3505

FINANCIAL REPORT

LOUISIANA HOUSING FINANCE AGENCY
(STATE OF LOUISIANA)

JUNE 30, 2011 AND 2010

LOUISIANA HOUSING FINANCE AGENCY

INDEX TO REPORT

JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

August 30, 2011

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

We have audited the accompanying financial statements of Louisiana Housing Finance Agency's General Fund (a component unit of the State of Louisiana) as of and for the years ended June 30, 2011 and 2010 as presented in the foregoing index to the report. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

As discussed in Note 1, these financial statements present only 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 Louisiana Housing Finance Agency's mortgage revenue bond programs in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Housing Finance Agency's General Fund as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were made for the purpose of forming opinions on the financial statements taken as a whole. The required supplementary information other than MD&A on page 35 is presented for additional analysis as required by Governmental Accounting Standards Board (GASB) and is not a required part of the basic financial statements. The required supplementary information other than MD&A is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such required supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2011 on our consideration of Louisiana Housing Finance Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Annual Financial Statement Reporting Packet, presented as other supplementary information, is not a required part of the basic financial statements, but is supplementary information required by Louisiana's Office of Statewide Reporting and Accounting Policy. The Annual Financial Statement Reporting Packet is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Annual Financial Statement Reporting Packet is fairly stated in all material respects in relation to the financial statements as a whole.

Duplantier, Hrapmann, Hogan & Maher, LLP

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2011 AND JUNE 30, 2010

The Management's Discussion and Analysis of the LHFA's financial performance presents a narrative overview and analysis of LHFA's financial activities for the year ended June 30, 2011. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the LHFA's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

2011

★ The LHFA's assets exceeded its liabilities at the close of fiscal year 2011 by $286,814,826, which represents a 26% increase from last fiscal year.

★ The LHFA's total revenues before transfers increased by $180,985,364, or 92%, total expenses before transfers increased by $139,387,036, or 79%, and consequently the net income before transfers increased by $41,598,328, an increase of 228%.

2010

★ The LHFA's assets exceeded its liabilities at the close of fiscal year 2010 by $227,642,793, which represents an 8% increase from last fiscal year.

★ The LHFA's total revenues before transfers increased by $33,568,165, or 21%, total expenses before transfers increased by $30,804,219, or 21%, and consequently the net income before transfers increased by $2,763,946, an increase of 18%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements---and Management's Discussion and Analysis—for State and Local Governments.

Management's Discussion and Analysis

Basic Financial Statements

Supplementary information

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and supplementary information.

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2011 AND JUNE 30, 2010

Basic Financial Statements

The basic financial statements present information for the LHFA as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheets; the Statements of Revenues, Expenses, and Changes in Net Assets; and the Statements of Cash Flows.

The Balance Sheets (page 9) present the assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the LHFA is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Assets (page 10) present information showing how LHFA's net assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statements of Cash Flow (pages 11 - 12) present information showing how LHFA's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Balance Sheets
as of June 30, 2011, June 30, 2010 and June 30, 2009
(in thousands)

	2011	2010	2009
Current and other assets	$ 53,702	$ 62,804	$ 69,482
Restricted assets	208,858	174,306	153,122
Capital assets	81,130	59,333	47,840
Total assets	343,690	296,443	270,444
Other liabilities	35,783	48,670	22,683
Long-term debt outstanding	21,092	20,130	36,079
Total liabilities	56,875	68,800	58,762
Net assets:			
Invested in Capital Assets, net of related debt	76,465	48,778	42,000
Restricted	165,736	123,507	105,693
Unrestricted	44,614	55,358	63,989
Total net assets	$ 286,815	$ 227,643	$ 211,682

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2011 AND JUNE 30, 2010

Amounts invested in capital assets represent the carrying amount of property and equipment less depreciation. Restricted net assets represent those assets that are not available for spending as a result of donor agreements and grant requirements. Unrestricted net assets provide necessary reserves, along with related earnings, to support the general obligations of the agency.

2011

Net assets of the LHFA increased by $59,172,033, or 26%, from June 30, 2010 to June 30, 2011. This increase in net assets can be attributed to an increase in capital assets, amounts due from governments, mortgage loans receivable, and accrued interest receivable.

2010

Net assets of the LHFA increased by $15,961,735, or 8%, from June 30, 2009 to June 30, 2010. This increase in net assets can be attributed to an increase in capital assets, investments, mortgage loans receivable, advances to subrecipient and accrued interest receivable.

Statements of Revenues, Expenses, and Changes in Net Assets
for the years ended June 30, 2011, June 30, 2010, and June 30, 2009
(in thousands)

	Total				
	2011		2010		2009
Operating revenues	14,520	$	14,860	$	16,221
Operating expenses	13,693		13,795		14,927
Operating income	827		1,065		1,294
Non-operating revenues(expenses)	59,013		17,177		14,184
Income before transfers	59,841		18,242		15,478
Transfers (to) from MRB Programs	(669)		(2,280)		1,913
Increase in net assets	59,172	$	15,962	$	17,391

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2011 AND JUNE 30, 2010

2011

LHFA's total revenues increased by $180,985,364, or 92%, primarily as a result of an increase in restricted mortgage loan interest income, an increase in federal grants drawn, and an increase in income from rental property because of the work being done by the Office of Facility Planning on Village De Jardin (formerly Gaslight Square Apartments) which is booked as income during the construction phase. This property is being funded and constructed by FEMA through the Office of Facility Planning. Total expenses increased by $139,387,036, or 79%, primarily as a result of an increase in federal grant funds disbursed, and an increase in the provision for loan losses, the majority of which was due to necessarily recording 100% of conditional loans as such.

2010

LHFA's total revenues increased by $33,568,165, or 21%, primarily as a result of an increase in restricted mortgage loan interest income, an increase in income from rental property because of the work being done by the Office of Facility Planning on Village De Jardin (formerly Gaslight Square Apartments) which is booked as income during the construction phase (this property is being funded and constructed by FEMA through the Office of Facility Planning), an increase in federal grants drawn, as well as HOME program income received. Total expenses increased by $30,804,219, or 21%, primarily as a result of an increase in federal grant funds disbursed, and an increase in the provision for loan losses, the majority of which was due to necessarily recording 100% of conditional loans as such.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2011, the Louisiana Housing Finance Agency had $84.4 million invested in a broad range of capital assets, including a three story building facility located in Baton Rouge, one completed apartment complex in New Orleans, another apartment complex in New Orleans under construction, as well as an apartment complex under construction in Baton Rouge. (See Table below). This amount represents a net increase (including additions and deductions) of $24,179,545, or a 40% increase over last year.

Capital Assets (in Thousands)

	2011	2010	2009
Land	$ 712	712	$ 712
Land Improvements (net of accum. dep.)	73	80	86
Building (net of accumulated depreciation)	36,822	38,166	39,420
Equipment (net of accumulated depreciation)	326	453	504
Construction in Progress	46,453	20,796	7,118
Total	$ 84,386	$ 60,207	$ 47,840

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2011 AND JUNE 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

This year's changes included (in thousands):

• Equipment acquisitions and replacements	$ 49
• Depreciation	(1,529)
• Equipment disposals	(248)
• Rehab of Agency Properties – Increase in Construction in Progress	25,657
• Adjust accumulated dep. for disposals	250

Debt

The Louisiana Housing Finance Agency had $33,178,890 in bonds and notes outstanding at year-end, compared to $40,754,018 at the end of last year as shown in the table below. This decrease is from the timing on the refunding on the General Revenue Office Building Bonds (2001). The bonds of the Office Building refunding series 2010 were issued on June 30, 2010, and the 2001 series bonds were refunded on July 1, 2010. Had the one day delay not been necessary, there would have been a smaller decrease in the outstanding debt.

Outstanding Debt at Year-end
(in thousands)

	2011		2010		2009
General Revenue Office Building Bonds (2001) $	-	$	5,225	$	5,840
General Revenue Office Building Bonds (2010)	4,665		5,330		-
Multi Family MR Bonds (Section 8 Assisted - 202 Elderly Projects), 2006A	14,470		16,025		17,555
Debentures payable	13,714		13,828		13,828
Deferred amount on Refunding	330		346		362
Totals $	33,179	$	40,754	$	37,585

2011

The LHFA's Moody's bond rating was A1 for the general revenue bonds and the 202 Elderly MR Bonds. The Agency's Single Family Mortgage Revenue Bonds, which are not considered to be the Agency's general debt and are excluded from these financial statements, carry a Aaa rating.

The LHFA has accounts payable and accrued interest payable of $3,604,817 outstanding at year-end compared with $3,239,972 last year. Other obligations include accrued vacation pay and sick leave, deferred revenue, and other post employment benefits payable.

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2011 AND JUNE 30, 2010

2010

The LHFA's Moody's bond rating was upgraded to A1 from A2 for the general revenue bonds and the 202 Elderly MR Bonds. The Agency's Single Family Mortgage Revenue Bonds, which are not considered to be the Agency's general debt and are excluded from these financial statements, carry a Aaa rating.

The LHFA has accounts payable and accrued interest payable of $3,239,972 outstanding at year-end compared with $1,842,529 last year. Other obligations include accrued vacation pay and sick leave, deferred revenue, and other post employment benefits payable.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The LHFA's appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- The LHFA is being absorbed into the newly created Louisiana Housing Corporation (LHC). The transition is expected to be completed by the end of fiscal 2012.
- Expected increase in interest rates will tend to discourage early payoffs and refinancing, increasing the Agency asset base of mortgage backed securities and thereby allowing new issues to stabilize or increase the asset base and thus increasing the issuer fees the Agency receives.
- Interest rates are expected to slowly increase over the next year which should cause an increase in the Agency's investment income.
- The HUD Disposition properties were damaged during Hurricane Katrina. Willowbrook has been on-line now for three years, with an average occupancy rate of approximately 85%. Village De Jardin (Gaslight Square) is expected to come on-line mid fiscal 2012.
- The warehousing of securities will help minimize negative arbitrage and increase investment income.

The LHFA expects that next year's results will be mixed based on the following:

- There will be a decrease in investments due to legislation directing a transfer of $25.1 million in the Spring of 2012 to the state's medical assistance fund. This decrease should be offset with increases from newly derived operating revenue due to the formation of the LCH, along with receipt of residual assets from matured Single Family issues.
- The Section 8 revenues will likely decrease during fiscal 2012. HUD is redoing all contracts for Section 8 and will be going with the most cost effective bid. The Agency intends to submit a proposal to keep the Section 8 program; however, there will be caps on the amount of revenue that can be earned, which will lead to a significant decrease in revenues generated by the program.
- The Agency does not expect to generate as much tax credit revenue in fiscal 2012 because of the availability of fewer tax credits for the Agency to award. The Agency will be receiving additional Tax Credit funds as a result of the American Recovery and Reinvestment Act, but the Agency will not receive any additional administrative fees for the management of these funds.
- The Agency expects overall operating expenses to decrease slightly, due to enhanced technological advancements and a reduction in travel, building bond interest, and other operating expenses.
- Total operating revenues are expected to decrease slightly next year.

CONTACTING THE LOUISIANA HOUSING FINANCE AGENCY'S MANAGEMENT

This financial report is designed to provide Louisiana's citizens and taxpayers, as well as the Agency's customers, investors and creditors with a general overview of the Louisiana Housing Finance Agency's finances and to show the LHFA's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact René Landry, C.F.O., 2415 Quail Drive, Baton Rouge, LA 70808.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
BALANCE SHEETS
JUNE 30, 2011 AND 2010

ASSETS

		2011		2010
CASH AND CASH EQUIVALENTS	$	2,761,452	$	2,742,285
INVESTMENTS		43,947,070		55,565,043
MORTGAGE LOANS		1,206,892		1,228,783
ACCRUED INTEREST RECEIVABLE		267,515		320,264
DUE FROM GOVERNMENTS		4,561,345		2,071,967
DUE FROM MRB PROGRAMS		137,225		141,382
CAPITAL ASSETS (net of accumulated depreciation of $7,479,491 and $6,201,474 respectively)		81,129,578		59,332,846
OTHER ASSETS		820,965		733,877
		134,832,042		122,136,447
RESTRICTED ASSETS:				
Cash and cash equivalents		20,622,164		32,062,106
Investments		23,740,437		13,821,809
Mortgage loans receivable (net of allowance for loan losses of $198,289,129 and $70,279,207, respectively)		122,511,680		91,245,963
Accrued interest receivable		36,604,025		31,099,881
Advances to subrecipients		2,123,030		5,202,822
Capital assets		3,256,491		873,678
		208,857,827		174,306,259
TOTAL ASSETS	$	343,689,869	$	296,442,706

See accompanying notes.

