LCTCS FACILITIES CORPORATION

Audit of Financial Statements

December 31, 2012

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Contents

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Independent Auditor's Report

To the Board of Directors
LCTCS Facilities Corporation
New Orleans, Louisiana

Report on the Financial Statements
We have audited the accompanying financial statements of LCTCS Facilities Corporation, a non-profit organization, a component unit of the Louisiana Community and Technical College System, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 LCTCS Facilities Corporation as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013 on our consideration of LCTCS Facilities 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* in considering LCTCS Facilities Corporation's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 25, 2013

LCTCS FACILITIES CORPORATION
Statement of Financial Position
December 31, 2012

Assets	
Current Assets	
Cash and Cash Equivalents - Administrative Fund	$ 3,232,765
Total Current Assets	3,232,765
Non-Current Assets	
Investments	225,375
Cash - Restricted for Debt Service	16,215,591
Cash - Restricted for Capital Purchases	26,650,572
Investments - Restricted for Capital Purchases	62,550,605
Property and Equipment, Net	94,844,374
Bond Financing Costs, Net	2,147,285
Total Non-Current Assets	202,633,802
Total Assets	$ 205,866,567
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	$ 2,837,363
Contracts Payable	119,553
Interest Payable	1,450,319
Retainage Payable	1,186,282
Current Portion of Long-Term Debt	6,450,000
Total Current Liabilities	12,043,517
Long-Term Liabilities	
Bonds Payable	167,672,474
Total Long-Term Liabilities	167,672,474
Total Liabilities	179,715,991
Net Assets	
Unrestricted	25,374,935
Temporarily Restricted	775,641
Total Net Assets	26,150,576
Total Liabilities and Net Assets	$ 205,866,567

The accompanying notes are an integral part of these financial statements.

LCTCS FACILITIES CORPORATION
Statement of Activities
For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues			
Facilities Lease Rental Revenue	$ 14,647,503	$ -	$ 14,647,503
Contributions	-	1,118,682	1,118,682
Net Assets Released from Restrictions			
Through Satisfaction of Requirements	343,041	(343,041)	-
Total Unrestricted Revenues	14,990,544	775,641	15,766,185
Expenses			
Program Services			
Interest Expense	4,742,679	-	4,742,679
Professional Fees	1,818,155	-	1,818,155
Depreciation	730,169	-	730,169
Amortization	304,551	-	304,551
Legal Fees	94,030	-	94,030
Supporting Services			
Miscellaneous	1,396	-	1,396
Total Expenses	7,690,980	-	7,690,980
Other Income (Loss)			
Interest Income	776,506	-	776,506
Realized Gain on Investments	2,482	-	2,482
Unrealized Loss on Investments	(332,762)	-	(332,762)
Total Other Income (Loss)	446,226	-	446,226
Change in Net Assets	7,745,790	775,641	8,521,431
Net Assets, Beginning of Year	17,629,145	-	17,629,145
Net Assets, End of Year	$ 25,374,935	$ 775,641	$ 26,150,576

The accompanying notes are an integral part of these financial statements.

LCTCS FACILITIES CORPORATION
Statement of Cash Flows
For the Year Ended December 31, 2012

Cash Flows from Operating Activities		
Change in Net Assets	$	8,521,431
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Amortization of Bond Financing Costs		304,551
Depreciation		730,169
Amortization of Bond Premium		402,087
Net Realized and Unrealized Loss on Investments		330,280
Increase (Decrease) in:		
Contracts Payable		(68,316)
Interest Payable		(61,950)
Net Cash Provided by Operating Activities		10,158,252
Cash Flows from Investing Activities		
Change in Cash Restricted for Debt Service		(11,871)
Change in Cash Restricted for Capital Purchases		33,592,886
Proceeds from Sale of Investments		7,408,926
Construction of Facilities		(44,938,226)
Net Cash Used in Investing Activities		(3,948,285)
Cash Flows from Financing Activities		
Payments of Bond Principal		(6,195,000)
Net Cash Used in Financing Activities		(6,195,000)
Net Increase in Cash and Cash Equivalents		14,967
Cash and Cash Equivalents, Beginning of Year		3,217,798
Cash and Cash Equivalents, End of Year	$	3,232,765
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	$	6,049,076

The accompanying notes are an integral part of these financial statements.

