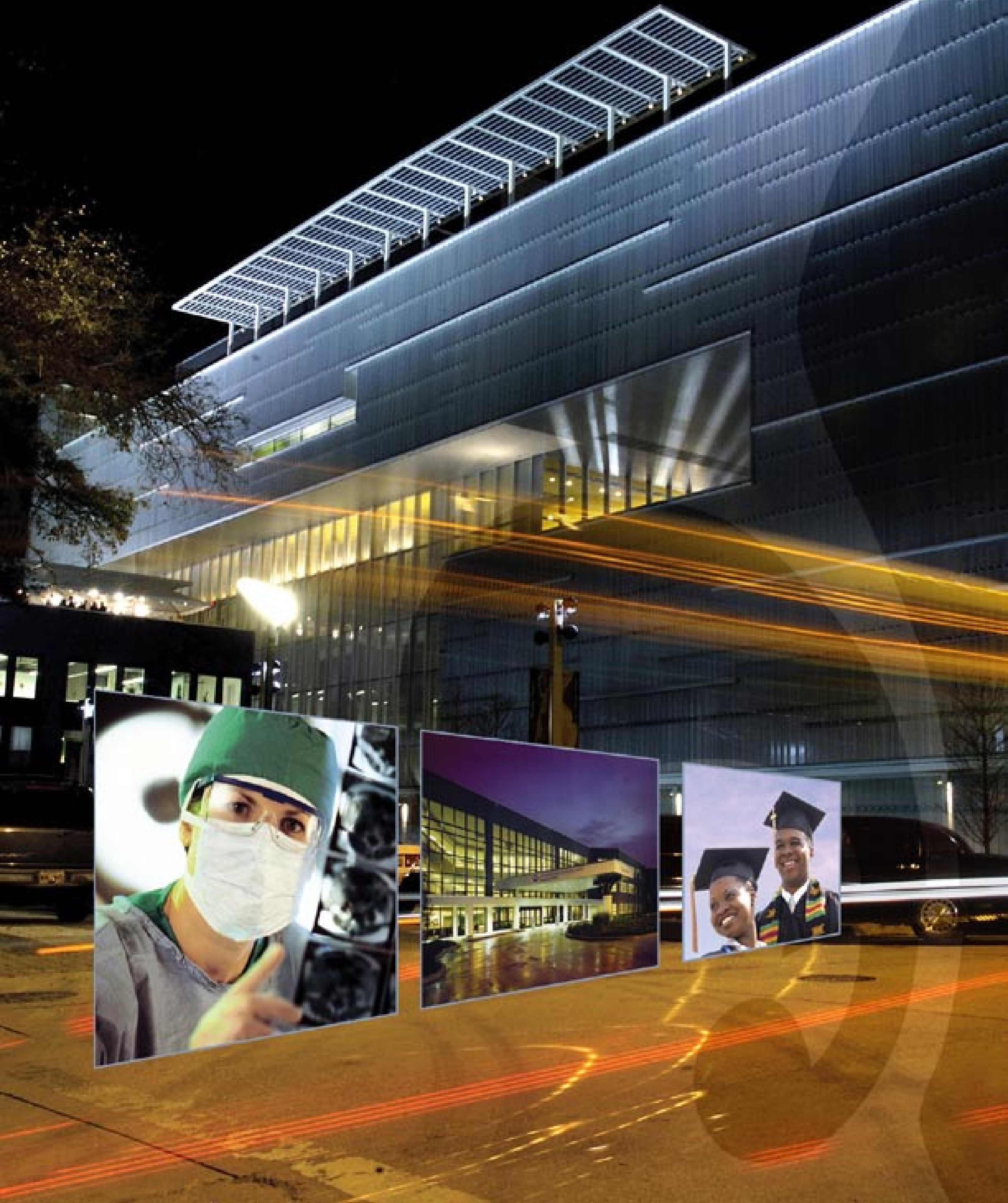
30 YEARS OF PROMOTING, ENCOURAGING, FURTHERING LOUISIANA.

