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

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2016
ISSUED JULY 26, 2017

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

July 20, 2017

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, 2016, 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, is 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.

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 the 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, 2016, 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 Matter

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 this matter.

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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2017, 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. That 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:ch

LPFA 2016

Statement A

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA

Statement of Net Position, December 31, 2016

	ENTERPRISE FUNDS				
	OPERATING FUND	SUPER TOP LOAN PROGRAM	2011A STUDENT LOAN PROGRAM	NONMAJOR FUNDS	TOTAL
ASSETS					
Current Assets:					
Cash and cash equivalents (note 2)	$2,793,507	$1,045,487		$18,706	$3,857,700
Certificates of deposit (note 2)	529,876	3,654,591			4,184,467
Fixed income securities (note 2)	691,717				691,717
Interfund receivable - program administration fees	104,392				104,392
Accounts receivable	95,424	7,913			103,337
Loans receivable (note 6):					
Local Government Bond Bank Program	745,950				745,950
Rural Development Loan Program	1,170,000				1,170,000
Loans to nonprofit organizations	145,854				145,854
Prepaid expenses	12,612	50,180			62,792
Total current assets	6,289,332	4,758,171	NONE	18,706	11,066,209
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents (note 2)			$10,775,209		10,775,209
Student loans, net (note 6)			246,089,769		246,089,769
Accrued interest on student loans			4,528,102		4,528,102
Certificates of deposit (note 2)	8,498,188	1,487,796			9,985,984
Fixed income securities (note 2)	4,177,703				4,177,703
Investment in limited partnerships (note 2)	1,519,217				1,519,217
Loans receivables (note 6):					
Local Government Bond Bank Program	3,012,000				3,012,000
Rural Development Loan Program	204,944				204,944
Loans to nonprofit organizations	1,302,544				1,302,544
Loans to primary government	2,000,000				2,000,000
Student loans, net		2,929,977			2,929,977
Accrued interest on student loans, net		52,989			52,989
Capital assets, net (note 8)	36,611				36,611
Total noncurrent assets	20,751,207	4,470,762	261,393,080	NONE	286,615,049
Total assets	27,040,539	9,228,933	261,393,080	18,706	297,681,258
LIABILITIES					
Current Liabilities:					
Interfund payables - program administration fees			104,392		104,392
Accounts payable	331,239	2,878	155,530		489,647
Accrued interest payable			772,813		772,813
Special allowance payment payable (note 7)		8,545	1,331,159		1,339,704
Total current liabilities	331,239	11,423	2,363,894	NONE	2,706,556
Noncurrent Liabilities:					
Bonds Payable (note 9)			221,369,473		221,369,473
Total noncurrent liabilities	NONE	NONE	221,369,473	NONE	221,369,473
Total liabilities	331,239	11,423	223,733,367	NONE	224,076,029
NET POSITION					
Net investment in capital assets	36,611				36,611
Restricted for debt service			37,659,713		37,659,713
Unrestricted (note 11)	26,672,689	9,217,510		18,706	35,908,905
Total net position	$26,709,300	$9,217,510	$37,659,713	$18,706	$73,605,229

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, 2016

	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	$478,404				$478,404
Multi-family annual issuer fees	52,345				52,345
Program administrative fees	1,571,147				1,571,147
Financing application fees	7,500				7,500
Student loan interest		$157,842	$11,814,608		11,972,450
Special allowance payments (note 7)		(37,004)	(5,569,195)		(5,606,199)
Other income	20,947	1,453		$3,578	25,978
Total operating revenues	2,130,343	122,291	6,245,413	3,578	8,501,625
OPERATING EXPENSES					
Administrative services	66,139				66,139
Bad debt		192,003	231,668		423,671
Bond discount amortization			663,305		663,305
Bond interest expense			3,929,690		3,929,690
Business promotions and economic development	66,010				66,010
Depreciation	16,559				16,559
Employee's salaries and benefits	1,439,961				1,439,961
Grant expense	223,700				223,700
Insurance	32,292				32,292
Legal and accounting services	55,390	9,476	16,500	1,000	82,366
Lender trustee fees		1,500	36,197		37,697
Office expense	99,105				99,105
Other	18,418	14,809	40,776	6,558	80,561
Per diems - Board of Trustees	8,200				8,200
Program administrative fees			1,332,740		1,332,740
Printing, publication, dues and subscriptions	62,605				62,605
Rent	188,925				188,925
Student loan servicing fees		16,349	878,523		894,872
Travel	60,563				60,563
Total operating expenses	2,337,867	234,137	7,129,399	7,558	9,708,961
OPERATING LOSS	($207,524)	($111,846)	($883,986)	($3,980)	($1,207,336)

(Continued)

The accompanying notes are an integral part of this statement.

