



**LOUISIANA HOUSING FINANCE AGENCY**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 1999**



LOUISIANA HOUSING FINANCE AGENCY

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# Postlethwaite & Netterville

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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, 1998 and 1997. 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. Those 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 statement 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 respects, the financial position of the Louisiana Housing Finance Agency's General Fund as of June 30, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 14, the Agency changed its method of accounting for investment securities during the year ended June 30, 1998, as required by the provisions of Statement No. 31 of the Governmental Accounting Standards Board.

In accordance with Government Auditing Standards, we have also issued a report dated September 22, 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.

The audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combined statements of operations for rental properties on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements of the Louisiana Housing Finance Agency. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
September 22, 1998

**LOUISIANA HOUSING FINANCE AGENCY**

**BALANCE SHEETS**  
**(JUNE 30, 1998 AND 1997)**

**ASSETS**

	<u>1998</u>	<u>1997</u>
CASH AND CASH EQUIVALENTS	\$ 2,282,415	\$ 4,475,003
INVESTMENTS	39,428,539	35,368,836
ACCRUED INTEREST RECEIVABLE	363,901	255,855
DUE FROM GOVERNMENTS	679,186	105,584
RECEIVABLES	71,298	68,683
OTHER ASSETS	63,779	68,979
DUE FROM MRD PROGRAMS	685,615	562,135
PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$312,831 and \$228,834, respectively)	<u>793,857</u>	<u>707,519</u>
	<u>29,089,610</u>	<u>31,691,604</u>
<b>RESTRICTED ASSETS:</b>		
Cash and cash equivalents	4,129,838	2,604,825
Investments	542,112	514,500
Mortgage loans receivable (net of reserve for credit losses of \$8,300,000 and \$7,968,348, respectively)	33,659,002	33,931,898
Accrued interest receivable	2,551,050	1,629,819
Rents receivable - rental property	29,589	36,793
Property and equipment - rental property	2,042,453	87,367
Other assets - rental property	<u>33,091</u>	<u>197,329</u>
	<u>42,937,935</u>	<u>38,833,419</u>
<b>Total Assets</b>	<b><u>\$ 66,947,545</u></b>	<b><u>\$ 53,477,614</u></b>

The accompanying notes are an integral part of these statements.



**LIABILITIES AND FUND BALANCE**

	<u>1998</u>	<u>1997</u>
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 165,362	\$ 188,124
COMPENSATED ABSENCE PAYABLE	83,895	58,977
DEFERRED INCOME	1,379,262	1,640,237
	<u>1,628,519</u>	<u>1,887,338</u>
<b>RESTRICTED LIABILITIES</b>		
Due to Governments	187,597	73,820
Deferred income	67,880	58,766
Toronto currency deposits and account		
Liabilities - rental property	681,838	208,414
Accounts payable	13,586	13,586
	<u>1,045,901</u>	<u>354,586</u>
<b>TOTAL LIABILITIES</b>	<u>2,674,420</u>	<u>2,241,924</u>
<b>FUND BALANCE</b>		
Restricted - Federal programs	33,478,186	33,549,230
Restricted - rental property operations	4,036,681	2,163,623
Unrestricted	23,265,899	18,737,378
	<u>60,780,766</u>	<u>54,450,231</u>
 <b>Total Liabilities and Fund Balance</b>	 <u>\$ 87,555,186</u>	 <u>\$ 57,472,155</u>



