

NORTHSHORE 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, 2018
ISSUED NOVEMBER 28, 2018

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 28, 2018

Independent Auditor's Report

**NORTHSHORE TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Lacombe, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Northshore 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, 2018, 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, 2018, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in note 6 to the financial statements, the net pension liability for the College was \$19,750,187 at June 30, 2018, as determined by the Louisiana State Employees' Retirement System (LASERS) and Teachers' Retirement System of Louisiana (TRSL). The related actuarial valuations were performed by LASERS' and TRSL's actuaries using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at June 30, 2018, could be under or overstated.

As discussed in notes 1-O and 8 to the financial statements, the College implemented Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – superseding portions of GASB Statement No. 45 and GASB Statement No. 57*, for the year ended June 30, 2018. The adoption of these standards required the College to record its proportionate share of other postemployment benefits related to its participation in a defined-benefit, multiple-employer other postemployment benefit plan, restating the previous year. As a result of the implementation, the College's net position decreased by \$4,742,580.

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, 2018, 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 the matters emphasized previously.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 12, the Schedule of the College's Proportionate Share of the Net Pension Liability on page 44, the Schedule of the College's Contributions on page 44, and the Schedule of the College's Proportionate Share of the Total Collective OPEB Liability on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 28, 2018, 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,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

KLD:CLL:BQD:EFS:aa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Northshore 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, 2018. 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 decreased from (\$15,013) to (\$17,670), or 17.7%, from July 1, 2017, to June 30, 2018. The overall reasons for this change included:

- Increase in cash and cash equivalents of \$1,509
- Increase in due from federal government of \$63
- Increase in capital assets of \$961
- Increase in deferred outflows related to pensions of \$1,770
- Increase in deferred outflows related to Other Postemployment Benefits (OPEB) of \$290 due to the implementation of GASB Statement No. 75
- Increase in accounts payable and accruals of \$205
- Increase in unearned revenues of \$167
- Increase in compensated absences payable of \$84
- Increase in Total OPEB liability of \$4,618 due to the implementation of GASB Statement No. 75
- Increase in pension liability of \$859
- Increase in deferred inflows related to pensions of \$793
- Increase in deferred inflows related to OPEB of \$583 due to the implementation of GASB Statement No. 75

Enrollment changed from 4,050 to 4,903 from July 1, 2017, to June 30, 2018, an increase of 21%. The reason for this change is attributed to enrollment growth in high-demand training programs such as construction, healthcare, and industrial training. In addition, it is attributed to

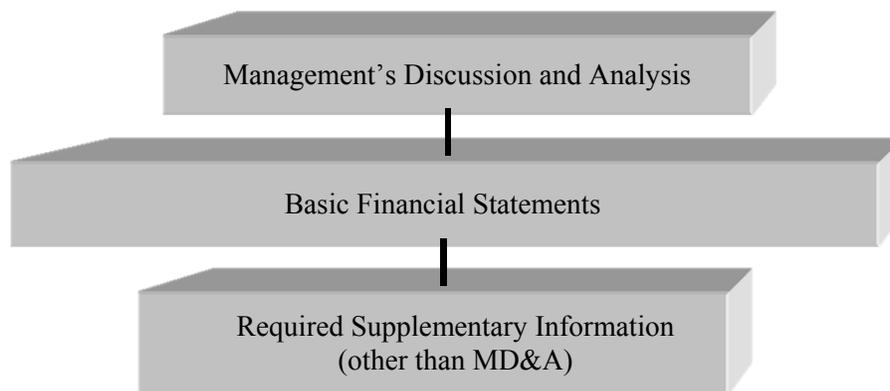
new course development and increases in secondary dual-enrollment training programs and increased enrollment in online courses.

The College's operating revenues increased from \$7,406 to \$8,169, or 10.3%, from July 1, 2017, to June 30, 2018. Operating expenses increased by 11.3% to \$20,227 for the year ended June 30, 2018. The change in enrollment as discussed previously and increases in net student tuition and fee revenues and federal grants and contracts are the primary reasons for this change.

Nonoperating revenues fluctuate depending upon the level of state appropriations and capital appropriations. The increase to \$13,250 in 2018 from \$11,385 in 2017 is attributed to increased Federal Pell Grant and state appropriations.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for special purpose governments engaged in business-type activities established by Government 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
Northshore Technical Community College
Comparative Statement of Net Position
(in thousands of dollars)
For the Fiscal Years Ended June 30, 2018 and 2017

	2018	*	Variance	Percentage Change
	<u>2018</u>	<u>2017</u>	<u>Variance</u>	<u>Percentage Change</u>
Assets:				
Current and other assets	\$6,871	\$5,256	\$1,615	30.7%
Capital assets	3,948	2,987	961	32.2%
Total assets	<u>10,819</u>	<u>8,243</u>	<u>2,576</u>	31.3%
Total deferred outflow of resources	<u>6,447</u>	<u>4,387</u>	<u>2,060</u>	47.0%
Total assets and deferred outflow of resources	<u><u>\$17,266</u></u>	<u><u>\$12,630</u></u>	<u><u>\$4,636</u></u>	36.7%
Liabilities:				
Current liabilities	\$1,540	\$1,191	\$349	29.3%
Long-term liabilities	31,436	25,868	5,568	21.5%
Total liabilities	<u>32,976</u>	<u>27,059</u>	<u>5,917</u>	21.9%
Total deferred inflows of resources	<u>1,960</u>	<u>584</u>	<u>1,376</u>	235.6%
Total liabilities and deferred inflow of resources	<u><u>\$34,936</u></u>	<u><u>\$27,643</u></u>	<u><u>\$7,293</u></u>	26.4%
Net Position:				
Investment in capital assets	\$3,948	\$2,987	\$961	32.2%
Restricted	3,405	2,385	1,020	42.8%
Unrestricted	<u>(25,023)</u>	<u>(20,385)</u>	<u>(4,638)</u>	(22.8%)
Total net position	<u><u>(\$17,670)</u></u>	<u><u>(\$15,013)</u></u>	<u><u>(\$2,657)</u></u>	(17.7%)

*Amounts for 2017 were not restated for GASB Statement No. 75 regarding OPEB. The restatement of the prior year was not practical.