LIABILITIES AND NET ASSETS

	2011	2010
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 1,784,234	$ 2,002,078
ACCRUED INTEREST PAYABLE	1,820,583	1,237,894
DUE TO GOVERNMENTS	1,361,928	286,859
OTHER POSTEMPLOYMENT BENEFIT PLAN PAYABLE	4,717,457	3,925,799
COMPENSATED ABSENCES PAYABLE	895,258	865,906
UNEARNED INCOME	5,113,739	12,925,654
AMOUNTS HELD IN ESCROW	8,002,954	6,801,705
	23,696,153	28,045,895
BONDS AND DEBENTURES PAYABLE:		
Due within one year	12,086,772	20,624,256
Due in more than one year	21,092,118	20,129,762
	33,178,890	40,754,018
Total liabilities	56,875,043	68,799,913
NET ASSETS:		
Invested in capital assets (net of related debt)	76,464,579	48,777,846
Restricted	165,736,423	123,507,366
Unrestricted	44,613,824	55,357,581
Total net assets	286,814,826	227,642,793
TOTAL LIABILITES AND NET ASSETS	$ 343,689,869	$ 296,442,706

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES:		
MRB program issuer fees	$ 1,662,399	$ 1,794,488
Low income housing tax credit program fees	1,946,055	1,388,645
Compliance and application fees	62,026	166,950
Mortgage loan interest income	103,596	87,726
Federal program administrative fees	8,414,449	7,816,293
Investment income	2,330,338	3,550,021
Other income	1,087	55,707
	14,519,950	14,859,830
OPERATING EXPENSES:		
Personnel services	10,055,759	9,724,842
Supplies	121,668	173,522
Travel	209,276	299,127
Operating services	1,061,684	1,164,392
Professional services	1,756,133	1,793,607
Interest expense	121,013	243,020
Depreciation	367,017	396,196
	13,692,550	13,794,706
Operating income	827,400	1,065,124
NON-OPERATING REVENUES (EXPENSES):		
Other contributions and grants for Louisiana Housing Trust Funds	-	71,817
Restricted mortgage loan interest income	6,580,808	5,233,851
Restricted investment income	94,253	1,101,239
Bond interest expense	(1,410,883)	(1,906,674)
Federal grants drawn	330,533,635	159,642,616
Federal grant funds disbursed	(173,688,124)	(148,891,579)
Provision for loan losses	(128,027,421)	(12,838,983)
Program income - HOME	2,354,888	2,509,748
Net income from rental property	22,575,999	12,255,068
	59,013,155	17,177,103
Income before transfers	59,840,555	18,242,227
Transfers (to) from MRB Programs	(668,522)	(2,280,492)
CHANGE IN NET ASSETS	59,172,033	15,961,735
NET ASSETS - Beginning of year	227,642,793	211,681,058
NET ASSETS - End of year	$ 286,814,826	$ 227,642,793

See accompanying notes.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from:		
Fee revenue collected	$ 10,796,831	$ 11,865,947
Investment and mortgage loan income	2,896,984	3,132,750
Mortgage collections	21,891	20,103
Cash paid to:		
Suppliers of service	(3,366,606)	(3,183,359)
Employees and benefit providers	(9,234,749)	(8,697,765)
Bondholders and creditors for interest	(192,800)	(239,127)
Net cash provided by operating activities	921,551	2,898,549
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net transfers from (to) MRB programs	(668,522)	(2,280,492)
Receipts of federal grants	326,151,677	167,414,201
Disbursements of federal grants	(171,688,455)	(154,094,401)
Mortgage collections	2,670,226	1,965,532
Mortgage purchases	(161,963,365)	(25,344,167)
Repayment/redemption of bonds	(6,893,910)	(1,530,000)
Net change in escrow accounts	1,201,249	(817,488)
Other non-operating income	1,242,868	1,746,561
Interest paid on bonds and debentures payable	(825,014)	(770,688)
Net cash used in noncapital financing activities	(10,773,246)	(13,710,942)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments purchased	(128,762,657)	(53,531,026)
Investments redeemed	129,752,833	53,239,228
Net cash from rental properties	537,447	571,226
Net cash provided by investing activities	1,527,623	279,428
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchase of property and equipment	(2,431,703)	(1,030,412)
Issuance of bonds	-	5,330,000
Repayment of bonds	(665,000)	(615,000)
Net cash (used in) provided by capital financing activities	(3,096,703)	3,684,588

Continued

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (11,420,775)	$ (6,848,377)
CASH AND CASH EQUIVALENTS, beginning of year	34,804,391	41,652,768
CASH AND CASH EQUIVALENTS, end of year	$ 23,383,616	$ 34,804,391
PRESENTED ON THE BALANCE SHEET AS:		
Unrestricted	$ 2,761,452	$ 2,742,285
Restricted	20,622,164	32,062,106
	$ 23,383,616	$ 34,804,391
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 827,400	$ 1,065,124
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	367,017	396,196
Net change in fair value	410,301	(620,474)
Amortization of bond issuance costs	52,388	5,943
Change in accrued interest receivable	52,749	115,477
Change in due from governments	(1,185,256)	871,598
Change in due from MRB programs	4,157	(7,278)
Change in accounts payable and accrued liabilities	(217,846)	247,289
Change in OPEB payable	791,658	886,772
Change in compensated absences payable	29,352	140,305
Change in other assets	(212,862)	(220,457)
Change in accrued interest payable	(19,398)	(2,049)
Change in mortgage loans	21,891	20,103
Net cash provided by operating activities	$ 921,551	$ 2,898,549
SUPPLEMENTAL DISCLOSURES:		
NONCASH FINANCING ACTIVITY:		
Construction in progress paid by contributions from the State of Louisiana	$ 22,564,962	$ 12,779,315

See accompanying notes.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

ORGANIZATION OF THE AGENCY:

Louisiana Housing Finance Agency (the Agency) is a political subdivision and instrumentality of the State of Louisiana established in 1980 pursuant to the Louisiana Housing Finance Act contained in Chapter 3-A of Title 40 of the Louisiana Revised Statutes of 1950, 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. Programs implemented by the Agency for this purpose consist of Mortgage Revenue Bond Programs, the Low Income Housing Tax Credit Program, the Louisiana Housing Trust Fund Program, the Mark-to Market program and various federal award programs including the Low Income Housing Energy Assistance Program, the Weatherization Assistance Program, HOME, and Section 8 Contract Administration.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Louisiana Housing Finance Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency applies Financial Accounting Standards Board (FASB) Accounting Standards Codification and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Agency's significant accounting policies are described below:

Reporting Entity:

Government Accounting Standards Board (GASB) Statement No. 14 has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointment of a voting majority of the governing board.

    a. The ability of the state to impose its will on the organization.

    b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.

2. Organizations which are fiscally dependent.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reporting Entity: (Continued)

3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Due to the nature and significance of the relationship between the Agency and the State of Louisiana, the financial statements of the State would be misleading if the Agency's financial statements were excluded. Accordingly, the State of Louisiana has determined that the Agency is a component unit.

The accompanying statements of the Agency present only transactions of Louisiana Housing Finance Agency's General Fund. 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, 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 basic financial statements which include the activity contained in the accompanying financial statements. The basic financial statements are issued by the Louisiana Division of Administration - Office of Statewide Reporting and Accounting Policy and are audited by the Louisiana Legislative Auditor.

Basis of Accounting:

The Agency is considered a proprietary fund and is presented as a business type activity. Proprietary fund types are used to account for activities that are similar to those found in the private sector where the determination of operating income and changes in net assets is necessary or useful for sound financial administration. The 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 are earned and expenses are recognized in the period incurred.

Since the business of the Agency is essentially that of a financial institution having a business cycle greater than one year, the balance sheet is not presented in a classified format.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments:

Governmental Accounting Standards Board Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, requires certain types of investment securities to be carried at fair value. In accordance with this statement, the Agency carries all debt securities with an original term of greater than one year at fair value. The change in fair value of such securities is recognized as revenue as a component of investment income. Investment Contracts are carried at cost, which approximates market value.

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 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. Past due status is based on contractual terms. Provisions for loan losses and recoveries on loans previously charged off are added to the allowance.

Capital Assets:

Capital assets are stated at cost less accumulated depreciation. The Agency capitalizes all property and equipment with initial, individual costs of greater than $1,000. Depreciation is computed on the straight-line method over the following estimated useful lives:

Buildings	40 years
Equipment	3–7 years
Automobiles	5 years

Bond Issuance Costs:

Bond issuance costs, including underwriters' discounts on bonds sold, are deferred and amortized over the life of the indebtedness based on the principal amounts of the bonds outstanding, a method that approximates the interest method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue and Expenses:

Operating revenues consist of program administration fees, bond issue fees and investment income as these revenues are generated from the Agency's operations and are generated in carrying out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Federal grant pass-through revenues and expenses, provision for loan losses on program loans and income from rental properties are ancillary to the Agency's statutory purpose and are classified as non-operating.

When an item of income earned or expense incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Agency's policy to apply those items to both restricted and unrestricted net assets, in accordance with the appropriate proportion as delineated by the activity creating the item.

Compensated Absences:

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited, however, use of annual leave through time off is limited to 780 hours. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

As the Agency is a proprietary type fund, the cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expense when the leave is earned.

Statement of Cash Flows:

For purposes of the Statement of Cash Flows, 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.

2. ESTIMATES:

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS:

Authority:

Cash and cash equivalents are stated at cost, which approximates market value. Under state law, the Agency may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Agency may purchase time certificates of deposit of any bank domiciled or having a branch 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 Statutes, the Agency may invest in obligations of the U.S. Treasury, obligations of U.S. Agencies which are guaranteed by the U.S. government or U.S. government agencies, repurchase agreements, certificates of deposit as mentioned above, investment grade commercial paper, investment grade corporate notes and bonds, and other investments as required by the terms of bond trust indentures.

Cash and Cash Equivalents:

Louisiana Housing Finance Agency had cash and cash equivalents (book balances) as of June 30, 2011 and 2010, as follows:

	2011	2010	Rating
Petty cash	$ 100	$ 100	N/A
Demand deposits	11,567,486	20,455,089	N/A
Federal Home Loan Bank deposits	104,817	5,500	N/A
Money Market funds	11,711,213	14,343,702	AAA
	$ 23,383,616	$ 34,804,391	

The deposit and money market accounts are subject to custodial credit risk; that is, in the event of a bank failure, the funds may not be returned. To mitigate this risk, state law requires deposits to 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. The Agency's demand deposits (bank balances) were entirely covered by FDIC insurance or pledged collateral held by the Federal Reserve Bank in the name of the Agency at June 30, 2011 and 2010. The Agency's Federal Home Loan Bank deposits are backed by the financial resources of the Federal Home Loan Bank of Dallas, which was created by the United States Federal Government, via the Federal Home Loan Bank Act of 1932, as amended, and is regulated as specified in the Housing and Economic Recovery Act of 2008. The Agency's money market accounts are invested in short-term money market instruments issued by the United States Treasury which are backed by the full faith and credit of the United States government.

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3. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments:

As of June 30, 2011, the Agency had the following investments and maturities (in years):

		Investments Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	> 10
U.S. Treasury Notes	$ 775,306	$ -	$ 775,306	$ -	$ -
U.S. Sponsored Agencies	33,347,590	2,211,228	8,726,581	6,207,001	16,202,780
GNMAs	33,564,611	-	140,831	391,329	33,032,451
Total	$ 67,687,507	$ 2,211,228	$ 9,642,718	$ 6,598,330	$ 49,235,231

As of June 30, 2010, the Agency had the following investments and maturities (in years):

		Investments Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	> 10
U.S. Treasury Notes	$ 835,252	$ -	$ 835,252	$ -	$ -
U.S. Sponsored Agencies	45,134,288	4,674,535	19,869,749	2,166,217	18,423,787
GNMAs	21,071,527	-	22,531	417,470	20,631,526
Investment Contracts	2,345,785	-	-	-	2,345,785
Total	$ 69,386,852	$ 4,674,535	$ 20,727,532	$ 2,583,687	$ 41,401,098

Interest Rate Risk. The Agency manages interest rate risk by duration. The Agency forecasts future changes in interest rates and the slope of the yield curve and then selects a duration strategy for the portfolio. For example, when forecasts are for higher interest rates, the general strategy is to shorten the overall duration of a portfolio to mitigate the adverse affects of higher interest rates. Conversely, if forecasts are for lower interest rates, then the duration of the portfolio is lengthened.

Credit Risk. State law limits investments to those indicated under the authority caption within this footnote. It is the Agency's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of June 30, 2011, all of the Agency's investments were rated AAA by Standard & Poor's. As of June 30, 2010, all of the Agency's investments, with the exception of the investment contracts, were rated AAA by Standard & Poor's. The Agency's investment contracts at June 30, 2010 were rated BBB by Standard & Poor's, but were on watch for possible upgrade.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's investments are held by the custodial bank as an agent for the Agency, in the Agency's name and are thereby not exposed to custodial credit risk.

