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, 2017
Issued November 29, 2017

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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DARYL G. PURPERA, CPA, CFE

November 16, 2017

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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, 2017, 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, 2017, 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 $18,891,614 at June 30, 2017, as determined by the Louisiana State Employees' Retirement System (LASERS) and Teachers' Retirement System of Louisiana (TRSL). The related actuarial valuation was 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, 2017, could be under or overstated.

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, 2017, 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 40, the Schedule of the College's Contributions on page 40, and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017, 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

NTCC 2017

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, 2017. This document focuses on the current-year's activities, resulting changes, and currently-known facts in comparison with the prior-year's information. Please read this document in conjunction with the College's financial statements. **Amounts are presented in thousands unless otherwise noted.**

FINANCIAL HIGHLIGHTS

The College's net position increased from ($15,665) to ($15,013), or 4.2%, from July 1, 2016, to June 30, 2017. The overall reasons for this change included:

- Increase in cash of $1,251
- Increase in net receivables of $157
- Decrease in due from Louisiana Community and Technical College System (LCTCS) of $164
- Increase in deferred outflows related to pensions of $2,204
- Increase in pension liability of $2,677
- Increase in Other Postemployment Benefits (OPEB) payable of $371
- Decrease in deferred inflows related to pensions of $264

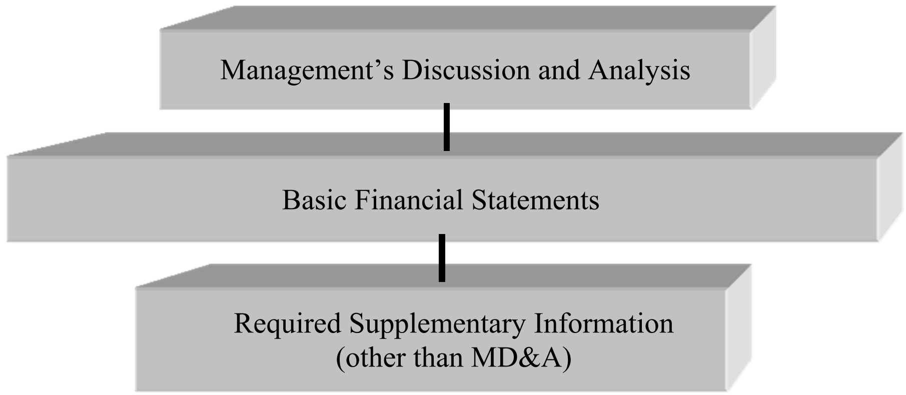
Enrollment changed from 3,693 to 4,050 from July 1, 2016, to June 30, 2017, an increase of 9.67%. The reason for this change is attributed to the opening of the new campus in Lacombe, Louisiana and enrollment growth in high-demand training programs such as construction, healthcare, and industrial training. In addition, it is attributed to new course development and increases in secondary dual-enrollment training programs.

The College's operating revenues increased from $5,667 to $7,406, or 30.7%, from July 1, 2016, to June 30, 2017. Operating expenses increased by 16.0% to $18,179 for the year ended June 30, 2017. The change in enrollment as discussed previously and an increase in net student tuition and fee revenues and a decrease in grants and contracts are the primary reasons for this change.

Nonoperating revenues fluctuate depending upon the level of state appropriations and other nonoperating revenues. The increase to $11,385 in 2017 from $10,379 in 2016 is attributed to increased Federal Pell Grant and Federal Supplemental Educational Opportunity Grant revenues.

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, 2017 and 2016

	2017	2016	Variance	Percentage Change
Assets:				
Current and other assets	$5,256	$3,992	$1,264	31.7%
Capital assets	2,987	2,952	35	1.2%
Total assets	8,243	6,944	1,299	18.7%
Total deferred outflow of resources	4,387	2,183	2,204	101.0%
Total assets and deferred outflow of resources	$12,630	$9,127	$3,503	38.4%
Liabilities:				
Current liabilities	$1,191	$1,175	$16	1.4%
Long-term liabilities	25,868	22,769	3,099	13.6%
Total liabilities	27,059	23,944	3,115	13.0%
Total deferred inflows of resources	584	848	(264)	(31.1%)
Total liabilities and deferred inflow of resources	$27,643	$24,792	$2,851	11.5%
Net Position:				
Investment in capital assets	$2,987	$2,952	$35	1.2%
Restricted	2,385	1,397	988	70.7%
Unrestricted	(20,385)	(20,014)	(371)	1.9%
Total net position	($15,013)	($15,665)	$652	4.2%

