LEGISLATIVE AUDITOR

STATE OF LOUISIANA

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

ACCOUNTANT'S REVIEW REPORT
ISSUED FEBRUARY 2, 2005

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

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

STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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

January 14, 2005

Accountant's Review Report

DELGADO COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
New Orleans, Louisiana

We have reviewed the accompanying basic financial statements as listed in the table of contents of Delgado 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, 2004, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of Delgado Community College.

A review consists principally of inquiries of Delgado Community College personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted 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, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we do not express such an opinion.

As discussed in note 1-B to the basic financial statements, the accompanying financial statements of Delgado 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 Delgado Community College. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System or the State of Louisiana as of June 30, 2004, and the respective changes in financial position and 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-O to the basic financial statements, Delgado Community College implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*, for the year ended June 30, 2004.

Based on our review, we are not aware of any material modifications that should be made to the accompanying basic financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by GASB. However, management did not include this information in the financial statements for the fiscal year ended June 30, 2004.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

FM:JR:PEP:dl

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

Statement of Net Assets, June 30, 2004

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$10,931,531
Receivables, net (note 4)	10,046,445
Deferred charges and prepaid expenses	75,998
Total current assets	21,053,974
Noncurrent assets:	
Restricted assets - investments (note 3)	2,288,664
Notes receivable, net (note 5)	22,435
Capital assets, net (note 6)	23,474,666
Total noncurrent assets	25,785,765
Total assets	46,839,739
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities (note 10)	3,083,420
Deferred revenues (note 11)	9,739,364
Compensated absences payable (note 12)	1,696,779
Capital lease obligations (note 13)	75,000
Other current liabilities	115,045
Total current liabilities	14,709,608
Noncurrent liabilities:	
Compensated absences payable (note 12)	2,289,847
Capital lease obligations (note 13)	4,030,000
Total noncurrent liabilities	6,319,847
Total liabilities	21,029,455
NET ASSETS	
Invested in capital assets, net of related debt	19,369,666
Restricted:	
Nonexpendable (note 15)	2,351,579
Expendable (note 15)	466,649
Unrestricted	3,622,390
TOTAL NET ASSETS	$25,810,284

See accompanying notes and accountant's review report.

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DELGADO 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, 2004

OPERATING REVENUES	
Student tuition and fees	$31,961,948
Less scholarship allowances	(11,726,054)
Net student tuition and fees	20,235,894
Federal grants and contracts	28,022,996
State and local grants and contracts	2,142,766
Nongovernmental grants and contracts	1,572,214
Sales and services of educational departments	1,914
Auxiliary enterprise revenues	579,653
Other operating revenues	284,052
Total operating revenues	52,839,489
OPERATING EXPENSES	
Education and general:	
Instruction	43,547,321
Academic support	3,876,642
Student services	7,854,017
Institutional support	5,826,150
Operations and maintenance of plant	8,238,531
Depreciation	1,616,961
Scholarships and fellowships	15,348,118
Auxiliary enterprises	799,372
Other operating expenses	94,028
Total operating expenses	87,201,140
Operating Loss	(34,361,651)

(Continued)

See accompanying notes and accountant's review report.

DELGADO COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses,
and Changes in Net Assets, 2004

NONOPERATING REVENUES (Expenses)	
State appropriations	$33,973,263
Gifts	20,542
Net investment income	406,893
Interest expense	(244,158)
Other nonoperating revenues	689,949
Net nonoperating revenues	34,846,489
Income before other revenues, expenses, gains and losses	484,838
Capital appropriations	1,287,578
Change in Net Assets	1,772,416
NET ASSETS AT BEGINNING OF YEAR	24,037,868
NET ASSETS AT END OF YEAR	$25,810,284

(Concluded)

See accompanying notes and accountant's review report.

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

Statement of Cash Flows
For the Year Ended June 30, 2004

Cash Flows From Operating Activities:	
Tuition and fees	$23,736,527
Grants and contracts	17,751,297
Sales and services of educational departments	1,915
Auxiliary enterprise receipts	579,653
Payments for employee compensation	(42,115,792)
Payments for benefits	(9,031,814)
Payments for utilities	(1,631,307)
Payments for supplies and services	(18,487,016)
Other receipts	284,052
Net cash used by operating activities	(28,912,485)
Cash Flows From Noncapital Financing Activities:	
State appropriations	33,409,416
Gifts and grants from other than capital purposes	20,542
TOPS receipts	550,911
TOPS disbursements	(589,865)
Other receipts	685,066
Net cash provided by noncapital financing sources	34,076,070
Cash Flows From Capital Financing Activities:	
Capital appropriations received	1,287,578
Purchase of capital assets	(4,814,371)
Principal paid on capital debt and leases	(315,000)
Interest paid on capital debt and leases	(245,768)
Net cash used by capital financing activities	(4,087,561)
Cash Flows From Investing Activities:	
Interest received on investments	431,902
Purchase of investments	(135,950)
Net cash used by investing activities	295,952

(Continued)

See accompanying notes and accountant's review report.

