10603

FINANCIAL REPORT

LOUISIANA HOUSING CORPORATION

JUNE 30, 2012 AND 2011

LOUISIANA HOUSING CORPORATION

INDEX TO REPORT

JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITOR'S REPORT

September 4, 2012

To the Board of Commissioners
Louisiana Housing Corporation
Baton Rouge, Louisiana

We have audited the accompanying financial statements of Louisiana Housing Corporation and Louisiana Housing Finance Agency's General Fund (component units of the State of Louisiana) as of and for the years ended June 30, 2012 and 2011, respectively, as presented in the foregoing index to the report. These financial statements are the responsibility of the entities' 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 include only the activities of Louisiana Housing Corporation'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 Corporation's mortgage revenue bond programs in conformity with accounting principles generally accepted in the United States of America.

As discussed in "Organization of the Entity" preceding Footnote 1, the Louisiana Housing Corporation is the successor entity to Louisiana Housing Finance Agency.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Housing Corporation and Louisiana Housing Finance Agency's General Fund as of June 30, 2012 and 2011, respectively, and the results of their operations and their 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. We have applied certain limited procedures to the required supplementary information other than MD&A 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2012 on our consideration of '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 CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012 AND JUNE 30, 2011

The Management's Discussion and Analysis of the LHC's financial performance presents a narrative overview and analysis of LHC's financial activities for the year ended June 30, 2012. This document focuses on LHC's 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 LHC's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

2012

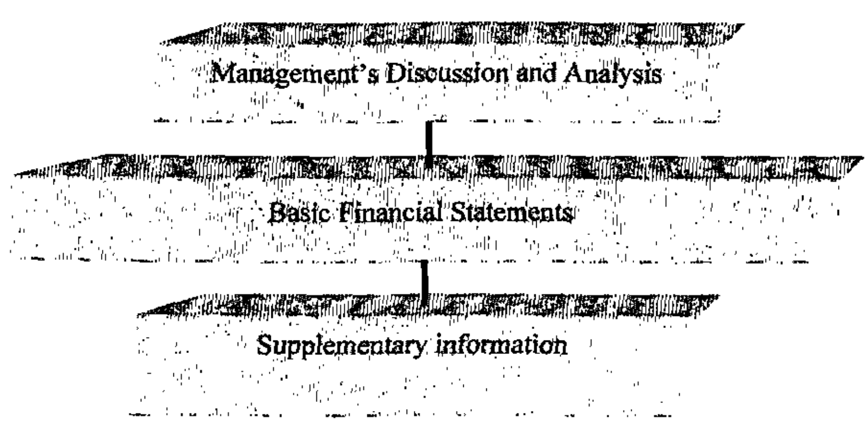
- ★ Assets exceeded liabilities at the close of fiscal year 2012 by $317,066,792, which represents an 11% increase from last fiscal year.
- ★ Total revenues before transfers decreased by $94,368,691, or 25%, total expenses before transfers decreased by $58,104,845, or 18%, and consequently the net income before transfers decreased by $36,263,846, a decrease of 61%.

2011

- ★ Assets exceeded liabilities at the close of fiscal year 2011 by $286,814,826, which represents a 26% increase from the previous fiscal year.
- ★ 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%.

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.



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.

LOUISIANA HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012 AND JUNE 30, 2011

Basic Financial Statements

The basic financial statements present information for the LHC 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 LHC is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Assets (page 10) present information showing how LHC'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 LHC'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, 2012, June 30, 2011 and June 30, 2010
(in thousands)

	2012	2011	2010
Current and other assets	$ 56,549	$ 53,702	$ 62,804
Restricted assets	229,422	208,858	174,306
Capital assets	86,260	81,130	59,333
Total assets	372,231	343,690	296,443
Other liabilities	39,822	35,783	48,670
Long-term debt outstanding	15,342	21,092	20,130
Total liabilities	55,164	56,875	68,800
Net assets:			
Invested in Capital Assets, net of related debt	82,320	76,465	48,778
Restricted	187,151	165,736	123,507
Unrestricted	47,596	44,614	55,358
Total net assets	$ 317,067	$ 286,815	$ 227,643

LOUISIANA HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012 AND JUNE 30, 2011

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 entity.

2012

Net assets increased by $30,251,966, or 11%, from June 30, 2011 to June 30, 2012. This increase in net assets can be attributed to an increase in capital assets, mortgage loans receivable, and accrued interest receivable.

2011

Net assets 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.

Statements of Revenues, Expenses, and Changes in Net Assets
for the years ended June 30, 2012, June 30, 2011, and June 30, 2010
(in thousands)

	Total		
	2012	2011	2010
Operating revenues	14,691	$ 14,520	$ 14,860
Operating expenses	11,822	13,693	13,795
Operating income	2,869	827	1,065
Non-operating revenues(expenses)	20,708	59,013	17,177
Income before transfers	23,577	59,841	18,242
Transfers (to) from MRB Programs	6,675	(669)	(2,280)
Increase in net assets	30,252	$ 59,172	$ 15,962

LOUISIANA HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012 AND JUNE 30, 2011

2012

Total revenues decreased by $94,368,691, or 25%, primarily as a result of a decrease in federal grants drawn, and a decrease in income from rental property because of the work being done by the Office of Facility Planning on Village De Jardin 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 decreased by $58,104,845, or 18%, primarily as a result of a decrease in operating expenses, a decrease in federal grant funds disbursed, and a decrease in the provision for loan losses, the majority of which was due to necessarily recording 100% of conditional loans as such.

2011

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 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2012, the Louisiana Housing Corporation had $98.6 million invested in a broad range of capital assets, including a three story building facility located in Baton Rouge, two completed apartment complexes in New Orleans, and an apartment complex under construction in Baton Rouge. (See Table below). This amount represents a net increase (including additions and deductions) of $14,218,913, or a 17% increase over last year.

	2012	2011	2010
Land	$ 712	712	$ 712
Land Improvements (net of accum. dep.)	67	73	80
Building (net of accumulated depreciation)	84,978	36,822	38,166
Equipment (net of accumulated depreciation)	502	326	453
Construction in Progress	12,345	46,453	20,796
Total	$ 98,605	$ 84,386	$ 60,207

LOUISIANA HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012 AND JUNE 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Asset *(Continued)*

This year's changes included (in thousands):

• Equipment acquisitions and replacements	$ 323
• Depreciation	(1,809)
• Rehab of entity properties – Decrease in Construction in Progress	(34,108)
• Rehab of entity properties – Increase in Buildings	49,813

Debt

The Louisiana Housing Corporation had $30,702,672 in bonds and notes outstanding at year-end, compared to $33,178,890 at the end of last year as shown in the table below. This decrease is from a decrease in outstanding General Revenue Office Building Bonds and a decrease in Multi Family Mortgage Revenue Bonds.

Outstanding Debt at Year-end
(in thousands)

	2012	2011	2010
General Revenue Office Building Bonds (2001) $	-	$ -	$ 5,225
General Revenue Office Building Bonds (2010)	3,940	4,665	5,330
Multi Family MR Bonds (Section 8 Assisted - 202 Elderly Projects), 2006A	12,735	14,470	16,025
Debentures payable	13,714	13,714	13,828
Deferred amount on Refunding	314	330	346
Totals $	30,703	$ 33,179	$ 40,754

2012

The LHC'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 entity's general debt and are excluded from these financial statements, carry a Aaa rating.

The LHC has accounts payable and accrued interest payable of $3,480,035 outstanding at year-end compared with $3,604,817 last year. Other obligations include accrued vacation pay and sick leave, deferred revenue, and other post employment benefits payable.

2011

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

The entity had 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.

LOUISIANA HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012 AND JUNE 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The LHC will continue to transition in programs for fiscal '13.
- Expected increase in interest rates will tend to discourage early payoffs and refinancing, increasing the entity 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 entity receives.
- With interest rates expected to slowly increase, the investment income should also increase.
- The HUD Disposition properties were damaged during Hurricane Katrina. Willowbrook has been on-line now for four years, with an average occupancy rate of approximately 85%. Village De Jardin came on-line mid-fiscal '12. This should lead to an increase in rental income.
- The warehousing of securities could help minimize negative arbitrage and increase investment income in fiscal '13.