## LOUISIANA HOUSING FINANCE AGENCY

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**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
<b><u>OPERATING REVENUES</u></b>		
MRF program issuer fees	\$ 914,584	\$ 415,840
Low income housing tax credit program fees	479,700	411,562
Commitment and loan fee income	382,892	298,514
Compliance and application fees - Home Program	191,252	158,734
Federal program administrative fees	1,094,310	808,888
Other income	93,534	56,628
Investment income	1,882,029	1,094,844
	<u>4,468,299</u>	<u>3,217,906</u>
<b><u>OPERATING EXPENSES</u></b>		
Personnel services	1,196,040	881,491
Supplies	55,588	47,124
Travel	114,587	96,535
Operating services	463,856	439,729
Professional services	603,570	703,566
Depreciation	80,437	58,282
	<u>2,523,894</u>	<u>2,214,567</u>
<b>Excess revenue over expenses from operation</b>	<u>1,944,405</u>	<u>1,003,339</u>
<b><u>NON-OPERATING REVENUES/EXPENSES</u></b>		
Miscellaneous income	380,913	148,259
Restricted mortgage loan interest income	934,572	844,284
Federal grant revenue	9,638,784	11,757,602
Federal grant funds passed through	(2,834,824)	(2,510,908)
Homebuyer assistance payments (HOME Program)	(4,705,798)	(3,899,479)
Provision for loan losses	(918,746)	(793,687)
Contributions to other housing authorities	(167,880)	-
Net income from rental property	1,484,815	1,513,621
	<u>5,237,841</u>	<u>7,864,531</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 7,426,628</u>	<u>\$ 9,877,870</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, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
FUND BALANCE - Beginning of year, as previously reported	\$ 55,196,283	\$ 45,121,248
Adjustment for effect of a change in accounting principle for investments	<u>85,247</u>	<u>182,179</u>
FUND BALANCE - Beginning of year, as restated	<u>55,281,530</u>	<u>45,303,427</u>
Net residual equity transfers to/from LHFA MBR programs	<u>1,518,776</u>	<u>826,782</u>
FUND BALANCE - End of year	<u>\$ 56,800,306</u>	<u>\$ 56,130,209</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, 1998 AND 1997

	1998	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess revenues over expenses from operations	\$ 1,894,824	\$ 1,219,431
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:		
Depreciation	86,437	58,282
Net change in unrealized gains on less on investments	(13,846)	6,861
Change in interest receivable	(128,896)	143,415
Change in due from governments	26,236	235,496
Change in due from MHB programs	(123,488)	(124,828)
Change in accounts payable	(22,762)	(208,822)
Change in compensated absence payable	54,318	(8,648)
Change in deferred income	(273,935)	27,566
Change in other assets	(37,896)	238,845
Mortgage loans purchased (federal grants)	(3,663,320)	(6,047,412)
Collections of mortgage loans	589,428	55,918
Net cash used in operating activities	<u>(3,650,647)</u>	<u>(4,625,219)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Net residual equity transfers from LFHA MHB programs	3,518,776	824,743
Receipts from federal grants	8,822,683	13,896,332
Disbursements of federal grants not capitalized	(6,768,634)	(3,819,347)
Disbursements to other financing authorities	(167,488)	-
Other non-operating income	383,586	-
Net cash provided by noncapital financing activities	<u>4,989,863</u>	<u>10,901,687</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments purchased	(26,784,816)	(24,603,529)
Investments redeemed	25,138,839	22,793,169
Net cash from non-real property	182,687	1,513,246
Net cash used in investing activities	<u>(1,463,290)</u>	<u>(10,297,114)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Purchase of fixed assets	<u>(171,385)</u>	<u>(171,385)</u>

The accompanying notes are an integral part of these statements.



**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (878,753)	\$ 1,898,289
CASH AND CASH EQUIVALENTS, beginning of year	<u>7,858,828</u>	<u>5,218,579</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 6,412,073</u>	<u>\$ 7,858,828</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ -</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 1988 pursuant to the Louisiana Housing Finance Act contained in Chapter 3-A of Title 48 of the Louisiana Revised Statutes of 1990, 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 programs it initiates, the Agency utilizes mortgage lenders in the State of Louisiana to originate and service mortgage and construction 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 such trustee banks have 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, 1988, unless these pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

GASB Codification Section 2100 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.

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.

## LOUISIANA HOUSING FINANCE AGENCY

### NOTES TO FINANCIAL STATEMENTS

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

##### a. Basis of accounting and reporting (continued)

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 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 programs are generally unrestricted 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.

##### c. Loan fees

Loan fees 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 fees (on a pro-rata share of unfunded mortgage loans) are recognized immediately as revenue.

##### d. Investments

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. (See Note 14)

## LOUISIANA HOUSING FINANCE AGENCY

### NOTES TO FINANCIAL STATEMENTS

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

##### e. Allowance for Loan Losses

The allowance is maintained at a level adequate to absorb probable losses. Management determines the adequacy of the allowance based upon reviews of groups of similar, less 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.

##### f. Fixed Assets

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

##### g. 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 and Investments

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 Interior Homeownership Board. Further, the Agency may invest in time certificates of deposit at 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 certificates accounts of federally insured chartered credit unions.

