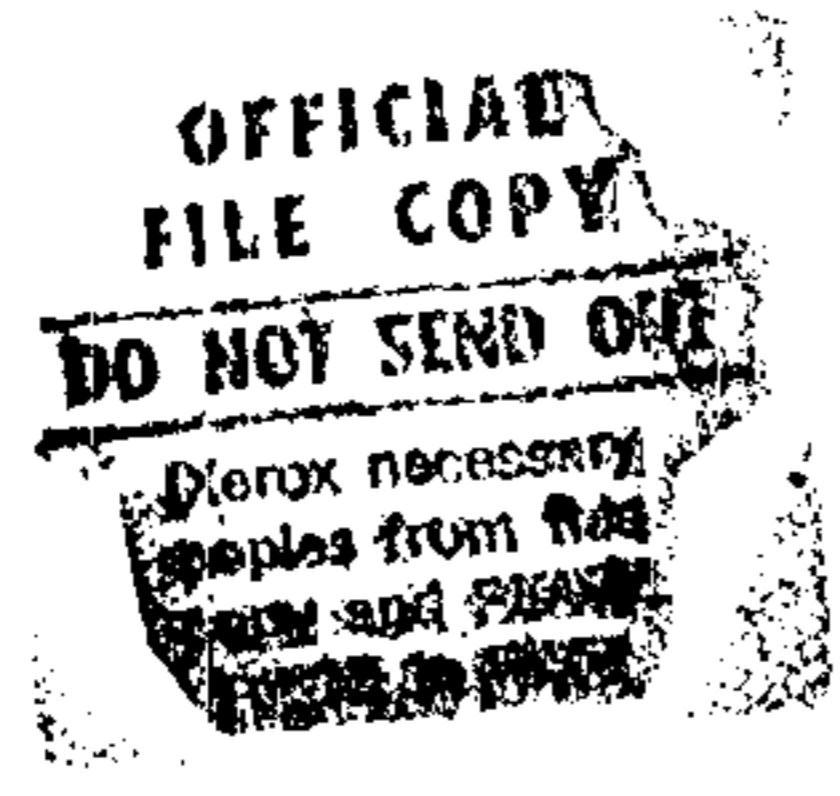


2087

97 JUN 30 P2:41



# EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

**Financial Statements for the Year Ended  
December 31, 1996 and Independent Auditors'  
Report  
Independent Auditors' Report on the Internal  
Control Structure Based on the Audit of  
the Financial Statements  
Independent Auditors' Report on Compliance  
Based on the Audit of the Financial Statements**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court

Release Date AUG 06 1997

1-3-97

# Deloitte & Touche LLP



Suite 501  
8550 United Plaza Boulevard  
Baton Rouge, Louisiana 70809-2261

Telephone: (504) 928-0111  
Facsimile: (504) 928-0111

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the  
East Baton Rouge Mortgage Finance Authority

We have audited the accompanying individual program and unrestricted fund balance sheets of the East Baton Rouge Mortgage Finance Authority (the Authority) as of December 31, 1996, and the related individual statements of revenues, expenses and changes in fund balances (deficits) and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of each of the individual programs and the unrestricted fund of the Authority at December 31, 1996, and their revenues, expenses and changes in fund balances (deficits) and their cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 3, 1997 on our consideration of the Authority's internal control structure and a report dated June 3, 1997 on its compliance with laws and regulations.

*Deloitte & Touche LLP*

June 3, 1997

**EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY**

**INDIVIDUAL AND COMBINED BALANCE SHEETS (IN THOUSANDS)  
DECEMBER 31, 1996**

	1979 Program	1984 Program	1985 Program	1987 Program	1988 C&D Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992 C Program
<b>ASSETS</b>										
CASH AND CASH EQUIVALENTS	\$ 147	\$ 240	\$ 181	\$ -	\$ 305	\$ 513	\$ 582	\$ 618	\$ 250	\$ 624
CERTIFICATES OF DEPOSIT	-	-	-	-	-	-	-	-	-	-
GUARANTEED INVESTMENT AGREEMENTS - At cost, which approximates market	-	903	1,044	-	1,148	999	978	3,132	946	1,360
U. S. GOVERNMENT SECURITIES - At amortized cost	63,261	-	-	-	-	-	731	-	-	-
MORTGAGE-BACKED SECURITIES - Net	-	-	-	4,853	11,877	20,845	-	30,179	15,272	18,105
MORTGAGE LOANS RECEIVABLE - Net	-	4,574	4,504	-	-	-	20,250	-	-	-
ACCRUED INTEREST RECEIVABLE	691	103	80	34	112	147	255	281	103	139
DEFERRED FINANCING COSTS - Net of amortization	576	19	29	86	238	282	160	342	219	270
INTERPROGRAM RECEIVABLE (PAYABLE)	-	-	-	-	-	-	-	-	(17)	(85)
PREPAID INSURANCE AND OTHER ASSETS	-	16	10	-	-	-	160	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 64,675</u>	<u>\$ 5,855</u>	<u>\$ 5,848</u>	<u>\$ 4,973</u>	<u>\$ 13,680</u>	<u>\$ 22,786</u>	<u>\$ 23,116</u>	<u>\$ 34,552</u>	<u>\$ 16,773</u>	<u>\$ 20,413</u>
<b>LIABILITIES AND FUND BALANCES</b>										
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 9	\$ 1	\$ 5	\$ -	\$ 6	\$ 15	\$ 19	\$ 34	\$ 6	\$ 3
ACCRUED INTEREST PAYABLE	1,468	-	-	5	450	141	58	1,040	272	331
BONDS PAYABLE - Net	<u>60,225</u>	<u>4,574</u>	<u>4,240</u>	<u>4,735</u>	<u>12,935</u>	<u>21,390</u>	<u>21,067</u>	<u>32,705</u>	<u>16,071</u>	<u>18,925</u>
Total liabilities	61,702	4,575	4,245	4,740	13,391	21,546	21,144	33,779	16,349	19,259
FUND BALANCES	<u>2,973</u>	<u>1,280</u>	<u>1,603</u>	<u>233</u>	<u>289</u>	<u>1,240</u>	<u>1,972</u>	<u>773</u>	<u>424</u>	<u>1,154</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 64,675</u>	<u>\$ 5,855</u>	<u>\$ 5,848</u>	<u>\$ 4,973</u>	<u>\$ 13,680</u>	<u>\$ 22,786</u>	<u>\$ 23,116</u>	<u>\$ 34,552</u>	<u>\$ 16,773</u>	<u>\$ 20,413</u>

