

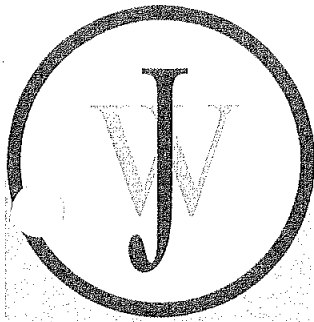
Health Education Authority of Louisiana

Financial Statements

For the Fiscal Year Ended June 30, 2014

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J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Health Education Authority of Louisiana
New Orleans, Louisiana

We have audited the accompanying financial statements of the governmental activities of the Health Education Authority of Louisiana ("HEAL"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise HEAL's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of HEAL, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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CERTIFIED PUBLIC ACCOUNTANTS

Other Matters

Required Supplementary Information

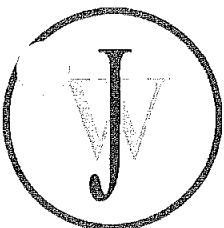
Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

HEAL has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2014 on our consideration of HEAL's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

J. Walker & Company, APC

Lake Charles, Louisiana
September 5, 2014



Basic Financial Statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA

**Statement of Net Position
As of June 30, 2014**

	<u>Governmental Activities</u>
ASSETS	
Cash & cash equivalents - unrestricted	\$ 88,834
Interest receivable	69,746
Capital assets, net	3,488
Investments	<u>1,732,524</u>
Total Assets	<u>\$ 1,894,592</u>
LIABILITIES	
Accounts payable	<u>\$ 81,130</u>
Total Liabilities	81,130
NET POSITION	
Invested in capital assets	3,488
Unrestricted	<u>1,809,974</u>
Total Net Position	<u>1,813,462</u>
Total Liabilities and Net Position	<u>\$ 1,894,592</u>

The accompanying notes are an integral part of the financial statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA

**Statement of Activities
For the Fiscal Year Ended June 30, 2014**

Functions/Programs:	<u>General Revenues</u>				<u>Net (Expenses), Revenues, and Changes Primary Government</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities:							
General government	\$ 282,757	\$ 226,888	\$ -	\$ -	\$ (55,869)	\$ -	\$ (55,869)
Total Governmental Activities	282,757	226,888	-	-	(55,869)	-	(55,869)
Business-Type Activities:	-	-	-	-	-	-	-
Total:	<u>\$ 282,757</u>	<u>\$ 226,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (55,869)</u>	<u>\$ -</u>	<u>\$ (55,869)</u>
			General Revenues:				
			Earnings on investments		\$ 41,418	\$ -	\$ 41,418
			Intergovernmental		-	-	-
			Total General Revenues		<u>\$ 41,418</u>	<u>\$ -</u>	<u>\$ 41,418</u>
			Change in Net Position		(14,451)	-	(14,451)
			Net Position - Beginning		<u>1,827,913</u>	<u>-</u>	<u>1,827,913</u>
			Net Position - Ending		<u>\$ 1,813,462</u>	<u>\$ -</u>	<u>\$ 1,813,462</u>

The accompanying notes are an integral part of the financial statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Governmental Fund
Balance Sheet
As of June 30, 2014

	General Fund
ASSETS	
Cash & cash equivalents - unrestricted	\$ 88,834
Interest receivable	69,746
Investments	1,732,524
Total Assets	\$ 1,891,104
 LIABILITIES	
Accounts payable	\$ 81,130
Total Liabilities	81,130
 FUND BALANCE	
Unassigned	1,809,974
Total Fund Balance	1,809,974
Total Liabilities and Fund Balance	\$ 1,891,104

The accompanying notes are an integral part of the financial statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2014