DELGADO COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2004

Net increase in cash and cash equivalents	$1,371,976
Cash and cash equivalents at beginning of year	9,559,555
Cash and cash equivalents at end of year	$10,931,531
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	($34,361,651)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,616,961
Changes in assets and liabilities:	
Decrease in accounts receivable, net	1,249,222
Increase in deferred charges and prepaid expenses	(55,290)
Decrease in accounts payable and accrued liabilities	(1,239,679)
Increase in deferred revenue	3,617,345
Increase in compensated absences	236,762
Increase in other liabilities	23,845
Net cash used by operating activities	($28,912,485)
Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions	
Loss on disposal of assets (note 6)	$25,009

(Concluded)

See accompanying notes and accountant's review report.

INTRODUCTION

Delgado Community College is a publicly supported institution of higher education. The college is part of the Louisiana Community and Technical College System, which is a component unit of the State of Louisiana, within the executive branch of government. The college is under the management and supervision of the Board of Supervisors of the Louisiana Community and Technical College System; however, certain items like the annual budget of the college and changes to the degree programs and departments of instruction require the approval of the Board of Regents for Higher Education. As a state college, operations of Delgado's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the college is the chancellor.

The Delgado Community College main campus is located in New Orleans adjacent to City Park. Other campuses are located on the New Orleans Westbank, at the Charity School of Nursing, and in Slidell. Student enrollment was 3,321, 16,400, and 16,443, during the summer, fall, and spring semesters of the fiscal year ended June 30, 2004, and the college employs approximately 357 full-time faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared in accordance with such principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Delgado Community 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 colleges within the system primarily serve state residents. The accompanying college financial statements present information only as to the transactions of the programs of Delgado Community College.

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 Louisiana Community and Technical College System and the state.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the college is considered a special-purpose government engaged only in business-type activities (enterprise fund). 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-college transactions have been eliminated.

The college has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The college has elected not to apply FASB pronouncements issued after the applicable date.

D. BUDGET PRACTICES

The State of Louisiana's appropriation to 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; and (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid.

The original approved budget and subsequent approved amendments for fiscal year 2004 are as follows:

Original approved budget	$58,583,396
Increase - state General Fund (Direct)	3,228,794
Decrease - statutory dedication	(1,805)
Final Budget	$61,810,385

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 AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand and interest-bearing demand deposits. Cash equivalents include a Federal Home Loan Bank discounted note with a maturity of three months or less when purchased. 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.

In accordance with Louisiana Revised Statute (R. S.) 49:327, the college is authorized to invest funds in direct United States Treasury obligations, United States government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. In addition, investments are maintained in investment accounts in an external banking institution as authorized by policies and procedures established by the Board of Regents and are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. For purposes of the Statement of Cash Flows, the college considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. 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. Building and improvements costing $100,000 or more are capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are also capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. Library collections regardless of age, with a total acquisition value of $5,000,000 or more, will be capitalized and depreciated. The college's library acquisitions do not meet the $5,000,000 criteria and therefore are expensed in the year purchased. The college does not have infrastructure.

G. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees and deferred revenues on donated renovations and are recognized over the life of renovations prior to the end of the fiscal year. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

J. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

K. NET ASSETS

Net assets comprise the various net earnings from operation, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

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

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

(c) Restricted - 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 consists of resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the college and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

L. CLASSIFICATION OF REVENUES

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

(a) 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 and federal appropriations.

(b) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

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

N. ELIMINATING INTERFUND ACTIVITY

All activities among departments and auxiliary units of the college are eliminated for purposes of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

O. ADOPTION OF NEW ACCOUNTING PRINCIPLE

For the year ended June 30, 2004, the college implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*. The implementation of this new accounting standard required additional disclosures but had no impact on the reported amounts of investments, net assets, or changes in net assets.

