LOUISIANA PUBLIC FACILITIES AUTHORITY

2011A TAXABLE STUDENT LOAN BACKED BOND PROGRAM

DECEMBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Louisiana Public Facilities Authority
2011A Taxable Student Loan Backed Bond Program
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Louisiana Public Facilities Authority's 2011A Taxable Student Loan Backed Bond Program (the Program), which comprise the statement of financial position as of December 31, 2019, the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Public Facilities Authority's 2011A Taxable Student Loan Backed Bond Program as of December 31, 2019, and the results of its activities and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 2, the financial statements present only the 2011A Student Loan Backed Bond Program and are not intended to present fairly the financial position and results of operations of the Louisiana Public Facilities Authority in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9, the Federal Family Education Loan Program (FFELP) was amended in March 2010. As a result, FFELP lender participants, such as the Program, are prohibited from originating new student loans after June 30, 2010. Due to these changes in law, the lending activities of the Louisiana Public Facilities Authority's 2011A Taxable Student Loan Backed Bond Program have ceased. The Program will service and collect its student loans receivable and terminate at the final bond maturity date.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated June 24, 2020, on our consideration of the Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 24, 2020

LOUISIANA PUBLIC FACILITIES AUTHORITY
2011A TAXABLE STUDENT LOAN BACKED BOND PROGRAM

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Cash and cash equivalents	$	8,755,475
Student loans receivable (net)		159,001,305
Accrued interest receivable		5,412,061
Total assets	$	173,168,841

LIABILITIES AND NET ASSETS

Accounts payable	$	244,738
Accrued interest payable		755,096
Special allowance payment payable		456,687
Bonds payable		135,355,106
Total liabilities		136,811,627
Net assets - restricted for payment of bonds		36,357,214
Total liabilities and net assets	$	173,168,841

The accompanying notes are an integral part of this financial statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
2011A TAXABLE STUDENT LOAN BACKED BOND PROGRAM

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

REVENUES		
Interest earned on student loans	$	8,132,112
Interest earned on investments		61,871
Special allowance payments		(1,190,529)
Total revenues		7,003,454
EXPENSES		
Program expenses		
Interest and bond discount amortization		5,600,003
Servicing fees		573,509
Administration fees		955,432
Trustee fees		22,272
Bad debt expense		176,511
Other expenses		89,760
Total expenses		7,417,487
DECREASE IN NET ASSETS		(414,033)
NET ASSETS - RESTRICTED FOR PAYMENT OF BONDS, BEGINNING OF YEAR		36,771,247
NET ASSETS - RESTRICTED FOR PAYMENT OF BONDS, END OF YEAR	$	36,357,214

The accompanying notes are an integral part of this financial statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
2011A TAXABLE STUDENT LOAN BACKED BOND PROGRAM

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash Flow From Operating Activities	
Cash received from interest on student loans	$ 4,591,052
Cash received from interest on investments	66,485
Cash disbursed for special allowance payments	(1,007,094)
Cash disbursed for interest expense	(5,401,016)
Cash disbursed for servicing fees	(589,665)
Cash disbursed for administration fees	(953,857)
Cash disbursed for trustee fees	(22,272)
Cash disbursed for other expenses	(33,902)
Net cash used in operating activities	(3,350,269)
Cash Flow From Investing Activities	
Net repayments of student loans	26,277,696
Net cash provided by investing activities	26,277,696
Cash Flow From Financing Activities	
Cash paid to redeem bonds	(24,089,345)
Net cash used in financing activities	(24,089,345)
Net decrease in cash and cash equivalents	(1,161,918)
Cash and cash equivalents balance, beginning of year	9,917,393
Cash and cash equivalents balance, end of year	$ 8,755,475

The accompanying notes are an integral part of this financial statement.

