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LOUISIANA PUBLIC FACILITIES AUTHORITY

DECEMBER 31, 1998

BATON ROUGE, LOUISIANA

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Release Date 2-14-99

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May 13, 1999

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Louisiana Public Facilities Authority (a Public Trust) as of and for the year ended December 31, 1998, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 referred to above present fairly, in all material respects, the financial position of the Louisiana Public Facilities Authority as of December 31, 1998, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Effective January 1, 1998, the Louisiana Public Facilities Authority adopted Governmental Accounting Standards Board Statement Number 31 as discussed in Note 10.

The year 2000 supplementary information listed in the table of contents 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 an opinion on it. In addition, we do not provide assurance that the Louisiana Public Facilities Authority is or will become year 2000 compliant, that the Authority's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Authority does business are or will become year 2000 compliant.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of per diem paid trustees for the year ended December 31, 1998 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 13, 1999 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Respectfully submitted,

Thomas A. Longjohn, C.P.A.

FINANCIAL STATEMENTS

LIABILITIES AND FUND EQUITY

| | |
|---|---------------------|
| Current Liabilities: | |
| Accounts Payable: | |
| State of Louisiana | \$ 4,401,988 |
| Other | <u> 59,731</u> |
| | 4,461,719 |
| Accrued Expenses: | |
| Pension Contribution | 43,019 |
| Payroll Taxes | <u> 1,123</u> |
| | 44,142 |
| Total Current Liabilities | <u>4,505,861</u> |
| Fund Equity: | |
| Retained Earnings - Designated | 847,988 |
| Retained Earnings Unreserved - Undesignated | <u>14,815,733</u> |
| Total Fund Equity | 15,663,721 |
| Total Liabilities and Fund Equity | <u>\$19,869,579</u> |

Louisiana Public Facilities Authority

STATEMENT OF REVENUES AND EXPENSES

For the year ended December 31, 1988

| | |
|---|-------------------|
| Operating Revenues: | |
| Program Investment Earnings | \$ 47,413 |
| Project and Program Administrative Fees: | |
| Finance Acceptance Fees | 368,883 |
| Multifamily Annual Lease Fees | 142,468 |
| Program Administrative Fees | 876,218 |
| Financing Application Fees | 17,880 |
| Other Income | <u>38,311</u> |
| Total Operating Revenues | 1,480,463 |
| Operating Expenses: | |
| Legal and Accounting Services | 101,577 |
| Administrative Services | 48,137 |
| Employees' Salaries and Benefits | 742,969 |
| Trustee Fee Dues | 49,460 |
| Provision for Uncollectible Receivables | 23,736 |
| Depreciation and Amortization | 28,871 |
| Rent | 103,439 |
| Insurance | 24,483 |
| Office Expense | 85,897 |
| Printing, Publications, Dues and Subscriptions | 49,288 |
| Travel | 58,308 |
| Business Promotion and Economic Development | 93,000 |
| Other | <u>64,325</u> |
| Total Operating Expenses | 1,459,934 |
| Income from operations | 20,529 |
| Non-Operating Revenues (Expenses): | |
| Interest Income | 768,217 |
| Realized and Unrealized Gain (Losses) on Investments | <u>12,431</u> |
| Total Non-Operating Revenues (Expenses) | 780,648 |
| Net Income | \$ <u>841,103</u> |

The accompanying notes are an integral part of this statement.

Louisiana Public Facilities Authority
STATEMENT OF CHANGES IN FUND EQUITY
 for the year ended December 31, 1998

| | <u>RETAINED EARNINGS</u> | | <u>TOTAL FUND EQUITY</u> |
|--|--------------------------|---------------------|----------------------------------|
| | <u>DESIGNATED</u> | <u>UNDESIGNATED</u> | |
| Balance at January 1, 1998 | \$ - | \$14,476,352 | \$14,476,352 |
| Net Income | - | 806,383 | 806,383 |
| Designated for Local Govern- ment Bond Bank Program | 518,000 | 1509,801 | - |
| Funding of Local Govern- ment Bond Bank Program | <u>(518,000)</u> | <u>518,000</u> | - |
| Balance at December 31, 1998 | <u>\$ 80,000</u> | <u>\$14,805,735</u> | <u>\$15,282,735</u> |

The accompanying notes are an integral part of this statement.

