

LEGISLATIVE AUDITOR  
STATE OF LOUISIANA



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LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT  
ISSUED FEBRUARY 23, 2005

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

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	Page
Independent Auditor's Report on the Financial Statements.....	3
Management’s Discussion and Analysis .....	5

**Statement**

Basic Financial Statements:

Statement of Net Assets.....	A	13
Statement of Revenues, Expenses, and Changes in Net Assets.....	B	15
Statement of Cash Flows .....	C	17
Notes to the Financial Statements .....		19

**Schedule**

Supplementary Information Schedules:

Schedule of Per Diem Paid Board Members.....	1	43
Combining Schedule of Net Assets, by College .....	2	44
Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by College .....	3	48
Combining Schedule of Cash Flows, by College.....	4	52

**Exhibit**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	A	
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**Appendix**

Management’s Corrective Action Plan and Response to the Finding and Recommendation.....	A	
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STEVE J. THERIOT, CPA  
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January 18, 2005

Independent Auditor's Report  
on the Financial Statements

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

We have audited the accompanying basic financial statements of the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of management of the Louisiana Community and Technical College System. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the blended component unit financial statements of the SLCC Facilities Corporation, the BRCC Facilities Corporation, or Campus Facilities, Inc., for the Bossier Parish Community College, which represent 47.4%, 74.5%, 3.8%, and 3.2%, respectively, of the assets, liabilities, net assets, and revenues of the Louisiana Community and Technical College System. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the SLCC Facilities Corporation, the BRCC Facilities Corporation, and Campus Facilities, Inc., is based solely upon the reports of the other auditors.

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

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

## LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM \_\_\_\_\_

As discussed in note 1-O to the basic financial statements, the Louisiana Community and Technical College System implemented Government 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. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2005, on our consideration of the Louisiana Community and Technical College System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

AD:BQD:THC:dl

LCTCS04

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of the Louisiana Community and Technical College System's (System) financial report presents a narrative overview and analysis of the System'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 the System's financial statements, which follow this section. The System is comprised of the following entities:

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

Effective July 1, 2003, two former campuses of the Louisiana Technical College were reclassified as technical community colleges directly governed by the Board of Supervisors of the Louisiana Community and Technical College System and are now known as the Sowela Technical Community College and L.E. Fletcher Technical Community College.

### **FINANCIAL HIGHLIGHTS**

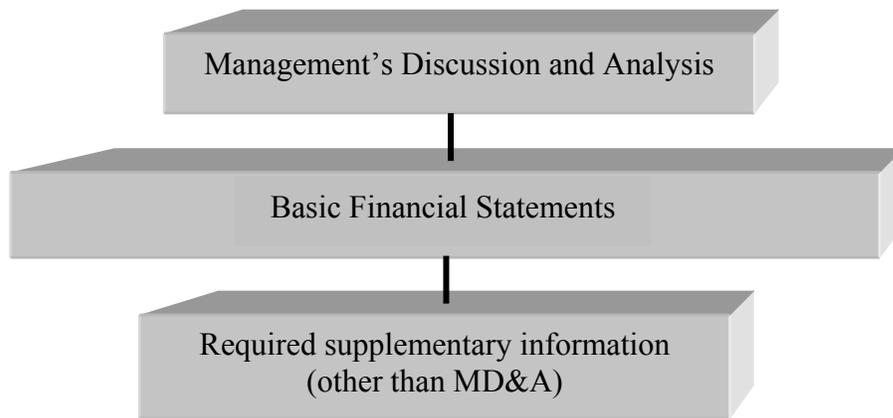
The System's overall net assets changed from \$120 million to \$132 million, a 10% increase from June 30, 2003 to June 30, 2004. The overall reason for this change is the new facilities being built at the Baton Rouge, Bossier Parish, and South Louisiana community colleges.

The System's operating revenues increased by approximately 17% to \$174 million from June 30, 2003 to June 30, 2004, because of tuition/fee increases and increases in various grant/contract programs. Operating expenses, however, increased by 14% to \$329 million for the year ended June 30, 2004. The primary reasons for this change include faculty salary increases, scholarship and fellowship increases, and general increases in operations.

Net nonoperating revenues fluctuate depending upon levels of state operating and capital appropriations. The change to \$154.6 million in 2004 from \$146.5 million in 2003 is primarily attributed to an increase in state appropriations to fund the increase in students.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

### Basic Financial Statements

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

The Statement of Net Assets (pages 13-14) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 15-16) presents information showing how System 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.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Cash Flows (pages 17-18) presents information showing how the System'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 System'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 other supplementary information that further explains and supports the information in the financial statements.

The System'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 System are included in the Statement of Net Assets.

### FINANCIAL ANALYSIS

**Table A-1**  
**Louisiana Community and Technical College System**  
**Statement of Net Assets**  
**(in thousands of dollars)**  
**as of June 30, 2004 and 2003**

	2004	2003 (Restated)	Variance	Percentage Change
<b>Assets</b>				
Current and other assets	\$168,127	\$173,090	(\$4,963)	-3%
Capital assets	177,479	117,236	60,243	51%
Total assets	<u>345,606</u>	<u>290,326</u>	<u>55,280</u>	19%
<b>Liabilities</b>				
Current liabilities	47,438	34,890	12,548	36%
Long-term liabilities	165,691	135,039	30,652	23%
Total liabilities	<u>213,129</u>	<u>169,929</u>	<u>43,200</u>	25%
<b>Net assets:</b>				
Invested in capital assets, net of related debt	107,555	98,003	9,552	10%
Restricted	7,402	7,984	(582)	-7%
Unrestricted	17,520	14,410	3,110	22%
Total net assets	<u>\$132,477</u>	<u>\$120,397</u>	<u>\$12,080</u>	10%

# LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM

This schedule is prepared from the System's Statement of Net Assets as shown on pages 13-14, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Significant Statement of Net Asset changes in 2004 include the following: assets increased by \$55 million primarily because of the System's construction projects while liabilities have increased because of additional debt instruments issued during the fiscal year.

**Table A-2**  
**Louisiana Community and Technical College System**  
**Statement of Revenues, Expenses,**  
**and Changes in Fund Net Assets**  
**(in thousands of dollars)**  
**Years Ended June 30, 2004 and 2003**

	2004	2003 (Restated)	Variance	Percentage Change
<b>Operating revenues</b>				
Student tuition and fees, net	\$40,871	\$36,802	\$4,069	11%
Grants and contracts	123,278	104,385	18,893	18%
Auxiliary	5,083	4,100	983	24%
Other	4,891	2,975	1,916	64%
Total operating revenues	<u>174,123</u>	<u>148,262</u>	<u>25,861</u>	17%
<b>Operating expenses</b>				
Education and general:				
Instruction	135,075	120,019	15,056	13%
Public service	4,195	2,517	1,678	67%
Academic support	27,933	26,211	1,722	7%
Student services	28,101	24,834	3,267	13%
Institutional support	57,512	47,120	10,392	22%
Operations and maintenance of plant	24,779	22,585	2,194	10%
Depreciation	8,117	7,361	756	10%
Scholarships and fellowships	36,501	33,741	2,760	8%
Other	6,753	4,831	1,922	40%
Total operating expenses	<u>328,966</u>	<u>289,219</u>	<u>39,747</u>	14%
Operating loss	<u>(154,843)</u>	<u>(140,957)</u>	<u>(13,886)</u>	-10%
<b>Nonoperating revenue</b>				
State appropriations	153,713	145,508	8,205	6%
Gifts	262	188	74	39%
Other, net	625	759	(134)	-18%
Net nonoperating revenue	<u>154,600</u>	<u>146,455</u>	<u>8,145</u>	6%
Capital appropriations	10,097	9,002	1,095	12%
Capital grants and gifts	339	100	239	239%
Additions to permanent endowment	312	23	289	1257%
Other additions (expenses), net	1,575	(279)	1,854	665%
Change in net assets	12,080	14,344	(2,264)	-16%
<b>Net assets, beginning of year, restated</b>	<u>120,397</u>	<u>106,053</u>	<u>14,344</u>	14%
<b>Net assets, end of year</b>	<u>\$132,477</u>	<u>\$120,397</u>	<u>\$12,080</u>	10%

Nonoperating revenues increased by 6% to \$154.6 million, primarily attributable to an increase in state funding.

State appropriations changed from \$145.5 million to \$153.7 million because of increased funding due to the growth of the System.

The System's total operating revenues increased by \$25.9 million or 17% primarily because of increased student tuition and federal grants.

**Statement of Cash Flows**

Another way to assess the financial health of the System is to look at the Statement of Cash Flows. The Statement of Cash Flows assists users to assess the following:

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

**Table A-3**  
**Louisiana Community and Technical College System**  
**Statement of Cash Flows**  
**(in thousands of dollars)**  
**Years Ended June 30, 2004 and 2003**

	2004	2003	Variance	Percentage Change
Cash and cash equivalents provided by (used in):				
Operating activities	(\$137,994)	(\$142,859)	\$4,865	3%
Noncapital financing sources	154,227	149,648	4,579	3%
Capital financing activities	(25,634)	100,444	(126,078)	-126%
Investing activities	9,286	(39,062)	48,348	124%
Net increase (decrease)	(115)	68,171	(68,286)	-100%
Cash and cash equivalents:				
Beginning of year, restated	90,885	22,714	68,171	300%
End of year	\$90,770	\$90,885	(\$115)	-0.1%

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2004, the System had invested approximately \$177 million in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$60.3 million or 51% over the previous fiscal year. More detailed information about the System's capital assets is presented in note 6 to the financial statements.

