LOUISIANA PUBLIC FACILITIES AUTHORITY
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2015
ISSUED JULY 27, 2016

LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

July 12, 2016

Independent Auditor's Report

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the major enterprise funds and aggregate nonmajor enterprise funds of the Louisiana Public Facilities Authority (Authority), a component unit of the state of Louisiana, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

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 opinions on these financial statements based on our audit. We did not audit the financial statements of the 2011A Taxable Student Loan Backed Bond Program (2011A Program), which represent a major enterprise fund of the Authority. The financial statements of the 2011A Program were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the 2011A Program are based solely on the report of the other auditor.

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. The financial statements of the 2011A

Program, a major enterprise fund of the Authority, which was audited by other auditors on whose report we are relying, was audited in accordance with auditing standards generally accepted in the United States of America but not in accordance with *Government Auditing Standards*.

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 opinions.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major enterprise funds and the aggregate nonmajor funds of the Authority as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in note 12 to the financial statements, the 2014 financial statements have been restated to correct misstatements.

In the 2014 financial statements, the Authority's primary government consisted of only its Operating Fund. In the 2015 financial statements, as discussed in notes 1 and 12 to the financial statements, the Authority has presented multiple enterprise funds to report its Super Top Loan Program, previously reported as a discretely presented component unit, and the 2011A Program, previously excluded from the financial statements. The overall impact of these changes in the 2015 financial statements increased the beginning net position of the primary government by $48,119,896 and decreased the beginning net position of the discretely presented component units by $9,037,235.

As discussed in notes 1 and 12 to the financial statements, the implementation of Governmental Accounting Standards Board (GASB) Statement 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14,* required blending of component units organized as not-for-profit corporations in which the Authority is the sole corporate member. The overall impact of this implementation in the 2015 financial statements is an increase in beginning net position of the primary government by $131,141 and a decrease in beginning net position of the discretely presented component units by $131,141.

As discussed in note 1 to the financial statements, the Federal Family Education Loan Program (FFELP) was amended in March 2010. While the Authority is prohibited from originating new federally guaranteed student loans, the Authority can continue to administer the existing FFELP student loan portfolio.

Our opinions are not modified with respect to the matters emphasized above.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Per Diem Paid to Trustees on page 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Per Diem Paid to Trustees is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Per Diem Paid to Trustees is fairly stated, in all material respects, in relation to the basic 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 July 12, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts 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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KS:BF:BQD:EFS:aa

LPFA 2015

Statement A

LOUISIANA PUBLIC FACILTIES AUTHORITY
STATE OF LOUISIANA

Statement of Net Position, December 31, 2015

	ENTERPRISE FUNDS				
	OPERATING FUND	SUPER TOP LOAN PROGRAM	2011A STUDENT LOAN PROGRAM	NONMAJOR FUNDS	TOTAL
ASSETS					
Current Assets:					
Cash and cash equivalents (note 2)	$1,434,863	$895,606		$129,680	$2,460,149
Certificates of deposit (note 2)	3,176,919	2,768,961			5,945,880
Fixed income securities (note 2)	257,088				257,088
Interfund receivable - program administration fees	107,079				107,079
Accounts receivable	72,805	5,881			78,686
Loans receivable (note 6):					
Local Government Bond Bank Program	442,290				442,290
Rural Development Loan Program	2,534,000				2,534,000
Loans to nonprofit organizations	145,854				145,854
Mortgage loan receivable				54,756	54,756
Prepaid expenses	13,103	50,000			63,103
Total current assets	8,184,001	3,720,448	NONE	184,436	12,088,885
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents (note 2)			$14,122,811		14,122,811
Student loans, net (note 6)			280,942,255		280,942,255
Accrued interest on student loans			4,574,473		4,574,473
Certificates of deposit (note 2)	8,190,560	2,437,492			10,628,052
Fixed income securities (note 2):	6,337,201				6,337,201
Investment in limited partnerships (note 2)	1,400,033				1,400,033
Loans receivables (note 6):					
Local Government Bond Bank Program	1,031,950				1,031,950
Loans to nonprofit organizations	1,447,899				1,447,899
Student loans, net		2,845,071			2,845,071
Accrued interest on student loans, net		132,767			132,767
Capital assets, net (note 8)	40,462				40,462
Total noncurrent assets	18,448,105	5,415,330	299,639,539	NONE	323,502,974
Total assets	26,632,106	9,135,778	299,639,539	184,436	335,591,859
LIABILITIES					
Current Liabilities:					
Interfund payables - program administration fees			107,079		107,079
Accounts payable	102,153	5,083	278,893		386,129
Accrued interest payable			610,289		610,289
Mortgage loans payable				54,756	54,756
Special allowance payment payable (note 7)		10,065	1,647,705		1,657,770
Total current liabilities	102,153	15,148	2,643,966	54,756	2,816,023
Noncurrent Liabilities:					
Bonds Payable (note 9)			258,471,232		258,471,232
Total noncurrent liabilities	NONE	NONE	258,471,232	NONE	258,471,232
Total liabilities	102,153	15,148	261,115,198	54,756	261,287,255
NET POSITION					
Invested in capital assets	40,462				40,462
Restricted for debt service			38,524,341		38,524,341
Unrestricted (note 11)	26,489,491	9,120,630		129,680	35,739,801
Total net position	$26,529,953	$9,120,630	$38,524,341	$129,680	$74,304,604

The accompanying notes are an integral part of this statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended December 31, 2015

	ENTERPRISE FUNDS				
	OPERATING FUND	SUPER TOP LOAN PROGRAM	2011A STUDENT LOAN PROGRAM	NONMAJOR FUNDS	TOTAL
OPERATING REVENUES					
Project and program administrative fees:					
Finance acceptance fees	$473,412				$473,412
Multi-family annual issuer fees	52,508				52,508
Program administrative fees	1,569,526				1,569,526
Financing application fees	6,000				6,000
Student loan interest		$137,984	$13,545,356		13,683,340
Special allowance payments (note 7)		(39,418)	(7,134,939)		(7,174,357)
Other income	2,800	1,333		$270	4,403
Total operating revenues	2,104,246	99,899	6,410,417	270	8,614,832
OPERATING EXPENSES					
Administrative services	76,396				76,396
Bad debt		(918)	177,531		176,613
Bond discount amortization			767,182		767,182
Bond interest expense			3,455,655		3,455,655
Business promotions and economic development	85,319				85,319
Depreciation	11,549				11,549
Employee's salaries and benefits	1,424,595				1,424,595
Grant expense	264,300				264,300
Insurance	32,161				32,161
Legal and accounting services	34,675	22,379	16,501	990	74,545
Lender trustee fees		1,500	42,388		43,888
Office expense and insurance	108,593				108,593
Other	20,291	11,278	35,000	741	67,310
Per diems - Board of Trustees	12,200				12,200
Program administrative fees			1,334,201		1,334,201
Printing, publication, dues, and subscriptions	77,808				77,808
Rent	191,465				191,465
Student loan servicing fees		17,145	1,149,296		1,166,441
Travel	66,098				66,098
Total operating expenses	2,405,450	51,384	6,977,754	1,731	9,436,319
OPERATING INCOME (LOSS)	(301,204)	48,515	(567,337)	(1,461)	(821,487)