Louisiana Public Facilities Authority
STATEMENT OF CASH FLOWS
 for the year ended December 31, 1988

| | |
|---|---------------------|
| Cash Flows From Operating Activities: | |
| Income from operations | \$ 25,555 |
| Adjustments to reconcile income from operations to Net Cash Used in Operating Activities: | |
| Depreciation and Amortization | 28,371 |
| (Gain) Loss on Sale of Fixed Assets | 766 |
| Provision for Uncollectible Receivables | 22,724 |
| Changes in Assets and liabilities: | |
| (Increased) Decrease in Receivables | (384,068) |
| (Increased) Decrease in Prepaid Expenses | 5,283 |
| (Increased) Decrease in Other Asset | 534 |
| Increase (Decrease) in Accounts Payable | 331,883 |
| Increase (Decrease) in Accrued Expenses | <u>3,058</u> |
| Net Cash Used in Operating Activities | (88,249) |
| Cash Flows From Capital and Related Financing Activities: | |
| Purchase of Property and Equipment | <u>(10,986)</u> |
| Net Cash Used in Capital and Related Financing Activities | (10,986) |
| Cash Flows From Investing Activities: | |
| Purchase of Interest Bearing Deposits and Investment Securities | (8,634,643) |
| Proceeds from Sale and Maturities of Interest Bearing Deposits and Investment Securities | 9,283,989 |
| Interest on Investments and Cash Equivalents | <u>286,211</u> |
| Net Cash Used in Investing Activities | <u>(2,174,453)</u> |
| Net Decrease in Cash and Cash Equivalents | (2,889,783) |
| Cash and Cash Equivalents - Beginning of Year | <u>10,854,025</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 8,143,894</u> |

The accompanying notes are an integral part of this statement.

Louisiana Public Facilities Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 1988

Note 1 - General Information and Summary of Significant Accounting Policies

The Louisiana Public Facilities Authority (the Authority), a public trust, was created on August 31, 1974 by the Public Facilities Corporation, a Louisiana corporation, an entity 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 which 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, 1988, for Programs and Projects was approximately \$714,088,000 and \$2,386,800,000, respectively.

The accounting and reporting policies of the Authority conform to generally accepted accounting principles applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:517 and to the guides set forth in the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

This report includes the accounts which are controlled by or dependent on the Louisiana Public Facilities Authority's Board of Trustees. Control by or dependence on the Board was determined on the basis of budget adoption, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. The accompanying financial statements only include the financial information of the Louisiana Public Facilities Authority and no other organization.

Louisiana Public Facilities Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1998

B. Fund Accounting

The Authority has only one fund to which all accounts are organized and accounted for as a single entity. This fund is operated as an enterprise fund which is used to account for operations that are financed and operated in a manner similar to a private business.

C. Fixed Assets and Long-Term Liabilities

Depreciation and amortization of all fixed assets used by the Authority is charged as an expense against its operations. Depreciation and amortization has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| | |
|--------------------------------|-------------|
| Office Furniture and Equipment | 5 - 7 Years |
| Leasehold Improvements | 18 Years |

All fixed assets are stated at historical costs.

D. Basis of Accounting

Assets, liabilities, retained earnings, revenue and expenses are recognized on the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

E. Operating Revenues

Program Investment Earnings

Program Investment Earnings consist primarily of residual funds of retired bond issues. Residual proceeds represent cash and investment balances of a bond issue which remain after the extinguishment of all obligations, including applicable arbitrage relate 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.

Louisiana Public Facilities Authority
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1994

Project and Program Administrative Fees

Financing Acceptance Fee

The Authority requires a financing acceptance fee usually equal to one-tenth 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-thirtieth 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.

