

STATE OF LOUISIANA LEGISLATIVE AUDITOR

South Louisiana Community College
Louisiana Community and
Technical College System
State of Louisiana
Lafayette, Louisiana

November 5, 2003



Financial and Compliance Audit Division

Legislative Auditor

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

Senator J. "Tom" Schedler, Chairman
Representative Edwin R. Murray, Vice Chairman

Senator Robert J. Barham
Senator Lynn B. Dean
Senator Jon D. Johnson
Senator Willie L. Mount
Representative Rick Farrar
Representative Victor T. Stelly
Representative T. Taylor Townsend
Representative Warren J. Triche, Jr.

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Twenty-nine copies of this public document were produced at an approximate cost of \$99.47. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. A copy of this document is available on the Legislative Auditor's Web site at www.la.state.la.us.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

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

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2003

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

November 5, 2003

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

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2003

CONTENTS

	Statement	Page No.
Independent Auditor's Report on the Financial Statements		2
Management's Discussion and Analysis		4
Basic Financial Statements:		
Statement of Net Assets	A	11
Statement of Revenues, Expenses, and Changes in Net Assets	B	12
Statement of Cash Flows	C	13
Notes to the Financial Statements		15
Exhibit		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A	
Appendix		
Management's Corrective Action Plans and Responses to the Findings and Recommendations	A	



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

October 16, 2003

Independent Auditor's Report
on the Financial Statements

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

We have audited the accompanying basic financial statements of South Louisiana Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2003. These financial statements are the responsibility of management of South Louisiana Community College. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the South Louisiana Community College Facilities Corporation, which represents 96% and 98%, respectively, of the assets and of the liabilities on the South Louisiana Community College's Statement of Net Assets. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the South Louisiana Community College Facilities Corporation, is based on the report 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 report of the other auditors provide a reasonable basis for our opinion.

As discussed in note 1-B, the accompanying financial statements of South Louisiana Community College are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Louisiana Community and Technical College System that is attributable to the transactions of South Louisiana Community College. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System as of June 30, 2003, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LEGISLATIVE AUDITOR

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Audit Report, June 30, 2003

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to previously present fairly, in all material respects, the financial position of South Louisiana Community College as of June 30, 2003, and its changes in financial position, including cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-B, the South Louisiana Community College Facilities Corporation has been blended into South Louisiana Community College's basic financial statements for the year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2003, on our consideration of South Louisiana Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



Grover C. Austin, CPA
First Assistant Legislative Auditor

EPM:ES:PEP:ss

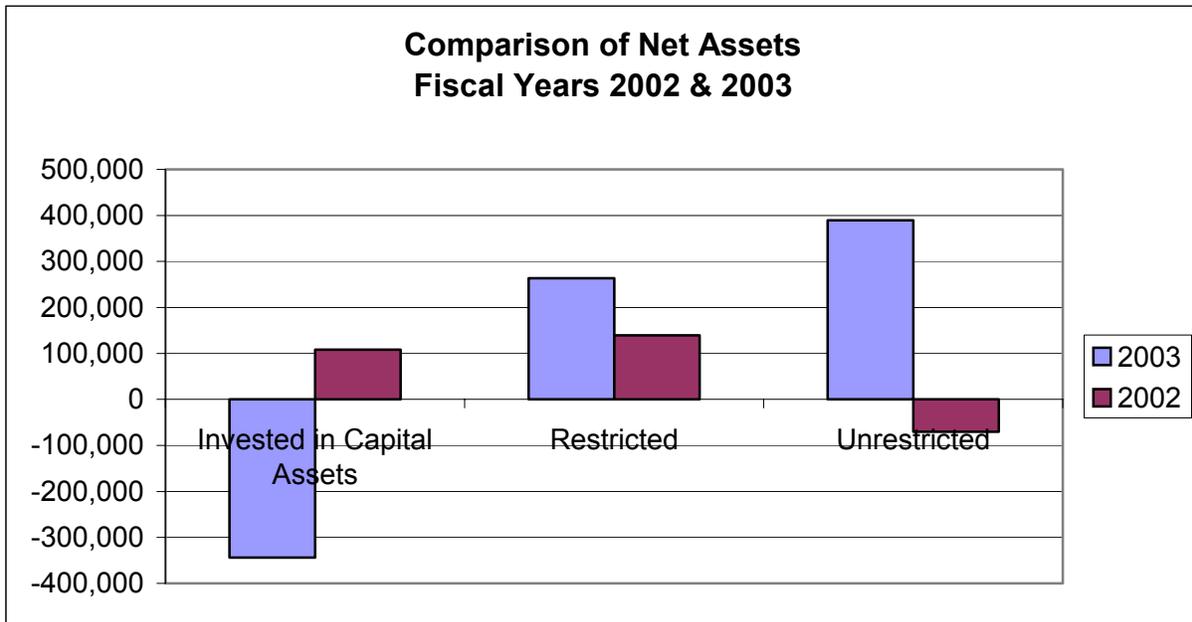
[SLCC03]