This schedule is prepared from the College's Statement of Net Position as shown on page 13, which is presented on an accrual basis of accounting. Significant Statement of Net Position changes for 2017 include:

- Increase in cash of $1,251
- Increase in net receivables of $157
- Decrease in due from LCTCS of $164
- Increase in deferred outflows related to pensions of $2,204
- Increase in pension liability of $2,677

- Increase in OPEB payable of $371
- Decrease in deferred inflows related to pensions of $264

The 70.7% increase in restricted net position is due to the College building reserves in the academic excellence fee and building use fee funds for future growth opportunities. Also, there was an increase in Rapid Response grant funds received during the fiscal year.

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, 2017 and 2016

	2017	2016	Variance	Percentage Change
Operating revenues:				
Student tuition and fees, net	$5,469	$3,354	$2,115	63.1%
Grants and contracts	1,810	2,187	(377)	(17.2%)
Sales and services of educational departments	3	2	1	50.0%
Auxiliary enterprises, net	39	19	20	105.3%
Other	85	105	(20)	(19.0%)
Total operating revenues	7,406	5,667	1,739	30.7%
Operating expenses:				
Education and general:				
Instruction	7,753	7,308	445	6.1%
Academic support	1,678	1,502	176	11.7%
Student services	1,618	1,334	284	21.3%
Institutional support	3,155	2,612	543	20.8%
Operations and maintenance of plant	1,100	1,167	(67)	(5.7%)
Depreciation	218	255	(37)	(14.5%)
Scholarships and fellowships	2,225	1,170	1,055	90.2%
Auxiliary enterprises	38	19	19	100.0%
Other operating expenses	394	305	89	29.2%
Total operating expenses	18,179	15,672	2,507	16.0%
Operating loss	(10,773)	(10,005)	(768)	7.7%
Nonoperating revenues:				
State appropriations	5,164	5,116	48	0.9%
Gifts	3	2	1	50.0%
Federal nonoperating revenues	5,355	4,375	980	22.4%
Other nonoperating revenues	863	886	(23)	(2.6%)
Net nonoperating revenues	11,385	10,379	1,006	9.7%
Gain before other revenues	612	374	238	63.6%
Additions to permanent endowment	40	40	0	0.0%
Total other revenues	40	40	0	0.0%
Change in net position	652	414	238	57.5%
Net position, beginning of year	(15,665)	(16,079)	414	2.6%
Net position, end of year	($15,013)	($15,665)	$652	4.2%

Nonoperating revenues increased by 9.7% to $11,385, which is primarily attributable to the increase in federal nonoperating revenues.

State appropriations increased from $5,116 to $5,164 due to an increase of state funds appropriated to higher education in House Bill 1 of the 2016 Legislative Regular Session.

The College's operating revenues increased by $1,739, or 30.7%, due to increases in tuition and fees.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the College had invested approximately $2,987 in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $35, or 1.2%, 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, 2017 and 2016

	2017	2016	Variance	Percentage Change
Land and improvements	$2,062	$2,062	$0	0.0%
Buildings	110	167	(57)	(34.1%)
Equipment	815	723	92	12.7%
Total	$2,987	$2,952	$35	1.2%

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

- Decrease due to buildings depreciation of $57
- Increase in Sullivan Campus equipment of $92

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:

- Increase in current enrollment due to the Connect to Success transfer program with Southeastern Louisiana University and the Louisiana Department of Education's Jump Start initiative

- Increases in tuition and fees

- Changes in state appropriations

- Future addition of a new Livingston Parish Community College Workforce Training Center in Livingston Parish funded by Act 360

- Future addition 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

CONTACTING THE NORTHSHORE 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, 2017

