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DELTA CAMPUS FACILITIES CORPORATION
Monroe, Louisiana

Financial Statements
December 31, 2010 and 2009

DELTA CAMPUS FACILITIES CORPORATION

DECEMBER 31, 2010 and 2009

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John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Philip A. Ragsdale, CPA
David Ray Soignier, CPA, MBA

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John Herman, CPA
Lynn Andries, CPA
Esther Atteberry, CPA
Sandra Harrington, CPA
Lori Woodard, MBA, CPA

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Delta Campus Facilities Corporation
Monroe, Louisiana

We have audited the accompanying statements of financial position of Delta Campus Facilities Corporation (the Corporation), a nonprofit organization, as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 and the *Louisiana Governmental Audit Guide* published by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2011on our consideration of the Corporation'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 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 assessing the results of our audit.

Luffey, Huffman, Ragsdale & Soignier

(A Professional Accounting Corporation)

June 22, 2011

1100 North 18th Street Monroe, Louisiana 71201
Tel: (318) 387-2672 • Fax: (318) 322-8866 • Website: www.afullservicecpafirm.com
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FINANCIAL STATEMENTS

DELTA CAMPUS FACILITIES CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 and 2009

		2010		2009
ASSETS				
Cash and cash equivalents - Note 2	$	4,453,294	$	17,117,080
Prepaid insurance		5,623		6,966
Deferred charges, net of accumulated amortization - Note 3		729,812		773,167
Construction in progress - Notes 4 & 5		422,736		29,673,418
Capital assets, net - Note 4		38,817,979		-
Total assets	$	44,429,444	$	47,570,631
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts and retainage payable	$	145,520	$	3,538,731
Accrued interest		515,392		530,942
Bonds payable, net - Note 6		40,078,620		41,583,933
Total liabilities		40,739,532		45,653,606
Temporarily restricted net assets		3,689,912		1,917,025
Total liabilities and net assets	$	44,429,444	$	47,570,631

See accompanying notes to financial statements.

DELTA CAMPUS FACILITIES CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

	2010	2009
Unrestricted Net Assets		
Net Assets Released from Restrictions		
Restrictions satisfied by payments	$ 102,433	$ 31,781
Expenses		
Legal and professional services	(102,433)	(31,781)
Increase (decrease) in unrestricted net assets	-	-
Temporarily Restricted Net Assets		
Revenue		
Rental of facilities	3,878,222	1,971,801
Net Assets Released from Restrictions		
Restrictions satisfied by payments	(102,433)	(31,781)
Depreciation and Amortization	955,776	-
Interest expense, net of amounts capitalized	1,046,334	-
Other Income/(Expense)	(792)	-
Increase in temporarily restricted net assets	1,772,887	1,940,020
Increase in net assets	1,772,887	1,940,020
Net assets (deficit) at beginning of year	1,917,025	(22,995)
Net assets at end of year	$ 3,689,912	$ 1,917,025

See accompanying notes to financial statements.

DELTA CAMPUS FACILITIES CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities:		
Rental income	$ 3,878,222	$ 1,971,801
Payments for services	(102,433)	(31,781)
Interest paid on bonds (not capitalized)	(1,046,334)	-
Net cash provided/(used) by operating activities	2,729,455	1,940,020
Cash Flows from Investing Activities:		
Additions to construction in progress	(12,667,771)	(22,521,295)
Capitalized interest received on investments	-	119,816
Capitalized interest on outstanding bonds	(1,170,470)	(1,929,063)
Net cash used by investing activities	(13,838,241)	(24,330,542)
Cash Flows from Financing Activities:		
Bond principal retired	(1,555,000)	-
Net cash used by investing activities	(1,555,000)	-
Net increase/(decrease) in cash and cash equivalents	(12,663,786)	(22,390,522)
Cash and cash equivalents - beginning of year	17,117,080	39,507,602
Cash and cash equivalents - end of year	$ 4,453,294	$ 17,117,080
Reconciliation of change in temporarily restricted net assets to net cash provided by operating activities:		
Change in net assets	$ 1,772,887	$ 1,940,020
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation, amortization and accretion	955,776	-
Decrease in prepaid expenses	1,343	-
Other, net	(551)	-
Total Adjustments	956,568	-
Net cash provided by operating activities	$ 2,729,455	$ 1,940,020