Statement B

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended December 31, 2016

	ENTERPRISE FUNDS				
	OPERATING FUND	SUPER TOP LOAN PROGRAM	2011A STUDENT LOAN PROGRAM	NONMAJOR FUNDS	TOTAL
NONOPERATING REVENUES (EXPENSES)					
Interest income	$374,633	$46,272	$19,358	$91	$440,354
Realized and unrealized loss on investments	(94,847)				(94,847)
Other income		162,454			162,454
Net nonoperating revenues	279,786	208,726	19,358	91	507,961
Income (loss) before transfers	72,262	96,880	(864,628)	(3,889)	(699,375)
Transfers In	107,085				107,085
Transfers Out				(107,085)	(107,085)
CHANGE IN NET POSITION	179,347	96,880	(864,628)	(110,974)	(699,375)
NET POSITION AT BEGINNING OF YEAR	26,529,953	9,120,630	38,524,341	129,680	74,304,604
NET POSITION AT END OF YEAR	$26,709,300	$9,217,510	$37,659,713	$18,706	$73,605,229

(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, 2016

	ENTERPRISE FUNDS				
	OPERATING FUND	SUPER TOP LOAN PROGRAM	2011A STUDENT LOAN PROGRAM	NONMAJOR FUNDS	TOTAL
Cash flows from operating activities:					
Cash received for services provided	$784,312				$784,312
Cash received for interfund services provided	1,335,427				1,335,427
Cash received on program loans	3,076,645				3,076,645
Cash received on student loans		$643,454	$41,266,589		41,910,043
Cash received for interest on student loans		73,500	6,486,240		6,559,740
Cash paid for program loans issued	(6,055,944)				(6,055,944)
Cash paid to suppliers for goods and services	(651,771)	(44,842)	(1,095,359)		(1,791,972)
Cash paid for interfund services provided			(1,335,427)		(1,335,427)
Cash paid to employees for services	(1,439,961)				(1,439,961)
Cash paid for special allowance payments		(38,524)	(5,885,690)		(5,924,214)
Cash paid for student loans repurchased		(754,467)	(1,270,201)		(2,024,668)
Other receipts				$3,578	3,578
Other disbursements				(7,558)	(7,558)
Net cash provided (used) by operating activities	(2,951,292)	(120,879)	38,166,152	(3,980)	35,090,001
Cash flows from noncapital financing activities:					
Bond principal obligations paid			(37,765,064)		(37,765,064)
Interest paid on bonds			(3,767,166)		(3,767,166)
Receipts from other funds	107,085				107,085
Payments to other funds				(107,085)	(107,085)
Other receipts		162,454		91	162,545
Net cash provided (used) in noncapital financing activities	107,085	162,454	(41,532,230)	(106,994)	(41,369,685)
Cash flows from capital and related financing activities:					
Purchase of property and equipment	(12,709)	NONE	NONE	NONE	(12,709)
Cash flows from investing activities:					
Purchases of investments	(4,589,543)	(2,950,000)			(7,539,543)
Proceeds from redemption of investments	8,698,940	3,015,000			11,713,940
Investment in limited partnerships	(200,000)				(200,000)
Investment income and interest	306,163	43,306	18,476		367,945
Net cash provided by investing activities	4,215,560	108,306	18,476	NONE	4,342,342
Net increase (decrease) in cash and cash equivalents	1,358,644	149,881	(3,347,602)	(110,974)	(1,950,051)
Cash and cash equivalents at beginning of year	1,434,863	895,606	14,122,811	129,680	16,582,960
Cash and cash equivalents at end of year	$2,793,507	$1,045,487	$10,775,209	$18,706	$14,632,909

(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, 2016

	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 loss	($207,524)	($111,846)	($883,986)	($3,980)	($1,207,336)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:					
Depreciation	16,559				16,559
Bad debt		192,003	231,668		423,671
Bond discount amortization			663,305		663,305
Bond interest expense			3,929,690		3,929,690
Changes in assets and liabilities:					
Increase in accounts receivables	(13,291)				(13,291)
Decrease in interfund receivables	2,687				2,687
(Increase)/decrease in prepaid expenses	491	(180)			311
Increase in program loans	(2,979,299)				(2,979,299)
(Increase)/decrease in student loans		(167,981)	34,621,700		34,453,719
(Increase)/decrease in accrued interest on student loans		(29,151)	46,371		17,220
Increase/(decrease) in accounts payable	229,085	(2,204)	(123,363)		103,518
Decrease in interfund payables			(2,687)		(2,687)
Decrease in special allowance payment payable		(1,520)	(316,546)		(318,066)
Net cash provided (used) by operating activities	($2,951,292)	($120,879)	$38,166,152	($3,980)	$35,090,001

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

The 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, 2016, for programs and projects was $378,775,000 and $5,980,455,841, 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 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, 2016, 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, 2016, 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. Following the sale of its last property in November 2016, the assets of LHAC were transferred to the Operating Fund. The LHAC was legally dissolved in early 2017.