ASSETS	
Current assets:	
Cash (note 2)	$4,218,558
Receivables, net (note 3)	576,274
Due from federal government	162,144
Due from Louisiana Community and Technical College System (LCTCS)	186,480
Prepaid expenses and advances	32,070
Total current assets	5,175,526
Noncurrent assets:	
Cash (note 2)	80,000
Capital assets, net (note 4)	2,986,771
Total noncurrent assets	3,066,771
Total assets	8,242,297
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (note 6)	4,387,230
Total deferred outflows of resources	4,387,230
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 9)	766,037
Due to LCTCS	129,160
Unearned revenues (note 10)	197,280
Compensated absences payable (notes 11 and 12)	57,113
Amounts held in custody for others	41,266
Total current liabilities	1,190,856
Noncurrent liabilities:	
Compensated absences payable (notes 11 and 12)	600,359
Net pension liability (notes 6 and 12)	18,891,614
Other postemployment benefits payable (notes 8 and 12)	6,376,111
Total noncurrent liabilities	25,868,084
Total liabilities	27,058,940
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (note 6)	583,701
Total deferred inflows of resources	583,701
NET POSITION	
Net investment in capital assets	2,986,771
Restricted - nonexpendable (note 14)	80,000
Restricted - expendable (note 14)	2,304,858
Unrestricted	(20,384,743)
Total Net Position	($15,013,114)

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, 2017

OPERATING REVENUES	
Student tuition and fees	$10,605,043
Less scholarship allowances	(5,135,767)
Net student tuition and fees	5,469,276
Federal grants and contracts	1,355,641
State and local grants and contracts	428,067
Nongovernmental grants and contracts	26,092
Sales and services of educational departments	2,753
Net auxiliary revenue	38,952
Other operating revenues	85,592
Total operating revenues	7,406,373
OPERATING EXPENSES	
Educational and general:	
Instruction	7,753,196
Academic support	1,678,499
Student services	1,617,593
Institutional support	3,154,866
Operations and maintenance of plant	1,100,123
Depreciation (note 4)	217,682
Scholarships and fellowships	2,225,421
Auxiliary enterprises	37,876
Other operating expenses	394,359
Total operating expenses	18,179,615
OPERATING LOSS	(10,773,242)

(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, 2017

NONOPERATING REVENUES	
State appropriations	$5,163,637
Gifts	3,256
Federal nonoperating revenues	5,354,556
Net investment income	6,488
Other nonoperating revenues	856,798
Net nonoperating revenues	11,384,735
INCOME BEFORE OTHER REVENUES	611,493
Additions to permanent endowments	40,000
INCREASE IN NET POSITION	651,493
NET POSITION AT BEGINNING OF YEAR	(15,664,607)
NET POSITION AT END OF YEAR	($15,013,114)

(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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$5,210,872
Grants and contracts	2,071,569
Sales and services of educational departments	2,753
Auxiliary enterprise receipts	38,952
Payments for employee compensation	(8,174,490)
Payments for benefits	(3,314,858)
Payments for utilities	(329,709)
Payments for supplies and services	(2,881,597)
Payments for scholarships and fellowships	(2,196,535)
Other payments	(332,792)
Net cash used by operating activities	(9,905,835)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	5,173,125
Gifts and grants for other than capital purposes	6,178,712
Private gifts for endowment purposes	40,000
Taylor Opportunity Program for Students (TOPS) receipts	237,203
TOPS disbursements	(237,203)
Direct lending receipts	5,073,783
Direct lending disbursements	(5,073,783)
Other receipts	3,233
Net cash provided by noncapital financing activities	11,395,070
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Purchases of capital assets	(244,586)
Net cash used by capital financing activities	(244,586)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	6,488

(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, 2017

NET INCREASE IN CASH	$1,251,137
CASH AT BEGINNING OF YEAR	3,047,421
CASH AT END OF YEAR	$4,298,558
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($10,773,242)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	217,682
Nonemployer contributing entity revenue	50,830
Changes in assets and liabilities:	
(Increase) in accounts receivables, net	(39,618)
(Increase) in prepaid expenses and advances	(349)
(Increase) in deferred outflows related to pensions	(2,203,820)
Increase in accounts payable and accrued liabilities	21,802
Increase in unearned revenue	35,855
(Decrease) in amounts held in custody for others	(46,115)
Increase in compensated absences	46,829
Increase in net pension liability	2,677,462
Increase in other postemployment benefits payable	370,888
(Decrease) in deferred inflows related to pensions	(264,039)
Net cash used by operating activities	($9,905,835)

(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 an instructional service center located in Slidell.

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. The College has no cash equivalents at June 30, 2017. 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 estimated amounts for accrued compensated absences, pension liability, and other postemployment benefits 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), as well as additions to/deductions from each system's fiduciary net position, have been determined on the same basis as they are reported by the system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. 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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* was implemented by the College for the fiscal year ended June 30, 2017. The only impact on the College is a change in terminology related to the description of the other postemployment benefit plan as a "multiple employer plan" instead of an "agent multiple employer plan."

