

NORTHWEST LOUISIANA TECHNICAL COMMUNITY
COLLEGE

LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM

A COMPONENT UNIT OF THE
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2020
ISSUED NOVEMBER 22, 2021

**LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

November 16, 2021

Independent Auditor's Report

**NORTHWEST LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Minden, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Northwest Louisiana Technical Community College (College), a college within the Louisiana Community and Technical College System (System), a component unit of the state of Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1-B, the accompanying financial statements of the College are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the System that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of the System as of June 30, 2020, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 12, the Schedule of the College's Proportionate Share of the Net Pension Liability on page 43, the Schedule of the College's Contributions on page 43, and the Schedule of the College's Proportionate Share of the Total Collective OPEB Liability on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2021, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

KDN:CLL:BQD:EFS:aa

NWLTCC 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Northwest Louisiana Technical Community College's (College) financial performance presents a narrative overview and analysis of the College's financial activities for the year ended June 30, 2020. This document focuses on the current-year's activities, resulting changes, and currently-known facts in comparison with the prior-year's information. Please read this document in conjunction with the College's financial statements. **Amounts are presented in thousands unless otherwise noted.**

FINANCIAL HIGHLIGHTS

The College's net position increased from (\$14,813) to (\$11,817), or 20.2%, from July 1, 2019, to June 30, 2020. The overall reasons for this change included:

- Decrease in receivables, net of \$279
- Increase in due from Louisiana Community and Technical College System (LCTCS) of \$936
- Decrease in deferred outflows related to pensions of \$158
- Increase in deferred outflows related to Other Postemployment Benefits (OPEB) of \$125
- Increase in accounts payable of \$225
- Decrease in current portion of compensated absences payable of \$49
- Decrease in current portion of Total OPEB liability of \$27
- Increase in noncurrent portion of compensated absences payable of \$131
- Decrease in pension liability of \$206
- Decrease in noncurrent portion of Total OPEB liability of \$1,225
- Decrease in deferred inflows related to pensions of \$1,806
- Increase in deferred inflows related to OPEB of \$826

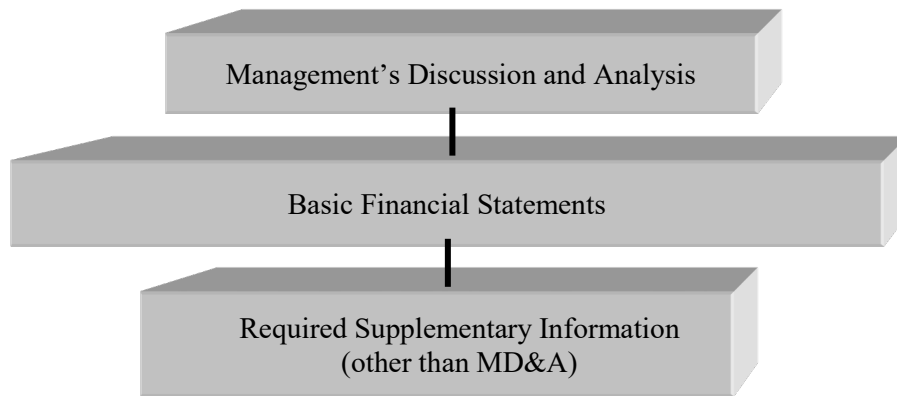
Enrollment changed from 1,611 to 1,627 from July 1, 2019, to June 30, 2020, an increase of 1.0%.

The College's operating revenues increased from \$1,773 to \$1,985, or 12.0%, from July 1, 2019, to June 30, 2020. Operating expenses increased by 12.2%, to \$8,777, for the year ended June 30, 2020. Increases in salaries and related benefits from faculty and staff salary adjustments to align with market costs is the primary reason for the increase in operating expenses.

Nonoperating revenues generally fluctuate depending upon the level of state appropriations and capital appropriations. The increase to \$9,788 in 2020 from \$7,562 in 2019 is mainly attributed to Coronavirus Aid, Relief, and Economic Security Act (CARES Act) revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



These financial statements consist of three sections – Management's Discussion and Analysis (this section), the basic financial statements (including the Notes to the Financial Statements), and Required Supplementary Information.

Basic Financial Statements

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

The Statement of Net Position (page 13) presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between assets plus deferred outflows and liabilities plus deferred inflows is net position and may provide a useful indicator of whether the financial position of the College is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (pages 14-15) presents information showing how the College's net position changed as a result of current-year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 16-17) presents information showing how the College's cash changed as a result of current-year operations. The Statement of Cash Flows is prepared using the

direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB Statement No. 34.

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

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

FINANCIAL ANALYSIS

Table A-1
Northwest Louisiana Technical Community College
Comparative Statement of Net Position
(in thousands of dollars)
For the Fiscal Years Ended June 30, 2020 and 2019

| | 2020 | 2019 (restated) | Variance | Percentage Change |
|--|-------------------|--------------------|----------------|----------------------|
| Assets: | | | | |
| Current and other assets | \$4,838 | \$3,700 | \$1,138 | 30.8% |
| Capital assets | 4,233 | 4,515 | (282) | (6.2%) |
| Total assets | 9,071 | 8,215 | 856 | 10.4% |
| Total deferred outflow of resources | 3,229 | 3,262 | (33) | (1.0%) |
| Total assets and deferred outflow of resources | <u>\$12,300</u> | <u>\$11,477</u> | <u>\$823</u> | 7.2% |
| Liabilities: | | | | |
| Current liabilities | \$1,386 | \$1,279 | \$107 | 8.4% |
| Long-term liabilities | 17,791 | 19,091 | (1,300) | (6.8%) |
| Total liabilities | 19,177 | 20,370 | (1,193) | (5.9%) |
| Total deferred inflows of resources | 4,940 | 5,920 | (980) | (16.6%) |
| Total liabilities and deferred inflow of resources | <u>\$24,117</u> | <u>\$26,290</u> | <u>(2,173)</u> | (8.3%) |
| Net Position: | | | | |
| Investment in capital assets | \$4,233 | \$4,515 | (\$282) | (6.2%) |
| Restricted | 1,927 | 1,785 | 142 | 8.0% |
| Unrestricted | (17,977) | (21,113) | 3,136 | 14.9% |
| Total net position | <u>(\$11,817)</u> | <u>(\$14,813)</u> | <u>\$2,996</u> | 20.2% |

This schedule is prepared from the College's Statement of Net Position as shown on page 13, which is presented on an accrual basis of accounting. Significant Statement of Net Position changes for 2020 include:

- Decrease in receivables, net of \$279
- Increase in due from Louisiana Community and Technical College System (LCTCS) of \$936
- Decrease in deferred outflows related to pensions of \$158
- Increase in deferred outflows related to Other Postemployment Benefits (OPEB) of \$125

- Increase in accounts payable of \$225
- Decrease in current portion of compensated absences payable of \$49
- Decrease in current portion of Total OPEB liability of \$27
- Increase in noncurrent portion of compensated absences payable of \$131
- Decrease in pension liability of \$206
- Decrease in noncurrent portion of Total OPEB liability of \$1,225
- Decrease in deferred inflows related to pensions of \$1,806
- Increase in deferred inflows related to OPEB of \$826

The 8.0% increase in restricted net position is due to the Cyber Smart Manufacturing Grant and the Rapid Responses Manufacturing Grant.

Net investment in capital assets consists of capital assets net of accumulated depreciation. Restricted net position represents those assets that are only available for spending on certain activities as a result of legislative requirements, or grant requirements. Conversely, unrestricted net position is the portion of net position that has no limitations on how these amounts may be spent.

Table A-2
Northwest Louisiana Technical Community College
Comparative Statement of Revenues, Expenses,
and Changes in Net Position
(in thousands of dollars)
For the Fiscal Years Ended June 30, 2020 and 2019

| | 2020 | 2019 (restated) | Variance | Percentage Change |
|---|-------------------|--------------------|----------------|----------------------|
| Operating revenues: | | | | |
| Student tuition and fees, net | \$842 | \$814 | \$28 | 3.4% |
| Grants and contracts | 1,120 | 935 | 185 | 19.8% |
| Sales and services of educational departments | 23 | 20 | 3 | 15.0% |
| Other | 4 | (4) | (4) | (100.0%) |
| Total operating revenues | <u>1,985</u> | <u>1,773</u> | <u>212</u> | 12.0% |
| Operating expenses: | | | | |
| Education and general: | | | | |
| Instruction | 2,814 | 3,121 | (307) | (9.8%) |
| Academic support | 147 | 165 | (18) | (10.9%) |
| Student services | 708 | 526 | 182 | 34.6% |
| Institutional support | 1,963 | 1,455 | 508 | 34.9% |
| Operations and maintenance of plant | 700 | 777 | (77) | (9.9%) |
| Depreciation | 305 | 307 | (2) | (0.7%) |
| Scholarships and fellowships | 1,898 | 1,265 | 633 | 50.0% |
| Other operating expenses | 242 | 208 | 34 | 16.3% |
| Total operating expenses | <u>8,777</u> | <u>7,824</u> | <u>953</u> | 12.2% |
| Operating loss | <u>(6,792)</u> | <u>(6,051)</u> | <u>(741)</u> | 12.2% |
| Nonoperating revenues: | | | | |
| State appropriations | 4,450 | 4,037 | 413 | 10.2% |
| Federal nonoperating revenues | 5,069 | 3,167 | 1,902 | 60.1% |
| Other nonoperating revenues | 269 | 358 | (89) | (24.9%) |
| Net nonoperating revenues | <u>9,788</u> | <u>7,562</u> | <u>2,226</u> | 29.4% |
| Gain before other revenues | 2,996 | 1,511 | 1,485 | 98.3% |
| Capital grants and gifts | 91 | (91) | (91) | (100.0%) |
| Total other revenues | <u>0</u> | <u>91</u> | <u>(91)</u> | (100.0%) |
| Change in net position | <u>2,996</u> | <u>1,602</u> | <u>1,394</u> | 87.0% |
| Net position, beginning of year, restated | <u>(14,813)</u> | <u>(16,415)</u> | <u>1,602</u> | 9.8% |
| Net position, end of year | <u>(\$11,817)</u> | <u>(\$14,813)</u> | <u>\$2,996</u> | 20.2% |

Nonoperating revenues increased by 29.4%, to \$9,788, which is primarily attributable to CARES Act revenues.

State appropriations increased from \$4,037 to \$4,450 partly due to the additional appropriation of \$230 earmarked for accreditation costs.

The College's operating revenues increased by \$212, or 12.0%, due primarily to increased net student tuition and fees, increased federal grants and contracts, and increased state and local grants and contracts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the College had invested approximately \$4,233 in capital assets, net of accumulated depreciation. This amount represents a net decrease (including additions and disposals, net of depreciation) of approximately \$282, or 6.2%, from the previous fiscal year. More detailed information about the College's capital assets is presented in note 4 to the financial statements.

