

FINANCIAL REPORT  
LOUISIANA HOUSING CORPORATION  
RENTAL PROPERTIES  
JUNE 30, 2017

REPORT

VILLAGE DE JARDIN APARTMENTS

JUNE 30, 2017

VILLAGE DE JARDIN APARTMENTS

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## INDEPENDENT AUDITOR'S REPORT

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September 7, 2017

Louisiana Housing Corporation  
Village de Jardin Apartments  
Baton Rouge, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Village de Jardin Apartments, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Village de Jardin Apartments' basic financial statements as listed in the index to report.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Village de Jardin Apartments as of June 30, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, these financial statements include only the activities of Village de Jardin Apartments and are not intended to present fairly the combined financial position, combined results of operations or combined cash flows of the Louisiana Housing Corporation in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2017 on our consideration of Village de Jardin Apartments' 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village de Jardin Apartments' internal control over financial reporting and compliance.

***Duplantier, Hrapmann, Hogan & Maher, LLP***

New Orleans, Louisiana

VILLAGE DE JARDIN APARTMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

The Management's Discussion and Analysis of Village de Jardin Apartments' (the Complex) financial performance presents a narrative overview and analysis of the Complex's financial activities for the year ended June 30, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Complex's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Complex's net position was \$43,778,316 at June 30, 2017, which represents a 3% decrease from last fiscal year. The largest portion of the net position was \$43,277,233 and reflects the Complex's investment in capital assets (building, furniture, and equipment), net of accumulated depreciation. The Complex uses these capital assets to provide services to tenants.
- The Complex's total revenues increased by \$20,359, or 1%, total expenses increased by \$85,451, or 3%, and consequently, change in net position decreased by \$65,092, or 10%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Complex's basic financial statements. These financial statements consist of two sections - Management's Discussion and Analysis (this section) and basic financial statements (including the notes to the financial statements).

**Basic Financial Statements**

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

The Statement of Net Position presents the assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Complex is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Complex's net position changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the Complex'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 *Government Accounting Standards*.

VILLAGE DE JARDIN APARTMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

**FINANCIAL ANALYSIS OF THE ENTITY**

Condensed Statements of Net Position  
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Current assets	\$ 576,265	\$ 580,016
Security deposits	57,900	58,500
Capital assets	<u>43,277,233</u>	<u>44,554,864</u>
Total assets	<u>\$ 43,911,398</u>	<u>\$ 45,193,380</u>
Current liabilities	\$ 72,919	\$ 80,828
Security deposits	<u>58,100</u>	<u>58,600</u>
Total liabilities	<u>131,019</u>	<u>139,428</u>
Deferred inflows	<u>2,063</u>	<u>2,689</u>
Net position		
Invested in capital assets, net of related debt	43,277,233	44,554,864
Unrestricted	<u>501,083</u>	<u>496,399</u>
Total net position	<u>43,778,316</u>	<u>45,051,263</u>
Total liabilities, deferred inflows and net position	<u>\$ 43,911,398</u>	<u>\$ 45,193,380</u>

**CAPITAL ASSETS**

At the end of fiscal year 2017, the Complex had \$43,277,233 invested in capital assets, net of accumulated depreciation. This amount represents a decrease of \$1,277,631 since last year resulting from depreciation expense. There were no additions or disposals of assets during fiscal year 2017.

**NET POSITION**

The Complex's net position includes contributions from owner for capital assets and operational revenues and expenses. The Complex's net position decreased from the prior year by \$1,272,947, primarily due to depreciation expense.



VILLAGE DE JARDIN APARTMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

**FINANCIAL ANALYSIS OF THE ENTITY (Continued)**

Condensed Statements of Revenues, Expenses,  
and Changes in Net Position  
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 1,938,843	\$ 1,915,389
Operating expenses	<u>2,667,888</u>	<u>2,582,437</u>
Operating (loss)	(729,045)	(667,048)
Non-operating revenue	<u>-</u>	<u>3,095</u>
Change in net position	(729,045)	(663,953)
Net position - beginning of year	45,051,263	46,266,406
Contributions from owner	108,952	105,479
Distributions to owner	<u>(652,854)</u>	<u>(656,669)</u>
Net position - end of year	<u>\$ 43,778,316</u>	<u>\$ 45,051,263</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Monthly occupancy levels fluctuated slightly over the fiscal year ended June 30, 2017, and were at 99% at the beginning and 98% at the end of the fiscal year. Management continues to work at keeping occupancy levels high, and thus keeping corresponding rental receipts high. Continued development of the surrounding New Orleans area infrastructure and owner involvement should provide for maintaining a high occupancy rate, along with a high level of operating revenues. Management expects that the results from operations for the fiscal year ending June 30, 2018, will provide for owner distributions near current levels.

**REQUEST FOR INFORMATION**

Questions concerning any of the information provided in this report or requests for additional financial information can be addressed to:

Louisiana Housing Corporation  
Rene Landry, Chief Fiscal Officer  
2415 Quail Drive  
Baton Rouge, Louisiana 70808

VILLAGE DE JARDIN APARTMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2017

ASSETS

Current assets

Cash on hand and in banks	\$ 574,629
Tenant receivables, net of allowance for doubtful accounts	1,636
Total current assets	<u>576,265</u>

Tenant security deposits	<u>57,900</u>
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Capital assets

Building	49,812,674
Furniture, fixtures, and equipment	191,911
	<u>50,004,585</u>
Less accumulated depreciation	6,727,352
Net capital assets	<u>43,277,233</u>

TOTAL ASSETS	<u>\$ 43,911,398</u>
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LIABILITIES

Current liabilities

Accounts payable	\$ 41,479
Accrued expenses	31,440
Total current liabilities	<u>72,919</u>

Tenant security deposits	<u>58,100</u>
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Total liabilities	<u>131,019</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred revenue	<u>2,063</u>
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NET POSITION

Net investment in capital assets	43,277,233
Unrestricted - board designated	449,129
Unrestricted	51,954
Total net position	<u>43,778,316</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 43,911,398</u>
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See accompanying notes.