**Table A-4**  
**Louisiana Community and Technical College System**  
**Capital Assets, Net of Depreciation**  
**(in thousands of dollars)**  
**as of June 30, 2004 and 2003**

	2004	2003 (Restated)	Variance	Percentage Change
Land and improvements	\$15,400	\$15,108	\$292	2%
Buildings	81,804	72,005	9,799	14%
Equipment	13,544	12,954	590	5%
Construction in progress	66,731	17,169	49,562	289%
Total	<u>\$177,479</u>	<u>\$117,236</u>	<u>\$60,243</u>	51%

This year's major additions included major new construction on the campuses of the Bossier Parish, Baton Rouge, and South Louisiana community colleges. While only the parking garage at the Baton Rouge Community College was completed during the fiscal year, the other two community colleges are building entirely new campuses. In addition, Baton Rouge Community College has several major buildings that should be completed during fiscal year 2005.

**Debt Administration**

The System had \$139.4 million in bonded debt outstanding at year-end, compared to \$118.4 million last year, an increase of 18% as shown in the following table.

**Table A-5**  
**Louisiana Community and Technical College System**  
**Outstanding Bonds Payable**  
**(in thousands of dollars)**  
**as of June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>	<u>Variance</u>	<u>Percentage Change</u>
Bonds Payable	\$139,373	\$118,359	\$21,014	18%

New debt resulted from additional debt issues of \$10 million each by the facility corporations of Baton Rouge and Bossier Parish community colleges.

See notes 13 and 14 for details relating to changes in and the composition of capital leases and long-term liabilities.

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

Fiscal year 2005 will have the advantages of a 7% increase in tuition. This increase, along with the continued growth in the student population, will assist in stabilizing the funding for the System. With the major building programs at three of our colleges, the System will offer state of the art facilities to the people of Louisiana. One of the major federal programs, Temporary Assistance for Needy Families (TANF), will no longer be available. A similar but smaller program will replace TANF. This change may have an affect on the ability of some students to attend the System's colleges. During fiscal year 2004, TANF provided \$15 million in assistance to students.

#### **CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the System's finances and to show the System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact F. Howard Karlton, CPA, at 265 South Foster Drive, Baton Rouge, Louisiana 70806 or at (225) 922-2800.

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**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)	\$31,808,716
Receivables, net (note 4)	21,530,500
Due from state treasury	1,697,518
Due from federal government	12,489,862
Inventories	1,589,574
Prepayments	651,828
Other current assets	68,102
Total current assets	<u>69,836,100</u>

## Noncurrent assets:

## Restricted assets:

Cash and cash equivalents (note 2)	58,960,973
Investments (note 3)	34,031,325
Notes receivable, net (note 5)	22,435
Capital assets, net (note 6)	177,479,431
Other noncurrent assets	5,275,344
Total noncurrent assets	<u>275,769,508</u>
Total assets	<u>345,605,608</u>

**LIABILITIES**

## Current liabilities:

Accounts payable and accruals (note 10)	29,415,385
Due to state treasury	44,856
Deferred revenues (note 11)	12,240,103
Amounts held in custody for others	242,914
Compensated absences payable (note 14)	2,127,543
Capital lease obligations (notes 14)	3,020,000
Bonds payable, net (note 14)	176,799
Other current liabilities	170,504
Total current liabilities	<u>47,438,104</u>

(Continued)

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The accompanying notes are an integral part of this statement.

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**LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM**  
**STATE OF LOUISIANA**  
**Statement of Net Assets, 2004**

**LIABILITIES (CONT.)**

Noncurrent liabilities:

Compensated absences payable (note 14)	\$14,074,844
Capital lease obligations (notes 14)	12,416,786
Bonds payable, net (note 14)	139,195,697
Other noncurrent liabilities	3,564
Total noncurrent liabilities	<u>165,690,891</u>
Total liabilities	<u>213,128,995</u>

**NET ASSETS**

Invested in capital assets, net of related debt	107,555,111
Restricted for:	
Nonexpendable (note 15)	3,462,911
Expendable (note 15)	3,938,683
Unrestricted	<u>17,519,908</u>
<b>Total net assets</b>	<u><u>\$132,476,613</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

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

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

**OPERATING REVENUES**

Student tuition and fees (net of scholarship allowances of \$28,066,584)	\$40,871,129
Federal grants and contracts	101,041,570
State and local grants and contracts	19,964,437
Nongovernmental grants and contracts	2,271,895
Sales and services of educational departments	1,793,742
Auxiliary enterprise revenues (net of scholarship allowances of \$53,354)	5,082,641
Other operating revenues	3,097,447
Total operating revenues	<u>174,122,861</u>

**OPERATING EXPENSES**

Educational and general:	
Instruction	135,075,426
Public service	4,194,972
Academic support	27,932,640
Student services	28,100,955
Institutional support	57,512,017
Operations and maintenance of plant	24,778,833
Depreciation	8,117,291
Scholarships and fellowships	36,501,007
Auxiliary enterprises	5,543,863
Other operating expenses	1,208,947
Total operating expenses	<u>328,965,951</u>

**OPERATING LOSS** (154,843,090)

**NONOPERATING REVENUES (Expenses)**

State appropriations	153,713,397
Gifts	261,629
Investment income	217,105
Interest expense	(315,442)
Other nonoperating revenues	723,634
Net nonoperating revenues	<u>154,600,323</u>

(Continued)

The accompanying notes are an integral part of this statement.

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

<b>LOSS BEFORE OTHER REVENUES AND EXPENSES</b>	(\$242,767)
Capital appropriations	10,096,553
Capital grants and gifts	338,976
Additions to permanent endowments	311,844
Other additions	<u>1,575,492</u>
<b>CHANGE IN NET ASSETS</b>	12,080,098
<b>NET ASSETS - BEGINNING OF YEAR (Restated) (note 16)</b>	<u>120,396,515</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$132,476,613</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

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

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

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Tuition and fees	\$40,483,101
Grants and contracts	107,819,808
Payments to recipients	(12,912,676)
Payments to suppliers	(75,766,519)
Payments for utilities	(6,483,717)
Payments to employees	(145,195,318)
Payments for benefits	(35,330,031)
Payments for scholarships and fellowships	(22,706,443)
Auxiliary enterprise charges	5,032,157
Sales and services of educational departments	1,689,445
Other receipts	5,375,489
Net cash used by operating activities	<u>(137,994,704)</u>

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES:**

State appropriations	153,174,034
Gifts and grants for other than capital purposes	284,125
Private gifts for endowment purposes	131,845
TOPS receipts	1,240,684
TOPS disbursements	(1,279,638)
Direct lending receipts	3,928,873
Direct lending disbursements	(3,928,873)
Federal Family Education Loan Program receipts	6,470,909
Federal Family Education Loan Program disbursements	(6,452,623)
Other receipts	657,922
Net cash provided by noncapital financing sources	<u>154,227,258</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:**

Capital appropriations received	7,140,068
Capital grants and gifts received	286,482
Proceeds from capital debt	29,663,583
Purchases of capital assets	(56,213,149)
Principal paid on capital debt and leases	(1,613,787)
Interest paid on capital debt and leases	(6,472,495)
Other receipts	1,575,492
Net cash used by capital financing activities	<u>(25,633,806)</u>

(Continued)

The accompanying notes are an integral part of this statement.

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

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Sales and maturities of investments	\$19,768,805
Purchase of investments	(11,793,576)
Interest received on investments	1,310,648
Net cash provided by investing activities	<u>9,285,877</u>

Net decrease in cash and cash equivalents (115,375)

Cash and cash equivalents at beginning of year,  
restated for prior period adjustment 90,885,064

Cash and cash equivalents at end of year \$90,769,689

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

Operating loss	(\$154,843,090)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	8,117,291
Changes in assets and liabilities:	
Decrease in accounts receivable, net	4,406,476
(Increase) in inventories	(96,297)
(Increase) in prepaid expenses	(502,062)
(Increase) in other assets	(46,964)
(Decrease) in accounts payable	(744,980)
Increase in deferred revenue	4,479,232
(Decrease) in amounts held in custody for others	(7,711)
Increase in compensated absences	1,276,267
(Decrease) in other liabilities	<u>(32,866)</u>

**NET CASH USED BY OPERATING ACTIVITIES** (\$137,994,704)

**Noncash Transactions**

Loss on disposal of assets	\$25,009
Capital appropriations for construction of buildings	3,023,451

(Concluded)

The accompanying notes are an integral part of this statement.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

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

**B. REPORTING ENTITY**

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

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

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

- The SLCC Facilities Corporation is a nonprofit corporation formed in December 2001 to provide funds and oversee construction for the South Louisiana Community College (SLCC) campus. The corporation has been blended into the SLCC financial statements and, as such, has been appropriately included in the accompanying financial statements. The SLCC Facilities Corporation has a June 30 year-end and audited financial statements for the corporation may be obtained at 908 Ember Drive, New Iberia, Louisiana 70560.
- Campus Facilities, Inc., is a nonprofit organization formed in May 2001 to provide funds for and oversee construction of the campus for Bossier Parish Community College (BPCC). The corporation has been blended into the BPCC financial statements and, as such, has been appropriately included in the accompanying financial statements. Campus Facilities, Inc., has a December 31 year-end and audited financial statements for Campus Facilities, Inc., may be obtained at 2719 Airline Drive, North Bossier Parish, Louisiana 71111.
- BRCC Facilities Corporation is a nonprofit corporation formed in February 2002 to provide funds and oversee construction of the campus for Baton Rouge Community College (BRCC). The corporation has been blended into the BRCC financial statements and, as such, has been appropriately included in the accompanying financial statements. BRCC Facilities Corporation has a June 30 year-end and audited financial statements for the corporation may be obtained at 5310 Florida Boulevard, Baton Rouge, Louisiana 70806.