LOUISIANA HOUSING FINANCE AGENCY
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3. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments: (Continued)

Concentration of Credit Risk. The Agency places no limit on the amount that may be invested in any one issuer. As of June 30, 2011 and 2010, the Agency had investments of the following issuers which represented more than 5 percent of total investments:

	2011	2010
Federal Home Loan Bank	6%	11%
Federal National Mortgage Association	23%	28%
Federal Farm Credit Banks	11%	17%
Federal Home Loan Mortgage Corporation	9%	10%

Net unrealized gain (loss) on investment securities and securitized program loans was $3,497,655 and $3,869,078 at June 30, 2011 and 2010, respectively. The change in fair value of $(371,423) and $1,630,458 was included in investment income for June 30, 2011 and 2010, respectively.

4. BONDS AND DEBENTURES PAYABLE:

Bonds and debentures payable activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation bonds:					
Series 2001 General Revenue Office Building Bonds	$ 5,225,000	$ --	$ (5,225,000)	$ --	$ --
Series 2010 General Revenue Office Building Refunding Bonds	5,330,000	--	(665,000)	4,665,000	725,000
Series 2006A Multifamily Mortgage Revenue Refunding Bonds	16,025,000	--	(1,555,000)	14,470,000	900,000
Debentures payable	13,828,038	--	(113,910)	13,714,128	10,445,554
	40,408,038	--	(7,558,910)	32,849,128	12,070,554
Plus: deferred amount on refunding	345,980	--	(16,218)	329,762	16,218
Total bonds and debentures payable	$ 40,754,018	$ --	$ (7,575,128)	$ 33,178,890	$ 12,086,772

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4. BONDS AND DEBENTURES PAYABLE: (Continued)

Bonds and debentures payable activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation bonds:					
Series 2001 General Revenue Office Building Bonds	$ 5,840,000	$ --	$ (615,000)	$ 5,225,000	$ 5,225,000
Series 2010 General Revenue Office Building Refunding Bonds	--	5,330,000	--	5,330,000	665,000
Series 2006A Multifamily Mortgage Revenue Refunding Bonds	17,555,000	--	(1,530,000)	16,025,000	890,000
Debentures payable	13,828,038	--	--	13,828,038	13,828,038
	37,223,038	5,330,000	(2,145,000)	40,408,038	20,608,038
Plus: deferred amount on Refunding	362,198	--	(16,218)	345,980	16,218
Total bonds and debentures payable	$ 37,585,236	$ 5,330,000	$ (2,161,218)	$ 40,754,018	$ 20,624,256

Limited Obligation Bonds Payable:

As authorized by the initial enabling legislation, 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 therefore. The bonds are considered to be conduit debt of the Agency and 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. At June 30, 2011 and 2010, there were approximately $882 million and $958 million of such bonds outstanding in 61 and 61 bond programs, respectively.

General Obligation Bonds Payable:

The Agency had issued $9,500,000 of General Revenue Office Building Bonds, Series 2001 to finance the construction of a building to house its operations. The bonds were general obligations of the Agency, secured by and payable from any and all funds of the Agency not

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4. BONDS AND DEBENTURES PAYABLE: (Continued)

General Obligation Bonds Payable: (Continued)

otherwise required to be irrevocably dedicated to other purposes. The bonds were to mature serially December 1, 2002 through December 1, 2016. Bonds scheduled to mature on or after December 1, 2010 were callable for redemption at the option of the Agency. The bonds bore interest at various rates, ranging from 3.50% to 8.00% per annum. At June 30, 2011 and 2010, $-0- and $5,225,000, respectively, of the bonds were outstanding. The bonds were currently refunded by the General Revenue Office Building Refunding Bonds, Series 2010 on July 1, 2010. The reacquisition price of the series 2001 was the same as the carrying value of the bonds.

On June 30, 2010, the Agency issued $5,330,000 of General Revenue Office Building Refunding Bonds, Series 2010 for the purpose of currently refunding the General Revenue Office Building Bonds, Series 2001. The bonds are general obligations of the Agency, secured by and payable from any and all funds of the Agency not otherwise required to be irrevocably dedicated to other purposes. The bonds mature serially December 1, 2010 through December 1, 2016. The bonds bear interest at various rates, ranging from 2.00% to 3.25% per annum. At June 30, 2011 and 2010, $4,665,000 and $5,330,000, respectively, of the bonds were outstanding.

Interest rates on the Series 2010 bonds range from 2.00% to 3.250%, whereas interest rates on the Series 2001 bonds ranged from 3.50% to 8.00%. This decrease in interest rates resulted in an economic gain on the current refunding of $244,385 (the difference between the present values of the Series 2001 and Series 2010 cash flows). The current refunding results in a reduction of debt service payments in the amount of $269,657 through the maturity of the bonds in December 2016.

On November 1, 2006, the Agency issued $20,600,000 of Series 2006A Multifamily Mortgage Revenue Refunding Bonds (Section 8 Assisted – 202 Elderly Projects) to advance refund $20,600,000 of outstanding Series 2003A Multifamily Mortgage Revenue Bonds (Section 8 Assisted - 202 Elderly Projects). This refunding became necessary when, in 2005, Hurricane Katrina severely damaged eleven of the eighteen projects financed with the Series 2003A bonds. The distribution resulted in an extraordinary mandatory redemption of the Series 2003A bonds from casualty proceeds. Once the Series 2003A bonds had been redeemed, due to the redemption structure of the bonds and loss of expected surplus revenues on the projects, cash flows for the Series 2003A bonds no longer provided assurance that principal and interest on the bonds would be paid when due.

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4. BONDS AND DEBENTURES PAYABLE: (Continued)

General Obligation Bonds Payable: (Continued)

Interest rates on the Series 2006A bonds range from 3.85% to 4.75%, whereas interest rates on the Series 2003A bonds ranged from 1.2% to 4.85%. This increase in interest rates coupled with the loss of expected surplus revenues on the projects that were destroyed resulted in an economic loss on the advance refunding of $960,130 (the difference between the present values of the Series 2003A and Series 2006A cash flows). The additional debt service to be paid on the Series 2006A refunding bonds through their maturity is $5,383,121. However, the Series 2006A bonds are subject to optional redemption on June 1, 2013, and a possible refinancing of the debt to lower interest rates could reduce the amount of excess debt service expected to be paid.

The reacquisition price in the advance refunding of the Series 2003A bonds was $405,445 less than the net carrying value of the bonds. This difference is reported in the balance sheet of the accompanying financial statements as a deferred amount which increases bonds payable. The deferred amount is being amortized as a reduction of interest expense through fiscal year 2032 using the straight line method unless the Series 2006A bonds are refunded prior to their scheduled maturity date.

Issuance of the Series 2006A refunding bonds resulted in net proceeds of $20,252,690 (after payment of issuance costs plus $2,063,440 of transferred proceeds), which were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2003A bonds.

As a result, the Series 2003A bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements of the Agency. At June 30, 2011 and 2010, $9,745,000 and $12,275,000, respectively, of the defeased bonds are still outstanding. At June 30, 2011 and 2010, $14,470,000 and $16,025,000, respectively, of the Series 2006A bonds are outstanding.

Future debt service requirements for the Agency's general obligation bonds payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 1,625,000	$ 788,120	$ 2,413,120
2013	1,690,000	729,854	2,419,854
2014	1,780,000	668,198	2,448,198
2015	2,405,000	605,813	3,010,813
2016	1,935,000	522,181	2,457,181
2017-2021	7,465,000	1,494,025	8,959,025
2022-2026	1,470,000	354,231	1,824,231
2027-2031	760,000	81,225	841,225
2032	5,000	119	5,119
	$ 19,135,000	$ 5,243,766	$ 24,378,766

4. BONDS, DEBENTURES AND NOTES PAYABLE: (Continued)

Debentures Payable:

On April 28, 2006, the Agency issued \$29,020,292 of debentures payable to the Department of Housing and Urban Development (HUD). The debentures were issued by the Agency in conjunction with the claim for mortgage insurance payment made by HUD under the Agency's Risk-Sharing Program for mortgage loans. Several of the Agency's mortgage loans under the Risk-Sharing Program were in default as a result of damages to the properties by Hurricane Katrina. The mortgage insurance payment was used to redeem a portion of the Section 202 bonds allocated to the defaulted properties.

The debentures bear interest at the rate of 4.5% and interest is due annually. During the year ended June 30, 2011, the Agency requested and was granted by HUD a repayment extension on three of the five debentures outstanding. The new repayment dates are May 28, 2012, June 28, 2012, and October 28, 2012. Repayment extension requests for the remaining two debentures were under review by HUD at the date of this report. Due to the ongoing review, management has elected to classify these two debentures as due in the next fiscal year. Pursuant to the Risk-Sharing Agreement, the Agency's percentage share of the face amount of the debentures is 50%.

Future debt service requirements for the debentures are as follows:

Year Ended June 30	Principal	Interest	Total
2012	\$ 10,445,554	\$ 1,344,471	\$ 11,790,025
2013	3,268,574	420,706	3,689,280
Total	\$ 13,714,128	\$ 1,765,177	\$ 15,479,305

5. FEDERAL FINANCIAL ASSISTANCE:

Federal grant programs represent an important source of funding to finance housing programs which are beneficial to the State of Louisiana. These grants are recorded as non-operating income and expense to the Agency and any assets held in relation to the programs are restricted. Receivables are established when eligible expenditures are incurred. The grants specify the purpose for which funds may be used and are subject to audit in accordance with Office of Management and Budget Circular A-133 under the "Single Audit Concept".

5. FEDERAL FINANCIAL ASSISTANCE: (Continued)

In the normal course of operations, the Agency receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. These audits can result in the Agency having to make restitution to the federal agency as a result of noncompliance.

During 2011 and 2010, the following amounts were expended under various grants and entitlements.

	2011	2010
Section 8	$ 79,632,811	$ 67,704,547
HOME Investment Partnerships	20,721,080	12,346,417
Low Income Housing Energy Assistance	57,198,850	53,982,240
Weatherization Assistance	23,432,232	14,096,249
Community Development Block Grant	5,931,875	4,596,199
Social Services Block Grant	--	5,431,373
Tax Credit Assistance Program	28,888,521	2,664,622
Neighborhood Stabilization Program	8,215,998	1,294,923
National Foreclosure Mitigation Counseling	128,177	141,556
	$ 224,149,544	$ 162,258,126

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 years ended June 30, 2011 and 2010, the following per diem payments were made to the members of the Agency's Board and are included in general and administrative expenses:

	2011	2010
Michael Airhart	$ 750	$ 650
Barbara Anderson	800	650
Jerome Boykin, Sr.	550	500
Mayson Foster	650	700
Walter Guillory	50	300
Allison Jones	650	400
James Madderra	300	450
Joseph Scontrino, III	700	450
Donald Vallee	800	350
Guy Williams	600	550
Tyrone Wilson	450	300
Wayne Woods	--	200
Alberta Young	650	550
	$ 6,950	$ 6,050

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7. RETIREMENT BENEFITS:

Substantially all of the employees of the Agency are members of the Louisiana State Employees Retirement System (System), a cost sharing, multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees which is administered and controlled by a separate board of trustees.

All full-time Agency employees are eligible to participate in the System. Benefits vest with 10 years of service. If membership in the System began before July 1, 2006, at retirement age, employees are entitled to annual benefits equal to 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credit service, plus $300 annually only for members employed before July 1, 1986. If membership in the system began after July 1, 2006, the benefit is equal to 2.5% of their highest consecutive 60 months' average salary multiplied by their years of credit service.

Vested employees are entitled to a retirement benefit payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service or at age 50 with 10 years of service. Any member hired after July 1, 2006 shall be eligible for retirement benefits with 10 years of service at age 60 or thereafter. The System also provides death and disability benefits. Benefits are established or amended by state statute.

Members are required by state statute to contribute 7.5% of gross salary if hired prior to July 1, 2006 or 8.0% if hired after July 1, 2006. The Agency is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rates were 22%, 18.6% and 18.5% for the years ended June 30, 2011, 2010 and 2009, respectively. The Agency contributions to the System for the years ended June 30, 2011, 2010 and 2009 were $1,468,158, $1,184,241 and $825,551, respectively, equal to the required contributions for each year.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

8. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

Substantially all Agency employees become eligible for post-employment health care and life insurance benefits if they reach normal retirement age while working for the Agency. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the Agency. At June 30, 2011 and 2010, nine retirees were receiving post-employment benefits.