Project Administrative Fees

The Authority acts as both the issuer and administrator for certain 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 several 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 on all project financing applications formally submitted for consideration by the Authority's Board of Trustees. In March of 1990, the Authority reduced the fee from \$3,500 to \$100.

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.

Louisiana Public Facilities Authority
NOTES TO FINANCIAL STATEMENTS CONTINUED

December 31, 1998

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 generally accepted accounting principles 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 E - Cash, Cash Equivalents and Investments -

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

Deposits - At year end the carrying amount of the Authority's deposits was \$12,877,345 and the book balance was \$12,984,734.

Cash Equivalents and Investments - The Authority's investments are categorized below to give an indication of the level of risk assumed by the Authority at year end. Category 1 includes deposits or investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Authority's name.

Louisiana Public Facilities Authority
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1998

| | CATEGORY | | | CARRYING AMOUNT | FAIR VALUE | UNREALIZED GAIN/LOSS |
|-------------------------|----------------------|---------------------|---------------------|----------------------|----------------------|-------------------------|
| | 1 | 2 | 3 | | | |
| Deposits | | | | | | |
| Operating | | | | | | |
| Bank Account | \$ 63,629 | \$ - | \$ - | \$ 63,629 | \$ 63,629 | \$ - |
| Investment | | | | | | |
| Management | | | | | | |
| Accounts: | | | | | | |
| Money Market | | | | | | |
| Accounts | - | - | 3,323,795 | 3,323,795 | 3,323,795 | - |
| Five Certi- | | | | | | |
| ficates of | | | | | | |
| Deposit with | | | | | | |
| Various | | | | | | |
| Banks | 4,495,851 | - | - | 4,495,851 | 4,495,851 | - |
| Other Accounts: | | | | | | |
| Money Market | | | | | | |
| Accounts | - | - | 4,895,030 | 4,895,030 | 4,895,030 | - |
| Cash on Hand | - | - | 150 | 150 | 150 | - |
| Total Deposits | <u>\$ 63,758,488</u> | <u>\$ -</u> | <u>\$ 8,117,965</u> | <u>\$ 12,817,246</u> | <u>\$ 12,817,246</u> | <u>\$ -</u> |
| Investment | | | | | | |
| Securities | | | | | | |
| U. S. Treasury | | | | | | |
| Bills | \$ - | \$ 5,369,852 | \$ - | \$ 5,369,852 | \$ 5,400,445 | \$ 33,593 |
| Other | - | 29,867 | - | 29,867 | 29,867 | - |
| Total Investment | <u>\$ -</u> | <u>\$ 5,418,719</u> | <u>\$ -</u> | <u>\$ 5,418,719</u> | <u>\$ 5,430,312</u> | <u>\$ 33,593</u> |
| Securities | | | | | | |
| | | | | <u>\$ 18,235,964</u> | <u>\$ 18,238,578</u> | <u>\$ 2,632</u> |

Louisiana Public Facilities Authority
NOTES TO FINANCIAL STATEMENTS CONTINUED

December 31, 1998

The amortized cost and fair value of debt securities by contractual maturity, as of December 31, 1998 are as follows:

| | AMORTIZED COST | FAIR VALUE |
|------------|-------------------|---------------|
| 1999 | \$ 888,098 | \$ 891,583 |
| 2000 | - | - |
| 2001 | 1,088,785 | 1,091,320 |
| 2002 | 588,045 | 581,349 |
| 2003 | 1,758,498 | 1,793,520 |
| Thereafter | 1,822,413 | 1,394,348 |
| | \$5,428,719 | \$5,432,370 |

Cash, Cash Equivalents and Investments are included in the accompanying Balance Sheet under the following categories:

| | |
|---------------------------------------|--------------|
| Cash and Cash Equivalents | \$ 8,181,304 |
| Interest Bearing Deposits - Current | 3,882,347 |
| Investment Securities - Current | 881,583 |
| Interest Bearing Deposits - Long-Term | 3,313,554 |
| Investment Securities - Long-Term | 4,638,742 |
| | \$18,509,570 |

Note 3 - Leases -

The Authority leases its office facilities under a non-cancelable operating lease agreement which expires on February 11, 2003. Rental expense applicable to the Authority's offices included in rent expense for 1998 was \$193,455.