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 Statement A. 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, 2016, 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 2016, the Authority's Super Top Loan Program repurchased loans totaling $754,467 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, 2016, 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 Statement B.

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 losses. 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 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 2016.

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 2016, the total fee was 0.837601%. 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 $1,332,740 in fiscal year 2016. 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. CAPITALIZED INTEREST

The cash flow from the 2011A Program financed student loans and the Authority's ability to make payments due on the bonds will be reduced to the extent interest is not currently payable on the financed student loans. The borrowers on most student loans are not required to make payments during the period in which they are in school and for certain authorized periods thereafter, as described in the Higher Education Act. The USDOE will make all interest payments while payments are deferred under the Act on certain subsidized student loans that qualify for the interest benefit payments. For all other student loans, interest generally will be capitalized and added to the principal balance of the student loans. The financed student loans will consist of student loans for which payments are deferred as well as student loans for which the borrower is currently required to make payments of principal and interest. The proportions of the financed student loans for which payments are deferred and currently in repayment will vary during the period that the bonds are outstanding. The amount of capitalized interest recognized on the 2011A Program student loans during the year ended December 31, 2016, was $5,375,570.

L. 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.

M. 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.

N. ADOPTION OF NEW ACCOUNTING STANDARDS

For the year ended December 31, 2016, the Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to fair market value measurements and provides guidance for determining fair value measurements for financial reporting and disclosures.

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 $3,857,700 were fully secured by the FDIC, SIPC, and pledged securities. The pledged securities are held in the name of the Authority by the Federal Reserve.

Investments are recorded at fair value as required by GASB Statement No. 72, *Fair Value Measurement and Application.* The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of December 31, 2016, the Authority reported fair value measurements in the amount of $19,039,871. These investments are classified in Level 2 of the fair market value hierarchy and valued using independent pricing services and/or computerized pricing models.

Fixed income investments and certificates of deposit as of December 31, 2016, are presented below.

		Investments Maturities (in Years)			
Investment Type	Fair Value	< than 1 year	1 to 5	6 to 10	> than 10
Certificates of deposit - Operating Fund	$9,028,064	$529,876	$6,853,365	$1,644,823	
Certificates of deposit - Super Top Loan Program	5,142,387	3,654,591	1,487,796		
Fixed income securities - Operating Fund					
U.S. agencies	2,727,943	508,405	1,223,786		$995,752
U.S. agency strips	1,989,477	143,312	1,846,165		
Municipal government bonds	152,000	40,000	112,000		
Total	$19,039,871	$4,876,184	$11,523,112	$1,644,823	$995,752

As of December 31, 2016, the Authority had $1,519,217 invested in limited partnerships, Louisiana Fund I and Louisiana Fund II. Louisiana Fund I and Louisiana Fund II were formed to provide venture capital to early stage development companies and a significant portion of these limited partnerships is invested in early stage development companies. The Authority decided to participate in these limited partnerships to further the Authority's economic development activities. Because these assets are held primarily to further the economic development objectives of the Authority, the Authority determined that the cost method is the appropriate measurement basis. These assets are, therefore, reported at cost and adjusted for net investment losses. Appreciation for the limited partnerships' investments in the early stage development 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, 2016, 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 ($1,586,032 is explicitly guaranteed) by the U.S. government total $1,141,911 and have an Aaa rating from Moody's Investors Service.

Investments in fixed income securities in the amount of $4,869,420 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 $14,170,451 were fully insured by the FDIC as of December 31, 2016.