The LHC expects that next year's results will be mixed based upon the following:

- Investments decreased somewhat with a transfer of $25.1 million to the state's medical assistance fund but were offset by warehousing activity. The LHC is also expecting to transfer an additional $11 million to the treasury during fiscal '13. This will cause a reduction in the Agency's investment income.
- The Section 8 revenues will decrease during fiscal '13. HUD has accepted applications for awarding new Section 8 contracts during fiscal '13, and has lowered the fees slightly in the interim. The entity has applied to keep the Section 8 program, and through the competitive process expects that the fee structure will be lower than has been experienced in prior years.
- The entity does not expect to generate as much tax credit revenue in fiscal '13 because of the availability of fewer tax credits for the Agency to award and because of the forward allocation of future year's tax credits.
- The entity expects overall operating expenses to increase due to added programs, but will be offset somewhat due to streamlining of staffing levels, enhanced technological advancements, less travel, lower building bond interest and other operating expenses.

CONTACTING THE LOUISIANA HOUSING CORPORATION'S MANAGEMENT

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

LOUISIANA HOUSING CORPORATION
STATE OF LOUISIANA
BALANCE SHEETS
JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
CASH AND CASH EQUIVALENTS	$ 2,019,915	$ 2,761,452
INVESTMENTS	48,627,286	43,947,070
MORTGAGE LOANS	1,181,627	1,206,892
ACCRUED INTEREST RECEIVABLE	228,195	267,515
DUE FROM GOVERNMENTS	3,825,119	4,561,345
DUE FROM MRB PROGRAMS	139,198	137,225
CAPITAL ASSETS (net of accumulated depreciation of $9,288,550 and $7,479,491 respectively)	86,260,128	81,129,578
OTHER ASSETS	527,050	820,965
	142,808,518	134,832,042
RESTRICTED ASSETS:		
Cash and cash equivalents	19,539,841	20,622,164
Investments	6,881,304	23,740,437
Mortgage loans receivable (net of allowance for loan losses of $250,702,443 and $198,289,129, respectively)	147,172,053	122,511,680
Accrued interest receivable	42,172,713	36,604,025
Advances to subrecipients	1,311,637	2,123,030
Capital assets	12,344,856	3,256,491
	229,422,404	208,857,827
TOTAL ASSETS	$ 372,230,922	$ 343,689,869

See accompanying notes.

LIABILITIES AND NET ASSETS

	2012	2011
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 1,161,142	$ 1,784,234
ACCRUED INTEREST PAYABLE	2,318,893	1,820,583
DUE TO GOVERNMENTS	1,336,246	1,361,928
OTHER POSTEMPLOYMENT BENEFIT PLAN PAYABLE	5,256,698	4,717,457
COMPENSATED ABSENCES PAYABLE	884,608	895,258
UNEARNED INCOME	5,119,785	5,113,739
AMOUNTS HELD IN ESCROW	8,384,086	8,002,954
	24,461,458	23,696,153
BONDS AND DEBENTURES PAYABLE:		
Due within one year	15,360,346	12,086,772
Due in more than one year	15,342,326	21,092,118
	30,702,672	33,178,890
Total liabilities	55,164,130	56,875,043
NET ASSETS:		
Invested in capital assets (net of related debt)	82,320,129	76,464,579
Restricted	187,150,511	165,736,423
Unrestricted	47,596,152	44,613,824
Total net assets	317,066,792	286,814,826
TOTAL LIABILITES AND NET ASSETS	$ 372,230,922	$ 343,689,869

LOUISIANA HOUSING CORPORATION
STATE OF LOUISIANA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Compliance and application fees	$ 19,900	$ 62,026
Federal program administrative fees	6,432,672	8,414,449
Investment income	3,794,203	2,330,338
Low income housing tax credit program fees	1,972,969	1,946,055
Mortgage loan interest income	100,222	103,596
MRB program issuer fees	2,235,624	1,662,399
Other income	135,721	1,087
	14,691,311	14,519,950
OPERATING EXPENSES:		
Depreciation	329,730	367,017
Interest expense	113,953	121,013
Operating services	1,067,912	1,061,684
Personnel services	9,010,048	10,055,759
Professional services	992,917	1,756,133
Supplies	168,327	121,668
Travel	139,500	209,276
	11,822,387	13,692,550
Operating income	2,868,924	827,400
NON-OPERATING REVENUES (EXPENSES):		
Other contributions and grants for Louisiana Housing Trust Funds	1,078,682	-
Restricted mortgage loan interest income	6,659,681	6,580,808
Restricted investment income	301,258	94,253
Bond interest expense	(1,118,676)	(1,410,883)
Federal grants drawn	250,999,128	330,533,635
Federal grant funds disbursed	(167,219,483)	(173,688,124)
Provision for loan losses	(53,453,587)	(128,027,421)
Program income - HOME	2,699,296	2,354,888
Net income from rental property	5,861,486	22,575,999
Transfer to the State of Louisiana treasury	(25,100,000)	-
	20,707,785	59,013,155
Income before transfers	23,576,709	59,840,555
Transfers (to) from MRB Programs	6,675,257	(668,522)
CHANGE IN NET ASSETS	30,251,966	59,172,033
NET ASSETS - Beginning of year	286,814,826	227,642,793
NET ASSETS - End of year	$ 317,066,792	$ 286,814,826

See accompanying notes.

LOUISIANA HOUSING CORPORATION
STATE OF LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from:		
Fee revenue collected	$ 11,561,895	$ 10,796,831
Investment and mortgage loan income	2,991,913	2,896,984
Mortgage collections	25,265	21,891
Cash paid to:		
Suppliers of service	(2,966,820)	(3,366,606)
Employees and benefit providers	(8,481,457)	(9,234,749)
Bondholders and creditors for interest	(97,226)	(192,800)
Net cash provided by operating activities	3,033,570	921,551
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net transfers from (to) MRB programs	6,675,257	(668,522)
Receipts of federal grants	253,678,788	326,151,677
Disbursements of federal grants	(166,445,579)	(171,688,455)
Mortgage collections	2,821,845	2,670,226
Mortgage purchases	(81,360,032)	(161,963,365)
Repayment/redemption of bonds	(1,735,000)	(6,893,910)
Net change in escrow accounts	381,132	1,201,249
Other non-operating income	(22,603,590)	1,242,868
Interest paid on bonds and debentures payable	(616,195)	(825,014)
Net cash used in noncapital financing activities	(9,203,374)	(10,773,246)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments purchased	(90,660,960)	(128,762,657)
Investments redeemed	104,404,458	129,752,833
Net cash from rental properties	556,742	537,447
Net cash provided by investing activities	14,300,240	1,527,623
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of property and equipment	(9,229,296)	(2,431,703)
Repayment of bonds	(725,000)	(665,000)
Net cash used in capital financing activities	(9,954,296)	(3,096,703)

Continued

LOUISIANA HOUSING CORPORATION
STATE OF LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	*2011*
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (1,823,860)	$ (11,420,775)
CASH AND CASH EQUIVALENTS, beginning of year	23,383,616	34,804,391
CASH AND CASH EQUIVALENTS, end of year	$ 21,559,756	$ 23,383,616
PRESENTED ON THE BALANCE SHEET AS:		
Unrestricted	$ 2,019,915	$ 2,761,452
Restricted	19,539,841	20,622,164
	$ 21,559,756	$ 23,383,616
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 2,868,924	$ 827,400
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	329,730	367,017
Net change in fair value	(941,832)	410,301
Amortization of bond issuance costs	16,727	52,388
Change in accrued interest receivable	39,320	52,749
Change in due from governments	549,715	(1,185,256)
Change in due from MRB programs	(1,973)	4,157
Change in accounts payable and accrued liabilities	(623,094)	(217,846)
Change in OPEB payable	539,241	791,658
Change in compensated absences payable	(10,650)	29,352
Change in other assets	242,197	(212,862)
Change in accrued interest payable	-	(19,398)
Change in mortgage loans	25,265	21,891
Net cash provided by operating activities	$ 3,033,570	$ 921,551
SUPPLEMENTAL DISCLOSURES:		
NONCASH FINANCING ACTIVITY:		
Construction in progress paid by contributions from the State of Louisiana	$ 6,616,654	$ 22,564,962

See accompanying notes.

