LEGISLATIVE AUDITOR

STATE OF LOUISIANA

L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
ISSUED JANUARY 26, 2005

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

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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December 17, 2004

Independent Auditor's Report
on the Financial Statements

**L.E. FLETCHER TECHNICAL
COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Houma, Louisiana

We have audited the accompanying basic financial statements of L.E. Fletcher Technical Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of management of L.E. Fletcher Technical Community College. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1-B, the accompanying financial statements of L.E. Fletcher Technical 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 L.E. Fletcher Technical 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 changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of L.E. Fletcher Technical Community College as of June 30, 2004, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2004, on our consideration of L.E. Fletcher Technical Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

KML:JR:PEP:ss

[LEFTCC04]

The Management's Discussion and Analysis section of L.E. Fletcher Technical Community College's (L.E. Fletcher) financial report presents a narrative overview and analysis of L.E. Fletcher's financial activities for the year ended June 30, 2004. 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 L.E. Fletcher's financial statements, which begins on page 13.

FINANCIAL HIGHLIGHTS

L.E. Fletcher's overall net assets increased from $1.4 million to $1.9 million or 36% from June 30, 2003, to June 30, 2004. The overall reasons for this increase include:

- Increase in capital assets
- Increase in fees and tuition
- Increase in state appropriations
- Increase in federal grants and state grants and contracts
- Increased enrollment

Enrollment increased from 1,144 to 1,352 from June 30, 2003, to June 30, 2004, a change of 18%. The reason for this change is attributed to:

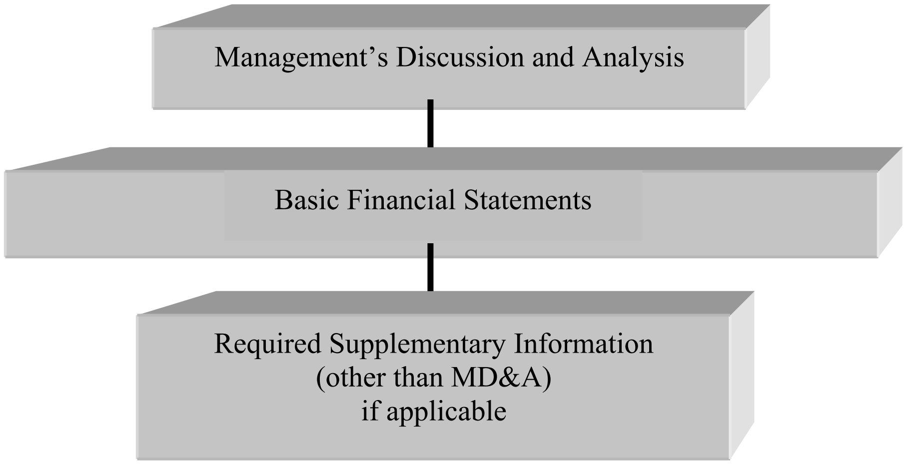
- Various outside factors affecting the marine industry
- Offering of general education courses

L.E. Fletcher's operating revenues increased from $1.7 million to $3.1 million or 82% from June 30, 2003, to June 30, 2004. L.E. Fletcher's operating expenses increased by 33%, up to $5.6 million for the year ended June 30, 2004. The increases in enrollment as discussed above and increases in federal and state grants and contracts are the primary reasons for these changes.

Nonoperating revenues fluctuate depending upon levels of state operating and capital appropriations. The increase to $3 million in 2004 from $2.5 million in 2003 is attributed to an increase in state appropriations to support the transition from a technical college to a technical community college.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for special-purpose governments engaged in business-type activities established by Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.



These financial statements consist of two sections--Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

Basic Financial Statements

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

The Statement of Net Assets (page 13) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of L.E. Fletcher is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 15) presents information showing how L.E. Fletcher's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 17-18) presents information showing how L.E. Fletcher'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 loss to net cash used in operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about L.E. Fletcher'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.

L.E. Fletcher'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 Assets. All assets and liabilities associated with the operation of the college are included in the Statement of Net Assets.

FINANCIAL ANALYSIS

Statement of Net Assets
(in thousands)

	Total	
	2004	2003 Restated
Current and other assets	$1,133	$619
Capital assets	1,340	1,249
Total assets	2,473	1,868
Current and other liabilities	330	196
Noncurrent liabilities	249	226
Total liabilities	579	422
Net assets:		
Invested in capital assets	1,340	1,249
Unrestricted	554	197
Total net assets	$1,894	$1,446

This schedule is prepared from L.E. Fletcher's Statement of Net Assets as shown on page 13, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Significant statement of net asset changes from 2004 include:

- Increase in current, other and capital assets attributable to an increase in state contracts and grants

There were no net assets restricted for debt service for the year ended June 30, 2004, or June 30, 2003.

Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Unrestricted net assets are those that do not have any limitations on what these amounts may be spent.

Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands)

	2004	2003 Restated
Operating revenues:		
Student tuition and fees, net	$630	$494
Grants and contracts	2,160	1,089
Auxiliary, net	151	86
Other	168	49
Total operating revenues	3,109	1,718
Operating expenses:		
Education and general:		
Instruction	3,139	2,171
Academic support	180	158
Student services	550	336
Institutional support	950	525
Operations and maintenance of plant	187	394
Depreciation	113	129
Scholarships and fellowships	339	266
Auxiliary enterprise and other	167	198
Total operating expenses	5,625	4,177
Operating income (loss)	(2,516)	(2,459)
Nonoperating Revenues		
State appropriations	2,952	2,545
Gifts	12	
Net nonoperating revenues (expenses)	2,964	2,545
Change in Net Assets	448	86
Net assets at beginning of year, restated	1,446	1,360
Net assets at end of year	$1,894	$1,446

Nonoperating revenues increased by 16% to $3 million, primarily attributable to increased state appropriations because of additional funding for community college course instruction and support of the general education course curriculum needs. L.E. Fletcher's total revenues increased by $1.8 million or 42%.

STATEMENT OF CASH FLOWS

Another way to assess the financial health of L.E. Fletcher is to look at the Statement of Cash Flows. The Statement of Cash Flows helps readers of this statement to assess:

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

Statement of Cash Flows
(in thousands)

	2004	2003 Restated
Cash provided (used) by:		
Operating activities	($2,146)	($2,627)
Non-capital financing activities	2,892	2,541
Capital financing activities	(204)	(107)
Net increase (decrease) in cash	542	(193)
Cash - beginning of year	NONE	193
Cash - end of year	$542	NONE

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2004, L.E. Fletcher had invested approximately $1.3 million in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $0.1 million or 7% over the previous fiscal year. More detailed information about the system's capital assets is presented in note 4 to the financial statements.

Capital Assets at Year-end
(Net of Depreciation, in thousands)

	2004	2003 Restated
Land	$330	$330
Buildings	548	584
Equipment	462	335
Total	$1,340	$1,249

This year's major additions included equipment additions of $204,387.

Debt

The college had no bonds or notes outstanding at June 30, 2004, or at June 30, 2003.

No new debt was acquired during the year ending June 30, 2004.

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

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:

- Increases in enrollment
- Changes in tuition or fees
- Changes in state appropriations
- Changes in federal grant programs
- Significant new or additional capital appropriations

CONTACTING L.E. FLETCHER'S MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of L.E. Fletcher's finances and to show L.E. Fletcher's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the financial officer at (985) 857-3655.

L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA

Statement of Net Assets, June 30, 2004

ASSETS	
Current assets:	
Cash (note 2)	$541,906
Receivables (note 3)	526,745
Due from Louisiana Community and Technical College System	3,909
Inventories	51,910
Deferred charges and prepaid expenses	8,376
Total current assets	1,132,846
Noncurrent assets - capital assets, net (note 4)	1,339,817
Total assets	2,472,663
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 9)	136,894
Deferred revenues (note 10)	147,669
Compensated absences payable (note 11)	43,980
Amounts held in custody for others	1,041
Total current liabilities	329,584
Noncurrent liabilities - compensated absences payable (note 11)	249,227
Total liabilities	578,811
NET ASSETS	
Invested in capital assets	1,339,817
Unrestricted	554,035
Total net assets	$1,893,852

The accompanying notes are an integral part of this statement.

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L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Assets For the Year Ended June 30, 2004

OPERATING REVENUES	
Student tuition and fees	$715,626
Less scholarship allowances	(86,050)
Net student tuition and fees	629,576
Federal grants and contracts	997,168
State and local grants and contracts	1,163,175
Sales and services of educational departments	31,276
Auxiliary enterprise revenues	165,531
Less scholarship allowances	(14,760)
Net auxiliary enterprise revenues	150,771
Other operating revenues	136,944
Total operating revenues	3,108,910
OPERATING EXPENSES	
Educational and general:	
Instruction	3,138,612
Academic support	179,977
Student services	550,131
Institutional support	949,769
Operations and maintenance of plant	187,358
Depreciation	113,503
Scholarships and fellowships	338,647
Auxiliary enterprise expenses	166,988
Total operating expenses	5,624,985
Operating Loss	(2,516,075)
NONOPERATING REVENUES	
State appropriations	2,952,214
Gifts	11,920
Total nonoperating revenues	2,964,134
Change in Net Assets	448,059
Net Assets at Beginning of Year, restated (note 5)	1,445,793
Net Assets at End of Year	$1,893,852

The accompanying notes are an integral part of this statement.