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended December 31, 2015

	ENTERPRISE FUNDS				
	OPERATING FUND	SUPER TOP LOAN PROGRAM	2011A STUDENT LOAN PROGRAM	NONMAJOR FUNDS	TOTAL
NONOPERATING REVENUES (EXPENSES)					
Interest income	$371,520	$34,880	$9,017		$415,417
Realized and unrealized loss on investments	(87,664)				(87,664)
Payment to State Treasury (note 13)	(2,300,000)				(2,300,000)
Net nonoperating revenues (expenses)	(2,016,144)	34,880	9,017	NONE	(1,972,247)
CHANGE IN NET POSITION	(2,317,348)	83,395	(558,320)	($1,461)	(2,793,734)
NET POSITION AT BEGINNING OF YEAR, restated (note 12)	28,847,301	9,037,235	39,082,661	131,141	77,098,338
NET POSITION AT END OF YEAR	$26,529,953	$9,120,630	$38,524,341	$129,680	$74,304,604

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA

Statement of Cash Flows
For the Year Ended December 31, 2015

	ENTERPRISE FUNDS				
	OPERATING FUND	SUPER TOP LOAN PROGRAM	2011A STUDENT LOAN PROGRAM	NONMAJOR FUNDS	TOTAL
Cash flows from operating activites:					
Cash received for services provided	$787,792				$787,792
Cash received for interfund services provided	1,342,651				1,342,651
Cash received on program loans	5,105,934				5,105,934
Cash received on student loans		$287,903	$49,630,285		49,918,188
Cash received for interest on student loans		142,127	7,946,886		8,089,013
Cash paid for program loans issued	(2,696,000)				(2,696,000)
Cash paid to suppliers for goods and services	(1,128,709)	(47,134)	(1,171,732)	($990)	(2,348,565)
Cash paid for interfund services provided			(1,342,651)		(1,342,651)
Cash paid to employees for services	(1,424,597)				(1,424,597)
Cash paid for special allowance payments		(37,807)	(7,479,687)		(7,517,494)
Cash paid for student loans repurchased		(781,255)	(824,906)		(1,606,161)
Other receipts				270	270
Other disbursements				(741)	(741)
Net cash provided (used) by operating activities	1,987,071	(436,166)	46,758,195	(1,461)	48,307,639
Cash flows from noncapital financing activities:					
Bond principal obligations paid			(46,334,546)		(46,334,546)
Interest paid on bonds			(3,501,017)		(3,501,017)
Payments to State Treasury	(2,300,000)				(2,300,000)
Collections on mortgage loans				149,552	149,552
Payments on mortgage loans				(149,552)	(149,552)
Net cash used in noncapital financing activities	(2,300,000)	NONE	(49,835,563)	NONE	(52,135,563)
Cash flows from capital and related financing activities:					
Purchase of property and equipment	(16,875)	NONE	NONE	NONE	(16,875)
Cash flows from investing activities:					
Purchases of investments	(4,821,505)	(3,593,207)			(8,414,712)
Proceeds from redemption of investments	2,667,920	3,698,000			6,365,920
Investment in limited partnerships	(240,000)				(240,000)
Investment income and interest	303,052	33,244	9,017		345,313
Net cash provided (used) by investing activities	(2,090,533)	138,037	9,017	NONE	(1,943,479)
Net decrease in cash and cash equivalents	(2,420,337)	(298,129)	(3,068,351)	(1,461)	(5,788,278)
Cash and cash equivalents at beginning of year, as restated	3,855,200	1,193,735	17,191,162	131,141	22,371,238
Cash and cash equivalents at end of year	$1,434,863	$895,606	$14,122,811	$129,680	$16,582,960

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended December 31, 2015

	ENTERPRISE FUNDS				
	OPERATING FUND	SUPER TOP LOAN PROGRAM	2011A STUDENT LOAN PROGRAM	NONMAJOR FUNDS	TOTAL
Reconciliation of operating loss to net cash provided (used) by operating activities:					
Operating income (loss)	($301,204)	$48,515	($567,337)	($1,461)	($821,487)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:					
Depreciation	11,549				11,549
Bad debt		(918)	177,531		176,613
Bond discount amortization			767,182		767,182
Bond interest expense			3,455,655		3,455,655
Changes in assets and liabilities:					
Decrease in accounts receivables	17,746				17,746
Decrease in interfund receivables	8,450				8,450
Increase in prepaid expenses	(2,034)				(2,034)
Decrease in program loans	2,409,933				2,409,933
Decrease (increase) in student loans		(798,267)	42,249,954		41,451,687
Decrease in accrued interest on student loans		310,122	956,955		1,267,077
Increase (decrease) in accounts payable	(157,369)	2,771	71,453		(83,145)
Decrease in interfund payables			(8,450)		(8,450)
Increase (decrease) in special allowance payment payable		1,611	(344,748)		(343,137)
Net cash provided (used) by operating activities	$1,987,071	($436,166)	$46,758,195	($1,461)	$48,307,639

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

Louisiana Public Facilities Authority (Authority) was created on August 21, 1974, by the Public Facilities Corporation, a Louisiana corporation, as settler under an Indenture of Trust in accordance with the provisions of the Louisiana Public Trust Act Louisiana Revised Statute 9:2341 *et seq*. The Authority operates under a Board of Trustees.

The purposes of the Authority are to promote, encourage, and further the accomplishment of all activities that are or may become of benefit to the state of Louisiana and that have a public purpose. To accomplish these purposes, the Authority issues bonds that provide the proceeds for the furtherance and accomplishment of various public purposes. The issuance of such obligations is accounted for through trustee accounts maintained with various banks appointed as trustees.

Conduit Debt

The Authority issues bonds to provide capital financing for state and local governments and nonprofit organizations. The obligations are limited and special obligations of the Authority, and, as such, the Authority does not normally have any claims to assets or liabilities relating to the bond issues. Accordingly, such transactions are not included in the accompanying financial statements until such time as an asset or liability has been determined to exist relating to residual amounts. The Authority divides its conduit bond issues for capital financing into either programs or projects. Programs pool similar entities together into one shared borrowing for the benefits of the participants. Project bond issues are for an individual entity. Total bond principal outstanding at December 31, 2015, for programs and projects was $398,325,000 and $5,973,579,482, respectively.