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

ORGANIZATION OF THE ENTITY:

Louisiana Housing Corporation (the Corporation) is an instrumentality of the State of Louisiana established effective July 1, 2011 pursuant to Chapter 3-G of Title 40 of the Louisiana Revised Statutes of 1950, as amended. The enabling legislation grants the Corporation the authority to promulgate rules, regulations, or other procedures for the coordination of all state-administered housing programs. Louisiana Housing Finance Agency (the Agency) became the Corporation's subsidiary effective January 1, 2012. For the year ended June 30, 2012, the operations of the Corporation encompassed only the activities of its subsidiary. The accompanying financial statements for the year ended June 30, 2012 are combined to include the transactions of the Agency for the period July 1, 2011 – through December 31, 2011 and the transactions of the Corporation including its subsidiary for the period January 1, 2012 through June 30, 2012. The Agency was terminated at midnight on June 30, 2012 and the Corporation assumed the obligations and programs of the Agency at that time.

The accompanying financial statements and disclosures as of and for the year ended June 30, 2011 are those of the Louisiana Housing Finance Agency. The Agency was a political subdivision and instrumentality of the State of Louisiana established in 1980 pursuant to the Louisiana Housing 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 granted 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.

In the notes to the financial statements, the term "the entity" is used to denote the Corporation or the Agency, as applicable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements 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. Financial Accounting Standards Board (FASB) Accounting Standards Codification and Accounting Principles Board opinions issued on or before November 30, 1989 are applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The significant accounting policies are described below:

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reporting Entity:

Government Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity* 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.

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 entity and the State of Louisiana, the financial statements of the State would be misleading if the accompanying financial statements were excluded. Accordingly, the State of Louisiana has determined that the entity is a component unit.

The accompanying statements present only the transactions of the entity's General Fund. The term "General Fund" refers to the fund that accounts for the entity's general operating activities and is not meant to denote a governmental type general fund of a primary government.

Annually, the entity issues combined financial statements which include the activity contained in the accompanying financial statements, along with the entity'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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting:

The entity 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 entity 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.

Investments:

Governmental Accounting Standards Board (GASB) 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, all debt securities with an original term of greater than one year are carried at fair value. The change in fair value of such securities is recognized as revenue as a component of investment income.

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. All property and equipment with initial, individual costs of greater than $5,000 is capitalized. Depreciation is computed on the straight-line method over the following estimated useful lives:

Buildings	40 years
Equipment	3–7 years
Automobiles	5 years

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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.

Revenue and Expenses:

Operating revenues consist of program administration fees, bond issue fees and investment income as these revenues are generated from operations and are generated in carrying out the entity's 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 entity'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 entity'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 entity is a proprietary type fund, the cost of leave privileges, computed in accordance with Governmental Accounting Standards Board (GASB) Statement 16, *Accounting for Compensated Absences* 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.

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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 entity may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the entity 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 entity 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:

Cash and cash equivalents (book balances) as of June 30, 2012 and 2011, are as follows:

	2012	2011	Rating
Petty cash	$ 300	$ 100	N/A
Demand deposits	9,338,594	11,567,486	N/A
Federal Home Loan Bank deposits	4,817	104,817	N/A
Money Market funds	12,216,045	11,711,213	AAA
	$ 21,559,756	$ 23,383,616	

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 entity'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 entity at June 30, 2012 and 2011. The 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

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

Cash and Cash Equivalents: (Continued)

Recovery Act of 2008. The 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.

Investments:

As of June 30, 2012, the entity 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	$ 1,772,117	$ -	$ 763,987	$ 1,008,130	$ -
U.S. Sponsored Agencies	33,552,381	-	2,631,588	7,351,846	23,568,947
State of Louisiana Bonds	650,149	-	-	650,149	-
GNMAs	19,533,943	-	148,972	724,828	18,660,143
Total	$ 55,508,590	$ -	$ 3,544,547	$ 9,734,953	$ 42,229,090

As of June 30, 2011, the entity 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

Interest Rate Risk. Interest rate risk is managed by duration. Future changes in interest rates and the slope of the yield curve are forecasted and then a duration strategy is selected 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 entity's policy to limit its investments to those issued a top rating by Nationally Recognized Statistical Ratings Organizations. As of June 30, 2012, all of the investments were rated AA or AA+ by Standard & Poor's. As of June 30, 2011, all of the investments were rated AAA by Standard & Poor's.

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

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

Investments: (Continued)

Concentration of Credit Risk. There is no limit on the amount that may be invested in any one issuer. As of June 30, 2012 and 2011, investments of the following issuers represented more than 5 percent of total investments:

	2012	2011
Federal Home Loan Bank	--	6%
Federal National Mortgage Association	49%	23%
Federal Farm Credit Banks	--	11%
Federal Home Loan Mortgage Corporation	9%	9%

The net unrealized appreciation on investment securities was $4,724,490 and $3,497,655 at June 30, 2012 and 2011, respectively. The increase (decrease) in unrealized appreciation of $1,226,835 and $(371,423) was included in investment income for the years ended June 30, 2012 and 2011, respectively.

4. BONDS AND DEBENTURES PAYABLE:

Bonds and debentures payable activity for the year ended June 30, 2012 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation bonds:					
Series 2010 General Revenue Office Building Refunding Bonds	$ 4,665,000	$ --	$ (725,000)	$ 3,940,000	$ 740,000
Series 2006A Multifamily Mortgage Revenue Refunding Bonds	14,470,000	--	(1,735,000)	12,735,000	890,000
Debentures payable	13,714,128	--	--	13,714,128	13,714,128
	32,849,128	--	(2,460,000)	30,389,128	15,344,128
Plus: deferred amount on refunding	329,762	--	(16,218)	313,544	16,218
Total bonds and debentures payable	$ 33,178,890	$ --	$ (2,476,218)	$ 30,702,672	$ 15,360,346

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

4. BONDS AND DEBENTURES PAYABLE: (Continued)

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

Amounts	Beginning Balance	Additions	Reductions	Ending Balance	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

Limited Obligation Bonds Payable:

As authorized by the initial enabling legislation, the entity issues revenue bonds to assist in the financing of housing needs in the State of Louisiana. The bonds are limited obligations, 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 entity 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 entity for which the entity and the State have no responsibility for repayment are not recorded in the accompanying financial statements. At June 30, 2012 and 2011, there were approximately $835 million and $882 million of such bonds outstanding in 66 and 61 bond programs, respectively.

General Obligation Bonds Payable:

The entity 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, secured by and payable from any and all funds of the entity not otherwise

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

4. BONDS AND DEBENTURES PAYABLE: (Continued)

General Obligation Bonds Payable: (Continued)

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, 2012 and 2011, $-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 entity 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 entity, secured by and payable from any and all funds of the entity 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, 2012 and 2011, $3,940,000 and $4,665,000, 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 entity 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.

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 1.20% 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. At June 30, 2012 and 2011, $7,130,000 and $9,745,000, respectively, of the defeased bonds are still outstanding. At June 30, 2012 and 2011, $12,735,000 and $14,470,000, respectively, of the Series 2006A bonds are outstanding.

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

Year Ended June 30,	Principal	Interest	Total
2013	$ 1,630,000	$ 729,854	$ 2,359,854
2014	1,720,000	668,198	2,388,198
2015	2,340,000	605,812	2,945,812
2016	1,865,000	522,181	2,387,181
2017	1,940,000	440,475	2,380,475
2018-2022	5,605,000	1,156,388	6,761,388
2023-2027	1,100,000	286,306	1,386,306
2028-2032	475,000	46,431	521,431
	$ 16,675,000	$ 4,455,645	$ 21,130,645

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

Debentures Payable:

On April 28, 2006, the entity issued $29,020,292 of debentures payable to the Department of Housing and Urban Development (HUD). The debentures were issued in conjunction with the claim for mortgage insurance payment made by HUD under the entity's Risk-Sharing Program for mortgage loans. Several of the 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, 2012, the entity requested and was granted by HUD a repayment extension on three of the five debentures outstanding. The new repayment dates are December 12, 2012 and March 31, 2013, respectively. 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 entity'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
2013	$ 13,714,128	$ 2,384,004	$ 16,098,132

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, 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".

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

5. FEDERAL FINANCIAL ASSISTANCE: (Continued)

In the normal course of operations, grant funds are received 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 restitution to the federal agency as a result of noncompliance.