LPFA 2004 FINANCIAL STATEMENTS



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The LPFA is a public trust and public corporation operating solely on self-generated revenues. The LPFA complies with State laws regarding public records, public contracts, open meetings, public bids, the Bond Validation Procedures Law and the State Code of Ethics. The LPFA's financial audits are submitted annually to the State Legislative Auditor and the annual operating budget of the LPFA is subject to review and approval by the Joint Legislative Committee on the Budget. The LPFA's new-money bond issues must be reviewed and approved twice in open public meeting of the LPFA Board of Trustees, once for preliminary approval and again for final approval. Further, each new-money bond issue must be reviewed and approved twice—for preliminary and final approval—by the state Bond Commission. All bond-issuance fees in connection with LPFA bond issues are subject to the review and approval of the State Bond Commission or the Louisiana Attorney General.

2004 Financial Statements

Independent Auditor's Report	2
Management's Discussion & Analysis	3
Balance Sheet	7
Statement of Revenues & Expenses & Changes in Net Assets	9
Statement of Cash Flows	11
Combining Balance Sheets—All Discretely Presented Component Units	13
Combining Statement of Revenues & Expenses & Changes in Net Assets—All Discretely Presented Component Units	14
Combining Statement of Cash Flows—All Discretely Presented Component Units	15
Notes to Financial Statements	16

Hannis T. Bourgeois, LLP
Certified Public Accountants

March 22, 2005

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, 2004, 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, 2004, 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.

Management's Discussion and Analysis on pages 3 through 6 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,

Hannis T. Bourgeois, LLP

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, 2004. 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 $176,387 or approximately 0.83%. Likewise, total net assets increased by $232,600 or approximately 1.10%.
- Total cash and investments at December 31, 2004 represent approximately 66% of the Authority's total assets.
- Operating revenues decreased from the prior year due to decreased one-time residuals from bond issues.
- Operating expenses decreased slightly over the prior year primarily because of a decrease in grant expenses and staff vacancies at the Authority.
- Non-operating revenues decreased from the prior year due to a decrease in the market value of the Authority's investments and lower interest rates on the Authority's investments.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis

⌄

Basic Financial Statements

⌄

Required supplementary information (other than MD&A)

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, 2003 and 2004:

	2003		2004	
Current and Other Noncurrent Assets	$	21,098,400	$	21,279,948
Net Capital Assets		105,362		100,201
Total Assets	$	21,203,762	$	21,380,149
Current Liabilities	$	116,463	$	60,250
Total Liabilities	$	116,463	$	60,250
Net Assets				
Invested in Capital Assets, Net of Dept	$	105,362	$	100,201
Unrestricted		20,981,937		21,219,698
Total Net Assets	$	21,087,299	$	21,319,899

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, 2003 and 2004:

	2003		2004	
Operating Revenues	$	3,665,883	$	1,987,310
Operating Expenses		(2,050,287)		(1,988,735)
Operating Income (loss)		1,615,596		(1,425)
Non-operating Revenues (expenses)		359,745		234,025
Net Increase in Net Assets	$	1,975,341	$	232,600

As detailed in the above summary, the Authority's net assets increased by $232,600 in fiscal year 2004. 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 a significant change in operating revenues from fiscal year 2003. The decrease in operating revenues resulted primarily from a $1,853,460 decrease in Program Investment Earnings. Program Investment Earnings are residuals from old program bond issues and are one-time revenues that cannot be relied upon from year to year. Other changes included a $131,400 increase in Finance Acceptance Fees and a $84,138 increase in Program Administrative Fees. The increase in Finance Acceptance Fees was due to an increase in bond issuance volume from approximately $334 million in fiscal year 2003 to approximately $596 million in fiscal year 2004. The increase in Program Administrative Fees was due to the growth of the Authority's SuperTop student loan program.

The decrease in Operating Expenses was due in large part to a $78,200 decrease in grant expenses during fiscal year 2004 and staff vacancies at the Authority.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: As of December 31, 2004, the Authority had $441,846 invested in capital assets consisting mainly of office furniture and equipment. This amount represents a net increase of $21,650 over last year.

Debt: The Authority had no outstanding debt as of December 31, 2004.

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, 2004, compared to the actual operating results for said fiscal year.

