



# Louisiana Housing Corporation

---

Presentation of the Results of the  
June 30, 2019  
Financial Statement and Compliance Audit

**DHBM**  
certified public  
accountants

Duplantier  
Hrapmann  
Hogan &  
Maher, LLP



# Management's Responsibilities

---

- 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 Responsibilities

---

- 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	One Significant Deficiency No Material Weaknesses
Compliance with Laws and Regulations	One compliance finding



## Planned Scope and Timing of the Audit

---

- We performed the audits according to the planned scope and timing as noted in our communication letter dated July 11, 2019 sent during the planning phase of the audit.



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

---

- 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 Stmt No. 68”
- GASB 72 – “Fair Value Measurement and Application”
- GASB 75 – “Accounting and Financial Reporting for Post Employment Benefits Other than Pensions”



## Significant Accounting Estimates and Judgments (Combined)

---

We evaluated the key factors and assumptions used by management in making accounting estimates and judgments significant to the financial statements

- 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

---

- 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)

---

- 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)

---

- 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



# Findings

---

## Significant Deficiency

- General Ledger (General Fund) – loan receivables which were paid off or no longer collectible were not properly reflected on the general ledger and corresponding loan receivable schedules and reconciliations of various accounts and subledgers were not completed timely and reviewed by management.

## Compliance

- FDIC and Pledged Collateral Coverage - \$449,782 of cash balances were not fully insured with FDIC insurance and/or pledged collateral.

We have no management letter for the year ended June 30, 2019

## Combined Statement of Net Position (in thousands)

	June 30, 2019			June 30, 2018	
	General Fund	Mortgage Revenue Bond Programs	Eliminations	Combined Total	Combined Total
<b>ASSETS:</b>					
<b>Unrestricted assets</b>					
Cash & cash equivalents	2,755	-	-	2,755	1,584
Investments	6,625	-	-	6,625	8,861
Receivables & other	6,087	-	(70)	6,017	4,389
Capital assets	68,656	-	-	68,656	71,323
<b>Restricted assets</b>					
Cash & cash equivalents	24,370	89,532	-	113,902	109,876
Investments	11,968	32,003	-	43,971	28,821
Mortgage loans & mortgage backed securities:					
Single Family (net of allowance)	1,232	224,716	-	225,948	203,050
Multifamily (net of allowance)	170,565	250,200	-	420,765	364,789
Accrued interest/other	63,920	7,991	-	71,911	67,910
Capital assets	10,937	-	-	10,937	11,442
<b>TOTAL ASSETS</b>	<b>367,115</b>	<b>604,442</b>	<b>(70)</b>	<b>971,487</b>	<b>872,045</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>6,470</b>	<b>99</b>	<b>-</b>	<b>6,569</b>	<b>4,903</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 373,585</b>	<b>\$ 604,541</b>	<b>\$ (70)</b>	<b>\$ 978,056</b>	<b>\$ 876,948</b>

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

	June 30, 2019			June 30, 2018	
	General Fund	Mortgage Revenue Bond Programs	Eliminations	Combined Total	Combined Total
<b>LIABILITIES:</b>					
Accounts payable	2,471	340	-	2,811	3,040
Interest payable	-	8,891	-	8,891	8,243
Amounts held in escrow	1,398	40,574	-	41,972	24,187
Bonds/Debentures payable	900	464,819	-	465,719	427,223
Compensated absences	1,207	-	-	1,207	1,178
Due to other govt/funds	2,469	70	(70)	2,469	2,468
Net Pension Obligation	26,735	-	-	26,735	24,138
OPEB	11,020	-	-	11,020	11,223
<b>TOTAL LIABILITIES</b>	<b>46,200</b>	<b>514,694</b>	<b>(70)</b>	<b>560,824</b>	<b>501,700</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	<b>5,931</b>	<b>730</b>	<b>-</b>	<b>6,661</b>	<b>7,782</b>
<b>NET POSITION:</b>					
Net invested in capital assets	68,656	-	-	68,656	71,324
Restricted	280,467	89,117	-	369,584	324,701
Unrestricted	(27,669)	-	-	(27,669)	(28,559)
<b>TOTAL LIABILITIES/DEFERRED INFLOWS &amp; NET POSITION</b>	<b>\$ 373,585</b>	<b>\$ 604,541</b>	<b>\$ (70)</b>	<b>\$ 978,056</b>	<b>\$ 876,948</b>