Student Loan Program

The Authority's student loan program was initially established in 1984 to assure adequate loan availability for students with a Louisiana connection, to promote greater access to higher education in the state, and help reduce the cost of higher education. The funds for this program were obtained through the issuances of various bond issues. All of the bonds issued to fund the program are limited and special revenue obligations of the Authority and are not obligations of the state of Louisiana or any political subdivision thereof.

The bond proceeds were used to acquire and originate guaranteed or insured Federal Family Education Loan Program (FFELP) student loans through an FFELP eligible lender trustee arrangement. Substantially all of the student loans in the program were eligible for an upfront benefit, or the loans are eligible for a reduction of interest rate during repayments when certain timely payment conditions are met. The Authority has entered into agreements with two corporations to service the student loans.

New FFELP student loans have not been acquired or originated since July 1, 2010, as a result of the Health Care and Education Reconciliation Act of 2010 (HCERA). Under HCERA, all federally guaranteed loans are issued directly by the U.S. Department of Education (USDOE). While the Authority is prohibited from originating new federally guaranteed loans, the Authority can continue to administer the existing FFELP student loan portfolio. The Authority is subject to periodic examinations by the USDOE as required by the Higher Education Act.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared in accordance with such principles.

B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy has defined the governmental reporting entity to be the state of Louisiana. The Authority is considered a component unit of the state of Louisiana because the state has financial accountability over the Authority in that the Louisiana Joint Legislative Committee on the Budget has the authority to approve and amend the Authority's budget and the governor appoints all the Board of Trustees and can impose his/her will on the Authority. The accompanying financial statements present only the activity of the Authority.

Annually, the state of Louisiana issues a Comprehensive Annual Financial Report, which includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

The Authority has three blended component units, which have been presented as nonmajor enterprise funds. The voting majority of these component units' board members are appointed by the Authority, and the Authority is able to impose its will on the organizations by its ability to appoint, hire, or dismiss those persons responsible for the day-to-day operations. These component units are blended in accordance with GASB 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14* because the component units were organized as not-for-profit corporations in which the Authority is the sole corporate member. The Authority's three blended component units listed below do not issue separate financial statements.

(a) *The Louisiana Capital Funding Corporation (LCFC)* is a nonprofit Louisiana corporation that was organized to promote, support, aid, and assist with the Authority's Local Government Capital Funding program. As of December 31, 2015, LCFC is dormant.

(b) *The Louisiana Equipment Finance Corporation (LEFC)* is a nonprofit Louisiana corporation that was organized to promote, support, aid, and assist with the Authority's programs. As of December 31, 2015, LEFC is dormant.

(c) *The LPFA Housing Assistance Corporation (LHAC)* is a nonprofit Louisiana corporation that was created for the purpose of assisting persons of low to moderate income with their home purchase through a lease-purchase program. LHAC purchases and leases the home to a participant with the participant assuming the mortgage at the end of the lease term. In effect, LHAC is merely a conduit and, therefore, mortgage loans receivable equals mortgage loans payable.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the Authority is considered a special-purpose government engaged in only business-type activities (enterprise funds). Accordingly, the Authority's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operations are included on the Statement of Net Position. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when the related liability is incurred, regardless of the timing of related cash flows.

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating items.

The Authority reports the following major proprietary funds:

Operating Fund

This is the Authority's primary operating fund and accounts for all of the Authority's activities except for student loan activities administered through trusts.

2011A Taxable Student Loan Backed Bond Program

This fund accounts for student loan activities funded by the 2011A Taxable Student Loan Backed Bond Program (2011A Program). The Authority operates this program through an eligible lender trustee agreement between the Authority and a financial institution. The primary purpose of the trust is for the eligible lender trustee to legally own, on behalf of the Authority, the FFELP student loans, manage the investments held in the trust, and make the required debt service payments to bondholders. The bond indenture requires the use of certain funds to be maintained by the trustee bank, which provide for the accounting for bonds issued, debt service and bond redemption requirements, investments, and related revenues and expenses. These individual funds of the program are aggregated in the accompanying financial statements. To ensure the observance of limitations and restrictions placed on the uses of resources, the accounting system is organized and operated on a fund basis. The assets, liabilities, and net position of the program are restricted funds, which represent the portion of funds available for support of the program's supporting services, such as debt service on the bonds and other various program expenses.

The Authority also issues separate audited financial statements for its 2011A Program as required by the bond indenture. The 2011A Program financial statements for the year ended December 31, 2015, are available at www.lpfa.com.

Super Top Loan Program

The Authority operates its Super Top Loan Program through an eligible lender trustee agreement similar to the 2011A Program. The assets currently held in the trust result from the refinancing of the Authority's 1999 Student Loan Revenue Bond Program with the 2011A Program. Under the bond indenture for the 2011A Program, student loans that were in default or uninsured as of the refinancing date, April 20, 2011, were ineligible to be included in the 2011A Program. These loans along with the residual cash from the 1999 Student Loan Revenue Bond Program's trust were transferred to the Super Top Loan Program.

Under FFELP, the federal government requires lenders of student loans to repurchase certain loans from the guarantor. Typically, these are loans for which a claim was filed and paid previously by the guarantor but for a number of reasons, such as a servicing error or the dismissal of a bankruptcy claim, the loan must be repurchased by the lender. The funds in the Super Top Loan Program are used for these "mandatory repurchases" of loans that were ineligible to be included in the 2011A Program. In fiscal year 2015, the Authority's Super Top Loan Program repurchased loans totaling $781,255 from the guarantor.

The Authority's Board of Trustees authorized the development of a private loan program to originate loans with the funds held in the trust.

The Authority's three blended component units, which are presented as nonmajor enterprise funds, are required to report information regarding their financial position and activities according to three classes of net position: unrestricted net position, temporarily restricted net position, and permanently restricted net position, as applicable. As of December 31, 2015, there were no temporarily or permanently restricted net positions.

D. BUDGET PRACTICES

The Authority prepared its annual operating budget based on what was expected to be collected during the fiscal year. Management presented the budget to the Authority's Board of Trustees for approval prior to the budget being submitted to the Louisiana Joint Legislative Committee on the Budget. In addition, certain expenses were approved as necessary by the Board of Trustees before payment. Any budget amendments necessary during the year must be approved by the Board of Trustees and the Louisiana Joint Legislative Committee on the Budget. The Authority is not required to present a budget comparison in its financial statements.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include demand deposits and money market deposits in trust accounts. Investments and certificates of deposit are reported at fair value or at book value if fair value is not readily determinable as determined by the Authority's management. Fair value generally is considered to be the amount that the Authority might reasonably expect to receive for its investments if negotiations for sale were entered into on the valuation date. Valuations as of any particular date; however, are not necessarily indicative of the amount that the Authority ultimately may realize as a result of a future sale or other disposition of the investments.