LOUISIANA PUBLIC FACILITIES AUTHORITY
2011A TAXABLE STUDENT LOAN BACKED BOND PROGRAM

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	$	(414,033)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Amortization of student loan premium		497,540
Non-cash capitalization of interest		(2,963,661)
Bad debt expense		176,511
Increase in accrued interest receivable		(570,256)
Increase in accounts payable		41,277
Increase in special allowance payment payable		180,906
Decrease in accrued interest payable		(298,553)
NET CASH USED IN OPERATING ACTIVITIES	$	(3,350,269)

The accompanying notes are an integral part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting and Reporting Policies

Basis of Accounting and Reporting

The Louisiana Public Facilities Authority 2011A Taxable Student Loan Backed Bond Program (the Program) follows the accrual basis of accounting using certain funds established by the bond indentures. The funds, which are maintained by the trustee bank, provide for the accounting for bonds issued, debt service and bond redemption requirements, investments, and related revenues and expenses. These individual funds of the Program are aggregated in the accompanying financial statements.

New Accounting Pronouncements Adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Analysis of various provisions of this standard resulted in no significant changes in the way the Program accounted for transactions and therefore no changes to the previously issued financial statements were required on a retrospective basis.

The Program has adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as to help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Analysis of various provisions of this standard resulted in no significant changes in the way the Program recognizes revenue as all of the Program's revenue streams were excluded from the scope of the standard and therefore no changes to the previously issued financial statements were required on a retrospective basis.

Cash and Cash Equivalents

The Program considers all money market accounts with an original maturity of three months or less to be cash and cash equivalents.

Loans and Allowance for Loan Losses

Loans are reported at their outstanding principal balance and adjusted for any charge-off's, premiums paid on loans, the allowance for loan losses, capitalized deferred interest, and any deferred fees or costs on originated loans.

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

NOTES TO THE FINANCIAL STATEMENTS

1. **Summary of Significant Accounting and Reporting Policies** (continued)

Capitalized Interest

The cash flow from the financed student loans and the Program's ability to make payments due on the bonds will be reduced to the extent interest is not currently payable on the financed student loans. The borrowers on most student loans are not required to make payments during the period in which they are in school and for certain authorized periods thereafter, as described in the Higher Education Act (HEA). The Department of Education will make all interest payments while payments are deferred under the HEA on certain subsidized student loans that qualify for the interest benefit payments. For all other student loans, interest generally will be capitalized and added to the principal balance of the student loans. The financed student loans will consist of student loans for which payments are deferred as well as student loans for which the borrower is currently required to make payments of principal and interest. The proportions of the financed student loans for which payments are deferred and currently in repayment will vary during the period that the bonds are outstanding. The amount of capitalized interest recognized during the year ended December 31, 2019 was $2,963,661.

Fund Accounting

To ensure observance of limitations and restrictions placed on the uses of resources available to the Program, the accounting system is organized and operated on a fund basis. The assets, liabilities, and net assets of the Program are restricted funds, which represent the portion of funds available for support of the Program's supporting services, such as debt service on the bonds and other various Program expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U. S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses by Nature and Class

All expenditures are for the purpose of the 2011A Taxable Student Loan Backed Bond Program as outlined in the bond indenture.

Accounting Pronouncements Issued but Not Yet Adopted

Credit Losses

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016- 13: *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The revised accounting guidance requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, ASU 2016-13 amends the accounting for credit losses of available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 will be effective for annual periods beginning after December 15, 2022.

NOTES TO THE FINANCIAL STATEMENTS

1. **Summary of Significant Accounting and Reporting Policies** (continued)

Accounting Pronouncements Issued but Not Yet Adopted (continued)

Rate Reform

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* (*Topic 848*): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* This guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions, subject to meeting certain criteria, that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The amendments in this ASU were effective upon issuance and may be applied through December 31, 2022.

The program is currently assessing the impact of these pronouncements on its financial statements.

2. **Organization and Purpose**

The Louisiana Public Facilities Authority (the Authority) was established by a private corporation pursuant to the Louisiana Public Trust Act as a public trust and public corporation. The Authority receives no funding from the State of Louisiana. The Program was initially established by the Authority in 1984 to assure adequate loan availability for the students with a Louisiana connection, to promote greater access to higher education in the State, and to help reduce the cost of higher education. The funds for this Program were obtained through the issuance of various bond issues.

All of the bonds issued to fund the Program are limited and special revenue obligations of the Authority and are not obligations of the State of Louisiana or any political subdivision thereof.