	General Fund
Revenues:	
Parking garage rental fees	\$ 226,888
Interest income	41,418
Total Revenues	268,306
Expenditures:	
Salaries and wages	132,774
Employee benefits	53,072
Professional services	54,361
Travel	17,251
Office	9,249
Dues and subscriptions	7,840
Communications	2,322
Equipment rentals	4,356
Total Expenses	281,225
Change in Fund Balance	(12,919)
Fund Balance at Beginning of Year	1,822,893
Fund Balance at End of Year	\$ 1,809,974

The accompanying notes are an integral part of the financial statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
For the Fiscal Year Ended June 30, 2014

Total fund balances - governmental funds		\$ 1,809,974
<p>The cost of capital assets (furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. In the Statement of Activities these costs are allocated over their estimated useful lives as a depreciation expense. Because depreciation does not affect financial resources, it is not reported in governmental funds.</p>		
Costs of capital assets	9,870	
Depreciation expense to date	(6,382)	3,488
Net position of governmental activities		<u>\$ 1,813,462</u>

The accompanying notes are an integral part of the financial statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Reconciliation of the Governmental Fund Statement of Revenues,
Expenditures and Changes in Fund Balance to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

Total net change in fund balances - governmental funds	\$	(12,919)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the period:		
Capital outlay		(0)
Depreciation expense		(1,532)
		(1,532)
Change in net assets of governmental activities	\$	(14,451)

The accompanying notes are an integral part of the financial statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 – Nature of Activities and Significant Accounting Policies

Organization and Purpose

Health Education Authority of Louisiana (HEAL) was created in 1968 in an effort to develop the medical corridor within a ten mile radius of the Medical Center of Louisiana at New Orleans (MCLNO) (formerly Charity Hospital). HEAL is a corporate and public body and an instrumentality of the State of Louisiana exercising public and essential governmental functions. It was created by Act 112 of the 1968 Regular Session of the Legislature and operates under said Act, as amended, which now appears as R.S. 17:3051-3060. HEAL is governed by a Board of Trustees consisting of the governor as ex officio trustee and thirteen (13) members selected pursuant to the requirements for membership contained in Act 112.

HEAL's primary mission is to plan, acquire and/or construct facilities within a ten-mile radius of the MCLNO and provide for financing, usually through revenue bonds, of such projects. HEAL may incur debt and issue bonds, for the LSU Health Sciences Center in Shreveport, Louisiana. HEAL is also responsible for the operation of a parking garage located in New Orleans, Louisiana. Although HEAL is an independent organization, its financial activities and transactions are included in the financial statements of the State of Louisiana. In addition, human resource and fiscal controls are also managed by the State of Louisiana.

Scope of Reporting Entity

Entity status for financial reporting purposes is governed by GASB Statement No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*. The GASB is the standard-setting body for the establishment of GAAP in governmental entities.

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

HEAL is considered a component unit of the State of Louisiana because the state has financial accountability over HEAL in that the Louisiana Joint Legislative Committee on the Budget has the authority to approve and amend HEAL's budget and the governor appoints a majority of the Board of Trustees and can impose his/her will on HEAL. The accompanying financial statements present information only on the funds maintained by HEAL and do not present information on the state, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

HEAL is a party to a multi-party lease operating agreement with the State of Louisiana (ground lease), APCOA LaSalle Parking Company, LLC and Tulane Educational Fund that resulted in the construction and operation of a parking garage located at 300 LaSalle Street, New Orleans, Louisiana. The garage construction was funded by bonds issued by HEAL and financed by net revenues derived from the operations of the parking garage. These financial statements also do not include financial transactions, assets or obligations related to the bonds issued by HEAL for the construction and operations of the parking garage. The accompanying financial statements

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

present information only related to the operating activities of HEAL arising from the fees received from the parking garage operations and HEAL's operating expenses.

Principles of Accounting

HEAL's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP).

Fund Accounting

HEAL uses a fund (General Fund) to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The fund of HEAL is classified as a governmental fund (General Fund), which accounts for HEAL's general activities, including the collection and disbursement of specific or legally restricted monies and the acquisition of fixed assets.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. These statements include all the financial activities of HEAL.

