



# **Board of Directors**

## **Agenda Item #6**

**Presentation by External Auditors  
Duplantier, Hrapmann, Hogan &  
Maher, LLP regarding June 30, 2018  
Audit Results from LHC General Fund,  
LHC Combined, Willowbrook  
Apartments, Village de Jardin  
Apartments, Mid-City Gardens  
Apartments, and Louisiana Housing  
Authority.**

**October 24, 2018**

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# Louisiana Housing Corporation

Presentation of the Results of the  
June 30, 2018  
Financial Statement and Compliance Audit



Duplantier  
Hrapmann  
Hogan &  
Maher, LLP



## Management's Responsibilities

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- Preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- Establishment and maintenance of adequate records and effective internal controls and safeguarding of assets
- Appropriate selection and use of accounting policies



## Auditor's Responsibility

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- To provide reasonable, but not absolute assurance of detecting material misstatements of the financial statements
- To gain an understanding of the internal control policies and procedures to design an effective and efficient audit approach
- To evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management
- To evaluate the overall presentation of the financial statements
- To evaluate identified control deficiencies
- To determine whether those deficiencies, individually or in combination are significant deficiencies or material weaknesses



## Summary of Audit Results (Combined)

Report on the basic financial statements	Unmodified
Report on Internal Control over Financial Reporting and on Compliance and Other Matters	Two Significant Deficiencies No Material Weaknesses
Compliance with Laws and Regulations	Two compliance findings



## Planned Scope and Timing of the Audit

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We performed the audits according to the planned scope and timing as noted in our engagement letter dated April 5, 2017



## Significant Accounting Policies and Procedures (Disclosed in Note 1)

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- GASB 34 – “Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments”
- GASB 40 – “Deposit and Investment Risk Disclosures”
- GASB 68 – “Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement 27”
- GASB 71 – Pension Transition for Contributions Subsequent to the Measurement Date – an amendment of GASB Statement No. 68
- GASB 72 – “Fair Value Measurement and Application”
- GASB 75 – Other Post Employment Benefits



## Significant Accounting Estimates and Judgments (Combined)

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- Fair value of investments
- Loan receivables
- Reserve for loan losses
- Payables – deferred income
- Compensated absences liability
- Net pension liability
- Other post employment benefits payable



## Other items

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- No uncorrected misstatements
- No difficulties encountered in performing the audit
- No disagreements with management
- We obtained management representation letters which were all properly dated
- No noted consultations with other independent accountants



## Required Supplementary Information (Combined)

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- Required supplementary information; limited procedures performed:
  1. Management's Discussion and Analysis
  2. Schedule of Corporation's Proportionate Share of Total OPEB Liability
  3. Schedule of Corporation's Proportionate Share of Net Pension Liability
  4. Schedule of Corporation's Pension Contributions
  5. Notes to Required Supplementary Information



## Other Supplementary Information (Combined)

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- Other supplementary information; fairly stated in relation to the financial statements:
  1. Schedule of Per Diem Paid to Board Members
  2. Combining Statement of Net Position
  3. Combining Statement of Revenues, Expenses, and Changes in Net Position
  4. Combining Statement of Cash Flows
  5. Mortgage Revenue Bond Programs Combining Statements of Net Position
  6. Mortgage Revenue Bond Combining Statements of Revenues, Expenses, and Changes in Net Position
  7. Mortgage Combining Statement of Cash Flows



## Significant Deficiencies

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- General Ledger (General Fund) – loan schedules and investment statements not reconciled with the general ledger
- General Ledger (Mortgage Revenue Bond Programs) – the activity of five multi-family mortgage revenue bond programs were not accounted for timely



## Non-compliance

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- FDIC and Pledged Collateral Coverage - \$2.6M of cash balances were not fully insured with FDIC insurance and/or pledged collateral
- The general fund's audit report was not filed timely with the Louisiana Legislative Auditor's Office



## Management Letter

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- We have no management letter for the year ended June 30, 2018