**LOUISIANA HOUSING FINANCE AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

**3. Cash and Investments (continued)**

Under Louisiana Revised Statute of 1950, 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.

The Louisiana Housing Finance Agency had cash and cash equivalents totaling \$6,412,253 and \$7,899,828 at June 30, 1998 and 1997 which included bank deposits of \$1,882,856 and \$1,743,488, 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 safekeeping receipts held by the State Treasurer. The bank deposits (including \$200,000 of certificates of deposit classified as investments) were secured as follows:

	1998	1997
Carrying amount	\$ 2,002,856	\$ 1,743,488
<b>Bank Balances:</b>		
Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	\$ 380,000	\$ 300,000
Collateralized with securities held by pledging financial institution or its trust department or agent in the entity's name	1,384,201	1,307,144
Uncollateralized, including any securities held for the entity but not in the entity's name	-	134,344
<b>Total Bank Balances</b>	<b>\$ 2,184,201</b>	<b>\$ 2,111,672</b>

Investment securities which are classified as cash and cash equivalents of \$4,699,387 and \$6,845,158 at June 30, 1998 and 1997 primarily consist of short-term U.S. Government Securities held by various trust accounts owned by the Agency.

At June 30, 1998 and 1997, investments of \$18,971,674 and \$16,284,336, respectively, consisted of U. S. Treasury bills and notes, FNMA securities and certificates of deposit. The U. S. Treasury Bills and notes and FNMA securities are carried at fair value as required by GASBS 31, "Accounting and Financial Reporting for Certain Investments and Fixed Income Funds". Certificates of deposit are carried at amortized cost, which approximates fair value. The changes in unrealized gains or losses on investment securities carried at fair value for 1998 and 1997 were \$13,846 and (\$5,881), respectively, and are included as a component of investment income.

The U.S. Treasury and FNMA securities are held by the broker or dealer's trust department or agent, but not in the Agency's name (GASB category 3). Interest rates on investments and cash equivalents ranged from 4.0% to 8.0% at June 30, 1998.

## LOUISIANA HOUSING FINANCE AGENCY

## NOTES TO FINANCIAL STATEMENTS

## 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 thereon. The bonds do not constitute an obligation, either general or special, of the State of Louisiana, any municipality or any other of the political subdivisions 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-six bond programs totaling approximately \$435,877 million as June 30, 1998. Bonds that were outstanding at June 30, 1998 include:

Bond Issue	Interest Rate	Date Issued	Maturity Dates	In Thousands		
				Amount Issued	Retired or Paid	Outstanding at 6/30/98
1984A Single Family	6.5-8.5%	12/01/88	Various	\$ 50,158	(\$ 61,115)	\$ 12,615
1989 Single Family	7.6%	12/01/89	12/01/29	808,008	( 13,308)	86,708
1990 Single Family	7.8%	09/14/90	09/01/20	99,000	( 69,260)	35,738
1990B Single Family	6.9%	11/27/90	09/01/20	27,508	( 25,158)	1,958
1992 Single Family	6.0-7.4%	06/18/92	Various	8,647	( 4,819)	4,828
1992A/98 Single Family	6.4-6.9%	06/25/92	Various	5,000	( 195)	4,805
1992A <sub>1</sub> /93 Single Family	4.6-6.8%	09/23/94	Various	15,000	( 2,778)	12,228
1992A <sub>2</sub> /93 Single Family	4.6-6.8%	04/25/95	Various	15,000	( 2,668)	12,338
1994B Single Family	4.3-6.3%	09/01/94	Various	18,482	( 2,697)	8,428
1994A <sub>1</sub> /92 Single Family	4.5-7.8%	04/01/93	Various	38,004	( 28,199)	17,805
1994C <sub>1</sub> /92 Single Family	5.1-6.45%	12/01/93	Various	53,723	( 3,469)	48,254
1996B <sub>1</sub> /94 Single Family	4.1-6.2%	04/15/96	Various	26,487	( 3,184)	25,181
1996B <sub>2</sub> /94 Single Family	3.9-6.3%	09/01/96	Various	67,881	( 32,581)	33,968
1997A <sub>1</sub> -A <sub>3</sub> Single Family	3.75-6.15%	03/01/97	Various	89,800	( 54,286)	30,584
1997B <sub>1</sub> -B <sub>3</sub> Single Family	4.0-6.25%	09/28/97	Various	45,143	( 0)	45,143
1997C <sub>1</sub> -C <sub>2</sub> Single Family	4.2-5.55%	11/01/97	Various	96,696	-	96,696
1998A <sub>1</sub> -A <sub>3</sub> Single Family	4.18-6.47%	09/01/98	Various	49,788	-	49,788
1988A Multifamily	3.7%	03/01/88	Various	7,430	( 3,034)	7,128
1988B Multifamily	3.7%	04/01/88	Various	18,655	( 889)	18,258
1988 K-L Multifamily	9.8%	06/01/88	08/01/73	889	( 149)	498
1988 P-11 Multifamily	6.8-8.0%	12/01/88	Various	1,290	( 30)	1,280
1988 T-A Multifamily	5.4%	09/01/89	01/01/10	889	( 81)	357
1989 W-V Multifamily	7.8%	04/01/90	Various	3,745	( 185)	3,560

