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DELTA CAMPUS FACILITIES CORPORATION

Financial Statements
December 31, 2008

DELTA CAMPUS FACILITIES CORPORATION

DECEMBER 31, 2008

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LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER
(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
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Lynn Andries, CPA
Esther Atteberry, CPA
Sandra Harrington, CPA

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Delta Campus Facilities Corporation
Oak Ridge, Louisiana

We have audited the accompanying statement of financial position of Delta Campus Facilities Corporation (the Corporation), a nonprofit organization, as of December 31, 2008, and the related statements of activities and cash flows for the year 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 audit in accordance with auditing standards generally accepted in the United States of America; the standards for 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2008 and the changes in its net assets and its cash flows for the year 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 26, 2009, on our consideration of the Corporation'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 read in conjunction with this report in considering the results of our audit.

Luffey, Huffman, Ragsdale, & Soignier

(A Professional Accounting Corporation)

June 26, 2009

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MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL STATEMENTS

DELTA CAMPUS FACILITIES CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

ASSETS

Cash and cash equivalents - Note 2	$	39,507,602
Investment income receivable		46,579
Deferred charges, net of accumulated amortization - Note 3		816,507
Construction in progress - Note 4		1,542,387
Total assets	$	41,913,075

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts and retainage payable	$	164,079
Accrued interest		237,744
Bonds payable		42,470,000
Less original issue discount, net of accumulated amortization		(935,753)
Net bonds payable - Note 5		41,534,247
Total liabilities		41,936,070
Temporarily restricted net assets		(22,995)
Total liabilities and net assets	$	41,913,075

See accompanying notes to financial statements.

DELTA CAMPUS FACILITIES CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Revenue	$ -
Expenses:	
Legal and professional services	22,995
Decrease in net assets	(22,995)
Net assets at beginning of year	-
Net assets at end of year	$ (22,995)

See accompanying notes to financial statements.

DELTA CAMPUS FACILITIES CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Flows from Operating Activities:		
Earnings received on investments	$	17,872
Payments for services		322,146
Net cash provided by operating activities		340,018
Cash Flows from Investing Activities:		
Additions to construction in progress		(1,542,387)
Net cash used by investing activities		(1,542,387)
Cash Flows from Financing Activities:		
Payments for services - bond issuance		(820,136)
Net proceeds from issuance of bonds		41,530,107
Net cash provided by financing activities		40,709,971
Net increase in cash and cash equivalents		39,507,602
Cash and cash equivalents - beginning of year		-
Cash and cash equivalents - end of year	$	39,507,602
Reconciliation of change in temporarily restricted net assets to net cash provided by operating activities:		
Change in net assets	$	(22,995)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of deferred charges and bond discount		7,769
Increase in investment income receivable		(46,579)
Increase in accounts and retainage payable		164,079
Increase in accrued interest payable		237,744
Net cash provided by operating activities	$	340,018

See accompanying notes to financial statements.

DELTA CAMPUS FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 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.

Net assets, revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. The organization 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 Financial Accounting Standards Board (FASB) Statement 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants.*

Investments
Investments are composed of money market funds and are carried at fair value. FASB Statement number 157, *Fair Value Measurements*, established a 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 FASB 157 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.

DELTA CAMPUS FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

The Money Market funds held by the Corporation at December 31, 2008 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 consist of the following at December 31, 2008:

	Fair Value
Money Market Funds	$ 39,507,602

Note 3 - Deferred Charges

Deferred charges at December 13, 2008 consist of the following:

Bond issuance costs	$ 450,792
Underwriter's discount	369,344
Less: Accumulated Amortization	(3,629)
	$ 816,507

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 year ending December 31, 2008 was $3,629 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 $181,063 for the year ended December 31, 2008. This amount represents interest expense of $245,514 (which includes amortization of bond discount and issuance costs of $7,770) offset by interest income earned on the invested bond proceeds of $64,451. Commitments for the construction project not yet complete total approximately $33,740,366 at December 31, 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. Following is a summary of bonds payable.

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
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
	42,470,000
Less: original issue discount	(935,753)
Total bonds payable	$ 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 $4,141 for the year ended December 31, 2008.

The annual debt service requirements to maturity, including principal and interest, for bonds payable as of December 31, 2008 are as follows:

2009	$ 1,828,801
2010	3,678,769
2011	3,681,569
2012	3,681,769
2013	3,684,369
2014-2018	18,456,656
2019-2023	18,587,600
2024-2027	14,956,850
	68,556,383
Less: interest	(26,086,383)
Outstanding principal	$ 42,470,000

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, is insured by MBIA Insurance Corporation.

SUPPLEMENTARY 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 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, 2008 and have issued our report thereon dated June 26, 2009. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Corporation's internal control.

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The Board of Directors
Delta Campus Facilities Corporation

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

We noted a certain matter that we reported to management of the Corporation in a separate letter dated June 26, 2009.

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 that are required to be reported under *Government Auditing Standards*.

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

Lafferty Huffman, Ragsdale, & Sapiens

(A Professional Accounting Corporation)

June 26, 2009

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MANAGEMENT LETTER

The Board of Directors
Delta Campus Facilities Corporation
Monroe, Louisiana

In planning and performing our audit of the financial statements of Delta Campus Facilities Corporation (the Corporation) for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls. This letter summarizes our comment and suggestion regarding this matter. This letter does not affect our report dated June 26, 2009 on the financial statements of the Corporation.

REVIEW OF TRUST STATEMENTS

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.

Recommendation:
We recommend that the trust statements be received by either the President or Treasurer unopened each month and that he review them and document his review by initialing and dating the statements.

Management's Response:
A board member will receive and review the unopened trust statements each month before forwarding them to the Corporation's accountant for posting in the general ledger.

Luffey, Huffman, Ragsdale, & Soignier

(A Professional Accounting Corporation)

June 26, 2009

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