DELTA CAMPUS FACILITIES CORPORATION
Monroe, Louisiana

Financial Statements
December 31, 2011 and 2010

DELTA CAMPUS FACILITIES CORPORATION

DECEMBER 31, 2011 and 2010

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LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2011 and 2010, 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 audits.

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, 2011 and 2010 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, 2012 on 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 29, 2012

FINANCIAL STATEMENTS

DELTA CAMPUS FACILITIES CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents - Note 2	$ 4,835,806	$ 4,453,294
Prepaid insurance	5,327	5,623
Deferred charges, net of accumulated amortization - Note 3	686,457	729,812
Construction in progress - Note 4	22,840	422,736
Capital assets, net - Note 4	37,504,216	38,817,979
Total assets	$ 43,054,646	$ 44,429,444
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts and retainage payable	$ 15,416	$ 145,520
Accrued interest	499,192	515,392
Bonds payable, net - Note 5	38,508,306	40,078,620
Total liabilities	39,022,914	40,739,532
Temporarily restricted net assets	4,031,732	3,689,912
Total liabilities and net assets	$ 43,054,646	$ 44,429,444

See accompanying notes to financial statements.

DELTA CAMPUS FACILITIES CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010

	2011	2010
Unrestricted Net Assets		
Net Assets Released from Restrictions		
Restrictions satisfied by payments	$ 142,942	$ 102,433
Expenses		
Legal and professional services	(142,942)	(102,433)
Increase/(decrease) in unrestricted net assets	-	-
Temporarily Restricted Net Assets		
Revenue		
Rental of facilities	3,899,634	3,878,222
Refundable investment tax credits	543,934	-
Net Assets Released from Restrictions		
Restrictions satisfied by payments	(142,942)	(102,433)
Depreciation and Amortization	(1,935,996)	(955,776)
Interest expense, net of amounts capitalized in 2010	(2,045,369)	(1,046,334)
Other Income/(Expense)	22,559	(792)
Increase in temporarily restricted net assets	341,820	1,772,887
Increase in net assets	341,820	1,772,887
Net assets at beginning of year	3,689,912	1,917,025
Net assets at end of year	$ 4,031,732	$ 3,689,912

See accompanying notes to financial statements.

DELTA CAMPUS FACILITIES CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010

		2011		2010
Cash Flows from Operating Activities:				
Rental income	$	3,899,634	$	3,878,222
Refundable investment tax credits received		543,934		-
Payments for services, net		(120,087)		(102,433)
Interest paid on bonds (not capitalized)		2,045,369		(1,046,334)
Net cash provided by operating activities		6,368,850		2,729,455
Cash Flows from Investing Activities:				
Additions to construction in progress		(275,600)		(12,667,771)
Capitalized interest on outstanding bonds		-		(1,170,470)
Net cash used by investing activities		(275,600)		(13,838,241)
Cash Flows from Financing Activities:				
Bond principal retired		(1,620,000)		(1,555,000)
Net cash used by investing activities		(1,620,000)		(1,555,000)
Net increase/(decrease) in cash and cash equivalents		4,473,250		(12,663,786)
Cash and cash equivalents - beginning of year		4,453,294		17,117,080
Cash and cash equivalents - end of year	$	8,926,544	$	4,453,294
Reconciliation of change in temporarily restricted net assets to net cash provided by operating activities:				
Change in net assets	$	341,820	$	1,772,887
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation, amortization and accretion		(1,935,996)		955,776
Decrease in prepaid expenses		296		1,343
Other, net		-		(551)
Total Adjustments		(1,935,700)		956,568
Net cash provided by operating activities	$	(1,593,880)	$	2,729,455

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 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. The Corporation is required to review various tax positions it has taken with respect to its exempt status and determining 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 2008.

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.

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, 2012 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 received a contribution from the state of Louisiana in the form of $543,934 in investment tax credits that are classified as temporarily restricted for 5 years; however, the balance of net assets are restricted to the purposes outlined in the underlying bond indentures.

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. 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 $1,842,954 for 2011 and $909,255 for 2010.

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. Capitalized interest totaled $1,108,434 for the year

ended December 31, 2010. No interest was capitalized during 2011.

Fair Value Measurements
Investments as of December 31, 2011 and 2010 include $4,254,361 and $4,441,304 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, 2011 and 2010 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.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents at fair value consist of the following at December 31, 2011 and 2010:

		2011		2010
Cash in banks	$	581,445	$	11,990
Money Market Funds		4,254,361		4,441,304
Total	$	4,835,806	$	4,453,294

The terms of the bond indenture require the corporation to hold investments in accounts designated for specific purposes. As of December 31, 2011 and 2010, the Corporation held $417,520 and $199,453, 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, 2011 and 2010, the Corporation held $3,656,752 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, 2011 and 2010 consist of the following:

		2011		2010
Bond issuance costs	$	450,792	$	450,792
Underwriter's discount		369,344		369,344
Less: Accumulated Amortization		(133,679)		(90,324)
	$	686,457	$	729,812

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 was $21,677; there were no amounts capitalized in 2011. Amortization expense for 2011 and 2010 was $43,355 and $21,677, respectively.