VILLAGE DE JARDIN APARTMENTS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES	
Rental income	\$ 1,906,963
Tenant charges	31,880
Total operating revenues	<u>1,938,843</u>
OPERATING EXPENSES	
Administrative	47,592
Personnel services	297,519
Operating and maintenance	343,805
Utilities	482,681
Depreciation	1,277,631
Insurance	108,952
Bad debt expense	3,325
Management fees	106,383
Total operating expenses	<u>2,667,888</u>
Operating (loss)	(729,045)
NET POSITION - Beginning of year	45,051,263
Contributions from owner	108,952
Distributions to owner	<u>(652,854)</u>
NET POSITION - End of year	<u>\$ 43,778,316</u>

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:

Rental receipts	\$ 1,906,758
Other receipts	31,880
	1,938,638

Cash paid for:

Administrative expenses	(47,592)
Tenant security deposits	100
Personnel services	(297,519)
Operating and maintenance	(295,705)
Utilities	(482,681)
Insurance	(108,952)
Management fees	(106,383)
	(1,338,732)
Net cash provided by operating activities	599,906

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Contributions from owner	108,952
Distributions to owner	(708,863)
Net cash used in non-capital financing activities	(599,911)

Net change in cash and cash equivalents (5)

Cash and cash equivalents - Beginning of year \$ 574,634

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 574,629

RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating (loss)	\$ (729,045)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,277,631
Changes in operating assets and liabilities:	
Accounts receivable	3,746
Tenant security deposits	600
Accounts payable	38,832
Accrued expenses	9,268
Liability for tenant security deposits	(500)
Deferred revenue	(626)
Net cash provided by operating activities	\$ 599,906

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NATURE OF ORGANIZATION AND OPERATIONS:

Village de Jardin Apartments (the Complex) is a 224-unit apartment complex in New Orleans, Louisiana. The Complex was purchased on October 1, 1995, by the Louisiana Housing Corporation (LHC or the owner), the successor to the Louisiana Housing Finance Agency, at a cost of \$1 under the U.S. Department of Housing and Urban Development's Property Disposition Program. Under the terms of the purchase agreement, the owner is bound by certain use restrictions of the apartment complex, which primarily relate to low income housing. The Complex suffered significant damage in 2005 as a result of Hurricane Katrina and underwent renovations. The Complex resumed operations in April 2012. The Complex accepts rent certificates administered by the local housing authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

Since the Complex is owned by the Louisiana Housing Corporation, an instrumentality of the State of Louisiana, the financial statements of the Complex have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Complex applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accompanying financial statements present only the transactions of the Complex and do not present any of the assets, liabilities, and operations of the Louisiana Housing Corporation.

Basis of Accounting:

The Complex 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 position 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).

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

VILLAGE DE JARDIN APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses are those expenses that are essential to the primary operations of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Complex's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of 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 certain reported amounts and disclosures. Actual results could differ from these estimates.

Cash and Cash Equivalents:

The Complex's cash and cash equivalents include all highly liquid deposits and debt instruments acquired with original maturities of three months or less. The tenant security deposits have use restrictions and are not considered cash equivalents.

Tenant Receivables:

An allowance for uncollectible accounts is established based on prior experience and management's assessment for the collectability of those accounts. Accounts are considered past due on a contractual term. Management charges late fees on past due accounts but not interest. Allowance for doubtful accounts for the year ended June 30, 2017, was \$2,840.

Tenant Security Deposits:

Regulations of the LHC require that security deposits be segregated from the general funds of the Complex. Accordingly, the Complex holds all security deposit funds in a separate, interest-bearing account. As of June 30, 2017, the tenant security deposit liability was greater than the restricted cash for tenant security deposits by \$200.

VILLAGE DE JARDIN APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

Capital assets are carried at cost less accumulated depreciation. The Complex capitalizes all property and equipment with initial, individual costs greater than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to expense as incurred; significant repairs and betterments are capitalized.

Net Position:

In the Statement of Net Position, the difference between the Complex's assets and deferred outflows of resources and liabilities and deferred inflows of resources is recorded as net position. The three components of net position are as follows:

Investment in capital assets, net of related debt - The category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction, or improvement of capital assets.

Restricted net position - Net positions that are restricted by external sources such as creditors, grantors, contributors, or by law are reported separately as restricted net position.

Unrestricted net position - Net positions that do not meet the definition of "restricted" or "investment in capital assets, net of related debt."

Rental Income and Deferred Revenue:

The Complex receives rental income from units which are reserved for people with low and moderate incomes. Rental income is recognized as the rents are earned. Rental payments received in advance are deferred. All leases between the Complex and its tenants are operating leases. Contract rent increases are prohibited without the approval of the LHC Board of Directors. The Complex derives substantially all of its revenues from its rental activities in New Orleans, Louisiana.

Tenant Charges:

Tenant charges are recognized as earned and consist of charges to tenants for gate access cards, late fees, NSF fees, application fees, cleaning fees, pet fees, laundry income, and vending income.