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 will be constructed to the Corporation pursuant to a Ground Lease to construct the Facilities in accordance with the plans and specifications approved by an Advisory Committee of the Corporation, as set forth in the Ground Lease. Upon completion of construction, the Corporation will sublease 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 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 Legislature. (See Note 6)

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.

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. 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.

DELTA CAMPUS FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 105, "*Generally Accepted Accounting Principles*", and established the FASB Standards Accounting Codification (the Codification) as the single source of authoritative United States generally accepted accounting principles (GAAP) for all non-governmental entities. The Codification, which became effective July 1, 2009, changed the referencing and organization of accounting guidance and literature. Accordingly, GAAP pronouncements are now referenced as ASC's. The issuance of this Codification did not change GAAP, and therefore the adoption of this guidance only affected how specific references to GAAP literature are disclosed in the Corporation's financial statements.

Management of the Corporation has evaluated subsequent events through June 22, 2011 which is the date the financial statements were available to be issued.

Net assets, revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. The Corporation has not received contributions; however, all net assets are restricted to the purposes outlined in the underlying bond indentures.

Capitalized Interest
Interest cost on the Series 2008 bonds is 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.

Investments
Investments are composed 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, 2010 and 2009 are valued at the net asset value of shares held by the Corporation at that date, 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.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents at fair value consist of the following at December 31, 2010 and 2009:

	2010	2009
Money Market Funds	$ 4,453,294	$ 17,117,080

The terms of the bond indenture require the corporation to hold investments in accounts designated for specific purposes. As of December 31, 2010 the Corporation held $199,453 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, 2010 and 2009, the Corporation held $3,656,734 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, 2010 and 2009 consist of the following:

		2010		2009
Bond issuance costs	$	450,792	$	450,792
Underwriter's discount		369,344		369,344
Less: Accumulated Amortization		(90,324)		(46,969)
	$	729,812	$	773,167

The bond issuance costs and underwriter's discount are being amortized over the life of the Series 2008 Bonds using the straight-line method. Capitalized amortization for a portion of 2010 and all of 2009 was $21,677 and $43,340, respectively, and is included in construction in process. Amortization expense for 2010 was $21,677.

Note 4 - Capital Assets

Capital assets are recorded at cost or estimated fair market value if acquired by donation. Depreciated 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 $909,255 for 2010. there was no depreciation expense for 2009.

Capital Assets activity for the year ended December 31, 2010 was as follows:

DELTA CAMPUS FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

	Balance, 12/31/2009	Additions	Transfers	Balance, 12/31/2010
Capital assets not being depreciated:				
Construction in progress	$ 29,673,418	$ 10,476,552	$ (39,727,234)	$ 422,736
Total capital assets not being depreciated	$ 29,673,418	$ 10,476,552	$ (39,727,234)	$ 422,736
Other capital assets:				
Buildings	$ -	$ -	$ 27,678,298	$ 27,678,298
Less: Accumulated depreciation	-	(345,979)	-	(345,979)
	$ -	$ (345,979)	$ 27,678,298	$ 27,332,319
Land improvements	$ -	$ -	$ 6,828,622	$ 6,828,622
Less: Accumulated depreciation	-	(170,851)	-	(170,851)
	$ -	$ (170,851)	$ 6,828,622	$ 6,657,771
Furniture, fixtures, equipment & other	$ -	$ -	$ 5,220,314	$ 5,220,314
Less: Accumulated depreciation	-	(392,425)	-	(392,425)
	$ -	$ (392,425)	$ 5,220,314	$ 4,827,889
Total other capital assets	$ -	$ (909,255)	$ 39,727,234	$ 38,817,979
Capital assets summary:				
Capital assets not being depreciated	$ 29,673,418	$ 10,476,552	$ (39,727,234)	$ 422,736
Other capital assets	-	-	39,727,234	39,727,234
	$ 29,673,418	$ 10,476,552	$ -	$ 40,149,970
Less: Accumulated depreciation	-	(909,255)	-	(909,255)
	$ 29,673,418	$ 9,567,297	$ -	$ 39,240,715