(Continued)

**EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY**

**INDIVIDUAL AND COMBINED BALANCE SHEETS (IN THOUSANDS)  
DECEMBER 31, 1996**

	(Memorandum Only)									
ASSETS	1992 D Program	1993 A&B Programs	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1996 C Program	Unrestricted Fund	Combined 1996	Combined 1995
CASH AND CASH EQUIVALENTS	\$ 212	\$ 740	\$ 426	\$ 543	\$ 323	\$ 1	\$ -	\$ 453	\$ 6,158	\$ 4,958
CERTIFICATES OF DEPOSIT	-	-	-	-	-	-	-	-	-	100
GUARANTEED INVESTMENT AGREEMENTS - At cost, which approximates market	1,017	1,870	826	995	8,116	28,134	-	-	51,468	62,636
U. S. GOVERNMENT SECURITIES - At amortized cost	-	-	-	-	-	-	6,390	9,620	80,002	79,582
MORTGAGE-BACKED SECURITIES - Net	-	28,277	5,217	27,134	26,596	-	-	3,541	191,896	178,382
MORTGAGE LOANS RECEIVABLE - Net	5,416	-	6,522	-	-	-	-	-	41,266	48,867
ACCRUED INTEREST RECEIVABLE	82	146	85	176	333	334	-	202	3,303	3,594
DEFERRED FINANCING COSTS - Net of amortization	75	457	187	604	681	543	65	-	4,833	4,983
INTERPROGRAM RECEIVABLE (PAYABLE)	(27)	(59)	(36)	(195)	(19)	-	-	438	-	-
PREPAID INSURANCE AND OTHER ASSETS	2	-	6	-	40	-	-	-	234	452
<b>TOTAL ASSETS</b>	<b>\$ 6,777</b>	<b>\$ 31,431</b>	<b>\$ 13,233</b>	<b>\$ 29,257</b>	<b>\$ 36,070</b>	<b>\$ 29,012</b>	<b>\$ 6,455</b>	<b>\$ 14,254</b>	<b>\$ 379,160</b>	<b>\$ 383,554</b>
<b>LIABILITIES AND FUND BALANCES</b>										
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 9	\$ 12	\$ 6	\$ 53	\$ 17	\$ 7	\$ -	\$ 187	\$ 389	\$ 388
ACCRUED INTEREST PAYABLE	90	369	152	445	515	352	-	-	5,688	5,899
BONDS PAYABLE - Net	5,070	29,440	12,145	28,060	34,590	28,085	6,390	-	340,647	346,428
Total liabilities	5,169	29,821	12,303	28,558	35,122	28,444	6,390	187	346,724	352,715
FUND BALANCES	1,608	1,610	930	699	948	568	65	14,067	32,436	30,839
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,777</b>	<b>\$ 31,431</b>	<b>\$ 13,233</b>	<b>\$ 29,257</b>	<b>\$ 36,070</b>	<b>\$ 29,012</b>	<b>\$ 6,455</b>	<b>\$ 14,254</b>	<b>\$ 379,160</b>	<b>\$ 383,554</b>

See notes to financial statements

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES (IN THOUSANDS)  
 YEAR ENDED DECEMBER 31, 1996

	1979 Program	1984 Program	1985 Program	1987 Program	1988 C&D Program	1988 E&F Program	1990 Program	1992 A&B Program	1992 C Program
<b>REVENUES:</b>									
Interest earned on mortgage loans receivable / mortgage-backed securities	\$ -	\$ 603	\$ 498	\$ 440	\$ 1,137	\$ 1,847	\$ 2,594	\$ 1,186	\$ 1,526
Interest earned on other investments	3,864	117	122	2	73	187	207	77	126
Authority fee income	-	-	-	-	-	-	-	-	-
Residual from MRCMO	-	2	1	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<u>3,864</u>	<u>722</u>	<u>621</u>	<u>442</u>	<u>1,210</u>	<u>2,034</u>	<u>2,801</u>	<u>1,263</u>	<u>1,652</u>
<b>EXPENSES:</b>									
Interest	4,434	581	273	435	1,138	1,829	2,625	1,148	1,453
Amortization of deferred financing costs	53	12	15	32	53	62	70	39	60
Authority fees	-	-	-	-	-	-	-	20	107
Servicing fees	-	16	15	-	-	-	-	-	-
Insurance costs	-	26	29	-	-	-	-	-	-
Administrative fees	-	6	6	-	12	24	33	16	20
Operating expenses	20	4	2	2	11	12	35	11	7
Transfer of MRCMO residual	-	-	-	-	-	-	-	-	-
Expenses of other programs	-	-	-	-	-	-	-	-	-
<b>Total</b>	<u>4,507</u>	<u>645</u>	<u>340</u>	<u>469</u>	<u>1,214</u>	<u>1,927</u>	<u>2,763</u>	<u>1,234</u>	<u>1,647</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	(643)	77	281	(27)	(4)	107	38	29	5
<b>TRANSFERS AMONG PROGRAMS</b>	-	-	-	-	(3)	3	-	-	-
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>3,616</u>	<u>1,203</u>	<u>1,322</u>	<u>260</u>	<u>296</u>	<u>1,130</u>	<u>735</u>	<u>395</u>	<u>1,149</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 2,973</u>	<u>\$ 1,280</u>	<u>\$ 1,603</u>	<u>\$ 233</u>	<u>\$ 289</u>	<u>\$ 1,240</u>	<u>\$ 773</u>	<u>\$ 424</u>	<u>\$ 1,154</u>

(Continued)

**EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY**

**INDIVIDUAL AND COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES (IN THOUSANDS)  
YEAR ENDED DECEMBER 31, 1996**

	1993					1994			(Memorandum Only)	
	1992 D Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1996 C Program	Unrestricted Fund	Combined 1996	Combined 1995
<b>REVENUES:</b>										
Interest earned on mortgage loans receivable / mortgage-backed securities	\$ 483	\$ 1,604	\$ 761	\$ 1,872	\$ 464	\$ -	\$ -	\$ 355	\$ 18,972	\$ 18,996
Interest earned on other investments	72	106	56	190	1,511	334	-	554	7,822	7,602
Authority fee income	-	-	-	-	-	-	-	423	423	443
Residual from MRCMO	-	-	-	-	-	-	-	429	429	209
Other	2	1	8	-	-	161	-	1	176	222
<b>Total</b>	<b>557</b>	<b>1,711</b>	<b>825</b>	<b>2,062</b>	<b>1,975</b>	<b>495</b>	<b>-</b>	<b>1,762</b>	<b>27,822</b>	<b>27,472</b>
<b>EXPENSES:</b>										
Interest	386	1,522	642	1,848	2,064	304	-	-	23,308	23,621
Amortization of deferred financing costs	17	69	37	105	11	6	-	-	706	699
Authority fees	32	69	43	132	19	-	-	-	422	443
Servicing fees	22	-	24	-	-	-	-	-	187	201
Insurance costs	10	-	10	-	-	-	-	-	187	230
Administrative fees	7	29	13	-	-	11	-	147	324	297
Operating expenses	3	24	8	12	9	-	-	115	287	468
Transfer of MRCMO residual	-	-	-	-	-	-	-	-	431	210
Expenses of other programs	-	-	-	-	-	-	-	373	373	300
<b>Total</b>	<b>477</b>	<b>1,713</b>	<b>777</b>	<b>2,097</b>	<b>2,103</b>	<b>321</b>	<b>-</b>	<b>635</b>	<b>26,225</b>	<b>26,469</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>80</b>	<b>(2)</b>	<b>48</b>	<b>(35)</b>	<b>(128)</b>	<b>174</b>	<b>-</b>	<b>1,127</b>	<b>1,597</b>	<b>1,003</b>
<b>TRANSFERS AMONG PROGRAMS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178</b>	<b>338</b>	<b>65</b>	<b>(581)</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>1,528</b>	<b>1,612</b>	<b>882</b>	<b>734</b>	<b>898</b>	<b>56</b>	<b>-</b>	<b>13,521</b>	<b>30,839</b>	<b>29,836</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,608</b>	<b>\$ 1,610</b>	<b>\$ 930</b>	<b>\$ 699</b>	<b>\$ 948</b>	<b>\$ 568</b>	<b>\$ 65</b>	<b>\$ 14,067</b>	<b>\$ 32,436</b>	<b>\$ 30,839</b>

See notes to financial statements.

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)  
YEAR ENDED DECEMBER 31, 1996

	1979 Program	1984 Program	1985 Program	1987 Program	1988 C&D Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992 C Program
	\$ (643)	\$ 77	\$ 281	\$ (27)	\$ (4)	\$ 107	\$ 470	\$ 38	\$ 29	\$ 5
OPERATING ACTIVITIES:										
Excess (deficiency) of revenues over expenses	53	12	15	32	53	62	65	70	39	60
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:	(1,825)	(117)	(122)	(2)	(73)	(8)	(1,200)	(5)	(7)	-
Amortization of deferred financing costs	(3,864)	581	273	435	1,138	(187)	(224)	(207)	(77)	(126)
Accretion of mortgage loans/mortgage-backed securities discount	4,434	-	-	-	-	1,829	2,626	2,625	1,148	1,453
Interest income on other investments	-	-	-	-	-	-	-	-	-	-
Interest expense on bonds payable	-	-	-	-	-	-	-	-	-	-
Changes in assets and liabilities:										
Decrease (increase) in accrued interest receivable on mortgage loans/mortgage-backed securities	123	(7)	28	9	19	24	40	29	13	17
Decrease in prepaid insurance and other assets	-	4	1	-	-	-	46	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	-	(14)	(1)	-	-	(2)	(5)	(118)	(1)	(1)
Increase (decrease) in intercompany payable	-	-	-	-	-	-	-	-	4	17
Increase (decrease) in deferred commitment fees and origination costs - net	-	-	-	-	(52)	(62)	-	-	(42)	-
Principal collected on mortgage loans/mortgage-backed securities	-	1,115	1,065	1,313	1,865	3,050	4,473	4,857	1,737	3,572
Purchase of mortgage loans/mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
Net cash provided by (used in) operating activities	(1,722)	1,651	1,540	1,760	2,946	4,813	6,291	7,289	2,843	4,997
INVESTING ACTIVITIES:										
Proceeds from maturity or sale of investments	4,965	1,604	1,598	-	2,883	4,435	6,327	6,680	2,739	5,358
Interest received on investments	3,864	117	122	2	73	187	224	207	77	126
Purchase of investments	-	(1,404)	(1,416)	-	(2,299)	(3,580)	(6,008)	(6,401)	(2,586)	(5,525)
Net cash provided by (used in) investing activities	8,829	317	304	2	657	1,042	543	486	230	(41)

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)  
YEAR ENDED DECEMBER 31, 1996