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8. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Plan Description

The Agency's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits (OGB). LRS 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy

The contribution requirements of plan members and the Agency are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. Commencing July 1, 2010, the OGB offered three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) plan and the Medical Home HMO (MH-HMO) Prior to July 1, 2010, the OGB offered the following standard plans for both active and retired employees: the PPO plan, the HMO plan, and the Executive Provider Organization (EPO) plan. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans. Depending upon the plan selected, during the years ended June 30, 2011 and 2010, employee premiums for a single member receiving benefits range from $80 to $84 and $81 to $98 per month, respectively, for employee-only coverage with Medicare or from $132 to 140 and $134 to $181 per month, respectively, for employee-only coverage without Medicare. The premiums for an employee and spouse for the year ended June 30, 2011 and 2010 range from $145 to $312 and $146 to $362 per month, respectively, for those with Medicare or from $428 to $454 and $435 to $527 per month, respectively, for those without Medicare.

The plan is currently financed on a pay as you go basis, with the Agency contributing anywhere from $241 to $253 and $243 to $253 per month for retiree-only coverage with Medicare or from $853 to $900 and $864 to $900 per month for retiree-only coverage without Medicare during the years ended June 30, 2011 and 2010, respectively. Also, the Agency's contributions range from $433 to $936 and $437 to $937 per month for retiree and spouse with Medicare or $1,311 to $1,382 and $1,326 to $1,382 for retiree and spouse without Medicare during the years ended June 30, 2011 and 2010, respectively.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

8. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Funding Policy (Continued)

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately $1 per thousand dollars of coverage of which the employer pays one half of the premium. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with Accidental Death and Dismemberment coverage ceasing at age 70 for retirees.

Annual OPEB Cost

The Agency's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45, which was implemented prospectively during the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities. The total ARC for the fiscal years beginning July 1, 2010 and 2009 was $868,800 and $971,700, respectively.

The following schedule presents the components of the Agency's OPEB cost for the years ended June 30, 2011 and 2010, the amount actually contributed to the plan, and changes in the Agency's net OPEB Obligation:

	2011	2010
Annual required contribution	$ 868,800	$ 971,700
Interest on net OPEB obligation	157,032	121,561
ARC adjustment	(150,011)	(116,126)
Annual OPEB Cost	875,821	977,135
Contributions made	(84,162)	(90,363)
Increase in Net OPEB Obligation	791,659	886,772
Beginning Net OPEB Obligation	3,925,799	3,039,027
Ending Net OPEB Obligation	$ 4,717,458	$ 3,925,799

The Agency's percentage of annual OPEB cost contributed to the plan utilizing the pay-as-you-go method and the net OPEB Obligation for the years ended June 30, 2011 through 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$ 875,821	9.61%	$4,717,458
June 30, 2010	977,135	9.30%	3,925,799
June 30, 2009	1,650,447	5.56%	3,039,027

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

8. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Funded Status and Funding Progress

Act 910 of the 2008 Regular Session established the Post Employment Benefits Trust Fund with an effective date of July 1, 2008. However, neither the Agency nor the State of Louisiana have contributed to it as of June 30, 2011. Since the plan has not been funded, the entire actuarial accrued liability of $6,411,000 and $7,204,000 at June 30, 2011 and 2010, respectively, was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2010 and 2009, was as follows:

	July 1, 2010	July 1, 2009
Actuarial accrued liability (AAL)	$ 6,411,000	$ 7,204,000
Actuarial value of plan assets	--	--
Unfunded actuarial accrued liability (UAAL)	$ 6,411,000	$ 7,204,000
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (annual payroll of active employee covered by the plan)	$ 5,334,859	$ 5,646,700
UAAL as a percentage of covered payroll	120%	128%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

8. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Actuarial Methods and Assumptions (Continued)

In the July 1, 2010 and 2009, actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses). Initial annual healthcare cost trend rates of 8.0% and 9.1% for pre-Medicare and Medicare eligibles, respectively, were assumed for the July 1, 2010 valuation. Initial annual healthcare cost trend rates of 8.5% and 9.6% for pre-Medicare and Medicare eligibles, respectively, were assumed for the July 1, 2009 valuation. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over an open amortization period of 30 years in developing the annual required contribution. The remaining amortization period as of June 30, 2011 and 2010 was 26 and 27 years, respectively.

9. CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

	Balance June 30, 2010	Additions	Deletions and Adjustments	Balance June 30, 2011
Capital assets not being depreciated:				
Land	$ 712,338	$ --	$ --	$ 712,338
Construction in progress	20,795,830	25,656,680	--	46,452,510
	21,508,168	25,656,380	--	47,164,848
Capital assets being depreciated:				
Equipment	2,420,288	48,895	(248,013)	2,221,170
Building	42,348,602	--	--	42,348,602
Land improvements	130,940	--	--	130,940
	44,899,830	48,895	(248,013)	44,700,712
Accumulated depreciation:				
General	(3,557,743)	(367,017)	250,930	(3,673,830)
HUD Disposition	(2,643,731)	(1,161,930)	--	(3,805,661)
	$ 60,206,524	$ 24,176,628	$ 2,917	$ 84,386,069

	Balance June 30, 2009	Additions	Deletions and Adjustments	Balance June 30, 2010
Capital assets not being depreciated:				
Land	$ 712,338	$ --	$ --	$ 712,338
Construction in progress	7,117,958	13,677,872	--	20,795,830
	7,830,296	13,677,872	--	21,508,168
Capital assets being depreciated:				
Equipment	2,288,029	159,710	(27,451)	2,420,288
Building	42,258,906	89,696	--	42,348,602
Land improvements	130,940	--	--	130,940
	44,677,875	249,406	(27,451)	44,899,830
Accumulated depreciation:				
General	(3,184,818)	(396,196)	23,271	(3,557,743)
HUD Disposition	(1,483,743)	(1,159,988)	--	(2,643,731)
	$ 47,839,610	$ 12,371,094	$ (4,180)	$ 60,206,524

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

9. CAPITAL ASSETS: (Continued)

Included in capital assets at June 30, 2011 and 2010 is $77,629,681 and $54,355,813, respectively, of costs related to the two HUD disposition properties owned by the Agency. These buildings were damaged by Hurricane Katrina (see Note 11). One property (Village de Jardin) was under construction at June 30, 2011 and 2010. Management expects construction to be completed in late 2011 or early 2012. Reconstruction of the second property (Willowbrook) was completed during the year ended June 30, 2008, and its operations commenced in May 2008.

Included in construction in progress are costs of $3,256,491 related to the Capital City South project. This project is restricted because it is funded by the Neighborhood Stabilization Program and any net income is currently expected to be recognized as program income to be used within the program.

10. 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, except for the matter described in Note 15, the ultimate disposition and liability, if any, of these matters is not known at this time.

11. HUD DISPOSITION PROPERTIES:

The Agency is the owner of two low-income multifamily rental properties that were originally purchased from the U. S. Department of Housing and Urban Development at a cost of $1 each. The Agency funded renovations to the properties totaling approximately $3.3 million through June 30, 2005. On August 29, 2005, the properties were significantly damaged by Hurricane Katrina. The properties were insured by the State of Louisiana Office of Risk Management. The State of Louisiana assumed responsibility for the reconstruction of the properties. At June 30, 2011 and 2010, one property was fully renovated and occupied. The other property continues to undergo reconstruction with an estimated completion date of late 2011 or early 2012. The completed property and the construction in progress are recorded within capital assets on the balance sheet of the Agency.

The properties were purchased in 1995. If the Agency sells the properties, the sales proceeds less certain costs and expenses shall be assigned to HUD in the following amounts:

a) 75%, if sold between fifteen and twenty years from the purchase date;
b) 50%, if sold between twenty and thirty years from the purchase date; or
c) 25%, if sold over thirty years from the purchase date

The net income (loss) from the properties is recorded as non-operating revenue (expense) to the Agency.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

12. RESTRICTED LOANS:

As part of its HOME program, the Agency has made loans to qualified low-income single-family homebuyers and to developers of low-income multi-family projects. The HOME loans are issued as a supplement to primary financing and are collateralized by a second mortgage on the property financed. Payments on these loans are deferred until the earlier of: a) the date the primary loan is paid out, or b) a specified future date, with cash flows as a factor in determining amounts due for the majority of the multi-family HOME loans. These loans are uninsured.

As part of its multifamily program, the Agency has made loans under its Section 202 Program. The Program is designed to make loans to eligible projects pursuant to Section 202 of the Housing Act of 1959, as amended, and the Risk Sharing Program administered by HUD. The multifamily Section 202 loans consist of a Risk Sharing Mortgage Note and a Subordinate Mortgage Note. The loans are collateralized by a security interest in the property with principal and interest payments due monthly through 2022. The Risk Sharing Mortgage Notes are 50% guaranteed by HUD under the Risk Sharing loan insurance program. The properties have also obtained HOME loans as described above.

During the year ended June 30, 2010, the Agency received an award of funds (1602 Funds) from the United States Treasury Department under the provisions of Section 1602 of Subtitle C of Title I of Division B of the American Recovery and Reinvestment Act of 2009 and began loaning these funds to qualified multifamily low-income housing projects. These loans are financed at a 0% interest rate and will mature at the end of a 15 year period. The Agency will forgive the debt at the end of this period, if certain conditions have been met. These loans are uninsured.

During the year ended June 30, 2010, the Agency was awarded a Tax Credit Assistance Program (TCAP) Grant under Title XII of the American Recovery and Reinvestment Act of 2009 to loan funds to Low Income Housing Tax Credit (LIHTC) projects. These loans bear interest at a rate of approximately 4% and are collectible from surplus cash generated by the projects. These loans are uninsured.

The Agency was awarded funds under the Neighborhood Stabilization Program (NSP) beginning in the fiscal year ended June 30, 2010. These funds are loaned to qualified borrowers for the purpose of redeveloping abandoned and foreclosed homes, land banking and homebuyer education. These loans are financed at interest rates between 0% and 2% and are either payable upon demand or from surplus cash generated by the projects. Certain loans under this program are forgivable.

The Agency utilizes the Louisiana Housing Trust Funds to provide financing for sustainable affordable rental and homeownership housing developments. The Housing Trust funds provide soft-second mortgages to qualified low-income, single-family homebuyers and developers of low-income, multifamily rental projects. These loans are financed at a 0% interest rate and will mature at the end of the 15 year affordability period. The Agency will forgive the debt at the end of the affordability period, if certain conditions have been met. These loans are uninsured.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

12. RESTRICTED LOANS: (Continued)

The loan portfolio at June 30, 2011 and 2010 was as follows:

	2011	2010	Interest Rate
HOME Multifamily Mortgage Loans	$ 105,728,901	$ 101,366,573	1% – 6%
HOME Single Family Mortgage Loans	4,632,550	4,982,677	0%
202 Elderly Project Mortgage Loans	29,002,063	31,009,755	6%
Conditional HOME Loans	1,678,350	422,133	0%
1602 Sub Award Multifamily Loans	124,199,382	6,889,494	0%
TCAP Multifamily Mortgage Loans	31,553,143	2,664,622	4%
Neighborhood Stabilization Program Loans	5,451,148	290,654	0% - 2%
Louisiana Housing Trust Fund Loans	18,555,270	13,899,262	0%
	320,800,807	161,525,170	
Reserve for loan losses	(198,289,129)	(70,279,207)	
	$ 122,511,678	$ 91,245,963	

The Agency's collections from the HOME, TCAP, 1602 Exchange, NSP and Louisiana Housing Trust Fund loans are restricted to funding future lending programs. The multifamily Section 202 loans are held in trust and pledged to repay the Series 2006A Multifamily Mortgage Revenue Refunding Bonds (see Note 4). The principal balance and accruals of interest receivable on these loans are reported as restricted assets.

The reserve for loan losses has changed mainly due to charges of $128,027,421 and $12,838,983 to the provision for loan losses account for the years ended June 30, 2011 and 2010, respectively.

13. CONCENTRATION OF CREDIT RISK:

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

14. RISK MANAGEMENT:

The Agency is exposed to various risks of loss related to torts; 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.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

15. PENDING CLAIM:

The Agency is involved in a matter with the Department of Housing and Urban Development Board of Contract Appeals relating to a multifamily mortgage loan claim paid by HUD in 1990. HUD now asserts that the Notice of Default, which was a required part of the procedures for processing such a claim, was filed with HUD beyond the required deadline. It is important to note that this process was the responsibility of the Servicing Agent that the Agency contracted to service this loan.

HUD is claiming that the Agency (or its trust account which no longer exists) was overpaid by $804,384. Furthermore, HUD claims entitlement to interest and penalties on this amount. The Agency has an indemnification agreement with the Servicing Agent for matters such as this; however, a formal claim has not been filed by the Agency against the Servicing Agent. The Agency's attorney has indicated that it is not possible to give an opinion concerning the likelihood of an unfavorable result to the Agency. However, in prior years, the Agency has accrued $1,000,000 relating to this matter.

