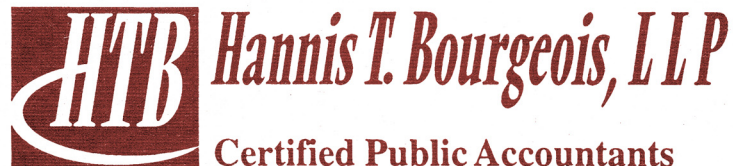


*LOUISIANA PUBLIC FACILITIES AUTHORITY
REPORT ON AUDIT OF THE COMPONENT
UNIT FINANCIAL STATEMENTS*

*DECEMBER 31, 2005
BATON ROUGE, LOUISIANA*

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March 24, 2006

Independent Auditor's Report

To the Board of Trustees
Louisiana Public Facilities Authority
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Louisiana Public Facilities Authority (A Public Trust), a component unit of the State of Louisiana, as of and for the year ended December 31, 2005, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Louisiana Public Facilities Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

In addition, Hannis T. Bourgeois, LLP, acting separately, audited the financial statements of the component units discretely presented in the Louisiana Public Facilities Authority's financial statements. The component units audited by us separately, account for 100% of the assets of the component units column on the Balance Sheet.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Louisiana Public Facilities Authority, as of December 31, 2005, and changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 24, 2006, on our consideration of the Louisiana Public Facilities Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 6 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Hannus L. Bourgeois, CPA

FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

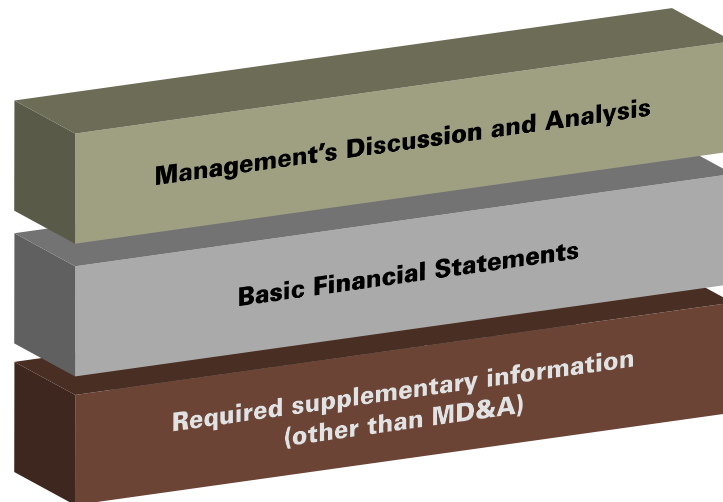
The following Management's Discussion and Analysis (MD&A) of the Louisiana Public Facilities Authority's activities and financial performance provides the reader with an introduction and overview to the financial statements of the Louisiana Public Facilities Authority (Authority) for the fiscal year ended December 31, 2005. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements that follow this section.

Following this MD&A are the basic financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, these financial statements also present certain required supplementary information about the Authority.

FINANCIAL HIGHLIGHTS

- ⊙ The Authority's total assets increased by \$209,530 or approximately 0.98%. Likewise, total net assets increased by \$130,430 or approximately 0.61%.
- ⊙ Total cash and investments at December 31, 2005 represent approximately 73% of the Authority's total assets.
- ⊙ Operating revenues increased from the prior year due to increased bond issue volume resulting in an increase in Financing Acceptance Fees and an increase in Program Administrative Fees from our student loan program due to increased loan volume.
- ⊙ Operating expenses increased over the prior year primarily because of an increase in grant expenses.
- ⊙ Non-operating revenues increased from the prior year due to higher interest rates on the Authority's investments.

OVERVIEW OF THE FINANCIAL STATEMENTS



The preceding graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

These financial statements consist of three sections: Management's Discussion and Analysis; the basic financial statements; and the required supplementary information. The basic financial statements also include notes that explain in more detail some of the information in the financial statements.

Basic Financial Statements

The Authority's financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except land) are depreciated over their useful lives. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Balance Sheet includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues and Expenses and Changes in Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority was profitable and its credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period. The cash flow statement is prepared using the direct method, and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The following is a condensed Balance Sheet at December 31, 2004 and 2005:

	<u>2004</u>	<u>2005</u>
Current and Other Noncurrent Assets	\$ 21,279,948	\$ 21,502,044
Net Capital Assets	100,201	87,635
Total Assets	<u>\$ 21,380,149</u>	<u>\$ 21,589,679</u>
Current Liabilities	\$ 60,250	\$ 139,350
Total Liabilities	<u>\$ 60,250</u>	<u>\$ 139,350</u>
Net Assets		
Invested in Capital Assets, Net of Debt	\$ 100,201	\$ 87,635
Unrestricted	21,219,698	21,362,694
Total Net Assets	<u>\$ 21,319,899</u>	<u>\$ 21,450,329</u>

FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Balance Sheet, and the Statement of Revenues and Expenses and Changes in Net Assets report information about the Authority's activities in a way that will help answer this question. These two statements report the net assets of the Authority and changes in them. You can think of the Authority's net assets - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions and new or changed government legislation, both state and federal.