	1992 D Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1996 C Program	Unrestricted Fund	Combined 1996	Combined 1995
<b>OPERATING ACTIVITIES:</b>										
Excess (deficiency) of revenues over expenses	\$ 80	\$ (2)	\$ 48	\$ (35)	\$ (128)	\$ 174	\$ -	\$ 765	\$ 1,235	\$ 1,003
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:										
Amortization of deferred financing costs	17	69	37	105	11	6	-	-	706	698
Accretion of mortgage loans/ mortgage-backed securities discount	-	4	(2)	8	-	-	-	56	(2,979)	(2,624)
Interest income on other investments	(72)	(106)	(56)	(190)	(1,511)	(334)	-	(554)	(7,822)	(7,602)
Interest expense on bonds payable	386	1,522	642	1,848	2,064	304	-	-	23,308	23,621
Changes in assets and liabilities:										
Decrease (increase) in accrued interest receivable on mortgage loans/ mortgage-backed securities	13	11	21	113	170	(334)	-	2	291	139
Decrease in prepaid insurance and other assets	1	-	-	-	166	-	-	-	218	(10)
Increase (decrease) in accounts payable and accrued liabilities	5	3	(1)	(2)	(7)	7	-	138	1	180
Increase (decrease) in intercompany payable	5	12	7	132	19	-	-	(196)	-	-
Increase (decrease) in deferred commitment fees and origination costs - net	-	(11)	-	(1)	(46)	327	-	-	113	130
Principal collected on mortgage loans/ mortgage-backed securities	991	2,494	1,244	1,003	158	-	-	-	28,937	24,003
Purchase of mortgage loans/ mortgage-backed securities	-	-	(1)	(8,533)	(27,053)	-	-	-	(35,587)	(20,112)
Net cash provided by (used in) operating activities	1,426	3,996	1,939	(5,552)	(26,157)	150	-	211	8,421	19,426
<b>INVESTING ACTIVITIES:</b>										
Proceeds from maturity or sale of investments	1,131	4,403	2,154	13,228	27,279	-	-	4,821	89,605	67,680
Interest received on investments	72	106	56	190	1,511	334	-	542	7,810	7,603
Purchase of investments	(1,328)	(4,310)	(2,346)	(2,584)	(85)	(28,343)	(6,390)	(5,935)	(80,540)	(78,694)
Net cash provided by (used in) investing activities	(125)	199	(136)	10,834	28,705	(28,009)	(6,390)	(572)	16,875	(3,411)

(Continued)



EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)  
 YEAR ENDED DECEMBER 31, 1996

	1979 Program	1984 Program	1985 Program	1987 Program	1988 C&D Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992 C Program
NON-CAPITAL FINANCING ACTIVITIES:										
Proceeds of bond issuance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond redemptions and principal repayments	(2,595)	(1,989)	(1,795)	(1,325)	(2,130)	(3,515)	(5,380)	(4,420)	(1,895)	(3,595)
Interest paid on bonds payable	(4,494)	-	-	(437)	(1,211)	(1,852)	(1,245)	(2,764)	(1,175)	(1,516)
Payment of deferred financing costs	-	-	-	-	-	3	-	-	-	-
Transfers among programs	-	-	-	-	(3)	-	-	-	-	-
	<u>(7,089)</u>	<u>(1,989)</u>	<u>(1,795)</u>	<u>(1,762)</u>	<u>(3,344)</u>	<u>(5,364)</u>	<u>(6,625)</u>	<u>(7,184)</u>	<u>(3,070)</u>	<u>(5,111)</u>
Net cash provided by (used in) non-capital financing activities	18	(21)	49	-	259	491	209	591	3	(155)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>129</u>	<u>261</u>	<u>132</u>	<u>-</u>	<u>46</u>	<u>22</u>	<u>373</u>	<u>27</u>	<u>247</u>	<u>779</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	\$ <u>147</u>	\$ <u>240</u>	\$ <u>181</u>	\$ <u>-</u>	\$ <u>305</u>	\$ <u>513</u>	\$ <u>582</u>	\$ <u>618</u>	\$ <u>250</u>	\$ <u>624</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR										

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)  
YEAR ENDED DECEMBER 31, 1996

	(Memorandum Only)									
	1992 D Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1996 C Program	Unrestricted Fund	Combined 1996	Combined 1995
<b>NON-CAPITAL FINANCING ACTIVITIES:</b>										
Proceeds of bond issuance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,133	\$ 6,390	\$ -	\$ 34,523	\$ 40,478
Bond redemptions and principal repayments	(920)	(2,560)	(1,430)	(3,150)	-	-	-	-	(36,699)	(33,258)
Interest paid on bonds payable	(402)	(1,549)	(659)	(1,897)	(2,106)	(548)	(65)	-	(21,307)	(21,538)
Payment of deferred financing costs	-	-	-	-	(120)	274	65	(219)	(613)	(736)
Transfers among programs	-	-	-	-	-	-	-	-	-	-
	<u>(1,322)</u>	<u>(4,109)</u>	<u>(2,089)</u>	<u>(5,047)</u>	<u>(2,226)</u>	<u>27,859</u>	<u>6,390</u>	<u>(219)</u>	<u>(24,096)</u>	<u>(15,054)</u>
Net cash provided by (used in) non-capital financing activities	(21)	86	(286)	235	322	-	-	(580)	1,200	961
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>233</u>	<u>654</u>	<u>712</u>	<u>308</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>1,033</u>	<u>4,958</u>	<u>3,997</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	\$ 212	\$ 740	\$ 426	\$ 543	\$ 323	\$ 1	\$ -	\$ 453	\$ 6,158	\$ 4,958
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>										

(Concluded)

# EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1996

---

### 1. ORGANIZATION

The East Baton Rouge Mortgage Finance Authority (the "Authority") was created through a Trust Indenture dated August 14, 1974, pursuant to provisions of the Louisiana Revised Statutes of 1950, as amended. The initial legislation and subsequent amendments grant the Authority the power to obtain funds and to use the proceeds to promote the financing and development of any essential program conducted in the public interest within the boundaries of East Baton Rouge Parish, Louisiana.