	Budget	Actual	Difference
Operating Revenues	$ 1,899,500	$ 1,987,310	$ 87,810
Operating Expenses	(2,365,380)	(1,988,735)	376,645
Operating Income or (loss)	(465,880)	(1,425)	464,455
Non-operating Revenues	400,000	234,025	(165,975)
Net Increase in Net Assets	$ (65,880)	$ 232,600	$ 298,480

The 2004 budget also authorizes the purchase of $87,200 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 a decrease in grant expenses, 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, 2005.

Operating Revenues	$	2,050,500
Operating Expenses		(2,699,630)
Operating Loss		(649,130)
Non-operating Revenues		375,000
Net Increase or (Decrease) In Net Assets	$	(274,130)

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.

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.

BALANCE SHEET
AS OF DECEMBER 31, 2004

ASSETS

	Primary Government	Component Units	Total Reporting Entity
Current Assets:			
Cash and Cash Equivalents	$ 4,197,060	$ 31,047	$ 4,228,107
Interest Bearing Deposits	1,066,553	—	1,066,553
Investment Securities	759,455	—	759,455
Receivables:			
Advance Costs—Projects	2,695	—	2,695
Program Administrative Fees	120,629	—	120,629
Financing Application Fees	2,000	—	2,000
Project Financing Fees	14,254	—	14,254
Annual Issuer Fees	31,632	—	31,632
Accrued Interest and Dividend Receivable	97,125	—	97,125
Local Government Bond Bank	984,713	—	984,713
Rural Development Loan Program	1,380,000	—	1,380,000
Loans to Nonprofit Organizations	138,957	—	138,957
Mortgage Loans Receivable	—	87,350	87,350
	8,795,073	118,397	8,913,470
Prepaid Expenses	18,200	—	18,200
Total Current Assets	8,813,273	118,397	8,931,670
Noncurrent Assets:			
Capital Assets:			
Office Furniture and Equipment	431,969	—	431,969
Leasehold Improvements	9,877	—	9,877
	441,846	—	441,846
Less: Accumulated Depreciation	(341,645)	—	(341,645)
Net Capital Assets	100,201	—	100,201
Other Assets:			
Interest Bearing Deposits — Long-Term	2,897,599	—	2,897,599
Investment Securities — Long-Term	5,176,251	—	5,176,251
Receivables — Long-Term:			
Reimbursable Bond Issuance Costs, Less Allowance for Doubtful Accounts of $17,000	149,652	—	149,652
Local Government Bond Bank	2,055,188	—	2,055,188
Loans to Nonprofit Organizations	2,187,985	—	2,187,985
Mortgage Loans Receivable — Long-Term	—	7,599,162	7,599,162
Total Other Assets	12,466,675	7,599,162	20,065,837
Total Noncurrent Assets	12,566,876	7,599,162	20,166,038
Total Assets	$ 21,380,149	$ 7,717,559	$ 29,097,708

(CONTINUED)

BALANCE SHEET—CONTINUED			
LIABILITIES AND NET ASSETS			
	Primary Government	**Component Units**	**Total Reporting Entity**
Current Liabilities:			
Accounts Payable	$ 60,250	$ —	$ 60,250
Mortgage Loans Payable	—	87,350	87,350
Total Current Liabilities	60,250	87,350	147,600
Long—Term Liabilities:			
Mortgage Loans Payable	—	7,599,162	7,599,162
Total Long-Term Liabilities	—	7,599,162	7,599,162
Total Liabilities	60,250	7,686,512	7,746,762
Net Assets:			
Invested in Capital Assets, Net of Related Debt	100,201	—	100,201
Unrestricted	21,219,698	31,047	21,250,745
Total Net Assets	21,319,899	31,047	21,350,946
Total Liabilities and Net Assets	$ 21,380,149	$ 7,717,559	$ 29,097,708

The accompanying notes are an integral part of this statement.