16. NET ASSETS:

Net assets represent the difference between total assets and total liabilities. Unrestricted net assets are those that do not meet the definition of either net assets invested in capital assets net of related debt or restricted net assets. Net assets invested in capital assets net of related debt consist of capital assets less accumulated depreciation and net of outstanding balances of any debts used to finance those assets, such as bonds, capital leases and notes. Restricted assets are those that may be used only to finance specific types of transactions. These restrictions may be established by debt covenants, grantors, laws or regulations of other governments, or enabling legislation. Restricted net assets represent the balance of restricted assets less the outstanding balances of any liabilities that will be settled using restricted assets. The Agency's restricted net assets result primarily from the Agency's mortgage loan programs, the related bonds and debentures payable.

17. RECLASSIFICATIONS:

Certain amounts in 2010 have been reclassified to conform to the 2011 presentation.

18. SUBSEQUENT EVENTS:

During the 2011 Legislative Session, a law effective July 1, 2011 was enacted by the Louisiana Legislature that directed the Agency or its successor to deposit into the State Treasury unrestricted or unencumbered fund assets of not less than $25,100,000. The Agency has been in communication with the State Treasurer's office regarding timing of the transfer. As of the date of this report, the transfer to the State Treasury had not been made.

18. SUBSEQUENT EVENTS: (Continued)

Also during the fiscal year ending June 30, 2011, a law was enacted that made changes to Section 40:600.4 and Chapter 3-G of the Louisiana Revised Statues of 1950. The law established the Louisiana Housing Corporation (the Corporation) and the following provisions: Effective December 31, 2011, the Board of Commissioners of the Louisiana Housing Finance Agency (the Agency) is abolished and their responsibilities shall be assumed by the governing board of the Corporation. Effective January 1, 2012, the Agency will become a subsidiary of the Corporation and effective June 30, 2012, the Agency's existence is terminated, whereupon all assets, obligations, and liabilities are made a part of the Corporation. The Corporation shall be the successor in every way to the Agency. The formation of the Corporation is intended to streamline operations, enhance a coordinated approach and make clear a statewide policy regarding funding for affordable residential housing for citizens served by the Corporation.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

LOUISIANA HOUSING FINANCE AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
LOUISIANA HOUSING FINANCE AGENCY'S OPEB PLAN
JUNE 30, 2009 THROUGH 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
7/1/10	-0-	$ 6,411,000	$ 6,411,000	-0-	$5,334,859	120%
7/1/09	-0-	$ 7,204,000	$ 7,204,000	-0-	$5,646,700	128%
7/1/08	-0-	$11,200,300	$11,200,300	-0-	$4,655,200	241%

OTHER SUPPLEMENTARY INFORMATION

Louisiana Housing Finance Agency
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2011

CONTENTS

BB. Net Assets Restricted by Enabling Legislation (See OSRAP Memo 11-36, Appendix C)

CC. Impairment of Capital Assets (See OSRAP Memo 11-36, Appendix B)

DD. Employee Termination Benefits

EE. Pollution Remediation Obligations

FF. American Recovery and Reinvestment Act (ARRA)

Schedules

1 Schedule of Per Diem Paid to Board Members

2 Not Applicable

3 Schedules of Long-Term Debt

4 Schedules of Long-Term Debt Amortization

5 Schedule of Current Year Revenue and Expenses - Budgetary Comparison of Current Appropriation – Non-GAAP Basis (applicable only for entities whose budget is appropriated by the legislature)

15 Schedule of Comparison Figures and Instructions

16 Schedule of Cooperative Endeavors (see OSRAP Memo 11-36 Appendix F)

See the Appendix Packet on our Website (OSRAP Memo 11-36)

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ended June 30, 2011

Louisiana Housing Finance Agency
2415 Quail Drive
Baton Rouge, Louisiana 70808

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

Physical Address:
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Claiborne Building, 6th Floor, Suite 6-130
Baton Rouge, Louisiana 70802

Legislative Auditor
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LLAFileroom@lla.la.gov.

Physical Address:
1600 N. Third Street
Baton Rouge, Louisiana 70802

AFFIDAVIT

Personally came and appeared before the undersigned authority, Rene Landry, Chief Fiscal Officer of Louisiana Housing Finance Agency who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Louisiana Housing Finance Agency at June 30, 2011 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 30th day of August, 2011.

Rene Landry
Signature of Agency Official

Loretta Wallace
NOTARY PUBLIC
LORETTA WALLACE ID #053916

Prepared by: Rene Landry

Title: Chief Fiscal Officer

Telephone No.: (225) 763 - 8700 Ext. 335

Date: August 30, 2011

Email Address: rlandry@lhfa.state.la.us

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2011

Please refer to the Management's Discussion and Analysis of the Louisiana Housing Finance Agency in the Required Supplementary Information section of the audit report for the year ended June 30, 2011.

STATE OF LOUISIANA **Statement A**

LOUISIANA HOUSING FINANCE AGENCY

BALANCE SHEET

AS OF JUNE 30, 2011

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	2,761,452
Restricted Cash and Cash Equivalents		
Investments		43,947,070
Derivative instrument		
Deferred outflow of resources		
Receivables (net of allowance for doubtful accounts)(Note U)		267,515
Due from other funds (Note Y)		137,225
Due from federal government		4,561,345
Notes receivable		1,206,892
Prepayments		820,965
Other current assets		
Total current assets		53,702,464
NONCURRENT ASSETS		
Restricted assets (Note F):		
Cash		20,622,164
Investments		23,740,437
Receivables		36,604,025
Advances to subrecipients		2,123,030
Notes receivable		122,511,680
Capital assets, net of depreciation (Note D)		
Construction/Development-in-progress		3,256,491
Notes receivable		
Capital assets, net of depreciation (Note D)		
Land and non-depreciable easements		712,338
Buildings and improvements		36,895,210
Machinery and equipment		326,011
Infrastructure		
Intangible assets		
Construction/Development-in-progress		43,196,019
Other noncurrent assets		
Total noncurrent assets		289,987,405
Total assets	$	343,689,869
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accruals (Note V)	$	1,784,234
Derivative instrument		
Due to federal government		1,361,927
Due to other funds (Note Y)		
Amounts held in custody for others		
Other current liabilities		
Current portion of long-term liabilities: (Note K)		
Contracts payable		
Compensated absences payable		895,258
Liabilities payable from restricted assets (Note Z)		14,937,236
Claims and litigation payable		
Notes payable (debentures)		10,445,554
Pollution remeditation obligation		
Bonds payable (include unamortized costs)		1,641,218
Other long-term liabilities		
Total current liabilities		31,065,427
NONCURRENT LIABILITIES: (Note K)		
Contracts payable		
Compensated absences payable		
Capital lease obligations		
Claims and litigation payable		
Notes payable (debentures)		3,268,574
Pollution remediation obligation		
Bonds payable (include unamortized costs)		17,823,544
OPEB payable		4,717,458
Other long-term liabilities		
Total noncurrent liabilities		25,809,576
Total liabilities		56,875,003
NET ASSETS		
Invested in capital assets, net of related debt		76,464,579
Restricted for:		
Capital projects		
Debt Service		
Unemployment compensation		
Other specific purposes		165,736,423
Unrestricted		44,613,864
Total net assets		286,814,866
Total liabilities and net assets	$	343,689,869

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA **Statement B**
LOUISIANA HOUSING FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUE	
Sales of commodities and services	$
Assessments	
Use of money and property	
Licenses, permits, and fees	12,084,929
Other	2,435,021
Total operating revenues	14,519,950
OPERATING EXPENSES	
Cost of sales and services	
Administrative	13,204,520
Depreciation	367,017
Amortization	121,013
Total operating expenses	13,692,550
Operating income(loss)	827,400
NON-OPERATING REVENUES(EXPENSES)	
State appropriations	
Intergovernmental revenues(expenses)	330,533,635
Program income	2,354,888
Use of money and property	
Gain on disposal of fixed assets	
Loss on disposal of fixed assets	
Federal grants	(173,688,124)
Interest expense	(1,410,883)
Other revenue	29,251,060
Other expense	(128,027,421)
Total non-operating revenues(expenses)	59,013,155
Income(loss) before contributions, extraordinary items, & transfers	59,840,555
Capital contributions	
Extraordinary item - Loss on impairment of capital assets	
Transfers in	
Transfers out	(668,522)
Change in net assets	59,172,033
Total net assets – beginning	227,642,793
Total net assets - ending	$ 286,814,826

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA **Statement C**
LOUISIANA HOUSING FINANCE AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDEDJUNE 30, 2011

	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Changes in Net Assets
Entity	$ 316,818,978	$ 18,665,739	$ 332,982,776	$	$ 34,829,537
General revenues:					
Taxes					
State appropriations					
Grants and contributions not restricted to specific programs					
Interest					2,433,932
Miscellaneous					22,577,086
Special items					
Extraordinary item - Loss on impairment of capital assets					
Transfers					(668,522)
Total general revenues, special items, and transfers					24,342,496
Change in net assets					59,172,033
Net assets - beginning a					227,642,793
Net assets - ending					$ 286,814,826

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDEDJUNE 30, 2011

Statement D
(continued)

Cash flows from operating activities		
Cash received from fee revenue collected	$ 10,796,831	
Cash received from investment and mortgage loan income	2,896,984	
Cash received from mortgage collections	21,891	
Cash payments to suppliers for goods and services	(3,366,606)	
Cash payments to employees and benefit providers	(9,234,749)	
Claims paid to outsiders	(192,800)	
Other operating revenues(expenses)		
Net cash provided(used) by operating activities		921,551
Cash flows from non-capital financing activities		
Net transfers from (to) MRB programs	(668,522)	
Federal receipts	326,151,677	
Federal disbursements	(171,688,455)	
Mortgage collections	2,670,226	
Mortgage purchases	(161,963,365)	
Repayment/redemption of bonds	(6,893,910)	
Net change in escrow accounts	1,201,249	
Other non-operating income	1,242,868	
Interest paid on bonds and debentures payable	(825,014)	
Operating grants received		
Transfers in		
Transfers out		
Other		
Net cash provided(used) by non-capital financing activities		(10,773,246)
Cash flows from capital and related financing activities		
Proceeds from sale of bonds		
Principal paid on bonds	(665,000)	
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Acquisition/construction of capital assets	(2,431,703)	
Proceeds from sale of capital assets		
Capital contributions		
Other		
Net cash provided(used) by capital and related financing activities		(3,096,703)
Cash flows from investing activities		
Purchases of investment securities	(128,762,657)	
Proceeds from sale of investment securities	129,752,833	
Interest and dividends earned on investment securities	537,447	
Net cash provided(used) by investing activities		1,527,623
Net increase(decrease) in cash and cash equivalents		(11,420,775)
Cash and cash equivalents at beginning of year		34,804,391
Cash and cash equivalents at end of year		$ 23,383,616

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDEDJUNE 30, 2011

Statement D
(concluded)

Reconciliation of operating income(loss) to net cash provided(used) by operating activities:

Operating income(loss)		$ 827,400
Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities:		
Depreciation/amortization	367,017	
Net change in fair value	410,301	
Amortization of bond issuance costs	52,388	
Changes in assets and liabilities:		
(Increase)decrease in accrued interest receivable	52,749	
(Increase)decrease in due from governments	(1,185,256)	
(Increase)decrease in due from MRB programs	4,157	
Increase(decrease) in accounts payable and accrued liabilities	(217,846)	
(Increase)decrease in other assets	(212,862)	
Increase(decrease) in accrued interest payable	(19,398)	
Increase(decrease) in compensated absences payable	29,352	
Increase(decrease) in mortgage loans	21,891	
Increase(decrease) in deferred revenues		
Increase(decrease) in OPEB payable	791,658	
Increase(decrease) in other liabilities		
Net cash provided(used) by operating activities		$ 921,551

Schedule of noncash investing, capital, and financing activities:

Construction in progress paid by contributions from the State of Louisiana	$ 22,564,962
Total noncash investing, capital, and financing activities:	$ 22,564,962

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
Notes to the Financial Statement
As of and for the year ended June 30, 2011

INTRODUCTION

The Louisiana Housing Finance Agency (the Agency) was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statutes of 1950, as amended, Chapter 3-A of Title 40. 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. Programs implemented by the Agency for this purpose consist of Mortgage Revenue Bond Programs, the Low Income Housing Tax Credit Program, the Louisiana Housing Trust Fund Program, the Mark-to Market program and various federal award programs including the Low Income Housing Energy Assistance Program, the Weatherization Assistance Program, HOME, and Section 8 Contract Administration.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of the Agency present information only as to the transactions of the programs of the Agency as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Agency are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration -- Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition
Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition
Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING – N/A

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (If all agency cash and investments are deposited in the State Treasury, disregard Note C.) See Memo 11-36, Appendix A, for information related to Note C.

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Agency may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the (BTA) may invest in time certificates of deposit in any bank domiciled or having a branch 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.

