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**LOUISIANA HOUSING FINANCE AGENCY**

**FINANCIAL STATEMENTS**

**JUNE 30, 1989**

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LOUISIANA HOUSING FINANCE AGENCY

FINANCIAL STATEMENTS

JUNE 30, 1999



LOUISIANA HOUSING FINANCE AGENCY

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
 Louisiana Housing Finance Agency  
 Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Louisiana Housing Finance Agency's General Fund, a component unit of the State of Louisiana, as of June 30, 1999 and 1998. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Louisiana Housing Finance Agency's General Fund and are not intended to present fairly the combined financial position, combined results of operations, or the combined cash flows of the Louisiana Housing Finance Agency's mortgage revenue bond programs in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Louisiana Housing Finance Agency's General Fund as of June 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 17, 1999, on our consideration of the Louisiana Housing Finance Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*PricewaterhouseCoopers*

Baton Rouge, Louisiana  
 September 13, 1999



**LOUISIANA HOUSING FINANCE AGENCY**

**BALANCE SHEETS  
JUNE 30, 1999 AND 1998**

**ASSETS**

	<u>1999</u>	<u>1998</u>
CASH AND CASH EQUIVALENTS	\$ 3,291,796	\$ 2,382,413
INVESTMENTS	21,976,700	19,429,158
SECURITIZED MORTGAGE LOANS	18,778,648	-
ACCRUED INTEREST RECEIVABLE	453,812	381,861
DUE FROM GOVERNMENTS	-	678,186
RECEIVABLES	78,591	78,108
OTHER ASSETS	68,528	63,779
DUE FROM OTHER PROGRAMS	608,375	683,615
PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$413,499 and \$312,622, respectively)	<u>1,351,265</u>	<u>291,867</u>
	<u>47,531,881</u>	<u>23,889,601</u>
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	4,493,133	4,329,658
Investments	352,117	342,115
Mortgage loans receivable (net of reserve for credit losses of \$8,710,179 and \$8,887,886, respectively)	33,414,488	33,695,832
Accrued interest receivable	3,714,908	1,551,880
Receivables - rental property	3,675	19,589
Property and equipment - rental property	1,387,266	2,042,453
Other assets - rental property	56,866	14,081
	<u>49,523,146</u>	<u>42,953,608</u>
<b>Total Assets</b>	<u>\$ 97,055,027</u>	<u>\$ 66,843,209</u>

The accompanying notes are an integral part of these statements.



**LIABILITIES AND FUND BALANCE**

	<u>1989</u>	<u>1988</u>
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 116,087	\$ 465,362
COMPENSATED ABSENCE PAYABLE	118,658	85,895
BORROWED FUNDS	79,090,800	-
ACCRUED INTEREST PAYABLE	74,511	-
DEFERRED INCOME	<u>1,181,407</u>	<u>1,179,192</u>
	<u>28,589,581</u>	<u>1,652,749</u>
RESTRICTED LIABILITIES		
Due to Movements	228,417	267,997
Deferred income	73,428	87,881
Trusts: security deposits and accrued liabilities - rental property	210,818	691,830
Accounts payable	<u>15,891</u>	<u>31,386</u>
	<u>528,554</u>	<u>1,041,094</u>
TOTAL LIABILITIES	<u>21,138,261</u>	<u>2,694,793</u>
FUND BALANCE:		
Restricted - Fiscal programs	42,570,652	37,478,386
Restricted - rental property operations	5,172,158	4,435,681
Unrestricted	<u>19,741,482</u>	<u>21,265,879</u>
	<u>67,484,292</u>	<u>63,180,946</u>
 Total Liabilities and Fund Balance	 <u>\$ 88,622,553</u>	 <u>\$ 65,875,739</u>



## LOUISIANA HOUSING FINANCE AGENCY

Page 1 of 2

**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEARS ENDING JUNE 30, 1992 AND 1991**

	1992	1991
<b>OPERATING REVENUES</b>		
HUD program income fees	\$ 1,879,831	\$ 918,584
Low income housing tax credit program fees	867,437	478,798
Commitment and loan fee income	298,387	383,882
Compliance and application fees	235,936	193,532
Federal program administrative fees	1,388,822	1,054,329
Other income	90,122	33,596
Mortgage loan income	(512,617)	-
Investment income	1,163,381	1,482,928
	<u>4,300,859</u>	<u>4,458,728</u>
<b>OPERATING EXPENSES</b>		
Personnel services	1,425,512	1,196,048
Supplies	69,876	53,388
Taxes	84,266	114,587
Operating services	297,640	463,876
Professional services	211,948	683,570
Interest expense	425,134	-
Depreciation	58,827	86,407
	<u>2,773,103</u>	<u>2,527,884</u>
<b>EXCESS REVENUE OVER EXPENSES FROM OPERATIONS</b>	<u>1,527,756</u>	<u>1,930,844</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Miscellaneous income	122,795	388,913
Reinstated mortgage loan interest income	1,271,298	754,172
Federal grant revenue	32,329,339	9,508,764
Federal grant funds passed through to subrecipients	(2,125,473)	(2,054,818)
Homeless assistance payments (HOME Program)	(4,438,829)	(4,793,798)
Provision for loan losses	(296,709)	(308,746)
Contributions to other housing authorities and nonprofit agencies	(416,342)	(187,688)
Net income from rental property	1,431,217	1,484,845
	<u>6,128,831</u>	<u>5,492,048</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>7,656,571</u>	<u>7,422,892</u>

The accompanying notes are an integral part of these statements.