Table A-3
Northwest Louisiana Technical Community College
Capital Assets, Net of Depreciation
(in thousands of dollars)
As of June 30, 2020 and 2019

| | 2020 | 2019 (restated) | Variance | Percentage Change |
|-----------------------|----------------|--------------------|----------------|----------------------|
| Land and improvements | \$1,933 | \$1,933 | \$0 | 0.0% |
| Buildings | 1,295 | 1,388 | (93) | (6.7%) |
| Equipment | 1,005 | 1,194 | (189) | (15.8%) |
| Total | \$4,233 | \$4,515 | (\$282) | (6.2%) |

This year's major deletions included (in thousands):

- Decrease due to building and equipment depreciation of \$305

Debt

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

- Changes in state appropriations and federal and state grants
- COVID-19 pandemic effects on the federal, state, and local economy
- The College seeking Southern Association of Colleges and Schools Commission on Colleges Candidacy
- Ability to offer general education curriculum due to transitioning to a technical community college.

**CONTACTING THE NORTHWEST LOUISIANA TECHNICAL
COMMUNITY COLLEGE'S MANAGEMENT**

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the College's finances and show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Earl Meador by email at earlmeador@nlcc.edu.

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

**Statement of Net Position
June 30, 2020**

ASSETS

Current assets:

| | |
|---|------------------|
| Cash (note 2) | \$2,998,189 |
| Receivables, net (note 3) | 276,320 |
| Due from federal government | 266,902 |
| Due from Louisiana Community and Technical College System (LCTCS) | 1,291,643 |
| Prepaid expenses and advances | 5,527 |
| Total current assets | 4,838,581 |

Noncurrent assets:

| | |
|--------------------------------|------------------|
| Capital assets, net (note 4) | 4,232,904 |
| Total noncurrent assets | 4,232,904 |
| Total assets | 9,071,485 |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|------------------|
| Deferred outflows related to pensions (note 6) | 2,187,530 |
| Deferred outflows related to other postemployment benefits (OPEB) (note 8) | 1,041,193 |
| Total deferred outflows of resources | 3,228,723 |

LIABILITIES

Current liabilities:

| | |
|--|------------------|
| Accounts payable and accruals (note 9) | 496,286 |
| Due to LCTCS | 63,440 |
| Unearned revenues (note 10) | 152,757 |
| Amounts held in custody for others | 73,120 |
| Compensated absences payable (notes 11 and 12) | 53,201 |
| OPEB liability (note 8) | 547,227 |
| Total current liabilities | 1,386,031 |

Noncurrent liabilities:

| | |
|--|-------------------|
| Compensated absences payable (notes 11 and 12) | 477,139 |
| Net pension liability (note 6) | 7,776,195 |
| OPEB liability (note 8) | 9,537,453 |
| Total noncurrent liabilities | 17,790,787 |
| Total liabilities | 19,176,818 |

DEFERRED INFLOWS OF RESOURCES

| | |
|---|------------------|
| Deferred inflows related to pensions (note 6) | 2,674,376 |
| Deferred inflows related to OPEB (note 8) | 2,265,981 |
| Total deferred inflows of resources | 4,940,357 |

NET POSITION

| | |
|-----------------------------------|-----------------------|
| Net investment in capital assets | 4,232,904 |
| Restricted - expendable (note 13) | 1,926,616 |
| Unrestricted | (17,976,487) |
| Total Net Position | (\$11,816,967) |

The accompanying notes are an integral part of this statement.

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

**Statement of Revenues, Expenses, and
Changes in Net Position
For the Year Ended June 30, 2020**

OPERATING REVENUES

| | |
|---|-------------------------|
| Student tuition and fees | \$3,102,802 |
| Less scholarship allowances | (2,260,484) |
| Net student tuition and fees | <u>842,318</u> |
| Federal grants and contracts | 863,702 |
| State and local grants and contracts | 256,105 |
| Sales and services of educational departments | <u>22,830</u> |
| Total operating revenues | <u><u>1,984,955</u></u> |

OPERATING EXPENSES

| | |
|-------------------------------------|-------------------------|
| Educational and general: | |
| Instruction | 2,814,190 |
| Academic support | 146,790 |
| Student services | 708,240 |
| Institutional support | 1,963,018 |
| Operations and maintenance of plant | 700,505 |
| Depreciation (note 4) | 304,800 |
| Scholarships and fellowships | 1,897,577 |
| Other operating expenses | <u>241,859</u> |
| Total operating expenses | <u><u>8,776,979</u></u> |

| | |
|-----------------------|---------------------------|
| OPERATING LOSS | <u><u>(6,792,024)</u></u> |
|-----------------------|---------------------------|

(Continued)

The accompanying notes are an integral part of this statement.

**NORTHWEST LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and
Changes in Net Position
For the Year Ended June 30, 2020**

| | |
|---|----------------------------------|
| NONOPERATING REVENUES | |
| State appropriations | \$4,449,542 |
| Federal nonoperating revenues | 3,316,295 |
| Coronavirus Aid, Relief, and Economic Security Act (CARES Act) revenues | 1,753,169 |
| Other nonoperating revenues | <u>268,579</u> |
| Net nonoperating revenues | <u><u>9,787,585</u></u> |
| INCREASE IN NET POSITION | 2,995,561 |
| NET POSITION AT BEGINNING OF YEAR (restated) (note 16) | <u>(14,812,528)</u> |
| NET POSITION AT END OF YEAR | <u><u>(\$11,816,967)</u></u> |

(Concluded)

The accompanying notes are an integral part of this statement.

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

**Statement of Cash Flows
For the Year Ended June 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|--------------------|
| Tuition and fees | \$1,072,218 |
| Grants and contracts | 1,103,839 |
| Sales and services of educational departments | 22,830 |
| Payments for employee compensation | (4,487,024) |
| Payments for benefits | (2,244,505) |
| Payments for utilities | (441,326) |
| Payments for supplies and services | (1,245,455) |
| Payments for scholarships and fellowships | (1,897,577) |
| Other payments | (191,797) |
| Net cash used by operating activities | <u>(8,308,797)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

| | |
|---|------------------|
| State appropriations | 4,211,848 |
| Gifts and grants for other than capital purposes | 3,758,359 |
| CARES Act receipts | 568,334 |
| Taylor Opportunity Program for Students (TOPS) receipts | 134,364 |
| TOPS disbursements | (134,364) |
| Other receipts | 14,606 |
| Net cash provided by noncapital financing activities | <u>8,553,147</u> |

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

| | |
|--|-----------------|
| Purchases of capital assets | (22,448) |
| Net cash used by capital financing activities | <u>(22,448)</u> |

(Continued)

The accompanying notes are an integral part of this statement.

**NORTHWEST LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2020**

| | |
|---|-----------------------------|
| NET INCREASE IN CASH | \$221,902 |
| CASH AT BEGINNING OF YEAR, Restated | <u>2,776,287</u> |
| CASH AT END OF YEAR | <u><u>\$2,998,189</u></u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: | |
| Operating loss | (\$6,792,024) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation expense | 304,800 |
| Nonemployer contributing entity revenue | 25,909 |
| Changes in assets and liabilities: | |
| Decrease in accounts receivables, net | 263,505 |
| Decrease in deferred outflows related to pensions | 157,630 |
| (Increase) in deferred outflows related to OPEB | (124,781) |
| Increase in accounts payable and accrued liabilities | 239,751 |
| (Decrease) in unearned revenue | (42,592) |
| Increase in amounts held in custody for others | 15,535 |
| Increase in compensated absences | 81,530 |
| (Decrease) in net pension liability | (205,805) |
| (Decrease) in Total OPEB liability | (1,252,119) |
| (Decrease) in deferred inflows related to pensions | (1,805,783) |
| Increase in deferred inflows related to OPEB | <u>825,647</u> |
| Net cash used by operating activities | <u><u>(\$8,308,797)</u></u> |

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

The College is comprised of three campuses located in Minden, Mansfield, and Shreveport, as well as three instructional service centers located in Minden, Shreveport, and Homer.

The College offers Associate of Applied Science degrees (AAS), Technical Diplomas (TD), Certificate of Technical Studies (CTS), and career and technical certificates (CTC).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

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

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

C. BASIS OF ACCOUNTING

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

D. CASH AND CASH EQUIVALENTS

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

The College may also invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The College considers certificates of deposit and all highly-liquid investments with an original maturity of three months or less to be cash equivalents. In addition, funds derived from endowments may be invested as stipulated by the conditions of the gift instrument.

E. INVENTORIES

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

F. CAPITAL ASSETS

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

G. UNEARNED REVENUES

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

H. NONCURRENT LIABILITIES

Noncurrent liabilities include amounts for accrued compensated absences, the College's proportionate shares of the Louisiana State Employees' Retirement System's (LASERS) and Teachers' Retirement System of Louisiana (TRSL) actuarially accrued net pension liability, the actuarially accrued liability for Other Postemployment Benefits, and other liabilities that will not be paid within the next fiscal year.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the LASERS and TRSL and additions to/deductions from each retirement system's fiduciary net position have been determined on the same basis as they are reported by the retirement system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Synthetic guaranteed investment contracts are reported at contract value. All other investments are reported at fair value.

I. COMPENSATED ABSENCES

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

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

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 classified employee's hourly rate of pay at termination or transfer.

J. NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. The College's net position is classified in the following components:

- (a) *Net Investment in capital assets* consists of the College's total investment in capital assets, net of accumulated depreciation. The College does not have any outstanding debt obligations related to capital assets.
- (c) *Restricted net position - expendable* consists of resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (d) *Unrestricted net position* consists of resources derived from student tuition and fees, and state appropriations. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

K. CLASSIFICATION OF REVENUES AND EXPENSES

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

- (a) *Operating revenue* includes activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship discounts and allowances; and most federal, state, and local grants and contracts.
- (b) *Nonoperating revenue* includes activities that have the characteristics of nonexchange transactions, such as state appropriations, certain federal revenues [Pell and Coronavirus Aid, Relief, and Economic Security Act (CARES) revenues], gifts and contributions, investment income, and grants that do not have the characteristics of exchange transactions.
- (c) *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.
- (d) *Nonoperating expenses* include transactions resulting from financing activities, capital acquisitions, and investing activities.

L. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

M. USE OF ESTIMATES

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

2. CASH AND CASH EQUIVALENTS:

At June 30, 2020, the College has cash (book balance) of \$2,998,189 as follows:

| | |
|-----------------|---------------------------|
| Petty cash | \$600 |
| Demand deposits | <u>2,997,589</u> |
| Total | <u><u>\$2,998,189</u></u> |

Cash is reported as follows on the Statement of Net Position:

| | |
|----------------|---------------------------|
| Current assets | <u>\$2,998,189</u> |
| Total | <u><u>\$2,998,189</u></u> |

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the College or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. As of June 30, 2020, the College has \$3,064,049 in deposits (collective bank balances) which are secured from risk by federal deposit insurance plus pledged securities.