In preparing the financial statements, the Authority's management is required to make significant judgments that affect the reported amounts of certain investments as of the date of the balance sheet and the change in unrealized appreciation (depreciation) for the period. Because of the inherent uncertainty of valuation, these estimated values may differ significantly from the value that would have been used had a ready market for these investments existed, and these differences could be material.

The process of valuing certain investments requires significant judgments that are particularly susceptible to change. The Authority's management believes that investment values are appropriate. While the Authority's management uses available information to recognize declines in investment values, future adjustments may be necessary based on changes in economic conditions or changes in the results of the operations of an investee company. Fluctuations in the fair value of investments and certificates of deposits are recorded as realized and unrealized gains (losses) in the Statement of Revenues, Expenses, and Changes in Net Position.

The Authority has two equity investments, one in Louisiana Fund I, L.P. and the other in Louisiana Fund II, L.P., which are reported at cost and adjusted for net investment income or loss. Subsequent adjustments to values will reflect meaningful third-party transactions in the private market or at fair market value reflecting, in any event, the investment's marketability, the business and prospects of the issuer of the investment, and other relevant factors.

For purposes of the Statement of Cash Flows, the Authority considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. RECEIVABLES

Receivables are stated at their face value less any allowance for uncollectable accounts. Allowances are based on the Authority's periodic evaluation of receivables and the Authority's past loss experience. The allowances for uncollectable accounts are adjusted by charges to income and decreased by charge-offs (net of recoveries). Currently, all accounts receivable and loans from local governments and nonprofit organizations are expected to be fully collected. The Super Top Loan Program's student loans and accrued interest on student loans are reported net of allowance for uncollectable amounts.

Student loans in the 2011A Program are reported at their outstanding principal balance and adjusted for any charge-offs, premiums paid on loans, the allowance for loan losses, capitalized deferred interest, and any deferred fees or costs on originated loans.

The allowance for student loan losses in the 2011A Program is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. The allowance for loan losses is evaluated on a regular basis and is maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loans, trends in historical loss experience and specific delinquent loans, and economic conditions.

G. CAPITAL ASSETS

The Authority has established a $1,000 threshold for capitalization of purchases of office furniture and equipment and leasehold improvements. Depreciation of all capital assets used by the Authority is charged as an expense against its operations. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives by capital asset type are as follows:

Office furniture and equipment	3-7 years
Leasehold improvements	10 years

H. NET POSITION

Net position is classified in the following three components:

(a) *Invested in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation. The Authority has no capital asset-related debt.

(b) *Restricted net position* – This component of net position consists of resources subject to external constraints placed on the Authority by creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

(c) *Unrestricted net position* – This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets."

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

I. PROGRAM INVESTMENT EARNINGS

Program Investment Earnings consist primarily of residual funds of retired program conduit bond issues. Residual proceeds represent cash and investment balances of a program bond issue that remain after the extinguishment of all obligations, including applicable arbitrage rebate to the federal government. The residuals are due to the Authority unless the issue's Indenture of Trust identifies another recipient. The residual funds are recognized as income to the Authority upon the termination of the issue's Indenture of Trust. The Authority received no program residual funds related to retired program bond issues in fiscal year 2015.

J. PROJECT AND PROGRAM ADMINISTRATIVE FEES

The Authority's project and program administrative fee revenues in the Operating Fund include the following:

Financing Application Fee – The Authority assesses a nonrefundable financing application fee of $500 on all project-financing applications formally submitted for consideration by the Authority's Board of Trustees.

Finance Acceptance Fee – The Authority requires a finance acceptance fee usually equal to one-twentieth of one percent of the face amount of issued bonds less the financing application fee. The finance acceptance fee covers general administration expenses incurred by the Authority. This fee is due upon the closing of a bond issue and is recorded as revenue at such time.

Multi-Family Annual Issuer Fees – The Authority assesses an annual issuer fee on all multi-family bond issues. The fee is based upon a percentage of the outstanding bond principal balance as of January 1 of each year. The percentage usually is either one-twentieth of one percent for pre-1985 issues or one-tenth of one percent for issues thereafter. The fee covers general administration expenses incurred by the Authority.

Program Administrative Fees – The Authority is compensated as administrator of programs through a fee based upon a percentage of the outstanding loans or assets of the programs listed below. These fees cover administrative costs and general administration expenses incurred by the Authority to administer the programs.

Interfund Services Provided to the 2011A Program

The 2011A Program assesses a total fee to be paid for both servicing and program administrative fees (total) equal to a percentage of the outstanding pool balance (loan principal plus expected interest to be capitalized) paid on a monthly basis. The monthly program administrative fee paid by the 2011A Program to the Operating Fund is equal to the difference between the monthly total fee and the monthly servicing fees paid to the third-party loan servicers. The portion of the total fee representing the servicing fees can be adjusted upward each year by 3% to factor in inflation. For fiscal year 2015, the total fee was 0.81903%. After servicing fees were paid by the trustee from the total fee, the program administration fee revenue received in the Operating Fund from the 2011A Program was $1,334,201 in fiscal year 2015. This amount is also reported as program administration fees in the 2011A Program's expenses.

Direct Loan Servicing Program

In 2012, the Authority began receiving fees as a servicer of federal direct student loans owned by the USDOE (direct student loans). HCERA allows the U.S. Secretary of Education to contract with eligible and qualified not-for-profit organizations to facilitate the servicing of direct student loans.

The Authority qualifies as a not-for-profit student loan servicer under HCERA. Although HCERA allows eligible nonprofit servicers to service up to 100,000 accounts each, the U.S. Secretary of Education can adjust loan volume based on performance. The Authority has partnered with other qualified not-for-profit student loan servicers and EdFinancial Services, LLC (EdFinancial) for the servicing of such direct student loans. Under this teaming arrangement, EdFinancial performs the servicing function of the direct student loan accounts allocated to the Authority and the other nonprofit organizations. The Authority and the other nonprofit organizations receive a portion of the servicing fees paid to EdFinancial by the federal government. Fees received by the Authority are determined by taking the payment received from the federal government, subtracting fees billed by EdFinancial, and dividing this number by the number of nonprofits participating in the program. With this income, the Authority supports its statewide education initiatives and assists Louisiana students with their quest for higher education.

LDNR Flex-Fund Revolving Loan Program

The Authority administers the Flex-Fund Revolving Loan Program (FFRLP) on behalf of the Louisiana Department of Natural Resources. FFRLP provides low-cost financing for public and private Louisiana-domiciled institutions implementing approved energy efficient projects. The Authority receives administrative fees from program participants as 0.0050% of the outstanding loan balance.

K. INCOME TAXES

No provision is made for income taxes because as a public trust whose beneficiary is the state of Louisiana, the Authority is exempt from federal and state income taxes.