The Authority's operations consist primarily of single family mortgage purchase bond programs under which the Authority promotes residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing. Under the 1987, 1988 C&D, 1988 E&F, 1990, 1992 A&B, 1992 C, 1993 A&B, 1993 C, 1994 A&B and 1995 B Programs, these loans are pooled and sold to the Government National Mortgage Association (GNMA) or the Federal National Mortgage Association (FNMA) in exchange for mortgage-backed securities on which GNMA or FNMA guarantees payment of principal and interest when due. The Authority also issues short-term escrow bonds, which are securitized by U.S. Treasury Bills during the interim in preparation of long-term issues. These securities are collateralized by the related loans. The funds for the Authority's programs were obtained through the issuance of bonds in the following face value amounts (in thousands):

1979 Program, dated March 1, 1979 (defeased)	\$100,000
1980 Program, dated September 1, 1980 (restructured)	125,000
1982 Program, dated October 1, 1982 (restructured)	30,000
1983 Program, dated April 14, 1983 (restructured)	30,000
1984 Program, dated September 18, 1984	30,000
1985 Program, dated May 7, 1985	26,000
1987 Program, dated July 1, 1987	15,450
1988 C&D Program, dated August 1, 1988	26,975
1988 E&F Program, dated June 22, 1989	40,000
Municipal Refunding Collateralized Mortgage Obligations (MRCMO) Program, dated January 25, 1989	67,905
1990 Program, dated August 1, 1990	56,000
1992 A&B Program, dated April 1, 1992	25,000
1992 C Program, dated April 1, 1992	38,310
1992 D Program, dated April 1, 1992	8,975
1993 A&B Program, dated October 27, 1993	36,720
1993 C Program, dated October 27, 1993	15,270
1994 A&B Program, dated August 15, 1994	31,210
1994 C Program, dated December 29, 1994 (remarketed)	13,250
1995 A Program, dated February 23, 1995 (remarketed)	8,840
1995 B Program, dated October 5, 1995	12,500
1995 C Program, dated September 28, 1995 (remarketed)	5,820
1996 A Program, dated February 29, 1996 (remarketed)	9,765
1996 B Program, dated October 24, 1996	12,500
1996 C Program, dated September 27, 1996 (short-term escrow issue)	6,390
	<u>\$ 771,880</u>

The bonds issued by the Authority are general obligations of the Authority and are not obligations of the State of Louisiana or any other political subdivision thereof. The 1984, 1985 and MRCMO Program bonds are covered by comprehensive municipal bond insurance, which guarantees payment of all principal and interest when due.

The Authority's Board of Trustees is empowered under the bond trust indentures and the bond program agreements to contract with outside parties to conduct the day-to-day operations of the Authority and the programs it initiates. The Authority employs Financial Consulting Services, Inc. as its Program Administrator to provide administrative staff support for the Board of Trustees and its committees, general office administration for the Authority and program administration and supervision for each of its mortgage purchase bond programs. Under each of its single family mortgage purchase bond programs, the Authority utilizes area financial institutions to originate and service the mortgage loans acquired. In addition, an area bank has been designated as the Trustee of the separate bond programs and has the fiduciary responsibility for the custody and investment of funds.

The Program Administrator is responsible for the development of each new bond issue and loan program. Once the bond issue is closed, the Program Administrator supervises the origination of the mortgage loans, underwrites (reviews and approves) the new mortgage loans for purchase under each program, maintains computerized current records on all loans, and supervises the servicing and trustee functions for each program.

## 2. SUMMARY OF SIGNIFICANT REPORTING AND ACCOUNTING POLICIES

*Basis of Accounting and Reporting* - The Authority follows the accrual basis of accounting. The funds established by the Bond Trust Indentures, which are maintained by the Trustee Bank, provide for the accounting for bonds issued, debt service and bond redemption requirements, investments, and related revenues and expenses. These individual funds for each bond program are aggregated in the accompanying individual financial statements.

*Combined Totals* - The combined financial statements include the totals of the similar accounts of each of the Authority's bond programs and the Authority's Unrestricted Fund. Because the assets of the bond programs are restricted by the related bond resolutions and indentures, the totaling of the accounts, including the assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the resolutions and indentures relating to the separate programs.

In particular, it should be noted that the amounts listed under the heading "1979 Program" are the 1979 tax-exempt bond issue defeasance data and are not comparable to the program operations data appearing in the other columns. The fund balance for the 1979 Program is a result of matching assets (U. S. Government Securities) valued at accreted cost with liabilities (Bonds) valued at maturity values and payable through the year 2010.

*Amortization* - Bond issuance costs, including underwriters' discount on bonds sold, are being amortized ratably over the lives of the bonds based upon the principal amounts outstanding. The remaining unamortized balances of these costs are reflected on the accompanying balance sheets as "Deferred Financing Costs."

Discounts (premiums) resulting from the purchase of U.S. Government securities, the transfer of mortgage loans from the 1979 Program to the MRCMO Program, and the sale of certain programs' bonds are being accreted (amortized) over the lives of the related assets or liabilities as yield adjustments based upon the principal amounts outstanding. The remaining unamortized balances of these discounts and premiums are classified on the accompanying balance sheets in the same captions as the related assets or liabilities.

*Commitment Fees and Loan Origination Costs* - Nonrefundable commitment fees received subsequent to January 1, 1988 from originating financial institutions and certain direct loan origination costs are deferred and amortized over the lives of the related assets as a yield adjustment. Prior to 1988, such fees were recognized in current operations as received.

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

*Statement of Cash Flows* - For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

*Reclassifications* - Certain prior year amounts have been reclassified to conform with the current year presentation.

### 3. CASH AND INVESTMENTS

The Authority's programs maintain deposits at the Trustee bank. The balances of these deposits at December 31, 1996 were entirely insured. The Authority also has funds, classified as "Cash and Cash Equivalents" on the balance sheet, which represent interests in uninsured money market mutual funds. In prior years, the Unrestricted Fund held certificates of deposit at various financial institutions. No certificates of deposit were held at December 31, 1996.

Under certain of the Authority's programs, the Authority has entered into guaranteed investment agreements with various financial institutions. These agreements define the types of allowable investments and specify a guaranteed rate of return on such funds.

The approximate market values of the U.S. Government and Agency securities at December 31, 1996 are as follows (in thousands):

1979 Program	\$64,779
MRCMO Program	1,036
1996 C Program	6,480
Unrestricted Fund	<u>13,487</u>
Combined	<u>\$85,782</u>

The 1979 and MRCMO Programs' U.S. Government Securities are restricted for debt service on the programs' bonds and payment of various program expenses. These securities are held by the Trustee bank in the Authority's name.