Note 4 - Capital Assets

Capital Assets activity for the year ended December 31, 2011 was as follows:

	Balance, 12/31/2010	Additions	Transfers	Balance, 12/31/2011
Capital assets not being depreciated:				
Construction in progress	$ 422,736	$ 129,295	$ (529,191)	$ 22,840
Total capital assets not being depreciated	$ 422,736	$ 129,295	$ (529,191)	$ 22,840
Other capital assets:				
Buildings	$ 27,678,298	$ -	$ -	$ 27,678,298
Less: Accumulated depreciation	(345,979)	(1,193,137)	-	(1,539,116)
	$ 27,332,319	$ (1,193,137)	$ -	$ 26,139,182
Land improvements	$ 6,828,622	$ -	$ 529,191	$ 7,357,813
Less: Accumulated depreciation	(170,851)	(365,998)	-	(536,849)
	$ 6,657,771	$ (365,998)	$ 529,191	$ 6,820,964
Furniture and Equipment	$ 5,220,314	$ -	$ -	$ 5,220,314
Less: Accumulated depreciation	(392,425)	(283,819)	-	(676,244)
	$ 4,827,889	$ (283,819)	$ -	$ 4,544,070
Total other capital assets, net	$ 38,817,979	$ (1,842,954)	$ 529,191	$ 37,504,216
Capital assets summary:				
Capital assets not being depreciated	$ 422,736	$ 129,295	$ (529,191)	$ 22,840
Other capital assets	39,727,234	-	529,191	40,256,425
	$ 40,149,970	$ 129,295	$ -	$ 40,279,265
Less: Accumulated depreciation	(909,255)	(1,842,954)	-	(2,752,209)
	$ 39,240,715	$ (1,713,659)	$ -	$ 37,527,056

The campus is sited on 16.5 acres of land and consists of two buildings of approximately 135,000 square feet 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 will include classrooms and labs, high-bay flexible labs and a conference center on two levels. As of December 31, 2011 construction in progress is made up of progress billings on a maintenance building.

The Corporation 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 required 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 worked concurrently with the Builder, the Corporation and the Corporation's Advisory Committee to design the campus. The Corporation and the Builder amended the Design-Build Contract as 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.

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, 2011 and 2010:

	2011	2010
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.	$ 13,395,000	$ 15,015,000
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
	39,295,000	40,915,000
Less: original issue discount	(786,694)	(836,380)
Total bonds payable	$ 38,508,306	$ 40,078,620

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 2011; in 2010, annual amortization was $49,686 of which $24,483 was capitalized in construction in process.

The annual debt service requirements to maturity, including principal and interest, for bonds payable as of December 31, 2011 are as follows:

2012	$ 3,681,769
2013	3,684,369
2014	3,684,169
2015	3,686,169
2016	3,692,793
2017-2021	18,532,850
2022-2026	18,654,600
2027	3,750,525
	59,367,244
Less: interest	(20,072,244)
Outstanding principal	$ 39,295,000

Note 6 - 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 7 - MBIA Insurance

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

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, 2011 and have issued our report thereon dated June 29, 2012. 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Delta Campus Facilities Corporation
Monroe, Louisiana

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.*

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.

Luffey, Huffman, Ragsdale, & Simmons

(A Professional Accounting Corporation)

June 29, 2012

DELTA CAMPUS FACILITIES CORPORATION
SUMMARY STATUS OF PRIOR YEAR FINDINGS
AS OF DECEMBER 31, 2011

The following is a summary of the status of the prior year findings included in the Luffey, Huffman, Ragsdale & Soignier, CPA's audit report dated June 22, 2011, covering the examination of the financial statements of Delta Campus Facilities Corporation (the Corporation) as of and for the year ended December 31, 2010.

10-01 Accountability for Assets

Finding:

The Corporation's depreciation schedule was maintained with summary totals for certain categories of depreciable assets. The details of these moveable depreciable items were kept in multiple lists maintained by Delta Community College but were not as detailed as the depreciation schedule.

Status:

This finding was resolved during 2011.

10-02 Proper Cutoff of Transactions

Finding:

Three requisitions for payment covering services rendered in 2010 were funded in January and February, 2011. Payments for such services were in excess of $100,000, and the Corporation had not recorded these transactions in the proper accounting period.

Status:

This finding was resolved during 2011.