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2004	Primary Government	Component Units	Total Reporting Entity
Operating Revenues:			
Program Investment Earnings	$ 7,815	$ —	$ 7,815
Project and Program Administrative Fees:			
Finance Acceptance Fees	294,198	—	294,198
Multi—Family Annual Issuer Fees	169,471	—	169,471
Program Administrative Fees	1,500,641	—	1,500,641
Financing Application Fees	5,000	—	5,000
Other Income	10,185	—	10,185
Grant — Bond Issue	—	218,483	218,483
Interest — Mortgage Loans	—	259,569	259,569
Total Operating Revenues	1,987,310	478,052	2,465,362
Operating Expenses:			
Administrative Services	60,137	—	60,137
Business Promotion and Economic Development	175,509	—	175,509
Depreciation	44,329	—	44,329
Employees' Salaries and Benefits	911,828	—	911,828
Grant Expense	216,800	218,483	435,283
Insurance	48,305	—	48,305
Interest — Mortgage Loans	—	259,569	259,569
Legal and Accounting Services	48,294	1,140	49,434
Office Expense	97,041	—	97,041
Other	51,136	60	51,196
Printing, Publications, Dues and Subscriptions	93,762	—	93,762
Rent	143,478	—	143,478
Refunded Program Investment Earnings	26,712	—	26,712
Travel	52,604	—	52,604
Trustee Per Diems	18,800	—	18,800
Total Operating Expenses	$ 1,988,735	$ 479,252	$ 2,467,987
Operating Loss	(1,425)	(1,200)	(2,625)

(CONTINUED)

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS—CONTINUED

	Primary Government	Component Units	Total Reporting Entity
Non—Operating Revenues (Expenses):			
Interest Income, Net	403,713	–	403,713
Realized and Unrealized Gains and (Losses) on Investments	(169,688)	–	(169,688)
Total Non—Operating Revenues (Expenses)	234,025	–	234,025
Change in Net Assets	232,600	(1,200)	231,400
Total Net Assets — Beginning of Year	21,087,299	32,247	21,119,546
Total Net Assets — End of Year	$ 21,319,899	$ 31,047	$ 21,350,946

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Primary Government	Component Units	Total Reporting Entity
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 2,877,071	$ 478,052	$ 3,355,123
Cash Payments to Suppliers for Goods and Services	(629,200)	(479,192)	(1,108,392)
Cash Payments to Employees for Services	(992,397)	–	(992,397)
Other Operating Revenues (Expenses)	(379,078)	(60)	(379,138)
Net Cash Provided by (Used in) Operating Activities	876,396	(1,200)	875,196
Cash Flows from Non-Capital Financing Activities:			
Mortgage Loans Issued	–	(7,064,265)	(7,064,265)
Principal Collections on Mortgage Loans	–	42,157	42,157
Proceeds from Issuance of Mortgage Loans	–	7,064,265	7,064,265
Principal Repayment on Mortgage Loans	–	(42,157)	(42,157)
Net Cash Provided by Non-Capital Financing Activities	–	–	–
Cash Flows From Capital and Related Financing Activities:			
Purchase of Property and Equipment	(39,168)	–	(39,168)
Net Cash Used in Capital and Related Financing Activities	(39,168)	–	(39,168)
Cash Flows From Investing Activities:			
Purchase of Interest Bearing Deposits and Investment Securities	(4,100,474)	–	(4,100,474)
Proceeds from Sale and Maturities of Interest Bearing Deposits and Investment Securities	3,393,746	–	3,393,746
Loss on Sale of Investments	(2,165)	–	(2,165)
Interest on Investments, Interest Bearing Deposits and Cash Equivalents	403,713		403,713
Net Cash Used in Investing Activities	(305,180)	–	(305,180)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 532,048	$ (1,200)	$ 530,848
Cash and Cash Equivalents - Beginning of Year	3,665,012	32,247	3,697,259
Cash and Cash Equivalents - End of Year	$ 4,197,060	$ 31,047	$ 4,228,107

(CONTINUED)

