LCTCS FACILITIES CORPORATION

Audit of Financial Statements

December 31, 2016

LAPORTE
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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, 2016, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements (collectively, 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 from 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, 2016, 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 Matters
Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to agency head, as required by Louisiana Revised Statute 24:513 A(3), and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017, 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 23, 2017

LCTCS FACILITIES CORPORATION
Statement of Financial Position
December 31, 2016

Assets	
Current Assets	
Cash and Cash Equivalents - Administrative Fund	$ 4,532,432
Grant Receivable	223,746
Pledges Receivable - Restricted for Capital Purchases	3,418,931
Escrow Deposit	510,706
Total Current Assets	8,685,815
Non-Current Assets	
Cash and Cash Equivalents - Restricted for Debt Service	16,256,901
Cash and Cash Equivalents - Restricted for Capital Purchases	16,026,295
Investments - Restricted for Capital Purchases	71,960,095
Property and Equipment, Net	251,866,504
Total Non-Current Assets	356,109,795
Total Assets	$ 364,795,610
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	$ 3,935,117
Interest Payable	2,910,369
Retainage Payable	3,739,662
Current Portion of Long-Term Debt, Net	8,779,597
Total Current Liabilities	19,364,745
Long-Term Liabilities	
Bonds Payable, Net	280,263,239
Total Long-Term Liabilities	280,263,239
Total Liabilities	299,627,984
Net Assets	
Unrestricted	56,777,141
Temporarily Restricted	8,390,485
Total Net Assets	65,167,626
Total Liabilities and Net Assets	$ 364,795,610

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

LCTCS FACILITIES CORPORATION
Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues			
Facilities Lease Rental Revenue	$ 27,021,298	$ -	$ 27,021,298
Grant Revenue	10,310,374	-	10,310,374
Miscellaneous Income	288,004	-	288,004
Net Assets Released from Restrictions			
Through Satisfaction of Requirements	66,136	(66,136)	-
Total Unrestricted Revenues	37,685,812	(66,136)	37,619,676
Expenses			
Program Services			
Interest Expense	8,323,923	-	8,323,923
Depreciation	5,229,018	-	5,229,018
Professional Fees	3,891,006	-	3,891,006
Legal Fees	63,173	-	63,173
Ground Lease Expense	2	-	2
Supporting Services			
Miscellaneous	502	-	502
Total Expenses	17,507,624	-	17,507,624
Other Income			
Investment Income, Net	3,126,798	-	3,126,798
Total Other Income	3,126,798	-	3,126,798
Change in Net Assets	23,304,986	(66,136)	23,238,850
Net Assets, Beginning of Year	33,472,155	8,456,621	41,928,776
Net Assets, End of Year	$ 56,777,141	$ 8,390,485	$ 65,167,626

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

LCTCS FACILITIES CORPORATION
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flows from Operating Activities	
Change in Net Assets	$ 23,238,850
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Amortization of Bond Financing Costs	202,220
Depreciation	5,229,018
Amortization (Accretion) of Bond Premium (Discount), Net	41,185
Unrealized (Gain) Loss on Investments	(1,566,538)
(Increase) Decrease in Assets	
Grant Receivable	1,210,529
Escrow Deposit	(510,706)
Increase (Decrease) in Liabilities	
Accounts Payable	(119,533)
Net Cash Provided by Operating Activities	27,725,025
Cash Flows from Investing Activities	
Change in Cash and Cash Equivalents - Restricted for Debt Service	(27,555)
Change in Cash and Cash Equivalents - Restricted for Capital Purchases	10,641,889
Purchases of Investments	(76,851,595)
Proceeds from the Sale of Investments	131,149,808
Payments for Construction of Facilities and Purchase of Furniture,	
Fixtures, and Equipment	(82,390,163)
Net Cash Used in Investing Activities	(17,477,616)
Cash Flows from Financing Activities	
Payments of Bond Principal	(8,980,000)
Net Cash Used in Financing Activities	(8,980,000)
Net Increase in Cash and Cash Equivalents	1,267,409
Cash and Cash Equivalents, Beginning of Year	3,265,023
Cash and Cash Equivalents, End of Year	$ 4,532,432
Supplemental Disclosures of Cash Flow Information	
Cash Paid for Interest	$ 11,641,476
Transfers from Construction in Progress	$ 17,247,027
Accounts Payable for Construction in Progress	$ 3,635,852

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 an initial 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).

