DELTA CAMPUS FACILITIES CORPORATION
Monroe, Louisiana

Financial Statements
December 31, 2012 and 2011

DELTA CAMPUS FACILITIES CORPORATION

DECEMBER 31, 2012 and 2011

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LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Delta Campus Facilities Corporation
Monroe, Louisiana

Report on the Financial Statements

We have audited the accompanying statements of financial position of Delta Campus Facilities Corporation (the Corporation), a nonprofit organization, as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards for 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Corporation as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated June 27, 2013 on our consideration of the Company's internal control over financial reporting and 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

(A Professional Accounting Corporation)

June 27, 2013

FINANCIAL STATEMENTS

DELTA CAMPUS FACILITIES CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents - Note 2	$ 443,253	$ 761,534
Cash restricted for maintenance and service of debt - Note 2	4,292,343	4,074,272
Prepaid insurance	5,327	5,327
Deferred charges, net of accumulated amortization - Note 3	643,101	686,457
Construction in progress - Note 4	-	22,840
Capital assets, net - Note 4	35,946,861	37,504,216
Total assets	$ 41,330,885	$ 43,054,646
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts and retainage payable	$ 8,144	$ 15,416
Accrued interest	482,342	499,192
Bonds payable, net - Note 5	36,872,991	38,508,306
Total liabilities	37,363,477	39,022,914
Unrestricted net assets	108,787	-
Temporarily restricted net assets	3,858,621	4,031,732
Total net assets	3,967,408	4,031,732
Total liabilities and net assets	$ 41,330,885	$ 43,054,646

See accompanying notes to financial statements.

DELTA CAMPUS FACILITIES CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	2012	2011
Unrestricted Net Assets		
Net Assets Released from Restrictions		
Restrictions satisfied by payments	$ 41,703	$ 142,942
Restrictions satisfied by passage of time	108,787	-
Expenses		
Legal and professional services	(41,703)	(142,942)
Increase/(decrease) in unrestricted net assets	108,787	-
Temporarily Restricted Net Assets		
Revenue		
Rental of facilities	3,899,835	3,899,634
Refundable investment tax credits	-	543,934
Net Assets Released from Restrictions		
Restrictions satisfied by payments	(41,703)	(142,942)
Restrictions satisfied by passage of time	(108,787)	-
Depreciation and Amortization	(1,955,835)	(1,935,996)
Interest expense	(1,979,919)	(2,045,369)
Other Income/(Expense)	13,298	22,559
Increase/(Decrease) in temporarily restricted net assets	(173,111)	341,820
Increase/(Decrease) in net assets	(64,324)	341,820
Net assets at beginning of year	4,031,732	3,689,912
Net assets at end of year	$ 3,967,408	$ 4,031,732

See accompanying notes to financial statements.

DELTA CAMPUS FACILITIES CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities:		
Rental income	$ 3,899,835	$ 3,899,634
Other income	11,000	
Refundable investment tax credits received	-	543,934
Payments for services	(45,454)	(120,087)
Interest paid on bonds	(1,996,769)	(2,045,369)
Net cash provided by operating activities	1,868,612	2,278,112
Cash Flows from Investing Activities:		
Additions to construction in progress	(286,120)	(275,600)
Interest received on investments	2,298	-
Net cash used by investing activities	(283,822)	(275,600)
Cash Flows from Financing Activities:		
Bond principal retired	(1,685,000)	(1,620,000)
Net cash used by investing activities	(1,685,000)	(1,620,000)
Net increase/(decrease) in cash and cash equivalents	(100,210)	382,512
Cash and cash equivalents - beginning of year	4,835,806	4,453,294
Cash and cash equivalents - end of year	$ 4,735,596	$ 4,835,806
Reconciliation of change in temporarily restricted net assets to net cash provided by operating activities:		
Change in net assets	$ (64,324)	$ 341,820
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation, amortization and accretion	1,955,835	1,935,996
Decrease in prepaid expenses	-	296
Other, net	(22,899)	-
Total Adjustments	1,932,936	1,936,292
Net cash provided by operating activities	$ 1,868,612	$ 2,278,112

See accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Delta Campus Facilities Corporation (the Corporation) was formed March 1, 2005 to provide a vehicle for funding and oversee construction of the campus to be occupied upon completion by Louisiana Delta Community College (the College). The construction project is funded by Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority) Revenue Bonds. The proceeds of the bonds have been loaned by the Authority to the Corporation pursuant to a Loan and Assignment Agreement dated November 1, 2008 and are to be used for (1) financing a portion of the costs of the development, design and construction of a new campus and related facilities (the Facilities) for students, faculty and staff of the College; (2) funding debt service principal and interest on the bonds; and (3) paying costs of issuance of the bonds.