### **C. BASIS OF ACCOUNTING**

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

### **D. BUDGET PRACTICES**

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

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## NOTES TO THE FINANCIAL STATEMENT

prorated but are recognized in the succeeding year; and (4) carry forward of prior year funds is recognized as revenue in the current year.

The budget amounts for fiscal year 2003-2004 include the original approved budget and subsequent amendments approved as follows:

	Board of Supervisors of Community and Technical Colleges	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College
Original approved budget	\$42,583,180	\$15,318,896	\$17,612,161	\$58,583,396	\$8,174,244
Increases (decreases):					
State General Fund (direct)	(112,486)	1,176,880	92,040	1,641,128	94,170
Interagency transfers				1,587,666	
Fees and self-generated		675,000			300,000
Statutory dedications					
Total budgeted amounts	<u>\$42,470,694</u>	<u>\$17,170,776</u>	<u>\$17,704,201</u>	<u>\$61,812,190</u>	<u>\$8,568,414</u>

**E. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include certificates of deposit and all highly liquid investments with a maturity of three months or less when purchased. Under state law, the System may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the System may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the System is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct repurchase agreements, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture.

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

**F. INVENTORIES**

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

## NOTES TO THE FINANCIAL STATEMENT

L.E. Fletcher Technical Community College	Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	Total
\$3,307,252	\$2,781,972	\$118,489,630	\$2,793,169	\$5,659,513	\$7,643,103	\$282,946,516
312,238	100,497	(179,761)	(14,932)	176,237	79,257	3,365,268
	290,000		150,000			1,587,666
		1,965,018				1,415,000
						1,965,018
<u>\$3,619,490</u>	<u>\$3,172,469</u>	<u>\$120,274,887</u>	<u>\$2,928,237</u>	<u>\$5,835,750</u>	<u>\$7,722,360</u>	<u>\$291,279,468</u>

**G. RESTRICTED CASH AND INVESTMENTS**

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

**H. CAPITAL ASSETS**

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property (equipment), the System's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Buildings and improvements and depreciable land improvements costing \$100,000 or more are capitalized and infrastructure costing \$3,000,000 or more is required to be capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Computer software purchased for internal use with depreciable costs of \$1,000,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings, 20 years for depreciable land improvements, and 3 to 10 years for most movable property (equipment, including capitalized costs for computer software).

**I. DEFERRED REVENUES**

Deferred revenues include amounts received for tuition and fees, rent, and certain auxiliary activities 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.

**J. COMPENSATED ABSENCES**

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

Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application

for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

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

**K. NONCURRENT LIABILITIES**

Noncurrent liabilities include (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.

**L. NET ASSETS**

The System's net assets are classified as follows:

1. Invested in capital assets, net of related debt consists of the System's total investment in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - nonexpendable consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
3. Restricted net assets - expendable consist of resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
4. Unrestricted net assets consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the System and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

**M. CLASSIFICATION OF REVENUES AND EXPENSES**

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

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

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

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

**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 Fund Net Assets. Scholarship discounts and allowances are the difference between the stated charge for services (tuition and fees) provided by the System and the amount that is paid by students and/or third parties making payments on the students' behalf.

**O. ADOPTION OF NEW ACCOUNTING STANDARD**

For the year ended June 30, 2004, the System 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 System has cash and cash equivalents (book balances) of \$90,769,689 as follows:

## NOTES TO THE FINANCIAL STATEMENT

Petty cash	\$36,853
Demand deposits	27,701,697
Certificates of deposit	420,209
Cash equivalents:	
Repurchase agreements	39,673,540
Federal National Mortgage Association (short-term notes)	4,289,427
Money market mutual funds	<u>18,647,963</u>
Total	<u><u>\$90,769,689</u></u>

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

Current assets	\$31,808,716
Noncurrent assets	<u>58,960,973</u>
Total	<u><u>\$90,769,689</u></u>

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

### 3. INVESTMENTS

At June 30, 2004, the System has restricted investments totaling \$34,031,325 as follows:

		<u>Average Duration (Years)</u>
Repurchase agreements	\$31,482,689	
Mutual funds:		
Pooled equity funds	\$614,122	
Fixed income securities	1,043,583	4.8
Short-term federal funds	515,306	1.9
International equity funds	109,826	
Other	<u>5,827</u>	
Investments held by private foundation - external investment pool	<u>2,288,664</u>	
Total investments	<u><u>\$34,031,325</u></u>	

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

For the monies held by the private foundation of \$259,972 and mutual funds of \$2,288,664, there are no credit quality ratings. All of the investments of the college which are held by the private

foundation are in the form of certificates of deposit. These are insured in their entirety by federal deposit insurance and by the additional pledge of collateral by the bank. The Federal National Mortgage Association (FNMA) investment of \$4,289,427, which is reported as cash equivalents, is rated A-1+ by Standard and Poor's and has a maturity of July 21, 2004. Credit quality ratings are not required for the remaining investments.

The mutual funds of \$2,288,664 are held pursuant to the Eminent Scholars and Endowed Professorships Program. To reduce overall volatility of investment returns and to provide a hedge against the effects of economic downturns, the investment policy for that program requires at least 40% of assets be invested in fixed-income funds. 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, while the overall average quality must be at least AA. The interest rate risks are limited by managing their performance using fixed-income indices as benchmarks to gauge and limit such risk. Investments in foreign stocks and foreign fixed-income are limited to 15% and 5% of the equity and fixed income funds, respectively.

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

Repurchase agreements totaling \$71,156,229 and money market mutual funds totaling \$18,647,963 were reported in the financial statements and notes to the financial statements for the BRCC Facilities Corporation, SLCC Facilities Corporation, and Campus Facilities, Inc., which were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the notes to the financial statements of the corporations do not reflect the requirements of GASB Statement No. 3, as revised by Statement No. 40. However, the notes to these financial statements reported that the money market mutual funds totaling \$18,647,963 and repurchase agreements totaling \$31,482,689 are uninsured and unregistered and are held by the broker or dealer or by its trust department or agent but not in the entity's name. No risk disclosures were made for the remaining \$39,673,540 of repurchase agreements.

#### **4. RECEIVABLES**

Receivables are shown on Statement A net of an allowance for doubtful accounts at June 30, 2004. These receivables are composed of the following:

## NOTES TO THE FINANCIAL STATEMENT

	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	\$9,290,486	(\$1,003,194)	\$8,287,292
Auxiliary enterprise	147,823		147,823
Federal, state, and private grants and contracts	11,304,939		11,304,939
Other	1,790,446		1,790,446
Total	\$22,533,694	(\$1,003,194)	\$21,530,500

There is no noncurrent portion of accounts receivable.

### 5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan and miscellaneous private student loan programs of \$16,860 and \$5,575, respectively. Loans are no longer issued under the Federal Perkins Loan program, but collections are still made on outstanding loans. None of the balances are expected to be collected within the next fiscal year.

### 6. CHANGES IN CAPITAL ASSETS

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

	Balance June 30, 2003	Prior Period Adjustment	Adjusted Balance June 30, 2003	Additions	Transfers	Retirements	Balance June 30, 2004
Capital assets not being depreciated:							
Land	\$14,151,992	\$119,579	\$14,271,571	\$387,109			\$14,658,680
Construction in progress	17,082,470	86,801	17,169,271	59,349,847	(\$9,759,099)	(\$28,733)	66,731,286
Total capital assets not being depreciated	31,234,462	206,380	31,440,842	59,736,956	(9,759,099)	(28,733)	81,389,966
Capital assets, being depreciated:							
Land improvements	2,132,390		2,132,390				2,132,390
Buildings	137,998,591	35,733	138,034,324	3,743,326	9,759,099		151,536,749
Furniture, fixtures, and equipment	43,441,695	79,827	43,521,522	5,212,411		(2,201,591)	46,532,342
Total capital assets, being depreciated	183,572,676	115,560	183,688,236	8,955,737	9,759,099	(2,201,591)	200,201,481
Less accumulated depreciation for:							
Land improvements	(1,295,689)		(1,295,689)	(95,624)			(1,391,313)
Buildings	(66,028,429)	(894)	(66,029,323)	(3,702,983)			(69,732,306)
Furniture, fixtures, and equipment	(30,573,808)	5,996	(30,567,812)	(4,318,774)		1,898,189	(32,988,397)
Total accumulated depreciation	(97,897,926)	5,102	(97,892,824)	(8,117,381)	NONE	1,898,189	(104,112,016)
Total capital assets, being depreciated, net	85,674,750	120,662	85,795,412	838,356	9,759,099	(303,402)	96,089,465
Total capital assets, net	\$116,909,212	\$327,042	\$117,236,254	\$60,575,312	NONE	(\$332,135)	\$177,479,431

The capitalization policy of the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP), is to include only those assets with an original acquisition cost of \$5,000 or more for depreciable equipment and \$100,000 or more for buildings and depreciable land improvements. In addition, under OSRAP's policy, library collections with a total acquisition cost of less than \$5 million are not capitalized and depreciated. GASB Statement No. 34 requires the recognition of depreciation on capital assets, resulting in the recognition of accumulated depreciation for current and prior years.