## Combined Statement of Net Position (in thousands)

	June 30, 2018			June 30, 2017	
	General Fund	Mortgage Revenue Bond Programs	Eliminations	Combined Total	Combined Total
<b>ASSETS:</b>					
<b>Unrestricted assets</b>					
Cash & cash equivalents	1,584	-	-	1,584	1,816
Investments	8,861	-	-	8,861	8,094
Receivables & other	4,461	-	(72)	4,389	4,145
Capital assets	71,323	-	-	71,323	74,109
<b>Restricted assets</b>					
Cash & cash equivalents	21,571	88,305	-	109,876	87,377
Investments	11,383	17,438	-	28,821	48,721
<b>Mortgage loans &amp; mortgage backed securities</b>					
Single Family (net of allowance)	1,048	202,002	-	203,050	242,849
Multifamily (net of allowance)	148,783	216,006	-	364,789	410,825
Accrued interest/other	60,716	7,194	-	67,910	63,227
Capital assets	11,442	-	-	11,442	11,910
<b>TOTAL ASSETS</b>	<b>341,172</b>	<b>530,945</b>	<b>(72)</b>	<b>872,045</b>	<b>953,073</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,800</b>	<b>103</b>	<b>-</b>	<b>4,903</b>	<b>5,498</b>
<b>TOTAL ASSETS AND DO</b>	<b>\$ 345,972</b>	<b>\$ 531,048</b>	<b>(72)</b>	<b>\$ 876,948</b>	<b>\$ 958,571</b>

## Combined Statement of Net Position - Continued (in thousands)

	June 30, 2018				June 30, 2017
	General Fund	Mortgage Revenue Bond Programs	Eliminations	Combined Total	Combined Total
<b>LIABILITIES:</b>					
Accounts payable	2,690	350	-	3,040	3,587
Interest payable	-	8,243	-	8,243	7,598
Amounts held in escrow	2,178	22,009	-	24,187	59,963
Bonds/Debentures payable	3,370	423,853	-	427,223	476,058
Compensated absences	1,178	-	-	1,178	1,105
Due to other govt/funds	2,468	72	(72)	2,468	2,468
Net Pension Obligation	24,138	-	-	24,138	25,303
OPEB	11,223	-	-	11,223	8,311
<b>TOTAL LIABILITIES</b>	<b>47,245</b>	<b>454,527</b>	<b>(72)</b>	<b>501,700</b>	<b>584,393</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	<b>6,853</b>	<b>929</b>	<b>-</b>	<b>7,782</b>	<b>8,941</b>
<b>NET POSITION:</b>					
Net invested in capital assets	71,324	-	-	71,324	74,109
Restricted	249,109	75,592	-	324,701	318,898
Unrestricted	(28,559)	-	-	(28,559)	(27,770)
<b>TOTAL LIABILITIES/DEFERRED INFLOWS &amp; NET POSITION</b>	<b>\$ 345,972</b>	<b>\$ 531,048</b>	<b>\$ (72)</b>	<b>\$ 876,948</b>	<b>\$ 958,571</b>

**Combined**  
**Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**(in thousands)**

	June 30, 2018			June 30, 2017	
	General Fund	Mortgage Revenue Bond Programs	Eliminations	Combined Total	Combined Totals
<b>OPERATING REVENUES:</b>					
Program fees	3,416	-	(1,105)	2,311	1,055
Federal program admin fees	9,264	-	-	9,264	7,434
Interest/dividend income	721	20,632	-	21,353	9,800
Gain/loss sale of mtg sec	(88)	(8,698)	-	(8,786)	-
Investment income	-	-	-	-	2,552
Single family fees & other	785	340	-	1,125	1,088
<b>TOTAL OPERATING REVENUES</b>	<b>14,098</b>	<b>12,274</b>	<b>(1,105)</b>	<b>25,267</b>	<b>21,929</b>
<b>OPERATING EXPENSES:</b>					
Personnel	9,919	-	-	9,919	10,133
Supplies	351	-	-	351	284
Travel	250	-	-	250	196
Operating services	1,565	-	-	1,565	1,243
Professional services	2,103	-	-	2,103	1,547
Interest expense	-	15,715	-	15,715	17,035
G&A	-	1,144	(1,105)	39	688
Depreciation	365	-	-	365	429
<b>TOTAL OPERATING EXPENSES</b>	<b>14,553</b>	<b>16,859</b>	<b>(1,105)</b>	<b>30,307</b>	<b>31,555</b>
<b>OPERATING LOSS</b>	<b>(455)</b>	<b>(4,585)</b>	<b>-</b>	<b>(5,040)</b>	<b>(9,626)</b>