LOUISIANA HOUSING FINANCE AGENCY

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STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1999 AND 2000

	<u>1999</u>	<u>2000</u>
<u>FUND BALANCE</u> - Beginning of year	\$ 64,180,826	\$ 55,231,120
Net realized equity transactions from LHA, HFOI programs	<u>2,731,648</u>	<u>3,519,179</u>
<u>FUND BALANCE</u> - End of year	<u>\$ 66,912,474</u>	<u>\$ 58,750,299</u>

The accompanying notes are an integral part of these statements.



**LOUISIANA HOUSING FINANCE AGENCY**

Page 1 of 2

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess revenues after expenses from operations	\$ 1,392,116	\$ 1,206,874
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:		
Depreciation	79,617	86,417
Net change in unrealized gains or loss on investments	119,781	(3,844)
Net change in unrealized gains or loss on securities/mortgage loans	1,245,365	-
Change in accrued interest receivable	(99,112)	(128,894)
Change in due from governments	679,186	26,246
Change in due from MCO programs	999,873	(121,489)
Change in accounts payable	(41,998)	(22,743)
Change in compensated absences payable	24,500	34,108
Change in deferred income	(284,608)	(173,933)
Change in other assets	(6,015)	(17,886)
Change in accrued interest payable	74,519	-
Mortgage loans purchased/(sold) of grants)	(8,711,657)	3,663,723
Securities/mortgage loans purchased	(11,242,819)	-
Securities/mortgage loans principal payments	256,998	-
Collections of mortgage loans	607,815	589,418
Net cash used in operating activities	<u>(11,075,841)</u>	<u>(1,205,035)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Net received equity transfers from other programs	2,113,648	1,519,716
Receipts from federal grants	18,090,576	9,622,888
Rebates/credits of federal grants not capitalized	(9,394,582)	(6,750,814)
Rebate amounts for other housing activities and non-profit organizations	211,000	(167,489)
Change in short-term borrowing	19,790,000	-
Other non-operating income	-	385,286
Net cash provided by noncapital financing activities	<u>(5,964,247)</u>	<u>4,399,587</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments purchased	(32,018,414)	(25,784,816)
Investments redeemed	17,457,579	23,188,998
Net cash from investing activities	<u>(14,560,835)</u>	<u>(2,595,818)</u>
Net cash used in investing activities	<u>(14,560,835)</u>	<u>(2,595,818)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Purchase of property and equipment	(255,265)	(172,588)
Net cash used in capital financing activities	<u>(255,265)</u>	<u>(172,588)</u>

The accompanying notes are an integral part of these statements.



## LOUISIANA HOUSING FINANCE AGENCY

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STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,108,648	\$ (678,571)
CASH AND CASH EQUIVALENTS, beginning of year	<u>6,412,210</u>	<u>7,090,781</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 7,520,858</u>	<u>\$ 6,412,210</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 318,021</u>	<u>\$ _____</u>

The accompanying notes are an integral part of these statements.



## LOUISIANA HOUSING FINANCE AGENCY

### NOTES TO FINANCIAL STATEMENTS

#### 1. Organization of the Agency

The Louisiana Housing Finance Agency (the Agency) is a political subdivision and instrumentality of the State of Louisiana established in 1958 pursuant to the Louisiana Housing Finance Act contained in Chapter 1-A of Title 48 of the Louisiana Revised Statutes of 1918, as amended. The initial enabling legislation and subsequent amendments grant the Agency the authority to undertake various programs to assist in the financing of housing needs in the state of Louisiana for persons of low and moderate incomes by issuing evidence of indebtedness to obtain funds for accomplishing its authorized public functions.

In accordance with the above legislation, the powers of the Agency are vested in a Board of Commissioners which is empowered to contract with outside parties to conduct the operations of the programs it initiates. For the Mortgage Revenue Bond programs, the Agency utilizes mortgage lenders in the State of Louisiana to originate and service mortgage and construct low loans acquired under its single family and multifamily programs. The Agency also utilizes various banking institutions to serve as trustee for each of its bond programs and each trustee bank has the fiduciary responsibility for the custody and investment of program funds.

#### 2. Significant Accounting Policies

##### a. Basis of Accounting and Reporting

The Agency complies with Generally Accepted Accounting Principles (GAAP). The Agency applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. As the Agency's general fund and its mortgage revenue bond programs are considered to be proprietary funds, the Agency also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

GASB Codification Section 2000 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The accompanying statements present only transactions of the Louisiana Housing Finance Agency's General Fund, determined to be a component unit of the State of Louisiana. The Agency's "General Fund" refers to the fund that accounts for the Agency's general operating activities and is not meant to denote a governmental type general fund of a primary government.

Annually, the Louisiana Housing Finance Agency issues combined financial statements which include the activity contained in the accompanying financial statements, along with the Agency's Mortgage Revenue Bond Programs.

Annually, the State of Louisiana issues general purpose financial statements which include the activity contained in the accompanying financial statements. The general purpose financial statements are issued by the Louisiana Division of Administration-Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

The Funds of the Agency are proprietary fund types. Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful for sound financial administration. The generally accepted accounting principles ("GAAP") used for



## LOUISIANA HOUSING FINANCE AGENCY

### NOTES TO FINANCIAL STATEMENTS

#### 2. Significant Accounting Policies (continued)

##### a. Basis of Accounting and Reporting (continued)

proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they were earned and expenses are recognized in the period incurred. Significant accounting policies consistently followed by the Agency in preparing its financial statements include:

##### b. Fund Accounting

**General Fund** - This fund provides for the accounting of general and administrative expenses of the Agency, any allowable transfers from other funds, investment interest income, and various types of fees and federal program transactions. Funds transferred from the Agency's Mortgage Revenue Bond programs are generally restricted and may be utilized for any lawful purpose of the Agency.