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of South Louisiana Community College’s (SLCC) annual financial report presents a discussion and analysis of SLCC’s financial performance during the fiscal year that ended June 30, 2003. Please read this section in conjunction with SLCC’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS



SLCC’s net assets overall increased from \$176,882 to \$309,496 or 75% from June 30, 2002, to June 30, 2003. The increase was the result of a supplemental appropriation for enrollment growth, a 3% increase in the cost of tuition and fees, and incentive funds.

Enrollment changed from 1,021 to 1,069 from June 30, 2002, to June 30, 2003, a change of 4.7%. The reason for this change is attributed to enrollment growth primarily on the Lafayette campus.

SLCC’s operating revenues increased from \$1,028,509 to \$1,902,617, or 85%, from June 30, 2002, to June 30, 2003. Operating expenses, however, increased by 29% to \$4,511,931 for the year ended June 30, 2003. The changes in enrollment as discussed above are the primary reason for this change.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Continued)

Nonoperating revenues (expenses) fluctuate depending primarily upon levels of state operating and capital appropriations. The state appropriation increased to \$2,736,372 in 2003 from \$2,543,097 in 2002 and is attributed to increased state support for the institution.

OVERVIEW OF THE FINANCIAL STATEMENTS

SLCC's financial report consists of three parts: *Management's Discussion and Analysis* (this section), the basic financial statements, and the notes to the financial statements.

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

The Statement of Net Assets (page 11) 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 college is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 12) presents information showing how the college's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Cash Flow Statement (pages 13-14) presents information showing how the college's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about SLCC's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

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

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Continued)

FINANCIAL ANALYSIS

Net Assets

SLCC's total net assets at June 30, 2003, changed by \$132,614, a 75% increase over June 30, 2002 (see Table A-1). Total assets increased 2684% to \$18,781,138, and total liabilities increased 3611% to \$18,471,642. These increases are the result of a \$17,840,000 bond issue. The proceeds of the bond issue are being used to construct a new SLCC facility.

**Table A-1
South Louisiana Community College
Statement of Net Assets**

	<u>2003</u>	<u>2002</u>	Increase (Decrease) Percentage
Current assets	\$685,913	\$566,531	21%
Noncurrent assets	<u>18,095,225</u>	<u>108,124</u>	16636%
Total assets	<u>18,781,138</u>	<u>674,655</u>	2684%
Current liabilities	435,380	318,438	37%
Noncurrent liabilities	<u>18,036,262</u>	<u>179,335</u>	9957%
Total liabilities	<u>18,471,642</u>	<u>497,773</u>	3611%
Net assets:			
Invested in capital assets, net of related debt	(344,040)	108,124	(418%)
Restricted	263,880	139,082	90%
Unrestricted (deficit)	<u>389,656</u>	<u>(70,324)</u>	654%
Total net assets	<u>\$309,496</u>	<u>\$176,882</u>	75%

This schedule is prepared from SLCC's Statement of Net Assets as shown on page 11, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Restricted net assets increased by 90%, primarily because of the accumulation of student assessed fees to be used for restricted purposes. Increases in total net assets resulted from an increase in accounts receivable and grant activity.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Continued)

SLCC's current ratio (assets to liabilities) is 1.57:1 at June 30, 2003, which is considered good.

Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets.

Changes in Net Assets

The change in net assets at June 30, 2003, is approximately \$132,614, or 69% more than at June 30, 2002. SLCC's total operating revenues increased by 85% to \$1,902,617, and total operating expenses increased 29% to \$4,511,931. The changes in net assets are detailed in Table A-2; education and general expenses are detailed in Table A-3.

**Table A-2
South Louisiana Community College
Statement of Changes in Net Assets**

	<u>2003</u>	<u>2002</u>	Increase (Decrease) Percentage
Operating revenues:			
Student tuition and fees, net	\$963,235	\$808,664	19%
Auxiliary	14,777	9,166	61%
Other	<u>924,605</u>	<u>210,679</u>	339%
Total operating revenues	<u>1,902,617</u>	<u>1,028,509</u>	85%
Operating expenses:			
Education and general	4,511,931	3,480,017	29%
Other		<u>13,142</u>	
Total operating expenses	<u>4,511,931</u>	<u>3,493,159</u>	29%
Operating loss	<u>(2,609,314)</u>	<u>(2,464,650)</u>	(6%)
Nonoperating revenues (expenses):			
State appropriation	2,736,372	2,543,097	8%
Other revenue	28,241		
Other expenses	<u>(22,685)</u>		
Total nonoperating revenue	<u>2,741,928</u>	<u>2,543,097</u>	8%
Change in net assets	132,614	78,447	69%
Total net assets, beginning of the year	<u>176,882</u>	<u>98,435</u>	80%
Total net assets, end of the year	<u>\$309,496</u>	<u>\$176,882</u>	75%

SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Management's Discussion and Analysis (Continued)

Nonoperating revenues increased by 8% to \$2,741,928, primarily attributable to supplemental funding for enrollment growth.