During the years ended June 30, 2012 and 2011, the following amounts were expended under the various grants.

	2012	2011
Section 8	$ 82,001,438	$ 79,632,811
HOME Investment Partnerships	26,409,668	20,721,080
Low Income Housing Energy Assistance	39,674,599	57,198,850
Weatherization Assistance	18,455,638	23,432,232
Community Development Block Grant	9,294,610	5,931,875
Tax Credit Assistance Program	7,691,818	28,888,521
Neighborhood Stabilization Program	15,891,322	8,215,998
National Foreclosure Mitigation Counseling	109,771	128,177
	$ 199,528,864	$ 224,149,544

6. BOARD OF COMMISSIONERS EXPENSES:

The appointed members of the 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. The Louisiana Housing Finance Agency board served from July 1, 2011 through December 31, 2011. The Louisiana Housing Corporation board served from January 1, 2012 through June 30, 2012. During the years ended June 30, 2012 and 2011, the following per diem payments were made to the members of the boards and are included in general and administrative expenses:

	2012	2011
Michael Airhart	$ 700	$ 750
Barbara Anderson	300	800
Jerome Boykin, Sr.	200	550
Mayson Foster	700	650
Walter Guillory	--	50
Allison Jones	250	650
Ellen Lee	300	--
James Madderra	--	300
Matthew Ritchie	300	--
Joseph Scontrino, III	400	700
Donald Vallee	450	800
Guy Williams	300	600
Tyrone Wilson	--	450
Alberta Young	250	650
	$ 4,150	$ 6,950

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

7. RETIREMENT BENEFITS:

Substantially all of the employees of the entity are members of the Louisiana State Employees Retirement System (the 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 entity 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 hired before June 30, 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. Any member hired between July 1, 2006 and December 31, 2010 shall be eligible for retirement benefits with 10 years of service at age 60 or thereafter. After July 1, 2011, members hired on or after July 1, 2006 will be eligible for retirement benefits at age 60 with 5 years of service. In addition, these members may receive reduced benefits at any age with 20 years of service. 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 entity is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rates were 25.6%, 22% and 18.6% for the years ended June 30, 2012, 2011 and 2010, respectively. The entity contributions to the System for the years ended June 30, 2012, 2011 and 2010 were $1,592,704, $1,468,158 and $1,184,241, respectively, equal to the required contributions for each year.

The State Employees Retirement 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 employees become eligible for post-employment health care and life insurance benefits if they reach normal retirement age while working for the entity. 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 entity. At June 30, 2012 and 2011, twelve and nine retirees were receiving post-employment benefits, respectively.

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

Plan Description

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). A copy of the CAFR may be obtained 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 employers are established and may be amended by LRS 42:801-883. Active employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving postemployment benefits. The retirees contribute to the cost of their postemployment benefits 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 on July 1, 2011, 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 Consumer-Directed Health Plan with Health Savings Account (CDHP with HSA) Plan. Prior to July 1, 2011, 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). Depending upon the plan selected, during the years ended June 30, 2012 and 2011, premiums for an unmarried retiree from $85 to $89 and $80 to $84 per month, respectively, for those with Medicare coverage or from $138 to $147 and $132 to $140 per month, respectively, for those without Medicare coverage. The premiums for a retiree and spouse for the year ended June 30, 2012 and 2011 range from $150 to $330 and $145 to $312 per month, respectively, for those with Medicare coverage or from $441 to $479 and $428 to $454 per month, respectively, for those without Medicare coverage.

The plan is currently financed on a pay-as-you-go method, with the entity contributing anywhere from $256 to $268 and $241 to $253 per month for an unmarried retiree with Medicare coverage or from $878 to $950 and $853 to $900 per month for an unmarried retiree without Medicare coverage during the years ended June 30, 2012 and 2011, respectively. Also, the entity's contributions range from $450 to $989 and $433 to $936 per month for a retiree and spouse with Medicare coverage or $1,342 to $1,459 and $1,311 to $1,382 for a retiree and spouse without Medicare coverage during the years ended June 30, 2012 and 2011, respectively.

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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 entity'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, 2011 and 2010 was $631,300 and $868,800, respectively.

The following schedule presents the components of the entity's OPEB cost for the years ended June 30, 2012 and 2011, the amount actually contributed to the plan, and changes in the entity's net OPEB Obligation:

	2012	2011
Annual required contribution	$ 631,300	$ 868,800
Interest on net OPEB obligation	188,697	157,032
ARC adjustment	(180,262)	(150,011)
Annual OPEB Cost	639,735	875,821
Contributions made	(100,495)	(84,162)
Increase in Net OPEB Obligation	539,240	791,659
Beginning Net OPEB Obligation	4,717,458	3,925,799
Ending Net OPEB Obligation	$ 5,256,698	$ 4,717,458

The entity'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, 2012 through 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 639,735	15.71%	$5,256,698
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 CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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 entity nor the State of Louisiana have contributed to it as of June 30, 2012. Since the plan has not been funded, the entire actuarial accrued liability of $4,982,700 and $6,411,000 at June 30, 2012 and 2011, respectively, was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2011 and 2010, was as follows:

	July 1, 2011	July 1, 2010
Actuarial accrued liability (AAL)	$ 4,982,700	$ 6,411,000
Actuarial value of plan assets	--	--
Unfunded actuarial accrued liability (UAAL)	$ 4,982,700	$ 6,411,000
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (annual payroll of active employee covered by the plan)	$ 6,092,200	$ 5,334,859
UAAL as a percentage of covered payroll	81.8%	120%

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 CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

Actuarial Methods and Assumptions (Continued)

In the July 1, 2011 and 2010, 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 7.5% and 8.6% for pre-Medicare and Medicare eligibles, respectively, were assumed for the July 1, 2011 valuation. 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. 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, 2012 and 2011 was 25 and 26 years, respectively.

9. CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

	Balance June 30, 2011	Additions	Deletions and Adjustments	Balance June 30, 2012
Capital assets not being depreciated:				
Land	$ 712,338	$ --	$ --	$ 712,338
Construction in progress	46,452,510	15,705,020	(49,812,674)	12,344,856
	47,164,848	15,705,020	(49,812,674)	13,057,194
Capital assets being depreciated:				
Equipment	2,221,170	322,954	--	2,544,124
Building	42,348,602	49,812,674	--	92,161,276
Land improvements	130,940	--	--	130,940
	44,700,712	50,135,628	--	94,836,340
Accumulated depreciation:				
General	(3,673,830)	(329,730)	--	(4,003,560)
HUD Disposition	(3,805,661)	(1,479,329)	--	(5,284,990)
	$ 84,386,069	$ 64,031,589	$ (49,812,674)	$ 98,604,984

	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

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

9. CAPITAL ASSETS: (Continued)

Included in capital assets at June 30, 2012 and 2011 is $84,246,334 and $77,629,681, respectively, of costs related to the two HUD disposition properties owned by the entity. These buildings were heavily damaged by Hurricane Katrina (see Note 11). Reconstruction of the first property (Willowbrook) was completed during the year ended June 30, 2008, and its operations commenced in May 2008. Reconstruction of the second property (Village de Jardin) was completed during the year ended June 30, 2012, and its operations commenced in April 2012.

Included in construction in progress as of June 30, 2012 and 2011, are costs of $12,344,856 and $3,256,491, respectively related to the Mid-City Gardens (formerly 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 entity has various outstanding commitments and contingent liabilities that are not reflected in the accompanying financial statements. In addition, the entity 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 entity 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 entity funded renovations to the properties totaling approximately $3.3 million through June 30, 2005. On August 29, 2005, the properties were heavily 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, 2012 and 2011, both properties were fully renovated and occupied. The completed properties are recorded within capital assets on the entity's balance sheet.

The properties were purchased in 1995. If the properties are sold, 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).

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

12. RESTRICTED LOANS:

As part of the HOME program loans have been made 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 the multifamily program, loans have been made under the 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, an award of funds (1602 Funds) was received 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 debt will be forgiven at the end of this period, if certain conditions have been met. These loans are uninsured.

During the year ended June 30, 2010, a Tax Credit Assistance Program (TCAP) Grant under Title XII of the American Recovery and Reinvestment Act of 2009 was received 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.