Note 1. Summary of Significant Accounting Policies

Nature of Organization

LCTCS Facilities Corporation (the Corporation) is a private, Louisiana non-profit corporation established in 2007 for the primary purpose of financing and constructing land and facilities for the Louisiana Community and Technical College System. Operations began October 1, 2009 upon receipt of bond proceeds described below.

The Corporation participated in a bond issuance by borrowing money from the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer), which issued $19,290,000 in revenue bonds (Series 2009A), $45,280,000 in revenue bonds (Series 2009B), $64,025,000 in revenue bonds (Series 2010), and $51,980,000 in revenue bonds (Series 2011) which will be payable solely from the revenues of the Corporation. The revenue bonds are issued pursuant to a Trust Indenture dated October 1, 2009, between the Issuer and the Bond Trustee. Louisiana Act 391 identifies the uses of the proceeds of the bonds as the purchase, acquisition, construction, design, development, renovation and equipping of land and facilities for the benefit of fourteen community and technical college campuses of the Louisiana Community and Technical College System and a statewide computer information system for the Board of Supervisors of the Louisiana Community and Technical College System (the Board).

Governmental Accounting Standards Board (GASB) No. 14, *The Financial Reporting Entity* requires inclusion of the Corporation's financial statements in the Louisiana Community and Technical College System's (the Board) financial statements.

Basis of Accounting

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America under the accrual basis of accounting. The accrual basis of accounting is the method of accounting under which liabilities and expenses are recorded as incurred, whether or not paid, and income is recorded when earned, whether or not received.

The Corporation uses various trust accounts created pursuant to trust indentures of the related bonds. The trust accounts, which are administered by the trustee bank, provide for the custody of assets, debt service payments and bond redemption requirements, and payment of administrative expenses.

Basis of Presentation

The financial statement presentation is in accordance with the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, the Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of December 31, 2012, there were no permanently restricted net assets.

Note 1. Summary of Significant Accounting Policies (Continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

In accordance with the *Not-for-Profit Entities* Topic of the FASB Accounting Standards Codification, the Corporation's investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets.

All investments held by the Corporation are restricted for debt service and construction costs. Under the terms of the various bond indentures or similar documents, various funds such as Project, Capitalized Interest, Debt Service and Administrative must be established and maintained. The bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverage.

Bond Premiums

Premiums resulting from the purchase of revenue bonds are amortized over the lives of the bonds under the effective interest method.

Bond Financing Costs, Net

Costs incurred with obtaining financing have been capitalized and are being amortized using the straight line method over the life of the bond financing arrangement. The Corporation's capitalized financing costs consisted of the following at December 31, 2012:

Bond Financing Costs	$ 2,952,335
Accumulated Amortization	(805,050)
Total	$ 2,147,285

Amortization expense related to this asset for the year ended December 31, 2012, was $304,551.

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Corporation is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law.

Fair Values of Financial Instruments

The Corporation follows the provisions of the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification (ACS 820) for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including the Corporation's own credit risk.

In addition to defining fair value, ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

Municipal bonds and U.S. government and agency obligations are valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used during the year ended December 31, 2012.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition. Depreciation expense for property and equipment commences on the date the asset is placed in service and is computed using the straight line method over the estimated useful life of the assets, generally 40 years for buildings and three to seven years for movable property.

Functional Allocation of Expenses

The costs of providing the Corporation's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Recent Accounting Pronouncements

In December 2011, the FASB issued Accounting Standards Update (ASU) 2011-10, *Derecognition of in Substance Real Estate - a Scope Clarification* which relates to deconsolidation events. Under this amendment, when a parent (reporting entity) ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of the default on the subsidiary's nonrecourse debt, the reporting entity should apply the guidance in Subtopic 360-20, *Property, Plant and Equipment - Real Estate Sales*, to determine whether it should derecognize the in substance real estate. This guidance is effective for the fiscal year ending December 31, 2013 and is not expected to have a significant impact on the Corporation's financial statements.