VILLAGE DE JARDIN APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Advertising:

The Complex expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2017, was \$16,729.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2017, the Complex had cash and cash equivalents which were demand deposits at a local financial institution.

The deposit 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. At June 30, 2017, the Complex's demand deposit bank balances totaling \$689,773 were fully covered by FDIC insurance or pledged collateral held by the Federal Reserve Bank in joint custody.

3. CAPITAL ASSETS:

Following is a summary of the changes in capital assets for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Dispositions	Balance June 30, 2017
Furniture & fixtures	\$ 182,019	\$ -	\$ -	\$ 182,019
Buildings	49,812,674	-	-	49,812,674
Equipment	9,892	-	-	9,892
	50,004,585	-	-	50,004,585
Accumulated depreciation	(5,449,721)	(1,277,631)	-	(6,727,352)
Capital assets, net	<u>\$ 44,554,864</u>	<u>\$ (1,277,631)</u>	<u>\$ -</u>	<u>\$ 43,277,233</u>

Depreciation expense for the year ended June 30, 2017, was \$1,277,631.



VILLAGE DE JARDIN APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

4. MANAGEMENT FEES:

During the year ended June 30, 2016, the Complex entered into a management agreement with Latter and Blum Property Management, Inc. (LBPMI) to conduct services in connection with the leasing, management, and operation of the apartment complex. In exchange, the Complex shall pay LBPMI a monthly management fee equal to the greater of 5.5% of gross receipts collected or \$6,720 per month (\$30 per month per unit). The term of the agreement is for the period October 1, 2015 through June 1, 2018. For the year ended June 30, 2017, there was \$106,383 of management fees incurred.

5. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

The Complex's operations are concentrated in the multifamily real estate market. In addition, the Complex operates in a heavily regulated environment. The operations of the Complex are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD.

Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by or passed through HUD. Such changes may occur with little notice of inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Future operations could be affected by changes in economic or other conditions in the geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

6. UNRESTRICTED NET POSITION:

The Complex has an unrestricted net position balance of \$501,083 as of June 30, 2017. The Complex, although not required by an agreement or external sources but considered best practice, maintains certain reserves for insurance and capital replacement; the proceeds of which shall be used for capital expenditures. The Complex deposits \$250 per unit per year, or \$56,000 annually. The reserve account balance is \$449,129 as of June 30, 2017, and is reflected in net position as unrestricted – board designated.

7. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 7, 2017, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



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INDEPENDENT AUDITOR'S 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 7, 2017

To the Board of Directors of  
Louisiana Housing Corporation  
Village de Jardin Apartments  
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the financial statements of Village de Jardin Apartments, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Village de Jardin Apartments' basic financial statements, and have issued our report thereon dated September 7, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Village de Jardin Apartments' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village de Jardin Apartments' internal control. Accordingly, we do not express an opinion on the effectiveness of Village de Jardin Apartments' internal control.

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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 Village de Jardin Apartments' financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Village de Jardin Apartments' financial statements are free from material misstatements, 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Duplantier, Hrapmann, Hogan & Maher, LLP***

New Orleans, Louisiana

VILLAGE DE JARDIN APARTMENTS  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Village de Jardin Apartments for the year ended June 30, 2017 was unqualified.
2. Internal Control  
Material weaknesses: none noted  
Significant deficiencies: none noted
3. Compliance  
Noncompliance material to financial statements: none noted
4. No management letter was issued.

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED  
GOVERNMENTAL AUDITING STANDARDS:

None noted.

SUMMARY OF PRIOR YEAR FINDINGS:

None noted.

REPORT

MID-CITY GARDENS APARTMENTS

JUNE 30, 2017

MID-CITY GARDENS APARTMENTS

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JUNE 30, 2017

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Duplantier  
Hrapmann  
Hogan &  
Maher, LLP

## INDEPENDENT AUDITOR'S REPORT

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September 7, 2017

Louisiana Housing Corporation  
Mid-City Gardens Apartments  
Baton Rouge, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mid-City Gardens Apartments, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Mid-City Gardens Apartments' basic financial statements as listed in the index to report.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mid-City Gardens Apartments as of June 30, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, these financial statements include only the activities of Mid-City Gardens Apartments and are not intended to present fairly the combined financial position, combined results of operations or combined cash flows of the Louisiana Housing Corporation in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2017 on our consideration of Mid-City Gardens Apartments' 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mid-City Gardens Apartments' internal control over financial reporting and compliance.

***Duplantier, Hrapmann, Hogan & Maher, LLP***

New Orleans, Louisiana

MID-CITY GARDENS APARTMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

The Management's Discussion and Analysis of Mid-City Gardens Apartments' (the Complex) financial performance presents a narrative overview and analysis of the Complex's financial activities for the year ended June 30, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Complex's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Complex's net position was \$11,863,718 at June 30, 2017, which represents a 5% decrease from last fiscal year. The largest portion of the net position was \$11,909,745 and reflects the Complex's investment in capital assets (building, furniture, and equipment), net of accumulated depreciation. The Complex uses these capital assets to provide services to tenants.
- The Complex's total revenues decreased by \$17,814, or 4%, total expenses increased by \$56,898, or 6%, and consequently, change in net position decreased by \$74,712, or 14%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Complex's basic financial statements. These financial statements consist of two sections - Management's Discussion and Analysis (this section) and basic financial statements (including the notes to the financial statements).

**Basic Financial Statements**

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

The Statement of Net Position presents the assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Complex is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Complex's net position changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the Complex'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 Government Accounting Standards.

