Louisiana Public Facilities Authority
A Component Unit of the State of Louisiana

Financial Statement Audit
For the Year Ended December 31, 2021
Issued August 31, 2022

LOUISIANA LEGISLATIVE AUDITOR
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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 4160 or Report ID No. 80210137 for additional information.

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TABLE OF CONTENTS

LOUISIANA LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

August 24, 2022

Independent Auditor's Report

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Louisiana Public Facilities Authority (Authority), a component unit of the state of Louisiana, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1.M and Note 10 to the financial statements, in the year ended December 31, 2021, the Authority adopted new accounting guidance prescribed in GASB Statement No. 91, *Conduit Debt Obligations*. The result was a reclassification of the 2011A Taxable Student Loans Bonds to conduit debt obligations which were previously reported as obligations of the Authority. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

JBM:CST:BQD:EFS:aa

LPFA 2021

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA

Statement of Net Position, December 31, 2021

ASSETS	
Current Assets:	
Cash and cash equivalents (note 2)	$3,623,627
Investments (note 2)	5,152,098
Accounts receivable (note 6)	149,316
Loans receivable (note 6):	
Local Government Bond Bank Program	1,226,867
Rural Development Loan Program	2,220,762
Loans to nonprofit organizations	445,854
Prepaid expenses	11,385
Total current assets	12,829,909
Noncurrent assets:	
Investments (note 2)	13,698,935
Investment in limited partnerships (note 2)	1,849,473
Loans receivables (note 6):	
Local Government Bond Bank Program	6,819,030
Loans to nonprofit organizations	282,485
Student loans, net	1,843,258
Accrued interest on student loans, net	100,374
Capital assets, net (note 8)	9,934
Total noncurrent assets	24,603,489
Total assets	37,433,398
LIABILITIES	
Current Liabilities:	
Accounts payable	191,504
Special allowance payment payable (note 7)	6,153
Unearned Revenue	12,726
Total liabilities	210,383
NET POSITION	
Net investment in capital assets	9,934
Unrestricted (note 11)	37,213,081
Total net position	$37,223,015

The accompanying notes are an integral part of this statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA

Statement of Revenues, Expenses,
and Changes in Net Position
For the Year Ended December 31, 2021

OPERATING REVENUES	
Project and program administrative fees:	
Finance acceptance fees	$245,138
Multi-family annual issuer fees	35,863
Program administrative fees	972,386
Financing application fees	5,000
Student loan interest	85,481
Interest income on program loans	135,990
Special allowance payments (note 7)	(23,913)
Other income	2,359
Total operating revenues	1,458,304
OPERATING EXPENSES	
Administrative services	40,298
Bad debt	798
Business promotions and economic development	57,679
Depreciation	3,832
Employee salaries and benefits	1,224,071
Insurance	33,895
Legal and accounting services	67,566
Lender trustee fees	1,500
Office expense	92,202
Other	31,212
Per diems - Board of Trustees	1,200
Printing, publication, dues and subscriptions	26,173
Rent	165,602
Student loan servicing fees	43,070
Travel	18,015
Total operating expenses	1,807,113
OPERATING LOSS	($348,809)

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA
Statement of Revenues, Expenses,
and Changes in Net Position
For the Year Ended December 31, 2021

NONOPERATING REVENUES	
Investment income	$812,141
Other Income	18
Nonoperating revenues	812,159
CHANGE IN NET POSITION	463,350
NET POSITION AT BEGINNING OF YEAR as RESTATED (Note 10)	36,759,665
NET POSITION AT END OF YEAR	$37,223,015

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA

Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities:	
Cash received for services provided	$1,283,076
Cash received on program loans	3,720,062
Cash received on student loans	174,127
Cash received for interest on student loans	30,945
Cash received for interest on program loans	157,529
Cash paid for program loans issued	(3,598,886)
Cash paid to suppliers for goods and services	(565,075)
Cash paid to employees for services	(1,220,284)
Cash paid for special allowance payments	(23,755)
Other disbursements	(1,150)
Net cash used by operating activities	(43,411)
Cash flows from noncapital financing activities:	
Residual income from conduit debt	18
Net cash provided by noncapital financing activities	18
Cash flows from investing activities:	
Purchases of investments	(5,716,798)
Proceeds from redemption of investments	4,233,670
Investment in limited partnership	1,200,000
Investment income and interest	225,619
Net cash used by investing activities	(57,509)
Net decrease in cash and cash equivalents	(100,902)
Cash and cash equivalents at beginning of year	3,724,529
Cash and cash equivalents at end of year	$3,623,627