L. ESTIMATES AND ASSUMPTIONS

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

M. ADOPTION OF NEW ACCOUNTING STANDARDS

For the year ended December 31, 2015, the Authority implemented GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14.*

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash deposits and money market funds in the Operating Fund, Super Top Loan Program, and nonmajor funds totaling $2,460,149 were fully secured by the FDIC, SIPC, and pledged securities.

Fixed income investments and certificates of deposit as of December 31, 2015, are presented below.

		Maturities (in Years)			
Investment Type	Fair Value	< than 1 year	1 to 5	6 to 10	> than 10
Certificates of deposit - Operating Fund	$11,367,479	$3,176,919	$7,429,530	$761,030	
Certificates of deposit - Super Top Loan Program	5,206,453	2,768,961	2,437,492		
Fixed income securities - Operating Fund:					
U.S. agencies	3,193,398		1,842,522	99,567	$1,251,309
U.S. agency strips	3,213,891	222,088	2,991,803		
Municipal government bonds	187,000	35,000	152,000		
Total	$23,168,221	$6,202,968	$14,853,347	$860,597	$1,251,309

As of December 31, 2015, the Authority had $1,400,033 invested in limited partnerships, Louisiana Fund I and Louisiana Fund II. These investments are reported at cost and adjusted for net investment income or loss. A significant portion of these limited partnerships is invested in early stage development companies. Appreciation for these companies is uncertain and, therefore, has not been recorded.

As a means of limiting its exposure to fair value changes arising from fluctuations in interest rates, the Authority attempts to ladder the maturities of its investments so that at least 15-20% of its investments mature or come due each year and purchased securities do not have maturities in excess of eight years. The Authority typically buys and holds its investments until maturity or until called. Any exceptions to this policy will be based on recommendations of the chief executive officer to members of the Investment Committee.

The Authority limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally-recognized statistical rating organizations (NRSROs). As of December 31, 2015, the Authority held no investments in commercial paper or corporate bonds. No specific credit ratings are required by the Authority's policy for its investments in municipal government bonds and securities of U.S agencies. The Authority's investments in municipal government bonds and U.S. agency strips were unrated by NRSROs. The Authority's investments in securities of U.S. agencies that are implicitly guaranteed ($1,398,855 is explicitly guaranteed) by the U.S. government total $1,794,543 and have an Aaa rating from Moody's Investors Service.

Investments in fixed income securities in the amount of $6,594,289 are held by custodial banks in the name of the Authority and, therefore, not exposed to custodial credit risk. Investments in certificates of deposit totaling $16,573,932 were fully insured by the FDIC as of December 31, 2015.

The Authority does not have a policy limiting the amount of investments in any one issuer. At December 31, 2015, more than five percent of the Authority's investments totaling $24,568,254 were invested in the following issuers:

Issuer	Fair Value	Percent of Total Investments
Federal Farm Bank	$1,667,731	6.8%
The Financing Corporation	$1,916,009	7.8%

The Authority has a $2,000,000 commitment in Louisiana Fund II, of which $800,000 has been funded as of December 31, 2015. The remaining unfunded commitment of $1,200,000 will be paid according to the terms of the limited partnership agreement and will be funded with available cash or future revenues of the Authority.

The 2011A Program's restricted cash and cash equivalents totaling $14,122,811 consists of amounts invested in Wells Fargo Secured Institutional Money Market Account. The 2011A Program's funds deposited under the trust indenture are authorized to be invested in marketable direct obligations of the United States or any state or political subdivision, time deposit open accounts, marketable bonds, indentures, debentures, notes, or other evidence of indebtedness issued or guaranteed by any government agency, shares of an investment company whose shares are registered under the Federal Securities Act of 1933, or commercial paper rated in the single highest classification.

3. LEASES

The Authority leases its office facilities under an operating lease agreement that was renewed on March 17, 2016, for five years. Rental expense in 2015 applicable to the Authority's offices was $182,285. Future minimum lease payments are as follows:

December 31, 2016	$175,990
December 31, 2017	175,990
December 31, 2018	178,859
December 31, 2019	179,816
December 31, 2020	182,685
December 31, 2021	45,910
	$939,250

4. EMPLOYEE RETIREMENT PLAN

The Authority sponsors a 401(k) profit sharing plan, a defined contribution pension plan that covers all employees and is administered by the Newport Group. Benefit terms, including contributions requirements, are established and may be amended by the Authority's Board of Trustees. The Authority has no additional liability upon the retirement of an employee. The plan is subject to the Internal Revenue Code (IRC) minimum funding requirement for governmental plans of 7.5% of the eligible employee salaries. The Authority provides the minimum contributions and the Authority's contributions above the minimum requirements are discretionary, as determined annually by the Board of Trustees. The employer contribution percentage during the year was 11.2%. Employees are not required to contribute to the plan but are permitted to make contributions up to the applicable IRC limits. For the year ended December 31, 2015, employer and employee contributions totaled $122,917 and $60,575, respectively. The employer contributions are included in the Employees' Salaries and Benefits in the accompanying financial statement.

Employees are immediately vested in their own contributions and in the 3% safe harbor portion of the Authority's contributions. Employees vest in 25% of the remaining employer contributions after each year of service until fully vested after the 4th year of service. Nonvested employer contributions are forfeited upon termination of employment. There were no forfeited contributions in the fiscal year.

5. LITIGATION

Because of the Authority's status as an issuer of bonds, it is routinely named in various litigations related to the funded projects and programs. In the opinion of management and legal counsel for the Authority, these claims are without merit because of the Authority's limited position as only a conduit for the bond issues.

6. LOANS RECEIVABLE

Loans to local governments and nonprofit organizations

The Authority's Local Government Bond Bank Program and Rural Development Loan Program lower the cost of local governments' borrowing by making direct loans for a portion of the total borrowing at interest rates ranging from 0% to 1.75%. In addition, the Authority loans funds to local nonprofit organizations with interest rates ranging from 0% to 3% to assist these organizations with securing additional funding from other sources. Management expects its outstanding loans from local governments and nonprofit organizations presented in Statement A as of December 31, 2015, will be fully collectable and require no allowance for uncollectable loans.

