Louisiana Delta Community College
Louisiana Community and Technical College System
State of Louisiana

Financial Statement Audit
Issued September 27, 2006

LEGISLATIVE AUDITOR
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September 8, 2006

Independent Auditor's Report
on the Financial Statements

LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Monroe, Louisiana

We have audited the accompanying basic financial statements of the Louisiana Delta Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Louisiana Delta Community College's management. 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1-B, the accompanying financial statements of Louisiana Delta Community College are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Louisiana Community and Technical College System that is attributable to the transactions of the Louisiana Delta Community College. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System as of June 30, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Louisiana Delta Community College as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. While the Louisiana Delta Community College did not directly suffer any major effects of these two hurricanes, the Louisiana Community and Technical College System lost significant assets and operational functionality. However, as noted, the long-term effects of these events directly on the Louisiana Delta Community College cannot be determined at this time.

As discussed in note 1-O to the basic financial statements, the Louisiana Delta Community College implemented Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, Governmental Accounting Standards Board Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and Governmental Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits*, for the year ended June 30, 2006. However, Statements No. 42 and No. 47 have no impact on the financial statements for fiscal year 2006.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2006, on our consideration of the Louisiana Delta Community 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

WMS:WJR:THC:dl

LDCC06

Management's Discussion and Analysis of Louisiana Delta Community College's (College) financial performance presents a narrative overview and analysis of the College's financial activities for the year ended June 30, 2006. 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 basic financial statements, which begin on page 13.

The College is managed by the Louisiana Community and Technical College System (LCTCS). The College held its inaugural semester of classes in the fall 2001 at the Delta-Ouachita Technical College in West Monroe, Louisiana. The College moved to a renovated Coenen Building in August 2003 at 1201 Bayou Drive on the University of Louisiana at Monroe campus in Monroe, Louisiana. The building has seven classrooms plus a Learning Resource Center as well as offices for staff and faculty. The College is the only community college in northeast Louisiana and offers associate degrees in general studies, general science, business technology, liberal arts, and early childhood education. The College is in the process of offering an associate degree in nursing after achieving candidacy or accreditation from SACS (Southern Association of Colleges and Schools). Since the initial semester, the College has grown over 400% in enrollment and continues to serve the educational needs of northeast Louisiana.

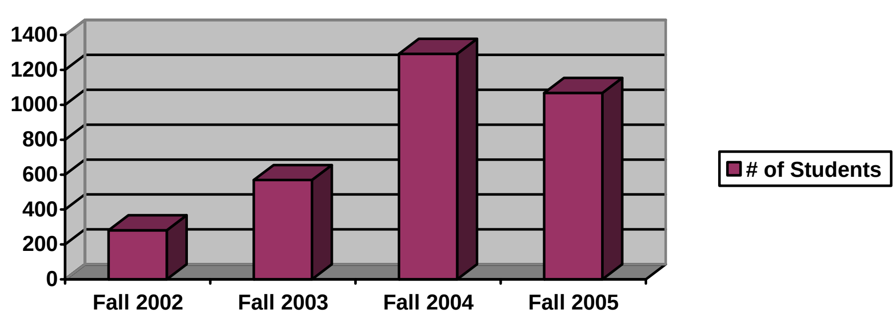
In *The Chronicle of Higher Education* (Chronicle), the College was listed at the top for the "Most overall student engagement," "Most student-faculty interaction," and "Most support for learners." The rating is based on the Chronicle's analysis of the 2002 Community College Survey of Student Engagement.

FINANCIAL HIGHLIGHTS

The College's net assets overall changed from $344,417 to $545,028 or 58% from June 30, 2005, to June 30, 2006. The overall reasons for this change included:

- Collection of the Student Technology Fee with minimum expendability of funds
- Tuition increase
- Increased activity in state and local contracts

Fall Enrollment Headcount



Enrollment changed from 1,292 to 1,067 from June 30, 2005 to June 30, 2006, a decrease of 17%. The reason for this change is attributed to the following:

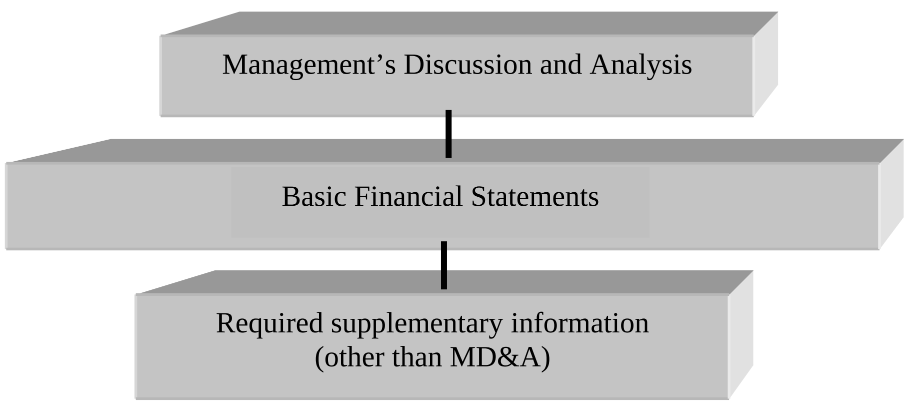
- The Satellite campus at West Monroe with four classrooms was closed.
- The developmental math courses are no longer taught at Louisiana Tech University by Delta faculty.

The College's operating revenues increased from $1,725,849 to $2,378,451 or 38 % from June 30, 2005 to June 30, 2006. Operating expenses, however, increased by 9% to $5,029,485 for the year ended June 30, 2006. The tuition increase as well as increase in activity in state, local, and private contracts is the primary reason for this change.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations. The change to $2,851,645 in 2006 from $2,902,117 in 2005 is attributed to state funding cut because of hurricanes Katrina and Rita.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special-Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 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 supplementary information/schedules.

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 Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

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

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

The Statement of Cash Flows (pages 17-18) presents information showing how 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 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 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 governmental units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the College are included in the Statement of Net Assets.

FINANCIAL ANALYSIS

Statement of Net Assets
As of June 30, 2006 and June 30, 2005
(in thousands)

	Total	
	2006	2005
Current and other assets	$1,143	$784
Capital assets	112	84
Total assets	1,255	868
Other liabilities	519	430
Long-term debt outstanding	191	94
Total liabilities	710	524
Net assets:		
Invested in capital assets	112	84
Restricted	552	462
Unrestricted	(119)	(202)
Total net assets	$545	$344

This schedule is prepared from the College's statement of net assets as shown on page 13, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Significant statement of net asset changes from 2005 includes the following:

The 19% increase in restricted net assets is due to net income derived from student technology fees and unspent endowment earnings. The 41% decrease in the deficit of unrestricted net assets is due to tuition increase and increased activity in state and local contracts.

Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Restricted net assets represent those assets that are expendable or nonexpendable and consists of resources that the College is legally obligated to spend in accordance with restrictions imposed by third parties. Expendable net assets consist of resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable net assets consist of endowment and similar type funds which the donor or other outside sources have stipulated, as a condition of the gift instrument, that 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 the principal. Conversely, unrestricted net assets are resources to be used for the educational and general operations of the College.

Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2006 and 2005
(in thousands)

	2006	2005
Operating revenues:		
Student tuition and fees, net	$1,678	$1,484
Grants and contracts	687	242
Other	13	
Total operating revenues	2,378	1,726
Operating expenses:		
Education and general:		
Instruction	1,957	1,744
Academic support	465	395
Student services	452	418
Institutional support	1,563	1,536
Operations and maintenance of plant	432	446
Depreciation	64	52
Other operating expenses	96	41
Total operating expenses	5,029	4,632
Operating loss	(2,651)	(2,906)
Nonoperating revenues		
State appropriations	2,811	2,885
Other nonoperating revenues	41	17
Net nonoperating revenues	2,852	2,902
Income (loss) before other revenues, expenses, gains, losses	201	(4)
Capital grants and gifts		28
Change in net assets	201	24
Net assets at the beginning of the year	344	320
Net assets at the end of the year	$545	$344

Nonoperating revenues decreased by 2% to $2.85 million, primarily attributable to a state funding cut because of hurricanes Katrina and Rita. State appropriations changed from $2.885 to $2.811 million because of a state funding cut as a result of hurricanes Katrina and Rita. The College's total revenues increased by $602,130 or 13%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006, the College had invested approximately $112,200 in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $28,100 or 33% over the previous fiscal year. More detailed information about the system's capital assets is presented in note 5 to the financial statements.

Capital Assets
As of June 30, 2006 and June 30, 2005
(Net of Depreciation, in thousands)

	2006	2005
Equipment	$112	$84

This year's major additions included (in thousands) purchase of instructional and institutional support equipment of $92,560.

Debt

The College had no bonds or notes payable 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:

The College was created by the Louisiana Legislature through Act 1369 of the 1997 Regular Session and Act 151 of the 1998 First Extraordinary Session in the area of the Monroe Regional Planning and Economic Development District--a twelve-parish area in northeast Louisiana covering the Mississippi Delta. The College was formed to serve the needs of one of the nation's most economically depressed regions. The College was incorporated as a member of the Louisiana Community and Technical College System in 1999 at the time of the creation of the system.