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L.E. FLETCHER TECHNICAL 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	$806,317
Grants and contracts	2,243,867
Sales and services to education departments	14,188
Auxiliary enterprise receipts	150,771
Payments to suppliers	(2,090,056)
Payments for utilities	(124,827)
Payments to employees	(2,282,203)
Payments for benefits	(626,824)
Payments for scholarships and fellowships	(338,647)
Other receipts	101,750
Net cash used by operating activities	(2,145,664)
Cash Flows From Noncapital Financing Activities:	
State appropriations	2,880,039
Gifts and grants for other than capital purposes	11,920
TOPS receipts	2,014
TOPS disbursements	(2,014)
Direct lending receipts	434,425
Direct lending disbursements	(434,425)
Net cash provided by noncapital financing sources	2,891,959
Cash Flows From Capital Financing Activities:	
Purchases of capital assets	(204,389)
Net cash used by capital financing activities	(204,389)
Net Increase in Cash	541,906
Cash at beginning of year	NONE
Cash at end of year	$541,906

(Continued)

The accompanying notes are an integral part of this statement.

L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2004

Reconciliation of Operating Loss to	
Net Cash Used by Operating Activities:	
Operating loss	($2,516,075)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	113,503
Changes in assets and liabilities:	
Decrease in accounts receivable	149,333
(Increase) in inventories	(17,088)
Decrease in deferred charges and prepaid expenses	5,138
(Decrease) in accounts payable and accrued liabilities	(27,465)
Increase in deferred revenue	106,450
Increase in amounts held in custody for others	573
Increase in compensated absences	39,967
Net cash used by operating activities	($2,145,664)

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

L.E. Fletcher 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, which is a component unit of the State of Louisiana, within the executive branch of government. The college was enacted under Louisiana Revised Statute (R.S.) 17:3224 and 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 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.

L.E. Fletcher Technical Community College is located at 310 St. Charles Street, Houma, Louisiana.

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. The college is a part of the Louisiana Community and Technical College System, which is considered to be a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the majority of the members of the governing boards are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the colleges within the system primarily serve state residents. The accompanying financial statements present information only as to the transactions of the programs of L.E. Fletcher Technical Community College as authorized by Louisiana statutes and administrative regulations.

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 of Louisiana.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the college is considered a special-purpose government engaged only in business-type activities and accounted for in a single proprietary (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.

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. BUDGETARY PRACTICES

The annual budget for the General Fund of the college is established by annual legislative action and by Title 39 of the Louisiana Revised Statutes. The submission of the budget for approval by the Board of Regents and the legislative budget process is required.

State law provides that appropriations lapse at the end of the fiscal year. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting with some exceptions. The following is a list of exceptions, but is not all inclusive: (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; (4) certain capital leases are not recorded; and (5) certain inventories are recorded as expenses at the time of purchase.

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

Original Approved Budget	$3,307,252
Net Increase:	
State General Fund (Direct)	312,238
Final Budget	$3,619,490

E. CASH

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

F. INVENTORY

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

G. 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 also capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and 3 to 10 years for most movable property.

H. DEFERRED REVENUES

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

I. COMPENSATED ABSENCES

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

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

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

J. NONCURRENT LIABILITIES

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

K. POST EMPLOYMENT 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.

L. NET ASSETS

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. The college's net assets are classified in the following components:

(a) Invested in capital assets represents the college's total investment in capital assets, net of accumulated depreciation.

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

M. CLASSIFICATION OF REVENUES

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

(a) Operating revenues include 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 and federal appropriations.

(b) Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions.

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

2. CASH

At June 30, 2004, the college has cash (book balances) of $541,906 as follows:

Petty cash	$400
Demand deposits	541,506
Total	$541,906

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

At June 30, 2004, the deposits in the college's bank accounts total $541,535, which is secured by federal deposit insurance and pledged securities held in the name of the Louisiana Technical College.

3. RECEIVABLES

Receivables, which are scheduled for collection within one year, are shown in the following table. No allowance for doubtful accounts has been established.

