

**DELTA CAMPUS FACILITIES CORPORATION**  
**Monroe, Louisiana**

**Financial Statements**  
**December 31, 2013 and 2012**

DELTA CAMPUS FACILITIES CORPORATION

DECEMBER 31, 2013 and 2012

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# HUFFMAN & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)  
CERTIFIED PUBLIC ACCOUNTANTS

Francis I. Huffman, CPA  
David Ray Soignier, CPA, MBA, CGMA

John Herman, CPA  
Lynn Andries, CPA, CGMA  
Esther Atteberry, CPA  
Lori Woodard, MBA, CPA, CGMA, CITP  
Fernando Cordova, CPA

## INDEPENDENT AUDITORS' REPORT

**The Board of Directors  
Delta Campus Facilities Corporation  
Monroe, Louisiana**

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of Delta Campus Facilities Corporation (the Corporation), a nonprofit organization, as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

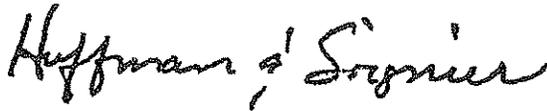
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2013 and 2012, 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.

***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014 on our consideration of the Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Huffman & Sornier". The signature is written in a cursive, flowing style.

(A Professional Accounting Corporation)

June 30, 2014

## **FINANCIAL STATEMENTS**

**DELTA CAMPUS FACILITIES CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 and 2012**

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents - Note 2	\$ 385,431	\$ 443,253
Cash restricted for maintenance and service of debt - Note 2	4,403,769	4,292,343
Accounts Receivable - LCTCS Board - Note 7	30,000	-
Prepaid insurance	5,323	5,327
Deferred charges, net of accumulated amortization - Note 3	599,746	643,101
Capital assets, net - Note 4	34,079,666	35,946,861
Total assets	\$ 39,503,935	\$ 41,330,885
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 1,350	\$ 8,144
Accrued interest	464,792	482,342
Bonds payable, net - Note 5	35,167,677	36,872,991
Total liabilities	35,633,819	37,363,477
Unrestricted net assets	217,574	108,787
Temporarily restricted net assets	3,652,542	3,858,621
Total net assets	3,870,116	3,967,408
Total liabilities and net assets	\$ 39,503,935	\$ 41,330,885

See accompanying notes to financial statements.

**DELTA CAMPUS FACILITIES CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Unrestricted Net Assets		
Net Assets Released from Restrictions		
Restrictions satisfied by payments	\$ 33,384	\$ 41,703
Restrictions satisfied by passage of time	108,787	108,787
Expenses		
Legal and professional services	<u>(33,384)</u>	<u>(41,703)</u>
Increase in unrestricted net assets	108,787	108,787
Temporarily Restricted Net Assets		
Revenue		
Rental of facilities	3,795,764	3,899,835
Net Assets Released from Restrictions		
Restrictions satisfied by payments	(33,384)	(41,703)
Restrictions satisfied by passage of time	(108,787)	(108,787)
Depreciation and Amortization	(1,960,235)	(1,955,835)
Interest expense	(1,911,818)	(1,979,919)
Other Income/(Expense)	<u>12,381</u>	<u>13,298</u>
Decrease in temporarily restricted net assets	(206,079)	(173,111)
Decrease in net assets	(97,292)	(64,324)
Net assets at beginning of year	<u>3,967,408</u>	<u>4,031,732</u>
Net assets at end of year	<u>\$ 3,870,116</u>	<u>\$ 3,967,408</u>

See accompanying notes to financial statements.