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 2018 include:

- Increase in cash and cash equivalents of \$1,509
- Increase in due from federal government of \$63
- Increase in capital assets of \$961
- Increase in deferred outflows related to pensions of \$1,770

- Increase in deferred outflows related to OPEB of \$290 due to the implementation of GASB Statement No. 75
- Increase in accounts payable and accruals of \$205
- Increase in unearned revenues of \$167
- Increase in compensated absences payable of \$84
- Increase in Total OPEB liability of \$4,618 due to the implementation of GASB Statement No. 75
- Increase in pension liability of \$859
- Increase in deferred inflows related to pensions of \$793
- Increase in deferred inflows related to OPEB of \$583 due to the implementation of GASB Statement No. 75

The 42.8% increase in restricted net position is due to the College building reserves in the academic excellence fee, student technology fee and building use fee funds for future growth and capacity building opportunities.

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, donor agreements, or grant requirements. Conversely, unrestricted net position is the portion of net position that has no limitations on how these amounts may be spent.

Table A-2
Northshore Technical Community College
Comparative Statement of Revenues, Expenses,
and Changes in Net Position
(in thousands of dollars)
For the Fiscal Years Ended June 30, 2018 and 2017

	2018	* 2017	Variance	Percentage Change
Operating revenues:				
Student tuition and fees, net	\$6,027	\$5,469	\$558	10.2%
Grants and contracts	1,989	1,810	179	9.9%
Sales and services of educational departments	3	3	0	0.0%
Auxiliary enterprises, net	75	39	36	92.3%
Other	75	85	(10)	(11.8%)
Total operating revenues	<u>8,169</u>	<u>7,406</u>	<u>763</u>	10.3%
Operating expenses:				
Education and general:				
Instruction	8,594	7,753	841	10.8%
Academic support	1,687	1,678	9	0.5%
Student services	2,067	1,618	449	27.8%
Institutional support	3,359	3,155	204	6.5%
Operations and maintenance of plant	1,236	1,100	136	12.4%
Depreciation	262	218	44	20.2%
Scholarships and fellowships	2,479	2,225	254	11.4%
Auxiliary enterprises	74	38	36	94.7%
Other operating expenses	469	394	75	19.0%
Total operating expenses	<u>20,227</u>	<u>18,179</u>	<u>2,048</u>	11.3%
Operating loss	<u>(12,058)</u>	<u>(10,773)</u>	<u>(1,285)</u>	11.9%
Nonoperating revenues:				
State appropriations	5,622	5,164	458	8.9%
Gifts	1	3	(2)	(66.7%)
Federal nonoperating revenues	7,002	5,355	1,647	30.8%
Other nonoperating revenues	625	863	(238)	(27.6%)
Net nonoperating revenues	<u>13,250</u>	<u>11,385</u>	<u>1,865</u>	16.4%
Gain before other revenues	1,192	612	580	94.8%
Capital grants and gifts	834	0	834	100.0%
Additions to permanent endowment	60	40	20	50.0%
Total other revenues	<u>894</u>	<u>40</u>	<u>854</u>	2135.0%
Change in net position	<u>2,086</u>	<u>652</u>	<u>1,434</u>	219.9%
Net position, beginning of year	<u>(19,756)</u>	<u>(15,665)</u>	<u>(4,091)</u>	(26.1%)
Net position, end of year	<u>(\$17,670)</u>	<u>(\$15,013)</u>	<u>(\$2,657)</u>	(17.7%)

*Amounts for 2017 were not restated for GASB Statement No. 75 regarding OPEB. The restatement of the prior year was not practical.

Nonoperating revenues increased by 16.4% to \$13,250, which is primarily attributable to the increase in federal nonoperating revenues and state appropriations.

State appropriations increased from \$5,164 to \$5,622 due to an increase in funding related to the increase in enrollment.

The College's operating revenues increased by \$763, or 10.3%, due to increases in tuition and fees and increased federal grants and contracts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the College had invested approximately \$3,948 in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$961, or 32.2%, over the previous fiscal year. More detailed information about the College's capital assets is presented in note 4 to the financial statements.

Table A-3
Northshore Technical Community College
Capital Assets, Net of Depreciation
(in thousands of dollars)
As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Variance</u>	<u>Percentage Change</u>
Land and improvements	\$2,062	\$2,062	\$0	0.0%
Construction-in-progress	835	0	835	100.0%
Buildings	53	110	(57)	(51.8%)
Equipment	<u>998</u>	<u>815</u>	<u>183</u>	22.5%
Total	<u><u>\$3,948</u></u>	<u><u>\$2,987</u></u>	<u><u>\$961</u></u>	32.2%

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

- Increase in construction in progress for the Advanced Technology Center of \$835
- Increase in Lacombe and Sullivan Campuses equipment of \$264

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:

- Continued enrollment growth due to the Connect to Success transfer program with Southeastern Louisiana University
- Transfer pathways with other colleges will continue to drive enrollment increases in transfer students
- Increased participation in the Louisiana Department of Education's Jump Start initiative to expand dual enrollment
- Changes in state appropriations
- Completion of the Advanced Technology Center at the Lacombe Campus, a project through the Office of Facility Planning and Control and funded by a Federal Emergency Management Agency grant
- Future addition of a new Livingston Parish Community College Workforce Training Center in Livingston Parish funded by Act 360

**CONTACTING THE NORTSHORE 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 Marc Chauvin at mchauvin@NorthshoreCollege.edu.