The June 30, 2003, balance of capital assets has been adjusted by \$327,042 to reflect prior period adjustments resulting from the correction of prior year errors.

Because the System does not have any infrastructure that exceeds the \$3,000,000 threshold for capitalization, no infrastructure has been capitalized.

## **7. PENSION PLANS**

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

*Funding Policy.* The contribution requirements of plan members and the System are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. 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 System, funds the System's employer contribution. The System's employer contributions to TRS for the years ended June 30, 2004, 2003, and 2002 were \$11,025,700, \$9,181,342, and \$8,657,227, respectively, and to LASERS for the years ended June 30, 2004, 2003, and 2002 were \$3,498,973, \$2,875,992, and \$2,390,120, respectively, equal to the required contributions for each year.

## **8. OPTIONAL RETIREMENT SYSTEM**

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

death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

R.S. 11:927 requires the employer and each participant to contribute monthly to the optional retirement plan the same amount which they would be required to contribute to the regular retirement plan of the TRS of Louisiana if the participant were a member of that retirement plan. Employer contributions by the System are 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 \$2,795,261 and \$1,867,221, respectively, for the year ended June 30, 2004.

#### **9.     POSTEMPLOYMENT HEALTH CARE        AND LIFE INSURANCE BENEFITS**

The System provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the System's employees become eligible for these benefits if they reach normal retirement age while working for the System. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the System. The System recognizes the cost of providing these benefits to retirees (System's portion of premiums) as an expense when paid during the year. Benefits provided for 966 retirees totaled \$5,090,634 for the year ended June 30, 2004.

#### **10.    ACCOUNTS PAYABLE AND ACCRUALS**

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

Account Name

Vendor payables	\$12,816,985
Accrued salaries and payroll deductions	7,929,413
Construction and retainage payables	6,761,789
Accrued interest payable	703,853
Other	<u>1,203,345</u>
 Total payables	 <u><u>\$29,415,385</u></u>

**11. DEFERRED REVENUES**

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

Prepaid tuition and fees	\$9,989,198
Prepaid rent	1,999,226
Grants and contracts	167,144
Other	<u>84,535</u>
 Total deferred revenues	 <u><u>\$12,240,103</u></u>

**12. COMPENSATED ABSENCES**

At June 30, 2004, employees of the System have accumulated and vested annual, sick, and compensatory leave of \$8,611,611, \$7,174,933, and \$415,843, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

**13. LEASE OBLIGATIONS**

**Operating Leases**

For the year ended June 30, 2004, the total rental expense for all operating leases is \$4,387,204. The following is a schedule by years of future minimum annual rental payments required under operating leases:

Nature of <u>Operating Lease</u>	Fiscal Year							Total Minimum Payments Required
	2005	2006	2007	2008	2009	2010-14	2015-19	
Office space	\$1,645,223	\$589,053	\$126,398	\$20,398				\$2,381,072
Equipment	528,739	476,754	389,718	392,218	\$65,500	\$327,500	\$335,000	2,515,429
 Total	 <u><u>\$2,173,962</u></u>	 <u><u>\$1,065,807</u></u>	 <u><u>\$516,116</u></u>	 <u><u>\$412,616</u></u>	 <u><u>\$65,500</u></u>	 <u><u>\$327,500</u></u>	 <u><u>\$335,000</u></u>	 <u><u>\$4,896,501</u></u>

**Capital Leases**

The System records items under capital leases as assets and obligations in the accompanying financial statements. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments, at June 30, 2004:

Fiscal Year Ending June 30:	
2005	\$3,744,626
2006	3,516,773
2007	2,150,958
2008	2,152,213
2009	2,152,825
2010-2014	2,203,683
2015-2019	1,552,300
2020-2024	1,539,600
2025-2029	1,535,000
2030	<u>303,850</u>
Total minimum lease payments	20,851,828
Less - amount representing interest	<u>(5,415,042)</u>
Present value of net minimum lease payments	<u><u>\$15,436,786</u></u>

The gross amount of assets held under capital leases as of June 30, 2004, include buildings and equipment of \$4,395,000 and \$12,550,000, respectively.

**Lessor - Operating Lease**

Leasing operations of the System consist of Baton Rouge Community College's leasing of property for the purposes of providing bookstore operations to students. The estimated cost, accumulated depreciation, and carrying amount of the System's investment in operating lease property as of June 30, 2004, is \$141,682, \$20,828, and \$120,854, respectively. This includes estimated values, which are based on the ratio of the square footage of the space leased to the total square footage of the building.

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2004:

<u>Nature of Operating Lease</u>	<u>2005</u>	<u>2006</u>	<u>Minimum Future Rentals</u>
Office space	<u>\$30,000</u>	<u>\$2,500</u>	<u>\$32,500</u>

Minimum future rentals do not include contingent rentals that may be received as stipulated in the lease contracts. Contingent rentals received by the Baton Rouge Community College from operating leases for the year ended June 30, 2004, were \$144,557.

#### 14. LONG-TERM LIABILITIES

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

	Balance June 30, 2003	Prior Period Adjustments	Adjusted Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Portion Due Within One Year
<b>Bonds payable and capital leases:</b>							
Bonds payable, net	\$118,358,849		\$118,358,849	\$21,350,312	(\$336,665)	\$139,372,496	\$176,799
Capital lease obligations	4,175,170		4,175,170	12,365,000	(1,103,384)	15,436,786	3,020,000
Total bonds payable and capital leases	122,534,019	NONE	122,534,019	33,715,312	(1,440,049)	154,809,282	3,196,799
<b>Other liabilities:</b>							
Compensated absences payable	14,917,349	\$8,772	14,926,121	5,195,595	(3,919,329)	16,202,387	2,127,543
Other noncurrent liabilities	65,564		65,564		(62,000)	3,564	
Total other liabilities	14,982,913	8,772	14,991,685	5,195,595	(3,981,329)	16,205,951	2,127,543
Total long-term liabilities	\$137,516,932	\$8,772	\$137,525,704	\$38,910,907	(\$5,421,378)	\$171,015,233	\$5,324,342

The June 30, 2003, balance of long-term liabilities has been adjusted by \$8,772 to reflect prior period adjustments resulting from the correction of prior year errors.

Details of all debt outstanding at June 30, 2004, follow:

#### **Bonds Payable**

As presented on Statement A, at June 30, 2004, bonds payable total \$139,372,496 of which \$176,799 is current and the remaining \$139,195,697 is noncurrent.

Detailed summaries, by issues, of all bonded debt outstanding at June 30, 2004, follow:

## NOTES TO THE FINANCIAL STATEMENT

	Date of Issue	Original Issue	Outstanding June 30, 2003	Issue (Redeemed)	Outstanding June 30, 2004	Maturities	Interest Rates	Future Interest Payments June 30, 2004
Baton Rouge Community College - BRCC Facilities Corporation:								
Series 2002 Revenue Bonds	Dec. 31, 2002	\$55,000,000	\$55,000,000		\$55,000,000	2015-2033	5.0% - 5.375%	\$58,887,563
Series 2003 Revenue Bonds	Dec. 23, 2003	10,000,000		\$10,000,000	10,000,000	2010-2018	3.8% - 5.5%	4,261,447
Bossier Parish Community College - Campus Facilities, Inc.:								
Series 2002 Revenue Bonds	April 18, 2002	45,000,000	45,000,000		45,000,000	2012-2028	4.2% - 5.25%	40,301,606
Series 2003 Revenue Bonds	June 18, 2003	10,000,000		10,000,000	10,000,000	2006-2012	2.0% - 3.0%	1,443,738
Delgado Community College:								
Series 1970-A	Jan. 15, 1970	521,000	141,000	(141,000)			3%	
Series 1970-B	Jan. 15, 1970	391,000	104,000	(104,000)			3%	
South Louisiana Community College - SLCC Facilities Corporation - Series 2002 Revenue Bonds								
	Oct. 29, 2002	17,840,000	17,840,000		17,840,000	2006-2029	2.1% - 4.75%	12,241,522
Total		<u>\$138,752,000</u>	118,085,000	19,755,000	137,840,000			<u>\$117,135,876</u>
Net original premiums (discounts)			326,014	1,357,671	1,683,685			
Net accumulated amortization of premiums/discounts			<u>(52,165)</u>	<u>(99,024)</u>	<u>(151,189)</u>			
Bonds payable, net			<u>\$118,358,849</u>	<u>\$21,013,647</u>	<u>\$139,372,496</u>			

The annual requirements to amortize all bonds outstanding at June 30, 2004, are as follows:

	Principal	Interest	Total
2005		\$6,655,511	\$6,655,511
2006	\$690,000	6,650,629	7,340,629
2007	2,055,000	6,635,546	8,690,546
2008	2,110,000	6,591,631	8,701,631
2009	2,165,000	6,528,841	8,693,841
2010-2014	20,565,000	30,537,874	51,102,874
2015-2019	25,710,000	25,120,474	50,830,474
2020-2024	31,635,000	17,879,649	49,514,649
2025-2029	36,570,000	8,850,971	45,420,971
2030-2033	16,340,000	1,684,750	18,024,750
Total	<u>\$137,840,000</u>	<u>\$117,135,876</u>	<u>\$254,975,876</u>

Outstanding principal of \$137,840,000 plus unamortized premium/discount of \$1,532,496 totals \$139,372,496. This amount is reported as bonds payable, net, on Statement A, as follows: current - \$176,799 and noncurrent - \$139,195,697.