**DELTA CAMPUS FACILITIES CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

	2013	2012
<b>Cash Flows from Operating Activities:</b>		
Rental income	\$ 3,795,764	\$ 3,899,835
Other income	11,000	11,000
Payments for services	(40,174)	(45,454)
Interest paid on bonds	(1,929,369)	(1,996,769)
Net cash provided by operating activities	1,837,221	1,868,612
<b>Cash Flows from Investing Activities:</b>		
Additions to construction in progress	-	(286,120)
Interest received on investments	1,383	2,298
Net cash used by investing activities	1,383	(283,822)
<b>Cash Flows from Financing Activities:</b>		
Bond principal retired	(1,755,000)	(1,685,000)
Net cash used by investing activities	(1,755,000)	(1,685,000)
<b>Net increase/(decrease) in cash and cash equivalents</b>	83,604	(100,210)
<b>Cash and cash equivalents - beginning of year</b>	4,735,596	4,835,806
<b>Cash and cash equivalents - end of year</b>	\$ 4,819,200	\$ 4,735,596
<b>Reconciliation of change in temporarily restricted net assets to net cash provided by operating activities:</b>		
Change in net assets	\$ (97,292)	\$ (64,324)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation, amortization and accretion	1,960,235	1,955,835
Other, net	(25,722)	(22,899)
Total Adjustments	1,934,513	1,932,936
Net cash provided by operating activities	\$ 1,837,221	\$ 1,868,612
<b>Presented on Statement of Financial Position as:</b>		
Cash and cash equivalents	\$ 385,431	\$ 443,253
Cash restricted for maintenance and service of debt	4,403,769	4,292,343
	\$ 4,789,200	\$ 4,735,596

See accompanying notes to financial statements.

**DELTA CAMPUS FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

**Note 1 - Summary of Significant Accounting Policies**

*Nature of Activities*

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

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

*Basis of Financial Statements*

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

*Fair Value Measurements*

Investments as of December 31, 2013 and 2012 include \$4,419,827 and \$4,308,400 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:

**DELTA CAMPUS FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

- 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, 2013 and 2012 are valued at their published net asset value at those dates, and are considered to be Level 1 in the fair value hierarchy.

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

*Capital Assets*

Capital assets are reported at cost on the date of acquisition or their estimated fair value at the date of donation. For movable property, the Corporation's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance expense are charged to operating expense in the year in which the expense is incurred. Depreciation is provided using the straight-line method over estimated useful lives of 40 years for buildings, 20 years for land improvements, and 5 to 10 years for furniture, fixtures and equipment. Depreciation expense was \$1,867,195 for 2013 and \$1,862,794 for 2012.

**DELTA CAMPUS FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

*Capitalized Interest*

Interest cost on the Series 2008 bonds was capitalized as a component of construction in process, net of interest earned on temporary investment of the bond proceeds, in accordance with ASC Section 835-20. No interest was capitalized in 2013 or 2012.

*Net Assets*

Net assets, revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. The Corporation has received a contribution from the State of Louisiana in the form of \$543,934 in investment tax credits that are classified as temporarily restricted assets for five years. These tax credits are being amortized over five years as the restrictions are satisfied by the passage of time. The balance of net assets are restricted to the purposes outlined in the underlying bond indentures.

*Tax Status*

The Corporation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and state income taxes. The Corporation is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax-exempt entity and assess whether it has any tax positions associated with unrelated business income subject to tax. The Corporation does not expect any of these tax positions to change materially over the near term. Any penalties related to late filing or other requirements would be recognized as penalties in the Corporation's accounting records. Management of the Corporation believes it is no longer subject to income tax examinations for years prior to 2011.

*Estimates*

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

*Subsequent Event*

Management of the Corporation has evaluated subsequent events through June 30, 2014 which is the date the financial statements were available to be issued and determined that no events occurred that require disclosure.

**DELTA CAMPUS FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

**Note 2 - Cash and Cash Equivalents**

Cash and cash equivalents at fair value consist of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash in banks	\$ 369,373	\$ 427,196
Money Market Funds	4,419,827	4,308,400
Total	<u>\$ 4,789,200</u>	<u>\$ 4,735,596</u>

The terms of the bond indenture require the Corporation to hold investments in accounts designated for specific purposes. As of December 31, 2013 and 2012, the Corporation held \$746,987 and \$635,587, 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, 2013 and 2012, the Corporation held \$3,656,783 and \$3,656,756, respectively, in a separate account as a debt service reserve, equal to the lesser of: 10% of the stated principal amount of the Series 2008 Bonds less original issue discount; 125% of the Average Annual Debt Service; or Maximum Annual Debt Service on the Series 2008 Bonds.