Table A-3
South Louisiana Community College
Education and General Expenses

	2003	2002	Increase Percentage
Education and General Expenses:			
Instruction	\$1,557,039	\$1,195,667	30%
Academic support	438,753	412,875	6%
Student services	437,787	305,937	43%
Institutional support	1,348,961	1,160,502	16%
Operations and maintenance of plant	584,287	369,352	58%
Depreciation	42,785	35,684	20%
Scholarships and fellowships	102,319		
	<u> </u>	<u> </u>	
Total	<u>\$4,511,931</u>	<u>\$3,480,017</u>	30%

Total education and general expenses changed from \$3,480,017 in 2002 to \$4,511,931 in 2003. The change is primarily attributable to the annualization of the building lease for the academic and administrative facility in Lafayette and an increase in adjunct instruction. The 30% increase in the instruction functional category also includes enhancement of the mathematics and science programs, on-line mathematics and English tutoring and additional educational supplies. The 43% increase in student services resulted primarily from the implementation of the workplace literacy and technical skills training for tuition services to needy parents, temporary personnel, and enhancement of the disability program. Institutional support's primary increase included support for the implementation of the financials and student administration modules of PeopleSoft and charges associated with the chancellor's search. The increase in scholarships and fellowships is attributable to the Temporary Assistance to Needy Families Program, which provided transportation stipend to participants and reimbursement for childcare expenses.

Depreciation expense increased by 20% to \$42,785 as a result of additional equipment capitalized and depreciated in 2003.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Continued)

Statement of Cash Flows

Another way to assess the financial health of SLCC is to look at the Statement of Cash Flows. The Statement of Cash Flows assists readers of this statement to assess:

- The ability to generate future cash flows
- The ability to meet obligations as they come due
- A need for external financing

**Table A-4
South Louisiana Community College
Statement of Cash Flows**

	2003	2002	Increase (Decrease) Percentage
Cash and cash equivalents provided (used) by:			
Operating activities	(\$2,782,432)	(\$2,462,933)	(13%)
Noncapital financing activities	2,704,462	2,426,553	11%
Capital financing activities	16,423,819	(36,605)	44968%
Investing activities	4,041		
Net increase (decrease) in cash and cash equivalents	16,349,890	(72,985)	22502%
Cash and cash equivalents:			
Beginning of year	374,812	447,797	(16%)
End of year	\$16,724,702	\$374,812	4362%

As summarized in Table A-4, major sources of funds in operating activities include tuition and fees of \$1,350,602, auxiliary enterprises of \$14,777, and grants and contracts of \$918,620.

Cash outlays include payment of wages, benefits, supplies, utilities, and scholarships. Overall, net cash used by operations increased, reflecting the growth of the institution.

The largest source of cash flows from noncapital financing activities is from state appropriations, which totaled \$2,680,262 for fiscal year 2003.

Cash flows from capital financing activities primarily result from bond proceeds. Cash provided by capital financing activities of \$16,423,819 increased by 44968% when compared to the prior fiscal year.

Cash flows from investing activities result primarily from interest received on investments of \$4,041.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Concluded)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2003, SLCC had invested approximately \$1,054,939 in capital assets. Net of accumulated depreciation, SLCC's net capital assets at June 30, 2003, total approximately \$950,489. This amount represents a net increase (including additions and disposals, net of depreciation) of \$842,365 or 779% from June 30, 2002. See note 4 to the financial statements for detailed capital assets changes.

Debt Administration

SLCC Facilities Corporation carries long-term debt of \$17,840,000 in revenue bonds. The proceeds of the bonds are being used to construct a new SLCC campus. In addition, SLCC has a long-term liability for compensated absences. The accrual for compensated absences consists of the long-term portion of employee annual and sick leave in accordance with state law and administrative regulations.

See notes 11 and 12 for details relating to changes in and the composition of these long-term liabilities.

**CURRENTLY KNOWN FACTS, DECISIONS,
OR CONDITIONS**

The following currently known facts, decisions, or conditions are expected to have an effect on the financial position of the institution. The economic position of SLCC is closely tied to the State of Louisiana. A slow down in the state's economy would have a negative impact on the college. As a developing community college, the institution is largely dependent upon ongoing financial and political support from state government.