The 2011A Taxable Student Loan Backed Bond Program is one of many bond programs operated by the Authority. The accompanying financial statements present information only as to the 2011A Taxable Student Loan Backed Bond Program and are not intended to represent complete financial statements of the Authority.

The Program has entered into agreements with two corporations to service eligible loans acquired with the bond proceeds. In addition, the Program utilized financial institutions which qualify as eligible lenders under the HEA and entities which met the requirements of an eligible guarantee agency providing for the purchase of student loans. A bank has been designated as trustee of the Program and has the fiduciary responsibility for the custody and investment of funds.

The Program is subject to periodic examinations by the Department of Education as required by the HEA.

On April 20, 2011, the Authority issued $509,000,000 of Taxable Student Loan Backed Bonds Series 2011A for the purpose of refunding all of the $567,200,000 of bonds outstanding in connection with the Authority's 1999 Student Loan Revenue Bond Program (the refunded bonds). The Authority used $67,997,843 of the 1999 Student Loan Revenue Bond Program funds held by the trustee to pay down the Refunded Bonds as of April 20, 2011. At that time, the Trustee also released all of the student loans described in Note 4 hereof from the lien created by the Indenture of Trust for the 1999 Student Loan Revenue Bond Program and transferred the loans to the Program. The 2011 Bonds and the transferred student loans are being accounted for in the accompanying financial statements.

These bonds originally consisted of $151,000,000 of Taxable Student Loan Backed Bonds, series 2011A-1 due April 26, 2021, $248,000,000 of Taxable Student Loan Backed Bonds Series 2011A-2 due April 26, 2027 and $110,000,000 of Taxable Student Loan Backed Bonds Series 2011A-3 due April 25, 2035 (collectively the "Series 2011A Bonds"), pursuant to an Indenture of Trust dated April 1, 2011, between the Authority and Wells Fargo Bank, National Association (as successor to the Bank of New York Mellon Trust Company, N.A.), as eligible lender trustee and trustee. The Series 2011A-1 bonds were paid in full during the year ended December 31, 2014.

2. **Organization and Purpose** (continued)

The Program was designed to originate or acquire eligible loans that provide for an upfront benefit or a reduction of the interest rate during repayment. Substantially all of the eligible loans in the Program are eligible for an upfront benefit or reduction of interest rate during repayment when certain timely payment conditions are met. The Program provides for a 1% interest rate reduction throughout standard repayment on all financed eligible loans initially disbursed from May 1, 1995 and prior to May 1, 1999. This benefit is forfeited only if the borrower consolidates or defaults or changes from standard repayment. For all eligible loans initially disbursed from May 1, 1999 through June 30, 2008, the Program offered a 3% interest rate reduction during standard repayment if the borrower met certain timely payment requirements. This benefit is forfeited if the borrower consolidates, defaults or becomes delinquent or changes from standard repayment.

The Program also offers up to a 0.50% interest rate reduction in repayment for all eligible loans when the borrower signs up for payment by auto debit.

The Program allows a portion of the eligible loans to be interest free during standard repayment for certain types of borrowers with loans initially disbursed from May 1, 2001 through March 31, 2009. Additionally, the Program provides for an interest rate reduction during standard repayment on all eligible consolidation loans initially disbursed prior to April 1, 2008, if the borrowers meet certain timely payment requirements. The Program offers a 6% cumulative principal reduction for all Stafford Loans initially disbursed between July 1, 2003 through December 31, 2007 and Graduate Student PLUS loans initially disbursed from July 1, 2006 through December 31, 2007 if the student borrower provides proof of graduation, employment, and residency in Louisiana after each year of repayment and meets certain timely payment requirements, with the principal reduction being applied over a three year period. The eligible lender trustee, as an eligible lender, acquired or originated all of the eligible loans.

3. **Cash and Investments**

The Program's cash and cash equivalents balance at December 31, 2019 consists of amounts invested in Wells Fargo Secured Institutional Money Market Account (SIMMA).

The Program's funds deposited under the trust indenture are authorized to be invested in marketable direct obligations of the United States or any state or political subdivision, time deposit open accounts, marketable bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any government agency, shares of an investment company whose shares are registered under the Federal Securities Act of 1933, or commercial paper rated in the single highest classification.