3. RECEIVABLES

Receivables are shown on the Statement of Net Position, net of an allowance for doubtful accounts, at June 30, 2020. These receivables are composed of the following:

| | Receivables | Allowance for Doubtful Accounts | Receivables, Net |
|--|------------------|---------------------------------------|---------------------|
| Student tuition and fees | \$214,209 | \$14,915 | \$199,294 |
| State and private grants and contracts | 42,376 | NONE | 42,376 |
| Other | 34,650 | NONE | 34,650 |
| Total | <u>\$291,235</u> | <u>\$14,915</u> | <u>\$276,320</u> |

There is no noncurrent portion of receivables.

4. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2020, follows:

| | (Restated) Balance June 30, 2019 | Additions | Retirements | Balance June 30, 2020 |
|--|--|--------------------|-------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$1,933,112 | NONE | NONE | \$1,933,112 |
| Total capital assets not being depreciated | <u>\$1,933,112</u> | <u>NONE</u> | <u>NONE</u> | <u>\$1,933,112</u> |
| Other capital assets: | | | | |
| Buildings | \$8,289,712 | NONE | NONE | \$8,289,712 |
| Less accumulated depreciation | (6,901,542) | (92,901) | NONE | (6,994,443) |
| Total buildings | <u>1,388,170</u> | <u>(92,901)</u> | <u>NONE</u> | <u>1,295,269</u> |
| Equipment | 6,865,996 | 22,448 | (\$394,890) | 6,493,554 |
| Less accumulated depreciation | (5,672,022) | (211,899) | 394,890 | (5,489,031) |
| Total equipment | <u>1,193,974</u> | <u>(189,451)</u> | <u>0</u> | <u>1,004,523</u> |
| Total other capital assets | <u>\$2,582,144</u> | <u>(\$282,352)</u> | <u>\$0</u> | <u>\$2,299,792</u> |
| Capital asset summary: | | | | |
| Capital assets not being depreciated | \$1,933,112 | NONE | NONE | \$1,933,112 |
| Other capital assets, at cost | 15,155,708 | 22,448 | (\$394,890) | 14,783,266 |
| Total cost of capital assets | 17,088,820 | 22,448 | (394,890) | 16,716,378 |
| Less accumulated depreciation | (12,573,564) | (304,800) | 394,890 | (12,483,474) |
| Capital assets, net | <u>\$4,515,256</u> | <u>(\$282,352)</u> | <u>\$0</u> | <u>\$4,232,904</u> |

5. CAPITAL ASSETS HELD BY OTHERS

Construction for the expansion of the Minden campus was completed during fiscal year 2013. Construction of the Workforce Development Building at the Minden campus was completed during early fiscal year 2017. The College implemented Banner during fiscal years 2012 and 2013. The new construction and some of the Banner implementation costs were funded by bonds issued by LCTCS Facilities Corporation in accordance with Act 391 of the 2007 Regular Legislative Session and Act 360 of the 2013 Regular Legislative Session. The cost of construction of the facilities, along with the related bond debt, are recorded in the System's financial statements through the blending of the LCTCS Facilities Corporation with the System. The Banner asset will be capitalized by the System Board Office.

6. PENSION PLANS

General Information about the Pension Plans

Plan Descriptions

The College is a participating employer in two state public employee retirement systems, Louisiana State Employees' Retirement System (LASERS) and Teachers' Retirement System of Louisiana (TRSL). Both systems have separate boards of trustees and administer cost-sharing, multiple-employer defined benefit pension plans, including classes of employees with different benefits and contribution rates (sub-plans). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all sub-plans administered by these systems to the State Legislature. Each system issues a public report that includes financial statements and required supplementary information. Copies of these reports for LASERS and TRSL may be obtained at www.lasersonline.org and www.trsl.org, respectively.

TRSL also administers an optional retirement plan (ORP), which was created by Louisiana Revised Statute (R.S.) 11:921-931 for academic and administrative employees of public institutions of higher education and is considered a defined contribution plan (see note 7 below). A portion of the employer contributions for ORP plan members is dedicated to the unfunded accrued liability of the TRSL defined benefit plan.

LASERS Retirement Benefits

LASERS administers a plan to provide retirement, disability, and survivor benefits to eligible state employees and their beneficiaries as defined in R.S. 11:411-417. Act 992 of the 2010 Regular Legislative Session closed existing sub-plans for members hired before January 1, 2011, and created new sub-plans for regular members, hazardous duty members, and judges. Act 226 of the 2014 Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. The age and years of creditable service required for a member to receive retirement benefits are established by R.S. 11:441 and vary depending on the member's hire date, employer and job classification. The computation of retirement benefits is defined in R.S. 11:444.

The substantial majority of the College's members are regular plan members. Regular plan members hired prior to July 1, 2006, may retire with full benefits at any age upon completing 30 years of creditable service, at age 55 upon completing 25 years of creditable service, or at age 60 upon completing ten years of creditable service. Regular plan members hired from July 1, 2006, through June 30, 2015, may retire with full benefits at age 60 upon completing five years of creditable service. Regular plan members hired on or after July 1, 2015, may retire with full benefits at age 62 upon completing five years of creditable service. Additionally, all regular plan members may choose to retire with 20 years of creditable service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for regular plan members is equal to 2.5% of average compensation multiplied by the number of years of creditable service, generally not to exceed 100% of average compensation. Average compensation for regular plan members is defined in R.S. 11:403 as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006, or highest 60 consecutive months of employment for members employed on or after that date. A member leaving service before attaining minimum retirement age but after completing certain minimum service requirements, generally 10 years, becomes eligible for a benefit provided the member lives to the minimum service retirement age and does not withdraw the accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

Eligibility requirements and benefit computations for disability benefits are provided for in R.S. 11:461. Generally, active regular plan members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age. Upon reaching retirement age, the disability retiree may receive a regular retirement benefit by making application to the LASERS Board of Trustees.

Provisions for survivor benefits are provided for in R.S. 11:471-478. Under these statutes, the deceased regular plan member, hired before January 1, 2011, who was in state service at the time of death must have a minimum of five years of service, at least two of which were earned immediately prior to death, or who had a minimum of 20 years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18 or age 23 if the child remains a full-time student. The minimum service requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child. The deceased regular plan member, hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The minimum service credits for a surviving spouse include active service at the time of death and a minimum of ten years of service credit with two years being earned immediately prior to death, or a minimum of 20 years regardless of when earned. In addition, the deceased regular plan member's spouse must have been married for at least one year before death.

TRSL Retirement Benefits

TRSL administers a plan to provide retirement, disability, and survivor benefits to employees who meet the legal definition of a "teacher" as provided for in R.S. 11:701. Statutory changes closed

existing, and created new sub-plans for members hired on or after January 1, 2011. The age and years of creditable service required for a member to receive retirement benefits are established by R.S. 11:761 and vary depending on the member's hire date. The computation for retirement benefits is defined in R.S. 11:768.

Most of the TRSL members at the College are participants in the Regular Plan. In the regular plan, eligibility for retirement is determined by the date the member joined TRSL. Members hired prior to January 1, 2011, are eligible to receive retirement benefits (1) at the age of 60 with five years of service, (2) at the age of 55 with at least 25 years of service, or (3) at any age with at least 30 years of service. Members hired between January 1, 2011, and June 30, 2015, are eligible to retire at age 60 with five years of service. Members hired on or after July 1, 2015, are eligible to retire at age 62 with five years of service. All regular plan members are eligible to retire at any age with 20 years of service but the benefit is actuarially-reduced if the member is hired on or after July 1, 1999. Retirement benefits for regular plan members are calculated by applying a percentage ranging from 2% to 2.5% of final average compensation multiplied by years of creditable service. Average compensation is defined in R.S. 11:701 as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to January 1, 2011, or highest 60 consecutive months of employment for members employed on or after that date.

Under R.S. 11:778 and 11:779, members who have suffered a qualified disability are eligible for disability benefits if employed prior to January 1, 2011, and attained at least five years of service or if employed on or after January 1, 2011, and attained at least ten years of service. Members employed prior to January 1, 2011, receive disability benefits equal to 2.5% of average compensation multiplied by the years of service but not more than 50% of average compensation subject to statutory minimums. Members employed on or after January 1, 2011, receive disability benefits equivalent to the regular retirement formula without reduction by reason of age.

Survivor benefits are provided for in R.S. 11:762. In order for survivor benefits to be paid, the deceased member must have been in state service at the time of death and must have a minimum of five years of service, at least two of which were earned immediately prior to death, or must have had a minimum of 20 years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. The minimum service credit requirement is ten years for a surviving spouse with no minor children. Surviving spouse benefits are equal to 50% of the benefit to which the member would have been entitled if retired on the date of death using a factor of 2.5% regardless of years of service or age, or \$600 per month, whichever is greater. Benefits are payable to an unmarried child until age 21, or age 23 if the child remains a full-time student. Benefits are paid for life to a qualified handicapped child. Benefits are paid for life to a surviving spouse unless the deceased active member has less than 20 years of creditable service and the surviving spouse remarries before the age of 55.

Deferred Retirement Option Plan

Both LASERS and TRSL have established a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period up to three years. The election is irrevocable

once participation begins. During participation, benefits otherwise payable are fixed and deposited in an individual DROP account. Upon leaving DROP and terminating employment, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial lump-sum benefit option in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits.

Cost of Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS and TRSL allow for the payment of ad hoc permanent benefit increases, also known as cost of living adjustments (COLAs), which are funded through investment earnings when recommended by the retirement system board of trustees and approved by the Legislature. Both LASERS and TRSL have established an Experience Account to fund permanent benefit increases for retirees. These ad hoc COLAs are not considered substantively automatic.

Contributions

Employee contribution rates are established by R.S. 11:62. Employer contribution rates are established annually under R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the respective pension system actuary. Employer contribution rates are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Each LASERS and TRSL sub-plan pays a separate actuarially-determined employer contribution rate. However, all assets of the pension plan are used for the payment of benefits for all classes of members, regardless of their sub-plan membership. For those members participating in the TRSL defined contribution ORP, a portion of the employer contributions is used to fund the TRSL defined benefit plan's unfunded accrued liability.