During the year ended June 30, 2010, funds were awarded under the Neighborhood Stabilization Program (NSP). The 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 Louisiana Housing Trust Funds is utilized 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 debt will be forgiven at the end of the affordability period, if certain conditions have been met. These loans are uninsured.

LOUISIANA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

12. RESTRICTED LOANS: (Continued)

The loan portfolio at June 30, 2012 and 2011 was as follows:

	2012	2011	Interest Rate
HOME Multifamily Mortgage Loans	$ 109,290,574	$ 105,728,901	1% – 6%
HOME Single Family Mortgage Loans	4,251,317	4,632,550	0%
202 Elderly Project Mortgage Loans	27,160,809	29,002,063	6%
Conditional HOME Loans	1,901,242	1,678,350	0%
1602 Sub Award Multifamily Loans	185,245,255	124,199,382	0%
TCAP Multifamily Mortgage Loans	39,244,961	31,553,143	4%
Neighborhood Stabilization Program Loans	10,763,111	5,451,148	0% - 2%
Louisiana Housing Trust Fund Loans	20,017,227	18,555,270	0%
	397,874,496	320,800,807	
Reserve for loan losses	(250,702,443)	(198,289,129)	
	$ 147,172,053	$ 122,511,678	

The collections from the HOME, 1602 Exchange, TCAP, 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 $53,453,587 and $128,027,421 to the provision for loan losses account for the years ended June 30, 2012 and 2011, respectively.

13. CONCENTRATION OF CREDIT RISK:

The 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 entity 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 entity 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. An annual premium is paid to ORM for this coverage.

15. PENDING CLAIM:

The entity 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 entity contracted to service this loan.

HUD is claiming that the entity (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 entity has an indemnification agreement with the Servicing Agent for matters such as this; however, a formal claim has not been filed against the Servicing Agent. The entity's attorney has indicated that it is not possible to give an opinion concerning the likelihood of an unfavorable result to the entity. However, in prior years, the entity 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 restricted net assets result primarily from the mortgage loan programs, the related bonds and debentures payable.

17. RELATED PARTY TRANSACTIONS:

During the year ended June 30, 2012, the entity transferred $25,100,000 to the State of Louisiana Treasury. The transfer was required as a result of State of Louisiana legislation enacted during the year ended June 30, 2011. An additional transfer of funds to the State of Louisiana will be required in the future as discussed in Note 18.

18. FUNDS TRANSFER:

During the 2012 Legislative Session, a law effective July 1, 2012 was enacted by the Louisiana Legislature that directed the entity or its successor to deposit into the State Treasury unrestricted or unencumbered fund assets of $11,000,000. The entity 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. In anticipation of this impending transfer, unrestricted fund net assets in the amount of $11,000,000 have been designated by the board for this purpose.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

LOUISIANA HOUSING CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
LOUISIANA HOUSING CORPORATION'S OPEB PLAN
JUNE 30, 2009 THROUGH 2012

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]
7/1/11	-0-	$ 4,982,700	$ 4,982,700	0%	$6,092,200	81.8%
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 Corporation
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2012

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See the Appendix Packet on our Website (OSRAP Memo 13-01)

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ended June 30, 2012

Louisiana Housing Corporation
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:
1201 N. Third Street
Claiborne Building, 6th Floor, Suite 6-130
Baton Rouge, Louisiana 70802

Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

LLAFileroom@lla.la.gov

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

AFFIDAVIT

Personally came and appeared before the undersigned authority, René John Landry, Chief Fiscal Officer of Louisiana Housing Corporation who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Louisiana Housing Corporation at June 30, 2012 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, 2012.

René John Landry
Signature of Agency Official

Loretta Wallace
NOTARY PUBLIC
LORETTA WALLACE ID #053916

Prepared by: Rene John Landry

Title: Chief Fiscal Officer

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

Date: August 30, 2012

Email Address: rlandry@lhc.la.gov

STATE OF LOUISIANA
LOUISIANA HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012

Please refer to the Management's Discussion and Analysis of the Louisiana Housing Corporation in the Required Supplementary Information section of the audit report for the year ended June 30, 2012.

STATE OF LOUISIANA
LOUISIANA HOUSING CORPORATION
BALANCE SHEET
AS OF JUNE 30, 2012

Statement A

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 2,019,915
Restricted Cash and Cash Equivalents	
Investments	48,627,286
Derivative instrument	
Deferred outlflow of resources	
Receivables (net of allowance for doubtful accounts)(Note U)	228,195
Due from other funds (Note Y)	139,198
Due from federal government	3,825,119
Inventories	
Prepayments	
Notes receivable	1,181,627
Other current assets	527,050
Total current assets	56,548,390
NONCURRENT ASSETS:	
Restricted assets (Note F):	
Cash	19,539,841
Investments	6,881,304
Receivables	42,172,713
Advances to subrecipients	1,311,637
Notes receivable	147,172,053
Construction/Development-in-progress	12,344,856
Investments	
Notes receivable	
Capital assets, net of depreciation (Note D)	
Land and non-depreciable easements	712,338
Buildings and improvements	84,978,538
Machinery and equipment	502,423
Land improvements	66,829
Intangible assets	
Construction/Development-in-progress	
Other noncurrent assets	
Total noncurrent assets	315,682,532
Total assets	$ 372,230,922
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable and accruals (Note V)	$ 1,161,142
Liabilities payable from restricted assets (Note Z)	15,822,764
Deferred inflow of resources	
Due to other funds (Note Y)	
Due to federal government	1,336,246
Other current liabilities	
Current portion of long-term liabilities: (Note K)	
Contracts payable	
Compensated absences payable	884,608
Capital lease obligations	
Claims and litigation payable	
Notes payable (debentures)	13,714,128
Pollution remeditation obligation	
Bonds payable (include unamortized costs)	1,646,218
Other long-term liabilities	
Total current liabilities	34,565,106
NONCURRENT LIABILITIES: (Note K)	
Pollution remediation obligation	
Bonds payable (include unamortized costs)	15,342,326
OPEB payable	5,256,698
Other long-term liabilities	
Total noncurrent liabilities	20,599,024
Total liabilities	55,164,130
NET ASSETS	
Invested in capital assets, net of related debt	82,320,129
Restricted for:	
Capital projects	
Debt Service	
Unemployment compensation	
Other specific purposes	187,150,511
Unrestricted	47,596,152
Total net assets	317,066,792
Total liabilities and net assets	$ 372,320,922

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

STATE OF LOUISIANA **Statement B**
LOUISIANA HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUE		
Sales of commodities and services	$	
Assessments		
Use of money and property		
Licenses, permits, and fees		10,661,165
Other		4,030,146
Total operating revenues		14,691,311
OPERATING EXPENSES		
Cost of sales and services		
Administrative		11,378,704
Depreciation		329,730
Interest		113,953
Total operating expenses		11,822,387
Operating income(loss)		2,868,924
NON-OPERATING REVENUES (EXPENSES)		
Transfer to state treasury		(25,100,000)
Intergovernmental revenues(expenses)		250,999,128
Program income		2,699,296
Restricted interest and investment income		6,960,939
Gain on disposal of fixed assets		
Loss on disposal of fixed assets		
Federal grants		(167,219,483)
Interest expense		(1,118,676)
Other revenue		6,940,168
Other expense		(53,453,587)
Total non-operating revenues(expenses)		20,707,785
Income(loss) before contributions, extraordinary items, & transfers		23,576,709
Capital contributions		
Extraordinary item - Loss on impairment of capital assets		
Transfers in		6,675,257
Transfers out		
Change in net assets		30,251,966
Total net assets – beginning		286,814,826
Total net assets – ending	$	317,066,792

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

Statement C

STATE OF LOUISIANA
LOUISIANA HOUSING CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Entity	$ 258,714,133	$ 10,661,165	$ 253,698,424	$	$ 5,645,456
General revenues:					
Taxes					
State appropriations					
Grants and contributions not restricted to specific programs					
Interest					10,855,364
Miscellaneous					7,075,889
Special items					
Extraordinary item - Loss on impairment of capital assets					
Transfers					6,675,257
Total general revenues, special items, and transfers					24,606,510
Change in net assets					30,251,966
Net assets - beginning					286,814,826
Net assets - ending					$ 317,066,792

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
LOUISIANA HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Statement D
(Continued)