**CONTACTING SOUTH LOUISIANA COMMUNITY
COLLEGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our legislature, state officials, the Louisiana Legislative Auditor's Office, patrons, and other interested parties with a general overview of SLCC's finances and to demonstrate SLCC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the controller at (337) 984-3684.

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

Statement of Net Assets, June 30, 2003

ASSETS

Current assets:

Cash (note 2)	\$265,380
Receivables, net (note 3)	81,016
Due from state treasury	189,582
Due from Louisiana Community and Technical College System	149,935
Total current assets	<u>685,913</u>

Noncurrent assets:

Restricted assets - cash equivalents (note 13)	16,459,322
Capital assets, net (note 4)	950,489
Other noncurrent assets (note 11)	685,414
Total noncurrent assets	<u>18,095,225</u>
Total assets	<u>18,781,138</u>

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 5)	346,933
Deferred revenues	76,671
Amount held in custody for others	2,159
Compensated absences payable (note 12)	9,617
Total current liabilities	<u>435,380</u>

Noncurrent liabilities:

Compensated absences payable (note 12)	196,262
Bonds payable (note 11)	17,840,000
Total noncurrent liabilities	<u>18,036,262</u>
Total liabilities	<u>18,471,642</u>

NET ASSETS

Invested in capital assets, net of related debt	(344,040)
Restricted - expendable (note 16)	263,880
Unrestricted	<u>389,656</u>
Total net assets	<u><u>\$309,496</u></u>

The accompanying notes are an integral part of this statement.

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

**Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2003**

OPERATING REVENUES

Student tuition and fees	\$1,350,602
Less scholarship allowances	(387,367)
Net student tuition and fees	<u>963,235</u>
Federal grants and contracts	766,394
State and local grants and contracts	152,226
Sales and services of educational departments	468
Auxiliary enterprise revenues	14,777
Other operating revenues	<u>5,517</u>
Total operating revenues	<u>1,902,617</u>

OPERATING EXPENSES

Educational and general:	
Instruction	1,557,039
Academic support	438,753
Student services	437,787
Institutional support	1,348,961
Operations and maintenance of plant	584,287
Depreciation	42,785
Scholarships and fellowships	<u>102,319</u>
Total operating expenses	<u>4,511,931</u>

OPERATING LOSS (2,609,314)

NONOPERATING REVENUES (EXPENSES)

State appropriations	2,736,372
Interest revenue	4,041
Other revenue	24,200
Nonoperating expense - issuance and discount amortization	<u>(22,685)</u>
Net nonoperating revenues	<u>2,741,928</u>

INCREASE IN NET ASSETS 132,614

NET ASSETS AT THE BEGINNING OF THE YEAR 176,882

NET ASSETS AT THE END OF THE YEAR \$309,496

The accompanying notes are an integral part of this statement.

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

**Statement of Cash Flows
For the Year Ended June 30, 2003**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$1,015,395
Grants and contracts	534,152
Payments to suppliers	(968,573)
Payments for utilities	(121,639)
Payments to employees	(2,310,258)
Payments for benefits	(455,027)
Payments for scholarships and fellowships	(513,956)
Sales and services of educational departments	468
Auxiliary enterprise charges	15,610
Other receipts	21,396
Net cash (used) by operating activities	<u>(2,782,432)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

State appropriations	2,680,262
TOPS receipts	12,078
TOPS disbursements	(12,078)
Other	24,200
Net cash provided by noncapital financing sources	<u>2,704,462</u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Proceeds from capital debt	17,298,461
Purchases of capital assets	(695,082)
Bond issuance costs	(179,560)
Net cash provided by capital financing activities	<u>16,423,819</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest revenue	<u>4,041</u>
------------------	--------------

NET INCREASE IN CASH AND CASH EQUIVALENTS 16,349,890

CASH AT THE BEGINNING OF THE YEAR 374,812

CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR \$16,724,702

(Continued)

The accompanying notes are an integral part of this statement.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2003**

**RECONCILIATION OF NET LOSS TO NET CASH
(USED) BY OPERATING ACTIVITIES:**

Operating (loss)	(\$2,609,314)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	42,785
Changes in assets and liabilities:	
(Increase) in accounts receivable	(615)
(Increase) in due from Louisiana Community and Technical College System	(142,161)
(Decrease) in due to state treasury	(42,147)
(Decrease) in accounts payable	(72,544)
Increase in deferred revenue	32,020
Increase in amounts held for others	2,159
Increase in compensated absences	7,385
	<u>7,385</u>
Net cash (used) by operating activities	<u><u>(\$2,782,432)</u></u>

Noncash and Noncapital Financing Transactions

The college provided noncash scholarships totaling \$387,367.

(Concluded)

The accompanying notes are an integral part of this statement.