The following sub-funds of the General Fund have been combined with the General Fund for financial reporting:

- **Housing Assistance** - This fund accounts for the pass-through federal funds of the Section 8 Housing Assistance Payments Program, which the Agency administers on behalf of the U.S. Department of Housing and Urban Development.
- **Rental Properties** - This fund provides the accounting of the operations of low-income multifamily projects which are owned by the Agency.

All interfund balances and activities between these sub-funds and the General Fund have been eliminated.

##### c. Loan Loss

Loan loss are deferred and amortized using a method that approximates the interest method over the contractual life of the related loans, except for single family fixed-rate mortgage loans. Due to anticipated prepayments, fixed-rate single family loans (generally made for a contractual 30-year term) are amortized over an estimated 12-year economic life. In the event an extraordinary mandatory redemption occurs due to mortgage loans not being originated, deferred loss (as a pro-rata share of uncollected mortgage loans) are recognized immediately as revenue.

##### d. Investments and Securitified Mortgage Loans

During the year ended June 30, 1998, the Agency adopted Governmental Accounting Standards Board Statement 31, "Accounting and Financial Reporting for Certain Investments and External Investment Funds" which requires certain types of investment securities to be carried at fair value as defined. Under this statement, the Agency carries all debt securities with an original term of greater than 90 days at fair value. The change in fair value of such securities is recognized as revenue as a component of investment income for U. S. Treasury securities; as a component of mortgage loan interest for GIMA securities.



**LOUISIANA HOUSING FINANCE AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

**2. Significant Accounting Policies (continued)**

**a. Allowance for Loan Losses**

The allowance is established at a level adequate to absorb probable losses. Management determines the adequacy of the allowance based upon reviews of groups of credits, loss experience of similar type loans, current and future estimated economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. Loans deemed uncollectible are charged to the allowance. Provisions for loan losses and recoveries on loans previously charged off are added to the allowance.

**b. Fixed Assets**

The Agency's major classes of fixed assets consist of land, equipment and automobiles. Equipment and automobiles are recorded at cost, less accumulated depreciation and depreciated over their estimated useful lives using the straight-line method. Land is recorded at cost.

**c. Estimates**

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

**3. Cash, Investments and Secured Mortgage Loans**

For reporting purposes, cash and cash equivalents include cash on hand, financial institution deposits and all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are stated at cost, which approximates market value. Under state law the Louisiana Housing Finance Agency may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Agency may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Under Louisiana Revised Statute of 1958, as amended, the Agency may invest in obligations of the U. S. Treasury, agencies, and instrumentalities, repurchase agreements, and other investments as provided by the statute mentioned above.



**LOUISIANA HOUSING FINANCE AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

**3. Cash, Investments and Securitized Mortgage Loans (continued)**

The Louisiana Housing Finance Agency had cash and cash equivalents totaling \$7,758,893 and \$6,412,213 at June 30, 1999 and 1998 which included bank deposits of \$1,728,133 and \$2,000,856, respectively. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the Federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of subledger receipts held by the State Treasurer. The bank deposits were secured as follows:

	<u>1999</u>	<u>1998</u>
Carrying amount	\$ 1,728,133	\$ 2,000,856
Bank Balances:		
Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	\$ 457,961	\$ 308,080
Collateralized with securities held by pledging financial institution or its trust department or agent in the entity's name	<u>1,268,117</u>	<u>1,692,774</u>
<b>Total Bank Balances</b>	<u>\$ 1,816,078</u>	<u>\$ 2,000,854</u>

Investment securities classified as cash and cash equivalents of \$6,830,768 and \$4,880,797 at June 30, 1999 and 1998, respectively, as well as \$12,122,988 and \$19,971,674 classified as investments, respectively, consist primarily of short-term U.S. Government securities held by various trust accounts. Securitized mortgage loans of \$49,778,649 at June 30, 1999 consisted of Single Family Program loans that have been pooled and securitized into GNMA and FNMA securities. These securities are held by the broker or dealer's trust department or agent, but not in the Agency's name (GAASB category 2). Interest rates on investments, cash equivalents, and securitized mortgage loans ranged from 4.8% to 7.65% at June 30, 1999.

Components of investment income are as follows for the year ended June 30:

	<u>1999</u>	<u>1998</u>
Interest income	\$ 1,484,942	\$ 1,409,083
Change in fair value of securities	<u>(1,159,380)</u>	<u>11,846</u>
	<u>\$ 325,562</u>	<u>\$ 1,420,929</u>



## LOUISIANA HOUSING FINANCE AGENCY

## NOTES TO FINANCIAL STATEMENTS

## 3. Cash, Investments and Secured Mortgage Loans (continued)

Components of mortgage loan interest income are as follows for the year ended June 30, 1999:

Interest income	\$ 721,778
Change in fair value of GNMA and FNMA securities	( 1,236,392)
	<u>\$ (514,614)</u>

Net unrealized gains or (losses) on securities held at June 30:

	1999	1998
U. S. Treasury securities	(\$ 210,588)	\$ 189,193
GNMA and FNMA securities	( 1,236,392)	-
	<u>(\$ 1,025,804)</u>	<u>\$ 189,193</u>

