Central Louisiana Technical Community College

Louisiana Community and Technical College System

A Component Unit of the State of Louisiana

Financial Statement Audit
For the Year Ended June 30, 2014
Issued May 27, 2015

LOUISIANA LEGISLATIVE AUDITOR
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DARYL G. PURPERA, CPA, CFE

May 11, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Central Louisiana Technical Community College (College), a college within the Louisiana Community and Technical College System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College as of June 30, 2014, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in note 1-B, the accompanying financial statements of the College are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the business-type activities of the System that is attributable to the College. They do not purport to, and do not, present fairly the financial position of the System as of June 30, 2014, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-N to the basic financial statements, the implementation of the Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for fiscal year 2015, will require the College to recognize a liability for its proportionate share of the net pension liability of the defined benefit pension plans presented in note 5 to the financial statements. Though the College's proportionate share of these plans' pension liabilities is currently unknown, the impact on the College's net position is expected to be significant.

Our opinion is not modified with respect to the matters above.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 11 and the Schedule of Funding

Progress for the Other Postemployment Benefits Plan on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

PGH:BAC:BDC:EFS:aa

CLTCC 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Central Louisiana Technical Community College's (College) financial performance presents a narrative overview and analysis of the College's financial activities for the year ended June 30, 2014. This document focuses on the current year's activities, resulting changes, and currently-known facts in comparison with the prior year's information. Please read this document in conjunction with the College's financial statements. **Dollar amounts are presented in thousands unless otherwise noted.**

FINANCIAL HIGHLIGHTS

The College's net position decreased from ($3,081) (restated) to $(3,298), or (7%), from July 1, 2013, to June 30, 2014. The overall reasons for this change included:

- reduction in federal and state funding,
- increase in tuition and fees,
- increase in liabilities due to other postemployment benefits payable.

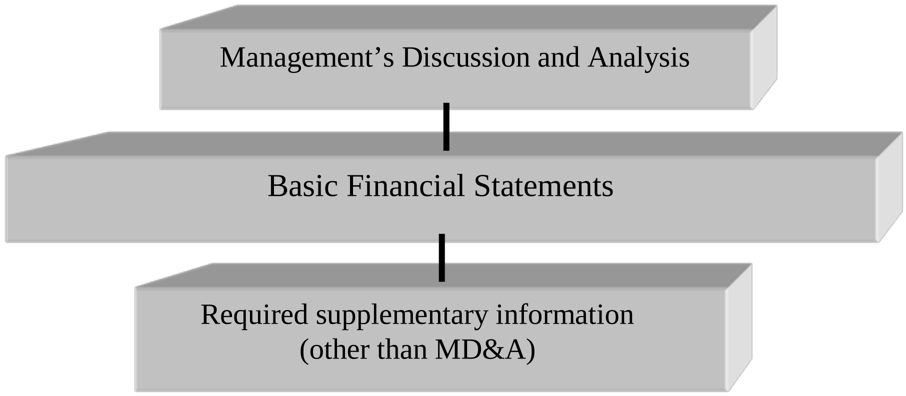
Fall enrollment changed from 2,283 to 2,127 from July 1, 2013, to June 30, 2014, a decrease of 6.8%. The reason for this change is attributed to an increase in tuition and fee rates and a reduction in program offerings.

The College's operating revenues increased from $3,425 (restated) to $3,811, or 11.3%, from July 1, 2013, to June 30, 2014. Operating expenses also decreased by 8.4% to $14,773 for the year ended June 30, 2014. The changes are due to an increase in per credit hour charge from $118.80 to $134.68 and decrease in scholarship expenses.

