
BRCC FACILITIES CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2003

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 **SEP 03 2003**



Postlethwaite & Netterville

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BRCC FACILITIES CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2003



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INDEPENDENT AUDITORS' REPORT

Board of Directors
BRCC Facilities Corporation
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of the BRCC Facilities Corporation (a nonprofit organization) as of June 30, 2003, and the related statements of activities and cash flows for the period 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 and the standards applicable to 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 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 BRCC Facilities Corporation, as of June 30, 2003, and the results of its activities 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 August 6, 2003, on our consideration of BRCC Facilities Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report should be read in conjunction with this report in considering the results of our audit.

Postlethwaite & Netterville

Baton Rouge, Louisiana
August 6, 2003



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
BRCC Facilities Corporation
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the BRCC Facilities Corporation (a not-for-profit organization), as of and for the period ended June 30, 2003, and have issued our report thereon dated August 6, 2003. 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.

Compliance

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, and contracts, 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 the 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that could be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

This report is intended solely for the information and use of the board of directors and management of the BRCC Facilities Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

Baton Rouge, Louisiana
August 6, 2003

BRCC FACILITIES CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30,2003

ASSETS

Cash and cash equivalents	\$ 50,995,559
Accrued interest receivable	67,294
Construction in progress	7,731,155
Deferred financing costs, net	894,098
	<hr/>
Total assets	\$ 59,688,106
	<hr/>

LIABILITIES AND NET ASSETS

Construction costs payable	\$ 2,771,637
Accrued interest payable	235,270
Bonds payable, net	56,016,089
Retainage payable	263,136
Total liabilities	59,286,132
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Net assets	401,974
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Total liabilities and net assets	\$ 59,688,106
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The accompanying notes are an integral part of this financial statement.



BRCC FACILITIES CORPORATION
STATEMENT OF ACTIVITIES
FOR THE SIX MONTHS ENDED JUNE 30, 2003

REVENUES

Interest earned on investments	\$ 421,552
Total revenues	<u>421,552</u>

EXPENSES

Amortization expense	19,578
Total expenses	<u>19,578</u>

INCREASE IN NET ASSETS 401,974

NET ASSETS, BEGINNING OF PERIOD -

NET ASSETS, END OF PERIOD \$ 401,974

The accompanying notes are an integral part of this financial statement.



BRCC FACILITIES CORPORATION

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 401,974
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Amortization of deferred financing costs	19,578
Amortization of bond premiums	(24,578)
Changes in operating assets and liabilities:	
Accrued interest receivable	(67,294)
Accrued interest payable	235,270
Net cash used in operating activities	<u>564,950</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Facilities construction costs	(7,780,311)
Construction costs payable	2,771,637
Retainage payable	263,136
Net cash used in investing activities	<u>(4,745,538)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Issuance of bonds payable	56,089,823
Deferred financing costs	(913,676)
Net cash provided by financing activities	<u>55,176,147</u>

**NET INCREASE IN CASH
AND CASH EQUIVALENTS**

50,995,559

**CASH AND CASH EQUIVALENTS,
BEGINNING OF PERIOD**

-

**CASH AND CASH EQUIVALENTS,
END OF PERIOD**

\$ 50,995,559

Supplemental Cash Flow Information

Cash paid for interest	<u>\$ 1,184,191</u>
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The accompanying notes are an integral part of this financial statement.



BRCC FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. **Organization**

The Corporation is a Louisiana non-profit corporation formed to support and benefit the educational, scientific research and public service mission of the Baton Rouge Community College (the College). The Corporation was formed during 2002 to finance a portion of the costs of the development, design, renovation, construction and equipping of facilities for the College.

2. **Summary of Significant Accounting and Reporting Policies**

Basis of Accounting and Reporting

Transactions of the Corporation are accounted for on the accrual basis of accounting. The Corporation uses various trust accounts created pursuant to trust indentures of the related bonds. The trust accounts, which are administered by a trustee bank, provide for the custody of the assets, debt service payments and bond redemption requirements, and payment of administrative expenses. The Programs follow the not-for-profit model for financial reporting as set forth in FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*.