## LOUISIANA HOUSING FINANCE AGENCY

## NOTES TO FINANCIAL STATEMENTS

## 4. Notes and Bonds Payable (continued)

Description	Interest Rate	Date Issued	Maturity Dates	In Thousands		
				Amount Issued	Retired to Date	Quantity at 6/30/98
1991 N.V.B. Multifamily	7.8-8.0%	01/01/91	Various	\$ 3,715	(\$ 90)	\$ 3,625
1991A.B.B. Multifamily	5.5-8.5%	12/01/91	Various	9,700	( 840)	8,860
1992 M.B. Multifamily	5.8-10.0%	03/01/92	Various	19,700	( 2,200)	17,500
1992 E.F. Multifamily	5.5-7.1%	07/01/92	Various	3,070	( 380)	2,690
1994 S.L.M. Multifamily	7.0%	06/01/94	Various	3,227	( 64)	3,163
1993A.B.B. Multifamily	4.4-6.2%	05/01/93	Various	10,000	( 400)	9,600
1993 T.T. Multifamily	6.5-8.3%	12/01/93	Various	3,813	( 174)	3,639
1993 V.M. Multifamily	7.1%	07/28/93	Various	3,376	( 30)	3,346
1995A.B.L.A.W. Multifamily	6.0-9.0%	09/01/95	Various	13,490	( 6,922)	6,568
1995A S.D.A.L. Multifamily	5.8-7.0%	03/01/95	Various	8,488	( 77)	8,411
1995 A.L.F. Multifamily	8%	03/31/95	03/03/25	19,045	( 779)	18,266
1997 S.N. Multifamily	5.25-6.9%	03/03/97	Various	6,078	( 193)	5,885
1998A Multifamily	7.125-8.0%	03/03/98	01/01/98	8,583	-	8,583
				<u>\$ 937,090</u>	<u>(\$ 802,183)</u>	<u>\$ 134,907</u>

## 5. Federal Financial Assistance

## Section 8 Program

In connection with the Series 1991A.B.B. 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. The Agency receives an administrative fee and is reimbursed for certain expenses by HUD for providing this service. These fees totaled approximately \$18,080 for the years ending June 30, 1998 and 1997. HAP funds distributed totaled \$1,998,088 and \$2,716,080 for the years ended June 30, 1998 and 1997, respectively.



**LOUISIANA HOUSING FINANCE AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

**3. Federal Financial Assistance (continued)**

**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 form of funding provided are as follows:

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

The Agency disbursed a total of \$9,489,235 and \$9,436,280 in connection with the HOME Program during 1998 and 1997, respectively.

The Agency recognized \$1,034,555 and \$808,884 in administrative fee revenue under this program for 1998 and 1997, respectively.

**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 to the members of the Agency's Board and are included in general and administrative expenses:

Robert Austin	\$	400
David Bell		180
William Richard, Jr.		50
Larry Caldwell		180
Lloyd Cochran		400
Michael Domingue		400
Elvin Foster		500
Debra White Landrum		400
Louis C. McKnight, III		700
Philip Miller		500
Gregory Morier		400
Albert S. Pappalardo		500
W. E. Tucker, Jr.		400
	<u>\$</u>	<u>5,220</u>



**LOUISIANA HOUSING FINANCE AGENCY****NOTES TO FINANCIAL STATEMENTS****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 \$118,000 and \$84,500 to the system during 1998 and 1997, 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 (cost)	\$ 431,577	\$ 171,385	(\$ 1,873)	\$ 600,089
Accumulated depreciation	(228,858)	(86,437)	1,873	(313,422)
	<u>\$ 202,719</u>			<u>286,667</u>

**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 Agency amended the lease 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, 1998 and 1997 totaled \$68,000.