MID-CITY GARDENS APARTMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

**FINANCIAL ANALYSIS OF THE ENTITY**

Condensed Statements of Net Position  
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Current assets	\$ 11,304	\$ 45,471
Security deposits	15,736	18,301
Capital assets	11,909,745	12,409,047
Total assets	<u>11,936,785</u>	<u>12,472,819</u>
Current liabilities	54,531	23,300
Security deposits	15,888	18,950
Total liabilities	<u>70,419</u>	<u>42,250</u>
Deferred inflows	<u>2,648</u>	<u>3,078</u>
Net position		
Invested in capital assets, net of related debt	11,909,745	12,409,047
Unrestricted (deficit)	<u>(46,026)</u>	<u>18,444</u>
Total net position	<u>11,863,718</u>	<u>12,427,491</u>
Total liabilities, deferred inflows and net position	<u>\$ 11,936,785</u>	<u>\$ 12,472,819</u>

**CAPITAL ASSETS**

At the end of fiscal year 2017, the Complex had \$11,909,745 invested in capital assets, net of accumulated depreciation. This amount represents a decrease of \$499,302 since last year resulting from depreciation expense. There were no additions or disposals of assets during fiscal year 2017.

**NET POSITION**

The Complex's net position includes contributions from owner for capital assets and operational revenues and expenses. The Complex's net position decreased from the prior year by \$563,773, primarily due to depreciation expense.

MID-CITY GARDENS APARTMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

**FINANCIAL ANALYSIS OF THE ENTITY (Continued)**

Condensed Statements of Revenues, Expenses  
and Changes in Net Position  
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 462,652	\$ 472,844
Operating expenses	<u>1,062,712</u>	<u>1,005,814</u>
Operating loss	(600,060)	(532,970)
Non-operating revenue	<u>-</u>	<u>7,622</u>
Change in net position	(600,060)	(525,348)
Net position - beginning of year	12,427,491	12,918,831
Contributions from owner	<u>36,287</u>	<u>34,008</u>
Net position - end of year	<u>\$ 11,863,718</u>	<u>\$ 12,427,491</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Monthly occupancy levels fluctuated slightly over the fiscal year ended June 30, 2017, and were at 83% at the beginning and 84% at the end of the fiscal year. With rental rates being generally aligned with market rates, there is a continued challenge in working towards achieving and maintaining high occupancy levels, but management continues to strive to do so. While management is working towards improving the results from operations, for the Corporation's operating budget for the fiscal year ending June 30, 2018, no "distributions to owner" amounts were included for the Complex.

**REQUEST FOR INFORMATION**

Questions concerning any of the information provided in this report or requests for additional financial information can be addressed to:

Louisiana Housing Corporation  
Rene Landry, Chief Fiscal Officer  
2415 Quail Drive  
Baton Rouge, Louisiana 70808

MID-CITY GARDENS APARTMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2017

ASSETS

Current assets

Cash on hand and in banks	\$ 10,028
Tenant receivables, net of allowance for doubtful accounts	1,276
Total current assets	11,304

Tenant security deposits	15,736
--------------------------	--------

Capital assets

Building	14,056,329
Furniture, fixtures, and equipment	215,293
	14,271,622
Less: accumulated depreciation	2,361,877
Net capital assets	11,909,745

TOTAL ASSETS	\$ 11,936,785
--------------	---------------

LIABILITIES

Current liabilities

Accounts payable	\$ 28,583
Accrued expenses	25,948
Total current liabilities	54,531

Tenant security deposits	15,888
Total liabilities	70,419

DEFERRED INFLOWS OF RESOURCES

Deferred revenue	2,648
------------------	-------

NET POSITION

Investment in capital assets	11,909,745
Unrestricted (deficit)	(46,027)
Total net position	11,863,718

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 11,936,785
----------------------------------------------------------------------	---------------

See accompanying notes.

MID-CITY GARDENS APARTMENTS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES	
Rental income	\$ 446,976
Tenant charges	15,676
Total operating revenues	<u>462,652</u>
OPERATING EXPENSES	
Administrative	31,638
Personnel services	179,304
Operating and maintenance	155,358
Utilities	121,764
Depreciation	499,301
Insurance	36,287
Bad debt expense	14,175
Management fees	24,885
Total operating expenses	<u>1,062,712</u>
Operating (loss)	(600,060)
NET POSITION - Beginning of year	12,427,491
Contributions from owners	<u>36,287</u>
NET POSITION - End of year	<u>\$ 11,863,718</u>

See accompanying notes.

MID-CITY GARDENS APARTMENTS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:

Rental receipts	\$ 433,438
Other receipts	15,676
	<u>449,114</u>

Cash paid for:

Administrative expenses	(31,638)
Tenant security deposits	(497)
Personnel services	(179,304)
Operating and maintenance	(124,127)
Utilities	(121,764)
Insurance	(36,287)
Management fees	(24,885)
	<u>(518,502)</u>

Net cash used by operating activities	<u>(69,388)</u>
---------------------------------------	-----------------

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Contributions from owner	36,287
Net cash provided by non-capital financing activities	<u>36,287</u>

Net change in cash and cash equivalents	(33,101)
-----------------------------------------	----------

Cash and cash equivalents - beginning of year	<u>43,129</u>
-----------------------------------------------	---------------

CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 10,028</u>
-----------------------------------------	------------------

RECONCILIATION OF OPERATING LOSS  
TO NET CASH USED BY OPERATING ACTIVITIES

Operating (loss)	\$ (600,060)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	499,301
Changes in operating assets and liabilities:	
Accounts receivable	(1,183)
Tenant security deposits	2,565
Accounts payable	20,036
Accrued expenses	11,197
Liability for tenant security deposits	(3,062)
Deferred revenue	1,818
Net cash used by operating activities	<u>\$ (69,388)</u>

See accompanying notes.

