7218

CAMPUS FACILITIES, INC.

BOSSIER CITY, LOUISIANA

DECEMBER 31, 2003 AND 2002

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

Release Date 7-28-04

CAMPUS FACILITIES, INC.

BOSSIER CITY, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

OTHER REPORTS

AUDITED FINANCIAL STATEMENTS

HEARD
McELROY
& VESTAL
LLP
CERTIFIED PUBLIC ACCOUNTANTS

333 Texas Street
15th Floor
Shreveport, LA 71101
318 429-1525
318 429-2070 Fax
Post Office Box 1607
Shreveport, LA
71165-1607

Partners
J. Peter Gaffney, CPA, APC
Spencer Bernard, Jr., CPA
H.Q. Gahagan, Jr., CPA, APC
Gerald W. Hedgcock, Jr., CPA, APC
Tim B. Nielsen, CPA, APC
John W. Dean, CPA, APC
Mark D. Eldredge, CPA
Robert L. Dean, CPA
Stephen W. Craig, CPA

Roy E. Prestwood, CPA
A. D. Johnson, Jr., CPA
Ron W. Stewart, CPA, APC

Of Counsel
Gilbert R. Shanley, Jr., CPA
C. Cody White, Jr., CPA, APC
William L. Hightower, CPA

May 7, 2004

The Board of Directors
Campus Facilities, Inc.
Bossier City, Louisiana

Independent Auditors' Report

We have audited the statements of financial position of Campus Facilities, Inc. at December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Campus Facilities' management. 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 *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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Campus Facilities, Inc. at December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 7, 2004, on our consideration of Campus Facilities' internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Heard, McElroy & Vestal, LLP

HMV
A Professional Services Firm
Shreveport • Bossier City
West Monroe

hmv@hmvcpa.com E-mail
www.hmvcpa.com Web Address

CAMPUS FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2003 AND 2002

ASSETS	2003	2002
Cash and cash equivalents-Note 2	1,549,760	103,956
Investments-Note 3	29,932,929	39,874,805
Accrued interest receivable	46,964	91,446
Deposits on equipment-Note 6	3,615,000	-
Construction in progress-Note 4	27,492,278	4,768,175
Total assets	62,636,931	44,838,382
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable (construction cost and retainage)	2,999,953	-
Accrued interest payable	232,682	190,247
Bonds payable	55,000,000	45,000,000
Less-original issue discount	(447,381)	(466,023)
Plus-original issue premium	99,870	-
Net bonds payable-Note 5	54,652,489	44,533,977
Capital lease payable-Note 6	2,581,786	-
Total liabilities	60,466,910	44,724,224
Temporarily restricted net assets	2,170,021	114,158
Total liabilities and net assets	62,636,931	44,838,382

See accompanying notes to financial statements.

CAMPUS FACILITIES, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
Revenue:		
Rent income	2,500,000	-
Unrealized (loss) gain-Note 3	(384,893)	141,633
Total revenue	2,115,107	141,633
Expenses:		
Amortization of bond discount-Note 5	18,641	12,427
Accretion of bond premium-Note 5	(7,359)	-
Amortization of lease cost including interest expense	10,359	-
Legal and professional services	34,883	12,713
Insurance	-	1,935
Accounting	2,720	400
Total expenses	59,244	27,475
Change in temporarily restricted net assets	2,055,863	114,158
Temporarily restricted net assets at beginning of year	114,158	-
Temporarily restricted net assets at end of year	2,170,021	114,158

See accompanying notes to financial statements.