GASB Statement No. 82, *Pension Issues,* was implemented by the College for the fiscal year ended June 30, 2017. The impact on the College includes a change to the presentation of payroll-related measures in the required supplementary information from *covered-employee payroll,* payroll of employees that are provided with pensions, to *covered payroll,* payroll on which contributions are based.

2. CASH

At June 30, 2017, the College has cash (book balance) of $4,298,558 as follows:

Petty cash	$600
Demand deposits	4,237,958
Cash held in foundation	60,000
Total	$4,298,558

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

Current assets	$4,218,558
Noncurrent assets	80,000
Total	$4,298,558

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, 2017, $60,000 of the College's bank balances totaling $4,380,384 was exposed to custodial credit risk as these balances were uninsured and uncollateralized and held by the LCTCS Foundation.

3. RECEIVABLES

Receivables are shown on the Statement of Net Position, net of an allowance for doubtful accounts, at June 30, 2017. These receivables are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	$656,846	$129,695	$527,151
State and private grants and contracts	23,463	NONE	23,463
Other	25,660	NONE	25,660
Total	$705,969	$129,695	$576,274

There is no noncurrent portion of receivables.

4. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2017, follows:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Capital assets not being depreciated:				
Land	$2,062,150	NONE	NONE	$2,062,150
Total capital assets not being depreciated	$2,062,150	NONE	NONE	$2,062,150
Other capital assets:				
Buildings	$3,951,359	NONE	NONE	$3,951,359
Less accumulated depreciation	(3,783,984)	($57,154)	NONE	(3,841,138)
Total buildings	167,375	(57,154)	NONE	110,221
Equipment	3,187,126	252,471	($69,294)	3,370,303
Less accumulated depreciation	(2,464,669)	(160,528)	69,294	(2,555,903)
Total equipment	722,457	91,943	0	814,400
Total other capital assets	$889,832	$34,789	$0	$924,621
Capital asset summary:				
Capital assets not being depreciated	$2,062,150	NONE	NONE	$2,062,150
Other capital assets, at cost	7,138,485	$252,471	($69,294)	7,321,662
Total cost of capital assets	9,200,635	252,471	(69,294)	9,383,812
Less accumulated depreciation	(6,248,653)	(217,682)	69,294	(6,397,041)
Capital assets, net	$2,951,982	$34,789	$0	$2,986,771

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

The College is a participating employer in two statewide, 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 (R.S.) 11:921-931 for academic and administrative employees of public institutions of higher education and is considered a defined contribution plan (see note 7 on page 32). A portion of the employer contributions for ORP plan members is dedicated to the unfunded accrued liability of the TRSL defined benefit plan.

General Information about the Pension Plans

Plan Descriptions/Benefits Provided

Louisiana State Employees' Retirement System (LASERS) - 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. The age and years of creditable service (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 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 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.

Eligibility requirements and benefit computations for disability benefits are provided for in R.S. 11:461. All members with 10 or more years of service or members aged 60 or older regardless of date of hire, who become disabled may receive a maximum disability benefit equivalent to the regular retirement formula without reduction by reason of age. Hazardous duty personnel who become disabled in the line of duty will receive a disability benefit equal to 75% of final average compensation.

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 5 years of service, at least 2 of which were earned immediately prior to death, or who had a minimum of 20 years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The minimum service requirement is 10 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 5 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 10 years of service credit with 2 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 1 year before death.

LASERS has 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 benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits.

Teachers' Retirement System of Louisiana (TRSL) - 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 a 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 5 years of service, or if employed on or after January 1, 2011, and attained at least 10 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 5 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 10 years for a surviving spouse with no minor children. Survivor 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.

TRSL has established a DROP plan. 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.

Cost of Living Adjustments.

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS and TRSL allow for the payment of cost of living adjustments, or COLAs, that 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.

<u>Contributions</u>.

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily-established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee. For those members participating in the TRSL defined contribution ORP, a portion of the employer contributions are used to fund the TRSL defined benefit plan's unfunded accrued liability.