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended December 31, 2021

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	($348,809)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	3,832
Bad debt	798
Changes in assets and liabilities:	
Decrease in accounts receivables	31,530
(Increase) in prepaid expenses	(985)
Decrease in program loans	160,157
Decrease in student loans	83,695
(Increase) in accrued interest on student loans	(5,476)
Increase in unearned revenue	12,726
Increase in accounts payable	18,963
Increase in special allowance payment payable	158
Net cash used by operating activities	($43,411)

Noncash Investing, Capital, and Financing Activities	
Unrealized Gain on Investments	$603,550

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

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

Conduit Debt

The Authority issues bonds to provide financing for state and local governments, nonprofit organizations, and for-profit entities. 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. In addition, no commitments beyond the collateral, the payments from the borrower entities, and maintenance of the tax-exempt status, when relevant, of the conduit debt obligations were extended by the Authority for any of these bonds. The Authority divides its conduit bond issues into either programs or projects. Programs pool similar entities or loan types together into one shared borrowing for the benefit of the participants. Project bond issues are for an individual entity. Total bond principal outstanding at December 31, 2021, for programs and projects was $209,140,827 and $5,743,805,512, respectively.

Student Loan Program

Additionally, the Authority maintains a Student Loan Program. The Authority's student loan program was initially established in 1984 to assure adequate loan availability for students with a Louisiana connection, to promote greater access to higher education in the state, and help reduce the cost of higher education. The moneys for this program were obtained through the issuance of various conduit bond issues. All of the bonds issued to finance the program are limited and special obligations of the Authority, are not obligations of the state of Louisiana or any political subdivision thereof, and constitute conduit debt under GASB Statement No. 91. All of these student loans bonds are included in the total listed for programs under the Conduit Debt paragraph above.

The Authority operates its Super Top Loan Program through an eligible lender trustee agreement and trustee arrangement. The assets currently held in the trust result from the refinancing of the

Authority's 1999 Student Loan Revenue Bond Program with the 2011A Student Loan Taxable Revenue Bond Program (2011A Program). Under the bond indenture for the 2011A Program, student loans that were in default or uninsured as of the refinancing date, April 20, 2011, were ineligible to be included in the 2011A Program. These loans along with the residual cash from the 1999 Student Loan Revenue Bond Program's trust were transferred to the Super Top Loan Program.

Under the Federal Family Education Loan Program (FFELP), the federal government requires lenders of student loans to repurchase certain loans from the guarantor. Typically, these are loans for which a claim was filed and paid previously by the guarantor but for a number of reasons, such as a servicing error or the dismissal of a bankruptcy claim, the loan must be repurchased by the lender. The moneys in the Super Top Loan Program are used for these "mandatory repurchases" of loans. In fiscal year 2021, the Authority's Super Top Loan Program did not repurchase loans from the guarantor. Additionally, the Authority's Board of Trustees authorized a private loan program to refinance and originate student loans with the moneys held in this trust. The Authority began funding new loans under this program in September 2017.

Separate audited financial statements for the 2011A Program are issued as required by the bond indenture. The 2011A Program financial statements for the year ended December 31, 2021, are available at www.lpfa.com. The activities of the Authority are funded in part by a monthly administrative fee charged to the 2011A Program.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

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

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

The Authority has two blended component units. The voting majority of these component units' board members are appointed by the Authority, and the Authority is able to impose its will on the organizations by its ability to appoint, hire, or dismiss those persons responsible for the day-to-day operations. These component units are blended because the component units were organized as not-for-profit corporations in which the Authority is the sole corporate member. The Authority's two blended component units listed below do not issue separate financial statements.