Note 5 - Construction in Progress

Construction in progress consists of construction completed on the College campus. The Phase I development is sited on 16.5 acres of land and will consist of two buildings of approximately 135,000 square feet and related parking, drives, hardscape and landscape. The main building will accommodate administrative and instructional facilities on three levels; the second building will house the Advanced Technology Center and will include classrooms and labs, high-bay flexible labs and a conference center on two levels.

The Corporation has entered into a contract (the Design-Build Contract) with Breck-Ratcliff Joint Venture. (the Builder) to provide for the design and engineering service for the campus.

The Design-Build Contract requires the Builder to perform the design and engineering of the campus as generally described in a master plan prepared for the LCTCS Board. The Architect has worked concurrently with the Builder, the Corporation and the Corporation's Advisory Committee to design the campus. The Corporation and the Builder will subsequently amend the Design-Build Contract as might be necessary to describe more fully the facilities to be constructed and the guaranteed maximum price to be paid by the Corporation. Substantial completion was reached in early July, 2010.

All costs recorded in construction in progress are directly related to the construction of the campus. No depreciation will be recorded on these assets until the assets are complete and available for use. Capitalized interest included in construction in progress totaled $1,108,434 and $2,116,514 for the years ended December 31, 2010 and 2009, respectively. For the year ended December 31, 2010, this amount represents interest expense of $1,061,884 and amortization of bond discount, legal fees, and issuance costs of $46,520. For the year ended December 31, 2009, this amount represents interest expense of $2,236,332 and amortization of bond discount and issuance costs of $114,333 offset by interest income earned on the invested bond proceeds of $119,816.

Note 6 - 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, 2010 and 2009:

	2010	2009
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 begin October 1, 2010, final maturity October 1, 2018.	$ 15,015,000	$ 16,570,000
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
	40,915,000	42,470,000
Less: original issue discount	(836,380)	(886,067)
Total bonds payable	$ 40,078,620	$ 41,583,933

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 and $4,141 of which $24,483 and $49,686 was capitalized in construction in process for the years ended December 31, 2010 and 2009, respectively.

The annual debt service requirements to maturity, including principal and interest, for bonds payable as of December 31, 2010 are as follows:

2011	$	3,681,569
2012		3,681,768
2013		3,684,369
2014		3,684,169
2015		3,686,169
2016-2020		18,509,644
2021-2025		18,630,275
2026-2027		7,490,850
		63,048,813
Less: interest		(22,133,813)
Outstanding principal	$	40,915,000

Note 7 - Risks and Uncertainties

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, 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.

Note 8 - MBIA Insurance

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

SUPPLEMENTAL INFORMATION

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

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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 the financial statements of Delta Campus Facilities Corporation (the Corporation) as of and for the year ended December 31, 2010 and have issued our report thereon dated June 22, 2011. 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; and the *Louisiana Governmental Audit Guide,* issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

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possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 10-01 and 10-02 to be material weaknesses.