The government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from the exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed).

Fund Financial Statements

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the governmental-wide statements and the statements for the governmental funds are prepared. Governmental fund financial statements also include reconciliations with brief explanations to better identify the relationship between the governmental-wide statements and statements for governmental funds.

Fund Equity

Beginning with fiscal year 2011, HEAL implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the government's fund balance more transparent. The Governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which HEAL is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The following classifications

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable*- resources which cannot be spent because they are either (a) not in spendable form (such as prepaid items) or ; (b) legally or contractually required to be maintained intact.
- *Restricted*- resources with constraints placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed*- resources which are subject to limitations or constraints to specific purposes the entity imposed upon itself at its highest level of decision making (the Board of Trustees). These amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- *Assigned*- resources neither restricted nor committed for which HEAL has a stated intended use as established by the Board of Trustees to which the Board has delegated the authority to assign amounts for specific purposes.
- *Unassigned*- resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by the passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Trustees through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, debt service, or for other purposes).

HEAL would typically use fund balances first, followed by committed resources and assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

As of June 30, 2014 the statement of net position reports \$1,809,974 of unrestricted net position.

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned. Enterprise fund equity is classified the same as in the government-wide statements.

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Accounts Payable

Accounts payable consists of amounts due to the State of Louisiana Department of Health and Hospitals as reimbursement of expenses paid on behalf of HEAL. On a quarterly basis, HEAL receives an invoice from DHH listing all expenses incurred by HEAL and approved by DHH. Upon receipt of this invoice, HEAL records all expenses and the corresponding payable amount in their accounting records. HEAL then reimburses DHH, eliminating the payable.

Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing deposits, and time deposits. Under state law, HEAL may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. Cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Fair Value

HEAL has adopted certain provisions of FASB Accounting Standards Codification Topic 820, "Fair Value Measurements and Disclosures". ASC Topic 820 refines the definition of fair value, establishes specific requirements as well as guidelines for a consistent framework to measure fair value, and expands disclosure requirements about fair value measurements. ASC Topic 820 requires HEAL to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy, the details of such fair value measurements.

Income Taxes

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

Interest Receivable

Interest receivable consists of interest that has accrued on the various certificates of deposit held by HEAL. Management believes all interest to be collectible; therefore, no allowance for doubtful accounts is recorded.

Investments

Under state law, HEAL may invest in United States bonds, treasury notes, or certificates. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

The investments are reflected at fair value except for the following which are permitted per GASB Statement No. 31:

- Investments in *non-participating* interest-earning contracts, such as non-negotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.
- HEAL reported at amortized cost money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.
- Interest-earning investment contracts include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.
- Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

At June 30, 2014 HEAL had investments summarized as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Market Value</u>
Certificates of Deposit, Maturities greater than 90 days	<u>\$ 1,732,524</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 1,732,524</u>
Total	<u>\$ 1,732,524</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 1,732,524</u>

Parking Garage Revenues

HEAL is a party to an operating lease for a parking garage owned by the State of Louisiana and operated by APCOA LaSalle Parking Company, LLC. HEAL receives minimum lease payments in connection with the lease. This lease payment increases by 3% each year. In addition, HEAL receives percentage rent payments under the lease agreement based upon an agreed-upon formula. The organization did not receive a percentage rent payment for the year ended June 30, 2014.

Capital Assets

Effective October 01, 2010 HEAL adopted the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The effect of this adoption was to establish new categories for fund balance reporting and revise the definitions of governmental fund types.