Type	Accounts Receivable
Federal, state, and private grants and contracts	$506,879
Appropriation receivable	19,866
Total	$526,745

4. CHANGES IN CAPITAL ASSETS

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

	Restated Balance July 1, 2003	Additions	Transfers	Retirements	Balance June 30, 2004
Capital assets not being depreciated:					
Land	$330,000				$330,000
Total capital assets not being depreciated	$330,000	NONE	NONE	NONE	$330,000
Other capital assets:					
Buildings	$2,391,847				$2,391,847
Less accumulated depreciation	(1,808,186)	($36,010)			(1,844,196)
Total buildings	583,661	(36,010)	NONE	NONE	547,651
Equipment	1,310,348	198,638	$5,749	($260,280)	1,254,455
Less accumulated depreciation	(975,076)	(77,493)		260,280	(792,289)
Total equipment	335,272	121,145	5,749	NONE	462,166
Total other capital assets	$918,933	$85,135	$5,749	NONE	$1,009,817
Capital Asset Summary:					
Capital assets not being depreciated	$330,000				$330,000
Other capital assets, at cost	3,702,195	$198,638	$5,749	($260,280)	3,646,302
Total cost of capital assets	4,032,195	198,638	5,749	(260,280)	3,976,302
Less accumulated depreciation	(2,783,262)	(113,503)		260,280	(2,636,485)
Capital assets, net	$1,248,933	$85,135	$5,749	NONE	$1,339,817

5. PRIOR-YEAR RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets for June 30, 2004:

Beginning net assets, July 1, 2003, previously reported	$1,203,833
Prior period adjustment to capital assets:	
Land	162,687
Buildings and equipment	79,273
Beginning net assets, July 1, 2003, as restated	$1,445,793

6. PENSION PLANS

Plan Description. Substantially all employees of the college are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers Retirement System of Louisiana (TRS), and classified and 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 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 $210,288, $215,769, and $157,900, respectively, and to LASERS for the years ended June 30, 2004, 2003, and 2002 were $68,936, $79,076, and $31,836, respectively, equal to the required contributions.

7. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid 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 (8.0%), 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 obligations 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 $11,070 and $6,417, respectively, for the year ended June 30, 2004.

8. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

L.E. Fletcher Technical Community College provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the college's employees become eligible for those 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 retiree benefits, for 17 retirees, totaled $139,088 for the year ended June 30, 2004.

9. ACCOUNTS PAYABLE AND ACCRUALS

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

Account Name	
Vendor payables	$48,712
Accrued salaries and payroll deductions	86,402
Other	1,780
Total payables	$136,894

10. DEFERRED REVENUES

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

Account Name	
Prepaid tuition and fees	$72,669
Cooperative endeavor agreement (note 14)	75,000
Total deferred revenues	$147,669

11. COMPENSATED ABSENCES

The liability for unused annual leave, sick leave, and compensatory leave at June 30, 2004, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60.105, is estimated to be $185,269, $107,178, and $760, respectively. The leave payable is recorded in the accompanying financial statements.

At June 30, 2004, employees of the college have accumulated and vested annual, sick, and compensatory leave of $293,207. A summary of changes in compensated absences follows:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Amounts due within one year
Compensated absences payable	$253,240	$171,053	$131,086	$293,207	$43,980

12. LEASE OBLIGATIONS

The college had no operating leases, capital leases, or lessor direct financing leasing in effect during the fiscal year ended June 30, 2004.

13. CONTINGENT LIABILITIES

Losses arising from judgments, claims, and similar contingencies are considered state liabilities and paid upon appropriation by the legislature and not the college. The college was not involved in any lawsuits at June 30, 2004.

14. COOPERATIVE ENDEAVORS

Louisiana Revised Statute 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity.

Effective May 26, 2004, the college entered into a cooperative endeavor agreement with Terrebonne General Medical Center (TGMC) for funding of the Associate Degree Registered Nurse program (ADRN) at the college conditioned upon the ADRN program being in place and functioning within one year of the date of the cooperative endeavor. TGMC has provided funding in the amount of $75,000 to be used in connection with the establishment and operation of the ADRN program, which the college has recorded in deferred revenue on the Statement of Net Assets at June 30, 2004.

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OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control over financial reporting and on compliance with laws, 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 reportable conditions and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

OFFICE OF
LEGISLATIVE AUDITOR
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December 17, 2004

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

L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Houma, Louisiana

We have audited the basic financial statements of L.E. Fletcher Technical Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered L.E. Fletcher Technical Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

KML:JR:PEP:ss

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