Employer contributions to LASERS for fiscal year 2020 totaled \$182,557, with regular plan active member contributions ranging from 7.5% to 8%, and employer contributions of 40.7% of covered payroll. Employer defined benefit plan contributions to TRSL for fiscal year 2020 totaled \$935,885, with regular plan active member contributions of 8% and employer contributions of 22.2% for ORP members, and 25.3% to 26.0% for defined benefit plan members. Non-employer contributing entity contributions to TRSL, which are comprised of ad valorem tax revenue, totaled \$25,909 for fiscal year 2020, and were recognized as revenue in fiscal year 2020 by the College.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the College reported liabilities of \$1,481,585 and \$6,294,610 under LASERS and TRSL, respectively, for its proportionate share of the collective Net Pension Liability (NPL). The NPL for LASERS and TRSL was measured as of June 30, 2019, and the total pension liabilities used to calculate the NPL were determined by actuarial valuations as of that date. The

College's proportions of the NPL were based on projections of the College's long-term share of contributions to the pension plans relative to the projected contribution of all participating employers, actuarially determined. The College's projected contribution effort was calculated by multiplying the eligible annual compensation of active members in the Plan as of June 30, 2019, by the fiscal year 2020 actuarially required contribution rates. As of June 30, 2019, the most recent measurement date, the College's proportions and the changes in proportion from the prior measurement date were 0.02045%, or a decrease of 0.00007% for LASERS and 0.06342%, or a decrease of 0.00355% for TRSL.

For the year ended June 30, 2020, the College recognized a total pension expense (benefit) of (\$709,607), for defined benefit plans, or (\$418,249) and (\$291,358) for LASERS and TRSL, respectively. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | | Deferred Inflows of Resources | | |
|---|--------------------------------|--------------------|--------------------|-------------------------------|--------------------|--------------------|
| | LASERS | TRSL | Total | LASERS | TRSL | Total |
| Differences between expected and actual experience | \$9,097 | \$0 | \$9,097 | \$3,079 | \$196,709 | \$199,788 |
| Changes of assumptions | 12,696 | 447,496 | 460,192 | 0 | 0 | 0 |
| Net difference between projected and actual earnings on pension plan investments | 51,187 | 0 | 51,187 | 0 | 232,970 | 232,970 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,751 | 546,861 | 548,612 | 111,945 | 2,129,673 | 2,241,618 |
| Employer contributions subsequent to the measurement date | 182,557 | 935,885 | 1,118,442 | 0 | 0 | 0 |
| Total | \$257,288 | \$1,930,242 | \$2,187,530 | \$115,024 | \$2,559,352 | \$2,674,376 |

Deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the LASERS and TRSL NPL in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year</u> | <u>LASERS</u> | <u>TRSL</u> | <u>Total</u> |
|-------------|---------------|-------------|--------------|
| 2021 | (\$58,666) | (\$881,100) | (\$939,766) |
| 2022 | (14,897) | (809,028) | (823,925) |
| 2023 | 14,083 | 118,492 | 132,575 |
| 2024 | 19,187 | 6,641 | 25,828 |

Actuarial Assumptions and Methodologies

The total pension liabilities for LASERS and TRSL in the June 30, 2019, actuarial valuations were determined using the following actuarial assumptions and methodologies, applied to all periods included in the measurements:

| | LASERS | TRSL |
|---|--|--|
| Valuation Date | June 30, 2019 | June 30, 2019 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Amortization Approach | Closed | Closed |
| Expected Remaining Service Lives | 2 years | 5 years |
| Investment Rate of Return (discount rate) | 7.60% per annum, net of investment expense | 7.55% per annum, net of investment expense |
| Inflation Rate | 2.5% per annum | 2.5% per annum |
| Mortality Rates | <p>General active members: RP-2014 Blue Collar Employee tables, adjusted by 0.978 for males and 1.144 for females.</p> <p>General retiree/inactive members (males): RP-2014 Blue Collar Healthy Annuitant table, adjusted by 1.280</p> <p>General retiree/inactive members (females): RP-2014 White Collar Healthy Annuitant table, adjusted by 1.417</p> <p>Mortality assumptions for non-disabled members include improvement projected using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis.</p> <p>Disabled members: RP-2000 Disabled Retiree Mortality Table, adjusted by 1.009 for males and 1.043 for females, with no projection for improvement</p> | <p>Active members: RP-2014 White Collar Employee tables, adjusted by 1.010 for males and by 0.997 for females.</p> <p>Non-disabled inactive members: RP-2014 White Collar Healthy Annuitant tables, adjusted by 1.366 for males and by 1.189 for females</p> <p>Disabled inactive members: RP-2014 Disability tables, adjusted by 1.111 for males and by 1.134 for females</p> <p>Mortality base tables were adjusted from 2014 to 2018 using the MP-2017 generational improvement table, with continued future mortality improvement projected using the MP-2017 generational mortality improvement tables.</p> |
| Termination, Disability, Retirement | Termination, disability, and retirement assumptions were projected based on a five year (2014-2018) experience study of the plan's members. | Termination, disability, and retirement assumptions were projected based on a five year (July 1, 2012-June 30, 2017) experience study of the plan's members |
| Projected Salary Increases | Salary increases were projected based on a 2014-2018 experience study of the plan's members. The projected salary increase for regular plan members ranges from 3.2% to 13.0% depending on duration of service. | Salary increases were projected based on a July 1, 2012-June 30, 2017 experience study of the System's members. The projected salary increase for regular plan members ranges from 3.3% to 4.8% depending on duration of service. |
| Cost of Living Adjustments | Not substantively automatic | Not substantively automatic |

The projected benefit payments do not include provisions for potential future increases not yet authorized by the LASERS and TRSL Boards of Trustees as these ad hoc COLAs were deemed

not to be substantively automatic. However, the LASERS and TRSL assumptions include an adjustment to recognize that investment earnings will be allocated to the experience account to fund potential future increases.

The June 30, 2019, valuations include the following changes in assumptions:

- The LASERS and TRSL Boards adopted plans to gradually reduce the discount rate from 7.75% to 7.50% in 0.05% annual increments beginning July 1, 2017. The TRSL Board accelerated the discount rate reduction plan resulting in a reduction of the discount rate by 0.10% for the June 30, 2019, valuation. Therefore, the discount rate was reduced from 7.65% to 7.60% for the LASERS June 30, 2019, valuation and from 7.65% to 7.55% for the TRSL June 30, 2019, valuation. In fiscal year 2020, the TRSL Board accelerated the discount rate reduction plan again and a 7.45% rate was used to determine the projected actuarially required contribution rates for the 2020/2021 fiscal year.
- The LASERS termination, disability, retirement, inflation, mortality, salary increase, and expected remaining service lives assumptions and methods were updated to reflect the results of the most recent experience study of the plan's members observed for the period July 1, 2013, through June 30, 2018.

For LASERS and TRSL, the long-term expected rate of return for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adjusting for expected inflation of 2.5% and the effect of rebalancing/diversification. The resulting expected long-term nominal rate of return is 8.74%, and 8.48%, for LASERS and TRSL, respectively. The target allocation and best estimates of geometric/arithmetical real rates of return for each major asset class as of June 30, 2019, are summarized for each plan in the following table:

| | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------|--------------------------|---|
| LASERS (geometric) | | |
| Cash | 0.00% | 0.24% |
| Domestic equity | 23.00% | 4.83% |
| International equity | 32.00% | 5.83% |
| Domestic fixed income | 6.00% | 2.79% |
| International fixed income | 10.00% | 4.49% |
| Alternative investments | 22.00% | 8.32% |
| Risk Parity | 7.00% | 5.06% |
| Total | <u>100.00%</u> | 6.09% |
| TRSL (arithmetic) | | |
| Domestic equity | 27.00% | 4.60% |
| International equity | 19.00% | 5.70% |
| Domestic fixed income | 13.00% | 1.69% |
| International fixed income | 5.50% | 2.10% |
| Private Assets | 25.50% | 8.67% |
| Other Private Assets | 10.00% | 3.65% |
| Total | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 7.60%, and 7.55% for LASERS and TRSL, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially-determined rates approved by PRSAC, taking into consideration the recommendation of the respective pension system's actuary. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the NPL to changes in the discount rate.

The following chart presents the College's proportionate share of the NPL for LASERS and TRSL using the current discount rate, as well as what the College's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

| | 1.0% Decrease | Current Discount Rate | 1.0% Increase |
|--------|----------------|--------------------------|----------------|
| | (6.60%) LASERS | (7.60%) LASERS | (8.60%) LASERS |
| | (6.55%) TRSL | (7.55%) TRSL | (8.55%) TRSL |
| LASERS | \$1,869,949 | \$1,481,585 | \$1,153,547 |
| TRSL | \$8,379,027 | \$6,294,610 | \$4,537,765 |

Pension plan fiduciary net position.

Detailed information about LASERS and TRSL fiduciary net position is available in the separately-issued Comprehensive Annual Financial Reports at www.lasersonline.org and www.trsl.org, respectively.

Payables to the Pension Plan.

At June 30, 2020, the College had \$18,480 and \$102,350 in payables to LASERS and TRSL, respectively, for the June 2020 employee and employer legally-required contributions.

7. OPTIONAL RETIREMENT PLAN

TRSL administers an optional retirement plan (ORP), which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. 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 TRSL and purchase retirement and death benefits through fixed and/or variable annuity contracts provided by designated companies. Benefits payable to participants are not the obligation of the State of Louisiana or TRSL. Such benefits and other rights of the ORP are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

R.S. 11:927 sets the contribution requirements of the ORP plan members and the employer. Each plan member shall contribute monthly to the ORP an amount equal to the contribution rates established for the regular retirement plan of TRSL as disclosed in note 6. Effective July 1, 2018, the portion of the employer contribution to be transferred to the ORP participants' accounts (transfer amount) for employers at higher education institutions is established by board resolution at an amount equal to or greater than 6.2%. The transfer amount for employers at non-higher education institutions is the greater of: (1) the employer normal cost contribution for the TRSL Regular Plan; or (2) 6.2%. The amount must be set as a percentage of pay.

Employer ORP contributions to TRSL for fiscal year 2020 totaled \$48,632, which represents pension expense for the College. Employee contributions totaled \$13,706. The fiscal year 2020 employee and employer contribution rates were 8% and 6.2%, respectively, with an additional

employer contribution of 22.2% (shared UAL) made to the TRSL defined benefit plan described in note 6 above.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Benefits Provided

The Office of Group Benefits (OGB) administers the State of Louisiana Post-Retirement Benefits Plan – a multiple-employer defined-benefit other post-employment plan that is not administered as a formal trust. The plan provides medical, prescription drug, and life insurance benefits to retirees, disabled retirees, and their eligible beneficiaries through premium subsidies. Current employees, who participate in an OGB health plan while active, are eligible for plan benefits if they are enrolled in the OGB health plan immediately before the date of retirement and retire under one of the state sponsored retirement systems (Louisiana State Employees' Retirement System, Teachers' Retirement System of Louisiana, Louisiana School Employees' Retirement System, or Louisiana State Police Retirement System) or they retire from a participating employer that meets the qualifications in the Louisiana Administrative Code 32:3.303. Benefit provisions are established under R.S. 42:851 for health insurance benefits and R.S. 42:821 for life insurance benefits. The obligations of the plan members, employer(s), and other contributing entities to contribute to the plan are established or may be amended under the authority of R.S. 42:802.