## 4. Notes and Bonds Payable

The Agency issues revenue bonds to assist in the financing of housing needs in the state of Louisiana. The bonds are limited obligations of the Agency, payable only from the income, revenues and receipts derived from the mortgage loans and other investments held under and pursuant to the trust indentures and pledged therefor. The bonds do not constitute an obligation, either general or special, of the State of Louisiana, any municipality or any other political subdivision of the State. Bonds issued by the Agency for which the Agency and the State have no responsibility for repayment are not recorded in the accompanying financial statements. Accordingly, the Agency has revenue bonds outstanding in thirty-eight bond programs totaling approximately \$870 million at June 30, 1999. Bonds that were outstanding at June 30, 1999 include:

Bond Issue	Interest Rate	Date Issued	Maturity Dates	In Thousands		
				Amount Issued	Retired to Date	Outstanding at 6/30/99
1988 Single Family	7.8%	12/01/87	12/31/98	300,000	(\$ 14,871)	\$ 285,129
1990 Single Family	7.8%	09/14/90	09/30/13	95,000	( 88,000)	7,000
1990B Single Family	6.9%	11/27/91	09/30/13	27,500	( 25,844)	1,656
1992 Single Family	6.0-7.0%	09/30/92	Various	9,617	( 6,587)	3,030
1992A <sub>1</sub> Single Family	4.4-6.9%	09/30/92	Various	5,800	( 1,500)	3,300
1992A <sub>2</sub> /B <sub>1</sub> Single Family	4.65-6.8%	09/21/94	Various	15,000	( 4,973)	10,027
1992A <sub>2</sub> /B <sub>2</sub> Single Family	4.6-6.6%	04/23/93	Various	13,000	( 3,870)	9,130
1994B Single Family	4.3-8.0%	09/01/94	Various	95,482	( 3,873)	91,609
1995A <sub>1</sub> /A <sub>2</sub> Single Family	4.5-7.0%	04/01/95	Various	28,014	( 23,800)	4,214
1995C <sub>1</sub> /C <sub>2</sub> Single Family	5.1-6.65%	12/01/95	Various	23,723	( 17,777)	5,946
1996B <sub>1</sub> -B <sub>4</sub> Single Family	4.1-4.3%	04/11/96	Various	36,483	( 3,573)	32,910
1998C <sub>1</sub> -C <sub>2</sub> Single Family	3.9-6.0%	09/01/98	Various	67,465	( 23,273)	44,192
1999A <sub>1</sub> -A <sub>2</sub> Single Family	3.75-6.75%	01/01/99	Various	83,833	( 29,963)	53,870
1997B <sub>1</sub> -B <sub>2</sub> Single Family	6.0-6.75%	09/30/97	Various	43,141	( 1,619)	41,522
1997C <sub>1</sub> -C <sub>2</sub> Single Family	4.3-5.75%	11/91/97	Various	46,946	( 1,394)	45,552





**LOUISIANA HOUSING FINANCE AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

**4. Notes and Details Payable (continued)**

Bond Issue	Interest Rate	Date Issued	Maturity Date	In Thousands		
				Amount Issued	Retired to Date	Outstanding at 03/31/99
1988A (-A) Single Family	4.1-6.4%	05/01/88	Various	\$ 49,708	(\$ 1,881)	\$ 48,783
1988B (-B) Single Family	4.0-6.2%	08/01/88	Various	78,333	0	78,333
1990A (-A) Single Family	3.4-5.8%	02/15/90	Various	21,874	0	21,874
1988 Deane Dixon Single Family	Various	11/05/88	01/31/98	39,843	( 9,966)	39,847
1988D Multi-Family	3.2%	04/11/88	Various	19,855	( 485)	19,390
1988 K.L. Multi-Family	9.8%	06/10/88	08/31/13	850	( 185)	665
1988 P.L. Multi-Family	4.8-8.8%	12/01/88	Various	1,238	( 60)	1,198
1989 T.A. Multi-Family	3.4%	09/01/89	01/31/18	450	( 19)	340
1990 W.V. Multi-Family	7.8%	04/01/90	Various	3,745	( 211)	3,532
1990 W.V.B. Multi-Family	1.6-8.8%	03/01/91	Various	3,715	( 19)	3,695
1991A&B Multi-Family	3.4-8.5%	12/01/91	Various	9,700	( 98)	9,700
1992 P.D. Multi-Family	5.0-10.0%	03/01/92	Various	19,700	( 2,761)	16,939
1992 E.P. Multi-Family	3.5-11.0%	03/01/92	Various	3,678	( 288)	3,470
1993A&B Multi-Family	4.4-6.2%	05/01/93	Various	10,999	( 609)	9,990
1993 T.T. Multi-Family	4.5-6.3%	12/01/93	Various	7,817	( 388)	7,667
1993 W.M. Multi-Family	7.1%	07/03/93	Various	3,736	( 44)	3,730
1994 S.L.B. Multi-Family	7.8%	04/01/94	Various	3,217	( 166)	3,021
1995A&B L.A. W. Multi-Family	4.0-9.8%	02/01/95	Various	11,499	( 6,897)	4,683
1995A S.D.A.L. Multi-Family	3.8-7.8%	03/01/95	Various	8,488	( 121)	8,367
1995 A.L.F. Multi-Family	8%	02/11/95	01/31/25	19,845	( 741)	18,383
1997 M.S. Multi-Family	3.25-6.2%	03/01/97	Various	6,878	( 136)	6,842
1998A Multi-Family	3.125-9.0%	02/01/98	01/31/98	9,800	( 71)	9,830
1998 S.V. Multi-Family	5.75-8.5%	08/01/98	Various	4,220	0	4,220
				<u>\$ 456,580</u>	<u>(\$ 28,111)</u>	<u>\$ 428,469</u>