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is \$500. Estimated useful life is management’s estimate of how long the asset is expected to meet service demands.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives, depending upon the expected durability of the particular asset:

<u>Description</u>	<u>Estimated Lives</u>
Computer and Peripheral Equipment	4-5 years
Machinery and Equipment	3-20 years
Vehicles	5-10 years
Building Improvements	40 years

Use of Estimates

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Note 2 – Investments

As of June 30, 2014 the carrying value of investments consisted of the following:

Certificates of Deposit	<u>\$ 1,732,524</u>
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HEALTH EDUCATION AUTHORITY OF LOUISIANA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 3 – Capital Assets

Capital assets and depreciation activity for the fiscal year ended June 30, 2014 for HEAL is as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Governmental activities:				
Capital assets being depreciated:				
Buildings & building improvements	\$ -	\$ -	\$ -	\$ -
Furniture and equipment	9,870	-	-	9,870
Vehicles	-	-	-	-
Total capital assets being depreciated	<u>9,870</u>	<u>-</u>	<u>-</u>	<u>9,870</u>
Less accumulated depreciation:				
Buildings	-	-	-	-
Furniture and equipment	4,850	1,532	-	6,382
Vehicles	-	-	-	-
Total accumulated depreciation	<u>4,850</u>	<u>1,532</u>	<u>-</u>	<u>6,382</u>
Total capital assets being depreciated, net	<u>5,020</u>	<u>(1,532)</u>	<u>-</u>	<u>3,488</u>
Governmental activities:				
Capital assets, net	<u>\$ 5,020</u>	<u>\$ (1,532)</u>	<u>\$ -</u>	<u>\$ 3,488</u>

Depreciation expense of \$1,532 for the fiscal year ended June 30, 2014 was charged to the following governmental functions:

General Government	<u>\$ 1,532</u>
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Note 4 – Fair Value of Financial Instruments

In accordance with FASB ASC Topic 820, fair value is defined as the price that HEAL would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. ASC Topic 820 established a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to established classification of fair value measurements for disclosure purposes.

Various inputs are used in determining the value of HEAL's assets or liabilities. The inputs are summarized in the three broad levels listed below:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 4 – Fair Value of Financial Instruments (Continued)

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any market activity. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. HEAL's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

HEAL recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. All fair value measurements are considered recurring Level 1 measurements as of June 30, 2014.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. HEAL's significant financial instruments are cash, accounts receivable, accounts payable and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Note 5 – Concentration of Risk

The cash equivalents and investments of HEAL are subject to the following risks:

- Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. HEAL does not have a policy addressing interest rate risk.
- Credit Risk: HEAL's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, HEAL may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. HEAL may invest in United States bonds, treasury notes and bills, government backed agency securities or certificates and time deposits of state banks organized under Louisiana law and national banks having principal officers in Louisiana.
- Custodial credit risk is the risk that in event of a bank failure, the government's deposits may not be returned to it. HEAL's cash and investment policy, as well as state law, require that deposits be fully secured. HEAL's cash and investment balances are maintained at multiple financial institutions in the New Orleans, Louisiana area. These balances are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. The Federal Deposit Insurance Corporation (FDIC) provides deposit insurance coverage on non-interest bearing and interest bearing accounts for deposits up to \$250,000. The FDIC insurance coverage limit applies per depositor and per insured depository institution for each ownership category. As of June 30, 2014 bank account balances were insured by federal depository insurance with 100 percent of the excess balance collateralized by pledged securities held in the name of HEAL.

HEALTH EDUCATION AUTHORITY OF LOUISIANA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2014

Note 5 – Concentration of Risk (Continued)

HEAL's primary source of revenue is the annual fee received by APCOA LaSalle Parking Company, LLC., per the lease agreement dated December 31, 1998. Loss of this revenue would result in HEAL's inability to maintain its current level of operations. However, management considers the likelihood of loss of this income remote, as the current lease is in effect until December 31, 2030.

Note 6 – Lease Agreements

HEAL is a party to an operating lease for a parking garage owned by the State of Louisiana. In 1972, HEAL entered into a thirty (30) year land lease agreement with the State of Louisiana. This agreement grants HEAL the authority to construct improvements upon the leased premises, consisting of a multi-level parking garage and an office building. The original parking garage consisted of approximately eight hundred thirty-seven (837) parking spaces which are managed by APCOA LaSalle Parking Company, LLC.