The following is a condensed statement of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended December 31, 2004 and 2005:

	<u>2004</u>	<u>2005</u>
Operating revenues	\$ 1,987,310	\$ 2,144,450
Operating expenses	(1,988,735)	(2,279,057)
Operating income (loss)	(1,425)	(134,607)
Non-operating revenues (expenses)	<u>234,025</u>	<u>265,037</u>
Net increase in net assets	<u>\$ 232,600</u>	<u>\$ 130,430</u>

As detailed in the above summary, the Authority's net assets increased by \$130,430 in fiscal year 2005. This continues the Authority's history of having net income every year since 1994, the first full year after the formation by the Board of Trustees of the Development Committee.

One of the highest priorities of the Board of Trustees and management of the Authority is the preservation of the Authority's assets. Another priority is utilizing these assets for the betterment of the citizens of Louisiana while at the same time preserving the assets for future use by the Authority. With this in mind, the Authority has developed programs where it makes direct loans, primarily to small local governments, at a zero percent interest rate to help buy down the cost of financing for the borrower. Under this philosophy, the Authority restricts the amount of grants it makes and instead focuses on loans where the capital is returned to the Authority in a reasonable amount of time.

There was an increase in operating revenues from fiscal year 2004. The increase in operating revenues resulted primarily from a \$78,505 increase in Financing Acceptance Fees and a \$95,279 increase in Program Administrative Fees. The increase in Financing Acceptance Fees was due to an increase in bond issuance volume from approximately \$596 million in fiscal year 2004 to approximately \$752 million in fiscal year 2005. The increase in Program Administrative Fees was due to the continued growth of the Authority's SuperTop student loan program.

The increase in Operating Expenses was due in large part to a \$293,200 increase in grant expenses during fiscal year 2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

As of December 31, 2005, the Authority had \$478,710 invested in capital assets consisting mainly of office furniture and equipment. This amount represents a net increase of \$36,864 over last year.

Debt:

The Authority had no outstanding debt as of December 31, 2005.

VARIATIONS BETWEEN ACTUAL AND FINAL BUDGET

The Joint Legislative Committee on the Budget approves the annual operating budget of the Authority.

The following is a summary of the budget adopted by the Authority's Board of Trustees and approved by the Joint Legislative Committee on the Budget for the fiscal year ending on December 31, 2005, compared to the actual operating results for said fiscal year.

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Operating revenues	\$ 2,050,500	\$ 2,144,450	\$ 93,950
Operating expenses	<u>(2,699,630)</u>	<u>(2,279,057)</u>	<u>420,573</u>
Operating Income or (Loss)	(649,130)	(134,607)	514,523
Non-operating revenues	<u>375,000</u>	<u>265,037</u>	<u>(109,963)</u>
Net increase in net assets	\$ <u><u>(274,130)</u></u>	\$ <u><u>130,430</u></u>	\$ <u><u>404,560</u></u>

The 2005 budget also authorizes the purchase of \$64,050 in capital assets for the Authority. The cost of these capital assets will be capitalized and written off over the estimated useful life of the assets through depreciation expenses.

Operating Revenues exceeded the budgeted amount due to an increase in the amount of bonds issued and the resulting financing acceptance fees collected in connection therewith.

Operating Expenses were less than expected because of staff vacancies at the Authority and general cost saving measures used by the Authority.

Non-operating revenues were less than budgeted because of unrealized losses on the market value of investments. The Authority does not budget for gains or losses on the value of investments due to the uncertain nature of market conditions that determine such gains or losses.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Authority submits a budget at the beginning of each year for approval by the Authority's Board of Trustees and the Joint Legislative Committee on the Budget. The following is a summary of the budget adopted by the Authority's Board of Trustees and approved by the Joint Legislative Committee on the Budget for the fiscal year ending on December 31, 2006.

Operating revenues	\$ 2,205,500
Operating expenses	<u>(2,890,975)</u>
Operating Loss	(685,475)
Non-operating revenues	<u>400,000</u>
Net increase or (decrease) in net assets	<u>\$ (285,475)</u>

The 2006 budget also authorizes the purchase of \$65,800 in capital assets for the Authority. The cost of these capital assets will be capitalized and written off over the estimated useful life of the assets through depreciation expenses.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of Louisiana with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Authority at 2237 South Acadian Thruway, Suite 650, Baton Rouge, Louisiana 70808, or visit the Authority's web site at www.lpfa.com.