**Borrowed Funds**

The Agency has entered into an agreement with the Federal Home Loan Bank (FHLB) which allows advances up to \$10 million to be obtained for the purpose of funding the purchase of zero-coupon mortgage loans of the 1988A, A3 and 1990A, A3 Single Family Programs. These borrowed funds which totaled \$19,190,000 as June 30, 1999, will mature on December 1, 1999, are insured as an interim source of funds that will be repaid with proceeds of the issuance of 1998A, A3 and 1998A, A3 forward delivery bonds on December 1, 1999. All advances bear interest at the overnight liquidity rate of the FHLB which ranged from 4.89% to 5.25% during the fiscal year ended 1999. Mortgage backed securities with a market value of \$19,778,641 are pledged as collateral against these borrowings.



**LOUISIANA HOUSING FINANCE AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

**3. Federal Financial Assistance:**

**Section 8 Program**

In connection with the Series 1991AAR Multifamily Mortgage Revenue Bond Program, the Agency entered into a Housing Assistance Program (HAP) contract with the Department of Housing and Urban Development (HUD) as authorized under Section 8 of the United States Housing Act of 1937, as amended. Under the contract, the Agency serves as an agent for HUD by distributing HAP funds to the housing project owners. HAP revenues was \$1,819,000 and \$1,991,808 and pass-through disbursements were \$2,028,680 and \$1,998,088 for the years ended June 30, 1989 and 1990, respectively.

**HOME Program**

The Agency has also entered into a partnership agreement on behalf of the State of Louisiana with HUD under the HOME Investment Partnership Program as authorized by Title II of the National Affordable Housing Act. Under the agreement, the Agency administers and distributes funding to be used for a variety of low income housing activities. These activities and the types of funding provided are as follows:

<b>Activity</b>	<b>Funding Form</b>
a) Rehabilitation and new construction of low-income multi-family rental complexes	Low interest housing loans
b) Rehabilitation of structures for low-income homeowners	Grants
c) First year operating expenses for community housing development organizations (CHDOs)	Grants
d) Single Family homebuyer assistance	Low interest, non interest housing loans and grants.

The Agency received \$9,687,467 and \$6,453,296 in grant revenue and disbursed a total of \$18,186,680 and \$8,489,210 for 1989 and 1990, respectively, in connection with the HOME program. Of the amount received, \$1,186,842 and \$1,854,555, respectively, were for fees earned by the Agency to cover costs of administration of the program.



**LOUISIANA HOUSING FINANCE AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

**6. Board of Commissioners Expenses:**

The appointed members of the Agency's Board of Commissioners receive a per diem payment for meetings attended and services rendered, and are also reimbursed for their actual expenses incurred in the performance of their duties as Commissioners. For the year ended June 30, 1998, the following per diem payments were made by the members of the Agency's Board and are included in general and administrative expenses:

Robert Austin	\$	450
David Bell		300
Michael Domingue		400
Elena Hunter		200
Debra White (Lockwood)		300
Louis C. McKnight, III		300
Phillip Miller		450
Gregory Morin		500
Albert S. Pappalardo		500
W. E. Tucker, Jr.		500
		\$ 4,850

**7. Retirement Benefits**

Substantially all of the employees of the agency belong to the Louisiana State Employees' Retirement System, a single employer, defined benefit pension plan. The System is a statewide public employee retirement system and is available to all eligible employees. The System publishes annual financial reports which include detailed historical, financial, and actuarial information. The Agency contributed approximately \$211,286 and \$116,026 to the system during 1997 and 1998, respectively.

**8. Fixed Assets**

A summary of changes in fixed assets is as follows:

	Balance June 30, 1997	Additions	Deletions	Balance June 30, 1998
Fixed assets (net)	\$ 686,489	\$ 956,268	(3 - )	\$ 1,642,754
Accumulated depreciation	( 312,622)	( 98,822)	( - )	( 411,444)
	\$ 373,867	\$ 857,446	(3 - )	\$ 1,231,309



**LOUISIANA HOUSING FINANCE AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

**9. Commitments and Contingencies**

In the ordinary course of business, the Agency has various outstanding commitments and contingent liabilities that are not reflected in the accompanying financial statements. In addition, the Agency is a defendant in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial condition of the Agency.

The Agency currently leases its operating location. The original lease term was for three years with an option to renew for five one year periods. In July 1996, the lease was amended to alter the terms to a month-to-month basis. The Agency will be required to give thirty days notice prior to ending the lease.

Rent expense to the Agency for the years ended June 30, 1999 and 1998 totaled \$110,800 and \$60,800, respectively.

The Agency has purchased land for \$691,000, upon which it intends to construct a new building to be used as an operating location. Plans are currently being designed by architects, however, no contract has been executed for construction.