On December 1, 1998, HEAL extended its existing lease agreement with APCOA LaSalle Parking Company, LLC until December 31, 2030 for the management and operation of the parking facility. This lease extension included a multi-level expansion of the existing parking garage to add approximately five hundred sixteen (516) additional parking spaces. The lease agreement is considered to be a capital lease, and accordingly, the parking facility is reflected on the financial records of the management company. Upon termination of the current agreement, the parking facility will revert back to HEAL. HEAL receives an annual fee from APCOA LaSalle Parking Company, LLC which increases by 3% from the previous year. As of June 30, 2014, HEAL received \$226,888 in fees from APCOA.

HEAL also has a servitude agreement with the Tulane Education Fund, which guarantees parking contracts for Tulane affiliates. Under the contract, Tulane has agreed to service the payments of the debt obligation throughout the life of the bond in exchange for use of the facility. During the year ended June 30, 2014, Tulane paid \$645,150 towards the servicing of the debt obligation.

Note 7 – Conduit Debt Obligations

HEAL issues Taxable Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. In 1998, HEAL entered into an agreement with the Board of Administrators of the Tulane Educational Fund (Tulane University of Louisiana) to issue \$9,350,000 in bonds for the extension of and improvements to HEAL's existing parking garage, and the addition of a skybridge to connect to the Tulane Medical School. The bonds are secured by the building's improvements, and are payable solely from income and revenues derived from Tulane. As such, the bonds shall never constitute an indebtedness or pledge of the general credit of HEAL or the State of Louisiana within the meaning of any constitutional or statutory limitation of indebtedness or otherwise. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Upon repayment of the bonds, ownership of the acquired improvements transfers to HEAL. For the fiscal year ended June 30, 2014, Tulane paid \$645,150 towards the servicing of the debt obligation.

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 – Conduit Debt Obligations (Continued)

The annual requirements to amortize the bonds outstanding at June 30, 2014 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	225,000	421,920	646,920
2016	235,000	407,745	642,745
2017	250,000	392,940	642,940
2018	270,000	377,190	647,190
2019	285,000	360,180	645,180
2020	305,000	342,225	647,225
2021	325,000	322,400	647,400
2022	345,000	301,275	646,275
2023	365,000	278,850	643,850
2024	390,000	255,125	645,125
2025	415,000	229,775	644,775
2026	440,000	202,800	642,800
2027	470,000	174,200	644,200
2028	500,000	143,650	643,650
2029	535,000	111,150	646,150
2030	570,000	76,375	646,375
2031	605,000	39,325	644,325
	<u>\$ 6,740,000</u>	<u>\$ 4,872,275</u>	<u>\$ 11,612,275</u>

Note 8 – Board of Trustees Compensation

The Board of Trustees consists of the governor as ex-officio trustee, twelve (12) members appointed by the governor, and one (1) member appointed by the mayor of the city of New Orleans. These members are selected pursuant to the requirements for membership contained in Act 112.

No member of the Board of Trustees received compensation or per diem for services during the fiscal year ended June 30, 2014.

Note 9 – Subsequent Events

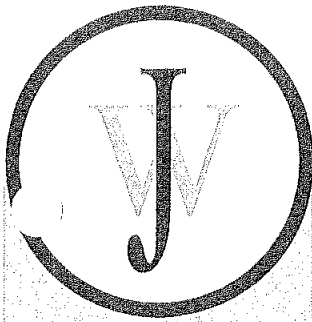
Management of HEAL have evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 5, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Parking garage rental fees	\$ 226,888	\$ 226,888	\$ -
Interest income	-	41,418	41,418
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 226,888</u>	<u>\$ 268,306</u>	<u>\$ 41,418</u>
 <u>EXPENDITURES</u>			
Salaries and wages	\$ 129,700	\$ 132,774	\$ (3,074)
Employee benefits	42,989	53,072	(10,083)
Travel	18,000	17,251	749
Office	39,700	9,249	30,451
Dues and subscriptions	-	7,840	(7,840)
Communications	-	2,322	(2,322)
Equipment rentals	-	4,356	(4,356)
Interagency transfers	2,116	-	2,116
Professional services	56,045	54,361	1,684
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 288,550</u>	<u>\$ 281,225</u>	<u>\$ 7,325</u>