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

	June 30, 2019			June 30, 2018	
	General Fund	Mortgage Revenue Bond Programs	Eliminations	Combined Total	Combined Totals
<b>OPERATING REVENUES:</b>					
Program fees	\$ 3,011	\$ -	\$ (1,098)	\$ 1,913	\$ 2,311
Federal program admin fees	7,931	-	-	7,931	9,264
Federal project delivery fees	2,515	-	-	2,515	-
Interest/dividend income	814	20,980	-	21,794	21,353
Gain/loss on mortgage securities	206	3,187	-	3,393	(8,786)
Single family fees & other	647	7,621	-	8,268	1,125
<b>TOTAL OPERATING REVENUES</b>	<b>15,124</b>	<b>31,788</b>	<b>(1,098)</b>	<b>45,814</b>	<b>25,267</b>
<b>OPERATING EXPENSES:</b>					
Personnel	11,998	-	-	11,998	9,919
Supplies	475	-	-	475	351
Travel	261	-	-	261	250
Operating services	1,510	-	-	1,510	1,565
Professional services	2,476	-	-	2,476	2,103
Interest expense	-	15,376	-	15,376	15,715
G&A	-	3,592	(1,098)	2,494	39
Deprecation	277	-	-	277	365
<b>TOTAL OPERATING EXPENSES</b>	<b>16,997</b>	<b>18,968</b>	<b>(1,098)</b>	<b>34,867</b>	<b>30,307</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,873)</b>	<b>12,820</b>	<b>-</b>	<b>10,947</b>	<b>(5,040)</b>

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

	June 30, 2019			June 30, 2018	
	General Fund	Mortgage Revenue Bond Programs	Eliminations	Combined Total	Combined Total
<b>NON-OPERATING REVENUES/ (EXPENSES)</b>					
Amortization	59	-	-	59	155
Federal grants drawn	201,447	-	-	201,447	185,182
Federal grants disbursed	(175,181)	-	-	(175,181)	(176,703)
Interest expense	(482)	-	-	(482)	(32)
Net loss from rental property restr/unrestr	(1,063)	-	-	(1,063)	(1,086)
Provision for loan loss	2,692	-	-	2,692	(2,655)
Program income	1	-	-	1	818
Restricted investment income	4,577	-	-	4,577	5,067
Investment income - Workforce Initiative	108	-	-	108	70
<b>TOTAL NON OPERATING REV/(EXP)</b>	<b>32,158</b>	<b>-</b>	<b>-</b>	<b>32,158</b>	<b>10,816</b>
<b>INCOME (LOSS) BEFORE DISTRIBUTION</b>	<b>30,285</b>	<b>12,820</b>	<b>-</b>	<b>43,105</b>	<b>5,776</b>
<b>TRANSFERS TO/FROM</b>	<b>(705)</b>	<b>705</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DISTRIBUTION TO THIRD PARTIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(304)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 29,580</b>	<b>\$ 13,525</b>	<b>\$ -</b>	<b>\$ 43,105</b>	<b>\$ 5,472</b>

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

	June 30, 2019			June 30, 2018
	General Fund	Mortgage Revenue Bond Programs	Combined Total	
Change in Net Position	29,580	13,525	43,105	5,472
NET POSITION - Beg of Year, before restatement	291,874	75,592	367,466	365,237
Net effect of change in accounting principle	-	-	-	(3,243)
NET POSITION - End of year	<u>\$ 321,454</u>	<u>\$ 89,117</u>	<u>\$ 410,571</u>	<u>\$ 367,466</u>

# Combined Statement of Cash Flows

(in thousands)