Cash flows from operating activities		
Cash receipts from fee revenue collected	11,561,895	
Cash receipts from investment and mortgage loan income	2,991,913	
Cash receipts from mortgage collections	25,265	
Cash payments to suppliers for goods or services	(2,966,820)	
Cash payments to employees for services	(8,481,457)	
Cash payments for bondholders and creditors for interest	(97,226)	
Other operating cash payments, if any		
Net cash provided(used) by operating activities		3,033,570
Cash flows from non-capital financing activities		
Net transfers from (to) MRB programs	6,675,257	
Federal receipts	254,168,671	
Federal disbursements	(166,935,462)	
Mortgage collections	2,821,845	
Mortgage purchases	(81,360,032)	
Repayment/redemption of bonds	(1,735,000)	
Net change in escrow accounts	381,132	
Other non-operating income	(22,603,590)	
Interest paid on bonds and debentures payable	(616,195)	
Operating grants received		
Transfers in		
Transfers out		
Other		
Net cash provided(used) by non-capital financing activities		(9,203,374)
Cash flows from capital and related financing activities		
Proceeds from sale of bonds		
Principal paid on bonds	(725,000)	
Principal paid on notes payable		
Interest paid on notes payable		
Acquisition/construction of capital assets	(9,229,296)	
Proceeds from sale of capital assets		
Capital contributions		
Other		
Net cash provided(used) by capital and related financing activities		(9,954,296)
Cash flows from investing activities		
Purchases of investment securities	(90,660,960)	
Proceeds from sale of investment securities	104,404,458	
Net cash from rental properties	556,742	
Net cash provided(used) by investing activities		14,300,240
Net increase(decrease) in cash and cash equivalents		(1,823,860)
Cash and cash equivalents at beginning of year		23,383,616
Cash and cash equivalents at end of year		$ 21,559,756

STATE OF LOUISIANA
LOUISIANA HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Statement D
(concluded)

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

Operating income(loss)		$ 2,868,924
Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities:		
Depreciation/amortization	329,730	
Net change in fair value	(941,832)	
Other	16,727	
Changes in assets and liabilities:		
(Increase)decrease in accrued interest receivable	39,320	
(Increase)decrease in due from governments	549,715	
(Increase)decrease in prepayments		
(Increase)decrease in inventories		
(Increase)decrease in other assets	242,197	
Increase(decrease) in accounts payable and accruals	(623,094)	
Increase(decrease) in compensated absences payable	(10,650)	
Increase(decrease) in due to other funds	(1,973)	
Increase(decrease) in mortgage loans	25,265	
Increase(decrease) in OPEB payable	539,241	
Increase(decrease) in other liabilities		
Net cash provided(used) by operating activities		$ 3,033,570

Schedule of noncash investing, capital, and financing activities:

Contributions in progress paid by contributions from the State of Louisiana	$ 6,616,654
Purchases of equipment on account	
Asset trade-ins	
Other (specify)	
Total noncash investing, capital, and financing activities:	$ 6,616,654

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
LOUISIANA HOUSING CORPORATION
Notes to the Financial Statement
As of and for the year ended June 30, 2012

INTRODUCTION

Louisiana Housing Corporation (the Corporation) is an instrumentality of the State of Louisiana established effective July 1, 2011 pursuant to Chapter 3-G of Title 40 of the Louisiana Revised Statutes of 1950, as amended. The enabling legislation grants the Corporation the authority to promulgate rules, regulations, or other procedures for the coordination of all state-administered housing programs. Louisiana Housing Finance Agency (the Agency) became the Corporation's subsidiary effective January 1, 2012. For the year ended June 30, 2012, the operations of the Corporation encompassed only the activities of its subsidiary. The accompanying financial statements for the year ended June 30, 2012 are combined to include the transactions of the Agency for the period July 1, 2011 – through December 31, 2011 and the transactions of the Corporation including its subsidiary for the period January 1, 2012 through June 30, 2012. The Agency was terminated at midnight on June 30, 2012 and the Corporation assumed the obligations and programs of the Agency at that time.

In the notes to the financial statements, the term "the entity" is used to denote the Corporation or the Agency, as applicable.

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 entity present information only as to the transactions of the programs of the entity 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 entity 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 13-01, Appendix A, for information related to Note C.

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash and cash equivalents are stated at cost, which approximates market value. Under state law, the entity may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the entity 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 entity 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.

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 entity'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 entity at June 30, 2012 and 2011. The 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 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.

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, 2012, consisted of the following:

	Cash	Nonnegotiable Certificates of Deposit	Other (Money Market Funds)	Total
Deposits per Balance Sheet (Reconciled bank balance)	$ 9,343,411	$	$ 12,216,045	$ 21,559,456
Deposits in bank accounts per bank	$ 9,864,863	$	$ 12,216,045	$ 22,080,908
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	$	9,639,129
2. Hancock Bank	General and Elderly		12,216,045
3. Federal Home Loan Bank	General		4,817
4. Capital One Bank	HUD Disposition		220,917
Total		$	22,080,908

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	$	300

2. INVESTMENTS

The entity 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 held by 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.

Type of Investment	*Unregistered, and Held by Counterparty	Trust Dept. or Agent Not in Entity's Name	Amount Per Balance Sheet	Fair Value
Negotiable CDs	$	$	$	$
Repurchase agreements				
U.S. Government Obligations **			1,772,117	1,772,117
U.S. Agency Obligations***			33,552,381	33,552,381
Common & preferred stock				
Mortgages (including CMOs & MBSs)			19,533,943	19,533,943
Corporate bonds				
Mutual funds				
Real estate				
External Investment Pool (LAMP) ****				
External Investment Pool (Other)				
Other: (identify)				
State of Louisiana Bonds			650,149	650,149
Total investments	$ -	$ -	$ 55,508,590	$ 55,508,590

* 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 13-01 for the definition of US Government Obligations)

*** These obligations may not be exposed to custodial credit risk (See Appendix A, Memo 13-01 for discussion of FNMA & FHLMC)

**** LAMP investments should not be included in deposits AND should be identified separately in this table to ensure LAMP investments are not double-counted on the State level.

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).

Rating Agency	Rating	Fair Value
Standard & Poor's	AA	$ 55,508,590
	Total	$ 55,508,590

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	$ 1,772,117	$	$ 763,987	$ 1,008,130	$
U.S. Agency obligations	33,552,381		2,631,588	7,351,846	23,568,947
Mortgage backed securities	19,533,943		148,972	724,828	18,660,143
Collateralized mortgage obligations					
Corporate bonds					
Other bonds- State of Louisiana	650,149			650,149	
Mutual bond funds					
Other					
Total debt investments	$ 55,508,590	$ -	$ 3,544,547	$ 9,734,953	$ 42,229,090

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 13-01, 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 Mortgage Corporation	$	4,626,353	9
Federal National Mortgage Association		27,339,159	49
Total	$	31,965,512	

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. Interest rate risk is managed by duration. Future changes in interest rates and the slope of the yield curve are forecasted and then a duration strategy is selected 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 entity's policy to limit its investments to those issued a top rating by Nationally Recognized Statistical Ratings Organizations.

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

Concentration of Credit Risk. There is no limit on the amount that may be invested in any one issuer.

The entity holds no deposits or investments that are exposed to foreign currency risk; therefore, there is no policy disclosed.

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. Depreciation for financial reporting purposes is computed by the straight line method over the useful lives of the assets.