LOUISIANA PUBLIC FACILITIES AUTHORITY

BALANCE SHEET

AS OF DECEMBER 31, 2005

ASSETS

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
Current Assets:			
Cash and Cash Equivalents	\$ 4,329,835	\$ 30,005	\$ 4,359,840
Interest Bearing Deposits	757,540	-	757,540
Investment Securities	381,068	-	381,068
Receivables:			
Advance Costs-Projects	13,895	-	13,895
Program Administrative Fees	264,891	-	264,891
Financing Application Fees	8,000	-	8,000
Project Financing Fees	5,696	-	5,696
Annual Issuer Fees	34,701	-	34,701
Accrued Interest and Dividend Receivable	101,477	-	101,477
Local Government Bond Bank	937,881	-	937,881
Rural Development Loan Program	553,000	-	553,000
Loans to Nonprofit Organizations	112,043	-	112,043
Mortgage Loans Receivable	<u>-</u>	<u>139,362</u>	<u>139,362</u>
	7,500,027	169,367	7,669,394
Prepaid Expenses	<u>15,339</u>	<u>-</u>	<u>15,339</u>
Total Current Assets	7,515,366	169,367	7,684,733
Noncurrent Assets:			
Capital Assets:			
Office Furniture and Equipment	468,833	-	468,833
Leasehold Improvements	<u>9,877</u>	<u>-</u>	<u>9,877</u>
	478,710	-	478,710
Less: Accumulated Depreciation	<u>(391,075)</u>	<u>-</u>	<u>(391,075)</u>
Net Capital Assets	87,635	-	87,635
Other Assets:			
Interest Bearing Deposits - Long-Term	3,539,957	-	3,539,957
Investment Securities - Long-Term	6,656,445	-	6,656,445
Receivables - Long-Term:			
Reimbursable Bond Issuance Costs, Less			
Allowance for Doubtful Accounts of \$17,000	149,652	-	149,652
Local Government Bond Bank	1,552,640	-	1,552,640
Loans to Nonprofit Organizations	2,087,984	-	2,087,984
Mortgage Loans Receivable - Long Term	<u>-</u>	<u>11,115,808</u>	<u>11,115,808</u>
Total Other Assets	<u>13,986,678</u>	<u>11,115,808</u>	<u>25,102,486</u>
Total Noncurrent Assets	14,074,313	11,115,808	25,190,121
Total Assets	<u><u>\$21,589,679</u></u>	<u><u>\$11,285,175</u></u>	<u><u>\$32,874,854</u></u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
Current Liabilities:			
Accounts Payable	\$ 139,350	\$ -	\$ 139,350
Mortgage Loans Payable	-	139,362	139,362
Total Current Liabilities	139,350	139,362	278,712
Long-Term Liabilities:			
Mortgage Loans Payable	-	11,115,808	11,115,808
Total Long-Term Liabilities	-	11,115,808	11,115,808
Total Liabilities	139,350	11,255,170	11,394,520
Net Assets:			
Invested in Capital Assets, Net of Related Debt	87,635	-	87,635
Unrestricted	21,362,694	30,005	21,392,699
Total Net Assets	21,450,329	30,005	21,480,334
Total Liabilities and Net Assets	\$ <u>21,589,679</u>	\$ <u>11,285,175</u>	\$ <u>32,874,854</u>

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Primary Government	Component Units	Total Reporting Entity
Operating Revenues:			
Program Investment Earnings	\$ 674	\$ -	\$ 674
Project and Program Administrative Fees:			
Finance Acceptance Fees	372,703	-	372,703
Multi-Family Annual Issuer Fees	163,500	-	163,500
Program Administrative Fees	1,595,920	-	1,595,920
Financing Application Fees	11,000	-	11,000
Other Income	653	-	653
Grant - Bond Issue	-	113,866	113,866
Interest - Mortgage Loans	-	634,454	634,454
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	2,144,450	748,320	2,892,770
Operating Expenses:			
Administrative Services	78,288	-	78,288
Business Promotion and Economic Development	153,338	-	153,338
Depreciation	49,430	-	49,430
Employees' Salaries and Benefits	928,215	-	928,215
Grant Expense	510,000	113,866	623,866
Insurance	44,474	-	44,474
Interest - Mortgage Loans	-	634,454	634,454
Legal and Accounting Services	56,367	990	57,357
Office Expense	100,659	-	100,659
Other	59,089	52	59,141
Printing, Publications, Dues and Subscriptions	89,572	-	89,572
Rent	147,335	-	147,335
Travel	47,490	-	47,490
Trustee Per Diems	14,800	-	14,800
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	2,279,057	749,362	3,028,419
Operating Loss	(134,607)	(1,042)	(135,649)
Non-Operating Revenues (Expenses):			
Interest Income, Net	468,887	-	468,887
Realized and Unrealized Gains and (Losses) on Investments	(203,850)	-	(203,850)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	265,037	-	265,037
Change in Net Assets	130,430	(1,042)	129,388
Total Net Assets - Beginning of Year	<hr/>	<hr/>	<hr/>
	21,319,899	31,047	21,350,946
Total Net Assets - End of Year	<u>\$ 21,450,329</u>	<u>\$ 30,005</u>	<u>\$ 21,480,334</u>