### Capital Lease Obligations

Capital lease obligations at June 20, 2004, in the amount of \$15,436,786 are detailed in note 13.

**Accrued Compensated Absences Payable**

Accrued compensated absences payable at June 30, 2004, in the amount of \$16,202,387 are detailed in note 12.

**15. RESTRICTED NET ASSETS**

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

Nonexpendable:	
Endowments	\$2,933,347
Student Life Center Maintenance Reserve	<u>529,564</u>
Total nonexpendable	<u><u>\$3,462,911</u></u>
Expendable:	
Student fees	\$1,834,218
Endowed professorships and scholarships	466,649
Preventive maintenance and plant funds	148,411
Grants	290,308
Third party scholarships	57,944
Building use fee	146,409
Technology fee	726,344
Other	<u>268,400</u>
Total expendable	<u><u>\$3,938,683</u></u>

**16. RESTATEMENT OF BEGINNING NET ASSETS**

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

Net assets at June 30, 2003	\$120,019,112
Reclassifications and adjustments for prior year errors	<u>377,403</u>
Net assets at July 1, 2003	<u><u>\$120,396,515</u></u>

**17. CONTINGENT LIABILITIES AND RISK MANAGEMENT**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The system is involved in nine lawsuits at June 30, 2004, that are being handled by contract

attorneys. In the opinion of legal counsel, the possibility that the system will incur a liability in five of the cases is remote. In two cases, legal counsel has determined that there will be a probable loss, but it is not possible to estimate the amount. Two of the cases were settled after June 30, 2004, for a total of \$8,865, which is accrued in the accompanying financial statements. Claims and litigation costs of \$217,505 were incurred in the current year and are reflected in the accompanying financial statements.

## **18. FOUNDATIONS**

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

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

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

Certain colleges of the System have contracted with their respective foundations to invest the colleges' Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:3384. The Endowed Professorship Program endowment funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. At June 30, 2004, the foundations hold in custody \$259,972 of state Endowed Professorship Program funds. Amounts invested by private foundations for the System are not exposed to custodial credit risk but have been included in the applicable investment disclosures in note 3.

## **19. DONOR RESTRICTED ENDOWMENTS**

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

At June 30, 2004, net appreciation of \$5,922 is available to be spent, which is restricted to specific purposes.

Funds are invested and spent according to the guidelines established by the Board of Regents, provided that the maximum spending shall not exceed 5% of the market value of program assets averaged for the previous five-year period and no more than 60% of the funds can be invested in equities.

**20. DEFERRED COMPENSATION PLAN**

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

**21. RELATED PARTY TRANSACTIONS**

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

**22. ALTERNATIVE FINANCING AGREEMENTS**

**Baton Rouge Community College (BRCC)**

On May 16, 2002, the Louisiana State Bond Commission approved the issuance of up to \$65,000,000 in bonds for the purpose of constructing and furnishing new campus buildings and for renovating existing buildings on property adjacent to the BRCC campus. In December 2002, the Louisiana Government Environmental Facilities and Community Development Authority issued \$55,000,000 in revenue bonds on behalf of the BRCC Facilities Corporation, a nonprofit organization. In December 2003, the Louisiana Local Government Environmental Facilities and Community Development Authority issued an additional \$10,000,000 in revenue bonds on behalf of the BRCC Facilities Corporation. Pursuant to the terms of a Ground Lease agreement, effective December 1, 2002, the corporation has leased the land from the Board of Supervisors of the System. The lease term expires on December 1, 2032. In accordance with the provisions of the facilities lease, the corporation, on behalf of the board, is developing and constructing new facilities that will be leased back to the board for use by the students, faculty, and staff of the community college.

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

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

**Bossier Parish Community College (BPCC)**

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

On December 4, 2003, Campus Facilities, Inc., entered into a leasing agreement for equipment in the amount of \$3,615,000 with Landmark Leasing whereby scheduled lease payments are made to Landmark Leasing beginning December 2003 and ending December 2005.

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

**South Louisiana Community College (SLCC)**

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

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

**23. SUBSEQUENT EVENTS**

On various dates during the year, the construction of a new central plant building, interior and exterior renovation of the Department of Public Safety headquarters, renovations and additions to the Office of Motor Vehicles building, construction of a new Learning Resource Center, and construction of a new science building commenced. The estimated cost for these projects is approximately \$45,825,000 of which \$23,290,000 was in progress at June 30, 2004.

Dedication of the new facilities for BPCC will be February 2, 2005. Scheduled completion of new facilities at SLCC is in late January 2005; however, the dedication has not yet been scheduled.

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**SCHEDULE OF PER DIEM PAID BOARD MEMBERS**

Schedule 1 presents the per diem paid board members for the year ended June 30, 2004. Louisiana Revised Statute 17:3206 provides that appointed members of the Board of Directors shall be entitled to \$50 per day for attendance at meetings of the board, meetings of committees appointed by the board on which the member serves, or while on business as assigned by and on behalf of the board. This schedule is prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

**COMBINING SCHEDULE OF NET ASSETS, BY COLLEGE**

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

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

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

**COMBINING SCHEDULE OF CASH FLOWS, BY COLLEGE**

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



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

**Schedule of Per Diem Paid Board Members  
For the Year Ended June 30, 2004**

	<u>NUMBER</u>	<u>AMOUNT</u>
Alexander, Charles J.	1	\$50
Andre, Alden	6	300
Barham, Erle	19	950
Chigbu, Gibson C.	6	300
Chissell, Tonya	2	100
Christopher, Dianne M.	5	250
Dejoie, Ava M.	17	850
Delaney, John	13	650
Franklin, Carl	18	900
Johnson, Kathy	64	3,200
Knapp, Ann H.	35	1,750
McCotter, J. Kevin	28	1,400
Mellington, Brett J.	16	800
Nealy, Angela	2	100
Packer, Jr., Daniel	3	150
Smith, Stephen	11	550
Stanley, Angela	6	300
Stone, Frederick M.	11	550
Trist, Nicholas P.	8	400
Washington, Cedric	7	350
Total		<u><u>\$13,900</u></u>

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

**Combining Schedule of Net Assets, by College  
June 30, 2004**

	Board of Supervisors of Community and Technical Colleges	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$2,521,180	\$7,910,814	\$4,812,844	\$10,931,531	\$677,595
Receivables, net	3,126,642	287,967	933,953	8,169,428	1,090,399
Due from Board Office		412,179	109,043	616,945	114,986
Due from state treasury	1,120,760	283,243			
Due from federal government	10,563,114	150,017	214,650	1,260,071	
Due from other campuses	23,724				
Inventories			336,203		
Prepayments			8,391	75,999	98,540
Other current assets			46,964		
Total current assets	<u>17,355,420</u>	<u>9,044,220</u>	<u>6,462,048</u>	<u>21,053,974</u>	<u>1,981,520</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents		48,680,569	100,000		132,734
Investments			31,482,689	2,288,664	259,972
Notes receivable, net				22,435	
Capital assets, net	77,307	56,251,107	28,291,832	23,474,666	16,696,660
Other noncurrent assets		1,266,905	3,615,000		
Total noncurrent assets	<u>77,307</u>	<u>106,198,581</u>	<u>63,489,521</u>	<u>25,785,765</u>	<u>17,089,366</u>
Total assets	<u>17,432,727</u>	<u>115,242,801</u>	<u>69,951,569</u>	<u>46,839,739</u>	<u>19,070,886</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	11,123,252	4,585,581	4,580,965	3,064,140	674,393
Due to Board Office		617	216	19,280	636
Due to state treasury					6,273
Due to other campuses	4,069,474				
Deferred revenues		699,517	398,432	9,739,364	232,699
Amounts held in custody for others			45,175		2,774
Compensated absences payable	24,433	34,889	33,934	1,319,774	20,830
Capital lease obligations		1,487,000	1,458,000	75,000	
Bonds payable, net		197,402	(6,026)		
Other current liabilities		50,000		115,045	
Total current liabilities	<u>15,217,159</u>	<u>7,055,006</u>	<u>6,510,696</u>	<u>14,332,603</u>	<u>937,605</u>
Noncurrent liabilities:					
Compensated absences payable	404,593	715,414	1,065,785	2,666,852	780,588
Capital lease obligations		7,263,000	1,123,786	4,030,000	
Bonds payable, net		66,948,180	54,658,515		
Other noncurrent liabilities					3,439
Total noncurrent liabilities	<u>404,593</u>	<u>74,926,594</u>	<u>56,848,086</u>	<u>6,696,852</u>	<u>784,027</u>
Total liabilities	<u>15,621,752</u>	<u>81,981,600</u>	<u>63,358,782</u>	<u>21,029,455</u>	<u>1,721,632</u>