(a) *The Louisiana Capital Funding Corporation (LCFC)* is a nonprofit Louisiana corporation that was organized to promote, support, aid, and assist with the Authority's Local Government Capital Funding program. As of December 31, 2021, LCFC is dormant.

(b) *The Louisiana Equipment Finance Corporation (LEFC)* is a nonprofit Louisiana corporation that was organized to promote, support, aid, and assist with the Authority's programs. As of December 31, 2021, LEFC is dormant.

C. BASIS OF ACCOUNTING

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

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

The Authority's two blended component units are required to report information regarding their financial position and activities according to three classes of net position: unrestricted net position, temporarily restricted net position, and permanently restricted net position, as applicable. As of December 31, 2021, there were no temporarily or permanently restricted net positions.

D. BUDGET PRACTICES

The Authority prepared its annual operating budget based on what was expected to be collected during the fiscal year. Management presented the budget to the Authority's Board of Trustees for approval prior to the budget being submitted to the Louisiana Joint Legislative Committee on the Budget. In addition, certain expenses were approved as necessary by the Board of Trustees before payment. Any budget amendments necessary during the year must be approved by the Board of Trustees and the Louisiana Joint

Legislative Committee on the Budget. The Authority is not required to present a budget comparison in its financial statements.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

F. RECEIVABLES

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

G. CAPITAL ASSETS

The Authority has established a $2,500 threshold for capitalization of purchases of office furniture and equipment and leasehold improvements. Depreciation of all capital assets used by the Authority is charged as an expense against its operations. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives by capital asset type are as follows:

Office furniture and equipment	3-5 years
Leasehold improvements	Life of lease

H. NET POSITION

Net position is classified in the following three components:

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

(b) *Restricted net position* – This component of net position consists of resources subject to external constraints placed on the Authority by creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The Authority has no debt service restrictions.

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

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

I. PROGRAM INVESTMENT EARNINGS

Program Investment Earnings consist primarily of residual funds of retired program conduit bond issues. Residual proceeds represent cash and investment balances of a program bond issue that remain after the extinguishment of all obligations, including applicable arbitrage rebate to the federal government. The residuals are due to the Authority unless the issue's Indenture of Trust identifies another recipient. The residual funds are recognized as income to the Authority upon the termination of the issue's Indenture of Trust. The Authority received $18 program residual funds related to retired program bond issues in fiscal year 2021.

J. PROJECT AND PROGRAM ADMINISTRATIVE FEES

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

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

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

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

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

<u>The 2011A Program</u>

The Authority assesses a monthly administrative fee to the 2011A Program to pay for both servicing and program administrative fees (total) equal to a percentage of the outstanding pool balance (loan principal plus expected interest to be capitalized) paid on a monthly basis. The monthly program administrative fee that is paid by the 2011A Program to the Authority is equal to the difference between the monthly total fee and the monthly servicing fees paid to the third-party loan servicers. The portion of the total fee representing the servicing fees can be adjusted upward each year by 3% to factor in inflation. For fiscal year 2021, the total fee was 0.939154%. After servicing fees were paid by the trustee from the total fee, the program administration fee revenue received from the 2011A Program was $910,154 in fiscal year 2021.

<u>LDNR Flex-Fund Revolving Loan Program</u>

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

Loan Portfolio Guaranty Program

The Authority administers the Loan Portfolio Guaranty Program (LPGP) on behalf of Louisiana Department of Economic Development to provide loans to small businesses impacted by the COVID-19 pandemic. The Authority receives an annual administrative fee from program participants of 0.0025 (25 bps) of the outstanding loan balances as of March 30 of each year.

K. INCOME TAXES

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

L. ESTIMATES AND ASSUMPTIONS

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

M. ADOPTION OF NEW ACCOUNTING STANDARDS

For the year ended December 31, 2021, the Authority implemented GASB Statement No. 91, *Conduit Debt Obligations*. The result of adopting this new accounting standard was the reclassification of the 2011A Program bonds as conduit debt. The Authority believes this accounting treatment is preferable to the previous accounting treatment as it more accurately reflects the Authority's relationship with the program and related outstanding debt. See Note 10 for the impact on beginning net position.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Authority's cash and cash equivalents include demand deposits and money market funds totaling $1,889,777 and $1,733,850, respectively. The demand (bank balances) are fully secured by FDIC and SIPC.