In December 2014, the Corporation participated in a second bond issuance by borrowing money from the Issuer, which issued $128,330,000 in revenue bonds (Series 2014) to be paid solely from the revenue of the Corporation. The revenue bonds are issued pursuant to a Trust Indenture dated December 1, 2014. Louisiana Act 360 identifies the use of the proceeds of the bonds as the purchase, acquisition, construction, design, development, renovation, and equipping of land and facilities for the benefit of twenty-nine community and technical college campuses of the Louisiana Community and Technical College System.

Governmental Accounting Standards Board (GASB) No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* requires inclusion of the Corporation's financial statements in the Louisiana Community and Technical College System's 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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. As of December 31, 2016, there were no permanently restricted net assets.

Donations

All pledges receivable and amounts received that are donor restricted for future periods or donor restricted for specific purposes are reported as temporarily or permanently restricted. The restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction when the donor stipulated time restriction ends or the purpose restriction is accomplished by the Corporation.

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 ASC, 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.

Grants Receivable

Grants receivable consists of amounts due from State of Louisiana, Division of Administration, Office of Community Development - Disaster Recovery Unit (OCD) under the terms of a cooperative endeavor agreement to administer a Community Development Block Grant - Disaster Recovery Program (CDBG) as well as amounts due from the State of Louisiana, Governor's Office of Homeland Security and Emergency Preparedness, under the terms of the Hazard Mitigation grant. A provision for doubtful grant receivable has not been established as management considers all amounts to be collectible.

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.

Pledges Receivable

When a donor has unconditionally promised to contribute funds to the Corporation in future periods, the Corporation recognizes a pledge receivable. Pledges expected to be collected within one year are recorded as support and a receivable at net realizable value. Pledges expected to be collected in future years are recorded as support and a receivable at the present value of expected future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are expected to be received. Amortization of discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. A provision for doubtful pledges receivable has not been established as management considers all accounts to be collectible based on favorable history over a substantial period of time. No discount has been recorded due to management's consideration of collectability to be within one year.

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, 2016:

Bond Financing Costs	$ 4,213,425
Accumulated Amortization	(1,933,425)
Total	$ 2,280,000

Amortization expense for the year ended December 31, 2016, was $202,220.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments

The Corporation follows the provisions of the *Fair Value Measurements* Topic of the FASB ASC (ASC 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.

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)
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, 2016.

Property and Equipment
Property and equipment are stated at cost at the date of acquisition. For movable property, the Corporation capitalizes items with a unit cost of $5,000 or greater. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. Any infrastructure exceeding $3 million and computer software for internal use with depreciable costs of $1 million or greater are required to be capitalized. The Corporation capitalizes interest costs incurred during the construction period. Routine repairs and maintenance are charged to expense in the year in which the expense is incurred. 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, 20 years for building improvements, and three to seven years for movable property.

Revenue Recognition
Revenue from government grant and contract agreements is recognized as it is earned through expenditure or service delivery in accordance with the agreement.

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 August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958);* which amends the existing requirements for the financials statements and notes of Not-for-Profit Entities. This update is the first phase of the FASB's two phase project. Entities are required to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a NFP will report amounts for *net assets without donor restrictions,* as well as the currently required amount for total net assets. There are additional enhanced disclosure requirements included in this update. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The amendments in this update should be applied on a retrospective basis in the year that the update is first applied. However, if presenting comparative financial statements, a NFP has the option to omit certain information for any periods presented before the period of adoption.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)
In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. ASU 2014-09 will be effective for the Corporation beginning in the year ending December 31, 2019, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. The Corporation is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In January 2016, the FASB has issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. Management is currently evaluating the impact ASU 2016-02 will have on the financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 985-30): Simplifying the Presentation of Debt Issuance Costs,* which is intended to simplify the presentation of debt issuance costs. The amendments require that debt issuance costs related to a debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Corporation adopted this guidance effective January 1, 2016. See Note 5 for impact on the 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, 2016, restricted cash and cash equivalents consisted of the following:

Demand Deposit	$ 36,666
Money Market Funds	32,246,530
Total Restricted Cash and Cash Equivalents	$ 32,283,196

Note 3. Investments

Investments consist of the following at December 31, 2016:

	Cost	Market
Municipal Bonds	$ 15,502,538	$ 15,334,848
U.S. Government and Agency Obligations	56,628,767	56,625,247
Total	$ 72,131,305	$ 71,960,095

Investment income consist of the following at December 31, 2016:

Interest Income	$ 1,560,260
Unrealized Gain on Investments	1,566,538
Investment Income, Net	$ 3,126,798

Note 4. Property and Equipment

Property and equipment consist of the following at December 31, 2016:

Land	$ 6,962,193
Building and Improvements	140,799,888
Furniture, Fixtures, and Equipment	9,714,152
	157,476,233
Less: Accumulated Deprecation	(17,986,583)
	139,489,650
Construction in Progress	112,376,854
Property and Equipment, Net	$ 251,866,504

For the year ended December 31, 2016, the Corporation capitalized $3,560,943 of interest costs incurred during the construction period.

Depreciation expense totaled $5,229,018 for the year ended December 31, 2016.

Note 4. Property and Equipment (Continued)

The Corporation has active construction projects at various campuses as of December 31, 2016. At year end, the Corporation's commitments to contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Act 391		
Student Information System/Disaster Command Center	$ 181,933	$ 6,139
Delgado Community College Industrial and Maritime Training Center	451,285	3,892
Louisiana Technical College, Evangeline Campus	134,807	185,356
Act 360		
Louisiana Delta Community College - Winnsboro	2,960,404	965,638
Northshore Technical Community College - Lacombe	7,128,948	1,264,305
River Parishes Community College Technical Training Center	7,061,953	1,000,833
South Louisiana Community College - Lafayette	15,414,711	1,163,659
South Central Louisiana Technical College - Adv Tech	2,806,942	398,707
South Central Louisiana Technical College - PTECH	2,968,887	492,799
SOWELA - Lake Charles	4,055,804	2,772,569
Bossier Parish Community College STEM Building	9,738,298	5,526,317
CDBG - Disaster Recovery Program		
SOWELA Regional Training Facility	15,680,829	843,385
Total		$ 14,623,599

Note 5. Bonds Payable

Bonds payable is composed of the following at December 31, 2016:

Revenue Bonds	
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 April 1 and October 1; principal payable annually each October 1, commencing October 1, 2026 and ending 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 April 1 and October 1; principal payable annually each October 1, commencing October 1, 2020 and ending 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.	34,020,000
Series 2014 Whitney Bank. Dated December 10, 2014; bearing interest ranging from 3.25% to 5.00% per annum; interest only payments due semi-annually on April 1 and October 1; principal payable annually each October 1, commencing October 1, 2031 and ending October 1, 2039.	128,330,000
Plus: Bond Premiums (Series 2009B, 2010 and 2014)	22,146,245
Less: Related Discount (Series 2011)	(2,478,409)
Total Bonds Payable	291,322,836
Less: Unamortized Debt Issuance Costs	(2,280,000)
Total Bonds Payable, Less Unamortized Debt Issuance Costs	289,042,836
Less: Current Portion	(8,779,597)
Bonds Payable, Long-Term Portion	$ 280,263,239

Note 5. Bonds Payable (Continued)

The schedule of future maturities of bonds payable as of December 31, 2016, is as follows:

Series 2009B		Series 2010		Series 2011		Series 2014	
2026	$14,355,000	2020	$ 1,920,000	2017	$ 8,975,000	2031	$ 3,000,000
2027	15,090,000	2021	11,215,000	2018	8,975,000	2032	13,065,000
2028	15,835,000	2022	11,790,000	2019	8,975,000	2033	13,735,000
		2023	12,395,000	2020	7,095,000	2034	14,440,000
Total	$45,280,000	2024	13,030,000			2035	15,180,000
		2025	13,675,000	**Total**	$ 34,020,000	2036	15,960,000
						2037	16,775,000
		Total	$64,025,000			2038	17,635,000
						2039	18,540,000
						Total	$ 128,330,000

Interest expense totaled $8,121,703 for the year ended December 31, 2016.