The Authority does not have a policy limiting the amount of investments in any one issuer. At December 31, 2016, more than 5% of the Authority's investments totaling $20,559,088 were invested in the following issuer:

Issuer	Fair Value	Percent of Total Investments
The Financing Corporation	$1,846,165	8.98%

The Authority has a $2,000,000 commitment in Louisiana Fund II, of which $1,000,000 has been funded as of December 31, 2016. The remaining unfunded commitment of $1,000,000 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 $10,775,209 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, 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 2016 applicable to the Authority's offices was $179,745. Future minimum lease payments are as follows:

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
	$763,260

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, 2016, employer and employee contributions totaled $122,971 and $63,565, 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 fourth 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 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 2.5%. 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. In 2016, the Authority provided a loan to the State of Louisiana's Department of Economic Development (LED) for $2,000,000 at an annual interest rate of 2% to be used by LED for economic development job-related purposes in LED's Bonding Assistance Program. The principal is due in 2019, and interest payments are due annually. Management expects its outstanding loans to governments and nonprofit organizations presented in Statement A as of December 31, 2016, 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, 2016, 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	$3,245,762	$436,441	$3,682,203
Allowance for uncollectible	(315,785)	(383,452)	(699,237)
Noncurrent receivable, net	$2,929,977	$52,989	$2,982,966

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, 2016, the 2011A Program's principal balance in the student loan portfolio was $246,350,654 of student loans at interest rates ranging from 2.05% 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 $10,377,014 at December 31, 2016.

Delinquent student loans (past due 90 days or more) included in the accompanying financial statements represented 3.94% of total loans in the 2011A Program. As a result of the aforementioned, the Authority has included a reserve of $260,885 for the uncollectable loans at December 31, 2016.

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, 2016, excess interest of approximately $5,569,195 and $37,004 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, 2016, is reported as a liability on Statement A for both programs.

8. CAPITAL ASSETS

Capital assets of the Authority are included on Statement A at historical cost, net of accumulated depreciation. Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Office Furniture and Equipment	$634,956	$12,708		$647,664
Leasehold Improvements	9,877			9,877
Total	644,833	12,708	NONE	657,541
Less Accumulated Depreciation				
Office Furniture and Equipment	(594,494)	(16,559)		(611,053)
Leasehold Improvements	(9,877)			(9,877)
Total Accumulated Depreciation	(604,371)	(16,559)	NONE	(620,930)
Net Capital Assets	$40,462	($3,851)	NONE	$36,611

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 twenty-fifth of each January, April, July, and October. Outstanding bonds payable at December 31, 2016, 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 1.8342% at December 31, 2016, payable quarterly	$115,121,598
Series 2011A-3	
Term bonds, due April 25, 2035, bearing interest at a variable rate as stated in the bond indenture, which was 1.8842% at December 31, 2016, payable quarterly	106,247,875
Total bonds payable	$221,369,473

The change in bonds payable (including principal and unamortized discount) for the year ended December 31, 2016, is as follows:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016	Due Within One Year
Series 2011A	$258,471,232	NONE	($37,101,759)	$221,369,473	NONE

The scheduled debt principal maturities and minimum interest payments during the five years ending December 31, 2021, and thereafter are as follows:

Year	Principal	Interest
2017		$4,148,165
2018		4,148,165
2019		4,148,165
2020		4,159,539
2021		4,148,165
2022-2026		20,752,200
2027-2031	$115,121,598	10,889,381
2032-2035	106,247,875	6,783,699
	$221,369,473	$59,177,479

The revenue 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. Future interest payments were calculated using the rate of interest in effect at the end of the fiscal year.

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 $32,977 and is reflected in Statement A in the accounts payable balance.

11. NET POSITION

The Authority has unrestricted net position at December 31, 2016, of $35,908,905, which the Board of Trustees has designated for the following uses:

- The Board of Trustees adopted a resolution specifying 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 $9,217,510 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 $35,206,680.

12. 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	$7,749	$10,957	NONE	$18,706
Current liabilities	NONE	NONE	NONE	NONE
Unrestricted net position	$7,749	$10,957	NONE	$18,706

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	NONE	NONE	$3,578	$3,578
Operating expenses	$512	$517	6,529	7,558
Operating Loss	(512)	(517)	(2,951)	(3,980)
Non-operating revenues	NONE	NONE	91	91
Transfer out	NONE	NONE	(107,085)	(107,085)
Change in net position	(512)	(517)	(109,945)	(110,974)
Net position at beginning of year	8,261	11,474	109,945	129,680
Net position at end of year	$7,749	$10,957	NONE	$18,706

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	($512)	($517)	($2,951)	($3,980)
Net cash used for noncapital financing activities	NONE	NONE	(106,994)	(106,994)
Net decrease in cash	(512)	(517)	(109,945)	(110,974)
Cash at beginning of year	8,261	11,474	109,945	129,680
Cash at end of year	$7,749	$10,957	NONE	$18,706

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 20, 2017

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, 2016, 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 20, 2017. Our report was modified to include an emphasis-of-matter paragraph regarding 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 another auditor who audited the financial statements of the 2011A Taxable Student Loan Backed Bond Program, which represents a major enterprise fund of the Authority. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

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 a 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 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*.

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:ch

LPFA 2016