The accompanying notes are an integral part of this statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 3,487,420	\$ 748,320	\$ 4,235,740
Cash Payments to Suppliers for Goods and Services	(547,316)	(749,310)	(1,296,626)
Cash Payments to Employees for Services	(928,215)	-	(928,215)
Other Operating Revenues (Expenses)	<u>(672,135)</u>	<u>(52)</u>	<u>(672,187)</u>
Net Cash Provided by (Used in) Operating Activities	1,339,754	(1,042)	1,338,712
Cash Flows from Non-Capital Financing Activities:			
Mortgage Loans Issued	-	(3,681,629)	(3,681,629)
Principal Collections on Mortgage Loans	-	112,971	112,971
Proceeds from Issuance of Mortgage Loans	-	3,681,629	3,681,629
Principal Repayment on Mortgage Loans	<u>-</u>	<u>(112,971)</u>	<u>(112,971)</u>
Net Cash Provided by Non-Capital Financing Activities	-	-	-
Cash Flows From Capital and Related Financing Activities:			
Purchase of Property and Equipment	<u>(36,864)</u>	<u>-</u>	<u>(36,864)</u>
Net Cash Used in Capital and Related Financing Activities	(36,864)	-	(36,864)
Cash Flows From Investing Activities:			
Purchase of Interest Bearing Deposits and Investment Securities	(3,775,012)	-	(3,775,012)
Proceeds from Sale and Maturities of Interest Bearing Deposits and Investment Securities	2,130,948	-	2,130,948
Gain on Sale of Investments	5,062	-	5,062
Interest on Investments, Interest Bearing Deposits and Cash Equivalents	<u>468,887</u>	<u>-</u>	<u>468,887</u>
Net Cash Used in Investing Activities	<u>(1,170,115)</u>	<u>-</u>	<u>(1,170,115)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	132,775	(1,042)	131,733
Cash and Cash Equivalents - Beginning of Year	<u>4,197,060</u>	<u>31,047</u>	<u>4,228,107</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 4,329,835</u></u>	<u><u>\$ 30,005</u></u>	<u><u>\$ 4,359,840</u></u>

(CONTINUED)

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
Reconciliation of Operating Loss to			
Net Cash Provided by (Used in) Operating			
Activities:			
Operating Loss	\$ (134,607)	\$ (1,042)	\$ (135,649)
Adjustments to Reconcile Loss from Operations to Net Cash Used in Operating Activities:			
Depreciation	49,430	-	49,430
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables	1,342,970	-	1,342,970
(Increase) Decrease in Prepaid Expenses	2,805	-	2,805
Increase (Decrease) in Accounts Payable	<u>79,156</u>	<u>-</u>	<u>79,156</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u>1,339,754</u>	\$ <u>(1,042)</u>	\$ <u>1,338,712</u>
Schedule of Noncash Financial and Investing			
Activities:			
Amortization of Discounts on Receivables Based on Imputed Interest Rate of 3.91%; Netted with Interest Income	\$ <u>289,116</u>	\$ <u>-</u>	\$ <u>289,116</u>
Unrealized Gains and (Losses) on Investments	\$ <u>(208,911)</u>	\$ <u>-</u>	\$ <u>(208,911)</u>

The accompanying notes are an integral part of this statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
COMBINING BALANCE SHEETS
ALL DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2005

ASSETS

	<u>Louisiana Capital Funding Corporation</u>	<u>Louisiana Equipment Finance Corporation</u>	<u>LPFA Housing Assistance Corporation</u>	<u>Totals</u>
Current Assets:				
Cash and Cash Equivalents	\$ 13,384	\$ 16,621	\$ -	\$ 30,005
Receivables:				
Mortgage Loans Receivable	-	-	139,362	139,362
Total Current Assets	13,384	16,621	139,362	169,367
Noncurrent Assets:				
Mortgage Loans Receivable - Long Term	-	-	11,115,808	11,115,808
Total Noncurrent Assets	-	-	11,115,808	11,115,808
Total Assets	\$ <u>13,384</u>	\$ <u>16,621</u>	\$ <u>11,255,170</u>	\$ <u>11,285,175</u>