STATE OF LOUISIANA
LOUISIANA HOUSING CORPORATION
Notes to the Financial Statement
As of and for the year ended June 30, 2012

Schedule of Capital Assets (includes capital leases)

Agency	Balance 6/30/2011	Prior Period Adjustments	Restated Balance 6/30/2011	Additions	* Reclassifi-cation of CIP	** Retirements	Balance 6/30/2012
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	46,452,510		46,452,510	15,705,020	(49,812,674)		12,344,856
Total capital assets not depreciated	$ 47,164,848	$ -	$ 47,164,848	$ 15,705,020	$ (49,812,674)	$ -	$ 13,057,194
Other capital assets:							
Depreciable land improvements	$ 130,940	$	$ 130,940	$	$	$	$ 130,940
** *Accumulated depreciation*	(57,562)		(57,562)	(6,549)			(64,111)
Total land improvements	73,378	-	73,378	(6,549)	-	-	66,829
Buildings	42,348,602		42,348,602		49,812,674		92,161,276
** Accumulated depreciation	(5,526,770)		(5,526,770)	(1,655,968)	-		(7,182,738)
Total buildings	36,821,832	-	36,821,832	(1,655,968)	49,812,674	-	84,978,538
Machinery & equipment	2,221,170		2,221,170	322,954		-	2,544,124
** Accumulated depreciation	(1,895,159)		(1,895,159)	(146,542)			(2,041,701)
Total machinery & equipment	326,011	-	326,011	176,412	-	-	502,423
Infrastructure			-				-
** Accumulated depreciation			-				-
Total infrastructure	-	-	-	-	-	-	-
Software (internally generated & purchased)			-				-
Other intangibles			-				-
** Accumulated amortization - software			-				-
** Accumulated amortization - other intangibles			-				-
Total intangibles	-	-	-	-	-	-	-
Total other capital assets	$ 37,221,221	$ -	$ 37,221,221	$ (1,486,105)	$ 49,812,674	$ -	$ 85,547,790
Capital asset summary:							
Capital assets not depreciated	$ 47,164,848	$ -	$ 47,164,848	$ 15,705,020	$ (49,812,674)	$ -	$ 13,057,194
Other capital assets, book value	44,700,712	-	44,700,712	322,954	49,812,674	-	94,836,340
Total cost of capital assets	91,865,560	-	91,865,560	16,027,974	-	-	107,893,534
Accumulated depreciation/amortization	(7,479,491)	-	(7,479,491)	(1,809,059)	-	-	(9,288,550)
Capital assets, net	$ 84,386,069	$ -	$ 84,386,069	$ 14,218,915	$ -	$ -	$ 98,604,984

* Should only be used for those completed projects coming out of construction-in-progress to capital 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 entity at June 30, 2012, reflected at $229,422,404 in the non-current assets section on Statement A, consist of $19,539,841 in cash and cash equivalents, $42,172,713 in accrued interest receivable, and $6,881,304 in investment securities, $12,344,856 in construction in progress, $1,311,637 in advances to subrecipients and $147,172,053 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 entity 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, 2012 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be $884,608. The leave payable is recorded in the accompanying financial statements.

H. RETIREMENT SYSTEM

Substantially all of the employees of the entity are members of the Louisiana State Employees Retirement System (the 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 entity 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 hired before June 30, 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. Any member hired between July 1, 2006 and December 31, 2010 shall be eligible for retirement benefits with 10 years of service at age 60 or thereafter. After July 1, 2011, members hired on or after July 1, 2006 will be eligible for retirement benefits at age 60 with 5 years of service. In addition, these members may receive reduced benefits at any age with 20 years of service. 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 entity is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rates were 25.6%, 22% and 18.6% for the years ended June 30, 2012, 2011 and 2010, respectively. The Corporation contributions to the System for the years ended June 30, 2012, 2011 and 2010 were $1,592,704, $1,468,158 and $1,184,241, 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.

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, 2011, to be used for fiscal year ending June 30, 2012." Report note disclosures for other plans, not administrated by OGB, separately.

Annual OPEB expense and net OPEB Obligation

Fiscal year ending	6/30/2012
1. * ARC	631,300
2. * Interest on NOO	188,697
3. * ARC adjustment	(180,262)
4. * Annual OPEB Expense (1. + 2. - 3.)	639,735
5. Contributions (employer pmts. to OGB for retirees' cost of 2012 insurance premiums)	(100,495)
6. Increase in Net OPEB Obligation (4. - 5.)	539,240
7. *NOO, beginning of year (see actuarial valuation report on OSRAP's website)	4,717,458
8. **NOO, end of year (6. + 7.)	5,256,698

*This must be obtained from the OSRAP website on the spreadsheet "GASB 45 OPEB Valuation Report as of July 1, 2011, to be used for fiscal year ending June 30, 2012."

**This should be the same amount as that shown on the Balance Sheet for the year ended June 30, 2012 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 13-01, 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; however, GASB 45 note disclosures are required for separately issued GAAP financial statements. 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, 2012:

	Year ended June 30, 2012				
	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts due within one year
Notes and bonds payable:					
Notes payable	$ 13,714,128	$	$	$ 13,714,128	$ 13,714,128
Bonds payable	19,464,762		2,476,218	16,988,544	1,646,218
Total notes and bonds	33,178,890	-	2,476,218	30,702,672	15,360,346
Other liabilities:					
Contracts payable					
Compensated absences payable					
Capital lease obligations					
Claims and litigation					
Pollution remediation obligation					
OPEB payable	4,717,458	539,240		5,256,698	
Other long-term liabilities				-	
Total other liabilities	4,717,458	539,240	-	5,256,698	-
Total long-term liabilities	$ 37,896,348	$ 539,240	$ 2,476,218	$ 35,959,370	$ 15,360,346

(Balances at June 30th should include current and non-current portion of L-T 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 not 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 entity 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
			$ 1,000,000	$

The entity 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 Corporation contracted to service this loan.

HUD is claiming that the entity (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 entity 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 entity'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 entity 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.

* Reasonably possible,

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

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 entity 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, 2012 $7,130,000 of the defeased bonds are still outstanding. At June 30, 2012 $12,735,000 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, 2012, were as follows:

Fund (gen. fund, gas tax fund, etc.)	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
General Fund	$	$	$	$ 228,195	$ 228,195
Gross receivables	$ -	$ -	$ -	$ 228,195	$ 228,195
Less allowance for uncollectible accounts					
Receivables, net	$ -	$ -	$ -	$ 228,195	$ 228,195
Amounts not scheduled for collection during the subsequent year	$	$	$	$	$ -

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2012, were as follows:

Fund	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
General Fund	$ 1,000,176	$	$	$ 160,966	$ 1,161,142
					-
Total payables	$ *1,000,176*	$ -	$ -	$ *160,966*	$ *1,161,142*

W. SUBSEQUENT EVENTS – N/A

Disclose any material event(s) affecting the (BTA) occurring between the close of the fiscal period and issuance of the financial statement.

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	$139,198
Total due from other funds		$

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
Enterprise	MRB Housing Program	$6,675,257
Total transfers from other funds		$6,675,257

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

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

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets in the entity at June 30, 2012, reflected at $15,822,764 in the liabilities section on Statement A, consist of $2,318,893 in interest payable, $8,384,086 in escrow, and $5,119,785 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 2012 on a full accrual basis:
87,200,660

Provide your entity's ARRA expenses in FY 2012 on a full accrual basis:
87,200,660

GG. RESTRICTED NET ASSETS – OTHER SPECIFIC PURPOSES –

Per GASB Statement 34, paragraph 34, net assets are reported as restricted when constraints on net asset use are either; externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws or regulations of other governments imposed by law through constitutional provisions or enabling legislation. Restricted Net Assets are reported on the balance sheet as restricted by Capital Projects, Debt Service, Unemployment Compensation, and Other Specific Purposes. The balance sheet amount for Restricted Net Assets - Other Specific Purposes should be further defined by function as follows:

	Restricted Net Assets
Conservation and Environment	$
Corrections	
Culture, Recreation, and Tourism	
Education	
General Government	
Housing	187,150,511
Public Safety	
Transportation and Development	
Youth Services	
Total	$ 187,150,511

STATE OF LOUISIANA
LOUISIANA HOUSING CORPORATION
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
JUNE 30, 2012

Name		Amount
Michael Airhart	$	700
Barbara Anderson		300
Jerome Boykin, Sr.		200
Mayson Foster		700
Allison Jones		250
Ellen Lee		300
Matthew Ritchie		300
Joseph Scontrino, III		400
Donald Vallee		450
Guy Williams		300
Alberta Young		250
Total	$	4,150

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 CORPORATION
SCHEDULE OF NOTES PAYABLE
JUNE 30, 2012

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/11	Redeemed (Issued)	Principal Outstanding 6/30/12	Interest Rates	Interest Outstanding 6/30/12
HUD Debentures	4/28/06	$29,020,292	$13,714,128	$-0-	$13,714,128	4.5%	$2,269,783
Total		$29,020,292	$13,714,128	$	$13,714,128		$2,269,783