The mission of the College is to offer students of the twelve-parish delivery area quality instruction and services. This is accomplished by offering courses and programs that provide sound academic education, broad-based vocational and career training, continuing education, and various community and outreach services. The College provides these programs in a challenging, wholesome, ethical and intellectually stimulating setting where students are encouraged to develop their academic, vocational and career skills to their highest potential to successfully compete in this rapidly changing and increasingly technology-based society.

Effective August 2003, the College entered into a lease of the Coenen Building with the University of Louisiana at Monroe. The lease, $425,000 per year, is for three years with a two-year extension option. The two-year extension option was approved on July 18, 2006, for the period August 25, 2006, through August 24, 2008.

The Louisiana Division of Administration approved the acquisition of the State Farm Building and its land at the intersection of Interstate 20 and Highway 165 as a permanent location for the College. The purchase will take place in November 2006 and the building will be demolished shortly thereafter. A new campus will be built beginning in the spring of 2007 and the plan is to have the building completed for the fall 2008 semester. The College will look into the purchase of the building through nonprofit alternative financing (Delta Campus Facilities, Inc.).

In 2001, the Board of Regents adopted a new Master Plan for post-secondary education, which was implemented in 2005. As part of the Master Plan, four-year institutions adopted more selective admissions policies that require higher ACT and SAT scores along with other criteria. Community colleges are exempt from this requirement. Predictions from the Board of Regents indicate a substantial increase in enrollment at community colleges because of the implementation of these policies.

CONTACTING THE LOUISIANA DELTA COMMUNITY COLLEGE MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Director of Accounting and Payroll, L.E. "Ranzie" Douthit, Jr. at Louisiana Delta Community College, 1201 Bayou Drive, Monroe, Louisiana 71273, telephone number (318) 342-3750.

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

Statement of Net Assets
June 30, 2006

ASSETS	
Current assets:	
Cash (note 2)	$477,210
Receivables, net (note 4)	284,617
Deferred charges and prepaid expenses	68,241
Inventories	6,031
Total current assets	836,099
Noncurrent assets:	
Restricted investments (note 3)	306,826
Capital assets, net (note 5)	112,200
Total noncurrent assets	419,026
Total assets	1,255,125
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 6)	389,952
Deferred revenues (note 7)	118,712
Compensated absences payable (note 8)	9,936
Total current liabilities	518,600
Noncurrent liabilities - compensated absences payable (note 8)	191,497
Total liabilities	710,097
NET ASSETS	
Invested in capital assets	112,200
Restricted for: (note 14)	
Nonexpendable	300,000
Expendable	252,003
Unrestricted (deficit)	(119,175)
Total net assets	$545,028

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2006

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $187,119)	$1,678,703
Federal grants and contracts	60,607
State and local grants and contracts	538,838
Nongovernmental grants and contracts	87,367
Other operating revenues	12,936
Total operating revenues	2,378,451
OPERATING EXPENSES	
Educational and general:	
Instruction	1,956,795
Academic support	464,699
Student services	451,886
Institutional support	1,563,521
Operations and maintenance of plant	432,531
Depreciation	64,460
Other operating expenses	95,593
Total operating expenses	5,029,485
OPERATING LOSS	(2,651,034)
NONOPERATING REVENUES	
State appropriations	2,811,174
Investment income	40,471
Total nonoperating revenues	2,851,645
CHANGE IN NET ASSETS	200,611
NET ASSETS AT BEGINNING OF YEAR	344,417
NET ASSETS AT END OF YEAR	$545,028

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$1,638,425
Grants and contracts	511,086
Payments to suppliers	(1,363,198)
Payments for utilities	(38,123)
Payments to employees	(2,719,772)
Payments for benefits	(692,006)
Other receipts	259
Net cash used by operating activities	(2,663,329)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	2,811,174
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Purchase of capital assets	(92,560)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	306,826
Interest received on investments	29,204
Purchase of investments	(306,826)
Net cash provided by investing activities	29,204
NET INCREASE IN CASH	84,489
CASH AT BEGINNING OF YEAR	392,721
CASH AT END OF YEAR	$477,210

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2006

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($2,651,034)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	64,460
Changes in assets and liabilities:	
(Increase) in accounts receivables, net	(258,662)
(Increase) in inventories	(465)
(Increase) in deferred charges and prepaid expenses	(4,200)
Increase in accounts payable	101,380
(Decrease) in deferred revenues	(10,402)
Increase in compensated absences	95,594
Net cash used by operating activities	($2,663,329)
Noncash, Capital Financing Transactions	
Noncash scholarships	$164,648