Subsequent to year end, the Agency purchased land for \$287,816. The Agency intends to construct a new building on this land to be used as an operating location. Plans are currently being designed by architects, however, no contract has been executed for construction.

**LOUISIANA HOUSING FINANCE AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

**10. HUD Disposition Properties**

The Agency is the owner of five low income multifamily rental properties. These properties were purchased from the U.S. Department of Housing and Urban Development (HUD) at a cost of \$1 each. Included in the tenant 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 rents, maintenance and compliance with federal regulations.

As mentioned in Note 2, these rental properties' assets, liabilities and activity 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 operating revenue to the Agency.

As of June 30, 1998, the Agency had sales agreements pending for all of the HUD Disposition properties.

**11. Restricted Loans**

As part of its HOME program, the Agency makes loans to qualified low income single family homeowners 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 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:

	1998	1997	Interest Rate
Multifamily Mortgage Loans	29,134,884	\$ 25,689,455	7% - 8%
Single Family Mortgage Loans	12,871,254	13,099,783	Non interest bearing
Reserve for loan losses	18,287,880	1,298,180	
	<u>\$ 50,293,018</u>	<u>\$ 39,087,418</u>	

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

The increase in the reserve for loan losses was a result of a charge of \$338,746 to the provision for loan losses account in fiscal 1998.

**12. Concentration of Credit Risk**

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

## LOUISIANA HOUSING FINANCE AGENCY

### NOTES TO FINANCIAL STATEMENTS

#### 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 ORM for this coverage.

#### 14. Restatement of Fund Balance

During fiscal 1998, the Agency adopted GASB 33, "Accounting and Financial Reporting for Certain Investments and Internal Investment Funds". In accordance with GASB 33, certain types of investments, including debt securities, are required to be carried at fair value. As required by GASB 31, the Agency has retroactively applied the provisions of this statement by restating fund balances as of June 30, 1996 and 1997.

The increase of \$182,175 and \$85,340 to fund balances at June 30, 1996 and 1997, respectively, was the effect of the fair value of investments held at June 30, 1996 and 1997, versus their cost. The effect of GASB 33 on excess of revenues over expenses as of June 30, 1997 was a decrease of \$6,828.

LOUISIANA HOUSING FINANCE AGENCY

COMBINED STATEMENT OF OPERATIONS  
RENTAL PROPERTIES  
FOR THE YEAR ENDED JUNE 30, 1978

	Wetmore	Coalgate	Woodville	Uhring	Delcambre	Total
Total Rent Revenue	\$ 1,260,337	\$ 1,190,095	\$ 974,979	\$ 219,946	\$ 210,729	\$ 4,166,280
Total Vacancies	(776,486)	(1,265,623)	(4,940)	(3,449)	(115,964)	(3,266,462)
Net Rental Revenue	1,817,291	1,981,534	569,925	259,331	99,031	3,636,182
Total Financial Revenue	1,298	891	1,562	627	567	4,845
Total Other Revenue	66,173	46,887	18,128	3,334	2,589	141,299
Total Revenue	1,983,161	1,990,612	589,615	273,427	268,987	3,986,207
Total Administrative Expenses	268,316	196,014	163,028	72,832	64,623	764,813
Total Utilities Expenses	163,829	199,331	149,956	28,791	28,948	570,955
Total Operating & Maintenance Expenses	474,577	384,058	163,083	58,086	52,875	1,144,297
Total Taxes & Insurance	98,088	16,562	52,418	19,282	16,880	203,994
Total Financial Expenses	-	358	-	-	-	358
Total Cost of Operations Before Depreciation	1,044,600	760,314	569,791	171,991	162,248	2,667,218
Profit Before Depreciation	938,171	1,118,158	23,780	54,796	41,719	1,518,089
Depreciation	18,837	12,684	3,664	599	479	34,244
Net Profit	\$61,294	\$98,174	\$20,116	\$4,811	\$41,249	\$1,483,845

JOINTS  
1990-1991  
2000-1 10 4-26

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**LOUISIANA HOUSING FINANCE AGENCY**  
**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**  
**JUNE 30, 1998**