The Authority's investments are categorized below to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker, or by its trust department, but not in the Authority's name.

	Category			Carrying Amount	Market Value
	1	2	3		
	(in thousands)				
U. S. Government and Agency Securities	\$ 80,002	\$ -	\$ -	\$ 80,002	\$ 85,782
Guaranteed Investment Agreements	-	-	51,468	51,468	51,468
	<u>\$ 80,002</u>	<u>\$ -</u>	<u>\$ 51,468</u>	<u>\$ 131,470</u>	<u>\$ 137,250</u>

#### 4. MORTGAGE LOANS RECEIVABLE AND MORTGAGE-BACKED SECURITIES

##### *Mortgage Loans Receivable*

Mortgage notes acquired by the Authority from participating mortgage lenders under the following bond programs have scheduled maturities of thirty years and are secured by first mortgages on the related real property. The mortgages have stated interest rates as follows:

1984 Program	10.950 %
1985 Program	9.980 %
MRCMO Program	8.500 %
1992 D Program	8.400 %
1993 C Program	7.125 %

In addition to the customary insurance required of the mortgagors, the mortgage loans are insured under special hazard policies, servicer performance bonds, and supplemental mortgage trust policies for mortgagor defaults. Premiums for these policies are paid through the applicable Program's funds.

The exchange of U.S. Government securities and mortgage loans between the 1979 Program and the MRCMO Program in January, 1989 resulted in the transfer of the mortgage loans to the MRCMO Program at a discount. The approximate effective yield on the MRCMO Program's mortgage loans is 13.3%, and the remaining unamortized discount was approximately \$4,980,000 at December 31, 1996.

All of the single family mortgage loans are originated by participating mortgage lenders through conventional, FHA or VA programs sponsored by the mortgage lenders and are sold to the Authority without recourse. The participating mortgage lenders service the mortgage loans for the Authority and receive monthly compensation based upon the unpaid principal balance of the mortgage loans serviced.

***Mortgage-backed Securities***

As discussed in Note 1, the mortgage loans originated under certain Authority programs are pooled and sold to GNMA or FNMA in exchange for mortgage-backed securities on which GNMA or FNMA guarantees payment of principal and interest when due. These securities bear the following terms and interest rates:

	<b>Term</b>	<b>Interest Rate</b>
1987 Program	23 Years	8.30%
1988 C&D Program	30 Years	8.35%
1988 E&F Program	30 Years	7.88%
1990 Program	30 Years	7.85%
1992 A&B Program	30 Years	7.00%
1992 C Program	30 Years	7.75%
1993 A&B Program	30 Years	6.50% transferred securities 4.75% new securities
1993 C Program	30 Years	4.50%
1994 A&B Program	30 Years	7.10%
	30 Years	6.85%
	30 Years	7.00%
	30 Years	7.10%
1995 B Program	30 Years	6.85%
	30 Years	6.975%
	30 Years	7.10%

It is anticipated that in 1997, the 1996 B mortgage lending program will purchase 30 year mortgage-backed securities bearing the following terms and interest rates:

<b>Term</b>	<b>Interest Rate</b>
30 Years	6.125%
30 Years	6.375%
30 Years	6.875%

The change to the mortgage-backed securities type of program was prompted by various factors including the unavailability of mortgage pool and related insurance coverage required for conventional mortgage loan programs. The guarantees by FNMA and/or GNMA which the Authority receives under this type of program replaces the pool and related insurance coverage of the previous programs. Development of the new programs, origination of the mortgage loans and supervision of the servicing of the mortgage loans for compliance with federal mortgage bond tax laws by the Authority remain essentially the same.

As discussed in Note 2, nonrefundable commitment fees received from originating financial institutions and certain direct loan origination costs are amortized over the lives of the mortgage-backed securities owned by the 1988 C&D, 1988 E&F, 1990, 1992 A&B, 1993 A&B, 1994 A&B and 1995 B Programs as a yield adjustment.

The net unamortized balances of the deferred net fees for such programs have been deducted from the balances of mortgage-backed securities in the accompanying balance sheets. The following is a summary of the balances of deferred net fees at December 31, 1996 and the effective yield on each program's mortgage-backed securities resulting from the recognition of these fees as yield adjustments over the lives of the securities.

	Effective Yield	Unamortized Deferred Net Fees
1988 C&D Program	8.67 %	\$ 323,000
1988 E&F Program	8.06 %	282,000
1990 Program	8.07 %	665,000
1992 A&B, 1992C and 1992D Programs	7.14 %	141,000
1993 A&B and 1993C Programs	5.65 %	45,000
1994 A&B Program	7.19 %	274,000
1995 B Program	6.975 %	300,000

In addition, there are nonrefundable commitment fees of \$272,000 related to the 1996 B Program. Since this program had not yet purchased mortgage-backed securities as of December 31, 1996, no amortization is recorded in the December 31, 1996 financial statements.

## 5. BONDS PAYABLE

The net proceeds obtained from the bond issues are used to establish funds authorized by the Bond Trust Indentures to purchase eligible mortgage loans, secured by first mortgage liens on single family owner-occupied residences, or to purchase GNMA and/or FNMA mortgage-backed securities from qualified mortgage lenders accepted for participation in the programs by the Authority.

The Bond Trust Indentures provide that bond principal and interest are secured by pledges of all mortgage loans and mortgage-backed securities acquired, all revenues and collections with respect to such loans and securities and all funds established by the Indenture, together with all of the proceeds generated therefrom.