Investments are recorded at fair value as required by GASB Statement No. 72, *Fair Value Measurement and Application*. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of December 31, 2021, the Authority reported fair value measurements in the amount of $18,851,033. These investments are classified in Level 2 of the fair market value hierarchy and valued using independent pricing services and/or computerized pricing models.

Fixed income investments and certificates of deposit as of December 31, 2021, are presented below.

		Investments Maturities (in Years)			
Investment Type	Fair Value	< than 1 year	1 to 5	6 to 10	> than 10
Certificates of deposit	$18,363,611	$5,152,098	$12,633,695	$577,818	
Fixed income securities					
U.S. agencies	329,987				329,987
U.S. agency strips	157,435		157,435		
Total	$18,851,033	$5,152,098	$12,791,130	$577,818	$329,987

As of December 31, 2021, the Authority had $1,849,473 invested in limited partnerships, Louisiana Fund I and Louisiana Fund II. Louisiana Fund I and Louisiana Fund II were formed to provide venture capital to early stage development companies and a significant portion of these limited partnerships is invested in early stage development companies. The Authority decided to participate in these limited partnerships to further the Authority's economic development activities. Because these assets are held primarily to further the economic development objectives of the Authority, the Authority determined that the cost method is the appropriate measurement basis. These assets are, therefore, reported at cost and adjusted for net investment losses. Appreciation for the limited partnerships' investments in the early stage development companies is uncertain and, therefore, has not been recorded.

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

The Authority limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally-recognized statistical rating organizations (NRSROs). As of December 31, 2021, the Authority held no investments in commercial paper or corporate bonds. No specific credit ratings are required by the Authority's policy for its investments in municipal government bonds and securities of U.S agencies. The Authority's investments in municipal government bonds and U.S. agency strips were unrated by NRSROs. The Authority's investments in securities of U.S. agencies that are explicitly guaranteed by the U.S. government total $329,987.

Investments in fixed income securities in the amount of $487,422 are held by custodial banks in the name of the Authority and, therefore, not exposed to custodial credit risk. Investments in certificates of deposit totaling $18,363,611 were fully insured by the FDIC as of December 31, 2021.

The Authority does not have a policy limiting the amount of investments in any one issuer. At December 31, 2021, more than 5% of the Authority's investments totaling $20,700,506 were invested in the following issuers:

Issuer	Investment Amount	Percent of Total Investments
Louisiana Fund II, L.P.	$1,217,256	5.9%

The Authority has a $2,000,000 commitment in Louisiana Fund II, of which $1,900,000 has been funded as of December 31, 2021. The remaining unfunded commitment of $100,000 will be paid according to the terms of the limited partnership agreement and will be funded with available cash or future revenues of the Authority.

3. LEASES

The Authority leases its office facilities under an operating lease agreement that was renewed on May 1, 2020, for three years. Rental expense in 2021 applicable to the Authority's offices was $155,822. Future minimum lease payments are as follows:

December 31, 2022	$148,128
December 31, 2023	37,032
	$185,160

4. EMPLOYEE RETIREMENT PLAN

The Authority sponsors a 401(k) profit sharing plan, a defined contribution pension plan that covers all employees and is administered by the Newport Group. Benefit terms, including contributions requirements, are established and may be amended by the Authority's Board of Trustees. The Authority has no additional liability upon the retirement of an employee. The plan is subject to the Internal Revenue Code (IRC) minimum funding requirement for governmental plans of 7.5% of the eligible employee salaries. The Authority provides the minimum contributions and the Authority's contributions above the minimum requirements are discretionary, as determined annually by the Board of Trustees. The employer contribution percentage during the year was 11.2%. Employees are not required to contribute to the plan but are permitted to make contributions up to the applicable IRC limits. For the year ended December 31, 2021, employer and employee contributions totaled $99,959 and $41,088, respectively. The employer contributions are included in the Employees' Salaries and Benefits in the accompanying financial statement.