In connection with the issuance of the Series 2009B, 2010, and 2014 revenue bonds listed above, the Corporation recorded bond premiums which totaled $22,146,245 at December 31, 2016. 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, 2016 totaled $1,173,410 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 $2,478,409 at December 31, 2016. The accretion of these discounts for the year ended December 31, 2016 totaled $1,214,595 and is included in interest expense.

Note 6. Fair Value of Financial Instruments

The Corporation's financial instruments are cash and cash equivalents, investments, grants receivable, pledges receivable, accounts payable, interest payable, retainage 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 estimated fair value amounts for long-term debt have been determined using available market information.

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	$ 4,532,432	$ 4,532,432
Restricted Cash	32,283,196	32,283,196
Grant Receivable	223,746	223,746
Pledges Receivable	3,418,931	3,418,931
Investments	71,960,095	71,960,095
Accounts Payable	3,935,117	3,935,117
Interest Payable	2,910,369	2,910,369
Retainage Payable	3,739,662	3,739,662
Long-Term Debt	291,322,836	294,677,757

The valuation of the Corporation's investments by the fair value hierarchy listed in Note 1 at December 31, 2016, is as follows:

	Total	Level 1	Level 2	Level 3
Assets				
Municipal Bonds	$ 15,334,848	$ -	$ 15,334,848	$ -
U.S. Government and Agency Obligations	56,625,247	56,625,247	-	-
Total	$ 71,960,095	$ 56,625,247	$ 15,334,848	$ -

Note 7. Lease Agreements

Facilities Lease
The Corporation entered into agreements to lease the Act 391 and Act 360 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 leases will run contemporaneously with the bonds.

The leases include 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 Act 391 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.

The Corporation entered into an agreement effective December 1, 2014 to lease the land, on which the Act 360 facilities will be constructed, from the Board. The lease term expires on December 1, 2039. The rent shall be due and paid annually in advance in the sum of $1 per year.

Note 8. Cooperative Endeavor Agreement - CDBG

In February 2014, the Corporation entered into a cooperative endeavor agreement (CEA) with the State of Louisiana, Division of Administration, Office of Community Development - Disaster Recovery Unit (OCD). Under the terms of the CEA, the OCD will make available to the Corporation up to $20,000,000 to fund the construction of the SOWELA Technical Community College Campus Training Building, a 65,000 to 75,000 square foot training building to house classroom and laboratories. The funds will be used in accordance with the guidelines for the Economic Revitalization Program and the Recovery Workforce Facilities Program.

Note 9. Commitments

The Corporation entered into contracts with a consulting firm to create and institute the program of construction projects established by Act 391, Act 360, and the CDBG CEA and provide administrative duties over the life of each program. The fee for monthly services for Act 391 shall be $28,463 payable on the first day of each month. The fee for monthly services for Act 360 shall be $64,332 payable on the first day of each month.

The Corporation has entered into a contract with an engineering firm to serve as the program manager for the construction projects established by Act 391 and Act 360 at the various campuses. The original Act 391 management contract expired on October 1, 2014 but was extended through December 31, 2016 for a fixed fee of $450,750. The compensation for services associated with Act 360 is a fixed fee of $11,436,840 paid in 60 equal installments beginning November 2014.

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

Note 10. Net Assets Restrictions

Act 360 required each project to obtain matching funding in an amount no less than twelve percent of the project costs. Temporarily restricted net assets at December 31, 2016 consisted of the following amounts related to these matching funding requirements:

Temporarily Restricted	
Cash - Restricted for Capital Purchases at:	
Westside Campus of Capital Area Technical College	$ 23,153
South Louisiana Community College, Lafayette - Allied Health and Science Training Program Building	2,045,455
River Parishes Community College, Gonzales - Ascension Parish Center for Advanced Technology	940,923
Louisiana Delta Community College, Jonesboro - Welding, Vehicle Operations and Industrial Training Center	27,545
South Central Louisiana Technical College, Reserve - Center for Advancement of Technical Education Building	163,375
South Central Louisiana Technical College, Reserve - Ptech Building	163,375
Louisiana Delta Community College, Winnsboro - Technology and Career Program Training Center	625,909
SOWELA Technical Community College, Lake Charles - Student Services Building	981,819
Pledges Receivable - Restricted for Capital Purchases at:	
Bossier Parish Community College, Bossier Parish - Science, Technology, Engineering and Math (STEM) Building	146,205
Delgado Community College, River City - Training Center for Transportation, Maritime, and Engineering	1,909,090
Delgado Community College, Avondale - Advanced Manufacturing Center of Excellence	1,363,636
Total	$ 8,390,485

Temporarily restricted net assets released from restrictions for use in construction during the year ended December 31, 2016 totaled $66,136.

Note 11. 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. 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 12. Uncertain Tax Positions

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Corporation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in program services.

Note 13. Related Parties

During 2016, the Chairman of the Corporation was also a member of the Board of Supervisors of the Louisiana Community and Technical College System.

One law firm is serving as both counsels 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 14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were issued, June 23, 2017. 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, 2016.

SUPPLEMENTARY INFORMATION

LCTCS FACILITIES CORPORATION
Schedule of Compensation, Benefits, and Other Payments to Agency Head

For the Year Ended December 31, 2016

Agency Head
Stephen C. Smith, Chairman

Purpose	Amount
Salary	$0
Benefits - Insurance	$0
Benefits - Retirement	$0
Benefits - Other	$0
Car Allowance	$0
Vehicle Provided by Government	$0
Per Diem	$0
Reimbursements	$0
Travel	$0
Registration Fees	$0
Conference Travel	$0
Continuing Professional Education Fees	$0
Housing	$0
Unvouchered Expenses	$0
Special Meals	$0

See independent auditor's report.

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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*

Independent Auditor's Report

To the Board of Directors
LCTCS Facilities Corporation
New Orleans, 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 LCTCS Facilities Corporation (the Corporation), which comprises the statement of financial position as of December 31, 2016, 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 23, 2017.

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 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 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 23, 2017

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program
We have audited LCTCS Facilities Corporation's (the Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2016. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program
In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance
Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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 23, 2017

LCTCS FACILITIES CORPORATION

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor/Pass - Through Grantor Program Title	CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
United States Department of Housing and Urban Development			
Passed through the State of Louisiana Division of Administration			
Office of Community Development - Disaster Recovery Unit			
Community Development Block Grant - Disaster Recovery Program	14.228	CEA #727453	$ 9,778,774
United States Department of Homeland Security			
Passed through the State of Louisiana			
Governor's Office of Homeland Security and Emergency Preparedness			
Hazard Mitigation Grant- Statewide Generator Project and HMGP	97.039	HMGP # 1786-022-0002 FEMA-1786-DR-LA Project 0128	531,600
Total			$ 10,310,374

Note to the Schedule of Expenditures of Federal Awards

Note 1 - The schedule is prepared on the accrual basis of accounting.

Note 2 - The Corporation did not elect to use the 10 percent de minimus indirect rate allocation under the Uniform Guidance

See independent auditor's report

LCTCS FACILITIES CORPORATION

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

1.	Type of auditor's report:	Unmodified
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 Reported
c.	Non-compliance material to the financial statements noted?	None
3.	Management letter comment provided?	No

Federal Awards

4)	Internal control over major programs:	
a.	Material weaknesses identified?	None
b.	Significant deficiencies identified not considered to be material weaknesses?	None Reported
5)	Type of auditor's report issued on compliance for major program?	Unmodified
6)	Audit findings disclosed that are required in accordance with 2 CFR section 200.516(a)	None
7)	Identification of major program:	
	14.228 - Community Development Block Grant - Disaster Recovery Program 97.039 - Hazard Mitigation Grant	
8)	Dollar threshold used to distinguish between Type A and B programs?	$750,000
9)	Auditee qualified as a low-risk auditee?	Yes

Section II - Internal Control Over Financial Reporting

None.

Section III - Findings and Questioned Costs Related to Major Federal Award Program

None.

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2016

None.