**Cooperative Endorsement Agreements**

The Agency has entered into Cooperative Endorsement Agreements with several local housing authorities within Louisiana whereby the Agency may refund scheduled maturities and redemptions due to payments for previously issued bonds of the local authority. In return, the Agency receives a like sum of funds from the local authority that would have been used to fund the bond calls and redemptions, and uses these funds to originate new mortgage loans in the respective geographic region. Bonds selected under the Cooperative Endorsement Agreements for the fiscal year ended June 30, 1999 were as follows:

Denham Springs Housing Finance Authority	\$ 1,205,000
Shreveport Home Mortgage Authority	5,119,827
Lafayette Public Trust Authority	1,400,000
Monroe Housing Authority	<u>918,000</u>
	<u>\$ 8,642,827</u>



LOUISIANA HOUSING FINANCE AGENCY

NOTES TO FINANCIAL STATEMENTS

10. HUD-Designated Properties

The Agency was the owner of five low-income multifamily rental properties during the years ended June 30, 1998 and 1999. These properties were purchased from the U.S. Department of Housing and Urban Development (HUD) at a cost of \$1 each. Included in the target population are Section 8 qualified persons for which the Agency receives housing assistance payments. As owner of these properties, the Agency assumes all rights and responsibilities with regard to rent, maintenance and compliance with federal regulations.

As mentioned in Note 2, these rental properties' assets, liabilities and activities are accounted for in separate funds but are combined with the Agency's General Fund in the accompanying financial statements. Assets and liabilities of the properties are considered to be restricted and the net income to be non-recurring revenue to the Agency.

In May of 1999, the Agency sold the Woodvale rental property for \$1. The net equity of the property as of the date of sale was \$161,542. This amount, along with \$11,608 of set aside funds earmarked for repairs for this property, was transferred to the purchaser and is reported as a contribution under non-recurring income and expense. This transaction fulfills the Agency's obligation to rehabilitate this rental property for HUD.

11. Restricted Loans

As part of its HOME program, the Agency makes loans to qualified low-income single family homebuyers and to developers of low-income multifamily projects. These loans are issued as a supplement to primary financing which is obtained from sources outside of the Agency. The loans are collateralized by a second mortgage on the property financed, and payments on these loans are deferred until the time that the primary loan is paid out. Additionally, these loans are unsecured. The loan portfolio at June 30 is as follows:

	1999	1998	Interest Rate
Multifamily Mortgage Loans	\$ 12,794,443	\$ 29,114,084	1% - 6%
Single Family Mortgage Loans	12,183,218	12,831,234	Non-Interest bearing
Reserve for loan losses	( 8,793,239)	( 8,307,690)	
	<u>\$ 13,984,422</u>	<u>\$ 33,637,628</u>	

The Agency has restricted the repayments of these loans to funding future housing programs and so such principal and interest on these loans is included in restricted assets.

The increase in the reserve for loan losses was a result of changes of \$296,193 and \$108,746 to the provision for loan losses account in fiscal 1999 and 1998, respectively.



## **LOUISIANA HOUSING FINANCE AGENCY**

### **NOTES TO FINANCIAL STATEMENTS**

#### **12. Concentration of Credit Risk**

The Agency's HOME program loans are issued to single family borrowers and multi-family low income housing project developers residing and located in Louisiana. A substantial portion of the multi-family low income housing project loans have been issued among entities with a common ownership.

#### **13. Risk Management**

The Agency is exposed to various risks of loss related to theft, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees. To provide coverage for these risks, the Agency participates with the State of Louisiana's Office of Risk Management, a public entity risk pool currently operating as a common risk management and insurance program for branches of state government. This Agency pays an annual premium to OIRM for this coverage.

#### **14. Subsequent Event**

On September 16, 1999, the Agency sold two of its HUD Deposition rental properties University Oaks I, and University Oaks II. The sales price was \$1 each. The combined net equity of these properties as of June 30, 1999 was \$399,618. Restricted cash earmarked for repairs and maintenance of these properties of \$17,900 was transferred to the purchaser. This transaction fulfills the Agency's obligation to rehabilitate these properties.





**REQUIRED SUPPLEMENTAL INFORMATION**





## **LOUISIANA HOUSING FINANCE AGENCY**

### **DISCLOSURES REGARDING YEAR 2000 READINESS**

The State of Louisiana and particularly the Louisiana Housing Finance Agency is pro-actively approaching year 2000 readiness and currently developing and implementing a comprehensive year 2000 plan. We are firmly committed to addressing all internal and external issues that may affect our year 2000 readiness.

Through executive orders issued in 1996 and 1998, Governor Murphy J. Foster has directed all State entities, departments, and agencies to:

1. Evaluate the impact of the Year 2000 date change on their current information systems;
2. Determine which systems must be corrected or replaced; and
3. Initiate corrective action that will be in effect on or before July 1, 1999, to assure that their services or operation will not be interrupted due to the Year 2000 date change.

As a result, the LHFA has a plan underway to become year 2000 ready for our mission critical systems by mid 1999. The LHFA has identified a six phase process for becoming Y2K ready. The phases are: planning, inventory, evaluation, testing, implementation, and contingency planning. As of September 17, 1999, the Agency has completed six of the seven phases and is currently working on the contingency planning phase. Nevertheless, even the most conscientious efforts cannot guarantee that every problem will be fixed and remedied prior to January 1, 2000. LHFA is focusing on critical operating and business systems and will have contingency plans in place to deal with any problems that may occur.