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

5. LITIGATION

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

6. ACCOUNTS AND LOANS RECEIVABLE

As reflected on the statement of net position, the accounts receivable as of December 31, 2021, are composed of the following:

Program administration fees	$71,839
Accrued interest	68,961
Other	8,516
Total accounts receivable	$149,316

Loans to governments and nonprofit organizations

The Authority's Local Government Bond Bank Program and Rural Development Loan Program lower the cost of local governments' borrowing by making direct loans for a portion of the total borrowing at interest rates ranging from 0.3% to 3%. In addition, the Authority loans funds to local nonprofit organizations with interest rates ranging from 0% to 3% to assist these organizations with securing additional funding from other sources. Management expects its outstanding loans to governments and nonprofit organizations presented in Statement A as of December 31, 2021, will be fully collectable and require no allowance for uncollectable loans.

Student Loans – Super Top Loan Program

The Authority reports its Super Top Loan Program's student loan receivables and accrued interest on student loans net of the allowance for uncollectable amounts. Student loans have various maturity dates. The Super Top Loan Program's student loans include those loans that were ineligible for inclusion in the 2011A Program and mandatory repurchased loans that were previously defaulted. In 2017, the Authority started a private loan program to refinance and originate student loans. Due to the nature of these loans and the timing uncertainty of collections, all student loans and accrued interest on student loans as of December 31, 2021, are reported as noncurrent assets. The student loan receivables for the Super Top Loan Program are as follows:

	Student Loans (Principal)	Accrued Interest on student loans	Total
Receivable, gross	$1,844,741	$100,374	$1,945,115
Allowance for uncollectible	(1,483)		(1,483)
Noncurrent receivable, net	$1,843,258	$100,374	$1,943,632

7. SPECIAL ALLOWANCE PAYMENTS

Special allowance payments are either received from or paid to the USDOE in accordance with the Higher Education Act. The amount of interest that the Super Top Loan Program is allowed to earn on the FFELP student loans held under the program is set by the Higher Education Act. The permitted amount of interest can be either above or below the amount of interest received by the program from the borrowers. If the interest received from the borrowers is below the permitted amount, the USDOE will make a special allowance payment to the program equal to the difference between the permitted amount of interest and the actual interest received from the borrower. If the interest received from the borrowers is above the permitted amount, the program must pay the excess interest received from the borrowers to the USDOE as a negative special allowance payment. The special allowance payments are calculated based on the daily average unpaid principal balance for certain types of loans. For the year ended December 31, 2021, excess interest of $23,913 for the Super Top Loan Program was remitted or owed to the USDOE, and is presented as a contra revenue account on Statement B. The accrued special allowance payment due to the USDOE at December 31, 2021, is reported as a liability on Statement A.

8. CAPITAL ASSETS

Capital assets of the Authority are included on Statement A at historical cost, net of accumulated depreciation. Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance Jan. 1, 2021	Additions	Deletions	Balance Dec. 31, 2021
Office furniture and equipment	$334,680			$334,680
Leasehold improvements	8,285			8,285
Total	342,965	NONE	NONE	342,965
Less accumulated depreciation				
Office furniture and equipment	(320,914)	($3,832)		(324,746)
Leasehold improvements	(8,285)			(8,285)
Total accumulated depreciation	(329,199)	(3,832)	NONE	(333,031)
Total capital assets, net	$13,766	($3,832)	NONE	$9,934

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 $100,134 and is reflected in Statement A in the accounts payable balance.

10. RESTATEMENT OF BEGINNING NET POSITION

The beginning net position as reflected on Statement B has been restated to remove the 2011A Taxable Student Loans Bonds from direct presentation in the financial statements. As stated in Note 1.M, under GASB Statement No. 91, the Series 2011A Taxable Student Loan Bonds constitute "conduit debt" and should not be presented in the Authority's financial statements. Therefore, the 2011A Taxable Student Loans Bonds have been removed from the Authority's financial statements and reported as conduit debt.