For the purpose of the Statement of Cash Flows and balance sheet presentation, all highly liquid investments (including negotiable CDs and restricted cash and cash equivalents) and deposits (including nonnegotiable CDs and restricted cash and cash equivalents) with a maturity of three months or less when purchased are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are required to be 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.

GASB Statement 40, which amended GASB Statement 3, eliminated the requirement to disclose all deposits by three categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at June 30, 2011, consisted of the following:

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
Notes to the Financial Statement
As of and for the year ended June 30, 2011

	Cash	Nonnegotiable Certificates of Deposit	Other (Money Market Funds)	Total
Deposits per Balance Sheet (Reconciled bank balance)	$ 11,672,303	$	$ 11,711,213	$ 23,383,516
Deposits in bank accounts per bank	$ 11,858,345	$	$ 11,711,213	$ 23,569,558
Bank balances exposed to custodial credit risk:	$	$	$	$
a. Uninsured and uncollateralized				
b. Uninsured and collateralized with securities held by the pledging institution				
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's				

NOTE: The "Deposits in bank accounts per bank" will not necessarily equal the "Deposits per Balance Sheet" due to outstanding items.

The following is a breakdown by banking institution, program, and amount of the "Deposits in bank accounts per bank" balances shown above:

Banking Institution	Program	Amount
1. Chase Bank	General and Elderly	$ 11,509,209
2. Hancock Bank	General and Elderly	11,711,213
3. Federal Home Loan Bank	General	104,817
4. Capital One Bank	HUD Disposition	244,319
Total		$ 23,569,558

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the balance sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included on the balance sheet.

Cash in State Treasury	$
Petty cash	$ 100

2. INVESTMENTS

The Agency does maintain investment accounts as authorized by Louisiana Revised Statutes of 1950 as amended and may invest in obligations of the U.S. Treasury, obligations of U.S. Agencies which are guaranteed by the U.S. government or U.S. government agencies, repurchase agreements, certificates of deposit as mentioned above, investment grade commercial paper, investment grade corporate notes and bonds, and other investments as required by terms of bond trust indentures.

Custodial Credit Risk

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured, not registered in the name of the entity, and are either held by the counterparty or the counterparty's trust department or agent, but not in the entity's name. Repurchase agreements are not subject to credit risk if the securities underlying the repurchase agreement are exempt from credit risk disclosure. Using the following table, list each type of investment disclosing the total carrying amounts and market values, and any amounts exposed to custodial credit risk.

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all investments by three categories of risk. GASB Statement 40 requires only the separate disclosure of investments that are considered to be exposed to custodial credit risk. Those investments exposed to custodial credit risk are reported by type in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name. In addition, the total reported amount and fair value columns still must be reported for total investments regardless of exposure to custodial credit risk.

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
Notes to the Financial Statement
As of and for the year ended June 30, 2011

	Investments Exposed to Custodial Credit Risk		All Investments Regardless of Custodial Credit Risk Exposure	
Type of Investment	Uninsured, *Unregistered, and Held by Counterparty	Uninsured, *Unregistered, and Held by Counterparty's Trust Dept. or Agent Not in Entity's Name	Reported Amount Per Balance Sheet	Fair Value
Negotiable CDs	$	$	$	$
Repurchase agreements				
U.S. Government Obligations **			775,306	775,306
U.S. Agency Obligations				
Common & preferred stock				
Mortgages (including CMOs & MBSs)			33,564,611	33,564,611
Corporate bonds				
Mutual funds				
Real estate				
External Investment Pool (LAMP) ***				
External Investment Pool (Other)				
Other: (identify)				
U.S. Sponsored Agencies			33,347,590	33,347,590
Total investments	$ -	$ -	$ 67,687,507	$ 67,687,507

* Unregistered - not registered in the name of the government or entity

** These obligations generally are not exposed to custodial credit risk because they are backed by the full faith and credit of the U.S. government. (See Appendix A, Memo 11-36 for the definition of US Government Obligations)

*** LAMP investments should not be included in deposits AND should be identified separately in this table to

3. CREDIT RISK, INTEREST RATE RISK, CONCENTRATION OF CREDIT RISK, AND FOREIGN CURRENCY RISK DISCLOSURES

A. Credit Risk of Debt Investments

Disclose the credit risk of debt investments by credit quality ratings as described by rating agencies as of the fiscal year end, including the rating agency used (Moody's, S&P, etc.). All debt investments regardless of type can be aggregated by credit quality rating (if any are un-rated, disclose that amount).

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
Notes to the Financial Statement
As of and for the year ended June 30, 2011

Rating Agency	Rating		Fair Value
Standard and Poor's	AAA	$	67,687,507
	Total	$	67,687,507

B. Interest Rate Risk of Debt Investments

1. Disclose the interest rate risk of debt investments by listing the investment type, total fair value, and breakdown of maturity in years for each debt investment type. (Note – This is the prescribed method, segmented time distribution, for the CAFR. Also, total debt investments reported in this table should equal total debt investments reported in Section A – Credit Risk of Debt Investments, **unless you have an external investment pool as discussed in OSRAP Memo 11-22**.)

		Investment Maturities (in Years)			
Type of Debt Investment	Fair Value	Less Than 1	1 - 5	6 - 10	Greater Than 10
U.S. Government obligations	$ 775,306	$	$ 775,306	$	$
U.S. Agency obligations	33,347,590	2,211,228	8,726,581	6,207,001	16,202,780
Mortgage backed securities	33,564,611		140,831	391,329	33,032,451
Collateralized mortgage obligations					
Corporate bonds					
Other bonds (describe)					
Mutual bond funds					
Other					
Total debt investments	$ 67,687,507	$ 2,211,228	$ 9,642,718	$ 6,598,330	$ 49,235,231

2. List the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms (e.g. coupon multipliers, reset dates, etc.) of the investment. See OSRAP Memo 11-36, Appendix A, for examples of debt investments that are highly sensitive to changes in interest rates.

Debt Investment	Fair Value	Terms
N/A	$	
Total	$ -	

C. Concentration of Credit Risk

List, by amount and issuer, investments in any one issuer that represents 5% or more of total external investments (not including U.S. government securities, mutual funds, and investment pools).

Issuer		Amount	% of Total Investments
Federal Home Loan Bank	$	4,134,515	6
Federal National Mortgage Association		15,811,321	23
Federal Farm Credit Banks		7,616,141	11
Federal Home Loan Mortgage Corporation		5,785,613	9
Total	$	33,347,590	

D. Foreign Currency Risk

Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies); list by currency denomination and investment type, if applicable.

		Fair Value in U.S. Dollars		
Foreign Currency		Bonds		Stocks
NONE	$		$	
Total	$	-	$	-

4. DERIVATIVES (GASB 53) – N/A

5. POLICIES

Briefly describe the deposit and/or investment policies related to the custodial credit risk, credit risk of debt investments, concentration of credit risk, interest rate risk, and foreign currency risk disclosed in this note. If no policy exists concerning the risks disclosed, please state that fact.

Interest Rate Risk. The Agency manages interest rate risk by duration. The Agency forecasts future changes in interest rates and the slope of the yield curve and then selects a duration strategy for the portfolio. For example, when forecasts are for higher interest rates, the general strategy is to shorten the overall duration of a portfolio to mitigate the adverse affects of higher interest rates. Conversely, if forecasts are for lower interest rates, then the duration of the portfolio is lengthened.

Credit Risk. It is the Agency's policy to limit its investments in these investment types to the top rating issued by NRSROs.

Custodial Credit Risk. The Agency's investments are held by the custodial bank as an agent for the Agency, in the agency name and are thereby not exposed to custodial credit risk.

Concentration of Credit Risk. The Agency places no limit on the amount that may be invested in any one issuer.

The Agency holds no deposits or investments that are exposed to foreign currency risk; therefore, there is no policy disclosed in the footnotes

6. OTHER DISCLOSURES REQUIRED FOR INVESTMENTS – N/A

D. CAPITAL ASSETS – INCLUDING CAPITAL LEASE ASSETS

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight line method over the useful lives of the assets.

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
Notes to the Financial Statement
As of and for the year ended June 30, 2011

Schedule of Capital Assets (includes capital leases)

<u>University/System</u>	Balance 6/30/2010	Prior Period Adjustments	Restated Balance 6/30/2010	Additions	* Reclassification of CIP	** Retirements	Balance 6/30/2011
Capital assets not depreciated							
Land	$ 712,338	$ -	$ 712,338	$ -	$ -	$ -	$ 712,338
Non-depreciable land improvements	-				-	-	-
Non-depreciable easements	-	-	-	-	-		
Capitalized collections	-	-	-	-	-	-	-
Software - development in progress	-	-		-	-	-	-
Construction in progress	20,795,830	-	20,795,830	25,656,680		-	46,452,510
Total capital assets not depreciated	$ 21,508,168	$ -	$ 21,508,168	$ 25,656,680	$ -	$ -	$ 47,164,848
Other capital assets:							
Depreciable land improvements	$ 130,940	$ -	$ 130,940	$ -	$ -	$ -	$ 130,940
** Accumulated depreciation	(51,015)	-	(51,015)	(6,547)	-	-	(57,562)
Total land improvements	79,925	-	79,925	(6,547)	-	-	73,378
Buildings	42,348,602	-	42,348,602			-	42,348,602
** Accumulated depreciation	(4,182,131)	-	(4,182,131)	(1,344,639)	-	-	(5,526,770)
Total buildings	38,166,471	-	38,166,471	(1,344,639)	-	-	36,821,832
Machinery & Equipment	2,420,288	-	2,420,288	48,895	-	(248,013)	2,221,170
** Accumulated depreciation	(1,968,328)	-	(1,968,328)	(177,761)	-	250,930	(1,895,159)
Total machinery & equipment	451,960	-	451,960	(128,866)	-	2,917	326,011
Infrastructure	-	-	-	-		-	-
** Accumulated depreciation	-	-	-	-		-	-
Total infrastructure	-	-	-	-	-	-	-
Software (internally generated & purchased)	-	-	-	-	-	-	-
Other intangibles	-	-	-	-	-	-	-
** Accumulated amortization - software	-		-	-	-	-	-
** Accumulated amortization - other intangibles	-	-	-	-	-		
Total intangibles	-	-	-	-		-	
Total other capital assets	$ 38,698,356	$ -	$ 38,698,356	$ (1,480,052)	$ -	$ 2,917	$ 37,221,221
Capital asset summary:							
Capital assets not depreciated	$ 21,508,168	$ -	$ 21,508,168	$ 25,656,680	$ -	$ -	$ 47,164,848
Other capital assets, book value	44,899,830	-	44,899,830	48,895	-	(248,013)	44,700,712
Total cost of capital assets	66,407,998	-	66,407,998	25,705,575	-	(248,013)	91,865,560
Accumulated depreciation/amortization	(6,201,474)	-	(6,201,474)	(1,528,947)	-	250,930	(7,479,491)
Capital assets, net	$ 60,206,524	$ -	$ 60,206,524	$ 24,176,628	$ -	$ 2,917	$ 84,386,069

* Should only be used for those completed projects coming out of construction-in-progress to fixed assets.
** Enter a negative number except for accumulated depreciation in the retirement column

If other intangible assets were reported in the table above, list the types of intangible assets, their cost, and accumulated amortization for each type of intangible assets reported. N/A

E. **INVENTORIES – N/A**

F. **RESTRICTED ASSETS**

Restricted assets in the Agency at June 30, 2011, reflected at $208,857,827 in the non-current assets section on Statement A, consist of $20,622,164 in cash and cash equivalents, $36,604,025 in accrued interest receivable, and $23,740,437 in investment securities, $3,256,491 in construction in progress, $2,123,030 in advances to subrecipients and $122,511,680 in mortgage loans. The mortgage loans and accrued interest are restricted to future lending programs. The remaining assets are restricted for the purpose of paying debt obligations or for federal grant purposes

G. **LEAVE**

1. COMPENSATED ABSENCES

The Agency has the following policy on annual and sick leave:

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited; however, the use of annual leave through time off is limited to 780 hours. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expense when the leave is earned.

2. COMPENSATORY LEAVE

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employees' hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 2011 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be $895,258. The leave payable is recorded in the accompanying financial statements.

2. COMPENSATORY LEAVE

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employees' hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 2011 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be $895,258. The leave payable is recorded in the accompanying financial statements.

H. RETIREMENT SYSTEM

Substantially all of the employees of the Agency are members of the Louisiana State Employees Retirement System (LASERS), a single employer defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time Agency employees are eligible to participate in the System unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the governor may, at their option, become members of LASERS. Normal benefits vest with 10 years of service. Generally, retirement age employees are entitled to annual benefits equal to $300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service except for members eligible to begin participation Defined in the Benefit Plan (DBP) on or after July 1, 2006. Act 75 of the 2005 Regular Session changes retirement eligibility and final average compensation for members who are eligible to begin participation in the DBP beginning July 1, 2006. Retirement eligibility for these members is limited to age 60, or thereafter, upon attainment of ten years of creditable service. Final average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

Vested employees eligible to begin participation in the DBP before July 1, 2006, are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, these vested employees have the option of reduced benefits at any age with 20 years of service.