	June 30, 2019			June 30,
	General	Mortgage	Combined	2018
	Fund	Revenue	Total	Combined
		Bond		Total
		Programs		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
<b>Cash received from:</b>				
Fee revenue	\$ 23,920	\$ -	\$ 23,920	\$ 11,290
Interest/dividend	514	20,183	20,697	20,750
Mortgage collections & redemptions	443	68,739	69,182	125,821
Other	-	7,630	7,630	339
<b>Cash paid to:</b>				
Suppliers of service	(5,202)	(3,599)	(8,801)	(5,782)
Mortgage loans issued & purchased	(1,945)	(122,460)	(124,405)	(46,353)
Interest paid on bonds	-	(15,086)	(15,086)	(15,493)
Other operating expenses	-	(14)	(14)	(11)
Employees & benefit providers	(12,186)	-	(12,186)	(11,062)
<b>NET CASH PROVIDED(USED) IN OPERATIONS</b>	<b>\$ 5,544</b>	<b>\$ (44,607)</b>	<b>\$ (39,063)</b>	<b>\$ 79,499</b>

# Combined Statement of Cash Flows - Continued

(in thousands)

	June 30, 2019			June 30,
	General	Mortgage	Combined	2018
	Fund	Revenue	Total	Combined
		Bond		Total
		Programs		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Distribution to third parties	\$ -	\$ -	\$ -	\$ (304)
Net transfers to/from MRB	(705)	705	-	-
Receipt of federal grants	191,734	-	191,734	187,579
Disbursement of federal grants	(175,181)	-	(175,181)	(176,704)
Mortgage collections	4,137	-	4,137	5,371
Mortgage purchases	(26,374)	-	(26,374)	(10,202)
Other non-operating receipts	4,188	-	4,188	1,286
Issuance of bonds	-	130,862	130,862	54,544
Repayment of bonds	(2,325)	(89,733)	(92,058)	(102,800)
Net change in escrow	(779)	18,565	17,786	(36,165)
Interest paid on bonds/debentures	(482)	-	(482)	(32)
<b>NET CASH PROVIDED (USED) IN NON CAPITAL FINANCING ACTIVITIES</b>	<b>\$ (5,787)</b>	<b>\$ 60,399</b>	<b>\$ 54,612</b>	<b>\$ (77,427)</b>

# Combined Statement of Cash Flows - Continued

(in thousands)

	June 30, 2019			June 30,
	General	Mortgage	Combined	2018
	Fund	Revenue	Total	Combined
		Bond		Total
		Programs		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investments purchased	\$ (25,959)	\$ (41,801)	\$ (67,760)	\$ (26,014)
Investments redeemed	28,245	27,236	55,481	44,055
Interest payments received	127	-	127	661
Net change in activity - rental properties	1,945	-	1,945	1,987
<b>NET CASH PROVIDED BY (USED IN) NON CAPITAL FINANCING ACTIVITIES</b>	<b>4,358</b>	<b>(14,565)</b>	<b>(10,207)</b>	<b>20,689</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Purchase of property and equipment	(1)	-	(1)	(44)
Repayment of bonds	(145)	-	(145)	(450)
<b>NET CASH USED IN CAPITAL FINANCING ACTIVITIES</b>	<b>(146)</b>	<b>-</b>	<b>(146)</b>	<b>(494)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,969</b>	<b>-</b>	<b>5,196</b>	<b>22,267</b>
<b>CASH &amp; CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>3,969</b>	<b>-</b>	<b>5,196</b>	<b>22,267</b>
<b>CASH &amp; CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 27,125</b>	<b>\$ -</b>	<b>\$ 116,657</b>	<b>\$ 111,460</b>

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

	<b>June 30, 2019</b>
Received Directly from the Federal Government:	
U.S. Department of Housing and Urban Development	\$ 141,241
U.S. Department of Health and Human Services	38,661
U.S. Department of Energy	1,109
<b>Total Received Directly from the Federal Government</b>	<b>181,011</b>
Passed through the State of Louisiana:	
LA Office of Community Development - CDBG Disaster Funds	17,488
LA Office of Community Development - CDBG NRPP	1,421
LA Office of Community Development - CDBG Piggyback Program	2,609
Admin	3,164
<b>Total Passed through the State of Louisiana</b>	<b>24,682</b>
<b>Total Expenditures of Federal Awards</b>	<b>\$ 205,693</b>