LIABILITIES AND NET ASSETS

Current Liabilities:				
Mortgage Loans Payable	\$ -	\$ -	\$ 139,362	\$ 139,362
Total Current Liabilities	-	-	139,362	139,362
Long-Term Liabilities:				
Mortgage Loans Payable	-	-	11,115,808	11,115,808
Total Long Term Liabilities	-	-	11,115,808	11,115,808
Total Liabilities	-	-	11,255,170	11,255,170
Net Assets:				
Unrestricted	13,384	16,621	-	30,005
Total Net Assets	13,384	16,621	-	30,005
Total Liabilities and Net Assets	\$ <u>13,384</u>	\$ <u>16,621</u>	\$ <u>11,255,170</u>	\$ <u>11,285,175</u>

The accompanying notes are an integral part of this statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
ALL DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Louisiana Capital Funding Corporation</u>	<u>Louisiana Equipment Finance Corporation</u>	<u>LPFA Housing Assistance Corporation</u>	<u>Totals</u>
Operating Revenues:				
Grant - Bond Issue	\$ -	\$ -	\$ 113,866	\$ 113,866
Interest - Mortgage Loans	<u>-</u>	<u>-</u>	<u>634,454</u>	<u>634,454</u>
 Total Operating Revenues	 -	 -	 748,320	 748,320
Operating Expenses:				
Grants - Home Purchase Assistance	-	-	113,866	113,866
Interest - Mortgage Loans	-	-	634,454	634,454
Legal and Accounting Services	495	495	-	990
Other	<u>21</u>	<u>31</u>	<u>-</u>	<u>52</u>
 Total Operating Expenses	 <u>516</u>	 <u>526</u>	 <u>748,320</u>	 <u>749,362</u>
 Change in Net Assets	 (516)	 (526)	 -	 (1,042)
 Total Net Assets - Beginning of Year	 <u>13,900</u>	 <u>17,147</u>	 <u>-</u>	 <u>31,047</u>
 Total Net Assets - End of Year	 <u>\$ 13,384</u>	 <u>\$ 16,621</u>	 <u>\$ -</u>	 <u>\$ 30,005</u>

The accompanying notes are an integral part of this statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
ALL DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Louisiana Capital Funding Corporation</u>	<u>Louisiana Equipment Finance Corporation</u>	<u>LPFA Housing Assistance Corporation</u>	<u>Totals</u>
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ -	\$ -	\$ 748,320	\$ 748,320
Cash Payments to Suppliers for Goods and Services	(495)	(495)	(748,320)	(749,310)
Other Operating Revenues (Expenses)	<u>(21)</u>	<u>(31)</u>	<u>-</u>	<u>(52)</u>
Net Cash Used in Operating Activities	(516)	(526)	-	(1,042)
Cash Flows From Non-Capital Financing Activities:				
Mortgage Loans Issued	-	-	(3,681,629)	(3,681,629)
Principal Collections on Mortgage Loans	-	-	112,971	112,971
Proceeds from Issuance of Mortgage Loans	-	-	3,681,629	3,681,629
Principal Repayment on Mortgage Loans	<u>-</u>	<u>-</u>	<u>(112,971)</u>	<u>(112,971)</u>
Net Cash Used in Non-Capital Financing Activities	-	-	-	-
Net Decrease in Cash and Cash Equivalents	(516)	(526)	-	(1,042)
Cash and Cash Equivalents - Beginning of Year	<u>13,900</u>	<u>17,147</u>	<u>-</u>	<u>31,047</u>
Cash and Cash Equivalents - End of Year	\$ <u>13,384</u>	\$ <u>16,621</u>	\$ <u>-</u>	\$ <u>30,005</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:				
Operating Loss	\$ <u>(516)</u>	\$ <u>(526)</u>	\$ <u>-</u>	\$ <u>(1,042)</u>
Net Cash Used in Operating Activities	\$ <u><u>(516)</u></u>	\$ <u><u>(526)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(1,042)</u></u>

The accompanying notes are an integral part of this statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

Note 1 - General Information and Summary of Significant Accounting Policies -

The Louisiana Public Facilities Authority (the Authority), a public trust, 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 R.S. 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 which are or may become of benefit to the State of Louisiana and which 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 has been accounted for through trustee accounts maintained with various banks appointed as trustees. 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. Total bond principal outstanding at December 31, 2005, for Programs and Projects was approximately \$1,017,880,000 and \$2,908,400,000 respectively.