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

**Statement of Net Position
June 30, 2018**

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$5,667,037
Receivables, net (note 3)	590,690
Due from federal government	225,618
Due from Louisiana Community and Technical College System (LCTCS)	198,741
Prepaid expenses and advances	48,603
Total current assets	<u>6,730,689</u>

Noncurrent assets:

Cash (note 2)	140,114
Capital assets, net (note 4)	3,947,755
Total noncurrent assets	<u>4,087,869</u>
Total assets	<u>10,818,558</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions (note 6)	6,156,818
Deferred outflows related to other postemployment benefits (OPEB) (note 8)	290,301
Total deferred outflows of resources	<u>6,447,119</u>

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 9)	970,596
Due to LCTCS	136,340
Unearned revenues (note 10)	364,039
Compensated absences payable (notes 11 and 12)	49,582
Amounts held in custody for others	19,678
Total current liabilities	<u>1,540,235</u>

Noncurrent liabilities:

Compensated absences payable (notes 11 and 12)	691,715
Net pension liability (note 6)	19,750,187
Total OPEB liability (note 8)	10,994,378
Total noncurrent liabilities	<u>31,436,280</u>
Total liabilities	<u>32,976,515</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions (note 6)	1,376,598
Deferred inflows related to OPEB (note 8)	582,920
Total deferred inflows of resources	<u>1,959,518</u>

NET POSITION

Net investment in capital assets	3,947,755
Restricted - nonexpendable (note 14)	140,000
Restricted - expendable (note 14)	3,265,268
Unrestricted	(25,023,379)
Total Net Position	<u>(\$17,670,356)</u>

The accompanying notes are an integral part of this statement.

**NORTHSHORE 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, 2018**

OPERATING REVENUES

Student tuition and fees	\$12,263,218
Less scholarship allowances	(6,236,612)
Net student tuition and fees	<u>6,026,606</u>
Federal grants and contracts	1,589,684
State and local grants and contracts	378,538
Nongovernmental grants and contracts	20,611
Sales and services of educational departments	2,835
Net auxiliary revenue	75,500
Other operating revenues	<u>74,746</u>
Total operating revenues	<u><u>8,168,520</u></u>

OPERATING EXPENSES

Educational and general:	
Instruction	8,593,875
Academic support	1,686,955
Student services	2,066,740
Institutional support	3,359,207
Operations and maintenance of plant	1,236,675
Depreciation (note 4)	261,832
Scholarships and fellowships	2,479,883
Auxiliary enterprises	74,010
Other operating expenses	<u>468,726</u>
Total operating expenses	<u><u>20,227,903</u></u>

OPERATING LOSS (12,059,383)

(Continued)

The accompanying notes are an integral part of this statement.

**NORTHSHORE 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, 2018**

NONOPERATING REVENUES	
State appropriations	\$5,622,038
Gifts	1,604
Federal nonoperating revenues	7,002,028
Net investment income	19,807
Other nonoperating revenues	604,761
Net nonoperating revenues	<u>13,250,238</u>
INCOME BEFORE OTHER REVENUES	1,190,855
Capital grants and gifts	834,483
Additions to permanent endowments	60,000
INCREASE IN NET POSITION	2,085,338
NET POSITION AT BEGINNING OF YEAR (restated) (note 19)	<u>(19,755,694)</u>
NET POSITION AT END OF YEAR	<u><u>(\$17,670,356)</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

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

**Statement of Cash Flows
For the Year Ended June 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$6,140,560
Grants and contracts	1,946,281
Sales and services of educational departments	2,835
Auxiliary enterprise receipts	75,500
Payments for employee compensation	(9,413,556)
Payments for benefits	(3,823,900)
Payments for utilities	(362,637)
Payments for supplies and services	(2,950,495)
Payments for scholarships and fellowships	(2,553,893)
Other payments	(406,903)
Net cash used by operating activities	<u>(11,346,208)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	5,621,616
Gifts and grants for other than capital purposes	7,539,605
Private gifts for endowment purposes	60,000
Taylor Opportunity Program for Students (TOPS) receipts	296,894
TOPS disbursements	(296,894)
Direct lending receipts	7,123,862
Direct lending disbursements	(7,123,862)
Other receipts	5,499
Net cash provided by noncapital financing activities	<u>13,226,720</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Purchases of capital assets	(391,726)
Net cash used by capital financing activities	<u>(391,726)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received on investments	<u>19,807</u>
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(Continued)

The accompanying notes are an integral part of this statement.