Student Loans – Super Top Loan Program

The Authority reports its Super Top Loan Program's student loan receivables and accrued interest on student loans net of the allowance for uncollectable amounts. Student loans have various maturity dates. The Super Top Loan Program's student loans include those loans that were ineligible for inclusion in the 2011A Program and mandatory repurchased loans that were previously defaulted. Due to the nature of these loans and the timing uncertainty of collections, all student loans and accrued interest on student loans as of December 31, 2015, are reported as noncurrent assets. The student loan receivables for the Super Top Loan Program are as follows:

	Student Loans (Principal)	Accrued Interest on Student Loans	Total
Receivable, gross	$3,087,096	$421,373	$3,508,469
Allowance for uncollectible	(242,025)	(288,606)	(530,631)
Noncurrent receivable, net	$2,845,071	$132,767	$2,977,838

Restricted Student Loans – 2011A Program

Student loans acquired by the 2011A Program have various maturity dates. The maximum maturity date is 10 years once repayment begins for loans other than consolidation loans; however, for older loans the maximum maturity date is 15 years from the date of the loan regardless of when the student graduates. For consolidation loans the maximum maturity date is 30 years. As of December 31, 2015, the 2011A Program's principal balance in the student loan portfolio was $281,135,642 of student loans at interest rates ranging from 1.72% to 9.00%. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Each student loan purchased or originated by the 2011A Program has a loan guarantee in effect covering at least 98% for loans first guaranteed prior to July 1, 2006, and 97% for loans first guaranteed on or after July 1, 2006, of the principal and interest outstanding on the student loans issued under FFELP in accordance with Higher Education Act. However, all loans must meet due diligence requirements in order to be eligible for federal guarantee. The Authority feels substantially all loans under the 2011A Program have met all necessary requirements. In the event of any denied default claim due to an error by the originating lender or a servicer, the 2011A Program may have recourse against the servicers and/or the original lending institution. Loans are considered past due based on their contractual terms. Loans that are past due 90 days or more and still accruing interest amounted to $16,334,560 at December 31, 2015.

Delinquent student loans (past due 90 days or more) included in the accompanying financial statements represented 5.41% of total loans in the 2011A Program. As a result of the aforementioned, the Authority has included a reserve of $193,387 for the uncollectable loans at December 31, 2015.

All of the student loans originated or purchased by the 2011A Program met one of the following criteria:

(1) A basic eligible federally guaranteed subsidized or nonsubsidized Stafford student loan in which the federal government makes interest subsidy payments available to reduce student interest costs and is eligible as defined in Section 438 of the Higher Education Act for purposes of receiving special allowance payments.

(2) An eligible federal PLUS/SLS loan for graduate and professional students, undergraduate independent students, and supplemental loans to parents of dependent students.

(3) An eligible federal consolidation loan for borrowers to fund payment and consolidation of the borrower's obligation of guaranteed student loans and certain other loans authorized pursuant to other federal programs.

7. SPECIAL ALLOWANCE PAYMENTS

Special allowance payments are either received from or paid to the USDOE in accordance with the Higher Education Act. The amount of interest that the 2011A Program and the Super Top Loan Program are allowed to earn on the student loans held under each program is set by the Higher Education Act. The permitted amount of interest can be either above or below the amount of interest received by the programs from the borrowers. If the interest received from the borrowers is below the permitted amount, the USDOE will make a special allowance payment to the programs equal to the difference between the permitted amount of interest and the actual interest received from the borrower. If the interest received from the borrowers is above the permitted amount, the programs must pay the excess interest received from the borrowers to the USDOE as a negative special allowance payment. The special allowance payments are calculated based on the daily average unpaid principal balance for certain types of loans. For the year ended December 31, 2015, excess interest of approximately $7,134,939 and $39,418 for the 2011A Program and the Super Top Loan Program, respectively, was remitted or owed to the USDOE, and is presented as a contra revenue account on Statement B. The accrued special allowance payment due to the USDOE at December 31, 2015, is reported as a liability on Statement A for both programs.

8. CAPITAL ASSETS

Capital assets of the Authority are included on the Statement of Net Position at historical cost, net of accumulated depreciation. Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Office Furniture and Equipment	$618,082	$16,874		$634,956
Leasehold Improvements	9,877			9,877
Total	627,959	16,874	NONE	644,833
Less Accumulated Depreciation:				
Office Furniture and Equipment	(582,945)	(11,549)		(594,494)
Leasehold Improvements	(9,877)			(9,877)
Total Accumulated Depreciation	(592,822)	(11,549)	NONE	(604,371)
Net Capital Assets	$35,137	$5,325	NONE	$40,462

9. BONDS PAYABLE – 2011A PROGRAM

On April 20, 2011, the Authority issued $509,000,000 of Taxable Student Loan Backed Bonds Series 2011A for the purpose of refunding all of the $567,200,000 of bonds outstanding in connection with the Authority's 1999 Student Loan Revenue Bond Program (the refunded bonds). The Authority used $67,997,843 of the 1999 Student Loan Revenue Bond Program funds held by the trustee to pay down the refunded bonds as of April 20, 2011. At that time, the trustee also released all of the student loans described in note 6 hereof from the lien created by the Indenture of Trust for the 1999 Student Loan Revenue Bond Program and transferred the loans to the 2011A Program or the Super Top Loan Program.

The 2011A bonds originally consisted of $151,000,000 of Taxable Student Loan Backed Bonds, series 2011A-1 due April 26, 2021, $248,000,000 of Taxable Student Loan Backed bonds Series 2011A-2 due April 26, 2027, and $110,000,000 Taxable Student Loan Backed Bonds Series 2011A-3 due April 25, 2035, (collectively the "Series 2011A Bonds") issued pursuant to an Indenture of Trust dated April 1, 2011, between the Authority and Wells Fargo Bank, National Association (as successor to the Bank of New York Mellon Trust Company, N.A.) as eligible lender trustee and trustee.

The bond indenture provides that bond principal and interest are secured by pledges of all student loans acquired, all revenues and collections with respect to such loans, and all funds established by the 2011A Program, together with all of the proceeds generated therefrom. All of the bonds currently bear interest at a variable rate which is the three month LIBOR rate, plus .90% for the A-2 Series and plus .95% for the A-3 Series in accordance with the bond indenture.

The bonds pay quarterly distributions of principal and interest on the 25th of each January, April, July, and October. Outstanding bonds payable at December 31, 2015, consist of the following:

Series 2011A-2	
Term bonds, due April 26, 2027, bearing interest at a variable rate as stated in the bond indenture, which was 1.3162% at December 31, 2015, payable quarterly	$152,428,953
Series 2011A-3	
Term bonds, due April 25, 2035, bearing interest at a variable rate as stated in the bond indenture, which was 1.3662% at December 31, 2015, payable quarterly	106,042,279
Total bonds payable	$258,471,232

The bonds are subject to mandatory tender and purchase by the 2011A Program at par, plus accrued interest through the date tendered, until the bonds mature. Principal will be paid, first on the Series A-2 bonds until paid in full, then on the Series A-3 bonds until paid in full.