(Continued)

**Schedule 2**

L.E. Fletcher Technical Community College	Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total
\$541,906	\$176,620	\$3,515,278	\$220,013	\$535,757	(\$34,822)		\$31,808,716
337,425	201,479	5,948,737	28,264	1,046,356	359,850		21,530,500
19,866	40,820	2,552,364	12,478	141,309	49,484	(\$4,069,474)	
78,156			125,739		89,620		1,697,518
95,207		1,716,101	3,420		206,975	(1,719,693)	12,489,862
						(23,724)	
51,910	2,772	1,168,139			30,550		1,589,574
8,376	64,041	363,765	20,987		11,729		651,828
					21,138		68,102
<u>1,132,846</u>	<u>485,732</u>	<u>15,264,384</u>	<u>410,901</u>	<u>1,723,422</u>	<u>734,524</u>	<u>(5,812,891)</u>	<u>69,836,100</u>
	120,000	286,736		9,640,934			58,960,973
							34,031,325
							22,435
1,339,817	92,836	38,792,599	102,848	9,271,659	3,088,100		177,479,431
				393,439			5,275,344
<u>1,339,817</u>	<u>212,836</u>	<u>39,079,335</u>	<u>102,848</u>	<u>19,306,032</u>	<u>3,088,100</u>	<u>NONE</u>	<u>275,769,508</u>
<u>2,472,663</u>	<u>698,568</u>	<u>54,343,719</u>	<u>513,749</u>	<u>21,029,454</u>	<u>3,822,624</u>	<u>(5,812,891)</u>	<u>345,605,608</u>
135,114	197,656	4,146,374	165,321	2,228,001	234,281	(1,719,693)	29,415,385
	671		2,304			(23,724)	
1,780	935	35,753		115			44,856
						(4,069,474)	
147,669	79,236	698,820	51,170	90,909	102,287		12,240,103
1,041	315	173,501	1,516	6,597	11,995		242,914
43,980	7,549	594,437		16,653	31,064		2,127,543
							3,020,000
				(14,577)			176,799
		5,459					170,504
<u>329,584</u>	<u>286,362</u>	<u>5,654,344</u>	<u>220,311</u>	<u>2,327,698</u>	<u>379,627</u>	<u>(5,812,891)</u>	<u>47,438,104</u>
249,227	92,119	7,207,191	86,577	205,707	600,791		14,074,844
							12,416,786
				17,589,002			139,195,697
		125					3,564
<u>249,227</u>	<u>92,119</u>	<u>7,207,316</u>	<u>86,577</u>	<u>17,794,709</u>	<u>600,791</u>	<u>NONE</u>	<u>165,690,891</u>
<u>578,811</u>	<u>378,481</u>	<u>12,861,660</u>	<u>306,888</u>	<u>20,122,407</u>	<u>980,418</u>	<u>(5,812,891)</u>	<u>213,128,995</u>

**LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM**  
**STATE OF LOUISIANA**  
**Combining Schedule of Net Assets, by College, 2004**

	Board of Supervisors of Community and Technical Colleges	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$77,307	\$26,624,044	\$799,554	\$19,369,666	\$16,696,660
Restricted for:					
Nonexpendable			100,000	2,351,579	392,706
Expendable		774,125	2,069,202	466,649	177,460
Unrestricted	1,733,668	5,863,032	3,624,031	3,622,390	82,428
<b>Total net assets</b>	<b>\$1,810,975</b>	<b>\$33,261,201</b>	<b>\$6,592,787</b>	<b>\$25,810,284</b>	<b>\$17,349,254</b>

(Concluded)

L.E. Fletcher Technical Community College	Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total
\$1,339,817	\$92,836	\$38,792,599	\$102,848	\$571,680	\$3,088,100		\$107,555,111
	300,000	286,736	31,890				3,462,911
	63,362	4,248	72,123	311,514			3,938,683
554,035	(136,111)	2,398,476		23,853	(245,894)		17,519,908
<u>\$1,893,852</u>	<u>\$320,087</u>	<u>\$41,482,059</u>	<u>\$206,861</u>	<u>\$907,047</u>	<u>\$2,842,206</u>	<u>NONE</u>	<u>\$132,476,613</u>

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

**Combining Schedule of Revenues, Expenses, and  
Changes in Net Assets, by College  
For the Fiscal Year Ended June 30, 2004**

	Board of Supervisors of Community and Technical Colleges	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College
<b>OPERATING REVENUES</b>					
Student tuition and fees		\$7,375,744	\$6,605,492	\$31,961,948	\$3,480,960
Less scholarship allowances		(5,193,030)	(1,316,240)	(11,726,054)	(1,451,906)
Net student tuition and fees	NONE	2,182,714	5,289,252	20,235,894	2,029,054
Federal grants and contracts	\$26,300,845	5,455,931	5,483,265	28,022,995	5,514,750
State and local grants and contracts	174,710	1,537,482	3,723,511	2,142,766	304,692
Nongovernmental grants and contracts	145,460	25,728	371,346	1,572,214	
Sales and services of educational departments		68,244	224,431	1,915	47,399
Auxiliary enterprise revenues		189,777	1,529,618	579,653	72,074
Less scholarship allowances			(38,594)		
Net auxiliary enterprise revenues	NONE	189,777	1,491,024	579,653	72,074
Other operating revenues	1,471,144		115,899	284,052	309,690
Total operating revenues	28,092,159	9,459,876	16,698,728	52,839,489	8,277,659
<b>OPERATING EXPENSES</b>					
Educational and general:					
Instruction		6,570,328	9,806,143	43,547,321	3,799,076
Public service		297,955	3,897,017		
Academic support	25,329,834	1,614,043	2,288,052	3,876,642	1,080,885
Student services		1,805,597	4,999,233	7,854,017	1,722,379
Institutional support	6,831,583	4,851,555	2,825,631	5,826,150	2,285,265
Operations and maintenance of plant		1,476,763	1,045,814	8,238,531	1,738,611
Depreciation	37,007	1,065,042	235,577	1,616,961	504,267
Scholarships and fellowships			969,232	15,348,118	2,705,461
Auxiliary enterprises		(12,232)	1,676,868	799,372	181
Other operating expenses	52,154	206,258	154,217	94,029	110,122
Total operating expenses	32,250,578	17,875,309	27,897,784	87,201,141	13,946,247
<b>OPERATING LOSS</b>	(4,158,419)	(8,415,433)	(11,199,056)	(34,361,652)	(5,668,588)
<b>NONOPERATING REVENUES (Expenses)</b>					
State appropriations	3,468,610	9,850,265	11,450,873	33,973,264	4,868,274
Gifts				20,542	1,500
Investment income (loss)	92,721	70,230	(364,457)	406,893	8,616
Interest expense		(71,284)		(244,158)	
Other nonoperating revenues (expenses)			12,717	689,948	
Net nonoperating revenues (expenses)	3,561,331	9,849,211	11,099,133	34,846,489	4,878,390

(Continued)

**Schedule 3**

L.E. Fletcher Technical Community College	Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total
\$715,626 (86,050)	\$951,295 (153,847)	\$12,971,226 (7,495,148)	\$968,113 (213,314)	\$2,644,099 (201,960)	\$1,263,210 (229,035)		\$68,937,713 (28,066,584)
629,576	797,448	5,476,078	754,799	2,442,139	1,034,175	NONE	40,871,129
997,168	196,691	36,181,775	323,070	1,602,411	520,234	(\$9,557,565)	101,041,570
1,163,175	336,457	9,048,142	494,516	518,508	520,478		19,964,437
		157,147					2,271,895
31,276		1,346,443		1,577	72,457		1,793,742
165,531 (14,760)		2,570,101	3,716	25,525			5,135,995 (53,354)
150,771	NONE	2,570,101	3,716	25,525	NONE	NONE	5,082,641
136,944		1,760,709		173,167	316,986	(1,471,144)	3,097,447
3,108,910	1,330,596	56,540,395	1,576,101	4,763,327	2,464,330	(11,028,709)	174,122,861
3,138,612	1,097,963	57,851,518	1,239,052	2,740,730	5,284,683		135,075,426
							4,194,972
179,977	289,220	1,573,272	325,227	703,841	229,212	(9,557,565)	27,932,640
550,131	466,030	9,041,062	544,104	631,983	486,419		28,100,955
949,769	1,172,390	30,051,901	1,055,324	1,396,847	1,736,746	(1,471,144)	57,512,017
187,358	442,704	9,900,674	347,312	687,152	713,914		24,778,833
113,503	45,202	4,121,929	29,910	137,429	210,464		8,117,291
338,647		16,246,319		774,175	119,055		36,501,007
166,988		2,912,686					5,543,863
	25,248	546,055	8,110	12,754			1,208,947
5,624,985	3,538,757	132,245,416	3,549,039	7,084,911	8,780,493	(11,028,709)	328,965,951
(2,516,075)	(2,208,161)	(75,705,021)	(1,972,938)	(2,321,584)	(6,316,163)	NONE	(154,843,090)
2,952,214	2,257,469	73,741,229	1,986,827	2,914,971	6,249,401		153,713,397
11,920		208,817		1,500	17,350		261,629
	1,572	(2,153)	591	2,664	428		217,105
	(935)		21,904				(315,442)
2,964,134	2,258,106	73,947,893	2,009,322	2,919,135	6,267,179	NONE	723,634
							154,600,323

**LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Revenues, Expenses,  
and Changes in Net Assets, by College, 2004**

	Board of Supervisors of Community and Technical Colleges	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College
<b>INCOME (Loss) BEFORE OTHER REVENUES AND EXPENSES</b>	(\$597,088)	\$1,433,778	(\$99,923)	\$484,837	(\$790,198)
Capital appropriations		4,148,599	2,500,000	1,287,578	
Capital grants and gifts			272,011		
Additions to permanent endowment					3,844
Other additions					1,575,492
<b>CHANGE IN NET ASSETS</b>	(597,088)	5,582,377	2,672,088	1,772,415	789,138
<b>NET ASSETS - BEGINNING OF YEAR (Restated)</b>	2,408,063	27,678,824	3,920,699	24,037,869	16,560,116
<b>NET ASSETS - END OF YEAR</b>	\$1,810,975	\$33,261,201	\$6,592,787	\$25,810,284	\$17,349,254

(Concluded)

L.E. Fletcher Technical Community College	Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total
\$448,059	\$49,945	(\$1,757,128)	\$36,384	\$597,551	(\$48,984)	NONE	(\$242,767)
		2,136,257			24,119		10,096,553
		66,965					338,976
	300,000	8,000					311,844
							1,575,492
448,059	349,945	454,094	36,384	597,551	(24,865)	NONE	12,080,098
1,445,793	(29,858)	41,027,965	170,477	309,496	2,867,071	NONE	120,396,515
\$1,893,852	\$320,087	\$41,482,059	\$206,861	\$907,047	\$2,842,206	NONE	\$132,476,613

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

**Combining Schedule of Cash Flows, by College  
For the Year Fiscal Ended June 30, 2004**

	Board of Supervisors of Community and Technical Colleges	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Tuition and fees		\$2,439,954	\$3,643,243	\$23,736,527	\$1,943,084
Grants and contracts	\$26,432,192	6,929,085	9,097,930	17,751,297	5,605,806
Payments to recipients	(22,470,241)				
Payments to suppliers	(5,632,253)	(5,138,872)	(9,007,014)	(18,487,016)	(2,226,280)
Payments for utilities		(811,299)	(50,804)	(1,631,307)	(318,419)
Payments to employees	(2,896,262)	(8,989,125)	(10,291,377)	(42,115,792)	(6,546,459)
Payments for benefits	(502,769)	(1,563,670)	(3,190,310)	(9,031,814)	(1,797,119)
Payments for scholarships and fellowships			(2,697,937)		(2,705,461)
Auxiliary enterprise charges			1,497,475	579,653	72,074
Sales and services of educational departments			215,668	1,915	47,399
Other receipts	1,471,146	179,067	743,541	284,052	309,690
Net cash used by operating activities	(3,598,187)	(6,954,860)	(10,039,585)	(28,912,485)	(5,615,685)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
State appropriations	3,468,610	10,452,168	11,411,155	33,409,416	4,866,178
Gifts and grants for other than capital purposes				20,542	1,500
Private gifts for endowment purposes					3,845
TOPS receipts		208,910	245,298	550,911	39,639
TOPS disbursements		(208,910)	(245,298)	(589,865)	(39,639)
Direct lending receipts					3,494,448
Direct lending disbursements					(3,494,448)
Federal Family Education Loan Program receipts			6,470,909		
Federal Family Education Loan Program disbursements			(6,452,623)		
Other receipts (disbursements)			31,985	685,066	
Net cash provided by noncapital financing sources	3,468,610	10,452,168	11,461,426	34,076,070	4,871,523
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>					
Capital appropriations received		3,318,371	2,500,000	1,287,578	
Capital grants and gifts received			286,482		
Proceeds from capital debt		19,556,353	10,107,230		
Purchases of capital assets	(42,868)	(22,876,589)	(17,819,440)	(4,814,371)	(1,509,497)
Principal paid on capital debt and leases			(1,033,214)	(315,000)	
Interest paid on capital debt and leases		(3,055,947)	(2,410,510)	(245,768)	
Other receipts					1,575,492
Net cash provided (used) by capital financing activities	(42,868)	(3,057,812)	(8,369,452)	(4,087,561)	65,995

(Continued)

L.E. Fletcher Technical Community College	Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total
\$806,317	\$828,983	\$3,005,951	\$756,460	\$2,299,311	\$1,023,271		\$40,483,101
2,243,867	506,665	45,556,084	692,996	1,366,845	1,194,606	(\$9,557,565)	107,819,808
						9,557,565	(12,912,676)
(2,090,056)	(1,022,884)	(27,385,115)	(1,060,325)	(911,563)	(2,805,141)		(75,766,519)
(124,827)	(34,435)	(3,348,932)	(80,780)	(58,248)	(24,666)		(6,483,717)
(2,282,203)	(2,009,673)	(60,982,668)	(1,750,983)	(2,990,106)	(4,340,670)		(145,195,318)
(626,824)	(385,187)	(16,085,143)	(346,701)	(551,689)	(1,248,805)		(35,330,031)
(338,647)		(16,265,880)		(579,463)	(119,055)		(22,706,443)
150,771		2,702,943	3,716	25,525			5,032,157
14,188		1,346,443		1,577	62,255		1,689,445
136,944	187	1,760,709		173,167	316,986		5,375,489
(2,110,470)	(2,116,344)	(69,695,608)	(1,785,617)	(1,224,644)	(5,941,219)	NONE	(137,994,704)
2,880,039	2,257,469	73,304,484	1,858,409	3,104,668	6,161,438		153,174,034
11,920		208,817	22,496	1,500	17,350		284,125
	120,000	8,000					131,845
2,014		79,742	71,936	19,225	23,009		1,240,684
(2,014)		(79,742)	(71,936)	(19,225)	(23,009)		(1,279,638)
434,425							3,928,873
(434,425)							(3,928,873)
							6,470,909
							(6,452,623)
	(59,129)						657,922
2,891,959	2,318,340	73,521,301	1,880,905	3,106,168	6,178,788	NONE	154,227,258
		10,000			24,119		7,140,068
							286,482
							29,663,583
(204,389)		(1,377,238)		(7,406,356)	(162,401)		(56,213,149)
				(265,573)			(1,613,787)
				(760,270)			(6,472,495)
							1,575,492
(204,389)	NONE	(1,367,238)	NONE	(8,432,199)	(138,282)	NONE	(25,633,806)

**LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM**  
**STATE OF LOUISIANA**  
**Combining Statement of Cash Flows, by College, 2004**

	Board of Supervisors of Community and Technical Colleges	Baton Rouge Community College	Bossier Parish Community College	Delgado Community College	Elaine P. Nunez Community College
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Sales and maturities of investments			\$19,768,805		
Purchase of investments			(11,657,626)	(\$135,950)	
Interest received on investments	\$92,721	\$758,086	20,436	431,902	\$910
Net cash provided by investing activities	<u>92,721</u>	<u>758,086</u>	<u>8,131,615</u>	<u>295,952</u>	<u>910</u>
Net increase (decrease) in cash and cash equivalents	(79,724)	1,197,582	1,184,004	1,371,976	(677,257)
Cash and cash equivalents at beginning of the year, restated for prior period adjustment	<u>2,600,904</u>	<u>55,393,801</u>	<u>3,728,840</u>	<u>9,559,555</u>	<u>1,487,586</u>
Cash and cash equivalents at end of the year	<u><u>\$2,521,180</u></u>	<u><u>\$56,591,383</u></u>	<u><u>\$4,912,844</u></u>	<u><u>\$10,931,531</u></u>	<u><u>\$810,329</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>					
Operating loss	(\$4,158,419)	(\$8,415,433)	(\$11,199,056)	(\$34,361,652)	(\$5,668,588)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	37,007	1,065,042	235,577	1,616,961	504,267
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	3,906,124	(241,989)	323,399	1,249,223	(238,748)
(Increase) decrease in inventories			21,770		
(Increase) decrease in prepaid expenses	100		1,158	(55,290)	(86,089)
(Increase) in other assets			(46,964)		
Increase (decrease) in accounts payable	(3,373,154)	109,889	521,750	(1,239,679)	(337,984)
Increase in deferred revenue		330,219	39,894	3,617,345	101,335
Increase (decrease) in amounts held in custody for others		(8,845)	(1,500)		
Increase (decrease) in compensated absences	52,155	206,257	64,557	236,762	110,122
Increase (decrease) in other liabilities	(62,000)		(170)	23,845	
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>(\$3,598,187)</u></u>	<u><u>(\$6,954,860)</u></u>	<u><u>(\$10,039,585)</u></u>	<u><u>(\$28,912,485)</u></u>	<u><u>(\$5,615,685)</u></u>
<b>Noncash Transactions</b>					
Loss on disposal of assets				\$25,009	
Capital appropriations for construction of buildings		\$830,229			