Single Audit  
Programs Tested as Major Programs  
(in thousands)

---

	<b>June 30, 2019</b>
Major Programs:	
Section 8 Housing Assistance Payments Program	\$ 105,948
Community Development Block Grant (CDBG)	24,682
HOME Investment Partnership Program	6,307
<b>Total of Major Programs</b>	<b>\$ 136,937</b>



# Single Audit Results (General Fund)

---

## 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

---



# 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  
Condensed Statements of Net Position  
June 30, 2019  
(in thousands)

	<b>Mid City Gardens</b>	<b>Willowbrook</b>	<b>Village de Jardin</b>
Current Assets	\$ 66	\$ 1,946	\$ 699
Security Deposits	15	129	58
Capital Assets	10,937	21,482	40,784
<b>Total Assets</b>	<b>11,018</b>	<b>23,557</b>	<b>41,541</b>
Deferred Outflows	-0-	-0-	4
<b>Total Assets and Deferred Outflows</b>	<b>\$ 11,018</b>	<b>\$ 23,557</b>	<b>\$41,545</b>
Current Liabilities	17	153	81
Security Deposits	14	131	58
<b>Total Liabilities</b>	<b>31</b>	<b>284</b>	<b>139</b>
Deferred Inflows	2	21	17
Net Position	10,985	23,252	41,389
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$11,018</b>	<b>\$ 23,557</b>	<b>\$41,545</b>

**Rental Properties**  
**Condensed Statements of Revenues, Expenses**  
**and Changes in Net Position**  
**June 30, 2019**  
 (in thousands)

	<b>Mid City Gardens</b>	<b>Willowbrook</b>	<b>Village de Jardin</b>
Operating Revenues	\$ 495	\$ 3,507	\$ 1,968
Operating Expenses	1,119	3,249	2,781
<b>Operating Income (Loss)</b>	<b>(624)</b>	<b>258</b>	<b>(813)</b>
Non-Operating Revenue	-0-	116	-0-
<b>Change in Net Position</b>	<b>(624)</b>	<b>374</b>	<b>(813)</b>
Net Position – Beginning of Year	11,444	24,341	42,652
Contributions from Owner	165	100	126
Distributions to Owner	-0-	(1,563)	(576)
<b>Net Position – End of Year</b>	<b>\$ 10,985</b>	<b>\$ 23,252</b>	<b>\$ 41,389</b>

Rental Properties  
Condensed Statements of Cash Flows  
June 30, 2019  
(in thousands)

<b>Direct Method:</b>	<b>Mid City Gardens</b>	<b>Willowbrook</b>	<b>Village de Jardin</b>
Cash received from Operating Activities	\$ 477	\$ 3,509	\$ 1,959
Cash paid for Operating Activities	(608)	(2,012)	(1,448)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(131)</b>	<b>1,497</b>	<b>511</b>
Net Cash Provided (Used) by Investing Activities	-0-	-0-	-0-
Cash Provided (Used) by Non-Capital Financing Activities	165	(1,347)	(450)
Cash flows from Capital Financing Activities	-0-	(7)	-0-
<b>Net Change in Cash and Cash Equivalents</b>	<b>34</b>	<b>143</b>	<b>61</b>
Cash and Cash Equivalents – Beginning of Year	21	1,794	626
<b>Cash and Cash Equivalents – End of Year</b>	<b>\$ 55</b>	<b>\$ 1,937</b>	<b>\$ 687</b>



**Rental Properties**  
**Distributions to Owners**  
 For the four years ended June 30, 2019  
 (in thousands)

	<b>Mid City Gardens</b>	<b>Willowbrook</b>	<b>Village de Jardin</b>
2019 Distributions to Owners	\$ -	\$ 1,563	\$ 576
2018 Distributions 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, 2019  
 (in thousands)

	<b>Mid City Gardens</b>	<b>Willowbrook</b>	<b>Village de Jardin</b>
2019 Contributions From Owners	\$ 165	\$ 101	\$ 126
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