MID-CITY GARDENS APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NATURE OF ORGANIZATION AND OPERATIONS:

Mid-City Gardens Apartments (the Complex) is a 60-unit apartment complex in East Baton Rouge Parish, Louisiana. The Louisiana Housing Corporation (LHC) acquired the property in 2010 through the foreclosure of a HOME project which LHC funded. The Complex was named Capital City South Apartments at that time. LHC obtained NSP funding through an agreement with the Office of Community Development to rebuild and rename the Complex to Mid-City Gardens. In addition, LHC used approximately \$600,000 of HOME funds for the rebuild initiative. The Complex accepts rent certificates administered by the local housing authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

Since the Complex is owned by the Louisiana Housing Corporation, an instrumentality of the State of Louisiana, the financial statements of the Complex have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Complex applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accompanying financial statements present only the transactions of the Complex and do not present any of the assets, liabilities and operations of the Louisiana Housing Corporation.

The Complex's significant accounting policies are described below:

Basis of Accounting:

The Complex 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 position 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).

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.



MID-CITY GARDENS APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses are those expenses that are essential to the primary operations of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Complex's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of 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 certain reported amounts and disclosures. Actual results could differ from these estimates.

Cash and Cash Equivalents:

The Complex's cash and cash equivalents include all highly liquid deposits and debt instruments acquired with original maturities of three months or less. The tenant security deposits have use restrictions and are not considered cash equivalents.

Tenant Receivables:

An allowance for uncollectible accounts is established based on prior experience and management's assessment for the collectability of those accounts. Accounts are considered past due on a contractual term. Management charges late fees on past due accounts but not interest. Allowance for doubtful accounts for the year ended June 30, 2017, was \$6,326.

Tenant Security Deposits:

Regulations of LHC require that security deposits be segregated from the general funds of the Complex. Accordingly, the Complex holds all security deposit funds in a separate, interest-bearing account. As of June 30, 2017, the tenant security deposit liability was greater the restricted cash for tenant security deposits by \$152.

MID-CITY GARDENS APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

Capital assets are carried at cost less accumulated depreciation. The Complex capitalizes all property and equipment with initial, individual costs greater than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to expense as incurred; significant repairs and betterments are capitalized (see Note 3).

Net Position:

In the Statement of Net Position, the difference between the Complex's assets and deferred outflows of resources and liabilities and deferred inflows of resources is recorded as net position. The three components of net position are as follows:

Investment in capital assets, net of related debt - The category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

Restricted net position - Net positions that are restricted by external sources such as creditors, grantors, contributors, or by law are reported separately as restricted net position.

Unrestricted net position - Net positions that do not meet the definition of "restricted" or "investment in capital assets, net of related debt."

Rental Income and Deferred Revenue:

The Complex receives rental income from units which are reserved for people with low and moderate incomes. Rental income is recognized as the rents are earned. Rental payments received in advance are deferred. All leases between the Complex and its tenants are operating leases. Contract rent increases are prohibited without the approval of the LHC Board of Directors. The Complex derives substantially all of its revenues from its rental activities in Baton Rouge, Louisiana.

Tenant Charges:

Tenant charges are recognized as earned and consist of charges to tenants for gate access cards, late fees, NSF fees, cleaning fees, laundry income, and vending income.

MID-CITY GARDENS APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Advertising:

The Complex expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2017, was \$3,879.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2017, the Complex had cash and cash equivalents (book balances) which were demand deposits at a local financial institution.

The deposit 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 be greater than or equal to the amount on deposit with the fiscal agent. At June 30, 2017, the Complex's demand deposit bank balances totaling \$23,444 were fully covered by FDIC insurance.

3. CAPITAL ASSETS:

Following is a summary of the changes in capital assets for the year ended June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2017</u>
Furniture, fixtures, and equipment	\$ 215,293	\$ -	\$ -	\$ 215,293
Buildings	<u>14,056,329</u>	<u>-</u>	<u>-</u>	<u>14,056,329</u>
	14,271,622	-	-	14,271,622
Accumulated depreciation	<u>(1,862,575)</u>	<u>(499,301)</u>	<u>-</u>	<u>(2,361,877)</u>
Capital assets, net	<u>\$ 12,409,047</u>	<u>\$ (499,301)</u>	<u>\$ -</u>	<u>\$ 11,909,745</u>

Depreciation expense for the year ended June 30, 2017, was \$499,301.

4. MANAGEMENT FEES:

During the year ended June 30, 2016, the Complex entered into a management agreement with Latter and Blum Property Management, Inc. (LBPMI) to conduct services in connection with the leasing, management and operation of the apartment complex. In exchange, the Complex shall pay LBPMI a monthly management fee equal to the greater of 5.5% of gross receipts collected or \$1,800 per month (\$30 per month per unit). The term of the agreement is for the period October 1, 2015 through June 1, 2018. For the year ended June 30, 2017, there was \$24,885 of management fees incurred.

MID-CITY GARDENS APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

5. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

The Complex's operations are concentrated in the multifamily real estate market. In addition, the Complex operates in a heavily regulated environment. The operations of the Complex are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD.

Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by or passed through HUD. Such changes may occur with little notice of inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Future operations could be affected by changes in economic or other conditions in the geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

6. UNRESTRICTED NET POSITION – (DEFICIT) BALANCE:

The Complex has an unrestricted net position - (deficit) balance of \$46,027 as of June 30, 2017. This is primarily due to the Complex incurring operating losses since the acquisition of the apartment complex. The Complex incurred an operating loss of \$600,060 for the year ended June 30, 2017. Although the Complex has a (deficit) in the unrestricted net position, the overall net position has a surplus of \$11,863,718 as of June 30, 2017. Management is currently evaluating the (deficit) in the unrestricted position in order to develop a plan to increase the Complex's profits.

7. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 7, 2017, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



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INDEPENDENT AUDITOR'S 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 7, 2017

To the Board of Directors of  
Louisiana Housing Corporation  
Mid-City Gardens Apartments  
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the financial statements of Mid-City Gardens Apartments, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Mid-City Gardens Apartments' basic financial statements, and have issued our report thereon dated September 7, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mid-City Gardens Apartments' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mid-City Gardens Apartments' internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-City Gardens Apartments' internal control.

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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 Mid-City Gardens Apartments' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mid-City Gardens Apartments' financial statements are free from material misstatements, 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

New Orleans, Louisiana

MID-CITY GARDENS APARTMENTS  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Mid-City Gardens Apartments for the year ended June 30, 2017 was unqualified.
2. Internal Control  
Material weaknesses: none noted  
Significant deficiencies: none noted
3. Compliance  
Noncompliance material to financial statements: none noted
4. No management letter was issued.

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED  
GOVERNMENTAL AUDITING STANDARDS:

None noted.

SUMMARY OF PRIOR YEAR FINDINGS:

None noted.

REPORT

WILLOWBROOK APARTMENTS

JUNE 30, 2017



WILLOWBROOK APARTMENTS

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JUNE 30, 2017

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Duplantier  
Hrapmann  
Hogan &  
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## INDEPENDENT AUDITOR'S REPORT

September 7, 2017

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Louisiana Housing Corporation  
Willowbrook Apartments  
Baton Rouge, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Willowbrook Apartments, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Willowbrook Apartments' basic financial statements as listed in the index to report.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Willowbrook Apartments as of June 30, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, these financial statements include only the activities of Willowbrook Apartments and are not intended to present fairly the combined financial position, combined results of operations or combined cash flows of the Louisiana Housing Corporation in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2017 on our consideration of Willowbrook Apartments' 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Willowbrook Apartments' internal control over financial reporting and compliance.

***Duplantier, Hrapmann, Hogan & Maher, LLP***

New Orleans, Louisiana

WILLOWBROOK APARTMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

The Management's Discussion and Analysis of Willowbrook Apartments' (the Complex) financial performance presents a narrative overview and analysis of the Complex's financial activities for the year ended June 30, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Complex's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Complex's net position was \$25,367,550 at June 30, 2017, which represents a 4% decrease from last fiscal year. The largest portion of the net position was \$23,757,032 and reflects the Complex's investment in capital assets (building, furniture, equipment, and sitework), net of accumulated depreciation. The Complex uses these capital assets to provide services to tenants.
- The Complex's total revenues increased by \$184,615, or 5%, total expenses increased by \$167,492, or 5%, and change in net position increased by \$17,123, or 5%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Complex's basic financial statements. These financial statements consist of two sections - Management's Discussion and Analysis (this section) and basic financial statements (including the notes to the financial statements).

**Basic Financial Statements**

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

The Statement of Net Position presents the assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Complex is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Complex's net position changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the Complex'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 *Government Accounting Standards*.

WILLOWBROOK APARTMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

**FINANCIAL ANALYSIS OF THE ENTITY**

Condensed Statements of Net Position  
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Current assets	\$ 1,723,765	\$ 1,662,110
Security deposits	125,079	128,539
Capital assets	<u>23,757,032</u>	<u>24,893,119</u>
Total assets	<u>\$ 25,605,876</u>	<u>\$ 26,683,768</u>
Current liabilities	\$ 53,078	\$ 188,749
Security deposits	<u>128,964</u>	<u>128,389</u>
Total liabilities	<u>182,042</u>	<u>317,138</u>
Deferred inflows	<u>56,284</u>	<u>6,884</u>
Net position		
Invested in capital assets, net of related debt	23,757,032	24,893,119
Unrestricted	<u>1,610,518</u>	<u>1,466,627</u>
Total net position	<u>25,367,550</u>	<u>26,359,746</u>
Total liabilities, deferred inflows and net position	<u>\$ 25,605,876</u>	<u>\$ 26,683,768</u>

**CAPITAL ASSETS**

At the end of fiscal year 2017, the Complex had \$23,757,032 invested in capital assets, net of accumulated depreciation. This amount represents a decrease of \$1,136,087 since last year resulting from depreciation expense of \$1,155,042 offset by additions of \$18,955 for the current fiscal year. There were no disposals of assets during fiscal year 2017.

**NET POSITION**

The Complex's net position includes contributions from owner for capital assets and operational revenues and expenses. The Complex's net position decreased from the prior year by \$992,196, primarily due to depreciation expense.

WILLOWBROOK APARTMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

**FINANCIAL ANALYSIS OF THE ENTITY (Continued)**

Condensed Statements of Revenues, Expenses,  
and Changes in Net Position  
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 3,525,871	\$ 3,389,078
Operating expenses	<u>3,224,292</u>	<u>3,056,800</u>
Operating income	301,579	332,278
Non-operating revenue	<u>48,237</u>	<u>415</u>
Change in net position	349,816	332,693
Net position - beginning of year	26,359,746	27,228,650
Contributions from owner	97,680	94,580
Distributions to owner	<u>(1,439,692)</u>	<u>(1,296,177)</u>
Net position - end of year	<u>\$ 25,367,550</u>	<u>\$ 26,359,746</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Monthly occupancy levels fluctuated slightly over the fiscal year ended June 30, 2017, but were at 96% at the beginning and end of the fiscal year. Management continues to work at keeping occupancy levels high, and thus keeping corresponding rental receipts high. Continued development of the surrounding New Orleans area infrastructure and owner involvement should provide for maintaining a high occupancy rate, along with a high level of operating revenues. Management expects that the results from operations for the fiscal year ending June 30, 2018, will provide for owner distributions near current levels.