2. CASH AND CASH EQUIVALENTS

At June 30, 2004, the college has cash and cash equivalents (book balances) of $10,931,531 as follows:

Petty cash	$15,968
Demand deposits	6,626,136
Federal Home Loan Bank Discount Note	4,289,427
Total	$10,931,531

These cash and cash equivalents are reported as current assets on the Statement of Net Assets.

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair 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, 2004, the deposits in the college's bank accounts total $8,761,654, which is secured by federal deposit insurance and pledged securities held in the name of the college.

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

3. INVESTMENTS

The college maintains investment accounts as authorized by R.S. 49:327. Investments are stated at fair value. Restricted investments, reported as noncurrent assets on the Statement of Net Assets, consist of endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity. All investment income, including changes in the fair value of investments, is reported as revenue on the financial statements. The fair values of investments at June 30, 2004, are as follows:

Type of Investment	Reported Amount	Fair Value	Average Duration (Years)
Endowment Funds:			
Pooled Equity Fund	$614,122	$614,122	
Fixed Income Securities Fund	1,043,583	1,043,583	4.8
Short-Term Federal Fund	515,306	515,306	1.9
Diversified International Stock Fund	109,826	109,826	
Other	5,827	5,827	
Total investments	$2,288,664	$2,288,664	

The mutual funds are held pursuant to the Eminent Scholars and Endowed Professorships Program. According to Board of Regents policy, investment performance will be measured against a benchmark constructed to reflect (where possible) passive investment alternatives to the asset classes contained in the policy portfolio. The equities investment portion is thus expected to at least equal the performance of the S&P 500 or other nationally recognized benchmarks and the fixed income portion is expected to at least equal the Lehman Brothers Aggregate Index or other nationally recognized benchmarks. Balanced account managers will be primarily evaluated relative to the Lipper Balanced Account Index or other reasonable substitute.

To reduce overall volatility of investment returns and to provide a hedge against the effects of economic downturns, at least 40% of assets are invested in fixed income funds. The fixed income funds are diversified among various sectors of the fixed income market. Up to 15% may be invested in quality ratings between AA and BB. The overall average quality must be "AA." No more than 5% of the fixed income fund may be invested in the securities of any one issuer. Investments in foreign stocks and foreign fixed income are limited to 15% and 5% of the equity and fixed income funds, respectively. For the fixed income securities and federal fund mutual funds totaling $1,558,889, there are no credit quality ratings.

The investment in the Federal Home Loan Bank discount note of $4,289,427, considered a cash equivalent, has a maturity date of July 21, 2004. No formal investment policy exists that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

4. RECEIVABLES

Accounts receivable, all of which are scheduled for collection within one year, are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, as follows:

List Type	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	$7,836,078	($554,679)	$7,281,399
Federal, state, and private grants and contracts	375,077		375,077
Due from federal government	1,567,604		1,567,604
Due from State Treasury	309,413		309,413
Other	512,952		512,952
Total	$10,601,124	($554,679)	$10,046,445

5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan program and from other private foundations. Restricted federal and state contributions and interest on the loans provide the funding for the Perkins Loan program. The Perkins program provides for the cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. If loans are determined to be uncollectible and not eligible for reimbursement by the federal government, the loans can be written off and assigned to the U.S. Department of Education. Notes receivable are shown as noncurrent assets on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2004. These receivables are composed of the following:

Type	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable (Net)
Federal Perkins Loans	$67,360	($50,500)	$16,860
Aetna Emergency Loan Fund	1,076		1,076
Sears Loan Fund	1,224		1,224
Kellogg Foundation	3,275		3,275
Total	$72,935	($50,500)	$22,435

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2004, follows:

	Balance July 1, 2003	Additions	Transfers	Retirements	Balance June 30, 2004
Capital assets not being depreciated:					
Land	$800,000				$800,000
Construction in progress	1,442,065	$692,988	($300,306)	($28,733)	1,806,014
Total capital assets not being depreciated	$2,242,065	$692,988	($300,306)	($28,733)	$2,606,014
Other capital assets:					
Land improvements	$2,060,828				$2,060,828
Less accumulated depreciation	(1,262,743)	($92,046)			(1,354,789)
Total land improvements	798,085	(92,046)	NONE	NONE	706,039
Buildings	27,168,173	2,566,337	$300,306		30,034,816
Less accumulated depreciation	(12,298,923)	(737,176)			(13,036,099)
Total buildings	14,869,250	1,829,161	300,306	NONE	16,998,717
Equipment	6,206,597	1,583,779		($761,365)	7,029,011
Less accumulated depreciation	(3,813,732)	(787,739)		736,356	(3,865,115)
Total equipment	2,392,865	796,040	NONE	(25,009)	3,163,896
Total other capital assets	$18,060,200	$2,533,155	$300,306	($25,009)	$20,868,652
Capital asset summary:					
Capital assets not being depreciated	$2,242,065	$692,988	($300,306)	($28,733)	$2,606,014
Other capital assets, at cost	35,435,598	4,150,116	300,306	(761,365)	39,124,655
Total cost of capital assets	37,677,663	4,843,104	NONE	(790,098)	41,730,669
Less accumulated depreciation	(17,375,398)	(1,616,961)		736,356	(18,256,003)
Capital assets, net	$20,302,265	$3,226,143	NONE	($53,742)	$23,474,666