See Independent Auditors' Report on Supplementary Information



J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

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
Health Education Authority of Louisiana
New Orleans, 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 governmental activities of the Health Education Authority of Louisiana ("HEAL"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise HEAL's basic financial statements, and have issued our report thereon dated September 5, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HEAL'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HEAL's internal control. Accordingly, we do not express an opinion on the effectiveness of HEAL'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 HEAL'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

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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*.

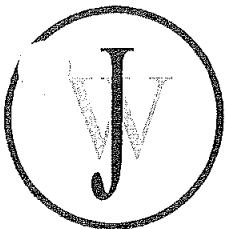
Purpose of this Report

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Document Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

J. Walker & Company, APC

Lake Charles, Louisiana

September 5, 2014



Schedule of Findings and Questioned Costs

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

I. Summary of Auditors' Report

a. Financial Statements

1. The auditors' report expresses an unmodified opinion on the financial statements of Health Education Authority of Louisiana.
2. No control deficiencies disclosed during the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements of Health Education Authority of Louisiana are reported in the *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*.

b. Federal Awards

The entity did not expend \$500,000 or more in federal awards during the year ended June 30, 2014 and therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, *Audits of State, Local Government, and Non-Profit Organizations*.

c. Management Letter

A management letter was issued in connection with the audit for the year ended June 30, 2014.

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

II. Findings – Financial Statement Audit

No findings were noted during the current audit period.

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

III. Summary of Prior Year Findings

INTERNAL CONTROL AND COMPLIANCE FINDINGS

2013-01 – General Accounting

Condition:

It was noted during the prior year's audit engagement that HEAL did not have a complete general ledger system in place. As a result, the financial statements of HEAL did not assure that all transactions executed by the organization were properly accounted for and reconciled to the general ledger. This posed a problem with assuring that all certificates of deposit and accrued interest were accounted for as they matured. The organization's lack of a complete general ledger system was also apparent during the current engagement as instances were noted where transactions related to interest receivable and interest income were either improperly recorded or unrecorded in the accounting system.

Recommendation:

Management should utilize interest related information received from its financial or investment institution to make the proper adjusting entry and should not rely on its own formula to accrue for interest.

Current Status:

Resolved

2013-02 – Improper Accounting Records

Condition:

Instances were noted where transactions were not posted to the general ledger at the time of occurrence. Instead, lump sum adjustments were made at year-end. Also, it was noted that a Certificate of Deposit which was originally at one financial institution was transferred to another but the transfer was not properly reflected in the accounting records.

Recommendation:

We recommend that the entity continue to educate and train its staff on the proper use of the accounting system to help ensure that the organization's financial data is accurately recorded, processed, and reported on a timely basis.

Current Status:

Resolved

2013-03 – Lack of Oversight by the Board of Trustees

Condition:

Our audit disclosed that during the fiscal year ended June 30, 2013, the Board of Trustees only held one board meeting.

Recommendation:

The Board should establish a schedule for monthly meetings. This schedule should be provided to members at the start of the fiscal year to allow for proper time to plan attendance.

HEALTH EDUCATION AUTHORITY OF LOUISIANA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

New board members should be provided with information outlining their responsibilities as a board member. The Board should take necessary steps to have all vacant seats filled, in order that the Board may have sufficient members for a quorum.