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

Notes to the Financial Statements
As of and for the Year Ended June 30, 2003

INTRODUCTION

South Louisiana Community College (SLCC) is a publicly supported, state mandated institution of higher education. The college is a part of the Louisiana Community and Technical College System, which is a component unit of the State of Louisiana, within the executive branch of government. SLCC was enacted under Louisiana Revised Statute (R.S.) 17:3223 and is under the management and supervision of the Board of Supervisors of the Louisiana Community and Technical College System; however, the annual budget of the college and changes to the degree programs, departments of instruction, et cetera, require the approval of the Louisiana Board of Regents of Higher Education. As a state college, operations of the college's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

SLCC's main campus is located at 105 Patriot Avenue, Lafayette, Louisiana. Classes are also taught at facilities in New Iberia and Franklin. The college offers associate of art degrees in the areas of early childhood education and liberal arts; an associate of general studies; and associate of applied science degrees in general business, emergency health science, criminal justice, and industrial technology. Student enrollment was 348; 1,069; 1217; and 509 for the summer (2002), fall, spring, and summer (2003) semesters, respectively, during the fiscal year 2003. The college had approximately 55 full-time faculty and staff and 60 part-time adjunct instructors for the 2002-2003 fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The college has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board statements. However, the college has a non-governmental blended component unit, the South Louisiana Community College Facilities Corporation, which reported under Financial Accounting Standards Board Statement No. 117.

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

Notes to the Financial Statements (Continued)

B. REPORTING ENTITY

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

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

Criteria described in GASB 2100 were used to evaluate whether potential component units should be blended with the college, discretely reported, disclosed in the notes to the financial statements, or excluded from the reporting entity. This evaluation was made to identify those component units for which the college is financially accountable and other organizations for which the nature and significance of their relationships with the college are such that exclusion would cause the financial statements of the college to be misleading or incomplete. The SLCC Facilities Corporation is a nonprofit corporation formed in December 2001 to provide funds and oversee construction for the SLCC Campus. The corporation has been blended into the accompanying financial statements. The SLCC Facilities Corporation has a June 30 year-end and audited financial statements for the SLCC Facilities Corporation may be obtained at 908 Ember Drive, New Iberia, Louisiana 70560.

C. BASIS OF ACCOUNTING

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

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

D. BUDGET PRACTICES

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

The budget amounts for fiscal year 2002-2003 include the original approved budget and subsequent amendments approved as follows:

Original approved budget	\$4,113,319
Amendments:	
State General Fund increases	<u>159,464</u>
Total	<u><u>\$4,272,783</u></u>

The other funds of the college, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

E. CASH

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

F. RESTRICTED ASSETS

Restricted assets consist of bond proceeds maintained in trust department money market accounts required for financing the costs of development, design, and construction of a new SLCC campus and related facilities.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

G. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. Construction in progress and related debt interest costs are capitalized during construction. For movable property, the college's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Depreciation is computed using the straight-line method over the estimated useful life of the assets, 5 to 10 years for most movable property.

H. DEFERRED REVENUES

Deferred revenues include amounts received or owed for tuition and fees prior to the end of the fiscal year but are related to the subsequent accounting period.

I. NONCURRENT LIABILITIES

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

J. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for 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. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

Upon termination or transfer, an employee will be paid for any time and one-half 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.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

K. NET ASSETS

The college's net assets are classified as follows:

INVESTED IN CAPITAL ASSETS

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

RESTRICTED NET ASSETS - EXPENDABLE

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

UNRESTRICTED NET ASSETS

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the college and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

L. CLASSIFICATION OF REVENUES

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

OPERATING REVENUE - 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; and (3) most federal, state, and local grants and contracts.

NONOPERATING REVENUE - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and state appropriations.

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

Notes to the Financial Statements (Continued)

M. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the college 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, 2003, the college has cash and cash equivalents (book balances) totaling \$16,724,702. Of this amount, the college has \$500 cash on hand (petty cash), \$264,880 in interest-bearing demand deposits, and \$16,459,322 in money market accounts with the SLCC Facilities Corporation, which are held in trust accounts.

Under state law, all deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2003, the college has \$489,306 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance (GASB Category 1) and \$289,306 of pledged securities, which are held under collateral security agreements by the custodial bank for the account of the college (GASB Category 1).

As described in note 13, the SLCC Facilities Corporation has \$16,459,322 in money market accounts (restricted assets) that are held in trust, which are not guaranteed by the bank, and are not insured by the FDIC, the Federal Reserve Board, or any other government agency. The funds are in the name of the bank and are not held in the name of SLCC Facilities Corporation. These funds represent the remaining bond proceeds of the corporation's bond issuance. Such funds are categorized as Category 3, uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name.