STATEMENT OF CASH FLOWS—CONTINUED	Primary Government	Component Units	Total Reporting Entity
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:			
Operating Loss	$ (1,425)	$ (1,200)	$ (2,625)
Adjustments to Reconcile Loss from Operations to Net Cash Used in Operating Activities:			
Depreciation	44,329	–	44,329
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables	889,761	–	889,761
(Increase) Decrease in Prepaid Expenses	(56)	–	(56)
Increase (Decrease) in Accounts Payable	24,356	–	24,356
Increase (Decrease) in Accrued Expenses	(80,569)	–	(80,569)
Net Cash Provided by (Used in) Operating Activities	$ 876,396	$ (1,200)	$ 875,196
Schedule of Noncash Financial and Investing Activities:			
Amortization of Discounts on Receivables Based on Imputed Interest Rate of 3.49%; Netted with Interest Income	$ 251,511	$ –	$ 251,511
Unrealized Gains and (Losses) on Investments	$ (167,523)	$ –	$ (167,523)

The accompanying notes are an integral part of this statement.

COMBINING BALANCE SHEETS
ALL DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2004

ASSETS

	Louisiana Capital Funding Corporation	Louisiana Equipment Finance Corporation	LPFA Housing Assistance Corporation	Totals
Current Assets:				
Cash and Cash Equivalents	$ 13,900	$ 17,147	$ —	$ 31,047
Receivables:				
Mortgage Loans Receivable	—	—	87,350	87,350
Total Current Assets	13,900	17,147	87,350	118,397
Noncurrent Assets:				
Mortgage Loans Receivable — Long Term	—	—	7,599,162	7,599,162
Total Noncurrent Assets	—	—	7,599,162	7,599,162
Total Assets	$ 13,900	$ 17,147	$ 7,686,512	$ 7,717,559

LIABILITIES AND NET ASSETS

	Louisiana Capital Funding Corporation	Louisiana Equipment Finance Corporation	LPFA Housing Assistance Corporation	Totals
Current Liabilities:				
Mortgage Loans Payable	$ —	$ —	$ 87,350	$ 87,350
Total Current Liabilities	—	—	87,350	87,350
Long—Term Liabilities:				
Mortgage Loans Payable	—	—	7,599,162	7,599,162
Total Long Term Liabilities	—	—	7,599,162	7,599,162
Total Liabilities	—	—	7,686,512	7,686,512
Net Assets:				
Unrestricted	$ 13,900	$ 17,147	$ —	$ 31,047
Total Net Assets	13,900	17,147	—	31,047
Total Liabilities and Net Assets	$ 13,900	$ 17,147	$ 7,686,512	$ 7,717,559

The accompanying notes are an integral part of this statement.

COMBINING STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
ALL DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Louisiana Capital Funding Corporation	Louisiana Equipment Finance Corporation	LPFA Housing Assistance Corporation	Totals
Operating Revenues:				
Grant — Bond Issue	$ —	$ —	$ 218,483	$ 218,483
Interest — Mortgage Loans	—	—	259,569	259,569
Total Operating Revenues	—	—	478,052	478,052
Operating Expenses:				
Grants — Home Purchase Assistance	—	—	218,483	218,483
Interest — Mortgage Loans	—	—	259,569	259,569
Legal and Accounting Services	570	570	—	1,140
Other	33	27	—	60
Total Operating Expenses	603	597	478,052	479,252
Change in Net Assets	(603)	(597)	—	(1,200)
Total Net Assets — Beginning of Year	14,503	17,744	—	32,247
Total Net Assets — End of Year	$ 13,900	$ 17,147	$ —	$ 31,047

The accompanying notes are an integral part of this statement.