Nonoperating revenues (expenses) fluctuate depending upon the level of state operating and capital appropriations. The change to $10,745 in 2014 from $11,044 in 2013 is attributed to a decrease in state appropriations and a decrease in Pell revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

Basic Financial Statements

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

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

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

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

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

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

FINANCIAL ANALYSIS

Table A-1
Central Louisiana Technical Community College
Comparative Statement of Net Position
(in thousands of dollars)
For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013 (Restated)	Variance	Percentage Change
Assets:				
Current and other assets	$2,389	$1,898	$491	25.9%
Capital assets	2,472	2,797	(325)	(11.6%)
Total assets	$4,861	$4,695	$166	3.5%
Liabilities:				
Current liabilities	$1,282	$1,059	$223	21.1%
Long-term liabilities	6,877	6,717	160	2.4%
Total liabilities	$8,159	$7,776	$383	4.9%
Net Position:				
Investment in capital assets	$2,472	$2,797	($325)	(11.6%)
Restricted	2,090	560	1,530	273.2%
Unrestricted	(7,860)	(6,438)	(1,422)	(22.0%)
Total net position	($3,298)	($3,081)	($217)	(7.0%)

This schedule is prepared from the College's Statement of Net Position as shown on page 12, which is presented on an accrual basis of accounting. Significant Statement of Net Position changes for 2014 include:

- a significant increase in liabilities due to other postemployment benefits (OPEB) payable.
- a significant reduction in state funding

As previously stated, the 7% decrease in net position is mainly due to a reduction in state and federal funding, increased OPEB liability, and an increase in tuition and fees.

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

Table A-2
Central Louisiana CommunityTechnical College
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
(in thousands of dollars)
For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013 (Restated)	Variance	Percentage Change
Operating revenues				
Student tuition and fees, net	$1,950	$1,284	$666	51.9%
Grants and contracts	1,603	1,862	(259)	(13.9%)
Auxiliary enterprises, net	257	274	(17)	(6.2%)
Other	1	5	(4)	(80.0%)
Total operating revenues	3,811	3,425	386	11.3%
Operating expenses				
Education and general:				
Instruction	6,738	7,710	(972)	(12.6%)
Academic support	1,038	513	525	102.3%
Student services	964	1,161	(197)	(17.0%)
Institutional support	2,230	2,472	(242)	(9.8%)
Operations and maintenance of plant	1,452	1,349	103	7.6%
Depreciation	378	404	(26)	(6.4%)
Scholarships and fellowships	1,351	1,796	(445)	(24.8%)
Auxiliary enterprises	360	467	(107)	(22.9%)
Other operating expenses	262	251	11	4.4%
Total operating expenses	14,773	16,123	(1,350)	(8.4%)
Operating loss	(10,962)	(12,698)	1,736	13.7%
Nonoperating revenue				
State appropriations	5,964	6,297	(333)	(5.3%)
Gifts	11	3	8	266.7%
Federal nonoperating revenues	3,644	3,939	(295)	(7.5%)
Other nonoperating revenues	1,126	805	321	39.9%
Net nonoperating revenues	10,745	11,044	(299)	(2.7%)
Losses before additions	(217)	(1,654)	1,437	(86.9%)
Additions to permanent endowment		4	(4)	(100.0%)
Change in net position	(217)	(1,650)	1,433	86.8%
Net position, beginning of year, restated	(3,081)	(1,431)	(1,650)	(115.3%)
Net position, end of year, restated	($3,298)	($3,081)	($217)	(7.0%)

Nonoperating revenues decreased by 2.7% to $10,745, primarily attributable to a decrease in state appropriations and federal Pell revenue. State appropriations changed from $6,297 to $5,964 due to continuing attempts by state government to correct budgeting issues.

The College's operating revenues increased by $386, or 11.3%.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2014, the College had invested approximately $2,472 in capital assets, net of accumulated depreciation. This amount represents a net decrease (including additions and disposals, net of depreciation) of approximately $325, or 11.6%, over the previous fiscal year. More detailed information about the College's capital assets is presented in note 4 to the financial statements.

Table A-3
Central Louisiana Community Technical College
Capital Assets, Net of Depreciation
(in thousands of dollars)
as of June 30, 2014 and 2013

	2014	2013 (Restated)	Variance	Percentage Change
Land and improvements	$589	$589		NONE
Buildings	1,436	1,625	($189)	(11.6%)
Equipment	447	583	(136)	(23.3%)
Total	$2,472	$2,797	($325)	(11.6%)

This year's major additions included educational equipment purchases of $52,423 (actual dollars).