**REQUEST FOR INFORMATION**

Questions concerning any of the information provided in this report or requests for additional financial information can be addressed to:

Louisiana Housing Corporation  
Rene Landry, Chief Fiscal Officer  
2415 Quail Drive  
Baton Rouge, Louisiana 70808

WILLOWBROOK APARTMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2017

ASSETS

Current assets	
Cash on hand and in banks	\$ 1,648,661
Tenant receivables, net of allowance for doubtful accounts	74,027
Other receivables	77
Deposits	1,000
Total current assets	<u>1,723,765</u>
Tenant security deposits	<u>125,079</u>
Capital assets	
Building	34,235,688
Sitework	131,030
Furniture, fixtures, and equipment	122,972
	<u>34,489,690</u>
Less accumulated depreciation	<u>10,732,658</u>
Net capital assets	<u>23,757,032</u>
TOTAL ASSETS	<u>\$ 25,605,876</u>

LIABILITIES

Current liabilities	
Accounts payable	\$ 51,577
Accrued expenses	1,501
Total current liabilities	<u>53,078</u>
Tenant security deposits	<u>128,964</u>
Total liabilities	<u>182,042</u>

DEFERRED INFLOWS OF RESOURCES

Deferred revenue	<u>56,284</u>
------------------	---------------

NET POSITION

Net investment in capital assets	23,757,032
Unrestricted, board designated	1,523,311
Unrestricted	87,207
Total net position	<u>25,367,550</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 25,605,876</u>
----------------------------------------------------------------------	----------------------

See accompanying notes.



WILLOWBROOK APARTMENTS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES	
Rental income	\$ 3,454,287
Tenant charges	71,584
Total operating revenues	<u>3,525,871</u>
OPERATING EXPENSES	
Administrative	96,999
Personnel services	382,121
Operating and maintenance	793,152
Depreciation	1,155,042
Utilities	459,499
Insurance	97,680
Bad debt expense	47,719
Management fees	192,080
Total operating expenses	<u>3,224,292</u>
Operating income	<u>301,579</u>
NON-OPERATING REVENUES	
Miscellaneous income	48,237
Total non-operating revenues	<u>48,237</u>
CHANGE IN NET POSITION	349,816
NET POSITION - Beginning of year	26,359,746
Contributions from owner	97,680
Distributions to owner	<u>(1,439,692)</u>
NET POSITION - End of year	<u>\$ 25,367,550</u>

See accompanying notes.

WILLOWBROOK APARTMENTS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:

Rental receipts	\$ 3,402,619
Other receipts	73,107
	3,475,726

Cash paid for:

Administrative expenses	(96,999)
Tenant security deposits	4,035
Personnel services	(382,121)
Operating and maintenance	(795,851)
Utilities	(459,499)
Insurance	(97,680)
Management fees	(192,080)
	(2,020,195)
Net cash provided by operating activities	1,455,531

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Other non-operating revenues	48,236
Contributions from owner	97,680
Distributions to owner	(1,546,740)
Net cash used by non-capital financing activities	(1,400,824)

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(18,955)
Net cash used by capital financing activities	(18,955)

Net change in cash and cash equivalents	35,752
Cash and cash equivalents - beginning of year	1,612,909
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,648,661

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 301,579
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,155,042
Changes in operating assets and liabilities:	
Accounts receivable	(51,826)
Tenant security deposits	3,460
Prepaid expenses	25,924
Liability for tenant security deposits	575
Accounts payable	(18,818)
Accrued expenses	(9,805)
Deferred revenue	49,400
Net cash provided by operating activities	\$ 1,455,531

See accompanying notes.

WILLOWBROOK APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NATURE OF ORGANIZATION AND OPERATIONS:

Willowbrook Apartments (the Complex) is a 408-unit apartment complex in New Orleans, Louisiana. The Complex was purchased on October 1, 1995 by the Louisiana Housing Corporation (LHC or the owner), the successor to the Louisiana Housing Finance Agency, at a cost of \$1 under the U.S. Department of Housing and Urban Development's Property Disposition Program. Under the terms of the purchase agreement, the owner is bound by certain use restrictions of the apartment complex, which primarily relate to low income housing. The Complex suffered significant damage in 2005 as a result of Hurricane Katrina and underwent renovations. The Complex resumed operations in May 2008. The Complex accepts rent certificates administered by the local housing authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

Since the Complex is owned by the Louisiana Housing Corporation, an instrumentality of the State of Louisiana, the financial statements of the Complex have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Complex applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accompanying financial statements present only the transactions of the Complex and do not present any of the assets, liabilities, and operations of the Louisiana Housing Corporation.

Basis of Accounting:

The Complex 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 position 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).

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

WILLOWBROOK APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses are those expenses that are essential to the primary operations of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Complex's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of 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 certain reported amounts and disclosures. Actual results could differ from these estimates.

Cash and Cash Equivalents:

The Complex's cash and cash equivalents include all highly liquid deposits and debt instruments acquired with original maturities of three months or less. The tenant security deposits have use restrictions and are not considered cash equivalents.