The following is a summary of certain significant accounting policies:

A. *Scope of Reporting Entity*

For reporting purposes, the State of Louisiana is the financial reporting entity. The financial reporting entity consists of (a) the primary government (state), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Louisiana Public Facilities 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 information only on the funds maintained by the Louisiana Public Facilities Authority and do not present information on the state, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

In addition, the Governmental Accounting Standards Board (GASB) Statement No. 14, the Financial Reporting Entity, established criteria for determining which component units should be considered part of the Authority for financial reporting purposes. The basic criteria are as follows:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Authority to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Authority.
2. Organizations for which the Authority does not appoint a voting majority but are fiscally dependent on the Authority.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization

is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Authority's management has included the following discretely presented component units in the financial reporting entity:

- The Louisiana Capital Funding Corporation (LCFC) is a nonprofit Louisiana Corporation that was organized to promote, support, aid and assist the Authority's Local Government Capital Funding Program. The LCFC has a December 31, 2005 year-end.
- 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. The LEFC has a January 31, 2005 fiscal year end.
- The Louisiana Municipal Assistance Corporation (LMAC) is a nonprofit Louisiana Corporation that was organized to provide assistance to local governments with the Authority's programs. At December 31, 2005, the LMAC had no assets or liabilities.
- In March 2003, the Authority created the LPFA Housing Assistance Corporation (LHAC) for the purpose of assisting persons of low to moderate income with the purchase of homes through a lease-purchase program. LHAC has a December 31, 2005 year end. The Authority issued its LPFA Variable Rate Lease Purchase Revenue Bonds, Series 2003, to fund this lease-purchase program. Under the program, a participant (the Participant) works with the independent program administrators and a financial institution to become qualified to participate in the program. Once the participant has been approved by a financial institution, the Participant then identifies a house for purchase. LHAC then purchases the house identified by the Participant and leases the house to the Participant. LHAC pays the purchase price of the house by signing a mortgage (the Mortgage) in an amount equal to approximately 97% of the purchase price negotiated by the seller and the Participant. The remaining approximately 3% of the purchase price is paid from the proceeds of the Lease Purchase Revenue Bonds as part of the down payment and closing costs assistance provided to the Participant by the program. The lease terms are 39 months and the Participant assumes the Mortgage at the expiration of the lease. The approximately 3% of the purchase price paid from the proceeds of the Lease Purchase Revenue Bonds is treated as a grant from the Lease Purchase Revenue Bonds to LHAC and then a grant by LHAC to the Participant. The mortgage loan receivable and related payments are recorded on the balance sheet of the component unit financial statement. In effect, LHAC is merely a conduit in assisting individuals purchase their personal residences and therefore mortgage loans receivable will equal mortgage loans payable. The Authority and LHAC do not anticipate the generation of income from the leasing and subsequent transfer of the homes to the respective Participants.

B. *Measurement Focus and Basis of Accounting*

Measurement Focus - On January 1, 2001, the Authority adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*"

Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of revenues and expenses and changes in net assets and a statement of cash flows.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting - The Authority uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred or economic asset used.

Under the provisions of GASB Statement 20, "Accounting and Financial Reporting for Proprietary Fund Accounting," the Authority follows pronouncements of the GASB and has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

Financial statement presentation of the LCFC, LEFC, and LHAC follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the LCFC, LEFC, and the LHAC are required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as applicable. As of December 31, 2005, there were no temporary or permanently restricted net assets.

The financial statements of the LCFC, LEFC, and LHAC have been prepared on the accrual basis in which revenue is recognized when earned and expenses are recognized when incurred.

C. *Budgets and Budgetary Accounting*

The Authority uses the following budgetary practices:

The Authority prepared its annual operating budget based on what was expected to be collected during the fiscal year. Management presents the budget to the 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.

D. *Assets, Liabilities and Net Assets*

Cash, Interest Bearing Deposits, and Investments - Cash includes demand deposits and money market deposits in trust accounts. Interest bearing deposits include certificates of deposits. Investments and Interest Bearing Deposits are reported at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties and is generally based upon quoted values. Reporting Investments and Interest Bearing Deposits at fair value causes fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of Investments and Interest Bearing Deposits are recorded as realized and unrealized gains (losses) in the statement of revenues and expenses and changes in net assets.

Receivables - Receivables are stated at their face value less the allowances for doubtful accounts. These allowances are based on the Authority's periodic evaluation of the receivable portfolio and the Authority's past loss experience. The allowances for doubtful accounts are adjusted by charges to income and decreased by charge-offs (net of recoveries).

The Authority from time to time advances funds to certain bond programs and loans funds to local governmental entities and nonprofit organizations at no interest. Accordingly, a discount is recorded between the present values of the total eventual repayments of the notes, using a rate of interest similar to the rate of return that the Authority receives on its investments. The discounts are amortized over the estimated periods that such funds will be repaid and are included in Interest Income, net in the financial statements. The majority of the receivables consist of the loans to local government entities and nonprofit organizations at no interest.