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<b>Schedule of Expenditures of Federal Awards</b>	<b>Exhibit C</b>
<b>Schedule of Findings &amp; Questioned Cost</b>	<b>Exhibit D</b>
<b>Summary Schedule of Prior Audit Findings</b>	<b>Exhibit E</b>





## Postlethwaite & Netterville

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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, 1998, and have issued our report thereon dated September 22, 1998. 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 certain matters involving the internal control over financial reporting 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 financial reporting that, in our judgment, could adversely affect the Louisiana Housing Finance Agency's ability to record, process, summarize and report



financial data consistent with the assertions of management in the financial statements. Reportable conditions are 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 may also constitute to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the board of commissioners, management and federal auditing agencies. However, this report is a matter of public record and its distribution is not limited.

*Paulethorne & Metterville*

Huron Rouge, Louisiana  
September 22, 1998





## Postlethwaite & Netterville

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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 each of its major federal programs for the year ended June 30, 1998. The Louisiana Housing Finance Agency's major federal programs are 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 each of its major federal programs 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*. These 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 on the Louisiana Housing Finance Agency's compliance with these requirements.

In our opinion, the Louisiana Housing Finance Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

#### 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that could 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. We noted no matters involving the internal control over compliance and its operation that we consider to be 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, 1998, and have issued our report thereon dated September 22, 1998. 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 board of commissioners, management and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

*Peatler & Associates*

Baton Rouge, Louisiana  
September 22, 1998



**EXHIBIT C****LOUISIANA HOUSING FINANCE AGENCY****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 1998**

<u>Federal Grantor Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U. S. Department <u>of HUD</u>		
Section 8 Program A	14.182	\$ 2,352,155
Hous. Investment Partnerships Program	14.229	<u>9,489,235</u>
		<u>\$ 11,841,390</u>

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, 1998**

**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 accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-113, *Audit of States, 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 Programs	14.238	\$81,028

**NOTE C - PROGRAM INCOME**

In accordance with terms of the grant, program income totaling \$509,428 was used to reduce the amount of federal funds drawn in order to fund various single family and multi-family projects. The program income was comprised of HOME Program mortgage loan collections. The expenditure of the program income is included in the accompanying schedule of expenditures of federal awards.



**EXHIBIT D**

**LOUISIANA HOUSING FINANCE AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1988**

**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 disclosed 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 noncompliance material to the financial statements of the Louisiana Housing Finance Agency were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Louisiana Housing Finance Agency expresses an unqualified opinion.
6. There were no findings relative to the major federal award programs for the Louisiana Housing Finance Agency.
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 \$285,000.
9. The Louisiana Housing Finance Agency was determined to be a low-risk auditee.



**B. Findings – Financial Statement Audit**

**Condition:** The Agency is not maintaining an accurate and up-to-date detail of the whole mortgage loans of the 1995 C Program and the 1995A1A5 program (formerly 1984) with regards to current balances, delinquency status and foreclosure status.

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**

None



**EXHIBIT E**

**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

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COMMISSIONER

**S. JOHN McARTHUR**  
FIDUCIARY

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## CORRECTIVE ACTION PLAN

September 22, 1998

Legislative Auditor

Louisiana Housing Finance Agency respectfully submits the following corrective action plan for the year ended June 30, 1998.

The findings from the June 30, 1998 findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **FINDINGS – FINANCIAL STATEMENT AUDIT**

#### **REPORTABLE CONDITIONS**

##### **Whole Mortgage loans – Bond Program**

**Condition:** The Agency is not maintaining an accurate and up-to-date detail of the whole mortgage loans of the 1995 C Program and the 1998A1A3 program (Formerly 1994) with regards to current balances, delinquency status and foreclosure status.

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

## Response:

The Agency's ability to monitor and reconcile loan servicer's trial balances to existing general ledgers is hampered by both the lack of personnel in the accounting area and the untimeliness of general ledgers from outside processors. The Agency has addressed this problem by initiating a reorganization of the accounting department to add a section responsible for mortgage revenue bond accounting, and, the Agency is in the process of bringing accounting services in-house to enhance its ability to monitor and reconcile the loan servicer's balances outstanding. In the interim the trust statements will be compared to the loan servicer's trials to insure that the trustee is posting collections to the trust statements.