**Note 3 - Deferred Charges**

Deferred charges at December 31, 2013 and 2012 consist of the following:

	<u>2012</u>	<u>2011</u>
Bond issuance costs	\$ 450,792	\$ 450,792
Underwriter's discount	369,344	369,344
Less: Accumulated Amortization	<u>(220,390)</u>	<u>(177,035)</u>
	<u>\$ 599,746</u>	<u>\$ 643,101</u>

The bond issuance costs and underwriter's discount are being amortized over the life of the Series 2008 Bonds using the straight-line method. There was no capitalized amortization recorded in 2013 or 2012. Amortization expense for 2013 and 2012 was \$43,355.

**DELTA CAMPUS FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

**Note 4 - Capital Assets**

Capital assets activity for the year ended December 31, 2013 was as follows:

	<u>12/31/2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>12/31/2013</u>
Capital assets being depreciated:				
Buildings	\$ 27,983,738	\$ -	\$ -	\$ 27,983,738
Less: accumulated depreciation	<u>(1,733,076)</u>	<u>(699,594)</u>	<u>-</u>	<u>(2,432,670)</u>
	26,250,662	(699,594)	-	25,551,068
Land improvements	7,357,813	-	-	7,357,813
Less: accumulated depreciation	<u>(919,558)</u>	<u>(382,654)</u>	<u>-</u>	<u>(1,302,212)</u>
	6,438,255	(382,654)	-	6,055,601
Furniture and equipment	5,220,314	-	-	5,220,314
Less: accumulated depreciation	<u>(1,962,370)</u>	<u>(784,947)</u>	<u>-</u>	<u>(2,747,317)</u>
	3,257,944	(784,947)	-	2,472,997
Total capital assets being depreciated	<u>\$ 35,946,861</u>	<u>\$ (1,867,195)</u>	<u>\$ -</u>	<u>\$ 34,079,666</u>

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

**Note 5 - Bonds Payable**

In November, 2008, Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds were issued for the purpose of providing funds to pay for the construction of the campus to be occupied by Louisiana Delta Community College. The following table is a summary of bonds payable as of December 31, 2013 and 2012:

**DELTA CAMPUS FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

	2013	2012
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.	\$ 9,955,000	\$ 11,710,000
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
	35,855,000	37,610,000
Less: original issue discount	(687,323)	(737,009)
Total bonds payable	\$ 35,167,677	\$ 36,872,991

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 2013 and 2012.

The annual debt service requirements to maturity, including principal and interest, for bonds payable as of December 31, 2013 are as follows:

2014	\$ 3,684,169
2015	3,686,169
2016	3,692,794
2017	3,695,950
2018	3,697,575
2019-2023	18,587,600
2024-2027	14,956,850
	<u>52,001,107</u>
Less: interest	<u>(16,146,107)</u>
Outstanding principal	<u>\$ 35,855,000</u>

**DELTA CAMPUS FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

**Note 6 - Risks, Uncertainties and Concentrations**

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

**Note 7 - Due From LCTCS Board**

The Corporation and the LCTCS Board entered into a cooperative endeavor agreement in July, 2013 whereby the Corporation Advanced the LCTCS Board \$30,000 to acquire furniture, fixtures and equipment for the new Franklin parish campus. The LCTCS Board has agreed to reimburse the Corporation for such advance as part of the terms of the cooperative endeavor agreement.

**Note 8 - MBIA Insurance**

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

**SUPPLEMENTAL INFORMATION**

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### Board of Directors Delta Campus Facilities Corporation Monroe, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Delta Campus Facilities Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2014.

### *Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

**Delta Campus Facilities Corporation  
Monroe, Louisiana**

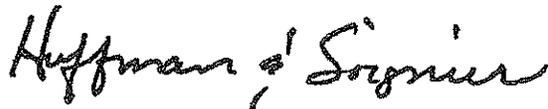
However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



(A Professional Accounting Corporation)

**June 30, 2014**