Capital Assets - Depreciation of all capital assets used by the Authority is charged as an expense against its operations. Depreciation has been provided over the assets estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Office Furniture and Equipment	3 - 7 Years
Leasehold Improvements	10 Years

All fixed assets are stated at historical costs.

Equity Classifications - Equity is classified as net assets and displayed in two components:

- Invested in capital assets, net of related debt - This component of net assets consist of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Unrestricted net assets - This component of net assets consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

E. *Operating Revenues*

Program Investment Earnings - Program Investment Earnings consist primarily of residual funds of retired program 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.

Project and Program Administrative Fees:

Finance Acceptance Fee - The Authority requires a financing acceptance fee usually equal to one-twentieth of one percent of the face amount of issued bonds less the financing application fee. The financing 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 acts as both the issuer and administrator for certain student loan and single family housing bond programs. The Authority is compensated as administrator through a fee usually based upon a percentage of either the outstanding bonds or assets of the program. The percentages vary from one-tenth of one percent to seven-tenths of one percent. The fee is assessed to cover program administrative costs incurred by the Authority.

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

F. *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.

G. Statement of Cash Flows

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

H. 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.

Note 2 - Cash, Cash Equivalents and Investments -

The Authority maintains cash, certificates of deposit and investment pools available for use by the Authority.

As of December 31, 2005, the Authority had the following investments and maturities:

Investment Type	Amortized Cost	Fair Value	Investment Maturities (in Years)			
			Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Agencies	\$ 6,934,256	\$ 6,779,720	\$ 381,068	\$5,264,631	\$1,134,021	\$ -
Municipal Government Bonds	257,000	257,793	-	-	-	257,793
Time Certificates of Deposit	<u>4,364,522</u>	<u>4,297,497</u>	<u>757,540</u>	<u>3,441,899</u>	<u>-</u>	<u>98,058</u>
Total	<u>\$11,555,778</u>	<u>\$11,335,010</u>	<u>\$1,138,608</u>	<u>\$8,706,530</u>	<u>\$1,134,021</u>	<u>\$ 355,851</u>

Interest Rate Risk. 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. 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 the members of the Investment Committee.

Credit Risk. 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, 2005, the Authority held no investments in commercial paper or corporate bonds.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Neither the Authority nor the discretely presented component units have a deposit policy for custodial credit risk. As of December 31, 2005, \$522,397 of the Authority's bank balance of \$4,702,873 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the investment in Time Certificates of Deposits of \$4,369,161 the government has a custodial credit

risk exposure of \$459,000 because the related Time Certificates of Deposits are uninsured and uncollateralized.

Cash, Cash Equivalents and Investments are included in the accompanying Balance Sheet at fair value under the following captions:

	Primary Government	Component Units	Total Reporting Entity
—			
Cash and Cash Equivalents	\$ 4,329,835	\$ 30,005	\$ 4,359,840
Interest Bearing Deposits –Current	757,540	-	757,540
Investment Securities – Current	381,068	-	381,068
Interest Bearing Deposits -Long-Term	3,539,957	-	3,539,957
Investment Securities - Long-Term	<u>6,656,445</u>	<u>-</u>	<u>6,656,445</u>
	<u>\$ 15,664,845</u>	<u>\$ 30,005</u>	<u>\$ 15,694,850</u>

There were no marketable securities held by the component units at December 31, 2005.

Note 3 - Leases -

The Authority leases its office facilities under an operating lease agreement, which expires on March 31, 2009, and includes a cancelable provision that allows the Authority to terminate the lease as of March 31, 2007 with written notice to the lessor on or before October 1, 2006 and a \$15,000 payment for early termination of the lease. Rental expense applicable to the Authority's offices included in rent expense for 2005 was \$147,335.

Future minimum lease payments are as follows:

December 31, 2006	\$ 150,842
December 31, 2007	154,668
December 31, 2008	158,494
December 31, 2009	<u>39,863</u>
	<u>\$ 503,867</u>

Note 4 - Employee Retirement Plan -

The Authority sponsors a defined contribution employee retirement plan which covers all employees who have over 500 hours of service with the Authority. Contributions to the plan are subject to a minimum funding requirement of 7.50% of eligible employee salaries. Amounts above the minimum requirements are discretionary, as determined by the Board of Trustees. The contribution percentage for the year ended December 31, 2005 was 11.2%. Total contributions are included in Employees' Salaries and Benefits in the accompanying financial statements. The Authority has no additional liability upon the retirement of an employee. The total contribution for the year ended December 31, 2005, was \$79,939.

Note 5 - Litigation -

Because of the Authority's status as an issuer of bonds, it is routinely named in various litigation 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.