The change in bonds payable (including principal and unamortized discount) for the year ended December 31, 2015, is as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015	Due Within One Year
Series 2011A	$304,038,596	NONE	($45,567,364)	$258,471,232	NONE

The future debt service requirements at December 31, 2015, for the outstanding 2011A Bonds are as follows:

Year	Principal	Interest	Total
2016		$3,455,019	$3,455,019
2017		3,455,019	3,455,019
2018		3,455,019	3,455,019
2019		3,455,019	3,455,019
2020		3,455,019	3,455,019
2021-25		17,275,097	17,275,097
2026-30	$152,428,953	9,918,775	162,347,728
2031-35	106,042,279	6,277,915	112,320,194
	$258,471,232	$50,746,882	$309,218,114

10. COMPENSATED ABSENCES

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. Vacation and sick leave is paid to the employees upon termination. Employees have the option to receive payment of unused vacation and sick leave in December or can choose to use the accumulated vacation and sick leave in the future. The liability for unused compensated absences is $24,773 and is reflected in these financial statements in the accounts payable balance.

11. NET POSITION

The Authority has unrestricted net position at December 31, 2015, of $35,739,801, which the Board of Trustees has designated for the following uses:

- In a resolution adopted by the Board of Trustees on April 7, 2015, the Board specified that $23,000,000 of the unrestricted net position be used for the Economic Development and Essential Purpose Loan Program, the Local Government Capital Facilities Bond Bank Program, and the Rural Development Loan Program.
- The Board of Trustees has also adopted a resolution specifying that all of the funds in the Super Top Loan Program, which accounts for $9,120,630 of the unrestricted net position, be used for the Authority's student loan program.
- Pursuant to resolutions adopted by the Board of Trustees, the Authority entered into contracts legally binding the Authority to invest in Louisiana Fund I and Louisiana Fund II limited partnerships, and $2,989,170 of the unrestricted net position is specified for these investment commitments.

The total of these three specified uses of unrestricted net position is $35,109,800.

12. RESTATEMENT OF BEGINNING NET POSITION

The beginning net position as reflected on Statement B has been restated to reflect the following:

	Primary Government	Discretely Presented Component Units
Net position at December 31, 2014	$28,807,321	$9,168,376
Adjustments:		
Reclassification of fund type - Super Top Loan Program	9,037,235	(9,037,235)
Inclusion in reporting entity - 2011A Program	39,082,661	
Correction of error - Operating Fund	39,980	
Implementation of GASB Statement No. 80	131,141	(131,141)
Net position at December 31, 2014, restated	$77,098,338	NONE

The Super Top Loan Program has been reclassified from a discretely presented component unit to part of the primary government to comply with GASB 14, as amended, and is presented in the current year as a major enterprise fund.

The 2011A Program, previously excluded from the financial statements, has been included in the financial statements since student loan financing does not qualify for conduit debt presentation. Therefore, the 2011A Program has been presented in the current year as a major enterprise fund.

The Operating Fund beginning net position has been restated to correct for an overstated payable accrued in a prior year.

The Authority implemented GASB 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*, which requires blending of component units organized as not-for-profit corporations when the primary government is the sole corporate member of the component unit. As a result of implementation, LCFC, LEFC, and LHAC, previously reported as discretely presented component units, have been reclassified as blended component units for the fiscal year ended December 31, 2015. These three nonprofit corporations are presented as nonmajor enterprise funds in the accompanying financial statements.

13. PAYMENTS TO STATE TREASURY

Section 7(E) of Act No. 121 of the 2015 Regular Legislative Session required the Authority to deposit $2.3 million into the state treasury for transfer to the Overcollections Fund.

14. CONDENSED FINANCIAL INFORMATION

Following is condensed financial information for the Authority's three blended component units.

Statement of Net Position

	Louisiana Capital Funding Corporation	Louisiana Equipment Finance Corporation	LPFA Housing Assistance Corporation	Total Nonmajor Funds
Current assets	$8,261	$11,474	$164,701	$184,436
Current liabilities	NONE	NONE	54,756	54,756
Unrestricted net position	$8,261	$11,474	$109,945	$129,680

Statement of Revenues, Expenses, and Changes in Net Position

	Louisiana Capital Funding Corporation	Louisiana Equipment Finance Corporation	LPFA Housing Assistance Corporation	Total Nonmajor Funds
Operating revenues	$25	$50	$195	$270
Operating expenses	509	513	709	1,731
Change in net position	(484)	(463)	(514)	(1,461)
Net position at beginning of year	8,745	11,937	110,459	131,141
Net position at end of year	$8,261	$11,474	$109,945	$129,680

Statement of Cash Flows

	Louisiana Capital Funding Corporation	Louisiana Equipment Finance Corporation	LPFA Housing Assistance Corporation	Total Nonmajor Funds
Net cash flows used by operating activities	($484)	($463)	($514)	($1,461)
Net decrease in cash	(484)	(463)	(514)	(1,461)
Cash at beginning of year	8,745	11,937	110,459	131,141
Cash at end of year	$8,261	$11,474	$109,945	$129,680

SUPPLEMENTARY INFORMATION SCHEDULE

Schedule of Per Diem Paid to Trustees
For the Year Ending December 31, 2015

The Schedule of Per Diem Paid to Trustees (Schedule 1) is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Schedule 1

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA

Schedule of Per Diem Paid to Trustees
For the Fiscal Year Ended December 31, 2015

	Amount
Guy Campbell III – Chairman	$2,000
Camille A. Cutrone – Vice Chairman	2,400
Peter Egan – Secretary/Treasurer	2,200
Dale Benoit - Member	2,200
Craig Charamie – Member	2,400
Lorin Crenshaw - Member	800
Hon Liew – Member	200
Total	$12,200

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws and regulations and other matters required by *Government Auditing Standards* issued by the Comptroller General of the United States. The report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

July 12, 2016

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

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA
Baton Rouge, 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 the major enterprise funds and aggregate nonmajor enterprise funds of the Louisiana Public Facilities Authority (Authority), a component unit of the state of Louisiana, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 12, 2016. Our report was modified to include emphasis of matters paragraphs regarding adjustments applied to restate the 2014 financial statements, comparability of financial statements due to the presentation of multiple enterprise funds and changes in the Authority's reporting entity, and the Authority's inability to originate new federally guaranteed student loans due to changes in the Federal Family Education Loan Program. Our report also includes a reference to other auditors who audited the financial statements of the 2011A Taxable Student Loan Backed Program (2011A Program), which represents a major enterprise fund of the Authority. The financial statements of the 2011A Program were not audited in accordance with *Government Auditing Standards*, and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the 2011A Program.

Internal Control over Financial Reporting

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

Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify the following deficiency in internal control that we consider to be a material weakness.

Inaccurate and Incomplete Financial Statements

The Authority's financial statements contained material misstatements resulting from an incomplete and inaccurate reporting entity and other errors. Also, required disclosures were omitted from the notes to the financial statements.

