& Technical
College System

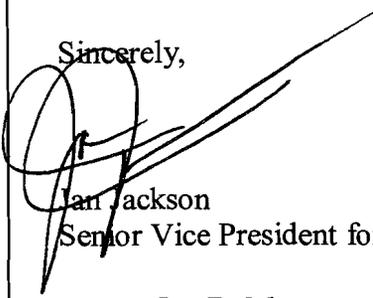
265 South Foster Drive
Baton Rouge, LA 70806

Phone: 225-922-2800

Fax: 225-922-1185

www.lctcs.net

Sincerely,


Jan Jackson
Senior Vice President for Finance and Administration

cc: Joe D. May
Shannon Sedberry

CONTROLLER'S OFFICE
TEMPORARY EXECUTIVE OFFICES
2703 General DeGaulle Avenue
New Orleans, LA 70114-6222
(504) 361-6621 FAX: (504) 361-6622
www.dcc.edu

December 14, 2007

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

Dear Mr. Theriot:

Management of Delgado Community College concurs with the finding and recommendations related to Unlocated and Stolen Movable Property. It is important to note that the current year value of theft reported decreased by 83% over prior year. Also during the past fiscal year, several departments within the college relocated certain inventory to temporary staging areas awaiting final preparations to be surplus. As a result some of these items were inadvertently reported as unlocated on the 2007 Certification of Annual Property Inventory Report dated June 22, 2007. Subsequent to the submitted annual inventory, additional searches were conducted for unlocated property in these staging areas and in areas previously not accessible to our personnel. As a result, the current year reported unlocated inventory has been reduced from \$321,338 to \$186,230. This significantly decreases the current year unlocated by 61% over prior year.

In addition, the college recently secured space to store inventory that needs to be prepared for surplus and also has been able to hire temporary staff to assist with these efforts.

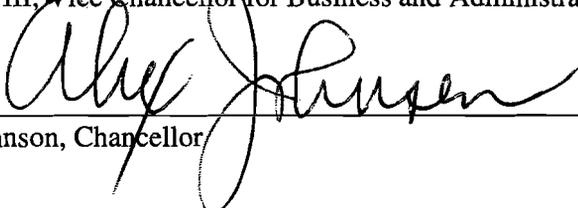
The college will continue to strengthen controls related to property control by reviewing current policies and procedures related to property control. Property Control staff will conduct necessary training with college personnel that are responsible for property, in order to communicate any necessary changes in policies and procedures. College management will assist Property Control staff to mandate adherence with property control policies and procedures. Property Control staff will continue to work with the Director of Campus Police to determine what improvements can be made that may possibly help to further reduce the risk of inventory thefts.

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

Sincerely,



A.C. Eagan, III, Vice Chancellor for Business and Administrative Affairs



Dr. Alex Johnson, Chancellor



LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

January 21, 2008

*Changing Lives,
Creating Futures*

Joe May
System President

Officers:

Brett J. Mellington
Chair

Stephen C. Smith
First Vice Chair

Carl H. Franklin
Second Vice Chair

Members:

E. Edwards Barham
Helen Bridges Carter
Tommy Clark
Keith Gamble
Leon Giorgio, Jr.
Kathy Sellers Johnson
Michael Murphy
Dan Packer
Vincent J. St. Blanc, III
F. "Mike" Stone
Geraldine Grissette Taylor
Stephen Toups

Student Members:

Kayla M. Adams
Cedric Hampton, Jr.

Louisiana
Community
& Technical
College System

265 South Foster Drive
Baton Rouge, LA 70806

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

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

Re: Unlocated and Stolen Movable Property

Dear Mr. Theriot:

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

The corrective action undertaken last year as part of the broader retooling of LTC operations has improved internal control over unlocated property. Effective internal control associated with safeguarding movable property, including the execution of all related procedures, was incorporated in the annual performance review of each Regional Director. As a result, several regions saw marked improvement in the effectiveness of their internal control efforts. In addition, areas of challenge have been clearly identified, and further, more intensive focus will be given accordingly. Also, efforts are underway to locate all property currently listed as unlocated.

Vice President of Technical Education Jimmy Sawtelle will continue to oversee the corrective actions associated with this finding. He can be reached at 225-922-1412.