## Combined Statement of Revenues, Expenses and Changes in Net Position - Continued (in thousands)

	June 30, 2018			June 30, 2017	
	General Fund	Mortgage Revenue Bond Programs	Eliminations	Combined Total	Combined Total
<b>NON-OPERATING REVENUES/ (EXPENSES)</b>					
Amortization	155	-	-	155	356
Federal grants drawn	185,182	-	-	185,182	179,212
Federal grants disbursed	(176,703)	-	-	(176,703)	(165,466)
Interest expense	(32)	-	-	(32)	(68)
Net loss from rental property restr/unrestr	(1,086)	-	-	(1,086)	(979)
HOME program repayment	-	-	-	-	(2,468)
Provision for loan loss	(2,655)	-	-	(2,655)	8,141
Program income	818	-	-	818	216
Program income - HOME	-	-	-	-	216
Restricted investment income	5,067	-	-	5,067	4,834
Investment income - Workforce Initiative	70	-	-	70	68
<b>TOTAL NON OPERATING REV/(EXP)</b>	<b>10,816</b>	<b>-</b>	<b>-</b>	<b>10,816</b>	<b>24,062</b>
<b>INCOME (LOSS) BEFORE DISTRIBUTION</b>	<b>10,361</b>	<b>(4,585)</b>	<b>-</b>	<b>5,776</b>	<b>14,220</b>
<b>TRANSFERS TO/FROM</b>	<b>172</b>	<b>(172)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DISTRIBUTION TO THIRD PARTIES</b>	<b>-</b>	<b>(304)</b>	<b>-</b>	<b>(304)</b>	<b>(500)</b>
<b>CHANGE IN NET POSITION</b>	<b>10,533</b>	<b>(5,061)</b>	<b>-</b>	<b>5,472</b>	<b>13,720</b>

**Combined**  
**Statement of Revenues, Expenses and**  
**Changes in Net Position - Continued**  
**(in thousands)**

	June 30, 2018			June 30, 2017 Combined Total
	General Fund	Mortgage Revenue Bond Programs	Combined Total	
Change in Net Position	10,533	(5,061)	5,472	13,750
NET POSITION - Beg of Year, before restatement	284,584	80,653	365,237	351,517
Net effect of change in accounting principle	(3,243)	-	(3,243)	-
NET POSITION - End of year	291,874	75,592	367,466	365,267

# Combined Statement of Cash Flows

(in thousands)

	June 30, 2018			June 30,
	General	Mortgage	Combined	2017
	Fund	Bond	Total	Combined
		Programs		Total
<b>CASH FLOWS FROM OPERATING</b>				
<b>ACTIVITIES:</b>				
<b>Cash received from:</b>				
Fee revenue	11,290	-	11,290	10,013
Interest/dividend	721	20,029	20,750	11,857
Mortgage collections & redemptions	40	125,781	125,821	133,854
Other	-	339	339	138
<b>Cash paid to:</b>				
Suppliers of service	(4,630)	(1,152)	(5,782)	(4,761)
Mortgage loans issued & purchased	-	(46,353)	(46,353)	(121,136)
Interest paid on bonds	-	(15,493)	(15,493)	(19,000)
Other operating expenses	-	(11)	(11)	20
Employees & benefit providers	(11,062)	-	(11,062)	(9,273)
<b>NET CASH PROVIDED(USED) IN OPERATIONS</b>	<b>(3,641)</b>	<b>83,140</b>	<b>79,499</b>	<b>1,712</b>