DEBT

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

- The GRAD Act, which allowed tuition increases
- Continued decreases in state appropriations
- Changes in federal contract and grant programs

CONTACTING CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Elizabeth Bynog, director of accounting at (318) 487-5443, ext. 1115 or elizabethbynog@cltcc.edu.

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

Statement of Net Position
June 30, 2014

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$169,172
Receivables, net (note 3)	1,120,118
Due from Louisiana Community and Technical College System (LCTCS)	787,838
Prepaid expenses and advances	21,142
Total current assets	2,098,270
Noncurrent assets:	
Restricted asset:	
Cash and cash equivalents (note 2)	290,657
Capital assets, net (note 4)	2,471,564
Total noncurrent assets	2,762,221
Total assets	4,860,491
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 8)	720,094
Due to LCTCS	43,340
Unearned revenues (note 9)	339,313
Compensated absences payable (notes 10 and 11)	164,481
Amounts held in custody for others	14,294
Total current liabilities	1,281,522
Noncurrent liabilities:	
Compensated absences payable (notes 10 and 11)	379,672
Other postemployment benefits payable (notes 7 and 11)	6,497,200
Total noncurrent liabilities	6,876,872
Total liabilities	8,158,394
NET POSITION	
Investment in capital assets	2,471,564
Restricted for nonexpendable (note 12)	288,936
Restricted for expendable (note 12)	1,801,435
Unrestricted	(7,859,838)
Total Net Position	($3,297,903)

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2014

OPERATING REVENUES	
Student tuition and fees	$6,117,868
Less scholarship allowances	(4,167,474)
Net student tuition and fees	1,950,394
Federal grants and contracts	1,230,519
State and local grants and contracts	368,550
Nongovernmental grants and contracts	3,527
Auxiliary enterprise revenues	256,528
Other operating revenues	1,405
Total operating revenues	3,810,923
OPERATING EXPENSES	
Educational and general:	
Instruction	6,737,643
Academic support	1,037,916
Student services	964,280
Institutional support	2,230,057
Operations and maintenance of plant	1,452,395
Depreciation (note 4)	377,862
Scholarships and fellowships	1,351,033
Auxiliary enterprises	359,521
Other operating expenses	261,808
Total operating expenses	14,772,515
OPERATING LOSS	(10,961,592)

(Continued)

The accompanying notes are an integral part of this statement.

CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2014

NONOPERATING REVENUES	
State appropriations	$5,964,289
Gifts	10,457
Federal nonoperating revenues	3,643,993
Net investment income	758
Other nonoperating revenues	1,125,153
Net nonoperating revenues	10,744,650
LOSS BEFORE ADDITIONS	(216,942)
Additions to permanent endowments	400
DECREASE IN NET POSITION	(216,542)
NET POSITION AT BEGINNING OF YEAR, RESTATED (note 13)	(3,081,361)
NET POSITION AT END OF YEAR	($3,297,903)

(Concluded)

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows
For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$1,107,994
Grants and contracts	1,553,652
Auxiliary enterprise receipts	256,529
Payments for employee compensation	(6,391,026)
Payments for benefits	(2,997,758)
Payments for utilities	(480,525)
Payments for supplies and services	(2,471,311)
Payments for scholarships and fellowships	(1,347,389)
Other payments	(290,606)
Net cash used by operating activities	(11,060,440)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	5,954,952
Gifts and grants for other than capital purposes	4,526,370
Private gifts for endowment purposes	400
Taylor Opportunity Program for Students (TOPS) receipts	189,249
TOPS disbursements	(189,249)
Other receipts	4,560
Net cash provided by noncapital financing activities	10,486,282
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Purchases of capital assets	(52,423)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	758

(Continued)

The accompanying notes are an integral part of this statement.

CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
Statement of Cash Flows, 2014

NET DECREASE IN CASH AND CASH EQUIVALENTS	($625,823)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,085,652
CASH AND CASH EQUIVALENTS AT END OF YEAR	$459,829
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($10,961,592)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	377,862
Changes in assets and liabilities:	
(Increase) in receivable, net	(863,072)
Decrease in prepaid expenses	4,573
Increase in accounts payable	191,377
(Decrease) in unearned revenue	(10,653)
Increase in amounts held in custody for others	247
(Decrease) in compensated absences	(86,382)
Increase in other postemployment benefits payable	287,200
Net cash used by operating activities	($11,060,440)

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

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

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

C. BASIS OF ACCOUNTING

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

D. CASH AND CASH EQUIVALENTS

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

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

Restricted cash and cash equivalents consist of assets that are restricted by a donor.

E. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the College's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Buildings and improvements costing $100,000 or more are capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and three to 10 years for most movable property.

F. UNEARNED REVENUES

Unearned revenues include amounts received for tuition and fees before the end of the fiscal year but are related to the subsequent accounting period.

G. NONCURRENT LIABILITIES

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

H. COMPENSATED ABSENCES

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

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

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

I. NET POSITION

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

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

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

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

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

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

J. CLASSIFICATION OF REVENUES AND EXPENSES

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

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

- *Nonoperating revenue* includes activities that have the characteristics of nonexchange transactions, such as state appropriations, certain federal revenues (Pell), gifts, and investment income.

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

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

K. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

L. ADOPTION OF NEW ACCOUNTING PRINCIPLES

The Board implemented GASB 65 – *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. It also prohibits the use of the term "deferred" for any financial statement item other than deferred inflows of resources and deferred outflows of resources. The College had no deferred inflows/outflows during the fiscal year ended June 30, 2014, and removed the term "deferred" from any other accounts on the financial statements**.**

The Board implemented GASB 66 – *Technical Corrections – 2012*, an amendment of GASB Statements No. 10 and No. 62. It amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund types. It also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the guidance on accounting for the following: (1) operating lease payments that vary from a straight-line basis, (2) difference between the initial investment and the principal amount of a purchased loan, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. The implementation of GASB 66 had no impact on the financial statements or the notes to the financial statements.

The Board implemented GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. It establishes accounting and financial reporting standards for financial guarantees that are nonexchange in nature and were previously reported according to guidance applicable to all financial guarantees. Nonexchange financial guarantees are transactions in which the following occur:

1. An entity (guarantor) guarantees an obligation of another legally-separate entity or individual (i.e., the guarantor agrees to indemnify a third-party obligation holder in the event that the entity or individual that issued the guaranteed obligation does not fulfill its requirements under the obligation); and

2. The entity extending the financial guarantee does not receive equal or approximately equal value in return.

This statement requires governments that extend nonexchange financial guarantees to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. Also, this statement specifies the disclosure requirements for governments that extend financial guarantees, as well as disclosures for governments that receive nonexchange financial guarantees. The implementation of GASB 70 had no impact on the financial statements or the notes to the financial statements.

M. USE OF ESTIMATES

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

N. NEW ACCOUTING STANDARDS NOT YET EFFECTIVE

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, was issued in June 2012 and is effective for fiscal years beginning after June 15, 2014. Statement No. 68 addresses accounting and financial reporting for pensions that are provided to employees of state and local governmental employers through pension plans administered through trusts and establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses. In addition, Statement No. 68 addresses note disclosures and required supplementary information for pensions. Most significantly, the College will be required to recognize a liability for its proportionate share of the net pension liability of the defined benefit pension plans presented in note 5. Though the College’s proportionate share of these plans’ pension liabilities is currently unknown, the impact on the System’s net position is expected to be significant.

2. CASH AND CASH EQUIVALENTS

At June 30, 2014, the College has cash and cash equivalents (book balances) of $459,829 as follows:

Demand deposits	$168,393
Certificates of deposit	288,936
Petty Cash	2,500
Total	$459,829

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

Current assets	$169,172
Noncurrent assets	290,657
Total	$459,829

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the College or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2014, the College has $524,914 in deposits (collective bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

3. RECEIVABLES

Receivables are shown on the Statement of Net Position, net of allowances for doubtful accounts at June 30, 2014. These receivables are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	$1,234,516	($145,587)	$1,088,929
State and private grants and contracts	1,619		1,619
Other	29,570		29,570
Total	$1,265,705	($145,587)	$1,120,118

There is no noncurrent portion of receivables.