Those hired on or after July 1, 2006 have only a single age option. They cannot retire until age 60 with a minimum of 10 years of service. The System also provides death and disability benefits and deferred benefit options, with qualifications and amounts defined by statute. Benefits are established or amended by state statute. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the System. For a full description of the LASERS defined benefit plan, please refer to the LASERS 2008 Financial Statements, specifically, footnotes A – Plan Description and C – Contributions. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000. The footnotes to the Financial Statements contain additional details and are also available on-line at:

http://lasers.websitegadget.com/uploads/LASERS_2010_CAFR.pdf

Members are required by state statute to contribute with the single largest group ("regular members") contributing 7.5% of gross salary, and the Agency is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2011, increased to 22% of annual covered payroll from the 18.6% and 18.5% required in fiscal years ended June 30, 2010 and 2009 respectively. The Agency contributions to the System for the years ending June 30, 2011, 2010, and 2009, were $1,468,158, $1,184,241, and $825,551, respectively, equal to the required contributions for each year.

I. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses accounting and financial reporting for OPEB trust and agency funds of the employer. GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* establishes standards of accounting and financial reporting for OPEB expense/expenditures and related OPEB liabilities or OPEB assets, note disclosures, and required supplementary information (RSI) in the financial reports of governmental employers. See the GASB Statement No. 45 note disclosures requirements in section 2 of this note.

1. Calculation of Net OPEB Obligation

Complete the following table for only the net OPEB obligation (NOO) related to OPEB administered by the Office of Group Benefits. The ARC, NOO at the beginning of the year, interest, ARC adjustment, and Annual OPEB Expense have been computed for OGB participants (see OSRAP's website - http://www.doa.louisiana.gov/OSRAP/afrpackets.htm) and select "GASB 45 OPEB Valuation Report as of July 1, 2010, to be used for fiscal year ending June 30, 2011." Report note disclosures for other plans, not administrated by OGB, separately.

Annual OPEB expense and net OPEB Obligation

Fiscal year ending	6/30/2011
1. * ARC	868,800
2. * Interest on NOO (4%)	157,032
3. * ARC adjustment	150,011
4. * Annual OPEB Expense (1. + 2. - 3.)	875,821
5. Contributions (employer pmts. to OGB for retirees' cost of 2011 insurance premiums)	84,162
6. Increase in Net OPEB Obligation (4. - 5.)	791,659
7. *NOO, beginning of year (see actuarial valuation report on OSRAP's website)	3,925,799
8. **NOO, end of year (6. + 7.)	4,717,458

*This must be obtained from the OSRAP website on the spreadsheet "GASB 45 OPEB Valuation Report as of July 1, 2010, to be used for fiscal year ending June 30, 2011."

**This should be the same amount as that shown on the Balance Sheet for the year ended June 30, 2011 if your entity's only OPEB is administered by OGB.

For more information on calculating the annual OPEB expense and the net OPEB obligation, see OSRAP Memo 11-36, Appendix D, on our website.

2. Note Disclosures – N/A

If your only OPEB provider is OGB, your entity will have no OPEB note disclosures for OSRAP other than the OPEB calculation above; <u>however, GASB 45 note disclosures are required for separately issued GAAP financial statements.</u> Please provide OSRAP with the applicable GASB 43 and 45 note disclosures if your entity's OPEB group insurance plan is administered by an entity other than OGB. Following is a summary of the requirements of GASB Statement 45.

J. LEASES – N/A

K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2011

	Year ended June 30, 2011				
	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts due within one year
Notes and bonds payable:					
Notes payable	$ 13,828,038	$ -	$ 113,910	$ 13,714,128	$ 10,445,554
Bonds payable	26,925,980	-	7,461,218	19,464,762	1,625,000
Total notes and bonds	**40,754,018**	**-**	**7,575,128**	**33,178,890**	**12,070,554**
Other liabilities:					
Contracts payable	-	-	-	-	-
Compensated absences payable	-	-	-	-	-
Capital lease obligations		-	-	-	-
Claims and litigation	-	-	-	-	-
Pollution remediation obligation	-	-	-	-	-
OPEB payable	3,925,799	791,659	-	4,717,458	-
Other long-term liabilities	-	-	-	-	-
Total other liabilities	3,925,799	791,659	-	4,717,458	-
Total long-term liabilities	$ 44,679,817	$ 791,659	$ 7,575,128	$ 37,896,348	$ 12,070,554

(Balances at June 30th should include current and non-current portion of long-term liabilities.)

(Send OSRAP a copy of the amortization schedule for any new debt issued.) The totals must equal the Balance Sheet for each type of long-term liabilities.

L. CONTINGENT LIABILITIES

GAAP requires that the notes to the financial statements disclose any situation where there is at least a reasonable possibility that assets have been impaired or that a liability has been incurred along with the dollar amount if it can reasonably be estimated. **The State has a Self-Insurance Fund administered by the Office of Risk Management and it negotiates, and settles certain tort claims against the State or State agencies. Those claims against the State <u>not</u> handled through the Office of Risk Management should be reported in the following note.** Do not report impaired capital assets as defined by GASB 42 below, rather disclose GASB 42 impaired capital assets in the impairment note.

The "probable outcome" of litigation can be described as probable, reasonably possible, or remote. Probable means the future event is likely to occur; reasonably possible means the future event is more than remote but less than likely to occur; remote means the future event has a slight chance to occur. Losses or ending litigation that is probable in nature should be accrued in the financial statements **and reflected on the account line, Claims and Litigation Payable**.

The Agency is a defendant in litigation seeking damages as follows: (List only litigation not being handled by the Office of Risk Management.

Date of Action	Check (✓) if handled by AG's Office	Description of Litigation and Probable outcome (probable, reasonably possible or remote)	Estimated Amount for Claims & Litigation (opinion of legal counsel)	Insurance Coverage
8/1/2002		HUD Claim (not possible to determine outcome)	$ 1,000,000	$ 0
			$	$

The Agency is involved in a matter with the Department of Housing and Urban Development Board of Contract Appeals relating to a multifamily mortgage loan claim paid by HUD in 1990. HUD now asserts that the Notice of Default, which was a required part of the procedures for processing such a claim, was filed with HUD beyond the required deadline. It is important to note that this process was the responsibility of the Servicing Agent that the Agency contracted to service this loan.

HUD is claiming that the Agency (or its trust account which no longer exists) was overpaid by $804,384. Furthermore, HUD claims entitlement to interest and penalties on this amount. The Agency has an indemnification agreement with the Servicing Agent for matters such as this; however, a formal claim has not been filed by the Agency against the Servicing Agent. The Agency's attorney has indicated that it is not possible to give an opinion concerning the likelihood of an unfavorable result to the Agency. However, in prior years, the Agency has accrued $1,000,000 relating to this matter

Note: Liability for claims and judgments should include specific, incremental claim expenses if known or if it can be estimated. For example, the cost of outside legal assistance on a particular claim may be an incremental cost, whereas assistance from internal legal staff on a claim may not be incremental because the salary costs for internal staff normally will be incurred regardless of the claim. (See GASB 30, paragraph 9)

(Only answer the following questions for those claims and litigation not being handled by the Office of Risk Management.)

Indicate the way in which risks of loss are handled (circle one).
(a) Purchase of commercial insurance,

(b) Participation in a public entity risk pool (e.g., Office of Risk Management claims)
(c) Risk retention (e.g., Use of an internal service fund is considered risk retention because the entity as a whole has retained the risk of loss.)
(d) Other (explain) ______________________________

For entities participating in a risk pool (other than the Office of Risk Management), describe the nature of the participation, including the rights and the responsibilities of both the entity and the pool. ______________________________

Describe any significant reductions in insurance coverage from coverage in the prior year by major categories of risk. Also, indicate whether the amount of settlements exceeded insurance coverage for each of the past three fiscal years. ______________________________

Disclose any cases where it is probable that a liability has been incurred, but the effect of the liability has not been reflected in the financial statements because it cannot be estimated. ______________________________

Disclose any guarantee of indebtedness even if there is only a remote chance that the government will be called on to honor its guarantee. ______________________________

Disallowed Cost:
Those agencies collecting federal funds, which have been informed that certain of their previously claimed costs were disallowed, should disclose the requested information in the schedule shown below. Show each possible disallowance on a separate line in the chart.

	Program	Date of Disallowance	Amount	*Probability of Payment	Estimated Liability Amount**
1			$		$
2					
3					
4					

* Reasonably possible, probable, or remote
** Indicate only if amount can be reasonably estimated by legal counsel

M. RELATED PARTY TRANSACTIONS –N/A

N. ACCOUNTING CHANGES -N/A

O. IN-KIND CONTRIBUTIONS - N/A

P. DEFEASED ISSUES

On November 1, 2006, the Agency issued $20,600,000 of Series 2006A Multifamily Mortgage Revenue Refunding Bonds (Section 8 Assisted – 202 Elderly Projects) to advance refund $20,600,000 of outstanding Series 2003A Multifamily Mortgage Revenue Bonds (Section 8 Assisted - 202 Elderly Projects). This refunding became necessary when, in 2005, Hurricane Katrina severely damaged eleven of the eighteen projects financed with the Series 2003A bonds. The distribution resulted in an extraordinary mandatory redemption of the Series 2003A bonds from casualty proceeds. Once the Series 2003A bonds had been redeemed, due to the redemption structure of the bonds and loss of expected surplus revenues on the projects, cash flows for the Series 2003A bonds no longer provided assurance that principal and interest on the bonds would be paid when due.

Interest rates on the Series 2006A bonds range from 3.85% to 4.75%, whereas interest rates on the Series 2003A bonds ranged from 1.2% to 4.85%. This increase in interest rates coupled with the loss of expected surplus revenues on the projects that were destroyed resulted in an economic loss on the advance refunding of $960,130 (the difference between the present values of the Series 2003A and Series 2006A cash flows). The additional debt service to be paid on the Series 2006A refunding bonds through their maturity is $5,383,121. However, the Series 2006A bonds are subject to optional redemption on June 1, 2013, and a possible refinancing of the debt to lower interest rates could reduce the amount of excess debt service expected to be paid.

The reacquisition price in the advance refunding of the Series 2003A bonds was $405,445 less than the net carrying value of the bonds. This difference is reported in the balance sheet of the accompanying financial statements as a deferred amount which increases bonds payable. The deferred amount is being amortized as a reduction of interest expense through fiscal year 2032 using the straight line method unless the Series 2006A bonds are refunded prior to their scheduled maturity date.

Issuance of the Series 2006A refunding bonds resulted in net proceeds of $20,252,690 (after payment of issuance costs plus $2,063,440 of transferred proceeds), which were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2003A bonds.

As a result, the Series 2003A bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements of the Agency. At June 30, 2011 and 2010, $9,745,000 and $12,275,000, respectively, of the defeased bonds are still outstanding. At June 30, 2011 and 2010, $14,470,000 and $16,025,000, respectively, of the Series 2006A bonds are outstanding.

Q. REVENUES – PLEDGED OR SOLD (GASB 48) – N/A

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) – N/A

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS – N/A

T. SHORT-TERM DEBT – N/A

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2011 were as follows:

Fund (gen. fund, gas tax fund, etc.)	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
	$	$	$	$ 267,515	$ 267,515
					-
Gross receivables	$ -	$ -	$ -	$ 267,515	$ 267,515
Less allowance for uncollectible accounts					
Receivables, net	$ -	$ -	$ -	$ 267,515	$ 267,515
Amounts not scheduled for collection during the subsequent year	$	$	$	$	$ -

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2011, were as follows:

Fund		Vendors		Salaries and Benefits		Accrued Interest		Other Payables		Total Payables
	$	1,197,141	$	455,442	$		$	131,651	$	1,784,234
										-
Total payables	$	1,197,141	$	455,442	$	-	$	131,651	$	1,784,234

W. SUBSEQUENT EVENTS

During the 2011 Legislative Session, a law effective July 1, 2011 was enacted by the Louisiana Legislature that directed the Agency or its successor to deposit into the State Treasury unrestricted or unencumbered fund assets of not less than $25,100,000. The Agency has been in communication with the State Treasurer's office regarding timing of the transfer. As of the date of this report, the transfer to the State Treasury had not been made.