CAMPUS FACILITIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
Cash flows from operating activities:		
Change in temporarily restricted net assets	2,055,863	114,158
Adjustments to reconcile change in temporarily restricted net assets to net cash provided in operating activities:		
Unrealized (gain) loss on investments	384,893	(141,633)
Amortization of bond discount	18,641	12,427
Accretion of bond premium	(7,359)	-
(Increase) decrease in accrued interest receivable	44,482	(91,446)
Increase in accrued interest payable	42,435	190,247
Net cash provided in operating activities	2,538,955	83,753
Cash flows from investing activities:		
Additions to construction in progress	(22,724,103)	(4,768,175)
Increase in accounts payable	2,999,953	-
Net sale (purchase) of investments	9,556,983	(39,733,172)
Net cash (used) in investing activities	(10,167,167)	(44,501,347)
Cash flows from financing activities:		
Proceeds from bond issuance	10,107,230	44,521,550
Repayment of capital lease obligation	(1,033,214)	-
Net cash provided by financing activities	9,074,016	44,521,550
Net increase in cash and cash equivalents	1,445,804	103,956
Cash and cash equivalents at beginning of year	103,956	-
Cash and cash equivalents at end of year	1,549,760	103,956
Cash paid for interest during the year	2,410,510	1,414,171

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Nature of Activities

Campus Facilities, Inc. (the "Corporation") was formed May 31, 2001 to provide funds for and oversee construction of the campus to be occupied upon completion by Bossier Parish Community 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 April 1, 2002 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 Bossier Parish Community College; (2) paying capitalized 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 Agreement dated April 1, 2002. The Corporation is obligated under the 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 April 1, 2002. 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 Legislature. (See Note 7)

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. All of the net assets of the organization are temporarily restricted for the purpose of constructing and equipping the Facilities at December 31, 2003 and 2002.

1. **Summary of Significant Accounting Policies (Continued)**

Cash Equivalents
For financial statement purposes, the Corporation considers all deposits in money market funds to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

In accordance with GASB Statement 3, cash equivalents are classified into three categories of custodial credit risk depending on whether they are insured or collateralized, and who holds the collateral and how it is held.

Category 1 - Insured or registered, or collateralized with securities that are held by the Corporation or its agent in the Corporation's name.

Category 2 - Uninsured and unregistered, but collateralized with securities held by the counterparty's trust department or agent in the Corporation's name.

Category 3 - Uninsured and unregistered, and collateralized with securities held by the counterparty, or by its trust department or agent, but not in the Corporation's name.

Investments
Investments are composed of collateralized repurchase agreements and are carried at fair value. Unrealized gains and losses are included in the change in temporarily restricted net assets.

In accordance with GASB Statement 3, the investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the Corporation or its agent in the Corporation's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Corporation's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Corporation's name.

Reclassifications
Certain amounts in the 2002 financial statements have been reclassified to conform to the 2003 presentation.

2. **Cash and Cash Equivalents**
Cash and cash equivalents consist of money market funds collateralized by U.S. Treasury securities in the amount of $1,549,760 and $103,956 at December 31, 2003 and 2002, respectively. Such money market funds are classified as Category 3 because the money market funds are uninsured and collateralized with securities held by the trust department of Regions Bank.

3. **Investments**

On April 18, 2002, the Louisiana Local Government Environmental Facilities and Community Development Authority issued its $45,000,000 Revenue Bonds, the proceeds of which were loaned to Campus Facilities. Prior to expenditure by Campus Facilities, $39,818,845 of the bond proceeds were invested pursuant to a repurchase agreement by and between Bayerische Hypo-Und Vereinsbank AG (as seller) and Regions Bank (as buyer and trustee for the bonds). The repurchase agreement is collateralized by treasury and agency securities held in the name of Regions Bank at the Bank of New York *(as custodian). The balance at December 31, 2003 is $20,349,960.*

On June 18, 2003, the Louisiana Local Government Environmental Facilities and Community Development Authority issued its $10,000,000 Revenue Bonds, the proceeds of which were loaned to Campus Facilities. Prior to expenditure by Campus Facilities, $9,826,229 of the bond proceeds were invested pursuant to a repurchase agreement by and between MBIA, Inc. (as seller), Regions Bank (as buyer and trustee for the bonds) and Wells Fargo Bank Minnesota (as custodian). The repurchase agreement is collateralized by treasury and agency securities held in the name of Regions Bank at Wells Fargo Bank Minnesota. The repurchase agreement is also insured by MBIA Insurance Corporation. The balance at December 31, 2003 is $9,826,229.