3. ACCOUNTS RECEIVABLE

Accounts receivable are shown on Statement A net of an allowance for doubtful accounts as follows:

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Student tuition and fees	\$65,620	\$57,902	\$7,718
Federal, state, and private grants and contracts	59,459		59,459
Other	13,839		13,839
Total	<u>\$138,918</u>	<u>\$57,902</u>	<u>\$81,016</u>

The college included in the estimated allowance for doubtful accounts those balances outstanding for one year or more and 50% of the balances that are less than one year old.

4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2003</u>
Capital assets not being depreciated - construction in progress	NONE	\$849,647	NONE	\$849,647
Capital assets, being depreciated: Furniture, fixtures, and equipment	\$201,285	35,503	(\$31,496)	205,292
Total capital assets, being depreciated	<u>201,285</u>	<u>35,503</u>	<u>(31,496)</u>	<u>205,292</u>
Less accumulated depreciation for furniture, fixtures, and equipment	(93,161)	(42,785)	31,496	(104,450)
Total accumulated depreciation	<u>(93,161)</u>	<u>(42,785)</u>	<u>31,496</u>	<u>(104,450)</u>
Total capital assets, being depreciated, net	<u>108,124</u>	<u>(7,282)</u>	<u>NONE</u>	<u>100,842</u>
Capital assets, net	<u>\$108,124</u>	<u>\$842,365</u>	<u>NONE</u>	<u>\$950,489</u>

The Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP) capitalization policy includes only those assets with an original acquisition cost of \$5,000 or more on which depreciation is calculated. In addition, under OSRAP's policy, library collections with a total acquisition cost of less than \$5 million are not capitalized and depreciated. GASB Statement No. 34 requires the recognition of depreciation on capital assets, resulting in the recognition of accumulated depreciation for current and prior years.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

5. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2003, are as follows:

Vendors	\$99,598
Salaries and benefits	57,267
Accrued interest payable	<u>190,068</u>
 Total	 <u><u>\$346,933</u></u>

6. PENSION PLANS

Plan Description. Substantially all employees of the college are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 5 and 10 years of service in the TRS and LASERS, respectively. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the college are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 13.1% of covered salaries to TRS and 14.1% of covered salaries to LASERS. The college's employer contribution is funded by the State of Louisiana through the annual appropriation to the college. The college's employer contributions to TRS for the years ended June 30, 2003, 2002, and 2001, were \$143,173, \$108,496, and \$78,496, respectively, and to LASERS for the years ended June 30, 2003, 2002, and 2001, were \$42,563, \$23,387, and \$17,864, respectively, equal to the required contributions for each year.

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

Notes to the Financial Statements (Continued)

7. OPTIONAL RETIREMENT SYSTEM

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

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

Total contributions by the college were 13.1% 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 an actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled \$88,742 and \$55,658 respectively, for the year ended June 30, 2003.

**8. POSTRETIREMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The college provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the college's employees become eligible for these benefits if they reach normal retirement age while working for the college. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the college. The college recognizes the cost of providing these benefits to retirees (college's portion of premiums) as an expense when paid during the year. The cost of providing these retiree benefits totaled \$699 for the year ended June 30, 2003.

9. CONTINGENT LIABILITIES

Obligations and 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

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

Notes to the Financial Statements (Continued)

responsible for the state's risk management program or by General Fund appropriation. The college is not involved in any lawsuits at June 30, 2003.

10. ALTERNATIVE FINANCING AGREEMENT

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

Future monies appropriated to the Louisiana Community and Technical College System will be used to fund the annual lease payments.

11. LONG-TERM DEBT

In accordance with the alternative financing agreement, revenue bonds with an aggregate principal amount of \$17,840,000 were issued by the Lafayette Public Trust Financing Authority and the proceeds were loaned to the SLCC Facilities Corporation pursuant to a loan agreement dated October 1, 2002. The purchase price of the bonds was \$17,298,461, which represents the original principal amount, less an underwriter's discount of \$147,180, less net original issue discount of \$285,359, and less the bond insurance premium of \$109,000.

The original issue discount of \$285,359 and bond issuance costs of \$422,740 were deducted directly from the bond proceeds and are amortized over the term of the bonds using the interest method. The amortization of the original issue discount and the bond issuance costs for the fiscal year ended June 30, 2003, was \$9,142 and \$13,543, respectively. The following represent other noncurrent assets, shown on Statement A, at June 30, 2003:

Bond discount	\$276,217
Bond issuance costs	<u>409,197</u>
Total	<u><u>\$685,414</u></u>

In addition, accrued interest payable was recorded in the amount of \$190,068 at June 30, 2003, for the portion of the scheduled October 1, 2003, interest payment that relates to the current fiscal year.