The Board of Supervisors of the Louisiana Community and Technical College System (the LCTCS Board), an agency of the state, is leasing the unimproved land on which the campus was constructed to the Corporation pursuant to a Ground Lease. The Corporation subleases the Facilities back to the LCTCS Board pursuant to an Agreement to Lease with Option to Purchase (the Facilities Lease) dated November 1, 2008. The source of repayment of the bonds will be payments of the base rental received by the Corporation from the LCTCS Board pursuant to the Facilities Lease. These payments of base rental will enable the Corporation to make its required payments to the Authority under the loan agreement; provided, however, the availability of the base rental payable by the LCTCS Board is subject to annual appropriation of funds to the LCTCS Board sufficient for such purpose by the State of Louisiana Legislature. (See Note 6)

Basis of Financial Statements

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Fair Value Measurements

Investments as of December 31, 2012 and 2011 include $4,308,400 and $4,254,361 of money market funds and are carried at fair value. ASC Section 820 establishes the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the Corporation has the ability to access;
Level 2	Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Money Market funds held by the Corporation at December 31, 2012 and 2011 are valued at their published net asset value at those dates, and are valued at their published net asset value at those dates, and are considered to be Level 1 in the fair value hierarchy.

For purposes of the Statement of Cash Flows, cash equivalents include all highly liquid investments with a maturity date of three months or less when purchased.

Capital Assets
Capital assets are reported at cost on the date of acquisition or their estimated fair value at the date of donation. For movable property, the Corporation'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, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance expense are charged to operating expense in the year in which the expense is incurred. Depreciation is provided using the straight-line method over estimated useful lives of 40 years for buildings, 20 years for land improvements, and 5 to 10 years for furniture, fixtures and equipment. Depreciation expense was $1,862,794 for 2012 and $1,842,954 for 2011.

Capitalized Interest
Interest cost on the Series 2008 bonds was capitalized as a component of construction in process, net of interest earned on temporary investment of the bond proceeds, in accordance with ASC Section 835-20. No interest was capitalized in 2012 or 2011.

Net Assets
Net assets, revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. The Corporation has received a contribution from the State of Louisiana in the form of $543,934 in investment tax credits that are classified as temporarily restricted assets for five years. These tax credits are being amortized over five years as the restrictions are satisified by the passage of time. In 2012, the first $108,789 was recognized as revenue which is now reflected as unrestricted net assets. The balance of net assets. The balance of net assets are restricted to the purposes outlined in the underlying bond indentures.

Tax Status
The Corporation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and state income taxes. The Corporation is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax-exempt entity and assess whether it has any tax positions associated with unrelated business income subject to tax. The Corporation does not expect any of these tax positions to change materially over the near term. Any penalties related to late filing or other requirements would be recognized as penalties in the Corporation's accounting records. Management of the Corporation believes it is no longer subject to income tax examinations for years prior to 2009.

Estimates
In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of financial position and statement of activities for the period. Actual results could differ from those estimates.

Subsequent Event
Management of the Corporation has evaluated subsequent events through June 27 2013 which is the date the financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents at fair value consist of the following at December 31, 2012 and 2011:

	2012	2011
Cash in banks	$ 427,196	$ 581,445
Money Market Funds	4,308,400	4,254,361
Total	$ 4,735,596	$ 4,835,806

The terms of the bond indenture require the Corporation to hold investments in accounts designated for specific purposes. As of December 31, 2012 and 2011, the Corporation held $635,587 and $417,520, respectively, in a separate account for funding the cost of replacing any worn out, obsolete, inadequate, unsuitable or undesirable property, furniture, fixtures or equipment of the facilities constructed with the proceeds from the Series 2008 Bonds. As of December 31, 2012 and 2011, the Corporation held $3,656,752 and $3,656,752, respectively, in a separate account as a debt service reserve, equal to the lesser of: 10% of the stated principal amount of the Series 2008 Bonds less original issue discount; 125% of the Average Annual Debt Service; or Maximum Annual Debt Service on the Series 2008 Bonds.