Premium amounts vary depending on the health plan selected and if the retired member has Medicare coverage. OGB offers several different plan options for both active and retired employees. OGB offers to retirees under age 65 four self-insured healthcare plans and one fully insured plan. In addition, retired employees who have Medicare Part A and Part B coverage also have access to six fully-insured Medicare Advantage plans and an Individual Medicare Market Exchange plan that provides monthly health reimbursement arrangement credits.

Employer contributions are based on plan premiums and the employer contribution percentage. This percentage is based on the date of participation in an OGB plan (before or after January 1, 2002) and employee years of service at retirement. Employees who begin participation or rejoined the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65 who pay approximately 25% of the active employee cost). For employees who began participation or rejoined on or after January 1, 2002, the percentage of premiums contributed by the employer and retiree is based on the following schedule:

| OGB Participation | Employer Contribution Percentage | Retiree Contribution Percentage |
|-------------------|--|---------------------------------------|
| Under 10 years | 19% | 81% |
| 10-14 years | 38% | 62% |
| 15-19 years | 56% | 44% |
| 20+ years | 75% | 25% |

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retirees and spouses of retirees, subject to maximum values. Employers pay approximately 50% of monthly premiums for individual retirees. Life insurance amounts are reduced to 75% of the initial value at age 65 and to 50% of the original amount at age 70. The retiree is responsible for 100% of the premium for dependents and spousal coverage. Effective January 1, 2018, the total monthly premium for retirees varies according to age group.

Employer contributions for health premiums of retired employees for the fiscal year ended June 30, 2020, totaled \$547,227.

OGB does not issue a publicly-available financial report. However, the entity is included in the State of Louisiana's Comprehensive Annual Financial Report. You may obtain a copy of the report on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy

During fiscal year 2020, neither the College nor the state of Louisiana made contributions to a postemployment benefits plan trust. A trust was established but was not funded and has no accumulated assets that meet the criteria of paragraph 4 of GASB Statement 75. The plan is currently financed on a pay-as-you-go basis under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments due.

Total Collective OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the College reported a liability of \$10,084,680 for its proportionate share of the total collective OPEB liability of which \$547,227 is current and the remaining \$9,537,453 is noncurrent. The total collective OPEB liability was measured as of July 1, 2019, and was determined by an actuarial valuation as of that date.

The College's proportionate share percentage is based on the employer's individual OPEB actuarial accrued liability (AAL) in relation to the total OPEB AAL liability for all participating entities included in the state of Louisiana reporting entity. At July 1, 2019, the most recent measurement date, the College's current year proportion and the change in proportion from the prior measurement date was 0.1306%, or a decrease of 0.0022%.

For the year ended June 30, 2020, the College recognized total OPEB expense of (\$4,027) and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$121,948 | \$34,707 |
| Changes of assumptions or other inputs | 0 | 1,625,666 |
| Changes in employer's proportionate share | 0 | 605,608 |
| Difference between change in proportionate share of benefit payments and actual benefit payments | 372,018 | 0 |
| Benefit payments made subsequent to the measurement date | 547,227 | 0 |
| Total | <u>\$1,041,193</u> | <u>\$2,265,981</u> |

Deferred outflows of resources related to OPEB resulting from the College's benefit payments subsequent to the measurement date will be recognized as a reduction of the total collective OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30: | Net Amount Recognized in OPEB Expense |
|------------------------|---|
| 2021 | (\$628,266) |
| 2022 | (\$581,913) |
| 2023 | (\$415,699) |
| 2024 | (\$146,137) |

Actuarial Assumptions

The total collective OPEB liability in the July 1, 2019, actuarial valuation was determined using the following actuarial methods, assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Valuation Date | July 1, 2019 |
| Actuarial Cost Method | Entry Age Normal, level percent of pay |
| Inflation Rate | 2.80% |
| Salary Increase Rate | Consistent with the pension plans disclosed in note 6. |
| Discount Rate | 2.79% based on the June 30, 2019 S&P 20 year municipal bond index rate |
| Healthcare cost trend rates | 7.0% for pre-Medicare eligible employees decreasing by 0.25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2029; 5.5% for post-Medicare eligible employees, beginning in 2020-2021, decreasing 0.25% per year through 2024, to an ultimate rate of 4.5% for 2023-2024 and later years. The initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach which considers Consumer Price Index, Gross Domestic Product, and technology growth. |
| Health Care Claim Cost | Per capita costs for the self-insured plans were based on medical and prescription drug claims for retired participants for the period January 1, 2018 through December 31, 2019. The claims experience was trended to the valuation date. The last two months of claims experience was adjusted for incurred but not reported claims using completion factors based on prior year data. Per capita costs for the fully insured HMO and Medicare Advantage plans were based on calendar year 2020 premiums adjusted to the valuation date using the trend assumptions above. Per capita costs were adjusted for expected age-related differences in morbidity applicable to retirees, except for costs for the Via Benefits HRA plan, which provides a flat monthly subsidy. |
| Retirees' share of benefit-related costs | Baseline per capita costs (PCCs) were updated to reflect 2019 claims and enrollment and retiree contributions were updated based on 2020 premiums. The impact of the High Cost Excise Tax was removed. The High Cost Excise Tax was repealed in December 2019. |
| Age Related Morbidity | Per capita costs (PCCs) were adjusted to reflect expected cost differences due to age and gender. |
| Mortality rates | Assumptions are consistent with the pension plans disclosed in note 6. |

The average of the expected remaining service lives of all employees that are provided with benefits through the plan (active and inactive employees) determined at June 30, 2019, is 4.5 years.

The actuarial assumptions used by the pension plans covering the same participants were used for the retirement, termination, disability, and salary scale assumptions.

Changes of assumptions and other inputs from prior valuation include the following:

- The discount rate has been decreased from 2.98% to 2.79% since the previous valuation.
- Baseline per capita costs were updated to reflect 2019 claims and enrollment and retiree contributions were updated based on 2020 premiums.
- Life insurance contributions were updated based on updated schedules for 2020 monthly premium rates.
- The impact of the High Cost Excise tax was removed. The High Cost Excise Tax was repealed in December 2019.
- Demographic assumptions were revised for the Louisiana State Employees Retirement System to reflect the recent experience study.

Sensitivity of the proportionate share of the total collective OPEB liability to changes in the discount rate

The following chart presents the College's proportionate share of the total collective OPEB liability using the current discount rate, as well as what the College's proportionate share of the total collective OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

| | 1.0% Decrease (1.79%) | Current Discount Rate (2.79%) | 1.0% Increase (3.79%) |
|--|--------------------------|-------------------------------------|--------------------------|
| Proportionate Share of Total Collective OPEB Liability | <u>\$11,531,609</u> | <u>\$10,084,680</u> | <u>\$8,912,387</u> |

Sensitivity of the proportionate share of the total collective OPEB liability to changes in the healthcare cost trend rates

The following chart presents the College's proportionate share of the total collective OPEB liability using the current healthcare cost trend rates, as well as what the College's proportionate share of the total collective OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

| | 1.0% Decrease | Current Healthcare Cost Trend Rates | 1.0% Increase |
|--|-------------------------|---|-------------------------|
| Pre-65 Rates | 6.0% decreasing to 3.5% | 7.0% decreasing to 4.5% | 8.0% decreasing to 5.5% |
| Post-65 Rates | 4.5% decreasing to 3.5% | 5.5% decreasing to 4.5% | 6.5% decreasing to 5.5% |
| Proportionate Share of Total Collective OPEB Liability | \$8,982,979 | \$10,084,680 | \$11,452,503 |

Participation

The percentage of employees and their dependents who are eligible for early retiree benefits that will participate in the retiree medical plan is outlined in the table below. Active participants who have been covered continuously under the OGB medical plan since before January 1, 2002, are assumed to participate at a rate of 88%. This rate assumes that a one-time irrevocable election to participate is made at retirement.

| Years of Service | Participation Percentage |
|------------------|-----------------------------|
| <10 | 52% |
| 10 - 14 | 73% |
| 15 - 19 | 84% |
| 20+ | 88% |

Future retirees are assumed to participate in the life insurance benefit at a 52% rate and elect a total of \$45,000 in basic and supplemental life insurance coverage, before any age reductions. Spouses are assumed to elect \$2,000 of coverage.

The Schedule of the College's Proportionate Share of the Total Collective OPEB Liability is presented as required supplementary information following the Notes to the Financial Statements.

9. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accruals at June 30, 2020:

| | |
|-------------------------------|------------------|
| Accrued salaries and benefits | \$389,005 |
| Operating services | 67,142 |
| Professional Services | 6,794 |
| Supplies | 7,653 |
| Other changes | 25,692 |
| Total | <u>\$496,286</u> |

10. UNEARNED REVENUES

The following is a summary of unearned revenues at June 30, 2020:

| | |
|--------------------------|-------------------------|
| Prepaid tuition and fees | <u>\$152,757</u> |
| Total | <u><u>\$152,757</u></u> |

11. COMPENSATED ABSENCES

At June 30, 2020, employees of the College have accumulated and vested annual and sick leave of \$320,094 and \$210,246, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

12. LONG-TERM LIABILITIES

The following is a summary of long-term transactions of the College for the year ended June 30, 2020:

| | Balance June 30, 2019 | Additions | Reductions | Balance June 30, 2020 | Portion Due Within One Year |
|--|--------------------------|-------------------------|---------------------------|--------------------------|-----------------------------------|
| Compensated absences payable (note 11) | <u>\$448,810</u> | <u>\$224,353</u> | <u>(\$142,823)</u> | <u>\$530,340</u> | <u>\$53,201</u> |
| Total** | <u><u>\$448,810</u></u> | <u><u>\$224,353</u></u> | <u><u>(\$142,823)</u></u> | <u><u>\$530,340</u></u> | <u><u>\$53,201</u></u> |

**Information about changes in the net pension liability and the total OPEB liability are contained in notes 6 and 8, respectively.

13. RESTRICTED NET POSITION

The College has the following restricted net position at June 30, 2020:

| | |
|--------------------------|---------------------------|
| Expendable: | |
| Student Technology fee | \$872,268 |
| Building Use fee | 232 |
| Vehicle Registration fee | 155,923 |
| Academic Excellence fee | 154,906 |
| Grants and Contracts | <u>743,287</u> |
| Total expendable | <u><u>\$1,926,616</u></u> |

Of the total net position reported in the Statement of Net Position for the year ended June 30, 2020, \$1,183,329 is restricted by enabling legislation (which also includes a legally-enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation).