7. PENSION PLANS

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

Funding Policy. The contribution requirements of employee 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 13.8% of covered salaries to TRS and 15.8% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to the college, funds the college's employer contribution. The college's employer contributions to TRS for the years ended June 30, 2004, 2003, and 2002 were $2,153,830, $1,674,675, and $1,435,282, respectively, and to LASERS for the years ended June 30, 2004, 2003, and 2002 were $1,116,228, $882,357, and $763,788, respectively, equal to the required contributions for each year.

8. 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 universities in recruiting employees who may not be expected to remain in the TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

Total contributions by the college are 13.8% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer and employee contributions to the optional retirement plan totaled $1,495,941 and $861,407, respectively, for the year ended June 30, 2004.

9. POSTEMPLOYMENT 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. These benefits, for 181 retirees, totaled $853,344 for the year ended June 30, 2004.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following is a summary of accounts payable and accrued liabilities at June 30, 2004:

Account Name	
Vendor payables	$565,463
Accrued salaries and payroll deductions	2,033,750
Other payables	484,207
Total payables	$3,083,420

11. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2004:

Account Name	
Prepaid tuition and fees	$7,740,138
Junior Achievement lease	1,999,226
Total deferred revenues	$9,739,364

12. COMPENSATED ABSENCES

At June 30, 2004, employees of the college have accumulated and vested annual leave and sick leave of $1,689,705, and $2,296,921, respectively. These balances were computed in accordance with GASB Codification Section C60.105. The leave payable is recorded in the accompanying financial statements.

13. LEASE OBLIGATIONS

Operating Leases

For the year ended June 30, 2004, the total rental expense for all operating leases is $1,091,961. The following is a schedule by years of future minimum annual rental payments required under operating leases:

Nature of Lease	Office Space
FY 2005	$177,646
FY 2006	23,655
Total minimum payments required	$201,301

Capital Leases

The college records items that are above the capitalization threshold under capital leases as assets and obligations in the accompanying financial statements. The college's capital lease at June 30, 2004, consists of a building lease/lease back valued at $4,105,000 and is included in total capital assets reported in note 6. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments, at June 30, 2004:

Fiscal Year Ending June 30	
2005	$313,720
2006	310,158
2007	311,398
2008	312,313
2009	312,936
2010-2014	1,555,844
2015-thereafter	4,930,750
Total minimum lease payments	8,047,119
Less - amount representing executory costs	NONE
Net minimum lease payments	8,047,119
Less - amount representing interest	(3,942,119)
Present value of net minimum lease payments	$4,105,000

14. LONG-TERM LIABILITIES

The following is a summary of bond and other long-term debt transactions of the college for the year ended June 30, 2004:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due Within One Year
Bonds and capital leases payable:					
Bonds payable	$245,000		$245,000		
Capital lease obligations	4,175,000		70,000	$4,105,000	$75,000
Total bonds and capital leases	4,420,000	NONE	315,000	4,105,000	75,000
Other liabilities - compensated absences payable	3,749,864	$2,148,489	1,911,727	3,986,626	1,696,779
Total long-term liabilities	$8,169,864	$2,148,489	$2,226,727	$8,091,626	$1,771,779

Bond Retirements:

Series	Issued	Total Issue	Beginning Balance	Retirements	Interest Rates
1970-A	Jan. 15, 1970	$521,000	$141,000	($141,000)	3%
1970-B	Jan. 15, 1970	391,000	104,000	(104,000)	3%

15. RESTRICTED NET ASSETS

The college has the following restricted net assets at June 30, 2004:

Nonexpendable:	
Endowments	$1,822,015
Student Life Center maintenance reserve	529,564
Total nonexpendable	$2,351,579
Expendable - endowments	$466,649

16. CONTINGENT LIABILITIES

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by 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 involved in one lawsuit at June 30, 2004. In the opinion of legal counsel of the college, the possibility that the college will incur a liability is remote. This listing does not include any lawsuits filed with the college system or Office of Risk Management.