**NORTHSHORE TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2018**

NET INCREASE IN CASH	\$1,508,593
CASH AT BEGINNING OF YEAR	4,298,558
CASH AT END OF YEAR	<u><u>\$5,807,151</u></u>

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED BY OPERATING ACTIVITIES:

Operating loss	(\$12,059,383)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	261,832
Nonemployer contributing entity revenue	63,289
Changes in assets and liabilities:	
(Increase) in accounts receivables, net	(89,729)
(Increase) in prepaid expenses and advances	(16,533)
(Increase) in deferred outflows related to pensions	(1,769,588)
Decrease in deferred outflows related to OPEB (as restated)	68,885
Increase in accounts payable and accrued liabilities	215,132
Increase in unearned revenue	166,759
(Decrease) in amounts held in custody for others	(21,588)
Increase in compensated absences	83,825
Increase in net pension liability	858,573
(Decrease) in Total OPEB liability (as restated)	(483,499)
Increase in deferred inflows related to pensions	792,897
Increase in deferred inflows related to OPEB	582,920
Net cash used by operating activities	<u><u>(\$11,346,208)</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Noncash capital grant/gift of capital assets	\$834,483
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(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Northshore 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 four campuses located in Lacombe, Bogalusa, Greensburg, and Hammond, and two instructional service centers located in Pearl River and Hammond.

The College offers associate of applied science degrees, associate of general studies degrees, technical competency areas, technical diplomas, and certificate of technical studies.

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. RESTRICTED CASH

Restricted cash consist of endowments for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity.

G. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the College's capitalization policy includes

all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. 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.

H. UNEARNED REVENUES

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities 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.

I. 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 Louisiana State Employees' Retirement System (LASERS) and the Teachers' Retirement System of Louisiana (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.

J. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having 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 the 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.

K. 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.
- (b) *Restricted net position - nonexpendable* consists of endowments and similar-type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- (c) *Restricted net position - expendable* consists of resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (d) *Unrestricted net position* consists of resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses and for any purpose.

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

L. 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 (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of educational departments; and (3) 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), 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.

M. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net 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.

N. 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.

O. NEW ACCOUNTING PRINCIPLES

The College implemented Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued by the Government Accounting Standards Board. This Statement addresses accounting and financial reporting of OPEB that is provided to the employees of state and local governmental employers and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to the actuarial present

value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

The cumulative effect of applying this Statement is reported as a restatement of beginning net position for fiscal year 2018. The restatement of the prior year presented was not practical because the earliest available measurement date of the OPEB valuation under GASB 75 is July 1, 2017. See note 19 GASB Statement No. 75 - *OPEB Restatement* for the effect on 2018's beginning net position.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2018, the College has cash (book balance) of \$5,807,151 as follows:

Petty cash	\$600
Demand deposits	3,661,480
Short-term investment - Louisiana Asset Management Pool (LAMP)	2,004,957
Cash held in foundation	140,114
	<hr/>
Total	<u><u>\$5,807,151</u></u>

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

Current assets	\$5,667,037
Noncurrent assets	140,114
	<hr/>
Total	<u><u>\$5,807,151</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, 2018, \$140,114 of the College's bank balances totaling \$3,842,017 was exposed to custodial credit risk as these balances were uninsured and uncollateralized and held by the Northshore College Enhancement Foundation.

Louisiana Asset Management Pool, Inc. (LAMP):

At June 30, 2018, the College has short-term investments reported on the Statement of Net Position as cash equivalents totaling \$2,004,957.

The College participates in the Louisiana Asset Management Pool (LAMP), which is administered by LAMP, Inc., a non-profit corporation organized under the laws of the state of Louisiana. LAMP issues financial reports which may be obtained at www.lamppool.com. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. LAMP's permissible investments are set forth in R.S. 33:2955 and are further limited in accordance with investment guidelines promulgated by the Board of Directors.

LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

LAMP is rated AAAM by Standard & Poor's and is designed to be highly liquid to give its participants immediate access to their account balances. The Weighted Average Maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. LAMP, Inc. is subject to the regulatory oversight of the State Treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

3. RECEIVABLES

Receivables are shown on the Statement of Net Position, net of an allowance for doubtful accounts, at June 30, 2018. These receivables are composed of the following:

	<u>Receivables</u>	<u>Allowance for Doubtful Accounts</u>	<u>Receivables, Net</u>
Student tuition and fees	\$647,379	\$67,423	\$579,956
Other	10,734	NONE	10,734
Total	<u>\$658,113</u>	<u>\$67,423</u>	<u>\$590,690</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, 2018, follows:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$2,062,150	NONE	NONE	\$2,062,150
Construction in progress	NONE	\$834,483	NONE	834,483
Total capital assets not being depreciated	<u>\$2,062,150</u>	<u>834,483</u>	<u>NONE</u>	<u>\$2,896,633</u>
Other capital assets:				
Buildings	\$3,951,359	NONE	NONE	\$3,951,359
Less accumulated depreciation	(3,841,138)	(57,154)	NONE	(3,898,292)
Total buildings	<u>110,221</u>	<u>(57,154)</u>	<u>NONE</u>	<u>53,067</u>
Equipment	3,370,303	388,333	(\$157,581)	3,601,055
Less accumulated depreciation	(2,555,903)	(204,678)	157,581	(2,603,000)
Total equipment	<u>814,400</u>	<u>183,655</u>	<u>0</u>	<u>998,055</u>
Total other capital assets	<u>\$924,621</u>	<u>\$126,501</u>	<u>\$0</u>	<u>\$1,051,122</u>
Capital asset summary:				
Capital assets not being depreciated	\$2,062,150	\$834,483	NONE	\$2,896,633
Other capital assets, at cost	<u>7,321,662</u>	<u>388,333</u>	<u>(\$157,581)</u>	<u>7,552,414</u>
Total cost of capital assets	9,383,812	1,222,816	(157,581)	10,449,047
Less accumulated depreciation	<u>(6,397,041)</u>	<u>(261,832)</u>	<u>157,581</u>	<u>(6,501,292)</u>
Capital assets, net	<u>\$2,986,771</u>	<u>\$960,984</u>	<u>\$0</u>	<u>\$3,947,755</u>

