

DELTA CAMPUS FACILITIES CORPORATION
Oak Ridge, Louisiana

Financial Statements
December 31, 2009 and 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/21/10

DELTA CAMPUS FACILITIES CORPORATION

DECEMBER 31, 2009 and 2008

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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
Oak Ridge, Louisiana

We have audited the accompanying statements of financial position of Delta Campus Facilities Corporation (the Corporation), a nonprofit organization, as of December 31, 2009 and 2008, 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, 2009 and 2008 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 30, 2010 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 30, 2010

FINANCIAL STATEMENTS

DELTA CAMPUS FACILITIES CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 and 2008

ASSETS	2009	2008
Cash and cash equivalents - Note 2	\$ 17,117,080	\$ 39,507,602
Investment income receivable	-	46,579
Prepaid Insurance	6,966	-
Deferred charges, net of accumulated amortization - Note 3	773,167	816,507
Construction in progress - Note 4	29,673,418	1,542,387
Total assets	\$ 47,570,631	\$ 41,913,075
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts and retainage payable	\$ 3,538,731	\$ 164,079
Accrued interest	530,942	237,744
Bonds payable	42,470,000	42,470,000
Less original issue discount, net of accumulated amortization	(886,067)	(935,753)
Net bonds payable - Note 5	41,583,933	41,534,247
Total liabilities	45,653,606	41,936,070
Temporarily restricted net assets	1,917,025	(22,995)
Total liabilities and net assets	\$ 47,570,631	\$ 41,913,075

See accompanying notes to financial statements.

DELTA CAMPUS FACILITIES CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Unrestricted Net Assets		
Net Assets Released from Restrictions		
Restrictions satisfied by payments	\$ 31,781	\$ 22,995
Expenses		
Legal and professional services	<u>(31,781)</u>	<u>(22,995)</u>
Increase (decrease) in unrestricted net assets	-	-
 Temporarily Restricted Net Assets		
Revenue		
Rental of facilities	1,971,801	-
Net Assets Released from Restrictions		
Restrictions satisfied by payments	<u>(31,781)</u>	<u>(22,995)</u>
Increase (decrease) in temporarily restricted net assets	1,940,020	(22,995)
Increase (decrease) in net assets	1,940,020	(22,995)
Net assets (deficit) at beginning of year	<u>(22,995)</u>	<u>-</u>
Net assets (deficit) at end of year	<u>\$ 1,917,025</u>	<u>\$ (22,995)</u>

See accompanying notes to financial statements.

DELTA CAMPUS FACILITIES CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities:		
Rental income	\$ 1,971,801	\$ -
Payments for services	<u>(31,781)</u>	<u>(22,995)</u>
Net cash provided/(used) by operating activities	1,940,020	(22,995)
Cash Flows from Investing Activities:		
Additions to construction in progress	(22,521,295)	(1,016,182)
Capitalized interest received on investments	119,816	17,871
Capitalized interest on outstanding bonds	<u>(1,929,063)</u>	<u>(181,063)</u>
Net cash used by investing activities	(24,330,542)	(1,179,374)
Cash Flows from Financing Activities:		
Payments for services - bond issuance	-	(820,136)
Net proceeds from issuance of bonds	<u>-</u>	<u>41,530,107</u>
Net cash provided by financing activities	-	40,709,971
Net increase/(decrease) in cash and cash equivalents	(22,390,522)	39,507,602
Cash and cash equivalents - beginning of year	39,507,602	-
Cash and cash equivalents - end of year	<u>\$ 17,117,080</u>	<u>\$ 39,507,602</u>
Reconciliation of change in temporarily restricted net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,940,020	\$ (22,995)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net cash provided/(used) by operating activities	<u>\$ 1,940,020</u>	<u>\$ (22,995)</u>

See accompanying notes to financial statements.

DELTA CAMPUS FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

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, 2009 and 2008

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, changes 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 30, 2010 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 |

DELTA CAMPUS FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

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, 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, 2009 and 2008:

	2009	2008
Money Market Funds	\$ 17,117,080	\$ 39,507,602

Note 3 - Deferred Charges

Deferred charges at December 31, 2009 and 2008 consist of the following:

	2009	2008
Bond issuance costs	\$ 450,792	\$ 450,792
Underwriter's discount	369,344	369,344
Less: Accumulated Amortization	(46,969)	(3,629)
	\$ 773,167	\$ 816,507

DELTA CAMPUS FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

The bond issuance costs and underwriter's discount are being amortized over the life of the Series 2008 Bonds using the straight-line method. Amortization for the years ending December 31, 2009 and 2008 was \$43,340 and \$3,629, respectively, and is included in construction in process.

Note 4 - 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 is expected by July 31, 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 \$2,116,514 and \$181,062 for the years ended December 31, 2009 and 2008, respectively. For the year ended December 31, 2009, this amount represents interest expense of \$2,236,332 (which includes amortization of bond discount, legal fees, and issuance costs of \$114,333) offset by interest income earned on the invested bond proceeds of \$119,818. For the year ended December 31, 2008, this amount represents interest expense of \$245,513 (which includes amortization of bond discount and issuance costs of \$7,769) offset by interest income earned on the invested bond proceeds of \$64,451. Commitments for the construction project not yet complete total approximately \$10,034,000 at December 31, 2009.

DELTA CAMPUS FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

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, 2009 and 2008:

	2009	2008
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.	\$ 16,570,000	\$ 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
	42,470,000	42,470,000
Less: original issue discount	(886,067)	(935,753)
Total bonds payable	\$ 41,583,933	\$ 41,534,247

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. Amortization expense recorded in construction in process totaled \$49,686 and \$4,141 for the years ended December 31, 2009 and 2008, respectively.

**DELTA CAMPUS FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

The annual debt service requirements to maturity, including principal and interest, for bonds payable as of December 31, 2009 are as follows:

2010	\$	3,678,769
2011		3,681,569
2012		3,681,768
2013		3,684,369
2014		3,684,169
2015-2019		18,481,987
2020-2024		18,608,875
2025-2027		<u>11,226,075</u>
		66,727,581
 Less: interest		 <u>(24,257,581)</u>
 Outstanding principal	 \$	 <u><u>42,470,000</u></u>

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 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
Oak Ridge, Louisiana

We have audited the financial statements of Delta Campus Facilities Corporation (the Corporation) as of and for the year ended December 31, 2009 and have issued our report thereon dated June 30, 2010. 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation'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
Oak Ridge, 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.

Huffman, Huffman, Reynolds & Simpson

(A Professional Accounting Corporation)

June 30, 2010

**DELTA CAMPUS FACILITIES CORPORATION
SUMMARY STATUS OF PRIOR YEAR FINDING
AUDIT AS OF DECEMBER 31, 2009**

The following is a summary of the status of the prior year findings included in the Luffey, Huffman, Ragsdale & Soignier (APAC)'s audit report dated June 26, 2009, covering the examination of the financial statements of Delta Campus Facilities Corporation (the Corporation) as of and for the year ended December 31, 2008.

Finding:

During the course of our audit, we noted that the trust statements for the Corporation's investment accounts are not reviewed by a member of the Board of Directors. The Board does have a financial advisor and a law firm that review the transactions on a periodic basis and report to the Board.

Status:

Resolved during 2009.