Sincerely,

Jim Henderson
Senior Vice President, Workforce Training and Development



LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

*Changing Lives,
Creating Futures*

March 11, 2008

Joe May
System President

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

Officers:

Brett J. Mellington
Chair

RE: LTC audit finding entitled "Inadequate Internal Control over Financial Accounting Operations"

Stephen C. Smith
First Vice Chair

Dear Mr. Theriot:

Sean E. Reilly
Second Vice Chair

Management of the Louisiana Technical College (LTC) partially concurs with the finding regarding inadequate control over its financial accounting operations. While the details contained in the finding are factual, not all support the overall conclusion as stated in the finding. The correcting entries, for example, occurred as a result of the execution of sound internal control of financial accounting operations, and an effort to ensure the transitioning LTC accounting operation was given a firm starting foundation.

Members:

Following Act 506 of the 2005 legislature, the LCTCS Board authorized reorganization of the Louisiana Technical College. In August 2006, management transferred the LTC central business functions to the LCTCS Office staff until the newly formed regions are able to assume these responsibilities. As part of this reorganization, many of the functions associated with the former Central Office are transitioning to the regional technical education centers. A great deal of focus has been placed on providing the support and training necessary to ensure the regional accounting function is conducted in a manner reflective of proper financial stewardship.

E. Edwards Barham
Helen Bridges Carter
Ava Dejoie
John E. DeLaney
Carl H. Franklin
Kathy Sellers Johnson
Michael Murphy
Dan Packer
Vincent J. St. Blanc, III
F. Mike Stone
Geraldine Grissette Taylor

Student Members:

During the first fiscal year of the transition of LTC financial operations, the LCTCS Finance Office has been involved in correcting past weaknesses, reversing incorrect entries, locating support documentation and introducing proper internal controls. The following actions by the staff address a majority of the problems mentioned in the finding.

Joan McHenry
Cleo Norris

Louisiana
Community
& Technical
College System

- Bank reconciliations are now performed at the regional level and verified by LCTCS Internal Audit.
- The outstanding Pell checks are monitored on an on-going basis.
- The Pell program is now reconciled monthly.
- All system adjusting entries are supported by attached documentation.
- Staff has concluded correcting problems such as the reconciliation of the grants that have accumulated over many years.
- Staff has worked with the regions to obtain professional consultative and technical assistance in the preparation of the annual financial report.

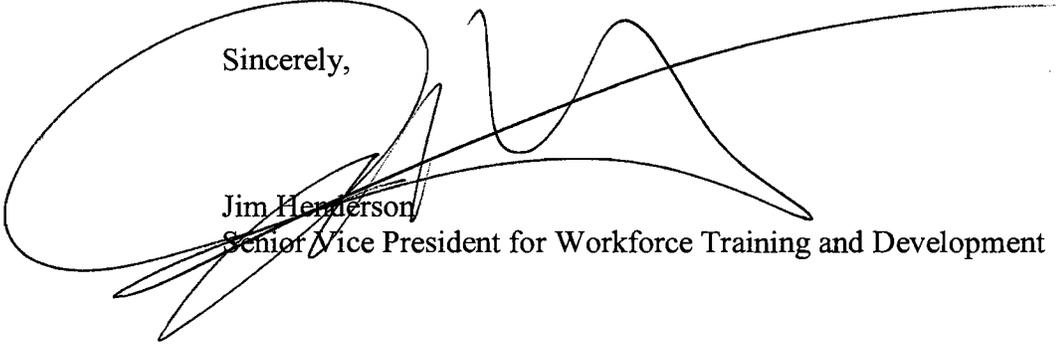
265 South Foster Drive
Baton Rouge, LA 70806

Phone: 225-922-2800
Fax: 225-922-1185

www.lctcs.net

Staff has been working diligently to correct weaknesses in the financial operation of the LTC that have accumulated over a period of time. The person responsible for corrective action is Shannon Sedberry, LCTCS Director of Fiscal Affairs.

Sincerely,



Jim Henderson
Senior Vice President for Workforce Training and Development

cc: Dr. Joe D. May
Ms. Jan Jackson
Ms. Shannon Sedberry