14. 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 (ORM), the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The College is not involved in any lawsuits at June 30, 2020, that are handled by contract attorneys. All other lawsuits are handled by either ORM or the Attorney General's office.

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

15. DEFERRED COMPENSATION PLAN

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

16. RESTATEMENT OF BEGINNING NET POSITION

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

| | |
|--|------------------------------|
| Net position at June 30, 2019 | (\$15,641,224) |
| Reclassifications and adjustments for prior-year errors: | |
| Cash adjustment | 35,156 |
| Accounts receivable adjustment | 3,763 |
| Capital assets adjustment | 706,011 |
| Accounts payable adjustment | 85,308 |
| Amounts held in custody of others adjustment | (1,420) |
| Due from federal government adjustment | (122) |
| | <hr/> |
| Net position at June 30, 2019, as restated | <u><u>(\$14,812,528)</u></u> |

The restatements increased the College's beginning net position by \$828,696. The restatements were due to corrections of errors. Had the error corrections affecting fiscal year 2019 been included in the June 30, 2019, Statement of Revenues, Expenses, and Changes in Net Position, the previously reported change in net position of \$1,594,908 would have been \$1,602,206.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the College's Proportionate Share of the Net Pension Liability

Schedule 1 presents the College's Net Pension Liability.

Schedule of the College's Contributions

Schedule 2 presents the amount of contributions the College made to pension systems.

Schedule of the College's Proportionate Share of the Total Collective OPEB Liability

Schedule 3 presents the College's Other Postemployment Benefits Plan.

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

**Schedules of Required Supplementary Information
Fiscal Year Ended June 30, 2020**

**Schedule of the College's Proportionate Share
of the Net Pension Liability** **Schedule 1**

| Fiscal Year* | College's proportion of the net pension liability (asset) | College's proportionate share of the net pension liability (asset) | College's covered payroll | College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---|--|---|---------------------------------|--|--|
| Louisiana State Employees' Retirement System | | | | | |
| 2015 | 0.04802% | \$3,002,566 | \$833,383 | 360% | 65.0% |
| 2016 | 0.04712% | \$3,204,647 | \$921,884 | 348% | 62.7% |
| 2017 | 0.04733% | \$3,716,357 | \$757,197 | 491% | 57.7% |
| 2018 | 0.02519% | \$1,773,222 | \$556,077 | 319% | 62.5% |
| 2019 | 0.02052% | \$1,399,585 | \$411,648 | 340% | 64.3% |
| 2020 | 0.02045% | \$1,481,585 | \$403,545 | 367% | 62.9% |
| Teachers' Retirement System of Louisiana | | | | | |
| 2015 | 0.10808% | \$11,047,224 | \$4,733,511 | 233% | 63.7% |
| 2016 | 0.10715% | \$11,520,528 | \$4,578,284 | 252% | 62.5% |
| 2017 | 0.09810% | \$11,513,515 | \$4,458,758 | 258% | 59.9% |
| 2018 | 0.06121% | \$6,274,764 | \$4,095,958 | 153% | 65.6% |
| 2019 | 0.06698% | \$6,582,415 | \$3,147,728 | 209% | 68.2% |
| 2020 | 0.06342% | \$6,294,610 | \$3,130,671 | 201% | 68.6% |

*Amounts presented were determined as of the measurement date (previous fiscal year-end).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the College's Contributions **Schedule 2**

| Fiscal Year* | (a) Statutorily- Required Contribution | (b) Contributions in relation to the statutorily- required contribution | (a-b) Contribution Deficiency (Excess) | College's covered payroll | Contributions as a percentage of covered payroll |
|---|---|---|--|---------------------------------|--|
| Louisiana State Employees' Retirement System | | | | | |
| 2015 | \$307,162 | \$307,162 | | \$921,884 | 33.3% |
| 2016 | \$280,322 | \$280,322 | | \$757,197 | 37.0% |
| 2017 | \$197,422 | \$197,422 | | \$556,077 | 35.5% |
| 2018 | \$154,957 | \$154,957 | | \$411,648 | 37.6% |
| 2019 | \$153,522 | \$153,522 | | \$403,545 | 38.0% |
| 2020 | \$182,557 | \$182,557 | | \$446,292 | 40.9% |
| Teachers' Retirement System of Louisiana | | | | | |
| 2015 | \$1,239,635 | \$1,239,635 | | \$4,578,284 | 27.1% |
| 2016 | \$1,142,447 | \$1,142,447 | | \$4,458,758 | 25.6% |
| 2017 | \$1,015,720 | \$1,015,720 | | \$4,095,958 | 24.8% |
| 2018 | \$808,868 | \$808,868 | | \$3,147,728 | 25.7% |
| 2019 | \$821,533 | \$821,533 | | \$3,130,671 | 26.2% |
| 2020 | \$935,885 | \$935,885 | | \$3,507,591 | 26.7% |

*Amounts presented were determined as of the end of the fiscal year.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information

Changes of Benefit Terms include:

LASERS

- 2015 (1) A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session, and,
2015 (2) Improved benefits for certain members employed by the Office of Adult Probation and Parole within the Department of Public Safety and Corrections as established by Act 852 of 2014.
2017 (3) A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session, and,
2017 (4) Added benefits for members of the Harbor Police Retirement System which was merged with LASERS effective July 1, 2015 by Act 648 of 2014.
2019 (5) Added survivor and disability benefits for members of the Hazardous Duty, Corrections Primary and Secondary, Wildlife, and Harbor Police sub-plans as a result of Acts 224 and 595 of the 2018 Regular Legislative Session.

TRSL

- 2015 (1) A 1.5% COLA, effective July 1, 2014, provided by Act 204 of the 2014 Louisiana Regular Legislative Session.
2016 (2) Regular plan members whose first employment makes them eligible for membership in a Louisiana state retirement system on or after July 1, 2015 may retire with a 2.5% benefit factor after attaining age 62 with at least 5 years of service credit and are eligible for an actuarially reduced benefit with 20 years of service at any age.
2017 (3) A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session.

Changes of Assumptions include:

LASERS

- 2018 (1) Effective July 1, 2017, the LASERS Board reduced the inflation assumption from 3.0% to 2.75%. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by .25% in the June 30, 2017 valuation.
2018 (2) Effective July 1, 2017, the projected contribution requirement includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016.
2018-2020 (3) Effective July 1, 2017, the LASERS board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017 valuation, to 7.65% for the June 30, 2018 valuation, and to 7.60% for the June 30, 2019 valuation.
2020 (4) Retirement, termination, disability, inflation, salary increase, and expected remaining service life assumptions and methods were updated with the June 30, 2019 valuation to reflect the results of the most recent experience study observed for the period July 1, 2013 - June 30, 2018.

TRSL

- 2018 (1) Effective July 1, 2017, the projected contribution requirement includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016.
(2) Effective July 1, 2017, the TRSL board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017 valuation and to 7.65% for the June 30, 2018 valuation. In fiscal year 2019, the TRSL Board of Trustees accelerated the rate reduction plan by one year. Therefore, the discount rate was reduced from 7.65% to 7.55% for the June 30, 2019 valuation.
2019 (3) Demographic, mortality, and salary increase assumptions were updated with the June 30, 2018 valuation to reflect the results of the most recent experience study observed for the period July 1, 2012 - June 30, 2017.

Changes to Covered Payroll:

- 2017 Due to the implementation of GASBS 82 in fiscal year 2017, prior amounts presented for covered payroll were restated to reflect payroll on which contributions are based.

Changes to Size or Composition of the Population:

- 2016 Factors that significantly affect trends in the amounts in the RSI include the implementation of staff attrition and hiring freeze at the College during fiscal year 2016.
2017 Factors that significantly affect trends in the amounts in the RSI include a reduction of force/layoff at the College which was implemented during fiscal year 2017.
2018 The Sabine Valley Campus and the Natchitoches campus realigned with the Central Louisiana Technical Community College during fiscal year 2018.
2020 Beginning in fiscal year 2020, the Louisiana Community and Technical College System began expensing the retirement benefits of its deferred pay employees as wages are earned versus expensing when those employees are paid over the summer months.

**Schedule of the College's Proportionate Share
of the Total Collective OPEB Liability
Fiscal Year Ended June 30, 2020**

| Fiscal Year* | College's proportion of the total collective OPEB liability | College's proportionate share of the total collective OPEB liability | College's covered-employee payroll | College's proportionate share of the total collective OPEB liability as a percentage of the covered-employee payroll |
|-----------------|--|---|--|--|
| 2017 | 0.1416% | \$12,849,307 | \$3,813,808 | 337% |
| 2018 | 0.1416% | \$12,308,037 | \$3,327,937 | 370% |
| 2019 | 0.1328% | \$11,336,799 | \$2,667,397 | 425% |
| 2020 | 0.1306% | \$10,084,680 | \$2,689,801 | 375% |

*Amounts presented were determined as of the measurement date (beginning of the fiscal year).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information

There were no assets accumulated in a trust that meets the criteria in GASB 75 paragraph 4 to pay related benefits.

Changes of Assumptions include:

The July 1, 2017 valuation reflects an increase in the discount rate from 2.71% as of July 1, 2016 to 3.13% as of July 1, 2017.

The July 1, 2018 valuation reflects the following changes of assumptions and other inputs:

- (1) decreased the discount rate from 3.13% to 2.98%,
- (2) the baseline per capita costs were adjusted to reflect 2018 claims and enrollment, retiree contributions were updated based on 2019 premiums, and the impact of the High Cost Excise Tax was revisited, reflecting updated plan premiums, and
- (3) the percentage of future retirees assumed to elect medical coverage was adjusted based on recent plan experience.

The July 1, 2019 valuation reflects the following changes of assumptions and other inputs:

- (1) decreased the discount rate from 2.98% to 2.79%.
- (2) the baseline per capita costs were adjusted to reflect 2019 claims and enrollment, retiree contributions were updated based on 2020 premiums, and life insurance contributions were updated to reflect 2020 premium schedules.
- (3) the impact of the High Cost Excise Tax was removed because the tax was repealed in December 2019.
- (4) the demographic assumptions for the LASERS plan were revised to reflect the recent experience study reflected in the June 30, 2019, pension valuation.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

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



LOUISIANA LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

November 16, 2021

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

Independent Auditor's Report

**NORTHWEST LOUISIANA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Minden, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Northwest Louisiana Technical Community College (College), a college within the Louisiana Community and Technical College System (System), a component unit of the state of Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 16, 2021. Our report was modified to include an emphasis of matter section regarding financial statement comparability.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we identified

certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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

We identified the following deficiencies in internal control that we consider to be material weaknesses.