Outstanding bonds payable consist of the following at December 31, 1996 (in thousands):

<i>1979 Program</i> , due serially and term through 2010, bearing interest at 6.64% to 7.375% payable semiannually	<u>\$ 60,225</u>
<i>1984 Program:</i> Capital appreciation bonds due serially and term from 1997 to 2015, priced to yield 10.25% to 11.25% at maturity	36,085
Less unamortized bond discount	<u>(31,511)</u>
Total - 1984 Program	<u>4,574</u>



<i>1985 Program:</i>	
Capital appreciation bonds due serially and term from 1995 to 2016 priced to yield 9% to 10% at maturity	5,200
Less unamortized bond discount	<u>(960)</u>
Total - 1985 Program	<u>4,240</u>
<i>1987 Program, term bonds due 2011, bearing interest at 8.25% payable monthly</i>	<u>4,735</u>
<i>1988 C&amp;D Program, due serially and term through 2020, bearing interest at 7% to 8.6% payable semiannually</i>	<u>12,935</u>
<i>1988 E&amp;F Program, due serially and term through 2021, bearing interest at 6.9% to 7.875% payable semiannually</i>	<u>21,390</u>
<i>MRCMO Program:</i>	
Current interest bonds due through 2007, bearing interest at 7.9% payable quarterly, priced to yield 8.8% to 9.7%	12,531
Compound interest bonds due 2010, bearing interest at 7.9% payable quarterly upon redemption of current interest bonds, priced to yield 9.69%	10,432
Zero coupon bonds due 2014, priced to yield 9.33% at maturity	3,500
Less unamortized bond discount	<u>(5,396)</u>
Total - MRCMO Program	<u>21,067</u>
<i>1990 Program, due serially and term through 2023, bearing interest at 6.5% to 7.875% payable semiannually</i>	<u>32,705</u>
<i>1992 A&amp;B Program, due serially and term from 1995 through 2024, bearing interest at 5.25% to 7.1% payable semiannually</i>	16,135
Less unamortized bond discount	<u>(64)</u>
Total - 1992 A&B Program	<u>16,071</u>

<i>1992 C Program</i> , term bonds due through 2032, bearing interest at 7% payable semiannually	<u>18,925</u>
<i>1992 D Program</i> , term bonds due through 2032, bearing interest at 7.1% payable semiannually	<u>5,070</u>
<i>1993 A&amp;B Program</i> , due serially and term from 1995 through 2025, bearing interest at 3.3% to 5.5% payable semiannually	<u>29,440</u>
<i>1993 C Program</i> , due serially and term from 1995 through 2025, bearing interest at 3.4% to 5.5% payable semiannually	<u>12,145</u>
<i>1994 A&amp;B Program</i> , term bonds due from 1998 through 2020, bearing interest at 4.9% to 6.8% payable semiannually	<u>28,060</u>
<i>1995 B Program</i> , due serially and term from 2010 through 2028, bearing interest at 5.5% to 6.35% payable semiannually	<u>34,590</u>
<i>1996 B Program</i> , due serially and term from 2002 through 2029, bearing interest at 4.5% to 6.2% payable semiannually	<u>28,085</u>
<i>1996 C Program</i> , term bonds due on April 3, 1997 with 30 day deferred tender dates, bearing interest at a variable rate, 3.85% to 3.95% at December 31, 1996	<u>6,390</u>
<b>Total bonds payable</b>	<b><u>\$340,647</u></b>

The 1985 Program capital appreciation bonds due May 1, 2016 will convert from capital appreciation bonds to current interest bonds on May 1, 1997. Beginning November 1, 1997, and semiannually thereafter, interest will be paid on these bonds based on their accreted value at May 1, 1997.

The 1987 Program and MRCMO Program bonds are structured such that the monthly principal remittances received from the GNMA securities and mortgage loans, respectively, are passed on to bondholders as principal redemptions of bonds payable on a monthly and quarterly basis, respectively.

The bonds are subject to early redemption provisions as described in the Bond Trust Indentures at redemption prices equal to the principal amounts of the bonds redeemed plus accrued interest to the applicable call dates. In connection with early bond redemptions, deferred financing costs related to the bonds called are charged to expense. Early bond redemptions and related deferred financing costs expensed during the year ended December 31, 1996 were as follows (in thousands):

	Early Bond Redemptions	Related Deferred Financing Costs Expensed
1984 Program	\$ 1,989	\$ 10
1985 Program	1,795	13
1988 C&D Program	1,940	36
1988 E&F Program	2,995	41
1990 Program	3,990	46
1992 A&B Program	1,675	24
1992 C Program	3,595	51
1992 D Program	920	14
1993 A&B Program	2,065	29
1993 C Program	1,225	19
1994 A&B Program	<u>3,150</u>	<u>68</u>
	<u>\$25,339</u>	<u>\$ 351</u>

Scheduled bond principal redemptions for each of the next five years, are as follows (in thousands):

	1997	1998	1999	2000	2001	Thereafter	Total
1979 Program	\$ 2,795	\$ 3,000	\$ 3,220	\$ -	\$ -	\$ 51,210	\$ 60,225
1984 Program	-	-	-	-	-	4,574	4,574
1985 Program	-	-	-	-	-	4,240	4,240
1987 Program	-	-	-	-	-	4,735	4,735
1988 C&D Program	185	200	200	215	215	11,920	12,935
1988 E&F Program	505	540	580	635	680	18,450	21,390
MRCMO Program	-	-	-	-	-	21,067	21,067
1990 Program	465	465	475	485	520	30,295	32,705
1992 A&B Program	220	220	220	220	220	14,971	16,071
1992 C Program	-	-	-	-	-	18,925	18,925
1992 D Program	-	-	-	-	-	5,070	5,070
1993 A&B Program	500	515	540	560	590	26,735	29,440
1993 C Program	215	225	230	235	240	11,000	12,145
1994 A&B Program	-	340	330	-	-	27,390	28,060
1995 B Program	-	370	370	370	370	33,110	34,590
1996 B Program	-	-	280	285	290	27,230	28,085
1996 C Program	<u>6,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,390</u>
	<u>\$11,275</u>	<u>\$5,875</u>	<u>\$6,445</u>	<u>\$3,005</u>	<u>\$ 3,125</u>	<u>\$310,922</u>	<u>\$340,647</u>

## 6. OPERATING EXPENSES

The members of the Authority's Board of Trustees receive a per diem fee for all committee and board meetings attended. For the year ended December 31, 1996, the following amounts were paid to the Authority's Board members:

<b>Board Member</b>	
Randy Bonneau	\$ 4,800
Astrid Clements	7,000
Robert Gaston, III	9,000
William G. Gauthier	7,800
Henry Henagen	13,000
Sidney W. Longwell, Sr.	5,600
Jake L. Netterville	6,200
Loretta Pourciau	7,000
Lynda Rowley	<u>4,800</u>
 Total	 <u>\$ 65,200</u>

These amounts are paid through the Unrestricted Fund and included in operating expenses in the accompanying statements of revenues, expenses and changes in fund balances.