5. CAPITAL ASSETS HELD BY OTHERS

Construction for a new facility at the Florida Parishes campus was completed during early fiscal year 2013. Construction for a new facility in Lacombe, Louisiana was substantially completed during 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 acquisition of the site and 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, the Louisiana State Employees' Retirement System (LASERS) and the 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 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. 11:411-414. 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 service, at age 55 upon completing 25 years of service, and at age 60 upon completing 10 years of service. Regular plan members hired from July 1, 2006, through June 30, 2015, may retire with full benefits at age 60 upon completing 5 years of service. Regular plan members hired on or after July 1, 2015, may retire with full benefits at age 62 upon completing 5 years of service. Additionally, all members may choose to retire with 20 years of 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 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 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 age 60, 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 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 twenty 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 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 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 5 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 5 years of service. Members hired on or after July 1, 2015, are eligible to retire at age 62 with 5 years of service. All regular plan members are eligible to retire at any age with 20 years of service and an actuarially-reduced benefit. 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, 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 permanent benefit increases, also known as cost of living adjustments (COLAs), which are funded through investment earnings when recommended by the board of trustees and approved by the Legislature. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as these ad hoc COLAs were deemed not to be 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 2018 totaled \$327,079, with regular plan active member contributions ranging from 7.5% to 8%, and employer contributions of 37.9% of covered payroll. Employer defined benefit plan contributions to TRSL for fiscal year 2018 totaled \$2,013,753, with regular plan active member contributions of 8%, and employer contributions of 22.2% for ORP members, and 25.4% to 26.6% for defined benefit plan members. Non-employer contributing entity contributions to TRSL, which are comprised of ad valorem tax revenue, totaled \$63,289, and were recognized as revenue in fiscal year 2018 by the College.

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

At June 30, 2018, the College reported liabilities of \$3,011,845 and \$16,738,342 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, 2017, 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. As of June 30, 2017, the most recent measurement date, the College's proportions and the changes in proportion from the prior measurement date were

0.04279%, or an increase of 0.00113%, for LASERS, and 0.16327%, or an increase of 0.03018%, for TRSL. For the year ended June 30, 2018, the College recognized a total pension expense of \$2,370,839 for defined benefit plans, or \$311,690 and \$2,059,149 for LASERS and TRSL, respectively.

At June 30, 2018, 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	\$0	\$0	\$0	\$55,264	\$550,216	\$605,480
Changes of assumptions	11,899	176,506	188,405	0	0	0
Net difference between projected and actual earnings on pension plan investments	97,939	0	97,939	0	432,321	432,321
Changes in proportion and differences between employer contributions and proportionate share of contributions	124,480	3,405,162	3,529,642	0	338,797	338,797
Employer contributions subsequent to the measurement date	327,079	2,013,753	2,340,832	0	0	0
Total	<u>\$561,397</u>	<u>\$5,595,421</u>	<u>\$6,156,818</u>	<u>\$55,264</u>	<u>\$1,321,334</u>	<u>\$1,376,598</u>

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	LASERS	TRSL	Total
2019	\$53,275	\$357,999	\$411,274
2020	147,222	1,025,195	1,172,417
2021	39,194	695,838	735,032
2022	(60,635)	181,301	120,666
	<u>\$179,056</u>	<u>\$2,260,333</u>	<u>\$2,439,389</u>

Actuarial Assumptions and Methodologies

The total pension liabilities for LASERS and TRSL in the June 30, 2017, 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, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Approach	Closed	Closed
Expected Remaining Service Lives	3 years	5 years
Investment Rate of Return	7.70% per annum, net of investment exp.	7.70%, net of investment exp.
Inflation Rate	2.75% per annum	2.5% per annum
Mortality - Non-disabled	RP-2000 Combined Healthy Mortality Table, improvement projected to 2015	RP-2000 Mortality Table with projection to 2025 using Scale AA
Mortality - Disabled	RP-2000 Disabled Retiree Mortality Table, no projection for improvement	RP-2000 Mortality Table with no projection for improvement
Termination, Disability, Retirement	2009-2013 experience study	2008-2012 experience study
Salary Increases	2009-2013 experience study, ranging from 2.8% to 14.3%	2008-2012 experience study, ranging from 3.5% to 10.0% depending on duration of service
Cost of Living Adjustments	Not substantively automatic	Not substantively automatic

There were several changes in assumptions for the June 30, 2017, valuations. The LASERS and TRSL boards adopted plans to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017, valuations. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019. The projected contribution requirement for fiscal year 2018/2019 includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016. The LASERS Board also reduced the inflation assumption from 3.0% to 2.75%, effective July 1, 2017. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by .25%.