In December 2011, the FASB issued ASU No. 2011-11, *Disclosures About Offsetting Assets and Liabilities*, to provide enhanced disclosures in the financial statements about offsetting and netting arrangements. The new guidance requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting agreement.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

This guidance was issued to facilitate comparison between financial statements prepared on a U.S. GAAP and IFRS reporting. In January 2013, the FASB issued ASU No. 2013-01, *Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities*, which limits the scope of the new balance sheet offsetting disclosures to the following financial instruments, to the extent they are offset in the financial statements or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in the statement of financial position: (1) derivatives; (2) repurchase agreements and reverse repurchase agreements; and (3) securities borrowing and securities lending transactions. ASU No. 2013-01, which shares the same effective date as ASU No. 2011-11, is effective for interim and annual reporting periods beginning on or after January 1, 2013. As the provisions of ASU No. 2011-11 and ASU No. 2013-01 only impact the disclosure requirements related to the offsetting of assets and liabilities, the adoption is not expected to have a significant impact on the Corporation's financial statements.

In February 2013, the FASB issued ASU 2013-2, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, relating to the reporting of amounts reclassified out of accumulated other comprehensive income to improve the transparency of reporting these reclassifications. This guidance does not amend any existing requirements for reporting net income or other comprehensive income in the financial statements. The guidance requires an entity to disaggregate the total change of each component of other comprehensive income and separately present reclassification adjustments and current period other comprehensive income. The provisions of this guidance also requires that entities present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component accumulated other comprehensive income based on its source and the income statement line item affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, entities would instead cross reference to the related note to the financial statements for additional information. This guidance is effective for interim and annual reporting periods beginning after December 15, 2012. The adoption of this guidance is not expected to have a significant impact on the Corporation's financial statements.

In February 2013, the FASB issued ASU No. 2013-03, *Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities*, which clarifies that nonpublic entities that have total assets of $100 million or more or that have one or more derivative instruments would not qualify for exemption to disclose the fair value of financial instruments. It also clarifies that a nonpublic entity is not required to provide the level of the fair value hierarchy (Level 1, 2 or 3) for items disclosed at fair value but not measured at fair value in the statement of financial position. This guidance is effective immediately upon issuance and is not expected to have a significant impact on the Corporation's financial statements.

Note 2. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of deposits in a financial institution and U.S. Treasury obligations which represent deposits in money market funds invested in U.S. Treasury securities. Fair value of these instruments approximates cost.

Substantially all cash and cash equivalents are restricted for debt service and construction costs. At December 31, 2012, restricted cash and cash equivalents consisted of the following:

		2012
Demand Deposit	$	775,641
Money Market Funds		42,090,522
Total Restricted Cash and Cash Equivalents	$	42,866,163

Note 3. Investments

Investments consist of the following at December 31, 2012:

		Cost		Market
Municipal Bonds	$	15,105,818	$	15,002,250
U.S. Government and Agency Obligations		48,003,912		47,773,730
Total	$	63,109,730	$	62,775,980

Note 4. Property and Equipment

Property and equipment consist of the following at December 31, 2012:

Land	$	6,432,469
Building and Improvements		49,567,701
Furniture and Equipment		1,214,480
		57,214,650
Less: Accumulated Deprecation		(730,169)
		56,484,481
Construction in Progress		38,359,893
Property and Equipment, Net	$	94,844,374

Note 4. Property and Equipment (Continued)

Purchased property is carried at cost. The breakdown of land by project as of December 31, 2012, is as follows:

L.E. Fletcher Technical Community College, Houma	$ 6,039,422
Florida Parishes Campus, Greensburg	247,418
Northwest Louisiana Technical College, Minden	145,629
Total	$ 6,432,469

The Corporation has active construction projects at various campuses as of December 31, 2012. At year end, the Corporation's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
River Parishes Community College, Sorrento	$ 570,500	$ 17,141,150
Northwest Louisiana Technical College, Minden	10,834,496	3,437,244
SOWELA Technical Community College, Lake Charles	8,475,394	369,690
Westside Campus of Capital Area Technical College, Plaquemine	3,643,980	122,477
Delgado Community College, Sidney N. Collier Campus, New Orleans	62,650	58,550
Florida Parishes Campus, Greensburg	8,550,671	13,750

Note 5. Bonds Payable

Bonds payable is composed of the following at December 31, 2012:

Revenue Bonds	
Series 2009A	
The Bank of New York Mellon Trust Company, N.A. Dated October 1, 2009; bearing interest at 4.00% per annum; interest only payments due semi-annually on March 1 and October 1; principal and interest due in six semi-annual installments commencing in 2012; maturing October 1, 2014.	$ 13,095,000
Series 2009B	
The Bank of New York Mellon Trust Company, N.A. Dated October 1, 2009; bearing interest ranging from 4.25% to 5.00% per annum; interest only payments due semi-annually on March 1 and October 1; principal and interest due in six semi-annual installments commencing in 2026; maturing October 1, 2028.	45,280,000
Series 2010	
The Bank of New York Mellon Trust Company, N.A. Dated October 1, 2010; bearing interest ranging from 3.375% to 5.00% per annum; interest only payments due semi-annually on March 1 and October 1; principal and interest due in six semi-annual installments commencing in 2020; maturing October 1, 2025.	64,025,000
Series 2011	
The Bank of New York Mellon Trust Company, N.A. Dated October 5, 2011; bonds bear no interest but increase in value by accumulation of earned interest compounding on April 1 and October 1 of each year, commencing on April 1, 2012 until maturity; zero stated rate, effective yield ranging from 2.22% to 3.85%; maturity principal payments commencing on October 1, 2015 through 2020.	51,980,000
Plus: Bond Premiums	7,544,716
Less: Related Discount (Series 2011)	(7,802,242)
Total Bonds Payable	174,122,474
Less: Current Portion	(6,450,000)
Bonds Payable, Long-Term Portion	$ 167,672,474

Note 5. Bonds Payable (Continued)

The schedule of future maturities of bonds payable as of December 31, 2012, is as follows:

Series 2009A		Series 2009B		Series 2010		Series 2011	
2013	$ 6,450,000	2026	$ 14,355,000	2020	$ 1,920,000	2016	$ 8,980,000
2014	6,645,000	2027	15,090,000	2021	11,215,000	2017	8,980,000
		2028	15,835,000	2022	11,790,000	2018	8,975,000
Total	$ 13,095,000			2023	12,395,000	2019	8,975,000
		Total	$ 45,280,000	2024	13,030,000	2020	8,975,000
				2025	13,675,000	2021	7,095,000
				Total	$ 64,025,000	**Total**	$ 51,980,000

Interest expense totaled $4,742,679 for the year ending December 31, 2012.

In connection with the issuance of the Series 2009 and 2010 revenue bonds listed above, the Corporation recorded bond premiums which totaled $7,544,716 at December 31, 2012. These premiums will be amortized over the lives of the bonds under the effective interest method. Amortization expense of bond premiums for the year ended December 31, 2012 totaled $854,636 and is included in interest expense.

In connection with the issuance of the Series 2011 revenue bonds listed above, the Corporation recorded bond discounts which totaled $7,802,242 at December 31, 2012. The accretion of these discounts for the year ended December 31, 2012 totaled $1,256,723.

Note 6. Fair Value of Financial Instruments

The Corporation's financial instruments are cash and cash equivalents, investments, accounts payable, contracts payable, interest payable and long-term debt. The recorded values of cash and cash equivalents and payables approximate their fair values based on their short-term nature. The carrying value of the Corporation's long-term debt is considered to approximate fair value which is estimated based on rates available to the Corporation for debt with similar terms and maturities.

Note 6. Fair Value of Financial Instruments (Continued)

The estimated values of the Corporation's financial instruments are as follows:

	Carrying Amount	Fair Value
Cash and Cash Equivalents	$ 3,232,765	$ 3,232,765
Restricted Cash	42,866,163	42,866,163
Investments	62,775,980	62,775,980
Accounts Payable	2,837,363	2,837,363
Contracts Payable	119,553	119,553
Interest Payable	1,450,319	1,450,319
Retainage Payable	1,186,282	1,186,282
Long-Term Debt	174,122,474	174,122,474

The valuation of the Corporation's investments by the fair value hierarchy listed in Note 1 at December 31, 2012, is as follows:

	Total	Level 1	Level 2	Level 3
Assets				
Municipal Bonds	$ 15,002,250	$ -	$ 15,002,250	$ -
U.S. Government and Agency Obligations	47,773,730	-	47,773,730	-
Total	$ 62,775,980	$ -	$ 62,775,980	$ -

Note 7. Lease Agreements

Facilities Lease

The Corporation entered into an agreement to lease the facilities to the Louisiana Community and Technical College System. The future minimum lease payments to be received as base rental payments are scheduled to be sufficient to pay the debt service requirements on the bonds as disclosed in Note 5. The term of the lease will run contemporaneously with the bonds.