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

Louisiana Delta Community College is a publicly supported state mandated institution of higher education. The college is a part of the Louisiana Community and Technical College System, which is a component unit of the State of Louisiana, within the executive branch of government. The college was enacted under Louisiana Revised Statute (R.S.) 17:3225 and is under the management and supervision of the Board of Supervisors of the Louisiana Community and Technical College System; however, the annual budget of the college and changes to the degree programs, departments of instruction, et cetera, require the approval of the Louisiana Board of Regents for Higher Education. As a state college, operations of the college's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

Louisiana Delta Community College is located in Monroe, Louisiana, and serves as a cultural and educational center for northeast Louisiana. The college offers associate degrees in the areas of liberal arts, general science, general studies, early childhood education, and business technology. Student enrollment at the college per the registrar was 673, 1,067, and 1,035, respectively, during the summer, fall, and spring semesters of fiscal year 2006. At June 30, 2006, the college has approximately 30 full-time faculty, 26 full-time staff, and 21 part-time adjunct faculty.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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 government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The college has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The institution has elected to not apply FASB pronouncements issued after the applicable date.

B. REPORTING ENTITY

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

The State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements within the Louisiana Community and Technical College System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the system and the state.

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. BUDGET PRACTICES

The State of Louisiana's appropriation to the college is an annual lapsing appropriation established by legislative action and Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are prorated to the year earned; and (4) certain inventories are recorded as expenditures at the time of purchase. A formal budgetary comparison is not required by GASB reporting standards for proprietary funds and, therefore, budgetary comparisons are not presented.

The budget amounts for fiscal year 2006 include the original approved budget and subsequent amendments approved as follows:

Original approved budget	$5,131,862
Amendments - General Fund Direct	(146,599)
Amendments - other	25,786
Total	$5,011,049

E. CASH AND INVESTMENTS

Cash consists of the amounts in interest-bearing demand deposit accounts and petty cash. Certificates of deposit with maturities extending beyond 90 days are considered investments. Under state law, the college may deposit funds within a fiscal agent bank organized under laws of the State of Louisiana, the laws of any state in the Union, or the laws of the United States. Furthermore, the college may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. INVENTORIES

Inventories are valued at the lower of cost or market on the cost basis. The college uses a periodic inventory system and accounts for its inventories using the consumption method.

G. NONCURRENT RESTRICTED ASSETS

Investments that are externally or legally restricted for endowed professorships are classified as noncurrent restricted assets in the Statement of Net Assets.

H. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, 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. 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 3 to 10 years for most movable property. The college has no land, infrastructure, buildings, or library books that require capitalization.

I. DEFERRED REVENUES

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

J. NONCURRENT LIABILITIES

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

K. COMPENSATED ABSENCES

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

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

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

L. NET ASSETS

Net assets of the College are classified as follows:

(a) Invested 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 acquisition, construction, or improvement of these capital assets.

(b) Restricted net assets - nonexpendable consists of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, that 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 the principal.

(c) Restricted net assets - 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 assets consist of resources derived from student tuition and fees, state appropriations, and certain local contracts. 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.

M. CLASSIFICATION OF REVENUES

The college has classified its revenues 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; and (2) most federal, state, and local grants and contracts.

(b) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

O. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2006, the college implemented GASB Statements No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits*. Statements 42 and 47 have no impact on reporting for the college and are not addressed elsewhere in the financial statements. Statement 46 does affect the reporting of net assets and is addressed in the financial statements and the accompanying notes.

2. CASH

The college has cash (book balances) totaling $477,210 at June 30, 2006, as follows:

Interest-bearing demand deposits	$476,210
Petty cash	1,000
Total	$477,210

3. INVESTMENTS

At June 30, 2006, the college has investments totaling $306,826, which consists of certificates of deposit with maturities over 90 days from the date of purchase.

The college's established investment policy follows the state law (R.S. 49:327), which authorizes the college to invest funds in time certificates of deposit.

A summary of the college's investment follows:

	Percentage of Investments	Fair Value	Investment Maturity Date
Type of investment - certificates of deposit	100%	$306,826	August 20, 2006

Credit risk is the risk that is issuer or other counterparty to an investment will not fulfill its obligations. State law limits the college's investments as described previously. The college does not have policies to further limit credit risk.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the college will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the college's $306,826 in total investments, $206,826 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution and not in the name of the college.

Under state law, the college's deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair 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 should be held in the name of the college or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

Concentration of credit risk is the risk of loss attributed to the magnitude of the college's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to colleges and universities does not address interest rate risk. The college does not have policies to limit concentration of credit risk or interest rate risk.