4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2014, follows:

	Balance June 30, 2013	Prior Period Adjustment	Adjusted Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Capital assets not being depreciated:						
Land	$589,179		$589,179			$589,179
Total capital assets not being depreciated	$589,179	NONE	$589,179	NONE	NONE	$589,179
Other capital assets:						
Buildings	$8,146,758		$8,146,758			$8,146,758
Less accumulated depreciation	(6,521,963)		(6,521,963)	($188,779)		(6,710,742)
Total buildings	1,624,795	NONE	1,624,795	(188,779)	NONE	1,436,016
Equipment	3,380,674	($154,385)	3,226,289	52,423	($288,872)	2,989,840
Less accumulated depreciation	(2,809,236)	165,976	(2,643,260)	(189,083)	288,872	(2,543,471)
Total equipment	571,438	11,591	583,029	(136,660)		446,369
Total other capital assets	$2,196,233	$11,591	$2,207,824	($325,439)	NONE	$1,882,385
Capital asset summary:						
Capital assets not being depreciated	$589,179		$589,179			$589,179
Other capital assets, at cost	11,527,432	($154,385)	11,373,047	$52,423	($288,872)	11,136,598
Total cost of capital assets	12,116,611	(154,385)	11,962,226	52,423	(288,872)	11,725,777
Less accumulated depreciation	(9,331,199)	165,976	(9,165,223)	(377,862)	288,872	(9,254,213)
Capital assets, net	$2,785,412	$11,591	$2,797,003	($325,439)	NONE	$2,471,564

The June 30, 2013, balance of capital assets has been adjusted by $11,591 to reflect prior-period adjustments resulting from the correction of prior-year errors.

5. PENSION PLANS

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

System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446. The LASERS reports may be obtained online at www.lasersonline.org or by writing the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy - The contribution requirements of plan members and the College are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially-required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRSL) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. In fiscal year 2014, the state contributed 26.5% of covered salaries to TRSL and 31.3% of covered salaries to LASERS. The employer contribution is funded through annual appropriations by the state of Louisiana. The College's employer contributions to TRSL for the years ended June 30, 2014, 2013, and 2012 were $1,319,404; $1,265,752; and $1,229,259, respectively, and to LASERS for the years ended June 30, 2014, 2013, and 2012 were $210,420; $241,829; and $218,422, respectively, equal to the required contributions for each year.

6. OPTIONAL RETIREMENT SYSTEM

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

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

R.S. 11:927 requires the employer and each participant to contribute monthly to the optional retirement plan the same amount which they would be required to contribute to the regular retirement plan of the TRSL if the participant were a member of that retirement plan. Employer contributions by the College are 26.5% 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 TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the System. Benefits payable to participants are not the obligation of the state of Louisiana or TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer and employee contributions to the optional retirement plan totaled $10,150 and $3,065, respectively, for the year ended June 30, 2014.

7. OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

The following table shows the rates in effect for the fiscal year ended June 30, 2014.

	PPO	HMO	CDHP with HSA	Medical Home HMO Health Plan
Active				
Single	$566	$534	$439	$573
With Spouse	$1,202	$1,135	$933	$1,200
With Children	$690	$652	$536	$695
Family	$1,267	$1,197	$984	$1,264
Retired No Medicare and Re-employed Retiree				
Single	$1,053	$998	NA	$1,052
With Spouse	$1,859	$1,761	NA	$1,847
With Children	$1,172	$1,111	NA	$1,171
Family	$1,850	$1,753	NA	$1,838
***Retired with 1 Medicare**				
Single	$342	$330	NA	$352
With Spouse	$1,265	$1,206	NA	$1,262
With Children	$592	$568	NA	$599
Family	$1,685	$1,605	NA	$1,676
***Retired with 2 Medicare**				
With Spouse	$615	$592	NA	$621
Family	$762	$732	NA	$766

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

The following table shows the Medicare Advantage Plans' monthly premium rates in effect at June 30, 2014.