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

Notes to the Financial Statements (Continued)

Cash paid for interest during the year ended June 30, 2003, was \$321,002. Future interest rates range from 2.1% to 4.75%. Aggregate maturities required on long-term debt, including interest of \$12,878,293 are as follows at June 30, 2003:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004		\$760,270	\$760,270
2005		760,270	760,270
2006	\$465,000	755,388	1,220,388
2007	475,000	744,805	1,219,805
2008	490,000	732,490	1,222,490
2009-2013	2,685,000	3,425,663	6,110,663
2014-2018	3,580,000	2,796,385	6,376,385
2019-2023	3,765,000	1,951,360	5,716,360
2024-2028	5,185,000	923,281	6,108,281
2029	1,195,000	28,381	1,223,381
	<u>\$17,840,000</u>	<u>\$12,878,293</u>	<u>\$30,718,293</u>
Total			

12. COMPENSATED ABSENCES

At June 30, 2003, employees of the college have accumulated and vested annual and sick leave benefits of \$95,764 and \$110,115, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements. The following is a schedule of changes in the liability associated with compensated absences:

Balance as of June 30, 2002	\$181,567
Additions	46,798
Deletions	<u>(22,486)</u>
Balance as of June 30, 2003	<u>\$205,879</u>
Amounts due within one year	<u>\$9,617</u>

13. RESTRICTED ASSETS

Restricted assets at June 30, 2003, shown on Statement A, amount to \$16,459,322 of cash equivalents held in money market accounts. The funds are required for financing the costs of the development, design, construction and equipping of a new campus and related facilities of SLCC, funding a debt service reserve fund, paying capitalized interest on the bonds, and paying

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Concluded)

costs of issuance of the bonds, including the premium for the Bond Insurance Policy. The funds are held in trust and can only be disbursed in accordance with the trust agreement by the trustee.

14. OPERATING LEASES

For the year ended June 30, 2003, the community college expended \$361,164 to rent classroom and office space for the Lafayette campus. The future minimum annual rental payments for 2004 and 2005 are \$361,164 and \$183,592, respectively.

15. REVENUE LEASES

The college sub-leases space for the operation of a bookstore on the New Iberia campus. The lease term is for one year, and the minimum future rental for fiscal year 2004 is \$10,000.

16. RESTRICTED NET ASSETS

The college had \$263,880 in restricted expendable net assets as of June 30, 2003, as follows:

Building use fees	\$87,659
Technology fees	<u>176,221</u>
Total	<u><u>\$263,880</u></u>

17. FOUNDATION

The accompanying financial statements do not include the accounts of the South Louisiana Community College Foundation, Incorporated. This foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants. The SLCC Foundation is currently inactive.

18. DEFERRED COMPENSATION PLAN

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

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

October 16, 2003

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

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

We have audited the basic financial statements of South Louisiana Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 16, 2003. We did not audit the financial statements of the South Louisiana Community College Facilities Corporation, a blended component unit of South Louisiana Community College. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the South Louisiana Community College Facilities Corporation, is based on the report 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Louisiana Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters described below involving the internal control over financial reporting and its operation that we consider to be

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

Compliance and Internal Control Report

October 16, 2003

Page 2

reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the South Louisiana Community College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Insufficient Controls Over Budget

South Louisiana Community College (SLCC) did not establish adequate internal control procedures over budgeting as budget data and actual revenue and expense data were not properly and/or timely entered into the PeopleSoft System, which serves as SLCC's general ledger system. A good system of internal control provides that SLCC's budget and actual data be entered accurately and timely into PeopleSoft to allow for effective monitoring.

During the review of SLCC budget practices, the following weaknesses were noted:

- SLCC did not record \$1,254,775 of tuition and fee revenues into PeopleSoft until after the fiscal year ended, and SLCC did not record any budgeted tuition and fee revenues into PeopleSoft. These occurrences did not allow management to compare, on a current basis, SLCC's budgeted and actual tuition and fee revenues, which reduces its effectiveness to monitor its fiscal budget.
- The total budgeted amount of \$4,388,443 shown in PeopleSoft overstates the actual approved budget amount by \$115,660 because budget amendments were not timely recorded in PeopleSoft.
- Expense line items in SLCC's approved budget varied from the budget expense line items in PeopleSoft. PeopleSoft line items ranged from overstating other compensation charges by \$431,939 to understating other charges by \$399,166.
- Two employees' salaries were charged to departments not intended by management.

Management has not placed sufficient emphasis on its budget monitoring procedures. Failure to maintain adequate internal control over budgeting could cause SLCC management to make decisions that are based on inaccurate data.