*Send copies of new amortization schedules

SCHEDULE 3-A

STATE OF LOUISIANA
LOUISIANA HOUSING CORPORATION
SCHEDULE OF BONDS PAYABLE
JUNE 30, 2012

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/11	(Redeemed) Issued	Principal Outstanding 6/30/12	Interest Rates	Interest Outstanding 6/30/12
Series:							
Elderly Projects	11/1/06	$20,600,000	$14,470,000	$(1,735,000)	$12,735,000	4.15-4.75%	$49,110
Elderly Projects-Deferred Amount	11/1/06	405,445	329,762	(16,218)	313,544	N/A	N/A
General Revenue Office Building Bond Series 2010	6/30/10	5,330,000	4,665,000	(725,000)	3,940,000	2-3.25%	-0-
Unamortized Discounts and Premiums Series:							
Total		$26,335,445	$19,464,762	$(2,476,218)	$16,988,544		$49,110

SCHEDULE 3-B

SCHEDULE 4-A

STATE OF LOUISIANA
LOUISIANA HOUSING CORPORATION
SCHEDULE OF NOTES PAYABLE AMORTIZATION
For the Year Ended June 30, 2012

Fiscal Year Ending:	Principal	Interest
2013	$ **13,714,128**	$ **2,269,783**
2014		
2015		
2016		
2017		
2018-2022		
2023-2027		
2028-2032		
2033-2037		
Total	$ 13,714,128.00	$ 2,269,783.00

SCHEDULE 4-B

STATE OF LOUISIANA
LOUISIANA HOUSING CORPORATION
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2012

Fiscal Year Ending:	Principal	Interest
2013	$ 1,630,000	$ 729,854
2014	1,720,000	668,198
2015	2,340,000	605,812
2016	1,865,000	522,181
2017	1,940,000	440,475
2018	1,200,000	366,819
2019	1,365,000	300,794
2020	1,330,000	227,644
2021	1,200,000	158,294
2022	510,000	102,838
2023	245,000	80,869
2024	225,000	67,450
2025	185,000	56,644
2026	210,000	46,431
2027	235,000	34,913
2028	195,000	22,681
2029	115,000	13,656
2030	105,000	7,600
2031	55,000	2,375
2032	5,000	117
2033		
2034		
2035		
2036		
2037		
Subtotal	--	--
Unamortized Discounts/Premiums		
Total	$ 16,675,000	$ 4,455,645

***Note: Principal outstanding (bond series plus minus unamortized costs) at 6/30/12 should agree to bonds payable on the Statement of Net Assets.**

SCHEDULE 4-C

STATE OF LOUISIANA

LOUISIANA HOUSING CORPORATION

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.

		2012	2011	Difference	Percentage Change
1)	Revenues	$ 282,780,725	$ 376,659,533	$(93,878,808)	(24.9)%
	Expenses	259,204,016	317,487,500	(58,283,484)	(18.3)%
2)	Capital assets	98,604,984	84,386,069	14,218,915	16.8%
	Long-term debt	30,702,672	33,178,890	(2,476,218)	(7.4)%
	Net Assets	317,066,792	286,814,826	(30,251,966)	(10.5)%

Explanation for change:

Revenues: The decrease is due to a decrease in the amount of federal funds received from the government.

Expenses: The decrease is due to a decrease in federal funds disbursed, net against the increase in expenses for the transfer to the State of Louisiana treasury

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

Net assets: The increase is mainly due to the net increase in non-operating revenues for the year. Federal grant revenue exceeded the federal grant funds expensed, the provision for loan losses and the transfer to the State of Louisiana treasury. A large amount of federal revenue received was used to make loans; therefore, those disbursements are not included in expense.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

LOUISIANA HOUSING CORPORATION
(STATE OF LOUISIANA)

JUNE 30, 2012

LOUISIANA HOUSING CORPORATION
STATE OF LOUISIANA

INDEX TO REPORT

JUNE 30, 2012

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

CERTIFIED PUBLIC ACCOUNTANTS

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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*

September 4, 2012

To the Board of Commissioners
Louisiana Housing Corporation
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Housing Corporation as of and for the year ended June 30, 2012, and have issued our report thereon dated September 4, 2012. 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

Management of Louisiana Housing Corporation is responsible for establishing and maintaining effective control over financial reporting. In planning and performing our audit, we considered Louisiana Housing Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Louisiana Housing Corporation'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 Corporation'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 Corporation'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 Corporation'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

September 4, 2012

To the Board of Commissioners
Louisiana Housing Corporation
Baton Rouge, Louisiana

Compliance

We have audited Louisiana Housing Corporation'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 Corporation's major federal programs for the year ended June 30, 2012. Louisiana Housing Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Louisiana Housing Corporation's management. Our responsibility is to express an opinion on Louisiana Housing Corporation'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 Corporation'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 Corporation's compliance with those requirements.

In our opinion, the Corporation 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, 2012.

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Internal Control over Compliance

Management of Louisiana Housing Corporation 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 Corporation'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 Corporation'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 Corporation as of and for the year ended June 30, 2012, and have issued our report thereon dated September 4, 2012, 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 accompanying 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 schedule of expenditures of federal awards 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 Corporation'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 CORPORATION
STATE OF LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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	$ 79,083,369
	14.195	Housing Assistance Payments	Admin		2,918,069
		Total Section 8 Funds			82,001,438
HUD	14.258	ARRA - Tax Credit Assistance Program		M09-ES220100	7,691,818
HUD	14.239	HOME Investment Partnerships Program		None	26,409,668
HUD	14.188	Housing Finance Agency Risk Sharing Program (Amount of outstanding loan guarantees)		None	12,474,628
HUD	14.228	CDBG - Disaster Recovery Funds	2006 Funds	B06DG220001	502,471
			Admin		28,650
	14.228	CDBG - Non-Profit Rebuilding Pilot Program (NRPP)	2009 Funds	B08DI220001	8,581,970
			Admin		712,641
	14.228	Neighborhood Stabilization Program (NSP)	2009 Funds	NONE	14,829,954
			Admin		530,248
		Total CDBG Funds			25,185,934
DHHS	93.568	Low Income Housing Energy Assistance Program (LIHEAP)	2010 Funds	2010 – G-10B1LALIEA	276,028
			2011 Funds	2011 – G-11B1LALIEA	18,192,875
			2012 Funds	2012 – G-12B1LALIEA	20,949,400
			Admin		256,295
		Total LIHEAP Funds			39,674,598

Continued

LOUISIANA HOUSING CORPORATION
STATE OF LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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	$ 17,469,574
			Admin	None	220,605
	81.042	Weatherization Assistance Program (WAP)	2011 Funds	DE-EE0000201	149,676
			2012 Funds	DE-EE0000201	449,588
			Admin	None	12,983
			PVE Funds	None	153,211
		Total WAP Funds			18,455,637
Dept of Treasury	21.000	*National Foreclosure Mitigation Counseling Program (NFMC)*	2008 Funds	PL110-289:95X1350	7,500
			2009 Funds	PL111-8:95X1350	2,850
			2010 Funds	PL112-1095X1350	99,421
		Total NFMC Funds			109,771
		Total expenditures			$ 212,003,492

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

LOUISIANA HOUSING CORPORATION
STATE OF LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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	$ 39,418,303
Weatherization Assistance Program (WAP)	81.042	599,264
WAP Express (Petroleum Violation Fund)	N/A	153,211
ARRA – Weatherization Assistance Program	81.042	17,469,574
		$ 57,640,352

NOTE C – PROGRAM INCOME

In accordance with terms of the loans funded under the HOME Program, program income totaling $1,047,041 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 CORPORATION
STATE OF LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE D – RECONCILIATION TO THE FINANCIAL STATEMENTS

Per financial statements:	
Federal awards expensed (nonoperating)	$ 167,219,483
Mortgage loans issued (capitalized)	16,788,345
Capital asset additions (capitalized)	9,088,364
HUD Risk Sharing Mortgage Loans	12,474,628
Administrative costs within operating expenses	6,432,672
Per schedule of expenditures of federal awards	$ 212,003,492

LOUISIANA HOUSING CORPORATION
STATE OF LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012

Identification of major programs:

CFDA Numbers	Name of Federal Program
14.195	Section 8 Housing Assistance Payments 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 CORPORATION
STATE OF LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

None noted.