	Calendar Year 2014		Calendar Year 2013	
	Retired with		Retired with	
Medicare Supplemental Rates	1 Medicare	2 Medicare	1 Medicare	2 Medicare
People's Health (HMO Plan)	$251	$502	$234	$468
Vantage (HMO Plan)	$151	$301	$184	$369

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

Annual Other Postemployment Benefit Cost and Liability - The College's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year open amortization period has been used. The total ARC for fiscal year 2014 is $1,019,822.

The following schedule presents the components of the College's annual OPEB cost for fiscal year 2014, the amount actually contributed to the plan, and changes in the College's net OPEB obligation to the OPEB plan:

ARC	$1,019,822
Interest on net OPEB obligation	248,400
ARC adjustment	(237,295)
Annual OPEB cost	1,030,927
Contributions made - current-year retiree premiums	(743,727)
Increase in net OPEB obligation	287,200
Beginning net OPEB obligation at June 30, 2013	6,210,000
Ending net OPEB obligation at June 30, 2014	$6,497,200

The College's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2014, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$1,069,185	60%	$5,816,200
June 30, 2013	$1,038,985	62%	$6,210,000
June 30, 2014	$1,030,927	72%	$6,497,200

Funded Status and Funding Progress - During fiscal year 2014, neither the College nor the state of Louisiana made contributions to a postemployment benefits plan trust. A trust was established July 1, 2008, but was not funded, has no assets, and hence has a funded ratio of zero.

Since the plan was not funded, the College's entire actuarial accrued liability (AAL) of $16,170,400 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2013, was as follows:

AAL	$16,170,400
Actuarial value of plan assets	NONE
UAAL	$16,170,400
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$3,887,290
UAAL as percentage of covered payroll	416%

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

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

In the July 1, 2013, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an initial annual healthcare cost trend rate of 8.0% and 6.0% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 4.5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's UAAL is being amortized over 30 years as a level percentage of projected payroll on an open basis. Annual per capita medical claims costs were updated to reflect an additional year of actual experience. Assumptions also include a salary scale of 5% and payroll growth of 3%.

8. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accruals at June 30, 2014:

Vendors	$284,054
Accrued salaries and benefits	378,288
Other	57,752
Total	$720,094

9. UNEARNED REVENUES

The following is a summary of unearned revenues at June 30, 2014:

Prepaid tuition and fees	$339,313

10. COMPENSATED ABSENCES

At June 30, 2014, employees of the College have accumulated and vested annual, sick, and compensatory leave of $309,031; $233,522; and $1,600, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

11. LONG-TERM LIABILITIES

The following is a summary of long-term transactions of the College for the year ended June 30, 2014.

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Portion Due Within One Year
Compensated absences payable (note 10)	$630,535	$242,637	($329,019)	$544,153	$164,481
OPEB payable (note 7)	6,210,000	1,030,927	(743,727)	6,497,200	
Total	$6,840,535	$1,273,564	($1,072,746)	$7,041,353	$164,481

12. RESTRICTED NET POSITION

At June 30, 2014, the College has the following restricted net position:

Nonexpendable:	
Phoebe Jackson Trust	$288,936
Expendable:	
Student government association fee	$60,184
Restricted grants and contracts	1,096,472
Academic excellence fee	27,714
Student technology fee	391,247
Operational fee	74
Vehicle registration fee	70,028
Building use fee	147,605
Phoebe Jackson Trust Expendable	8,111
Total	$1,801,435

Of the total net position reported in the Statement of Net Position for the year ended June 30, 2014, $636,668 is restricted by enabling legislation (which also includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation).

13. RESTATEMENT OF BEGINNING NET POSITION

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

Net position at June 30, 2013	($3,056,445)
Federal accounts receivable write off	(50,665)
Capital asset adjustment	11,591
Accounts payable adjustment	14,158
Net position at July 1, 2013, restated	($3,081,361)

The restatements reduced the College's beginning net position by $24,916. Had these changes been included in the June 30, 2013, Statement of Revenues, Expenses, and Changes in Net Position, total operating revenues would have decreased by $50,665 and operating expenses would have decreased by $25,749.

14. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies would be paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The College is not involved in any lawsuits at June 30, 2014, that are handled by contract attorneys. During fiscal year 2014, no direct claims or litigation costs were incurred by the College.

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

15. DEFERRED COMPENSATION PLAN

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

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Funding Progress for the
Other Postemployment Benefits Plan**

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

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

Schedule of Funding Progress for the Other Postemployment Benefits Plan
Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2011	NONE	$15,302,300	$15,302,300	0.0%	$4,004,880	382%
July 1, 2012	NONE	$15,807,400	$15,807,400	0.0%	$4,087,179	387%
July 1, 2013	NONE	$16,170,400	$16,170,400	0.0%	$3,887,290	416%

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

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

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

May 11, 2015

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Central Louisiana Technical Community College (College), a college within the Louisiana Community and Technical College System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated May 11, 2015. Our report was modified to include emphasis of matters paragraphs regarding financial statement comparability and a new accounting standard not yet effective.

Internal Control over Financial Reporting

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

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

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

Inaccurate Annual Fiscal Report

For the second consecutive year, the College failed to prepare an accurate Annual Fiscal Report (AFR), resulting in inaccurate financial information being submitted to the System and significant delays in the audit process for fiscal year 2014. Numerous errors, similar to those identified in the prior year, were noted:

- Net tuition and fees revenue and scholarship and fellowship expenses were both overstated by approximately $2.3 million.
- Unrestricted net position and restricted net position - expendable were understated and overstated by $932,758, respectively.
- Amounts due from the federal government were overstated by $203,015 and included unreconciled and unbilled balances.
- Student receivables initially did not reconcile to the detail records by $238,699. Reconciling support was not provided by the College until February 2015.
- Cash and certificate of deposit amounts presented in the cash note disclosure were overstated and understated by $288,736, respectively.

As in the prior year, inaccurate financial information was provided by the director of accounting to the independent Certified Public Accountants who performed the AFR compilation. The errors were not detected by the chief financial officer, who was responsible for reviewing the director of accounting's work. Good internal controls should include timely and accurate reconciliations of financial data and a thorough review by a knowledgeable person of the financial information to be included in the AFR.

Management should hold its accounting personnel accountable for providing inaccurate information to the System, provide additional accounting and Banner system training, and assign a knowledgeable person to review financial information before submitting its AFR to the System. Management concurred with the finding and outlined a plan of corrective action. (See Appendix A, pages 1-2.)

Inappropriate System Access

The College granted its staff inappropriate access to the Banner accounting system, increasing the risk of errors or fraud in a system that processed $14 million in revenues and expenses during fiscal year 2014. Specific examples of inappropriate access include the following:

- One employee had the ability to execute the entire procurement process without subsequent approval by a supervisor.
- Eight employees had the ability to enter charges and payments on student accounts without a business need.
- Fourteen employees had the ability to create and edit tuition and fee tables within the accounting system without a business need.
- Seven employees had the ability to approve their own timesheets.

Although the examples above increase the risk of errors or fraud, no such errors or fraud were identified.

Good internal control requires the College to restrict access to those functions necessary for its employees' job duties and to ensure that no employees have the ability to initiate, process, and approve the same transactions. Management has represented that the deficiencies resulted from a turnover in key accounting and administrative personnel, as well as a lack of monitoring of system access.

College management should establish policies to limit its employees' access to only what is required for their job duties. In addition, management should further restrict or closely monitor any access that allows an employee to initiate, process, and approve the same transaction. Management concurred with the finding and outlined a plan of corrective action. (See Appendix A, pages 3-4.)

Compliance and Other Matters

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

Central Louisiana Community Technical College's Responses to Findings

The College's responses to the findings identified in this report are attached in Appendix A. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

PGH:BAC:BDC:EFS:aa

CLTCC 2014

APPENDIX A

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

CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE

Education and Workforce Development that Transforms Lives and Advances the Community

April 2, 2015

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

Re: Inaccurate Annual Fiscal Reporting

Dear Mr. Purpera:

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

- FINDING: Net Tuition and Fees revenues and Scholarship and Fellowship expenses were both overstated by approximately $2.3 million.