COMBINING STATEMENTS OF CASH FLOWS
ALL DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Louisiana Capital Funding Corporation	Louisiana Equipment Finance Corporation	LPFA Housing Assistance Corporation	Totals
Cash Flows From Operating Activities:				
Cash Received from Customers	$ —	$ —	$ 478,052	$ 478,052
Cash Payments to Suppliers for Goods and Services	(570)	(570)	(478,052)	(479,192)
Cash Payments to Employees for Services	—	—	—	—
Other Operating Revenues (Expenses)	(33)	(27)	—	(60)
Net Cash Used in Operating Activities	(603)	(597)	—	(1,200)
Cash Flows From Non—Capital Financing Activities:				
Mortgage Loans Issued	—	—	(7,064,265)	(7,064,265)
Principal Collections on Mortgage Loans	—	—	42,157	42,157
Proceeds from Issuance of Mortgage Loans	—	—	7,064,265	7,064,265
Principal Repayment on Mortgage Loans	—	—	(42,157)	(42,157)
Net Cash Used in Non—Capital Financing Activities	—	—	—	—
Net Decrease in Cash and Cash Equivalents	(603)	(597)	—	(1,200)
Cash and Cash Equivalents — Beginning of Year	14,503	17,744	—	32,247
Cash and Cash Equivalents — End of Year	$ 13,900	$ 17,147	$ —	$ 31,047
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:				
Operating Loss	$ (603)	$ (597)	$ —	$ (1,200)
Net Cash Used in Operating Activities	$ (603)	$ (597)	$ —	$ (1,200)

The accompanying notes are an integral part of this statement.

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, 2004, for Programs and Projects was approximately $960,940,000 and $2,828,500,000 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, 2004 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, 2004 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, 2004, 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, 2004 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, 2004, 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, 2004, the Authority had the following investments and maturities:

			Investment Maturities (in Years)			
Investment Type	Amortized Cost	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Agencies	$ 5,696,554	$ 5,676,046	$ 759,455	$ 3,591,376	$ 1,325,215	$ —
Municipal Government Bonds	257,000	259,660	—	—	—	259,660
Time Certificates of Deposit	3,958,157	3,964,150	1,066,553	2,706,267	191,330	—
Total	$ 9,911,711	$ 9,899,856	$ 1,826,008	$ 6,297,643	$ 1,516,545	$ 259,660

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, 2004, 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, 2004, $652,161 of the Authority's bank balance of $4,208,050 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 $3,960,514 the government has a custodial credit risk exposure of $94,000 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	$ 4,197,060	$ 31,047	$ 4,228,107
Interest Bearing Deposits —Current	1,066,553	—	1,066,553
Investment Securities — Current	759,455	—	759,455
Interest Bearing Deposits —Long-Term	2,897,597	—	2,897,597
Investment Securities — Long-Term	5,176,251	—	5,176,251
	$ 14,096,916	$ 31,047	$ 14,127,963

There were no marketable securities held by the component units at December 31, 2004.

Note 3—Leases

The Authority leases its office facilities under a cancelable operating lease agreement, which expired on February 29, 2004. Upon expiration, the lease was renewed for an additional five year term and the new lease agreement 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 2004 was $143,478.

Future minimum lease payments are as follows:

December 31, 2005	$	147,017
December 31, 2006		150,842
December 31, 2007		154,668
December 31, 2008		158,494
December 31, 2009		39,863
	$	650,884

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, 2004 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, 2004, was $77,689.

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 3.49% for the year ended December 31, 2004. 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	$ 149,652	$ 10,644	$ 139,008
Local Government Bond Bank Receivables	$ 3,039,901	$ 341,450	$ 2,698,451
Rural Development Loan Program Receivables	$ 1,380,000	$ 8,091	$ 1,371,909
Loans to Nonprofit Organizations	$ 2,326,942	$ 484,850	$ 1,842,092

The total amount of discount amortized and netted with interest income for the year ended December 31, 2004 was $251,511.

Note 7—Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	Balance January 1, 2004	Additions	Disposals	Balance December 31, 2004
Office Furniture and Equipment	$ 414,804	$ 34,683	$ 17,518	$ 431,969
Leasehold Improvements	5,392	4,485	—	9,877
Total	420,196	39,168	17,518	441,846
Less Accumulated Depreciation:				
Office Furniture and Equipment	309,796	43,975	17,518	336,253
Leasehold Improvements	5,038	354	—	5,392
Total Accumulated Depreciation	314,834	44,329	17,518	341,645
Net Capital Assets	$ 105,362	$ (5,161)	$ —	$ 100,201

Total depreciation expense for the period ended December 31, 2004 is $44,329.

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, 2004	$ 105,362
Change in Capital Assets	(5,161)
Balance at December 31, 2004	$ 100,201

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 $3,431 and is reflected in these financial statements in the Accounts Payable balance.

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