Future minimum lease payments under the current office lease are as follows:

| | |
|------|------------|
| 1999 | \$ 89,478 |
| 2000 | 89,483 |
| 2001 | 89,483 |
| 2002 | 32,882 |
| | \$ 311,326 |

Louisiana Public Facilities Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1988

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 70% of eligible employee salaries. Amounts above the minimum requirements are discretionary, as determined by the Board of Trustees. 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 approved during the year ended December 31, 1988 was \$43,819.

Note 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.

Note 6 - Commitments and Contingencies -

Gain Contingencies

Beneficial Interest in Special Purpose, Non-Profit Corporations

The Authority is a sole member in two Louisiana special purpose, non-profit corporations. These corporations were created to facilitate the perfection of certain obligations under repurchase agreements involved with the participating letter of credit banks associated with specific bond issues. The Authority, as sole member of these corporations, is the beneficiary of any remaining funds upon the dissolution of these corporations. The corporations, along with their respective cash balances as of December 31, 1988 are as follows:

Louisiana Public Facilities Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1998

| <u>DESCRIPTION</u> | <u>CASH BALANCE AS OF DECEMBER 31, 1998</u> |
|---|---|
| Louisiana Capital Funding Corporation | \$ 16,899 |
| Louisiana Equipment Finance Corporation | <u>19,631</u> |
| Total Funds in Which the Authority has a Beneficial Interest | <u>\$ 36,530</u> |

The above cash balances are not included in these financial statements.

Note Y - Fair Value of Reimbursable Bond Issuance Costs and Local Bond Bank Receivables -

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. In addition, during 1998 the Authority implemented its "Bond Bank" Program whereby it can lower the cost of local governmental borrowings by making direct loans for a portion of the borrowing at a 2% interest rate.

The fair value for these Reimbursable Bond Issuance Costs and Local Bond Bank Receivables are estimated using discounted cash flow analysis, with interest rates similar to the rate of return that the Authority receives on its investments. The terms used in calculating 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. The carrying value and fair value of Reimbursable Bond Issuance Costs and Local Bond Bank Receivables are as follows:

| | <u>CARRYING VALUE</u> | <u>FAIR VALUE</u> |
|----------------------------------|---------------------------|-----------------------|
| Reimbursable Bond Issuance Costs | <u>\$ 789,380</u> | <u>\$ 513,148</u> |

Louisiana Public Facilities Authority

NOTES TO FINANCIAL STATEMENTS CONTINUED

December 31, 1998

| | <u>CARRYING</u> <u>VALUE</u> | <u>FAIR</u> <u>VALUE</u> |
|-----------------------------|---------------------------------|-----------------------------|
| Local Bond Bank Receivables | \$ 51,000 | \$ 45,000 |

Note 8 - Accounts Payable -

In December 1997, the Authority received a refund from the Internal Revenue Service representing the arbitrage rebate liability previously paid in connection with the Louisiana Public Facilities Authority Special Assessment Revenue Bonds Unemployment Compensation Funding Program Series 1987. These bonds were defeased in 1993 and subsequently redeemed, paid in full, and canceled in 1994. Management is uncertain as to the proper disposition or use of these funds since all of the contracts and agreements with respect to these Bonds were canceled and discharged in connection with the defeasance and payment in full of the Bonds and are therefore no longer in force or effect. The Authority is presently seeking direction from the state of Louisiana regarding this matter. The Unemployment Compensation Funding Program was developed for the benefit of the state of Louisiana and until such time that the uncertainty regarding the proper disposition or use of these funds is resolved, as December 31, 1998, the refund and interest earnings (net of legal expenses incurred) totaling \$4,843,998 is included in Cash and Cash equivalents and is classified as an Accounts Payable to the State of Louisiana.