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 adding expected inflation of 3.25%, and 2.5%, for LASERS and TRSL, respectively, and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.69%, and 8.33%, for LASERS and TRSL, respectively. The target allocation and best estimates of geometric/arithmetic real rates of return for each major asset class 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	25.00%	4.31%
International equity	32.00%	5.35%
Domestic fixed income	8.00%	1.73%
International fixed income	6.00%	2.49%
Alternative investments	22.00%	7.41%
Global tactical asset allocation	7.00%	2.84%
Total	<u>100.00%</u>	5.26%
TRSL (arithmetic)		
Domestic equity	27.00%	4.28%
International equity	19.00%	4.96%
Domestic fixed income	13.00%	1.98%
International fixed income	5.50%	2.75%
Private Equity	25.50%	8.47%
Other Private Assets	10.00%	3.51%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.70% for both LASERS and TRSL. 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 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
	(6.70%)	(7.70%)	(8.70%)
LASERS	\$3,781,030	\$3,011,845	\$2,357,855
TRSL	\$21,567,736	\$16,738,342	\$12,630,094

Pension plan fiduciary net position

Detailed information about the 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, 2018, the College had \$31,535 and \$189,438 in payables to LASERS and TRSL, respectively, for the June 2018 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 the 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 the 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, 2014, each higher education board created by Article VIII of the Constitution of Louisiana is required to establish, by resolution, the portion of the employer contribution to be transferred to the ORP participants' accounts (transfer amount). In addition, effective July 1, 2014, the employer contribution rate for amounts credited to the ORP participants who are not employed in higher education must be the greater of: (1) the employer normal cost contribution for the TRSL Regular Plan; or (2) 6.2%.

Employer ORP contributions to TRSL for fiscal year 2018 totaled \$124,610, which represents pension expense for the College. Employee contributions totaled \$35,480. The FY 2018

employee and employer contribution rates were 8% and 5.95%, 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

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 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 offered to retirees under age 65 four self-insured healthcare plans and one fully insured plan. Retired employees who have Medicare Part A and Part B coverage had access to these plans and an additional four fully insured Medicare Advantage plans.

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 rejoin 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). Employees who begin participation or rejoin 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. Participating retirees paid \$0.54 each month for each \$1,000 of life insurance and \$0.98 each month for each \$1,000 of spouse life insurance. 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. 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, 2018, totaled \$290,301.

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

Funding Policy

During fiscal year 2018, 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, 2018, the College reported a liability of \$10,994,378 for its proportionate share of the total collective OPEB liability. The total collective OPEB liability was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date. The College's proportionate share of the restated total collective OPEB liability at June 30, 2017 was \$11,477,877. The total OPEB liability as of July 1, 2016 was determined based on a roll backward of the July 1, 2017 valuation assuming no gains or losses due to experience.

The Colleges' 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. As of July 1, 2017, the College's current year proportion was 0.1265%. Because the beginning balance was restated using a roll back of the July 1, 2017 valuation assuming no experience gains or losses, there is no change from the prior year proportion.

For the year ended June 30, 2018, the College recognized total OPEB expense of \$458,607 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	\$0	\$0
Changes of assumptions or other inputs	0	580,988
Difference between change in proportionate share of benefits payments and actual benefit payments	0	1,932
Benefit payments made subsequent to the measurement date	290,301	0
Total	\$290,301	\$582,920

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, 2019. 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:	
2019	(\$167,506)
2020	(\$167,506)
2021	(\$167,506)
2022	(\$80,403)

Actuarial Assumptions

The total collective OPEB liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal, level percent of pay
Inflation Rate	2.80%
Discount Rate	3.13% based on the June 30, 2017 S&P 20 year municipal bond index rate
Healthcare cost trend rates	7.0% for pre-Medicare eligible employees decreasing by .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.
Retirees' share of benefit-related costs	Baseline per capita cost (PCCs) reflect 2017 claims and enrollment and retiree contributions were based on 2018 premiums. Claims experience was trended to the valuation date.
Age Related Morbidity	Per capita cost (PCCs) were adjusted to reflect expected cost differences due to age and gender. The expected impact of the increase in Coverage Gap Brand Discounts from 50% to 70% in 2019 has been incorporated in the PCCs.
Mortality – Non-disabled	RP-2014 Combined Healthy Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017
Mortality – Disabled	RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017

The average of the expected remaining service lives of all employees that are provided with benefits through the plan (active and inactive employees) determined as of July 1, 2017, is 4.48 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

The discount rate has been decreased from 3.80% to 3.13% since the previous valuation. Additionally, a discount rate of 2.71% was used to measure the liability using a measurement date of July 1, 2016. Under GASB 75, unfunded plans are required to use a discount rate that reflects the 20 year tax-exempt municipal bond yield or index rate. Thus, the discount rates of 3.13% and 2.71% are based on S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2017 and June 30, 2016, respectively. The discount rate used under the GASB 45 valuation was selected by the plan sponsor.

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	Current Discount Rate	1.0% Increase
(2.13%)	(3.13%)	(4.13%)
\$12,909,611	\$10,994,378	\$9,483,465

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

1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
(6% decreasing to 3.5%)	(7% decreasing to 4.5%)	(8% decreasing to 5.5%)
\$9,476,037	\$10,994,378	\$12,939,720

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. This assumes that a one-time irrevocable election to participate is made at retirement. Retirees are assumed to participate in the life insurance benefit at a 52% rate. It is assumed that future retirees will continue their current life insurance coverage, if any. 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 93%.