Substantially all investments of the Program are restricted for debt service on bonds and payment of various program expenses. See Note 6.

4. **Student Loans Receivable**

Student loans acquired by the Program have various maturity dates. The maximum maturity date is dependent on loan type, repayment option and outstanding balance and other terms as established by the US Department of Education (DOE) and authorized by the HEA. For consolidation loans the maximum maturity date is thirty years. As of December 31, 2019, the Program's principal balance in the student loan portfolio was $159,150,748 of student loans at interest rates ranging from 2.37% to 9.00%. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

4. **Student Loans Receivable** (continued)

Each student loan purchased or originated by the Program has a loan guarantee agreement in effect covering at least 98% for loans first guaranteed prior to July 1, 2006 and 97% for loans first guaranteed on or after July 1, 2006 of the principal and interest outstanding on the student loan issued under the FFELP in accordance with the HEA. However, all loans must meet due diligence requirements in order to be eligible for federal guarantee. The Program feels substantially all loans under the Program have met all necessary requirements. In the event of any denied default claim due to an error by the originating lender or a servicer, the Program may have recourse against the servicers and/or the original lending institution. Loans are considered past due based on their contractual terms. Loans that are past due 90 days or more and still accruing interest amounted to $10,039,126 at December 31, 2019.

Delinquent student loans (past due 90 days or more) included in the accompanying financial statements represented 6.31% of total loans. As a result of the aforementioned, the Program has included a reserve of $149,443 for uncollectible loans at December 31, 2019.

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

1) A basic eligible federally guaranteed subsidized or nonsubsidized Stafford student loan in which the federal government makes interest subsidy payments available to reduce student interest costs and is eligible as defined in Section 438 of the HEA for purposes of receiving Special Allowance Payments.

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

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

The student loans are serviced by third party corporations, which receive a monthly servicing fee from the Program. The Program assesses a total to be paid for both servicing and program administration fees (the total) equal to a percentage of the outstanding pool balance (loan principal plus expected interest to be capitalized) paid on a monthly basis. Thus the monthly program administration fee received by the Program is equal to the difference between the monthly total fee and the monthly servicing fees. The portion of the total fee representing the servicing fees is adjusted upward each January 1 to factor in inflation, at a rate of 3% per annum. For fiscal year 2019, the total fee is 0.896724%.

5. **Special Allowance Payments**

Special allowance payments are either received from, or paid to, the Department of Education in accordance with the HEA. The amount of interest that the Program is allowed to earn on the student loans held under the Indenture is set by the HEA. 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 Department of Education 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 borrower to the Department of Education 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.

5. **Special Allowance Payments** (continued)

For the year ended December 31, 2019, excess interest of approximately $1,191,000 was either remitted or owed to the Department of Education, and is presented as a contra revenue account on the Statement of Activities and Changes in Net Assets.

6. **Bonds Payable**

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

The bonds pay quarterly distributions of principal and interest on the twenty-fifth day of each January, April, July and October beginning on July 25, 2011.

Outstanding bonds payable at December 31, 2019, consist of the following:

Series 2011 A-2	
Term bonds, due April 26, 2027, bearing interest at a variable rate as stated in the bond indenture which was 2.8055% at December 31, 2019, payable quarterly.	$ 28,490,444
Series 2011 A-3	
Term bonds, due April 25, 2035, bearing interest at a variable rate as stated in the bond indenture which was 2.8555% at December 31, 2019, payable quarterly.	106,864,662
Total bonds payable	$ 135,355,106

The scheduled debt principal maturities and minimum interest payments during the five years ending December 31, 2024, and thereafter are as follows:

	Principal	Interest
2020	$ -	$ 4,840,883
2021	-	4,827,646
2022	-	4,827,646
2023	-	4,827,646
2024	-	4,840,883
2025-2029	28,490,444	21,490,104
2030-2034	-	19,192,649
2035	106,864,662	1,219,238
	$ 135,355,106	$ 66,066,695