  CORRECTIVE ACTION: Processes are being developed to ensure that all adjustments required for the Annual Financial Report are recorded in accordance with NACUBO guidelines. This will include a checklist of adjustments needed and the appropriate Banner transactions to be entered along with the coding to be used.

- FINDING: Unrestricted net position and restricted net position – expendable were understated and overstated by $932,758, respectively.

  CORRECTIVE ACTION: Correcting entries have been processed and controls for both labor and non-labor charges are in place. These controls include obtaining properly completed and approved Personnel Action Request forms (for labor expenses) and requisitions (for non-labor expenses) before any charges are entered.

- FINDING: Amounts due from the federal government were overstated by $203,015 and included unreconciled and unbilled balances.

  CORRECTIVE ACTION: This was caused by a late fiscal year reimbursement submission that missed the reporting deadline set by LCTCS for Due To/Due From LCTCS transactions. The above mentioned checklist of adjustments needed for the AFR will ensure that all reimbursements are completed and submitted for proper inclusion and classification as Due To/Due From LCTCS.

Main Campus

5960 Hwy. 167 North, Winnfield, LA 71483 | 521 East Bradford St., Jena, LA 71342 | 15014 Lake Charles Hwy., Leesville, LA 71446 | 4311 S. MacArthur Dr., Alexandria, LA 71302 | 117 Hwy. 1152, Oakdale, LA 71463 | 2100 E.E. Wallace Blvd., Ferriday, LA 71334 | 508 Choupique St., Cottonport, LA 71327

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- FINDING: Student receivables initially did not reconcile to the detail records by $238,699. Reconciling support was not provided by the college until February 2015.

  CORRECTIVE ACTION: End-user reports have recently been created to assist in the reconciliation of the Banner Student AR Module to the Banner Finance Module. These new reports will be used reconcile Student AR on a periodic basis to ensure agreement with Finance.

- FINDING: Cash and certificate of deposit amounts presented in the cash note disclosure were overstated and understated by $288,736, respectively.

  CORRECTIVE ACTION: This presentation error will be noted on the checklist of adjustments needed for the AFR to ensure there is no repeat.

Respectfully,

James R. Sawtelle

James R. Sawtelle, Acting Chancellor

C: Dr. Monty Sullivan, LCTCS President
Michael Redmond, LCTCS Internal Auditor

April 24, 2015

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

Re: Inappropriate System Access

Dear Mr. Purpera:

Management of Central Louisiana Technical Community College concurs with the findings related to "Inappropriate System Access". The management of Central Louisiana Technical Community College recognizes its responsibility in accurately reporting the financial condition of the college.

- FINDING: One employee had the ability to execute the entire procurement process without subsequent approval by a supervisor.

  CORRECTIVE ACTION: Vendor modification access will be removed from the security profile of the employee. The following mitigating controls will be placed to ensure proper checks and balances are in place: Journal Vouchers will be prepared by the employee, signed off by the Acting Chancellor or Campus Dean, entered by Accounts Payable, and approved the Director of Accounting.

- FINDING: Eight employees had the ability to enter charges and payments on student accounts without a business need.

  CORRECTIVE ACTION: Of the eight, five are no longer employed with the college. The security profile of the others (not including the Director of Accounting) will be modified to remove this access.

- FINDING: Fourteen employees had the ability to create and edit tuition and fee tables within the accounting system without a business need.

  CORRECTIVE ACTION: Of the fourteen, five are no longer employed with the college. The security profile of the others (not including the Student AR Specialist) will be modified to remove this access.

- FINDING: Seven employees had access to approve their own timesheets.

  CORRECTIVE ACTION: None required. Due to restructuring, employees are now approved by the Campus Dean at their location and none have access to approve their own timesheets.

CLTCC appreciates the work of the auditor and we look forward to working with them in the future as we work towards accreditation by SACS.

Respectfully,

James R. Sawtelle III

James R. Sawtelle, Acting Chancellor

C: Dr. Monty Sullivan, LCTCS President
Michael Redmond, LCTCS Internal Auditor