Years of Service	Participation Percentage
<10	56%
10-14	78%
15-19	90%
20+	93%

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, 2018:

Accrued salaries and benefits	\$903,835
Travel and training	14,213
Operating services	23,567
Professional services	600
Supplies	2,678
Capital Outlay	4,492
Other charges	21,211
Total	<u>\$970,596</u>

10. UNEARNED REVENUES

The following is a summary of unearned revenues at June 30, 2018:

Prepaid tuition and fees	<u>\$364,039</u>
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11. COMPENSATED ABSENCES

At June 30, 2018, employees of the College have accumulated and vested annual, sick, and compensatory leave of \$340,739; \$399,923; and \$635, 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, 2018:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Portion Due Within One Year
Compensated absences payable (note 11)	\$657,472	\$501,406	(\$417,581)	\$741,297	\$49,582
Total**	<u>\$657,472</u>	<u>\$501,406</u>	<u>(\$417,581)</u>	<u>\$741,297</u>	<u>\$49,582</u>

**Changes in long-term liabilities for Pension and Other Postemployment Benefits can be found in notes 6 and 8.

13. LEASE OBLIGATIONS

For the year ended June 30, 2018, the total rental expense for all operating leases was \$17,500. The following is a schedule, by fiscal years, of future minimum annual rental payments required under operating leases:

<u>Nature of Operating Lease</u>	<u>2019</u>	<u>Total Minimum Payments Required</u>
Buildings	<u>\$9,000</u>	<u>\$9,000</u>

14. RESTRICTED NET POSITION

The College has the following restricted net position at June 30, 2018:

Nonexpendable:	
Endowments	\$140,000
Total nonexpendable	<u>\$140,000</u>
Expendable:	
Student technology fee	\$366,778
Building use fee	561,923
Vehicle Registration fee	105,110
Academic Excellence fee	1,256,572
Student Government fee	216,785
Grants and Contracts	758,100
Total expendable	<u>\$3,265,268</u>

Of the total net position reported in the Statement of Net Position for the year ended June 30, 2018, \$2,290,383 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).

15. 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, 2018, 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.

16. 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.

17. FOUNDATION

The accompanying financial statements do not include the accounts of the Northshore College Enhancement Foundation (Foundation). This foundation is not included because it does not meet criteria established by the Division of Administration, Office of Statewide Reporting and Accounting Policy, for determining component units included in the College system's financial statement in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14. The Foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants.

18. DONOR RESTRICTED ENDOWMENTS

At June 30, 2018, the Foundation holds in custody \$140,114 of the College's Endowed Scholarship Program endowment funds to be invested. The Endowed Scholarship Program endowment funds are established for \$20,000 each, with \$10,000 of private contributions and \$10,000 of state matching portion allocated by the Board of Regents for Higher Education. Higher levels are permitted subject to the same ratios and matching levels. The amounts held by the Foundation are included as cash held in foundation in note 2.

If a donor has not provided specific instructions, state law permits the System Board of Supervisors to authorize expenditure of the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. At June 30, 2018, there is \$0 net appreciation. The System limits endowment spending to the income earned in a given year for purposes specified by donors. The donated portion of the endowments is reported in "restricted net position - nonexpendable" in the Statement of Net Position.

19. 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, 2017	(\$15,013,114)
Reclassifications and adjustments for prior-year errors:	
Deferred Outflows of Resources - GASB Statement No. 75 - <i>OPEB restatement</i>	359,186
Long-term Portion of Noncurrent Liabilities - GASB Statement No. 75 - <i>OPEB restatement</i>	<u>(5,101,766)</u>
Net position at June 30, 2017, as restated	<u><u>(\$19,755,694)</u></u>

The restatements decreased the College's beginning net position by \$4,742,580.

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.

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

**Schedules of Required Supplementary Information
Fiscal Year Ended June 30, 2018**

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	0.04227%	\$2,642,917	\$740,846	357%	65.0%
2016	0.04147%	\$2,820,793	\$786,824	359%	62.7%
2017	0.04166%	\$3,271,210	\$814,667	402%	57.7%
2018	0.04279%	\$3,011,845	\$842,030	358%	62.5%
Teachers' Retirement System of Louisiana					
2015	0.12237%	\$12,507,867	\$5,322,671	235%	63.7%
2016	0.12456%	\$13,393,359	\$5,545,441	242%	62.5%
2017	0.13309%	\$15,620,404	\$5,757,819	271%	59.9%
2018	0.16327%	\$16,738,342	\$6,173,658	271%	65.6%

*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	\$270,370	\$270,370		\$786,824	34.4%
2016	\$305,450	\$305,450		\$814,667	37.5%
2017	\$303,050	\$303,050		\$842,030	36.0%
2018	\$327,079	\$327,079		\$859,977	38.0%
Teachers' Retirement System of Louisiana					
2015	\$1,498,173	\$1,498,173		\$5,545,441	27.0%
2016	\$1,522,337	\$1,522,337		\$5,757,819	26.4%
2017	\$1,614,385	\$1,614,385		\$6,173,658	26.1%
2018	\$2,013,753	\$2,013,753		\$7,414,061	27.2%

*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,
(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, and,
- 2017 (3) A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session, and,
(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.

TRSL

- 2015 (1) A 1.5% COLA, effective July 1, 2014, provided by Act 204 of the 2014 Louisiana Regular Legislative Session, and,
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, and,
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 There were several changes in assumptions for the June 30, 2017 valuation. The Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017, valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019. The projected contribution requirement for fiscal year 2018/2019 includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016. The Board also reduced the inflation assumption from 3.0% to 2.75%, effective July 1, 2017. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by .25%.

TRSL

- 2018 There were several changes in assumptions for the June 30, 2017, valuation. The TRSL Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017, valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019. The projected contribution requirement for fiscal year 2018/2019 includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016.

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:

- 2018 Factors that significantly affect trends in the amounts in the RSI include enrollment increases which resulted in additional tuition/fee revenues, therefore more dollars were used to hire additional faculty to cover growth in enrollment. Also faculty and staff received merit and pay adjustments during fiscal year 2018.