Employer contributions to LASERS for fiscal year 2017 were $303,050, with active regular plan member contributions ranging from 7.5% to 8%, and employer contributions of 35.8%. Employer defined benefit plan contributions to TRSL for fiscal year 2017 were $1,614,385, with active regular plan member contributions of 8% and employer contributions of 21.2% for ORP members, and 24.4% to 26.9% for defined benefit plan members. Non-employer contributing entity contributions to TRSL, which are comprised of ad valorem tax revenue, totaled $50,830, and were recognized as revenue in fiscal year 2017 by the College.

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

At June 30, 2017, the College reported liabilities of $3,271,210 and $15,620,404 under LASERS and TRSL, respectively, for its proportionate share of the Net Pension Liability (NPL). The NPL for LASERS and TRSL was measured as of June 30, 2016, 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, 2016, the most recent measurement date, the College's proportions and the changes in proportion from the prior measurement date were 0.04166%, or an increase of 0.00018% for LASERS and 0.13309%, or an increase of 0.00852% for TRSL.

For the year ended June 30, 2017, the College recognized a total pension expense of $2,177,868 for defined benefit plans, or $446,073 and $1,731,795 for LASERS and TRSL, respectively. 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	$1,894		$1,894	$30,339	$308,390	$338,729
Changes of assumptions						
Net difference between projected and actual earnings on pension plan investments	407,435	1,137,129	1,544,564	0	0	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,511	910,827	923,338	29,275	215,697	244,972
Employer contributions subsequent to the measurement date	303,049	1,614,385	1,917,434			
Total	$724,889	$3,662,341	$4,387,230	$59,614	$524,087	$583,701

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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	LASERS	TRSL	Total
2018	$39,658	$169,577	$209,235
2019	$67,039	$169,577	$236,616
2020	$158,337	$730,968	$889,305
2021	$97,190	$453,748	$550,938

Actuarial Assumptions.

The total pension liabilities for LASERS and TRSL in the June 30, 2016, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	LASERS	TRSL
Valuation Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Expected Remaining Service Lives	3 years	5 years
Investment Rate of Return	7.75% per annum, net of investment exp.	7.75%, net of investment exp.
Inflation Rate	3% per annum	2.5% per annum
Mortality - Non-disabled	RP-2000, improvement to 2015	RP-2000, scale AA to 2025
Mortality - Disabled	RP-2000	RP-2000, scale AA to 2025
Termination, Disability, Retirement	2009-2013 experience study	2008-2012 experience study
Salary Increases	2009-2013 experience study, ranging from 3.0% to 14.5%	3.5% to 10.0%
Cost of Living Adjustments	Not substantively automatic	Not substantively automatic

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 8.72% and 8.23% for LASERS and TRSL, respectively. The target allocation and best estimates of arithmetic/geometric real rates of return for each major asset class are summarized for each plan in the following table:

	Target Allocation	Long-term Expected Real Rate of Return
TRSL (arithmetic)		
Domestic equity	31%	4.50%
International equity	19%	5.31%
Domestic fixed income	14%	2.45%
International fixed income	7%	3.28%
Alternatives:	29%	
Private equity		6.80%
Other private assets		4.82%
Total	100%	
LASERS (geometric)		
Cash	0%	(0.24%)
Domestic equity	25%	4.31%
International equity	32%	5.48%
Domestic fixed income	8%	1.63%
International fixed income	6%	2.47%
Alternative investments	22%	7.42%
Global asset allocation	7%	2.92%
Total	100%	5.30%

Discount Rate. The discount rate used to measure the total pension liability was 7.75% for both LASERS and TRSL. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually-required rates, actuarially determined. 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 active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1.0% Decrease (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
LASERS	$4,018,985	$3,271,210	$2,635,837
TRSL	$19,483,424	$15,620,404	$12,333,234

Pension plan fiduciary net position. Detailed information about LASERS and TRSL fiduciary net position is available in the separately-issued financial reports at www.lasersonline.org and www.trsl.org, respectively.

Payables to the Pension Plan. At June 30, 2017, the College had $27,580 and $165,463 in payables to LASERS and TRSL, respectively, for the June 2017 employee and employer legally-required contributions.

7. OPTIONAL RETIREMENT SYSTEM

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 ORP is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants. The ORP 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 ORP rather than TRSL and purchase retirement and death benefits through fixed and/or variable annuity contracts provided by designated companies. Benefits payable to participants are not the obligation of the State of Louisiana or TRSL. Such benefits and other rights of 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) 5.7%.