The lease includes purchase options under which the Board may elect to purchase the leased facilities for an amount equal to the outstanding principal and interest due on the bonds plus any prepayment penalties and any other costs or charges which may become due as a result of the prepayment.

Note 7. Lease Agreements (Continued)

Ground Lease

The Corporation entered into an agreement effective October 1, 2009 to lease the land on which the facilities will be constructed from the Board. The lease term expires on October 1, 2038. The rent shall be due and paid annually in advance in the sum of $1 per year.

Note 8. Commitments

The Corporation entered into a contract with a consulting firm to create and establish the program. The contract stipulates that the Corporation will pay a start-up fee to the firm in the form of 60 monthly installments of $5,693, beginning on November 1, 2009. As of December 31, 2012, $119,553 is payable to the firm and is recorded as Contracts Payable on the statement of financial position.

As described in Note 4, the Corporation has active construction projects at various campuses for which there are commitments to contractors.

The Corporation has entered into a contract with the above mentioned consulting firm to perform administration duties over the life of the program. The fee for monthly services shall be $28,463 payable on the first day of each month. In addition, the Corporation will pay a variable fee for each of the bond transactions as they occur over the life of the program.

The fee associated with phase one of the program is 36 equal payments of $3,163 beginning November 1, 2009. The fee associated with phase two of the program is 36 equal payments of $3,163 beginning September 1, 2010. The fee associated with phase three of the program is 36 equal payments of $3,163 beginning on October 1, 2011.

The Corporation has entered into a contract with an engineering firm to serve as the program manager for the project. The compensation for services is a fixed fee of $6,641,861 paid in 60 equal installments, first payment due November 1, 2009.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets of $775,641 are available for construction at the Westside Campus of Capital Area Technical College at December 31, 2012. Net assets of $243,041 were released for use in construction at the Westside Campus of Capital Area Technical College and $100,000 at the Florida Parishes Campus during 2012.

Note 10. Concentrations of Risk

The Corporation received 100% of its Facilities Lease Rental Revenue from the Board of Supervisors of the Louisiana Community and Technical College System.

Note 10. Concentrations of Risk (Continued)

The Corporation periodically maintains cash in trust accounts in excess of insured limits. The Corporation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 11. Uncertain Tax Positions

The Corporation follows the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB Accounting Standards Codification.

The Corporation's 2009 through 2011 tax returns were filed appropriately. As of June 25, 2013, the Corporation had not filed their 2012 tax return but has filed the necessary forms extending the time to file. The Corporation recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Corporation's tax filings are subject to audit by various taxing authorities. The Corporation's open audit periods are 2009 through 2011. Management evaluated the Corporation's tax position and concluded that the Corporation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Note 12. Related Parties

During 2012, the Chairman of the Corporation was also a member of the Board of Supervisors of the Louisiana Community and Technical College System (the Board).

One law firm is serving as both counsel to the Board and the Corporation. In the event of a dispute between the Board and the Corporation, this law firm may face a conflict of interest and may need to resign from representing the Board and/or the Corporation.

The Financial Advisor serving the Corporation in connection with the issuance of the bonds, and the Program Administrator serving in connection with the implementation of the project, including matters relating to the investment and expenditure of the bond proceeds, are related and affiliated companies under common control and ownership.

Note 13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were issued, June 25, 2013. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements. Based on such evaluation, no events have occurred that, in the opinion of management, warrant recognition in the financial statements or disclosure in the notes to the financial statements as of December 31, 2012.

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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*

To the Board of Directors
LCTCS Facilities Corporation

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 LCTCS Facilities Corporation (the Corporation), which comprises the statement of financial position as of December 31, 2012, 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 25, 2013.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LCTCS Facilities 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*.

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 entity'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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 25, 2013

LCTCS Facilities Corporation

Schedule of Findings and Responses

Section I - Summary of Auditor's Results

Financial Statements

1.	Type of auditors' report	Unqualified
2.	Internal control over financial reporting and compliance and other matters	
	a. Material weaknesses identified	None
	b. Significant deficiencies identified not considered to be material weaknesses	None
	c. Noncompliance material to the financial statements noted	None
3.	Management letter comment provided	None

Section II - Internal Control Over Financial Reporting

None.

Section III - Compliance and Other Matters

None.