The revenue bonds are subject to mandatory tender and purchase by the Program at par, plus accrued interest through the date tendered of each year until the bonds mature. Principal will be paid, first on the series A-2 bonds until paid in full, then on the series A-3 bonds until paid in full. Future interest payments were calculated using the rate of interest in effect at the end of the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

7. Availability and Liquidity

The following represents the Program's financial assets at December 31, 2019:

Financial assets at year end:	2019
Cash and cash equivalents	$ 8,755,475
Student loans receivable (net)	159,001,305
Accrued interest receivable	5,412,061
Total Financial assets	173,168,841
Less:	
Estimated amount of loan assets not available in 2020 (Edfinancial Principal only)	136,669,232
Estimated accrued interest not available including government interest payments	3,120,865
Estimated loan repurchases in 2020	530,694
Estimated refunds and late fees in 2020	(75,241)
Estimated bond payments	20,806,524
	161,052,074
Total available cash for operating purposes over the next twelve months	$ 12,116,767

All interest received on loans and investments are restricted funds, which represent the portion of funds available for support of the Program's supporting services, such as debt service on the bonds and other various Program expenses.

8. Fair Value of Financial Instruments

The Fair Value Measurements and Disclosure topic of FASB Accounting Standards Codification (ASC), requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial position. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments from its disclosure requirements. The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions.

The three levels of the fair value hierarchy under the framework are described as follows:

- Level 1 – inputs are based upon adjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.

8. **Fair Value of Financial Instruments** (continued)

- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The carrying amounts of cash and cash equivalents approximate fair value and are classified as Level 1. Due to bonds being carried at a variable rate, the carrying amount approximates fair value and are classified as Level 2. The fair value of student loan receivables is based upon market data and estimated to be at par, less the allowance and are classified as Level 3. The following table sets forth by level, within the fair value hierarchy, the Program's assets and certain liabilities at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3
Cash & cash equivalents – SIMMA	$ 8,755,475	$ -	$ -
Student loans receivable	-	-	159,001,305
Bonds payable	-	135,355,106	-
Total assets at fair value	$ 8,755,475	$ 135,355,106	$ 159,001,305

Since judgment is required to develop fair value estimates, the estimated amounts may not be indicative of the amounts the Program could realize in a current market exchange. The aggregate fair value amounts are not intended to represent the underlying aggregate fair value of the Program.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table provides further details of the Level 3 fair value measurement at December 31, 2019:

Beginning balance of student loans receivable, net	$ 182,491,851
Net repayment of student loans receivable	(26,277,696)
Non-cash capitalization of interest	2,963,661
Bad debt expense	(176,511)
Ending balance of student loans receivable, net	$ 159,001,305

9. **State of the Industry**

On March 30, 2010 President Obama signed into law H.R. 4872 – Health Care and Education Reconciliation Act of 2010 (Public Law 111-152) which terminated new loan originations under the FFELP effective July 1, 2010. As a result, FFELP lender participants, such as the Program, are prohibited from originating new student loans after June 30, 2010. Due to these changes in law, the lending activities of the Louisiana Public Facilities Authority 2011A Taxable Student Loan Backed Bond Program have ceased. The Program will service and collect its student loans receivable and terminate at the final bond maturity date. Going forward, the federal government will assume the student loan lending functions under the William D. Ford Federal Direct Loan Program. The Authority will continue to administer its existing FFELP portfolio through the Program.

NOTES TO THE FINANCIAL STATEMENTS

10. Subsequent Events

Management has evaluated subsequent events through June 24, 2020, the date that the financial statements were available to be issued, and determined that the following matter required additional disclosure in the financial statements. No other events occurring after this date have been evaluated for inclusion in these financial statements.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the Program's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak which is uncertain and cannot be predicted. The extent to which the COVID-19 pandemic may directly or indirectly impact the Program's financial conditions or results of operations cannot be reasonably estimated at this time.

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A Professional Accounting Corporation

Independent Auditors' 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*

Board of Trustees
Louisiana Public Facilities Authority
2011A Taxable Student Loan Backed Bond Program
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louisiana Public Facilities Authority's 2011A Taxable Student Loan Backed Bond Program (the Program), which comprise the statement of financial position as of December 31, 2019, the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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 Program'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 Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 24, 2020