LOUISIANA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING INFORMATION

JUNE 28, 1992



**100-BUSINESS-IMPACT-STATEMENT**

**COMPARISON STATEMENT OF OPERATIONS  
BETWEEN PROPOSED  
AND THE CURRENT SERVICE PLAN**

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Total First Revenue	\$ 1,000,000	\$ 1,200,000	\$ 900,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Total Variable	(1,000,000)	(1,200,000)	(900,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Total Fixed Revenue	0	0	0	0	0	0	0	0	0	0
Total Revenue	0	0	0	0	0	0	0	0	0	0
Total Investment Expense	(1,000,000)	(1,200,000)	(900,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Total Station Expense	(1,000,000)	(1,200,000)	(900,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Total Operating & Maintenance Expense	(1,000,000)	(1,200,000)	(900,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Total Cost to Business	(1,000,000)	(1,200,000)	(900,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Total Cost of Operations before Depreciation	(1,000,000)	(1,200,000)	(900,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Plus: Station Depreciation Expense	100,000	120,000	90,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Particular from Operations	0	0	0	0	0	0	0	0	0	0
Net Administrative Cost paid to Agency	(100,000)	(120,000)	(90,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Operating Income to EPA	0	0	0	0	0	0	0	0	0	0
Contributions To Other Funding Activities and Nonprofit Agencies	0	0	0	0	0	0	0	0	0	0
Net Income (Loss)	0	0	0	0	0	0	0	0	0	0

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**LOUISIANA HOUSING FINANCE AGENCY**  
**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**  
**JUNE 30, 1999**

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## **EXHIBIT A**

### **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Louisiana Housing Finance Agency  
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Housing Finance Agency as of and for the year ended June 30, 1999, and have issued our report thereon dated September 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Louisiana Housing Finance Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Louisiana Housing Finance Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Louisiana Housing Finance Agency's ability to record, process, summarize and report financial data



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consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the accompanying schedule of findings and questioned costs is not a material weakness.

This report is intended for the information of the Agency's management, the Louisiana Legislative Auditor, and federal awarding agencies, and it is not intended to be and should not be used by anyone other than these specified parties.

*Patricia Ann Nutterville*

Baton Rouge, Louisiana  
September 17, 1999







**PricewaterhouseCoopers**  
A Deloitte Accounting Corporation

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## **EXHIBIT B**

### **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners  
Louisiana Housing Finance Agency  
Baton Rouge, Louisiana

#### **Compliance**

We have audited the compliance of the Louisiana Housing Finance Agency with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The Louisiana Housing Finance Agency's major federal program is identified in the summary-of-auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Louisiana Housing Finance Agency's management. Our responsibility is to express an opinion on the Louisiana Housing Finance Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Louisiana Housing Finance Agency's compliance with these requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Louisiana Housing Finance Agency's compliance with those requirements.



In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999. However, the results of our audit procedures disclosed instances of noncompliance with these requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 99-1 and 99-2.

#### **Internal Control Over Compliance**

The management of the Louisiana Housing Finance Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Louisiana Housing Finance Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the agency's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-1 and 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described in the accompanying schedule of findings and questioned costs are material weaknesses.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the Louisiana Housing Finance Agency as of and for the year ended June 30, 1999, and have issued our report thereon dated September 17, 1999. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



This report is intended for the information of the Agency's management, federal awarding agencies, and the Louisiana Legislative Auditor, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Peatleshawite ? Natcheville*

Baton Rouge, Louisiana  
September 17, 1999



## EXHIBIT C

**LOUISIANA HOUSING FINANCE AGENCY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor Program <u>Title</u>	Federal CFDA Number	Expenditures
U. S. Department <u>of HUD</u>		
Section 8 Program A	14.182	\$ 2,358,190
Home Investment Partnerships Program	14.239	10,186,693
Housing Opportunity for Persons with AIDS	14.241	<u>71,629</u>
		<b><u>\$ 12,538,325</u></b>

See accompanying notes to schedule of expenditures of federal awards.



**LOUISIANA HOUSING FINANCE AGENCY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Louisiana Housing Finance Agency and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B - SUBRECIPIENTS**

The Louisiana Housing Finance Agency provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
HOME Investment Partnership Program	14.209	\$ 33,849

**NOTE C - PROGRAM INCOME**

In accordance with terms of the grants, program income totaling \$607,259 was used to reduce the amount of federal funds that would have been drawn to fund various single family and multi-family projects. The program income was comprised of HOME Program mortgage loan collections of principal and interest. The expenditure of the program income is included in the accompanying schedule of expenditures of federal awards.



**EXHIBIT B**

**LOUISIANA HOUSING FINANCE AGENCY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 1998**

**A. Summary of Audit Results:**

1. The auditors' report expresses an unqualified opinion on the component unit financial statements of Louisiana Housing Finance Agency.
2. A reportable condition was found to exist during the audit of the financial statements. See the finding under section B. This reportable condition is not a material weakness.
3. No instances of non-compliance material to the financial statements of the Louisiana Housing Finance Agency were found during the audit.
4. Reportable conditions were found to exist during the audit of the major federal award program. See findings 99-1 and 99-2 under Section C. These reportable conditions are not considered to be material weaknesses.
5. The auditors' report on compliance for the major federal award programs for the Louisiana Housing Finance Agency expresses an unqualified opinion.
6. Findings relative to the major federal award programs for the Louisiana Housing Finance Agency are reported in this schedule under Section C.
7. The program listed as a major program was the HOME Investment Partnership Program (HOME Program).
8. The threshold for distinguishing Types A and B programs was program expenditures equal to or exceeding \$500,000.
9. The Louisiana Housing Finance Agency was determined to be a low-risk auditee.



## **B. Findings – Financial Statement Audit**

**Condition:** There is a lack of reconciliation between the loan servicer's balances outstanding and the balances held in trust.

This is a repeated condition from the previous audit.

**Effect:** The accuracy and completeness of the information needed to effectively manage the loans is called into question.