Inaccurate Financial Reporting

The College did not have adequate internal controls to ensure that the annual fiscal report (AFR) was accurately prepared. Inadequate controls over the preparation of financial statements increase the risk of material misstatement and could result in inaccurate conclusions by users of those financial statements.

Based on our procedures, the following errors were identified in the College's AFR:

- Capital assets and the related note disclosure were understated by a net \$706,011 because of the following:
 - Two parcels of land were undervalued in the accounting records by \$830,613.
 - One parcel of land was overvalued in the accounting records by \$74,502.
 - Two parcels of land were sold but not removed from the accounting records, resulting in an overstatement of \$50,100.
 - Buildings and accumulated depreciation were overstated by \$138,852 because a fully-depreciated building was not removed from the accounting records.
- Receivables and the related note disclosure were overstated by a net \$302,025 as a result of the following:
 - Gross receivables were overstated by \$305,565 as a result of improperly recording Taylor Opportunity Program for Students awards in fiscal years 2016 through 2020.
 - Gross receivables were understated by erroneously recording \$3,540 student receivables in fiscal year 2021 rather than fiscal year 2020.
- Management was unable to provide support for the balances reported in the note disclosure, which had the following errors:
 - Gross student receivables and the related allowance for doubtful accounts were overstated by \$611,478 and \$342,453, respectively.
 - State and private grants and contracts were overstated by \$47,038.
 - Other receivables were understated by \$14,038.

- Accounts payable and accrued liabilities and the related note disclosure were overstated by \$131,289 because of the following:
 - Management incorrectly recorded accounts payable totaling \$81,000 for salaries paid by a third party.
 - Management incorrectly recorded \$35,530 in student payments on previously written off delinquent accounts as a negative asset, which was included in accounts payable for financial reporting.
 - Management incorrectly carried forward an unsupported payroll accrual, overstating accrued liabilities by \$13,339.
 - Management incorrectly recorded scholarship funds from a third-party payor totaling \$2,500 as accounts payable rather than amounts held in custody for others.
 - Management erroneously reduced accounts payable by \$1,080 for student fees collected on behalf of a vendor.
 - Management was unable to provide support for the amounts presented in the note disclosure, which had classification errors.
- Cash and cash equivalents and the related note disclosure were understated by \$119,454 because of the following:
 - Management understated cash by erroneously recording manual journal entries totaling \$85,271.
 - Management understated cash because the College did not reverse journal entries totaling \$28,065 posted during the testing phase of the Banner account system during fiscal year 2012.
 - Management understated cash by erroneously recording cash receipts totaling \$6,118 in fiscal year 2021 rather than fiscal year 2020.
- Net tuition and fee revenues were overstated by \$280,447 because management incorrectly recorded the reestablishment of bad debt in the Banner accounting system.
- Some of the errors noted above caused related adjustments to the Statement of Cash Flows, resulting in a net adjustment of \$119,454 to cash at the end of the year.
- Some of the errors noted above caused related adjustments to the restricted net position and the restatement of beginning net position note disclosures.

College personnel was not knowledgeable of the correct accounting entries to make in the Banner accounting system, and management did not analyze and adjust the accounting records before submitting its AFR to the System. Good internal control over financial reporting should include adequate procedures and oversight to record, process, and transmit financial data needed to prepare accurate and complete financial statements. In addition, controls should include a review process that will identify preparation errors and correct those errors before submitting the AFR to the System.

Management should ensure that accounting personnel are knowledgeable of the proper recording of accounting entries in the Banner accounting system. Management should also

strengthen the financial reporting process to include an analysis of all accounts and ensure necessary adjustments are made to reflect current, accurate financial information in its AFR. Management partially concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-3).

Inadequate Controls over the Assessment and Refunding of Student Tuition and Fees

The College did not maintain adequate controls over the assessment of certain student fees and refunding of student tuition and fees, resulting in overcharges and undercharges to students.

Our procedures disclosed the following:

- 657 students were overcharged \$16,675 and 188 students were undercharged \$3,760 during the Fall, Spring, and Summer 2020 semesters because five fee rates established for certain courses (automotive technology, diesel powered equipment, welding, and practical nursing) did not agree to the approval documentation.
- 23 students were overcharged \$2,410 during the Fall, Spring, and Summer 2020 semesters for two fees that were not reversed when the students dropped the associated courses during the refund period, but had not been provided the associated materials or assessment covered by the fee. These two fees were established to cover materials and assessments associated with certain courses and the College must perform a manual review of each student who withdraws from these courses to determine if they had been provided the materials or assessments prior to dropping the course. If not, the College should refund the related fee. Of the 23 students, 20 student accounts were adjusted after auditor's inquiry during the Spring 2021 semester.
- 73 students were overcharged \$4,380 during the Spring and Summer 2020 semesters for a fee that had been cancelled by the College due to the Coronavirus Pandemic when the associated course was offered remotely. The student accounts were adjusted after auditor's inquiry during the Spring 2021 semester.
- One student was overcharged \$60 during the Spring 2020 semester when a fee was incorrectly assessed twice on the student's account as the result of the student changing campuses. The student account was adjusted after auditor's inquiry during the Spring 2021 semester.

Additionally, the College did not ensure an adequate review was performed of the automatic refund rules for student tuition and fees set up in Banner for the Fall, Spring, and Summer 2020 semesters.

Good internal controls require that tuition and fee rates input in Banner are supported by approval documentation and that all fees are removed from student accounts when no longer applicable to the students, such as when students withdraw from associated courses. Good internal controls also require that college management have an adequate review

process in place to ensure accurate refund rules are set up in Banner. Management represented that the errors noted were due to undocumented revisions made by management for the automotive technology, diesel powered equipment, welding fees; management's decision to cover the excess costs for the practical nursing fee; disruption of daily operations as the result of the Coronavirus Pandemic; and that management had not implemented a review process to ensure the refund rules input in Banner agreed to its published refund policy.

Management should implement controls to ensure fees are entered based on the latest approved rates, that approval documentation is maintained to reflect the final approved fees, and that fees are timely removed from the students accounts when no longer applicable to the students. In addition, management should establish procedures to review the refund rules set up in Banner each semester to ensure refunds are issued in accordance with its refund policy. Any overcharged amounts should be credited to the student accounts or refunded to the students, and efforts should be made to collect undercharged accounts. Management partially concurred with the finding (see Appendix A, pages 4-5).

Inadequate Controls over the Banner System

The College granted its staff inappropriate access to the Banner student system (Banner) and did not close fiscal periods, increasing the risk of errors or fraud in a system that processed \$12 million in revenues and \$9 million in expenses during fiscal year 2020.

Our procedures revealed inappropriate access to Banner, as follows:

- One employee had the ability to create and edit tuition and fee tables and refund tables without a business need.
- Two employees had the ability to create and edit refund tables without a business need.
- Five employees had the ability to create and edit terms (the start and end dates of semesters), activate online assessments, and activate online registration within Banner without a business need.
- Seven employees had the ability to create and edit course level fees within Banner without a business need.

In addition, 12 fiscal periods (July 2019 through June 2020) remained open until February 11, 2021, when they were closed after auditor inquiry.

Good internal control requires the College to restrict access to those functions necessary for job duties and to timely close fiscal periods. Management represented that the deficiencies resulted from the lack of adequate monitoring of Banner access and lack of controls to timely close fiscal periods.

College management should establish written policies and procedures to monitor and restrict employees' access to those functions necessary for their job duties and to timely close fiscal periods. Management concurred in part with the finding and provided a plan of corrective action (see Appendix A, page 6).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We identified an issue in the Compliance and Other Matters section of this report regarding noncompliance with Unclaimed Property Regulations that is also a deficiency in internal control that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Noncompliance with Unclaimed Property Regulations

The College did not comply with state law [Louisiana Revised Statutes 9:154(A)(10) and 9:160] that requires the reporting and remittance of outstanding checks more than one year old to the State Treasurer as unclaimed property.

We noted 135 outstanding checks totaling \$35,862 dated from January 2008 through May 2019 that had not been evaluated for return to the federal grantor and/or State Treasurer as unclaimed property.

Management did not have policies or procedures in place to ensure outstanding checks are evaluated timely for return to the federal grantor and/or State Treasury as unclaimed property.

Management should develop policies and procedures and ensure outstanding checks are evaluated timely for return to the federal grantor and/or State Treasurer as unclaimed property. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 7).

College's Responses to the Findings

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Mike Waguespack', with a long horizontal flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

KDN:CLL:BQD:EFS:aa

NWLTCC 2020

APPENDIX A

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



November 1, 2021

Mr. Michael J. Waguespack, CPA
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Northwest Louisiana Technical Community College (NLTC) appreciates the opportunity to submit an official response to the Louisiana Legislative Auditor 's (LLA) reportable audit finding presented as result of an audit of NLTC's Fiscal Year 2020 Annual Financial Report. The college acknowledges receipt of your letter dated October 29, 2021.

The letter asserts that NLTC has inadequate internal controls to ensure that the annual fiscal report (AFR) was accurately prepared.

While NLTC acknowledges several audit adjustments to the FY 20 AFR beginning and ending balances were required, NLTC only partially concurs with the finding given the vast majority of adjustments were the result of correcting entries and Banner set up for transactions originally performed in FY 11 through FY 18.

- Capital Assets
 - The amounts contained within the college's Capital Asset workbooks for items 7-09-008-6; 7-09-008-9 and 709-008-7 were determined prior to Allen, Green & Williamson LLP performing compilations or maintaining the capital asset schedules. Documentation, provided prior to 2008, supporting these numbers is not available.
 - NLTC currently does not hold any land or buildings located in Springhill. The first tract of land, 1.21 acres, was sold in 1989, and the second, 0.79 acres which included a fully depreciated building, was sold in 2016. Documentation was obtained validating the removal of these properties on the Property Exposure Form. No records were available to confirm communication between NLTC and Allen, Green & Williamson LLP communicating the sale in 2016.
 - In an effort to ensure proper amounts were accurately reflected in future AFRs, the current Vice Chancellor of Finance and Administration worked with representatives from the Department of Administration Office of Risk Management, the Louisiana State Land Office, as well as the LCTCS Director of Operations, Risk & Emergency Management to obtain verification and documentation of current values, transfers, and sales of land and buildings. After lengthy research and communication, documents and findings were provided to LLA.

- Receivables and the related note disclosure
 - The current Vice Chancellor of Finance and Administration determined that detail codes for the Taylor Opportunity Program for Students (TOPS) were incorrectly set up within Banner in August 2015 causing TOPS expenses and revenues to post to 1411. Finance corrected the set-up, performed extensive reconciliation, and worked with the Finance and AR Receivable ERP Specialists to perform the necessary transactions to properly classify the payments. Currently, TOPS expenses are recorded to account 7806 and revenue to account 5823. At fiscal year close, the two are netted to 2921.
 - Document F0016841 was posted to Banner AR on 6/30/2020; however, it did not feed to Banner Finance until 7/1/2021 thus it was included in FY 21 as opposed to FY 20. Going forward, all sessions occurring on June 30th will be manually posted to finance to ensure inclusion in the correct fiscal year.
 - Gross student receivables and related allowance for doubtful accounts, state private grants and contracts, and other receivables were incorrectly stated as a result of the combination of the two above explanations in addition to applicable accounts being improperly categorized while producing Note D. Going forward NLTC has properly identified the correct categories for each account.