Deferred Financing Costs

Bond issuance costs, including underwriters' discount on bonds sold, are deferred and amortized over the life of the indebtedness based upon the principal amount of bonds outstanding.

Investments & Cash Equivalents

Investments are included in the accompanying financial statements at cost which approximates their fair value (See Note 3). For financial reporting purposes, cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. All investments held by the corporation are considered cash equivalents.

Bond Premiums

Premiums incurred upon issuance of bonds are deferred and amortized to interest expense over the life of the related bonds using a method that approximates the interest method.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BRCC FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS

2. **Summary of Significant Accounting and Reporting Policies** (continued)

Interest Capitalized

The Corporation follows the policy of capitalizing interest as a component of the cost of property, plant and equipment constructed for its own use. During the year ended June 30, 2003, the Corporation capitalized interest of approximately \$1,400,000.

Fixed Assets

The Corporation originally records fixed assets at cost of acquisition. Depreciation will be recorded upon completion of the construction.

Income Taxes

The Corporation is organized as a Louisiana non-profit corporation and as such is exempt from State and Federal income taxes.

3. **Cash and Investments**

Investments consist of U. S. Treasury obligations which represent deposits in money market funds invested in U.S. Treasury Securities as well as overnight repurchase agreements. Fair values of these instruments approximate cost.

Substantially all investments are restricted for debt service, construction and various program expenses. At June 30, 2003, cash and investments were as follows:

<u>Repurchase Agreement</u>	<u>Securities Backed by U. S. Treasury</u>	<u>Total</u>
\$ 50,918,318	\$ 77,241	\$ 50,995,559

4. **Bonds Payable**

The bonds are limited and special revenue obligations of the Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority), the source of the payment of which will be derived from the payments due to the Corporation under a Facilities Lease agreement with the College. The obligation of the Corporation to make payments to the Authority for debt service is limited to the rents received from the Board of the College. The Corporation has assigned its rights under the Facility Lease to the Authority as security for the bonds. The net proceeds obtained from the bond issue are to be used to finance a portion of the development, design, renovation, construction and equipping of facilities for the College.



BRCC FACILITIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

4. Bonds Payable (continued)

At June 30, 2003, bonds payable outstanding were as follows:

	<u>Interest Amount</u>	<u>Principal Amount</u>
Bonds Payable		
Serial Bonds due 2014 – 2022	5.375%	\$ 19,530,000
Term Bonds due 2026	5.000%	12,105,000
Term Bonds due 2032	5.000%	<u>23,365,000</u>
		55,000,000
Premium		1,089,823
Accumulated Amortization of Premium		<u>(73,734)</u>
Bonds Payable, net		<u>\$ 56,016,089</u>

5. Lease Agreement

The Corporation will lease facilities to the College under a facilities lease agreement which provides for Base Rental payments due semi-annually beginning November 15, 2003 and expiring on December 1, 2032. The amount of the payments is equal to the required semi-annual debt service of the bonds, due to be paid on June 1 and December 1 of each year.

It is anticipated that the Base Rental will be sufficient to meet the principal and interest payment obligation of the Bonds; however, the College's ability to make payments of Base Rental under the Facilities Lease will be subject to annual appropriation of funds sufficient for such purpose by the Legislature. The College is under no obligation to use any other of its funds to make payment of Base Rental.

6. Commitment

On February 25, 2003, the Board of Directors approved the construction of a 980 space parking garage for a total cost of approximately \$9,291,000. At June 30, 2003, construction and purchases in progress totaled approximately \$7,780,000. Of this, approximately \$263,000 is attributable to retainage payable.

For the project, the Corporation has contracted the services of CSRS as general contractor for \$12,000 per month. In addition, Corporation has contracted 100% of construction to a single contractor, Coleman/Wornack Development Partnership.

7. Subsequent Event

On July 17, 2003, the Board of Directors approved the issuance of not to exceed \$10,000,000 Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds Series 2003 pursuant to a Supplemental Trust Indenture and a Supplemental Loan and Assignment Agreement. As of the date of the financial statements these bonds have not been issued.