Investments which are considered Category 3, consist of the following at December 31,:

	2003		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Repurchase agreements	30,176,189	29,932,929	(243,260)

	2002		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Repurchase agreements	39,733,172	39,874,805	141,633

4. **Construction in Progress**

Construction in progress consists of construction completed on the college campus. The new campus will consist of nine buildings totaling approximately 334,000 square feet of space. Included in the new campus will be a library and bookstore, administrative offices, classroom and lab space, a health and physical education facility, a Culinary Arts area, a student activity center and a theater/auditorium along with a separate power plant building.

The Corporation has entered into a contract (the "Design-Build Contract") with Shreve Land Construction, a division of Brice Building Company, Inc. (the "Builder") to provide for the design and construction of the campus. Pursuant to the Design-Build Contract, the Builder has entered into a subcontract with Slack, Alost, McSwain and Associates (the "Architect") to perform design and engineering services for the campus.

4. **Construction in Progress (Continued)**

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. Upon the Corporation's approval of the designed campus, the Builder will provide the Corporation with a guaranteed maximum price to construct the campus, including all fees for the Builder and the Architect. The Corporation and the Builder will subsequently amend the Design-Build Contract to describe more fully the facilities to be constructed and the guaranteed maximum price to be paid by the Corporation. Construction of the campus is expected to be in two phases with substantial completion by January 2005 and August 2005, respectively.

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 costs included in construction in progress total $1,928,743 and $481,010 for the years ended December 31, 2003 and 2002, respectively. This amount represents interest expense on the bonds which totaled $2,442,587 and $1,604,418 in 2003 and 2002, respectively, offset by $994,854 and $1,123,408 in interest income earned on the bond proceeds in 2003 and 2002, respectively. Commitments for the construction project not yet complete total approximately $21,005,707 at December 31, 2003.

5. **Bonds Payable**

During 2002, 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 Bossier Parish Community College. In June 2003, $10,000,000 in Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds were issued to provide additional funds to complete construction. Following is a summary of bonds payable at December 31,:

	2003	2002
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2002 Serial Bonds, interest rates ranging from 4.2% to 5.25%, principal payments begin December 1, 2011, final maturity December 1, 2018.	15,505,000	15,505,000
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2002 Term Bonds, $18,105,000 bearing interest at 5.125% due December 1, 2004, $11,390,000 bearing interest at 5.20% due December 1, 2027.	29,495,000	29,495,000

5. Bonds Payable (Continued)

	2003	2002
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2003 interest rates ranging from 2.0% to 3.0%, principal payments begin December 1, 2005, final maturity December 1, 2011.	10,000,000	-
	55,000,000	45,000,000
Less-original issue discount (2002 Bonds)	(447,381)	(466,023)
Plus-original issue premium (2003 Bonds)	99,870	-
Total bonds payable	54,652,489	44,533,977

The 2002 bonds were issued at a discount of $478,450. This discount is being amortized over the life of the bonds on the straight-line basis. Amortization expense recorded in the statement of activities totaled $18,641 and $12,427 for the years ended December 31, 2003 and 2002, respectively. The 2003 bonds were issued at a premium of $107,229. This premium is being amortized over the life of the bonds on the straight-line basis. Accretion recorded in the statement of activities totaled $7,359 and $-0- for the years ended December 31, 2003 and 2002, respectively.

The annual debt service requirements to maturity, including principal and interest, for bonds payable as of December 31, 2003 are as follows:

2004	2,541,778
2005	2,766,778
2006	4,117,279
2007	4,125,679
2008	4,117,078
2009-2010	8,246,957
2011-2015	20,709,262
2016-2020	20,809,912
2021-2025	20,907,538
2026-2027	8,403,080
	96,745,341
Less-interest	(41,745,341)
Outstanding principal	55,000,000

Payments of scheduled principal and interest on the bonds, when due, is insured by MBIA Insurance Corporation.