Net position at December 31, 2020	$72,474,316
Correction of errors	817
Removal from reporting entity – 2011A Bonds	(35,715,468)
Net position at December 31, 2020, as restated	$36,759,665

Had the corrections noted above, affecting fiscal year 2020, been included in the December 31, 2020, Statement of Revenues, Expenses, and Changes in Net Position, the previously reported change in net position of ($31,521) would have been $609,408.

11. NET POSITION

The Authority has unrestricted net position at December 31, 2021, of $37,213,081 which the Board of Trustees has designated for the following uses:

- The Board of Trustees adopted a resolution specifying that $23,000,000 of the unrestricted net position be used for the Economic Development and Essential Purpose Loan Program, the Local Government Capital Facilities Bond Bank Program, and the Rural Development Loan Program.

- The Board of Trustees has also adopted a resolution specifying that all of the funds in the Super Top Loan Program, which accounts for $9,945,512 of the unrestricted net position, be used for the Authority's student loan program.

- Pursuant to resolutions adopted by the Board of Trustees, the Authority entered into contracts legally binding the Authority to invest in Louisiana Fund I and Louisiana Fund II limited partnerships, and $1,949,473 of the unrestricted net position is specified for these investment commitments.

The total of these three specified uses of unrestricted net position is $34,894,985.

12. CONDENSED FINANCIAL INFORMATION

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

Statement of Net Position

	Louisiana Capital Funding Corporation	Louisiana Equipment Finance Corporation	Total Blended Component Units
Current assets	$5,006	$8,196	$13,202
Current liabilities	NONE	NONE	NONE
Unrestricted net position	$5,006	$8,196	$13,202

Statement of Revenues, Expenses, and Changes in Net Position

	Louisiana Capital Funding Corporation	Louisiana Equipment Finance Corporation	Total Blended Component Units
Operating revenues	NONE	NONE	NONE
Operating expenses	$575	$575	$1,150
Change in net position	(575)	(575)	(1,150)
Net position at beginning of year	5,581	8,771	14,352
Net position at end of year	$5,006	$8,196	$13,202

Statement of Cash Flows

	Louisiana Capital Funding Corporation	Louisiana Equipment Finance Corporation	Total Blended Component Units
Net cash flows used by operating activities	($575)	($575)	($1,150)
Net decrease in cash	(575)	(575)	(1,150)
Cash at beginning of year	5,581	8,771	14,352
Cash at end of year	$5,006	$8,196	$13,202

13. OTHER DISCLOSURES

On January 30, 2020, the World Health Organization announced that the outbreak of the novel coronavirus disease 2019 (COVID-19) constituted a public health emergency of international concern. On January 31, 2020, the United States Department of Health and Human Services Secretary declared a public health emergency in response to the spread of COVID-19 (the "COVID-19 Pandemic"). In March 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic. As a result, on March 13, 2020, the President of the United States declared a national emergency.

Additionally, the COVID-19 Pandemic is creating disruptions to the overall economy. The extent to which the COVID-19 Pandemic will impact the Authority's programs and business, results of operations and financial condition will depend on future developments, which are highly uncertain and difficult to predict. Those developments and factors include the duration and spread of the pandemic, its severity, the actions to contain the pandemic or address its impact, voluntary and precautionary restrictions on travel and meetings, the effects on the financial markets and interest rates and how quickly and to what extent normal economic and operating conditions can resume. We do not yet know the full extent of the impact.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

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

LOUISIANA LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

August 24, 2022

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

LOUISIANA PUBLIC FACILITIES AUTHORITY
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Louisiana Public Facilities Authority (Authority), a component unit of the state of Louisiana, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 24, 2022. Our report was modified to include an emphasis-of-matter paragraph regarding the Authority's adoption of new accounting guidance prescribed in GASB Statement No. 91, *Conduit Debt Obligations.* The result was a reclassification of the 2011A Taxable Student Loans Bonds to conduit debt obligations which were previously reported as obligations of the Authority.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

JBM:CST:BQD:EFS:aa

LPFA 2021