(Concluded)

L.E. Fletcher Technical Community College	Louisiana Delta Community College	Louisiana Technical College	River Parishes Community College	South Louisiana Community College	Sowela Technical Community College	System Eliminating Entries	Total
							\$19,768,805
							(11,793,576)
	\$1,573	\$1,928		\$2,664	\$428		1,310,648
NONE	1,573	1,928	NONE	2,664	428	NONE	9,285,877
\$577,100	203,569	2,460,383	\$95,288	(6,548,011)	99,715	NONE	(115,375)
(35,194)	93,051	1,341,631	124,725	16,724,702	(134,537)	NONE	90,885,064
\$541,906	\$296,620	\$3,802,014	\$220,013	\$10,176,691	(\$34,822)	NONE	\$90,769,689
(\$2,516,075)	(\$2,208,161)	(\$75,705,021)	(\$1,972,938)	(\$2,321,584)	(\$6,316,163)		(\$154,843,090)
113,503	45,202	4,121,929	29,910	137,429	210,464		8,117,291
149,333	(32,724)	117,551	9,084	(956,714)	121,937		4,406,476
(17,088)	1,370	(92,147)			(10,202)		(96,297)
5,138	(64,041)	(309,208)	(2,624)		8,794		(502,062)
							(46,964)
7,729	79,226	1,468,283	127,269	1,881,068	10,623		(744,980)
106,450	38,795	179,801	14,940	14,238	36,215		4,479,232
573	(802)		632	4,438	(2,207)		(7,711)
39,967	24,791	518,643	8,110	16,481	(1,578)		1,276,267
		4,561			898		(32,866)
(\$2,110,470)	(\$2,116,344)	(\$69,695,608)	(\$1,785,617)	(\$1,224,644)	(\$5,941,219)	NONE	(\$137,994,704)
							\$25,009
		\$2,193,222					3,023,451

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**OTHER REPORT REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***

The following pages contain our 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.

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

OFFICE OF  
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January 18, 2005

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

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

We have audited the basic financial statements of the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 18, 2005. We did not audit the operations or financial statements of the SLCC Facilities Corporation for the South Louisiana Community College; the BRCC Facilities Corporation for the Baton Rouge Community College; or Campus Facilities, Inc., for the Bossier Parish Community College. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the SLCC Facilities Corporation, the BRCC Facilities Corporation, and Campus Facilities, Inc., is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Louisiana Community and Technical College System's internal control over financial reporting 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. However, we noted a matter described below involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Louisiana Community and Technical College System's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

### **Information Systems Control Weaknesses**

For the second consecutive year, the Louisiana Community and Technical College System (LCTCS) failed to maintain adequate control over the PeopleSoft information system. Good internal controls require proper planning and preparation to fully implement and maintain an information system to ensure the integrity of data entry, data processing, and financial reporting. In addition, good information technology (IT) controls require that users are assigned business-need-only access; physical access to the server room is restricted to those with a valid need; a system-wide disaster recovery/contingency plan is developed, implemented, and tested; centralized password rules are implemented and enforced; and a system-wide policy is adopted to clearly identify and designate IT responsibilities between the system office and its institutions.

When PeopleSoft was implemented in July 2002 for four community colleges and the Louisiana Technical College (LTC), it was intended to have a Student Administration System to be used for academic advising, admissions and recruitment, financial aid, student financials, and student records. Two years after implementation, the Student system is operational in only one community college. Other community colleges and the LTC rely on side systems to record and track student data/tuition. These side systems do not interface with PeopleSoft, which increases the risk of errors and misappropriation of assets.

For the second consecutive year, payroll is processed through a human resources module that does not have adequate system edits. It allows employees to earn negative leave balances rather than preventing the input of leave if a negative balance will result, and the PeopleSoft system continues to allow the accrual of leave for employees on leave without pay.

For the second consecutive year, LCTCS had the following general control weaknesses over PeopleSoft:

- Logical access was not assigned/restricted based on business-need only. As a result, unauthorized access or modification of information in the accounting system could occur.
- Physical access to the server room at the system office is not restricted to only those personnel whose jobs require such access.
- LCTCS does not have a formal disaster recovery plan.
- No centralized password rules are being enforced, such as minimum character length and set expiration dates.

In addition to the above, LCTCS management failed to design and implement a system-wide policy delineating institution and system office IT responsibilities. These responsibilities should be clearly defined and communicated through a formally adopted policy.

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## COMPLIANCE AND INTERNAL CONTROL REPORT

LCTCS did not dedicate the necessary resources or place sufficient emphasis on implementing and maintaining PeopleSoft to ensure that the system is functioning efficiently and effectively and that adequate resources are available to support user needs. Failure to adequately maintain PeopleSoft could result in inaccurate data and could place the state at risk for noncompliance with certain federal and state laws and regulations.

LCTCS management should dedicate the necessary resources and place sufficient emphasis on information system activities to ensure the integrity of data entry, data processing, and financial reporting. Management should ensure that users are assigned business-need-only access and that access is monitored on a regular basis; physical access to the server room is appropriately restricted; a system-wide disaster recovery/contingency plan is developed, implemented, and tested; centralized password rules are implemented and enforced; and a system-wide policy is adopted to clearly identify and designate IT responsibilities between the system office and its institutions. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described previously is a material weakness.

### **Compliance and Other Matters**

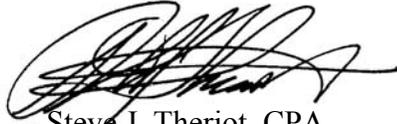
As part of obtaining reasonable assurance about whether the Louisiana Community and Technical College System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with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

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LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM \_\_\_\_\_

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", written over a horizontal line.

Steve J. Theriot, CPA  
Legislative Auditor

AD:BQD:THC:dl

LCTCS04

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

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# LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

*Changing Lives,  
Creating Futures*

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Louisiana  
Community  
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College System

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January 10, 2005

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

Dear Mr. Theriot:

Management of the Board of Supervisors of the Louisiana Community and Technical College System (LCTCS) concurs with the findings and recommendations related to Information System Control Weakness in the PeopleSoft Implementation.

### **Information System Control Weaknesses in PeopleSoft Implementation**

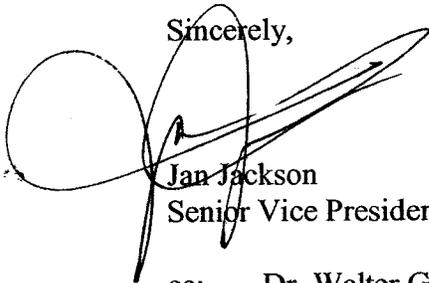
Although Management concurs with the overall finding, clarification and corrective action will be provided below for the concerns individually as expressed in this finding:

- Management controls security for access to PeopleSoft at the system level but cannot monitor password sharing or other sharing at the user level. Approval for access and verification of business need is required by the supervisor and official at the college level, prior to security access. A system security policy is in effect and monitoring at the user level is charged to the campuses.
- The human resources module in PeopleSoft allows employees to earn negative balances. However, manual procedures and controls for making corrections to the negative balances are in place and were provided to the colleges early in the implementation of PeopleSoft.
- During the fiscal year ended June 30, 2004, facility restrictions and environmental concerns prohibited server room security at the system office on Neosho. In the new facility on South Foster, the wiring was not completed at the time of the move and the contractor is finalizing necessary wiring requirements; however, within the next month, the server room will be moved to its planned location and restricted to only those personnel whose job requires such access.
- LCTCS is backing up tapes daily and contracting with Iron Mountain for pickup weekly for storage off-site in the Iron Mountain facility. With Iron Mountain as a backup, the LCTCS PeopleSoft application is protected. Staff has developed a draft disaster recovery plan.
- The current version of PeopleSoft does not allow automatic centralized password enforcement. Management will review a third party contractor to help implement centralized password rules for PeopleSoft until the implementation of Version 8.

- Management has met with the Division of Administration, Office of Information Technology regarding a request to fully fund the conversion to PeopleSoft Version 8. Until funds are identified to adequately provide IT infrastructure to support business operations for the new and growing system, management must prioritize what activities can be provided with available funds. If funds are identified, side systems, including student systems, will be eliminated and additional training will be available for staff.

The person responsible for corrective action is Mr. Charles Teamer. He can be contacted at 225.922.1169. Please let me know if you need further information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jan Jackson', written over the typed name.

Jan Jackson

Senior Vice President for Finance and Administration

cc: Dr. Walter G. Bumphus  
Mr. F. Howard Karlton, CPA  
Mr. Charles Teamer