## Combined Statement of Cash Flows - Continued (in thousands)

	General Fund	Mortgage Revenue Bond Programs	Combined Total	June 30, 2017 Combined Total
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Distribution to third parties	-	(304)	(304)	-
Net transfers to/from MRB	172	(172)	-	772
Receipt of federal grants	187,579	-	187,579	182,384
Disbursement of federal grants	(176,704)	-	(176,704)	(165,437)
Mortgage collections	5,371	-	5,371	5,291
Mortgage purchases	(10,202)	-	(10,202)	(16,009)
Other non-operating receipts	1,286	-	1,286	2,135
Issuance of bonds	-	54,544	54,544	121,430
Repayment of bonds	(3,036)	(99,764)	(102,800)	(122,642)
Net change in escrow	(1,261)	(34,904)	(36,165)	6,704
Interest paid on bonds/debentures	(32)	-	(32)	(55)
<b>NET CASH PROVIDED(USED) IN NON CAPITAL FINANCING ACTIVITIES</b>	<b>3,173</b>	<b>(80,600)</b>	<b>(77,427)</b>	<b>14,573</b>

## Combined Statement of Cash Flows - Continued (in thousands)

	June 30, 2018			June 30, 2017 Combined Total
	General Fund	Mortgage Revenue Bond Programs	Combined Total	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investments purchased	(4,822)	(21,192)	(26,014)	(62,866)
Investments redeemed	3,543	40,512	44,055	24,430
Interest payments received	661	-	661	166
Net change in activity - rental properties	1,987	-	1,987	1,712
<b>NET CASH PROVIDED BY (USED IN) NON CAPITAL FINANCING ACTIVITIES</b>	<b>1,369</b>	<b>19,320</b>	<b>20,689</b>	<b>(36,558)</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Purchase of property and equipment	(44)	-	(44)	(20)
Interest paid on bonds	-	-	-	(13)
Repayment of bonds	(450)	-	(450)	(835)
<b>NET CASH USED IN CAPITAL FINANCING ACTIVITIES</b>	<b>(494)</b>	<b>-</b>	<b>(494)</b>	<b>(868)</b>

## Combined Statement of Cash Flows - Continued (in thousands)

	June 30, 2018			June 30, 2017 Combined Total
	General Fund	Mortgage Revenue Bond Programs	Combined Total	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(3,641)	83,140	79,499	1,712
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	3,173	(80,600)	(77,427)	14,573
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,369	19,320	20,689	(36,558)
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(494)	-	(494)	(868)
NET INCREASE IN CASH AND CASH EQUIVALENTS	407	21,860	22,267	(21,141)
CASH & CASH EQUIV - BEG OF YEAR	22,748	66,445	89,193	110,334
CASH & CASH EQUIV - END OF YEAR	23,155	88,305	111,460	89,193



Single Audit  
Schedule of Expenditures of Federal Awards  
(in thousands)

	<b>June 30, 2018</b>
Received Directly from the Federal Government:	
U.S. Department of Housing and Urban Development	\$ 138,180
U.S. Department of Health and Human Services	43,471
U.S. Department of Energy	1,267
<b>Total Received Directly from the Federal Government</b>	<b>182,918</b>
Passed through the State of Louisiana:	
CDBG Piggyback Program (LA OCD)	2,571
<b>Total Passed through the State of Louisiana</b>	<b>2,571</b>
<b>Total Expenditures of Federal Awards</b>	<b>\$ 185,489</b>



Single Audit  
Programs Tested as Major Programs  
(in thousands)

	<b>June 30, 2018</b>
Major Programs:	
Section 8 Housing Assistance Payments Program	12,838
Low Income Housing Energy Assistance Program (LIHEAP)	43,471
<b>Total of Major Programs</b>	<b>\$ 56,309</b>



## Single Audit Results (General Fund)

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### Auditor's Responsibilities Under Uniform Guidance:

- To report on internal control over compliance related to major programs and report on compliance with laws, regulations, contracts and award agreements.
- Perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls.
- Plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with terms and conditions of federal awards applicable to major programs.

### Results:

- Type of auditor's opinion: Unmodified
- No significant deficiencies nor deficiencies that are considered to be material weaknesses.
- No instances of noncompliance noted.