Tenant Receivables:

An allowance for uncollectible accounts is established based on prior experience and management's assessment for the collectability of those accounts. Accounts are considered past due on a contractual term. Management charges late fees on past due accounts but not interest. Allowance for doubtful accounts for the year ended June 30, 2017, was \$23,500.

Tenant Security Deposits:

Regulations of the LHC require that security deposits be segregated from the general funds of the Complex. Accordingly, the Complex holds all security deposit funds in a separate, interest-bearing account. As of June 30, 2017, the tenant security deposit liability was greater than the restricted cash for tenant security deposits by \$3,885.

WILLOWBROOK APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

Capital assets are carried at cost less accumulated depreciation. The Complex capitalizes all property and equipment with initial, individual costs greater than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to expense as incurred; significant repairs and betterments are capitalized.

Net Position:

In the Statement of Net Position, the difference between the Complex's assets and deferred outflows of resources and liabilities and deferred inflows of resources is recorded as net position. The three components of net position are as follows:

Investment in capital assets, net of related debt - The category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction, or improvement of capital assets.

Restricted net position - Net positions that are restricted by external sources such as creditors, grantors, contributors, or by law are reported separately as restricted net position.

Unrestricted net position - Net positions that do not meet the definition of "restricted" or "investment in capital assets, net of related debt."

Rental Income and Deferred Revenue:

The Complex receives rental income from units which are reserved for people with low and moderate incomes. Rental income is recognized as the rents are earned. Rental payments received in advance are deferred. All leases between the Complex and its tenants are operating leases. Contract rent increases are prohibited without the approval of the LHC Board of Directors. The Complex derives substantially all of its revenues from its rental activities in New Orleans, Louisiana.

Tenant Charges:

Tenant charges are recognized as earned and consist of charges to tenants for gate access cards, late fees, NSF fees, application fees, cleaning fees, pet fees, laundry income, and vending income.

WILLOWBROOK APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Advertising:

The Complex expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2017, was \$29,160.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2017, the Complex had cash and cash equivalents which were demand deposits at a local financial institution.

The deposit 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. At June 30, 2017, the Complex's demand deposit bank balances totaling \$1,903,531 were fully covered by FDIC insurance or pledged collateral held by the Federal Reserve Bank in joint custody.

3. CAPITAL ASSETS:

Following is a summary of the changes in capital assets for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Dispositions	Balance June 30, 2017
Furniture & fixtures	\$ 122,972	\$ -	\$ -	122,972
Buildings	33,403,098	-	-	33,403,098
Building improvements	832,590			832,590
Sitework	112,075	18,955	-	131,030
	<u>34,470,735</u>	<u>18,955</u>	<u>-</u>	<u>34,489,690</u>
Accumulated depreciation	<u>(9,577,616)</u>	<u>(1,155,042)</u>	<u>-</u>	<u>(10,732,658)</u>
Capital assets, net	<u>\$ 24,893,119</u>	<u>\$ (1,136,087)</u>	<u>\$ -</u>	<u>\$ 23,757,032</u>

Depreciation expense for the year ended June 30, 2017, was \$1,155,042.

WILLOWBROOK APARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

4. MANAGEMENT FEES:

During the year ended June 30, 2016, the Complex entered into a management agreement with Latter and Blum Property Management, Inc. (LBPMI) to conduct services in connection with the leasing, management, and operation of the apartment complex. In exchange, the Complex shall pay LBPMI a monthly management fee equal to the greater of 5.5% of gross receipts collected or \$1,800 per month (\$30 per month per unit). The term of the agreement is for the period October 1, 2015 through June 1, 2018. For the year ended June 30, 2017, there was \$192,080 of management fees incurred.

5. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

The Complex's operations are concentrated in the multifamily real estate market. In addition, the Complex operates in a heavily regulated environment. The operations of the Complex are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD.

Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by or passed through HUD. Such changes may occur with little notice of inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Future operations could be affected by changes in economic or other conditions in the geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

6. UNRESTRICTED NET POSITION:

The Complex has an unrestricted net position balance of \$1,610,518 as of June 30, 2017. The Complex, although not required by an agreement of external sources but considered best practice, maintains certain reserves for insurance and capital replacement; the proceeds of which shall be used for capital expenditures. The Complex deposits \$350 per unit per year, or \$142,800 annually. The reserve account balance is \$1,523,311 as of June 30, 2017, and reflected in net position as unrestricted – board designated.

7. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 7, 2017, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



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INDEPENDENT AUDITOR'S 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 7, 2017

To the Board of Directors of  
Louisiana Housing Corporation  
Willowbrook Apartments  
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the financial statements of Willowbrook Apartments, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Willowbrook Apartments' basic financial statements, and have issued our report thereon dated September 7, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Willowbrook Apartments' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Willowbrook Apartments' internal control. Accordingly, we do not express an opinion on the effectiveness of Willowbrook Apartments' internal control.

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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 Willowbrook Apartments' financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Willowbrook Apartments' financial statements are free from material misstatements, 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Duplantier, Hrapmann, Hogan & Maher, LLP***

New Orleans, Louisiana

WILLOWBROOK APARTMENTS  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Willowbrook Apartments for the year ended June 30, 2017 was unqualified.
2. Internal Control  
Material weaknesses: none noted  
Significant deficiencies: none noted
3. Compliance  
Noncompliance material to financial statements: none noted
4. No management letter was issued.

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED  
GOVERNMENTAL AUDITING STANDARDS:

None noted.

SUMMARY OF PRIOR YEAR FINDINGS:

None noted.