Note 6 - Fair Value of Reimbursable Bond Issuance Costs, Local Government Bond Bank Receivables, Rural Development Loan Program Receivables, and Loans to Nonprofit Organizations -

In its capacity as issuer of bond Programs and Projects, the Authority may from time to time advance funds to facilitate the issuance of certain bonds. These advances or Reimbursable Bond Issuance Costs are interest free and are to be repaid

with residual proceeds from the individual Programs or Projects. The Authority has also established its “Bond Bank” and “Rural Development” Programs whereby it can lower the cost of local governmental borrowings by making direct loans for a portion of the borrowing at a 0% interest rate. In addition, the Authority has loaned certain nonprofit organizations funds at 0% interest so that these organizations could secure additional funding from other sources.

The fair value for these Reimbursable Bond Issuance Costs, Local Government Bond Bank Receivables, Rural Development Loan Program Receivables, and Loans to Nonprofit Organizations are estimated using discounted cash flow analyses, with interest rates similar to the rate of return that the Authority receives on its investments which was 3.91% for the year ended December 31, 2005. The terms used in calculating the discounted cash flows are estimated based upon the maturity dates of the bond issues in which monies were advanced for the Reimbursable Bond Issuance Costs and the actual loan maturity dates for the Local Bond Bank Receivables, Rural Development Loan Program Receivables, and the Loans to Nonprofit Organizations. The carrying value and fair value of Reimbursable Bond Issuance Costs, Local Government Bond Bank Receivables, Rural Development Loan Program Receivables, and Loans to Nonprofit Organizations are as follows:

	Carrying Value	Unamortized Discount	Fair Value
Reimbursable Bond Issuance Costs	\$ <u>149,652</u>	\$ <u>6,448</u>	\$ <u>143,204</u>
Local Government Bond Bank Receivables	\$ <u>2,490,521</u>	\$ <u>281,763</u>	\$ <u>2,208,758</u>
Rural Development Loan Program Receivables	\$ <u>553,000</u>	\$ <u>8,295</u>	\$ <u>544,705</u>
Loans to Nonprofit Organizations	\$ <u>2,200,027</u>	\$ <u>460,364</u>	\$ <u>1,739,663</u>

The total amount of discount amortized and netted with interest income for the year ended December 31, 2005 was \$289,116.

Note 7 - Capital Assets -

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance January 1, 2005	Additions	Disposals	Balance December 31, 2005
Office Furniture and Equipment	\$ 431,969	\$ 36,864	\$ -	\$ 468,833
Leasehold Improvements	<u>9,877</u>	<u>-</u>	<u>-</u>	<u>9,877</u>
Total	441,846	36,864	-	478,710

Less accumulated depreciation:

Office Furniture and Equipment	336,253	48,533	-	384,786
Leasehold Improvements	<u>5,392</u>	<u>897</u>	<u>-</u>	<u>6,289</u>
Total Accumulated Depreciation	341,645	49,430	-	391,075
Net Capital Assets	\$ <u>100,201</u>	\$ <u>(12,566)</u>	\$ <u>-</u>	\$ <u>87,635</u>

Total depreciation expense for the period ended December 31, 2005 is \$49,430.

Note 8 - Changes in Amounts Invested in Capital Assets, Net of Related Debt -

The change in amounts invested in capital assets net of related debt can be summarized as follows:

Balance at January 1, 2005	\$	100,201
Change in Capital Assets		(12,566)
Balance at December 31, 2005	\$	<u>87,635</u>

Note 9 - 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 \$6,789 and is reflected in these financial statements in the Accounts Payable balance.

Note 10 - Hurricanes Katrina and Rita -

Hurricane Katrina hit the coasts of southeast Louisiana, Mississippi and Alabama on August 29, 2005. Hurricane Rita hit the coasts of southwest Louisiana and southeast Texas on September 24, 2005. The President of the United States declared the majority of the State of Louisiana a disaster area. Damages due to wind and flooding are catastrophic in these areas. The Authority has various loans receivable to governments and other organizations in the hurricane affected area. Management is evaluating these receivables in the affected area and has extended repayment terms in certain cases. At this time, the Authority believes these receivables continue to be collectible and will make adjustments on a case by case basis, if necessary.

In addition, the LPFA Housing Assistance Corporation (LHAC), a component unit of the LPFA, had homes in the hurricane devastated areas of Louisiana under the lease purchase program described in Note 1. At least 16 of these homes in the New Orleans, Louisiana area have been classified as totally destroyed by the applicable insurance companies. The total mortgage notes payable on these 16 lease purchased homes as of December 31, 2005 was \$1,583,452. Subsequent to December 31, 2005, the LHAC collected sufficient insurance proceeds on all of these 16 destroyed homes to pay the mortgage loans payable in full. Management believes that any value remaining for the land these houses were built on to be immaterial. The management of LHAC is in the process of trying to dispose these properties without incurring any additional costs.