# Rental Properties

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## Summary of Audit Results (Rental Properties)

	<b>Mid City Gardens</b>	<b>Willowbrook</b>	<b>Village de Jardin</b>
Report on the basic financial statements	Unmodified	Unmodified	Unmodified
Report on Internal Control over Financial Reporting and on Compliance and Other Matters	No Significant Deficiencies or Material Weaknesses	No Significant Deficiencies or Material Weaknesses	No Significant Deficiencies or Material Weaknesses
Compliance with Laws and Regulations	No material violations	No material violations	No material violations



## Rental Properties Significant Audit Areas

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- Cash
- Property and Equipment
- Rental Income
- Personnel Services
- Repairs and Maintenance
- Insurance Expense
- Management Fees

Rental Properties  
Statements of Net Position  
June 30, 2018  
(in thousands)


	Mid City Gardens	Willowbrook	Village de Jardin
Current Assets	\$ 29	\$ 1,865	\$ 635
Security Deposits	17	127	58
Capital Assets	11,441	22,628	42,030
<b>Total Assets</b>	<b>\$11,487</b>	<b>\$ 24,620</b>	<b>\$42,723</b>
Deferred Outflows	-0-	-0-	33
<b>Total Assets and Deferred Outflows</b>	<b>\$11,487</b>	<b>\$ 24,620</b>	<b>\$42,756</b>
Current Liabilities	20	75	24
Security Deposits	17	130	59
<b>Total Liabilities</b>	<b>37</b>	<b>205</b>	<b>83</b>
Deferred Inflows	6	74	21
Net Position	11,444	24,341	42,652
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$11,487</b>	<b>\$ 24 620</b>	<b>\$42,756</b>

Rental Properties  
 Statements of Revenues, Expenses  
 and Changes in Net Position  
 June 30, 2018  
 (in thousands)

	<b>Mid City Gardens</b>	<b>Willowbrook</b>	<b>Village de Jardin</b>
Operating Revenues	\$ 457	\$ 3,586	\$ 1,963
Operating Expenses	1,105	3,339	2,653
<b>Operating Income (Loss)</b>	<b>(648)</b>	<b>247</b>	<b>(690)</b>
Non-Operating Revenue	-	5	-0-
<b>Change in Net Position</b>	<b>(648)</b>	<b>252</b>	<b>(690)</b>
Net Position – Beginning of Year	11,864	25,368	43,778
Contributions from Owner	228	102	113
Distributions to Owner	-	(1,381)	(549)
<b>Net Position – End of Year</b>	<b>\$ 11,444</b>	<b>\$ 24,341</b>	<b>\$ 42,652</b>


Rental Properties  
Statements of Cash Flows  
June 30, 2018  
(in thousands)

<b>Direct Method:</b>	<b>Mid City Gardens</b>	<b>Willowbrook</b>	<b>Village de Jardin</b>
Cash received from Operating Activities	\$ 442	\$ 3,582	\$ 1,970
Cash paid for Operating Activities	(626)	(2,138)	(1,483)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(184)</b>	<b>1,444</b>	<b>487</b>
Net Cash Provided (Used) by Investing Activities	(33)	-	-
Cash Provided (Used) by Non-Capital Financing Activities	227	(1,275)	(436)
Cash flows from Capital Financing Activities	-	(24)	-
<b>Net Change in Cash and Cash Equivalents</b>	<b>10</b>	<b>145</b>	<b>51</b>
Cash and Cash Equivalents – Beginning of Year	10	1,649	575
<b>Cash and Cash Equivalents – End of Year</b>	<b>\$ 20</b>	<b>\$ 1,794</b>	<b>\$ 626</b>



**Rental Properties**  
**Distributions to Owners**  
**For the four years ended June 30, 2018**  
**(in thousands)**

	<b>Mid City Gardens</b>	<b>Willowbrook</b>	<b>Village de Jardin</b>
2018 Distribution to Owners	\$ -	\$ 1,381	\$ 549
2017 Distributions to Owners	-	1,440	652
2016 Distributions to Owners	-	1,296	657
2015 Distributions to Owners	142	1,680	666



Rental Properties  
Contributions From Owners  
For the four years ended June 30, 2018  
(in thousands)

	<b>Mid City Gardens</b>	<b>Willowbrook</b>	<b>Village de Jardin</b>
2018 Contributions From Owners	\$ 228	\$ 102	\$ 113
2017 Contributions From Owners	36	98	109
2016 Contributions From Owners	34	95	105
2015 Contributions From Owners	35	98	109