Note 3 - Deferred Charges

Deferred charges at December 31, 2012 and 2011 consist of the following:

	2012	2011
Bond issuance costs	$ 450,792	$ 450,792
Underwriter's discount	369,344	369,344
Less: Accumulated Amortization	(177,035)	(133,679)
	$ 643,101	$ 686,457

The bond issuance costs and underwriter's discount are being amortized over the life of the Series 2008 Bonds using the straight-line method. There was no capitalized amortization recorded in 2012 or 2011. Amortization expense for 2012 and 2011 was $43,355.

Note 4 - Capital Assets

Capital assets activity for the year ended December 31, 2012 was as follows:

	12/31/2011	Additions	Transfers	12/31/2012
Capital assets not being depreciated:				
Construction in progress	$ 22,840	$ 282,599	$ (305,439)	$ -
Total capital assets not being depreciated	$ 22,840	$ 282,599	$ (305,439)	$ -
Capital assets being depreciated:				
Buildings	$ 27,678,298	$ -	$ 305,439	$ 27,983,737
Less: accumulated depreciation	(1,539,116)	(1,196,266)	-	(2,735,382)
	26,139,182	(1,196,266)	305,439	25,248,355
Land improvements	7,357,813	-	-	7,357,813
Less: accumulated depreciation	(536,849)	(382,709)	-	(919,558)
	6,820,964	(382,709)	-	6,438,255
Furniture and equipment	5,220,314	-	-	5,220,314
Less: accumulated depreciation	(676,244)	(283,819)	-	(960,063)
	4,544,070	(283,819)	-	4,260,251
Total capital assets being depreciated	$ 37,504,216	$ (1,862,794)	$ 305,439	$ 35,946,861

The campus is sited on 16.5 acres of land and consists of two buildings of approximately 135,000 square feet, a maintenance building, and related parking, drives, hardscape and landscape. The main building accommodates administrative and instructional facilities on three levels; the second building houses the Advanced Technology Center and which includes classrooms and labs, high-bay flexible labs and a conference center on two levels.

Note 5 - Bonds Payable

In November, 2008, Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds were issued for the purpose of providing funds to pay for the construction of the campus to be occupied by Louisiana Delta Community College. The following table is a summary of bonds payable as of December 31, 2012 and 2011:

	2012	2011
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2008 Serial Bonds, interest rates ranging from 4.00% to 4.75%, principal payments began October 1, 2010, final maturity October 1, 2018.	$ 11,710,000	$ 13,395,000
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2008 Term Bonds, $25,900,000 bearing interest at 5.50%, principal payments begin October 1, 2019, final maturity October 1, 2027.	25,900,000	25,900,000
	37,610,000	39,295,000
Less: original issue discount	(737,009)	(786,694)
Total bonds payable	$ 36,872,991	$ 38,508,306

The 2008 bonds were issued at a net discount of $939,893. This discount is being amortized over the life of the bonds on the straight-line basis. Annual amortization was $49,686 in 2012 and 2011.

The annual debt service requirements to maturity, including principal and interest, for bonds payable as of December 31, 2012 are as follows:

2013	$ 3,684,369
2014	3,684,169
2015	3,686,169
2016	3,692,794
2017	3,695,950
2018-2022	18,557,650
2023-2027	18,684,375
	55,685,476
Less: interest	(18,075,476)
Outstanding principal	$ 37,610,000

Note 6 - Risks, Uncertainties and Concentrations

As discussed in Note 1, the Corporation is dependent upon the State Legislature appropriating funds to the LCTCS Board sufficient to make payments of base rental to the Corporation. The State of Louisiana the LCTCS Board and the Corporation entered into a Cooperative Endeavor Agreement dated June 1, 2008 pursuant to which the Commissioner of Administration agreed to include in the Executive Budget and request that the State Legislature provide funding for the payment of Base Rental pursuant to the Facilities Lease without any further obligations. Absent an appropriation by the Legislature sufficient to allow the LCTCS Board to make payments of base rent under the Facilities Lease, the Corporation will have no obligation to make payments under the Loan Agreement. The LCTCS Board is under no obligation to use any other of its funds to make payments of base rental. The Corporation receives 99.7% of its total revenues from appropriations made by the State of Louisiana Legislature.

Note 7 - MBIA Insurance

Payments of scheduled principal and interest on the Bonds, when due, are insured by Municipal Bond Insurance Corporation (MBIA).

SUPPLEMENTAL INFORMATION

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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*

Board of Directors
Delta Campus Facilities Corporation
Monroe, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide,* issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of Delta Campus Facilities Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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

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material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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*.

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 Corporation'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.

Huffman Ragsdale ; Seymour

(A Professional Accounting Corporation)

June 27, 2013