Note 9 - Designated Fund Equity -

The Authority periodically designates a portion of its fund balance to be appropriated for specific purposes. In 1998, the Authority designated \$594,000 for its newly implemented Bond Bank Program whereby it can lower the cost of local governmental borrowings by making direct loans for a portion of the borrowings at 8% interest rate. As of December 31, 1998, the Authority had outstanding loans of \$59,000 which are reflected on the balance sheet as Local Government Bond Bank Receivable. The unfunded portion of the designated fund balance totaled \$447,888 and is reflected on the balance sheet as Retained Earnings-Designated. See Note 11 for subsequent designations of the Authority's fund balance.

Note 10 - Accounting Changes -

The Authority has implemented the Governmental Accounting Standards Board ("GASB") Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" beginning effective January 1, 1998. The cumulative effect of the adoption of the Statement 31 of January 1, 1998 was not material to these financial statements. The Statement requires that most investments be recorded 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 has generally been based upon

Louisiana Public Facilities Authority
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1968

quoted values. This method of accounting causes fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of investments are recorded as realized and unrealized gains (losses) on investments in the Statement of revenues and expenses. See Note 2 for disclosure of the Authority's cash equivalents and investment activities and compliance with GASB Statement No. 31.

Note 11 - Subsequent Events -

In March 1968, the Authority's Board of Trustees passed a resolution increasing the Authority's fund balance designation for its Bond Risk Program discussed in Note 8 from \$500,000 to \$2,100,000.

In March 1968, the Authority's Board of Trustees designated an additional \$2,100,000 of the Authority's fund equity for its newly implemented rural development interest-free loan program. This program is designed to assist local governmental entities by making direct loans to them at a 0% interest rate for a portion of their historic construction financing for rural development projects.

In March 1968, in connection with the issuance and refunding of certain bonds, the Authority's board of trustees designated \$750,000 of the Authority's fund equity as a pledge to the bondholders of the Louisiana Public Facilities Authority's Student Loan Revenue Bonds, Series 1962.

REQUIRED SUPPLEMENTARY INFORMATION

Louisiana Public Facilities Authority
THE YEAR 2000 COMPLIANCE PROGRAM
December 31, 1999

The Authority's Board is aware of the issues associated with the programming code in existing computer systems as the year 2000 approaches. The "Year 2000" problem is pervasive and complex as virtually every computer operation will be affected in some way by the rollover of the two digit year value to 00. The issue is whether computer systems will properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

As the Authority's computer equipment, which is being used in the "mission critical" applications, is relatively new equipment it is already "Year 2000" compliant. Due to the size of the Authority, minimal software applications are required and each of these applications will be updated and tested during 1999.

It is estimated that the Authority will be required to expend less than \$10,000 during 1999 to become fully compliant for the "Year 2000".

Because of the unprecedented nature of the "Year 2000" issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Authority is or will be "Year 2000" ready, that the Authority's remediation efforts will be successful in whole or in part, or that parties with whom the Authority does business will be "Year 2000" ready.

Louisiana Public Facilities Authority

Schedule 1

Schedule of Fees to be Paid Tollitons

for the year ended December 31, 1990

| | |
|--|--------------|
| Thomas A. Antoon - Chairman | \$ 22,100 |
| Gene Brennan, Jr. - Vice Chairman | 8,100 |
| Lemon Coleman, Jr. Secretary/Treasurer | 10,100 |
| Victor Bougie - Member | - |
| Florice D. Barron - Member | <u>2,800</u> |
| | \$ 43,100 |

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS



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May 13, 1999

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

We have audited the financial statements of the Louisiana Public Facilities Authority (the Authority) as of and for the year ended December 31, 1998, and have issued our report thereon dated May 13, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components

does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Trustees, management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Francis M. Longoria, L.L.P.