## **C. Findings and Questioned Costs – Major Federal Award Programs**

**(b)(1)**

**Criteria:** OMB Circular A-87 states that salaries and benefits are an allowable cost provided that charges are supported by adequate documentation of time spent for a particular program. Documentation should include:

1. For employees working exclusively for one federal program – an annual signed certification that the particular employee worked exclusively on the applicable program.
2. For employees working on various programs – salaries and benefits must be supported by personnel activity reports using a statistical sampling system or other substitute system approved by the cognizant federal agency.

**Condition:** The Agency's charges of salaries and benefits to the HOME program are not supported by personnel activity reports and/or certifications of program exclusivity as is required by OMB Circular A-87.

**Effect:** Personnel costs charged to the program are subject to being disallowed.



**Recommendation:** The Agency should obtain written approval from HUD of its other substitute system of charging salaries and benefits from HUD. In absence of this approval, all personnel charges to the HOME program should be supported by the documentation set forth in OMB Circular A-87.

## 29.2

**Criteria:** Although LHFA is under the 10% of allocation limitation for administrative fees charged to the HOME program as set forth in the HOME regulations, costs charged to the program must follow the cost principles of OMB Circular A-87. OMB Circular A-87 requires costs to be allocated to an entity's cost objectives (i.e., programs) in accordance with the relative benefits received.

**Condition:** The Agency is reimbursed by HUD for its costs of administering the HOME program. The Agency captures these costs based upon charges that are considered to be direct costs of the program as well as an allocation of indirect and pro-rata costs spent on HOME program activities. The cost allocation plan was based primarily on an estimation of the percent of time employees spent performing duties of the HOME program. The cost allocation plan used by the Agency contained some questionable assumptions regarding the percent of time charged to the HOME program for certain individuals. As a result, the indirect costs allocated to the HOME program are overstated.

**Effect:** Costs charged to the program and administrative fees collected by the Agency may be disallowed and may be returnable to HUD. The total costs questioned are approximately \$106,000.

**Recommendation:** The Agency should readjust its cost allocation plan based on a more accurate assessment of time spent by personnel on HOME related program activities.





LOUISIANA HOUSING FINANCE AGENCY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There are no prior year audit findings with regard to federal programs.





# Louisiana Housing Finance Agency

W. J. "BOB" BOSTON, JR.  
Governor

W. JAMES BOSTON  
President

THE LOUISIANA HOUSING FINANCE AGENCY  
BARRY BOHLEN, J. CHRISTIAN BOHLEN  
Presidents  
P.O. Box 94280  
New Orleans, Louisiana 70109

## **CORRECTIVE ACTION PLAN**

September 30, 1999

Legislative Auditor  
P.O. Box 94280  
Baton Rouge, LA 70804-0280

Louisiana Housing Finance Agency respectfully submits the following corrective action plan for the year ended June 30, 1999.

Name and address of independent public accounting firm:

Ponkshawsine and Nettoville  
8350 United Plaza Blvd., Suite 3084  
Baton Rouge, LA 70809

Audit Period: July 1, 1998 - June 30, 1999

The findings from the September 17, 1999 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **FINDINGS - FINANCIAL STATEMENT AUDIT**

#### **IMPORTANT CONDITIONS**

##### **Whole Mortgage Loans - Bond Programs**

**Condition:** There is a lack of reconciliation between the loan servicer's balances outstanding and the balances held in trust.

This is a repeated condition from the previous audit.

**Recommendation:** The Agency should reconcile the mortgage loan balances from the trustee's balances to the servicer's balances and to the general ledger.

**Action/History:** The Agency has hired a mortgage revenue bond consultant to bring accounting services in-house and procedures are in place as of this date to perform the reconciliation of the whole loans on a monthly basis retroactively to July 1, 1999.

## **FINDINGS AND QUESTIONED COSTS - Major Federal Award Programs**

### **ICMBE Program**

#### 98.1

**Condition:** The Agency's charges of salaries and benefits to the ICMBE program are not supported by personnel activity reports and/or certifications of program exclusivity as is required by OMB Circular A-87.

**Recommendation:** The Agency should obtain written approval from HUD of its other substitute system of charging salaries and benefits. In the absence of this approval, all personnel charges to the ICMBE program should be supported by the documentation set forth in OMB Circular A-87.

**Action Taken:** The Agency will obtain an annual signed certification from those employees that worked exclusively on a program and for those employees working on various programs, personnel activity reports will be designed and completed at the end of each quarter beginning December 31, 1998. Once the personnel activity reports are completed, the Agency will work with HUD to develop an allowable cost plan that is acceptable to HUD.

#### 98.2

**Condition:** The Agency is reimbursed by HUD for its costs of administering the ICMBE program. The Agency captures these costs based upon charges that are considered to be direct costs of the program as well as an allocation of indirect and personal costs spent on ICMBE program activities. The cost allocation plan was based primarily on an estimation of the percent of time employees spent performing duties of the ICMBE program. The cost allocation plan used by the Agency was found to have unreasonable assumptions about the percentage of time spent on the ICMBE program for certain individuals. As a result, the ICMBE program bears an inequitable portion of the total costs of all programs of the Agency.

**Recommendation:** The Agency should re-assess its cost allocation plan based upon a more equitable distribution of program costs.

**Action Taken:** The Agency has re-assessed its cost allocation plan and accounting personnel will continue to attend seminars and use other instructional media in order to comply with OMB Circular A-87.

Sincerely,



W. Jean Butler  
President