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

Compliance and Internal Control Report

October 16, 2003

Page 3

Management should develop and implement budget policies and procedures to ensure that budget data and actual revenue and expense data are properly and timely entered into the PeopleSoft System. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

**Improper Segregation of
Accounts Payable Duties**

SLCC has not sufficiently segregated responsibilities in its accounts payable department as the same individual who writes checks also signs them through an automated check signer. Good internal control over accounts payable transactions would segregate the check writing responsibilities from check signing responsibilities to reduce the likelihood of errors or fraud.

SLCC implemented a procedure where the Vice Chancellor of Business and Finance reviews the accounts payable checks and supporting documentation, but this procedure was not implemented until March 2003. The college did not place sufficient emphasis on segregation of duties within its accounts payable department when assigning these duties. While no fraudulent transactions or material errors were detected during test procedures, the lack of segregation of duties increases the possibility that errors or fraud could occur without SLCC management detecting them.

Management should ensure that duties within its accounts payable department are properly segregated and that checks written before March 2003 are reviewed and compared to supporting documentation to ensure propriety. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described previously are material weaknesses.

LEGISLATIVE AUDITOR

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

Compliance and Internal Control Report

October 16, 2003

Page 4

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large initial "G" and "A".

Grover C. Austin, CPA
First Assistant Legislative Auditor

EPM:ES:PEP:ss

[SLCC03]

Appendix A

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



SOUTH LOUISIANA COMMUNITY COLLEGE

October 3, 2003

Mr. Grover Austin, CPA
First Assistant Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Insufficient Controls Over Budget

Dear Mr. Austin:

In response to the above-referenced audit finding, South Louisiana Community College (SLCC) submits the following:

RESPONSE:

South Louisiana Community College agrees with the audit findings and recommendations.

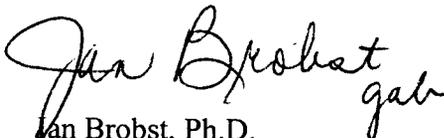
CORRECTIVE ACTIONS:

The PeopleSoft financial module was implemented on July 1, 2002; however, the student administration module was partially implemented in November, 2002. The SCT administrative software system was used to record transactions for the Summer and Fall of FY 2003. All transactions were manually posted to the general ledger after converting to the PeopleSoft student administration module. Revenue estimates were prepared manually based upon actual enrollment.

The budget setup has been modified to facilitate timely revisions. SLCC will develop and implement budget policies and procedures to ensure adequate internal control. The College is awaiting technical assistance from the LCTCS system office and PeopleSoft consultants to review the student administration set-up and to test the general ledger and student administration interface.

The person responsible for corrective action is Ms. Mary Morale, Vice Chancellor for Administration and Finance. If you have any questions regarding our response, please advise.

Sincerely,



Jan Brobst, Ph.D.
Chancellor

A Member of the Louisiana Community and Technical College System

105 Patriot Ave., Lafayette, LA 70508
Phone: (337) 984-3684
Fax: (337) 984-6265

* 908 Ember Dr., New Iberia, LA 70560
Phone: (337) 373-0185
Fax: (337) 373-0187

* 1013 Perret St., Franklin, LA 70538
Phone: (337) 413-8146
Fax: (337) 413-8145



SOUTH LOUISIANA COMMUNITY COLLEGE

September 30, 2003

Mr. Grover Austin, CPA
First Assistant Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Improper Segregation of Accounts Payable Duties

Dear Mr. Austin:

In response to the above-referenced audit finding, South Louisiana Community College (SLCC) submits the following:

RESPONSE:

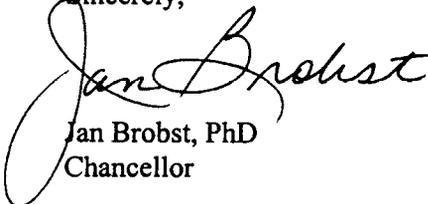
South Louisiana Community College agrees with the audit findings and recommendations.

CORRECTIVE ACTIONS:

On July 1, 2003 SLCC implemented the PeopleSoft Accounts Payable module. In that module check writing and signing is one process. The College implemented a procedure where the Vice Chancellor for Administration and Finance reviews the accounts payable checks and supporting documentation. This process has been completed with no discrepancies for fiscal year 2003. SLCC will continue this review process to ensure that duties are properly segregated within accounts payable.

The person responsible for corrective action is Mary Morale, Vice Chancellor for Administration and Finance. If you have any questions regarding our response, please advise.

Sincerely,


Jan Brobst, PhD
Chancellor

A Member of the Louisiana Community and Technical College System

105 Patriot Ave., Lafayette, LA 70508
Phone: (337) 984-3684
Fax: (337) 984-6265

* 908 Ember Dr., New Iberia, LA 70560
Phone: (337) 373-0185
Fax: (337) 373-0187

* 1013 Perret St., Franklin, LA 70538
Phone: (337) 413-8146
Fax: (337) 413-8145