Compliance and Other Matters

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

The Corporation's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management of the Corporation, others within the entity, and certain State agencies providing funds to the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Heffner, Huffman, Ragsdale & Siqueira

(A Professional Accounting Corporation)

June 22, 2011

DELTA CAMPUS FACILITIES CORPORATION
SCHEDULE OF FINDINGS
AUDIT AS OF DECEMBER 31, 2010

10-01 Accountability for Assets

Finding:

During the course of our audit, we noted the Corporation had placed assets into service comprising Buildings A and B of the campus construction project. The assets include furniture, fixtures and equipment. In reviewing the detail of capital assets, we noted certain line items of equipment and furniture contained masses of assets instead of a detail of individual assets (for example, "Computers/Misc. Equipment" $1,704,443; "Light Fixtures & Lamps" $420,807). The Corporation was able to provide us with a comprehensive list of what was included in those figures only after expending significant effort.

Criteria and Recommendation:

While use of mass asset accounting is appropriate in certain instances (systems of assets and regulated operations, for example), assets that are easily transportable should be tracked at the individual level to allow management of the Corporation to demonstrate proper accountability for assets under their control.

We recommend that the Corporation disaggregate the mass asset line items on the depreciation detail report to allow them to more easily demonstrate compliance with accountability for assets.

Management's Corrective Action Plan:

Delta Campus Facilities Corporation was created for the purpose of constructing and equipping the main campus of Louisiana Delta Community College. The facility was completed and leased to the Community College beginning July 1, 2010 under a 30 year lease.

The original depreciation schedule maintained by the independent accountant and provided to the auditors did reflect moveable depreciable items such as computer equipment, kitchen equipment, other equipment, and furniture and fixtures in summary totals. The details of these moveable depreciable items were kept in multiple lists maintained by the Community College but was not quite as detail as the depreciation schedule. The Community College's main objective of maintaining the listings was for accountability purpose and not for determining book value and depreciation expense for financial reporting purpose.

In order to simplify and to link the detail inventory listing with the corresponding depreciation expense and book value, the original depreciation schedule maintained by the independent accountant was expanded to list the moveable depreciable items individually rather than in aggregate totals. The revised listing now reflects individual moveable equipment and furniture and fixtures, including date of purchase, cost, brief description of item, building and room location, serial numbers where applicable, depreciation method and life, and the resulting depreciation expense, accumulated depreciation and net book value. Part of the disaggregation process included allocating freight costs, sales tax, general contractor's labor assistance and profit to each item of equipment and furniture and fixtures. This revised listing will provide management and auditors one comprehensive detail inventory list and depreciation schedule.

For reporting purposes, the costs, accumulated depreciation and depreciation expenses did not change from the original summary listing to the revised detail list. The revised listing consolidates all the multiple listing into one listing and now reflects a detail list that includes both accountability and reporting objectives.

10-02 Proper Cutoff of Transactions

Finding:

In the process of reviewing disbursements from the trust and requisitions for expenditure of the Series 2008 Bond proceeds, we noted three instances where the Corporation had not recorded transactions in the proper accounting period. We observed requisition number 84 payable to R.D. Owens Construction for $105,480.00 for services provided during December, 2010; requisition number 85 payable to Architecture + for $1,028.30 for services provided during December, 2010; and requisition number 88 payable to Breithaupt, Dunn, DuBos, Shafto and Wolleson LLC for $11,538.31 which contained services from October, November and December, 2010. These three requisitions were funded in January and February, 2011.

Criteria and Recommendation:

The Corporation prepares its accounting records and financial statements on the accrual basis of accounting, that calls for liabilities to be recorded in the period in which the underlying obligation is incurred. Since the services related to the foregoing requisitions were provided in 2010, they should have been recorded fiscal 2010 by an adjusting entry.

We recommend the Corporation, in conjunction with its accountant, review requisitions paid in the month subsequent to closing its books to determine what, if any, adjusting entries would be required to record liabilities in the proper accounting period.

Management's Corrective Action Plan:

The failure to record the items noted at year-end was an oversight on the part of the independent accountant.

The independent accountant will assign an audit manager to thoroughly review the year-end financial packet to be submitted to the auditor and to review the year-end financial statements with management prior to submission of the packet to the auditor.