Employer ORP contributions to TRSL for fiscal year 2017 totaled $98,439, which represents pension expense for the College. Employee contributions totaled $29,219. The fiscal year 2017 employee and employer contribution rates were 8% and 5.7%, respectively, with an additional employer contribution of 21.2% (shared UAL) made to the TRSL defined benefit plan described in note 6 above.

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. Employees of the College voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system, and they must be covered by the active medical plan immediately before retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan that is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. 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. The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the College are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage.

OGB offers several different plan options for both active and retired employees. 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. Employees who begin participation or rejoin on or after January 1, 2002, pay a percentage of premiums (active premium if over 20 years of service) based on the following schedule:

OGB Participation	Employer Contribution Percentage	Employee 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 retiree and spouses of retirees, subject to maximum values. Employers pay approximately 50% of monthly premiums. 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.

Annual Other Postemployment Benefit Cost and Liability. The College's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year open amortization period has been used. The total ARC for fiscal year 2017 is $725,313.

The following schedule presents the components of the College's annual OPEB cost for fiscal year 2017, the amount actually contributed to the plan, and changes in the College's net OPEB obligation to the OPEB plan:

ARC	$725,313
Interest on net OPEB obligation	228,199
ARC adjustment	(223,438)
Annual OPEB cost	730,074
Contributions made - current-year retiree premiums	(359,186)
Increase in net OPEB obligation	370,888
Beginning net OPEB obligation at June 30, 2016	6,005,223
Ending net OPEB obligation at June 30, 2017	$6,376,111
Percentage of Annual OPEB Cost Contributed	49%

The College's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2017, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$842,475	42%	$5,507,730
June 30, 2016	$880,550	44%	$6,005,223
June 30, 2017	$730,074	49%	$6,376,111

Funded Status and Funding Progress. During fiscal year 2017, neither the College nor the State of Louisiana made contributions to a postemployment benefits plan trust. A trust was established July 1, 2008, but was not funded, has no assets, and hence has a funded ratio of zero.

Since the plan was not funded, the College's entire actuarial accrued liability (AAL) of $8,244,652 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2016, was as follows:

AAL	$8,244,652
Actuarial value of plan assets	NONE
UAAL	$8,244,652
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$5,466,090
UAAL as percentage of covered payroll	151%

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation, the projected unit credit actuarial cost method, was used. The actuarial assumptions included a 3.80% discount rate and a 3.0% per annum projected salary increase. The UAAL is amortized over the maximum acceptable period of 30 years on an open basis. It is calculated assuming a level percentage of projected payroll. Other critical assumptions used in the actuarial valuation are the health care cost trend rate and participation assumptions. The health care cost trend assumption is used to project the cost of health care to future years. The valuation uses a health care cost trend rate assumption of 7.0% (6.0% post Medicare) in the year July 1, 2016, to June 30, 2017, grading down by 0.5% each year until an ultimate health care cost trend rate of 4.5% is reached. The participation assumption is the assumed percentage of future retirees that participate and enroll in the health plan. The participation breakouts are provided in the following table.

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

9. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accruals at June 30, 2017:

Accrued salaries and benefits	$706,890
Travel and training	11,103
Operating services	34,758
Professional services	4,715
Supplies	686
Capital Outlay	7,885
Total	$766,037

10. UNEARNED REVENUES

The following is a summary of unearned revenues at June 30, 2017:

Prepaid tuition and fees	$197,280

11. COMPENSATED ABSENCES

At June 30, 2017, employees of the College have accumulated and vested annual, sick, and compensatory leave of $302,290; $354,484; and $698, 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, 2017:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Portion Due Within One Year
Net pension liability (note 6)	$16,214,152	$2,677,462	$0	$18,891,614	
Compensated absences payable (note 11)	610,643	493,275	(446,446)	657,472	$57,113
OPEB payable (note 8)	6,005,223	730,074	(359,186)	6,376,111	
Total	$22,830,018	$3,900,811	($805,632)	$25,925,197	$57,113

13. LEASE OBLIGATIONS

For the year ended June 30, 2017, the total rental expense for all operating leases was $24,486. The following is a schedule, by fiscal years, of future minimum annual rental payments required under operating leases:

Nature of Operating Lease	2018	2019	Total Minimum Payments Required
Buildings	$6,000	$6,000	$12,000

14. RESTRICTED NET POSITION

The College has the following restricted net position at June 30, 2017:

Nonexpendable:	
Endowments	$80,000
Total nonexpendable	$80,000
Expendable:	
Student technology fee	$224,870
Building use fee	303,341
Vehicle Registration fee	75,813
Academic Excellence fee	804,074
Workforce and Innovation for a Stronger Economy (WISE) Fund	1,042
Student Government fee	140,518
Grants and Contracts	755,200
Total expendable	$2,304,858

Of the total net position reported in the Statement of Net Position for the year ended June 30, 2017, $1,409,140 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, 2017, 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

The accompanying financial statements do not include the accounts of the LCTCS Foundation. The LCTCS Foundation is a separate corporation whose financial statements are subject to audit by an independent certified public accountant.