6. Deposits on Equipment and Capital Lease Payable

On December 4, 2003, the Corporation entered into a leasing agreement for equipment with Landmark Leasing whereby scheduled lease payments are made to Landmark Leasing beginning December 2003 and ending December 2005. These lease payments are made from the proceeds of the State Appropriation for "rental payments" which began in December 2003.

6. **Deposits on Equipment and Capital Lease Payable (Continued)**

The following schedule shows the future minimum payments required by this lease by year, along with its present value as of December 31, 2003.

Year Ending December 31,	
2004	1,590,576
2005	1,366,592
Total minimum lease payments	2,957,168
Less-amount representing interest imputed at 4.80% per annum plus lease cost of $185,000	(375,382)
Present value of minimum lease payments	2,581,786

Since no equipment has been purchased at December 31, 2003, the entire $3,615,000 the Corporation expects to expend on equipment has been recorded as "Deposits on Equipment" at December 31, 2003.

The above lease was a non-cash transaction and not reported in the statement of cash flows.

7. **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 January 1, 2002 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. A failure by the Legislature to appropriate sufficient funds to satisfy the obligations of the LCTCS Board under the Facilities Lease would permit the LCTCS Board to terminate 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 of its other funds to make payments of base rental.

Investments, as more fully described in Note 3, are invested in the two repurchase agreements described in that note. However, concentration of credit risk is offset by the investments being collateralized by treasury and agency securities of the United States and also the investments are insured.

The Corporation believes interest rate risk is limited due to the collateralization of the securities and the fact that the interest rates are set and do not fluctuate.

OTHER REPORTS

HEARD McELROY & VESTAL LLP
CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET
15TH FLOOR
SHREVEPORT, LA 71101
318 429-1525
318 429-2070 FAX
POST OFFICE BOX 1607
SHREVEPORT, LA
71165-1607

PARTNERS
J. PETER GAFFNEY, CPA, APC
SPENCER BERNARD, JR., CPA
H.Q. GAHAGAN, JR., CPA, APC
GERALD W. HEDGCOCK, JR., CPA, APC
TIM B. NIELSEN, CPA, APC
JOHN W. DEAN, CPA, APC
MARK D. ELDRIDGE, CPA
ROBERT L. DEAN, CPA
STEPHEN W. CRAIG, CPA

ROY E. PRESTWOOD, CPA
A. D. JOHNSON, JR., CPA
RON W. STEWART, CPA, APC

OF COUNSEL
GILBERT R. SHANLEY, JR., CPA
C. CODY WHITE, JR., CPA, APC
WILLIAM L. HIGHTOWER, CPA

May 7, 2004

The Board of Directors
Campus Facilities, Inc.
Bossier City, Louisiana

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of Campus Facilities, Inc. as of and for the year ended December 31, 2003 and have issued our report thereon dated May 7, 2004. 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 financial statements of Campus Facilities, Inc. are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 audits 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 internal control over financial reporting of Campus Facilities, Inc. 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 over financial reporting that might 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 would 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 weaknesses.

This report is intended solely for the information of management, the board of directors, and the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLP

HMV
A PROFESSIONAL SERVICES FIRM
SHREVEPORT • BOSSIER CITY
WEST MONROE
hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

CAMPUS FACILITIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

We have audited the financial statements of Campus Facilities, Inc. as of and for the year ended December 31, 2003, and have issued our report thereon dated May 7, 2004. 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. Our audit of the financial statements as of December 31, 2003 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control – No material weakness or reportable condition was noted; no management letter was issued.

Compliance – No material noncompliance was noted.

b. Federal Awards – Not applicable.

Section II - Financial Statement Findings

No matters were reported.

CAMPUS FACILITIES, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2003

No prior year findings were reported.