4. RECEIVABLES

Receivables shown on Statement A are net of an allowance for doubtful accounts and are composed of the following accounts:

Type	Accounts Receivable	Allowance for Doubtful Accounts	Accounts Receivable (Net)
Student tuition and fees	$28,379	$3,664	$24,715
Federal, state, and private grants and contracts	249,015		249,015
Other - accrued interest	10,887		10,887
Total	$288,281	$3,664	$284,617

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year are as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets, being depreciated - equipment	$268,933	$92,560	NONE	$361,493
Less accumulated depreciation for equipment	(184,833)	(64,460)	NONE	(249,293)
Capital assets, net	$84,100	$28,100	NONE	$112,200

The Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy capitalization policy includes only those assets with an original acquisition cost of $5,000 or more on which depreciation is calculated. GASB Statement No. 34 requires the recognition of depreciation on capital assets, resulting in the recognition of accumulated depreciation for current and prior years.

6. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of payables on Statement A:

Account Name	
Salaries and benefits	$281,816
Vendors	65,324
Other	42,812
Total	$389,952

7. DEFERRED REVENUES

The following is a summary of deferred revenues:

Account Name	
Prepaid tuition and fees	$110,368
Grants and contracts	8,344
Total	$118,712

8. COMPENSATED ABSENCES

At June 30, 2006, employees of the college have accumulated and vested annual, sick, and compensatory leave of $100,731, $99,563, and $1,139, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

9. PENSION PLANS

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

Funding Policy. The contribution requirements of plan members and the college are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 15.9% of covered salaries to TRS and 19.1% of covered salaries to LASERS for fiscal year 2006. The State of Louisiana, through the annual appropriation to the college, funds the college's employer contribution. The college's employer contributions to TRS for the years ended June 30, 2006, 2005, and 2004 were $257,695, $191,984, and $147,388, respectively, and to LASERS for years ended June 30, 2006, 2005, and 2004 were $63,251, $43,296, and $34,276, respectively, equal to the required contributions for each year.

10. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid colleges and universities in recruiting employees who may not be expected to remain in the TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

Total contributions by the college are 15.9% of covered payroll for fiscal year 2006. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $95,346 and $47,973 for the fiscal year ended June 30, 2006, respectively.

11. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The college provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the college's employees become eligible for these benefits if they reach normal retirement age while working for the college. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and by the college. The college recognizes the cost of providing these benefits to retirees (college's portion of premiums) as an expense when paid during the year. These retiree benefits totaled $10,229 for the year ended June 30, 2006. The total number of retirees at June 30, 2006, is one.

12. CONTINGENT LIABILITIES AND RISK MANAGEMENT

The college is not involved in any lawsuits at June 30, 2006. Any losses arising from judgments, claims, and similar contingencies would be paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. During fiscal year 2006, no direct claims or litigation costs were incurred by the college.

13. OPERATING LEASES

Total operating lease expenditures for fiscal year 2006 amounted to $448,073. Operating leases are all leases that do not meet the criteria of a capital lease. The college has no capital leases. At June 30, 2006, the college has less than two months remaining on its original three-year operating lease agreement for office and classroom space with the University of Louisiana at Monroe (ULM). However, since July 18, 2006, the college renewed its operating lease agreement with ULM to extend the original lease agreement for two additional years and continue paying the $425,000 per year. Therefore, future minimum annual rental payments for office and classroom space will continue to be $425,000 for fiscal years ending 2007 and 2008.

14. RESTRICTED NET ASSETS

The college has the following restricted net assets at June 30, 2006:

Nonexpendable - endowments	$300,000
Expendable:	
Student technology fee	$234,290
Endowment earnings	17,713
Total expendable	$252,003

As a reporting requirement under GASB Statement 46, all of the college's restricted net assets shown above are restricted by enabling legislation. The restricting legislation includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation. The student technology fee is restricted by R.S. 17:3351.1 and the endowment principal and earnings are restricted by R.S. 17:3801.

15. DEFERRED COMPENSATION PLAN

Certain employees of Louisiana Delta Community 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 from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

16. FOUNDATION

The accompanying financial statements do not include the accounts of the Louisiana Delta Community College Foundation, Incorporated. 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 14, as amended by GASB Statement 39. This foundation is a separate corporation whose financial statements are subject to audit by an independent certified public accountant.

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OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

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

STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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September 8, 2006

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*

LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Monroe, Louisiana

We have audited the basic financial statements of Louisiana Delta Community College, a college within the Louisiana Community and Technical College System, which is a component unit of the State of Louisiana, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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