At June 30, 2017, the LCTCS Foundation holds in custody $60,000 and the College holds $20,000 of the College's Endowed Professorship Program endowment funds to be invested. The Endowed Professorship 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. The amounts held by the LCTCS 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, 2017, 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.

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 Funding Progress for the Other Postemployment Benefits Plan

Schedule 3 presents certain specific data regarding the funding progress of the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

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

Schedules of Required Supplementary Information
Fiscal Year Ended June 30, 2017

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%
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%

*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%
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%

*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 to Covered Payroll for LASERS and TRSL:

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

Changes of Benefits Terms include:

LASERS: *A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session, and 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 a 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session, and 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: *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 five years of service credit and are eligible for an actuarially-reduced benefit with 20 years of service at any age. 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:

There were no changes of benefit assumptions for the three fiscal years presented in the schedules above for either plan.

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

Schedule of Funding Progress for the
Other Postemployment Benefits Plan
Fiscal Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2014	NONE	$10,036,100	$10,036,100	0.0%	$4,660,763	215%
July 1, 2015	NONE	$10,536,447	$10,536,447	0.0%	$5,040,786	209%
July 1, 2016	NONE	$8,244,652	$8,244,652	0.0%	$5,466,090	151%

Factors contributing to the decrease in the Office of Group Benefits plans from the July 1, 2015, valuation to the July 1, 2016, valuation were:

1. A smaller active population,
2. Better claims experience than expected
3. Lower than expected spousal coverage for future retirees
4. Incorporating disabled mortality rates to current disabled retirees
5. An update to the participation assumptions based on more recent information

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 16, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 16, 2017. 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified the following deficiency in internal control that we consider to be a significant deficiency.

Inappropriate System Access

The College granted its staff inappropriate access to its Banner Enterprise Resource Planning system, increasing the risk of errors or fraud in a system that processed $18.8 million in revenues and $18.1 million in expenses during fiscal year 2017. Audit procedures revealed the following deficiencies:

- Ten employees had the ability to create and edit tuition and fee tables within the Banner student system without a business need.

- Fifteen employees had the ability to create and edit tuition and fee refund tables within the Banner student system without a business need.

- Fifteen employees had the ability to create and edit terms (edit the start and end dates of semesters, activate online assessments, and activate online registration) within the Banner student system without a business need.

- Eighteen employees had the ability to create and edit course level fees within the Banner student system without a business need.

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

College management should establish written policies and procedures to monitor and restrict employees' access to those functions necessary for their job duties. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

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 Response to Finding

The College's response to the finding identified in this report is attached in Appendix A. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 2017

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

NORTHSHORE TECHNICAL COMMUNITY COLLEGE

NORTHSHORE TECHNICAL COMMUNITY COLLEGE

WILLIAM S. WAINWRIGHT, Ph.D.
CHANCELLOR

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

October 25, 2017

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

Re: Northshore Technical Community College Audit Finding – Inappropriate System Access

Dear Mr. Purpera,

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

The administration of NTCC is developing an "Access and Identity Management" policy which will incorporate internal controls regarding system security accesses across the College. We anticipate the policy to be approved by the NTCC leadership team by November 30, 2017 and will be implemented immediately upon approval.

The Student Services Department also submitted several security request forms to the LCTCS IT Security Administrator to address the security access deficiencies; however, there are some Banner forms such as SSADETL that allow access to course level fees, which need to be granted access to some Student Services employees since that form(s) also includes access to degree program attributes and other student services tabs.

Daniel Roberts, Provost & Vice Chancellor of Academic Affairs, is the contact person for this finding.

Sincerely,

William S. Wainwright

William S. Wainwright, PhD
Chancellor

65556 CENTERPOINT BOULEVARD ◆ LACOMBE, LA 70445 ◆ (985) 545-1500 ◆ FAX (985) 214-4403