Current Status:

Resolved

2013-04 – Improper Transfer of Assets

Condition:

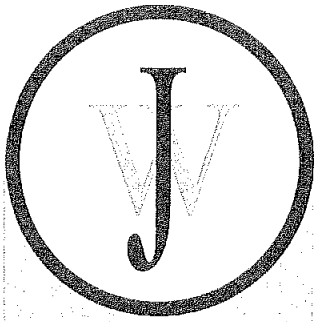
It was noted that during the audit period, funds held in certificates of deposit in excess of \$430,000 were transferred from one financial institution to another without the proper authoritative consent of the Board of Trustees. Board minutes and resolutions authorizing the Executive Director to access all accounts to act on behalf of HEAL was provided; however, the documentation provided does not grant the authority to the Executive Director to transfer or move assets in HEAL's control.

Recommendation:

Management must ensure that documented Board approval is obtained before the transfer of any property or assets occur.

Current Status:

Resolved



J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Trustees
Health Education Authority of Louisiana
New Orleans, Louisiana

In planning and performing our audit of the financial statements of the Health Education Authority of Louisiana ("HEAL") as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered HEAL's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HEAL's internal control. Accordingly, we do not express an opinion on the effectiveness of HEAL's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 5, 2014 on the financial statements of the Health Education Authority of Louisiana. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our contract signed March 11, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute,

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assurance that the financial statements are free of material misstatement.

As part of the audit we considered the internal control of HEAL. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by HEAL are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2014. We noted no transactions entered into by HEAL during the year for which there was a lack of authoritative guidance or consensus.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. We take this opportunity to recognize the excellent assistance rendered to us by management and staff during the performance of the audit and completion of our reports thereon.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

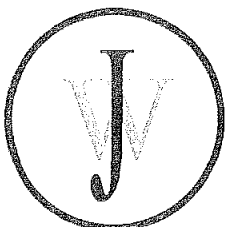
Status of Current Year Comments

No comments were warranted during under the current period.

Status of Prior Year Comments

2013-MI Board Meetings and Minutes

We noted during our audit, that the Board of Trustees is required to meet on a regular basis. It does not appear that the Board of Trustees has frequent meetings to discuss the operations and affairs of HEAL. Board meetings can be crucial in documenting compliance with State regulations and other regulatory issues. Discussion minutes of the



meetings should be taken to clearly document all decisions made and approved by the Board. The minutes should be retained as evidence of the meeting and related actions.

While HEAL's bylaws do not specify a frequency for meetings by the Board of Trustees, during the State fiscal year under audit, minutes were only provided for one Board meeting. We recommend that the Board establish a frequency for meetings with a pre-set date and time, and convenes on a more regular basis to discuss the business affairs of HEAL. We also recommend that the Board receives monthly financial statements showing HEAL's funds so they can be better informed, and to monitor the operations of HEAL in order to make more informed decisions. Without complete financial information on all funds on a timely basis, including budget-to-actual comparisons, the Board cannot effectively exercise its fiduciary responsibilities of managing the organization's fiscal affairs.

Resolved

2013-M2 Prudent and Efficient Use of Funds

We noted during our audit that HEAL filed a Petition for Declaratory Judgment and Damages against APCOA LaSalle Parking Company, LLC (ALPC) purportedly seeking relief for a variety of alleged breaches of the operating lease agreement. After performing inquiries of management, it was indeterminable as to whether the \$32,928.15 cost of legal fees associated with filing the petition versus the possible benefit of the return from the suit would be beneficial to the State. It is also indeterminable as to whether there was any merit to the allegations waged against ALPC, or whether HEAL performed a good faith investigation to determine the cost benefit before filing the suit.

We recommend that the management of HEAL perform an analysis detailing the estimated potential loss in revenues, as well as, consider alternative methods available to a State facility before seeking outside counsel.

Resolved

This report is intended solely for the use of the Board of Trustees and management, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

J. Walker & Company, APC

Lake Charles, Louisiana
September 5, 2014