- Accounts Payable and Accrued Liabilities
 - This was a balance carried over from previous fiscal years which needed to be reclassified to reduce a salary expense per a MOU with Caddo Correctional Center.
 - Upon arrival in 2019 of the current Vice Chancellor of Finance, a review of Bad Debt Adjustment and Write-Off was performed. It was discovered that an overhaul of the previous methodology was needed, and corrective entries were required to address issues. Under the previous method, when a payment was received from the AG's office, the write off was reversed with the detail code posting to 1601. J0007077 and J0007078 were performed to correct the coding. This issue will not arise going forward since NLTC has implemented to AR Allowance Methodology.
 - J0007079, J0007085, and J0007084 were entered to resolve previous FY carryovers.

- Cash and Cash Equivalents
 - In preparing FY 20-year end entries, a keying error for JV 20AFR27R resulted in a JV being reversed in FY 20 as opposed to FY 21. Going forward, more attention will be paid to dates being entered during year end close. J0007054 and J0007055 were entered upon intense collaboration with the LCTCS system office and the Finance ERP Specialist to resolve FY 2011-2013 carry forward balances.
 - J0007058, J0007059, J0007217, J0007218, J0007242, and J0007374 were entered upon intense collaboration with the LCTCS system office and the Finance ERP Specialist to resolve FY 2011 unsubstantiated carry forward balances.
 - Document F0016841 was posted to Banner AR on 6/30/2020; however, it did not feed to Banner Finance until 7/1/2021 thus it was included in FY 21 as opposed to FY 20. Going forward, all sessions occurring on June 30th will be manually posted to finance to ensure inclusion in the correct fiscal year.

- Net Tuition and Fee Revenues

Upon arrival in December 2019 of the current Vice Chancellor of Finance, a review of Bad Debt Adjustment and Write-Off was performed. It was discovered that an overhaul of the previous methodology was required. As such in FY 19, NLTCC implemented the AR allowance methodology. To correct the previous terms, corrective entries required. As such, \$280,447.27 was reestablished of Bad Debt to AR (not a current write-off). Because this was a reestablishment of Bad Debt, a prior period adjustment should have been completed.

Although LLA performed a full scope audit of NLTCC'S FY 20 AFR, transactions dating back to FY 2011 were Included to verify FY 20 beginning balances. The vast majority of audit adjustments were the result of corrective action to transactions occurring prior to current NLTCC managements tenure - many of which required immense research and resources as documentation or rationale supporting the original entries was not available and/or processes have since changed. Of note, LLA has performed procedural audits as recently as Spring of 2019 with no findings.

The Vice Chancellor for Finance and Administration (VCFA) serves as NLTCC's Chief Financial Officer and oversees, manages, and is responsible for all fiscal operations of the college. In addition to the VCFA, a regional team, comprising of three employees, have the required education, qualifications, experience, and skills to complete duties and responsibilities required to support purchasing, accounts payable, accounts receivable, financial reporting, fiscal recordkeeping, grants management, check issuance, financial reconciliations, travel, and budgeting/forecasting.

Additionally, due to the limited personnel within the finance office, NLTCC contracts with Allen, Green & Williamson LLP to perform assistance with accounting and financial issues, perform complex calculations (Capital Asset Schedule, Compensated Absences, OPEB Calculations, Unearned Revenue, and Pension Liability, etc.), and compile and prepare NLTCC's annual AFRs in accordance with accounting principles.

Should additional information be needed pertaining to the college's response and corrective action, please do not hesitate to contact Melanie Sotak, Vice Chancellor of Finance and Administration at 318-371-3035 or via email at MelanieSotak@nlcc.edu.

Sincerely.



Earl Meador
Chancellor



LOUISIANA TECHNICAL COMMUNITY COLLEGE

August 26, 2021

Mr. Michael J. Waguespack, CPA
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Northwest Louisiana Technical Community College (NLTC) appreciates the opportunity to submit an official response to the Louisiana Legislative Auditor 's (LLA) reportable audit finding presented as result of an audit of NLTC's Fiscal Year 2020 Annual Financial Report. The college acknowledges receipt of your letter dated August 19, 2021.

The letter asserts that NLTC has inadequate controls over the assessment and refunding of Student Tuition and Fees. NLTC partially concurs with the finding and deems the small number of accounts affected as non-materialistic.

Beginning in the Fall of 2019 (202010), NLTC implemented program and course level fees to cover the costs of program and course consumables such as wires, grinding discs, metal, electrodes, wiring, conduit, vacutainer tubes, needles, tourniquets, alcohol wipes, syringes, iv catheters, iv start kits, diesel fuel, oxygen, food supplies, etc. This was done with the intention to:

- 1) allow students to use Financial Aid to cover costs historically paid out of pocket
- 2) provide instructors with a budget to acquire class/lab consumable supplies
- 3) ensure students have the basic supplies needed for proper instruction.

The new initiative was undertaken after numerous discussions amongst the NLTC Leadership team combined with the financial analysis of bookstore student purchases and funds used to secure supplies. A working master sheet was created by the Vice Chancellor of Finance as various amounts were considered based upon the specific needs of each program and course. As with any new program, several reiterations were considered, and revisions were made during the first year of implementation. Hence, the \$10- and \$5- variances among program fees are reflected when comparing the working master sheet and SFARGFE.

NLTC does not concur that students were overcharged as a result of this variance in that 100% of program and course fees are used for the classroom and student needs as outlined above. NLTC will document reconciliation and Chancellor level approval each term for auditing purposes.

In Fall of 2019 (202010), NLTC elected to include ATI acquisition costs as part of the fees Practical Nursing students were assessed. The college initially assessed each student \$215. The difference between the

assessment and the ATI billed amount of \$230 was provided by NLTC utilizing the colleges unrestricted non-HB-1 Funds.

As such, NLTC does not concur that students were undercharged for the ATI fee.

As with tuition and mandatory fees, program and course fees are only refundable through the 100% refund period. If a student withdraws after the college's official Show/No Show date or the student is DD'd (drop and deleted), manual interaction is required. Multiple reports are used and crossed referenced to ensure accounts are addressed timely. However, due to the college's multiple parts of terms and the fact that students who have been DD'd or withdrawn after the 100% withdrawal period are not reflected on reports timely intervention may be delayed.

NLTC did a detailed review of the 23 students listed as being overcharged and noted each account was addressed during Spring 2021.

Through Spring 2020 (202020), all students who were enrolled in a LEAD course was accessed a \$60 workkeys testing fee. LEAD students for Spring 2020 (202020) were correctly charged for the second 8-week session beginning March 23, 2020. Once it became clear Spring students would not return to campus to allow for the three-day testing, NLTC leadership made the decision to remove the fee. During the mandatory COVID quarantine, and subsequent hybrid working conditions, timely reversal of the fees was delayed.

NLTC is currently working with ERP to have a custom report written to identify all fees charged and the status of the student. This will be reviewed annually as part of year end close to ensure a student is properly credited when applicable.

As such, NLTC only partially concurs with the finding given all students that were identified have been addressed.

Should additional information be needed pertaining to the college's response and corrective action, please do not hesitate to contact Melanie Sotak, Vice Chancellor of Finance and Administration at 318-371-3035 or via email at MelanieSotak@nlcc.edu.

Sincerely,



Earl Meador
Chancellor

NORTHWEST

LOUISIANA TECHNICAL COMMUNITY COLLEGE

June 28, 2021

Mr. Michael J. Waguespack, CPA
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Northwest Louisiana Technical Community College (NLTC) appreciates the opportunity to submit an official response to the Louisiana Legislative Auditor 's (LLA) reportable audit finding presented as result of an audit of NLTC's Fiscal Year 2020 Annual Financial Report. The college acknowledges receipt of your letter dated June 21, 2021.

The letter asserts that has inadequate controls over the Banner System. NLTC concurs in part with the finding. While the access was granted to the identified staff, no evidence of error or fraud was associated with the access by these users.

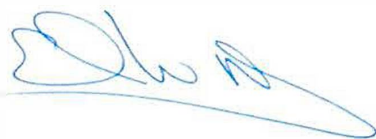
NLTC completed Banner Security Access forms to remove access not needed for the employees identified as part of their current routine duties. The college will review users' access as job duties, and thus access needed, is amended.

Annually, after the completing and submitting the college's AFR, the FGAYRLM form is used to close the previous fiscal year. At this point, no entries can be made by any user other than the Vice Chancellor of Finance and Administration. Moreover, the accrual period must be reopened.

At the request of the LLA team members, the college is now closing individual periods approximately 60 days after the period has concluded.

Should additional information be needed pertaining to the college's response and corrective action, please do not hesitate to contact Melanie Sotak, Vice Chancellor of Finance and Administration at 318-371-3035 or via email at MelanieSotak@nlcc.edu.

Sincerely,



Earl Meador
Chancellor

NORTHWEST

LOUISIANA TECHNICAL COMMUNITY COLLEGE

June 28, 2021

Mr. Michael J. Waguespack, CPA
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Northwest Louisiana Technical Community College (NLTC) appreciates the opportunity to submit an official response to the Louisiana Legislative Auditor's (LLA) reportable audit finding presented as result of an audit of NLTC's Fiscal Year 2020 Annual Financial Report. The college acknowledges receipt of your letter dated June 15, 2021.

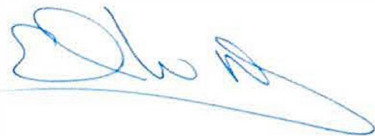
The letter asserts that NLTC did not comply with LA R.S. 9:154(A)(10) and 9:160 which requires compliance with unclaimed property regulations. NLTC concurs with the finding and has written and established NLTC Policy No. 5.028 Unclaimed Property.

NLTC will complete due diligence of applicable unclaimed property identified from January 2008, through May 2019, and submit the data through the secure portal to the Louisiana State Treasury office in the required NAUPA (National Association of Unclaimed Property Administrators) format.

Going forward, the college will annually submit unclaimed property for the previous fiscal year for applicable items dated July 1 through June 30.

Should additional information be needed pertaining to the college's response and corrective action, please do not hesitate to contact Melanie Sotak, Vice Chancellor of Finance and Administration at 318-371-3035 or via email at MelanieSotak@nlcc.edu.

Sincerely,



Earl Meador
Chancellor