**Schedule of the College's Proportionate Share
of the Total Collective OPEB Liability
Fiscal Year Ended June 30, 2018**

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	0.1265%	\$11,477,877	\$5,040,786	228%
2018	0.1265%	\$10,994,378	\$5,466,090	201%

*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 discount rate changed from 2.71% as of July 1, 2016 to 3.13% as of July 1, 2017.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

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



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 28, 2018

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

**NORTHSHORE TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Lacombe, 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 Northshore 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, 2018, 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 28, 2018. Our report was modified to include an emphasis of matter section regarding actuarial assumptions and 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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 did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 deficiency in internal control that we consider to be a material weakness.

Inadequate Controls Over Financial Reporting

The College did not have adequate controls over financial reporting to ensure that the annual fiscal report (AFR) provided to the auditors and to the Louisiana Community and Technical College System (System) office for inclusion in the System AFR was accurately prepared, increasing the risk of material misstatement of the financial statements.

Based on our procedures, we identified the following errors in the College's AFR, which were subsequently corrected in a revised AFR to the System:

- Scholarship allowances and scholarship and fellowship expenses were both overstated by approximately \$2.2 million. The College's scholarship allowance calculation correctly identified the portion applicable to student tuition and fees for the Federal Pell Grant Program revenues; however, the College erroneously input the portion applicable to student refunds in the year-end manual journal entry. This error caused related adjustments to the Statement of Cash Flows.
- Bookstore expenses totaling \$74,010 were misclassified as scholarship and fellowship expenses rather than auxiliary enterprise expenses.
- Student government fees totaling \$216,785 were misclassified as restricted grants and contracts in the net position note disclosure.
- The foundation note disclosure erroneously excluded the Northshore College Enhancement Foundation.

We identified the following additional errors in the College's revised AFR:

- The Statement of Cash Flows included approximately \$736,198 of non-cash activity improperly classified as cash activity.

- Cash totaling \$140,144 held by the Northshore College Enhancement Foundation was not disclosed as uninsured and uncollateralized in the cash note disclosure.

These errors occurred because management did not perform a thorough review of the AFR before submitting to the auditors and the System Office. Management should strengthen its internal controls over the financial reporting process, to include a comprehensive review to ensure the accuracy and completeness of information reported in the AFR before submitting to the auditors and the System Office. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

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 the following deficiency in internal control that we consider to be a significant deficiency.

Lack of Review of Banner Refund Rules

The College did not ensure an adequate review was performed of the refund rules for student tuition and fees set up in the Banner student system for the Spring 2018 semester. Management represented that it did not have a review process in place to ensure the refund rules input in the system agreed to its published refund policy for the Spring 2018 semester.

We identified four input errors with incorrect dates and/or refund percentages. However, these errors did not apply to any students and therefore did not result in any incorrect refunds. Failure to ensure an adequate review of the refund rules set up in the system could cause inadequate refunds, resulting in undercharges and overcharges to students.

Management should establish procedures to review the refund rules set up in the Banner student system each semester to ensure refunds are issued in accordance with its refund policy. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

Compliance and Other Matters

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

College's Responses to Findings

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

Purpose of this Report

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

KLD:CLL:BQD:EFS:aa

NTCC 2018

APPENDIX A

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

WILLIAM S. WAINWRIGHT, Ph.D.
CHANCELLOR

WWW.NORTHSHORECOLLEGE.EDU
FLORIDA PARISHES BRANCH CAMPUS
HAMMOND AREA BRANCH CAMPUS
SULLIVAN BRANCH CAMPUS
LACOMBE MAIN CAMPUS

November 16, 2018

Daryl G. Purpera, CPA, CFE, Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Northshore Technical Community College Audit Finding – Inadequate Controls Over Financial Reporting

Dear Mr. Purpera,

Northshore Technical Community College (NTCC) concurs with the aforementioned finding.

The Finance Office prepared the complex calculation for scholarship allowances and scholarship & fellowship expenses accurately, but inadvertently used the amount for actual federal refunds to students, rather than the correct scholarship & fellowship amount. When the error was brought to the attention of the finance office, they immediately corrected the College AFR in time to reflect the correct numbers in the LCTCS system AFR.

In the future the Finance Office will include an additional person to review the AFR before submitting to the auditors and the System Office.

Kimberly Showers, Director of Accounting, and Marc Chauvin, Vice Chancellor of Finance & Accounting, are the contact persons for this finding.

Sincerely,



Daniel Roberts, PhD
Acting Chancellor

WILLIAM S. WAINWRIGHT, Ph.D.
CHANCELLOR

WWW.NORTHSHORECOLLEGE.EDU
FLORIDA PARISHES BRANCH CAMPUS
HAMMOND AREA BRANCH CAMPUS
SULLIVAN BRANCH CAMPUS
LACOMBE MAIN CAMPUS

November 8, 2018

Daryl G. Purpera, CPA, CFE, Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Northshore Technical Community College Audit Finding – Lack of Review of Banner Refund Rules

Dear Mr. Purpera,

Northshore Technical Community College (NTCC) concurs with the aforementioned finding.

The Academic Affairs Division of NTCC has developed a Tuition & Fee Refund Calendar Date procedure which will incorporate internal controls regarding the review of Banner refund rules. This procedure has been implemented.

Daniel Roberts, Acting Chancellor, is the contact person for this finding.

Sincerely,



Daniel Roberts, PhD
Acting Chancellor