Using the Authority's prior-year financial statement presentation, our auditors assisted the Authority's management with updating the financial statements based on the current-year general ledger and other supporting schedules provided. Management did not inform our auditors of any necessary changes required to the prior-year financial statement presentation or disclosures. Based on our audit procedures, we identified material financial statement errors and omitted or incomplete disclosures as follows:

<u>Financial Statements</u>

- The Authority's assets and liabilities were understated by $300 million and $261 million, respectively, because the Authority excluded its 2011A Taxable Student Loan Backed Bond Program from its financial statements and only presented the outstanding debt in its conduit debt note disclosure. As an alternative to presenting debt and the related assets relating to conduit debt issuances on the financial statements, the Governmental Accounting Standards Board (GASB) allows an issuer to describe the conduit debt transactions and disclose the aggregate amount of all conduit debt obligations in the notes to the financial statements. GASB Codification C65.101 defines conduit debt as limited obligation revenue bonds issued by a state or local government entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer's financial reporting entity. Capital financing includes acquiring and disposing of capital assets used in providing services or producing goods; borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest; and paying for capital assets obtained from vendors on credit.

Although the Authority has limited obligation for the debt that is secured by the student loans, student loan financing is not a capital financing activity as defined by GASB. Therefore, the Authority's student loan program does not qualify for conduit debt reporting, and the Authority is required to present the program's debt, student loans and other assets, revenues, and expenses on the financial statements.

- The Authority did not include its Super Top Loan Program, which was created to hold certain student loans in trust, as part of its primary government activities and instead presented the program as a discrete component unit, which provides an inaccurate characterization of the Authority's relationship with the program. The Authority determined the program was eligible for discrete presentation because the program's cash and student loans totaling $6.1 million and $2.9 million, respectively, were held and managed under a trust agreement with a financial institution. However, we consider the Authority, as both grantor and beneficiary of the trust, to hold the trust's corporate powers, and the financial institution is merely performing a service for the Authority. Therefore, in accordance with GASB 14, as amended, the program is required to be part of the primary government. The improper classification resulted in the aggregate discretely presented component unit net position being overstated by $9 million and the primary government net position understated by $9 million.

- The Authority's beginning net position was understated by $39,980, and accounts payable were overstated by $39,980. In 2005, the Authority's Board of Trustees approved $100,000 to be awarded as grants to participants in the LouLease Program who were affected by Hurricanes Katrina and Rita. At that time, the Authority recorded the $100,000 expense and corresponding accounts payable. The unspent balance of $39,980, which remains in accounts payable, was never awarded to a program recipient. The Authority intends to use this unspent balance in the future, if needed, upon the disposal of the one remaining property and dissolution of the program. However, since no known obligation exists as of December 31, 2015, it is inappropriate to include this unspent balance in accounts payable.

<u>Notes to the Financial Statements</u>

- Since the Authority improperly excluded the 2011A Student Loan Backed Bond Program from its reporting entity, as discussed above, all required disclosures relating to the program's activities, including its investments, loans receivable, and bonds payable, were also excluded.

- The Authority's sponsored defined contribution plan (note 4) did not include the employee contribution rates in accordance with the plan and the actual employee contributions during the fiscal year as required by GASB Codification P20.223. Although employee contributions for the plan are optional, this fact should be disclosed along with the actual employee contributions during the fiscal year. During fiscal year 2015, employee contributions totaled $60,575.

- The Authority's loans receivable disclosure (note 6) omitted the Super Top Loan Program's $530,631 estimated allowance for uncollectible student loans and accrued interest on those loans, which should have been disclosed as required by GASB Codification 2200.178.

- As part of the investment note disclosure (note 2), the following investment related disclosures required by GASB Codification I50 were not included:

    - Disclosure of the Authority's credit risk policy or lack thereof related to fixed income securities and the actual credit ratings of those securities. The Authority's investment in municipal securities, U.S agency strips, and the implicitly guaranteed securities of U.S. agencies require credit rating disclosures.

    - Disclosure of the Authority's concentration of credit risk policy or lack thereof and the percentages of investments in a single issuer that exceed 5% of total investments.

- The Authority's U.S. agency strips were not disaggregated from the securities of U.S. agencies in the investment disclosure (note 2) as required by GASB Codification I50.133.

Good internal controls over financial reporting should include adequate procedures to record, process, and compile financial data needed to prepare accurate and complete financial statements and an effective review of the financial statements, including the notes to the financial statements, so that errors and omissions can be detected and corrected.

The Authority has relied on its contracted auditors to assist in preparing the financial statements. According to the Authority's management, the prior contracted auditors did not bring these financial statement errors and omitted or incomplete disclosures to management's attention. However, an auditor's assistance with financial statement preparation and an auditor's opinion on those financial statements does not relieve the Authority's management of its responsibility to present accurate and complete financial statements.

The Authority should provide training to its current accounting staff on GASB's financial reporting requirements or contract a qualified accountant to assist and advise management with annual financial statement preparation. Management should also integrate a financial disclosure checklist into its detailed review of financial statements to ensure all necessary disclosures are included. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not 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*.

Authority's Response to the Finding

The Authority's response to the finding identified in our audit is attached in Appendix A. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KS:BF:BQD:EFS:aa

LPFA 2015

APPENDIX A

Management's Corrective Action Plan and Response to the Finding and Recommendation

James W. Parks II
President and CEO

Tricia A. Dubroc
VP of Student Loans and Administration

Martin Walke
VP of Economic Development

LPFA
LOUISIANA PUBLIC FACILITIES AUTHORITY

July 5, 2016

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera,

This letter serves as our official response to the reportable audit finding titled "LOUISIANA PUBLIC FACILITIES AUTHORITY - Inaccurate and Incomplete Financial Statements" provided to us by your office.

While we concur with the findings and recommendations in your report, we would like to make the following points. First, all of the information about the SuperTop Trust and the 2011A Taxable Student Loan Backed Bond Program that is now to be included in our financial statements is currently being and has been disclosed by us, is currently and has been available to the general public, and each of our student loan bond issues is and has been audited annually by an independent CPA firm as required by the applicable Indenture of Trust pursuant to which such bonds were issued. Second, since the inception of our student loan program in 1984 until your current finding, the manner in which we have reported our student loan bond issues in our financial statements has not changed and during this time we have not received any questions or findings from our previous independent CPA auditing firms including the independent CPA auditing firms selected by your office.

We have put in place the following corrective action plan. Mr. James W. Parks II, President and CEO, and Ms. Rebecca Harmon, Accountant, will be the individuals responsible for implementing our corrective action plan.

We have implemented the requested changes to our financial statements for calendar year 2015 and will continue to issue our financial statements in this manner in the future. We will also integrate a financial disclosure checklist into our detailed review of our financial statements in connection with all future audits.

This completes our corrective action plan in response to your findings and recommendations except for your recommendation that we provide training to our staff on the financial reporting requirements established by GASB. With respect to this recommendation, we will provide training to our staff on the financial reporting requirements established by GASB and this training will be completed by December 31, 2016.

Please let us know if you have any questions.

Very truly yours,

James W. Parks II

James W. Parks II

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