Also during the fiscal year ending June 30, 2011, a law was enacted that made changes to Section 40:600.4 and Chapter 3-G of the Louisiana Revised Statues of 1950. The law established the Louisiana Housing Corporation (the Corporation) and the following provisions: Effective December 31, 2011, the Board of Commissioners of the Louisiana Housing Finance Agency (the Agency) is abolished and their responsibilities shall be assumed by the governing board of the Corporation. Effective January 1, 2012, the Agency will become a subsidiary of the Corporation and effective June 30, 2012, the Agency's existence is terminated, whereupon all assets, obligations, and liabilities are made a part of the Corporation. The Corporation shall be the successor in every way to the Agency. The formation of the Corporation is intended to streamline operations, enhance a coordinated approach and make clear a statewide policy regarding funding for affordable residential housing for citizens served by the Corporation.

X. SEGMENT INFORMATION – N/A

Y. DUE TO/DUE FROM AND TRANSFERS

1. List by fund type the amounts **due from other funds** detailed by individual fund at fiscal year end:

   (Types of funds include general fund, statutory dedicated funds, discrete component unit funds, etc).

Type of Fund	Name of Fund	Amount
Enterprise	MRB Housing Program	$137,225
Total due from other funds		$137,225

2. List by fund type the amounts **due to other funds** detailed by individual fund at fiscal year end:

Type of Fund	Name of Fund	Amount
N/A		$
Total due to other funds		$

3. List by fund type **all transfers from other funds for the fiscal year:**

Type of Fund	Name of Fund	Amount
N/A		$
Total transfers from other funds		$

4. List by fund type **all transfers to other funds for the fiscal year:**

Type of Fund	Name of Fund	Amount
Enterprise	MRB Housing Program	$668,522
Total transfers to other funds		$668,522

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets in the Agency at June 30, 2011, reflected at $9,823,537 in the liabilities section on Statement A, consist of $1,820,583 in interest payable and $8,002,954 in amounts held in escrow and $5,113,739 of deferred revenues.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS – N/A

BB. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB 46) – N/A

CC. IMPAIRMENT OF CAPITAL ASSETS & INSURANCE RECOVERIES – N/A

DD. EMPLOYEE TERMINATION BENEFITS – N/A

EE. POLLUTION REMEDIATION OBLIGATIONS – N/A

FF. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Provide your entity's ARRA revenue received in FY 2011 on a full accrual basis:
$166,291,354

Provide your entity's ARRA expenses in FY 2011 on a full accrual basis:
$166,291,354

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
JUNE 30, 2011

Name		Amount
Michael Airhart	$	750
Barbara Anderson		800
Jerome Boykin, Sr.		550
Mayson Foster		650
Walter Guillory		50
Allison Jones		650
James Madderra		300
Joseph Scontrino, III		700
Donald Vallee		800
Guy Williams		600
Tyrone Wilson		450
Alberta Young		650
Total	$	6,950

Note: The per diem payments are authorized by Louisiana Revised Statute, and are presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Legislature.

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF NOTES PAYABLE
JUNE 30, 2011

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/10	(Redeemed) Issued	Principal Outstanding 6/30/11	Interest Rates	Interest Outstanding 6/30/11
HUD Debentures	4/28/06	$29,020,292	$13,828,038	$(113,910)	$13,714,128	4.5%	$1,765,177
Total		$29,020,292	$13,828,038	$(113,910)	$13,714,128		$1,765,177

*Send copies of new amortization schedules

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF BONDS PAYABLE
JUNE 30, 2011

Issue	Date of Issue	Original Issue	Principal Outstanding 6/3010	(Redeemed) Issued	Principal Outstanding 6/30/11	Interest Rates	Interest Outstanding 6/30/11
Series:							
Elderly Projects	11/1/06	$20,600,000	$16,025,000	$(1,555,000)	$14,470,000	4.00%-4.75%	$55,406
Elderly Projects – Deferred Amount	11/1/06	405,445	345,980	(16,218)	329,762	N/A	N/A
General Revenue Office Building Bond Series 2001	8/22/01	9,500,000	5,225,000	(5,225,000)	-0-	4.10%-4.70%	-0-
General Revenue Office Building Refunding Bonds Series 2010	6/30/10	5,330,000	5,330,000	(665,000)	4,665,000	2.00%-3.25%	-0-
Total		$ 35,835,445	$26,925,980	$(7,461,218)	$19,464,762		$ 55,406

***Note: Principal outstanding (bond series/minus unamortized costs) at 6/30/11 should agree to bonds payable on the Statement of Net Assets.**
Send copies of new amortization schedules for bonds and unamortized costs.

SCHEDULE 3-B

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF NOTES PAYABLE AMORTIZATION
For the Year Ended June 30, 2011

Fiscal Year Ending:	Principal	Interest
2012	$ 10,445,554	$ 1,344,471
2013	3,268,574	420,706
2014		
2015		
2016		
2017-2021		
2022-2026		
2027-2031		
2032-2036		
Total	$ 13,714,128	$ 1,765,177

STATE OF LOUISIANA
LOUISIANA HOUSING FINANCE AGENCY
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2011

Fiscal Year Ending:	Principal	Interest
2012	$ 1,641,218	$ 788,120
2013	1,706,218	729,854
2014	1,796,218	668,198
2015	2,421,218	605,813
2016	1,951,218	522,181
2017	2,036,218	440,475
2018	1,296,218	366,819
2019	1,476,218	300,794
2020	1,436,218	227,644
2021	1,301,218	158,294
2022	561,218	102,837
2023	276,218	80,869
2024	256,218	67,450
2025	216,218	56,644
2026	241,218	46,431
2027	266,218	34,913
2028	226,218	22,681
2029	141,218	13,656
2030	131,218	7,600
2031	76,218	2,375
2032	10,402	118
2033		
2034		
2035		
2036		
Subtotal	--	--
Unamortized Discounts/Premiums		
Total	$ 19,464,762	$ 5,243,766

***Note: Principal outstanding (bond series plus/minus unamortized costs) at 6/30/11 should agree to bonds payable on the Statement of Net Assets.**

STATE OF LOUISIANA

LOUISIANA HOUSING FINANC AGENCY

COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the State, please complete the schedule below. If the change is greater than **$3 million**, explain the reason for the change.

	2011	2010	Difference	Percentage Change
1) Revenues	$ 376,659,533	$ 195,674,169	$ 180,985,364	92.41%
Expenses	317,487,500	179,712,434	137,775,066	76.66%
2) Capital assets	84,386,069	60,206,524	24,179,545	40.16%
Long-term debt	33,178,890	40,754,018	(7,575,128)	(18.58)%
Net Assets	286,814,826	227,642,793	59,172,033	25.99%

Explanation for change:

Revenues: The increase is due to an increase in the amount of federal funds drawn and an increase in net income from rental property.

Expenses: The increase is due to additional federal funds disbursed and an increase in the provision for loan losses.

Capital assets: The increase is due to additions to construction in progress on the Village de Jardin and Capital City South properties. general additions to equipment and buildings, and an increase in accumulated depreciation.

Long-term debt: The increase is due to the current refunding of the 2001 general obligation bonds and the maturity of a portion of the bonds and debentures payable.

Net assets: The increase is due to an increase in non-operating revenues during the year and a decrease in the transfers to the MRB programs.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA

JUNE 30, 2011

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA

INDEX TO REPORT

JUNE 30, 2011

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.

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DAVID A. BURGARD, C.P.A.
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WILLIAM R. HOGAN, JR., CPA
(1920-1996)
JAMES MAHER, JR. C.P.A.
(1921-1999)

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

August 30, 2011

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

We have audited the financial statements of Louisiana Housing Finance Agency as of and for the year ended June 30, 2011, and have issued our report thereon dated August 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing* Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Louisiana Housing Finance Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Housing Finance Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Louisiana Housing Finance Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Louisiana Housing Finance Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Agency's management, the Louisiana Legislative Auditor, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 30, 2011

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

Compliance

We have audited Louisiana Housing Finance Agency's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Louisiana Housing Finance Agency's major federal programs for the year ended June 30, 2011. 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 requirement of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Louisiana Housing Finance Agency's management. Our responsibility is to express an opinion on Louisiana Housing Finance Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 non-compliance 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 Louisiana Housing Finance Agency's compliance with those 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 Louisiana Housing Finance Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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Internal Control over Compliance

Management of Louisiana Housing Finance Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Louisiana Housing Finance Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Louisiana Housing Finance Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Louisiana Housing Finance Agency as of and for the year ended June 30, 2011, and have issued our report thereon dated August 30, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Name of Agency or Department	CFDA or Other No.	Name of Program	Name of Grant	Federal Grant Contract #	Total Awards Expended
HUD	14.195	Housing Assistance Payments	Section 8	LA800CC0001	$ 75,742,106
	14.195	Housing Assistance Payments	Admin		3,890,705
		Total Section 8 Funds			79,632,811
HUD	14.258	ARRA - Tax Credit Assistance Program		M09-ES220100	28,888,521
HUD	14.239	HOME Investment Partnerships Program		None	20,721,080
HUD	14.188	Housing Finance Agency Risk Sharing Program (Amount of outstanding loan guarantees)		None	13,300,766
HUD	14.228	CDBG - Disaster Recovery Funds	2006 Funds	B06DG220001	757,973
			Admin		283,261
	14.228	CDBG - Non-Profit Rebuilding Pilot Program (NRPP)	2009 Funds	B08DI220001	3,622,407
			Admin		1,268,234
	14.228	Neighborhood Stabilization Program (NSP)	2009 Funds	NONE	7,650,541
			Admin		565,457
		Total CDBG Funds			14,147,873
DHHS	93.568	Low Income Housing Energy Assistance Program (LIHEAP)	2009 Funds	2009 – G-09B1LALIEA	823,861
			2010 Funds	2010 – G-10B1LALIEA	25,960,528
			2011 Funds	2011 – G-11B1LALIEA	30,238,691
			PVE Funds	None	5,199
			Refunds (net)		(1,740)
			Admin – PVE		1,873
			Admin		170,438
		Total LIHEAP Funds			57,198,850

Continued

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Name of Agency or Department	CFDA or Other No.	Name of Program	Name of Grant	Federal Grant Contract #	Total Awards Expended
DOE	81.042	ARRA – Weatherization Assistance Program		DE-EE0000122	$ 20,092,945
	81.042	Weatherization Assistance Program (WAP)	Admin		236,692
			2010 Funds	DE-EE0000201	734,669
			2011 Funds	DE-EE0000201	971,338
			Admin		25,426
			PVE Funds	None	1,371,162
		Total WAP Funds			23,432,232
Dept of Treasury	21.000	National Foreclosure Mitigation Counseling Program (NFMC)	2008 Funds	PL110-289:95X1350	40,350
			2009 Funds	PL111-8:95X1350	70,900
			Admin		16,927
		Total NFMC Funds			128,177
		Total expenditures			$ 237,450,310

See accompanying notes to the schedule of expenditures of federal awards.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of 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, *Audits 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

Program Title	Federal CFDA Number	Amount Provided
Low Income Housing Energy Assistance Program	93.568	$ 57,021,341
LIHEAP Express (Petroleum Violation Fund)	N/A	5,199
Weatherization Assistance Program (WAP)	81.042	1,706,007
WAP Express (Petroleum Violation Fund)	N/A	1,371,162
ARRA – Weatherization Assistance Program	81.042	20,092,945
		$ 80,196,654

NOTE C – PROGRAM INCOME

In accordance with terms of the loans funded under the HOME Program, program income totaling $1,152,678 was collected. That amount was used to reduce the amount of federal funds that would have been drawn to fund various single family and multifamily projects. The income was comprised of mortgage loan collections of principal and interest. The expenditure of the program income is included in the accompanying schedule of expenditures of federal awards.

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE D – RECONCILIATION TO THE FINANCIAL STATEMENTS

Per financial statements:	
Federal awards expensed (nonoperating)	$ 173,688,124
Mortgage loans issued (capitalized)	39,667,561
Capital asset additions (capitalized)	2,379,410
HUD Risk Sharing Mortgage Loans	13,300,766
Administrative costs within operating expenses	8,414,449
Per schedule of expenditures of federal awards	$ 237,450,310

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

A. **Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: Unqualified

- Material weakness(es) identified? ______ yes __X__ no
- Significant deficiencies identified that are not considered to be material weaknesses? ______ yes __X__ none reported

Noncompliance material to financial statements noted? ______ yes __X__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______ yes __X__ no
- Significant deficiencies identified that are not considered to be material weaknesses? ______ yes __X__ none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ______ yes __X__ no

Dollar threshold used to distinguish between Types A and B Programs: $ 3,000,000

Auditee qualified as low risk auditee: __X__ yes ______ no

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Identification of major programs:

CFDA Numbers	Name of Federal Program
14.239	Home Investment Partnerships Program
14.188	Risk Sharing Program
81.042	Weatherization Assistance Program
81.042	ARRA – Weatherization Assistance Program
14.258	ARRA - Tax Credit Assistance Program

B. **Findings – Financial Statement Audit** – None

C. **Findings and Questioned Costs – Major Federal Award Programs** – None

LOUISIANA HOUSING FINANCE AGENCY
STATE OF LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

None noted.