17. FOUNDATIONS

The accompanying financial statements do not include the accounts of the Delgado Community College Foundation. This foundation is not included because it does not meet criteria established by the Division of Administration, Office of Statewide Reporting and Accounting Policy, for determining component units included in the college system's financial statement in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39. This foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants.

18. DEFERRED COMPENSATION PLAN

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

19. RELATED PARTY TRANSACTIONS

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

Management Letter

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

STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870
E-MAIL: www.lla.state.la.us

January 14, 2005

DELGADO COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
New Orleans, Louisiana

We have reviewed the financial statements of Delgado Community College, as of and for the year ended June 30, 2004, and have issued our accountant's review report thereon dated January 14, 2005. Delgado Community College is a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana. The college's accounts are an integral part of the Louisiana Community and Technical College System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion. A review is substantially less in scope than an audit conducted 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, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

Our review of the financial statements did not disclose any transactions entered into by college during the year that were both significant and unusual or transactions for which there is a lack of authoritative guidance.

For purposes of this letter, a disagreement with management is defined as a matter, whether or not resolved to our satisfaction, concerning a financial accounting or reporting matter that could be significant to the college's financial statements or the accountant's report. No such disagreements arose during our review procedures.

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting the college's internal control, compliance with applicable laws and regulations, and operational efficiencies was not an objective of our procedures. Accordingly, our review procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, during our review procedures, we noted one significant matter requiring a recommendation to management concerning internal control over movable property.

Failure to Maintain Adequate Control Over Movable Property

Delgado Community College failed to maintain adequate control over movable property. Good internal control requires that adequate control procedures be in place to ensure that movable property is properly safeguarded against loss arising from unauthorized use or theft. The college did not have the policies and procedures necessary to maintain adequate control over movable property.

The college's property manager reported 44 items of movable property that were stolen with a total value of $77,072 in the current fiscal year. This represents an increase of $57,675 in reported items of movable property stolen over the $19,397 reported stolen in the prior fiscal year. The items of movable property reported stolen consisted of 14 computers, 5 TV/VCR combinations, 2 imaging printers, 5 projectors, and various other movable property items. Failure to maintain control over movable property increases the risk of loss from the misappropriation of assets.

The college should develop the policies and procedures necessary to ensure that movable property is adequately safeguarded. Management concurred that the condition exists but does not concur with reporting this as a finding. Management described a corrective action plan (see Appendix A).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the college. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the college should be considered in reaching decisions on courses of action.

This management letter is intended solely for the information and use of Delgado Community College and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under state law, this letter is a public record.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

FM:JR:PEP:dl

DCC04

Management's Corrective Action Plan and Response to the Finding and Recommendation

Delgado
COMMUNITY COLLEGE

Education that Works!

OFFICE OF THE CHANCELLOR
501 City Park Avenue
(at Buddy Bolden Place)
New Orleans, Louisiana 70119-4399
(504) 483-4085
FAX (504) 483-4088

November 15, 2004

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

Dear Mr. Theriot:

The management of Delgado Community College appreciates the efforts and cooperation of your staff during the recent audit. Your recommendation related to the finding of "failure to maintain adequate control over moveable property" is appreciated. However, the management of the College considers the amounts involved in the finding to be not material (.4% of the $19,006,767 total of tagged equipment at June 30, 2004) and therefore, does not concur that this should be a Single Audit finding. The college does take the matter very seriously and has taken steps to address this problem and will take additional steps to strengthen our procedures and ensure that those procedures are followed.

1. The Director of Campus Security has begun to conduct security reviews of each campus and has and will continue to recommend general and specific improvements in lighting, physical security and monitoring.
2. This review will include suggesting, if needed, updates to the policies of Management and Control of State Property and Access Control Procedures.
3. Each theft has been investigated by competent police personnel and includes recommendations for specific security improvements in a separate document.
4. Examples of other specific actions that have been taken include changing locks and restricting keys in the warehouse, increasing physical security of the imaging printers, and contracting for polygraph examinations for use in internal investigations.

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

Sincerely,

Dr. Alex Johnson,
Chancellor

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