## 7. PROGRAM RESTRUCTURING TRANSACTIONS

During the year ended December 31, 1995, Program 1995 C was created in order to fully utilize bond appropriations available to the Authority. The Authority temporarily invested the available funds at the end of December 31, 1995 in short-term investments. During 1996, the 1995 C bonds were remarketed to become a part of the 1996 mortgage lending program. Additionally, in 1996, short-term escrow bonds were issued as the 1996 A program and in October 1996 these bonds were also remarketed to become a part of the 1996 mortgage lending program. All activity of these two short-term programs has been reflected in the 1996 B Program for the year ended December 31, 1996.

During the year ended December 31, 1994, Program 1994 C was created in order to fully utilize bond appropriations available to the Authority. The Authority temporarily invested the available funds at the end of December 31, 1994 in short-term investments. During 1995, the 1994 C bonds were remarketed to become a part of the 1995 mortgage lending program. Additionally, in 1995, short-term escrow bonds were issued and in October 1995 these bonds were also remarketed to become a part of the 1995 mortgage lending program. All activity of these two short-term programs has been reflected in the 1995 B Program for the year ended December 31, 1995.

The proceeds of the MRCMO Program, along with certain other funds held by the 1979 Program, were utilized to purchase U.S. Government securities bearing maturity dates and face values adequate to provide for satisfaction of all future debt service obligations, as scheduled, of the 1979 Program bonds, and to provide an injection of the remaining funds into the Authority's Unrestricted Fund, which the Authority may utilize for any public purpose authorized by the Authority's Indenture. The 1979 Program's mortgage loans, including the related loan insurance policies, were transferred to the MRCMO Program in exchange for the U.S. Government securities mentioned above. Certain residual funds remaining in the MRCMO Program after satisfaction of quarterly debt service obligations are transferred to the Unrestricted Fund.

A substantial majority of the net proceeds of the 1992 A&B, 1992 C and 1992 D Programs was transferred to the 1980 Program in exchange for the 1980 Program's mortgage loan portfolio (which was transferred to the 1992 C and 1992 D Programs) and other funds held by the 1980 Program (which were transferred to the 1992 A&B Program). The 1980 Program utilized the funds it received through these transfers to redeem its remaining bonds payable in 1992 (including the incurrence of a call premium of approximately \$1.5 million) and to transfer its remaining funds of approximately \$4 million to the Authority's Unrestricted Fund. Certain foreclosed property formerly held by the 1980 Program was also transferred to the Unrestricted Fund. The interest rate on the mortgage loans transferred to the 1992 C and 1992 D programs was reduced from 10.95% to 8.4% and the mortgage loans transferred to the 1992 C Program were swapped with FNMA in exchange for mortgage-backed securities in the same principal amount.

The majority of the net proceeds of the 1993 A&B and 1993 C Programs was transferred to the 1982 and 1983 Programs in exchange for those Programs' mortgage loan portfolios and certain residual funds held in these Programs. The 1982 and 1983 Programs utilized the funds received through these transfers to redeem their remaining bonds payable, including the incurrence of call premiums of approximately \$320,000 and \$480,000, respectively. Additionally, the Unrestricted Fund transferred approximately \$740,000 to the 1993 A&B Program in conjunction with the restructuring, and foreclosed loans of the 1982 and 1983 Programs, with a principal balance of approximately \$175,000, were transferred to the Unrestricted Fund. The interest rate on the loans transferred to the 1993 A&B and 1993 C Programs was reduced to 7.125%, and the loans transferred to the 1993 A&B Program were swapped with FNMA in exchange for mortgage-backed securities in the same principal amount. Certain of the funds held by the 1993 A&B and 1993 C Programs in guaranteed investment agreements at December 31, 1993 were utilized to originate new mortgage loans in 1994.

## **8. AUTHORITY FEES**

Beginning with the 1992 Programs, the Authority instituted an authority fee which is paid to the Unrestricted Fund by the individual programs. The Unrestricted Fund recognizes authority fee income related to the fees paid by the individual programs. The fee income received by the Unrestricted Fund is currently being used to provide the upfront funds required of the Authority's annual programs in order to finance such things as costs of issuance of bonds, subsidizing lower income mortgagor's with waivers of discount points and providing down payment assistance to mortgagors. The actual fees paid by each program varies in accordance with the provisions of the respective program's indenture agreement. Authority fee income recognized by the Unrestricted Fund, and Authority fee expense recognized by the individual programs are disclosed separately in the Individual and Combined Statements of Revenues, Expenses and Changes in Fund Balances.

## **9. DOWNPAYMENT ASSISTANCE AND AUTHORITY ASSISTANCE PROGRAMS**

During 1996, the Authority began the Downpayment Assistance Program which provides funds to borrowers that meet certain criteria in order to assist borrowers with closing costs or down payments. The amount of funds is based on a percentage of the loan amount (generally 3 to 4%). The interest rate charged on these loans is greater than the interest rate on loans that do not utilize this program. Also during 1996, the Authority initiated the Authority Assistance Program which waives the discount points on loans made to households whose income is under \$27,500.

Costs related to these programs are capitalized and are being amortized over the lives of the related assets as yield adjustments based upon the average lives of the underlying assets. The remaining unamortized balances are classified on the accompanying balance sheets in the same caption as the related assets.

**10. TRANSFERS AMONG PROGRAMS**

Transfers among programs generally consist of nonrecurring transfers associated with (1) the initial issuance of bonds, (2) transfers to the unrestricted fund of remaining fund assets, net of bond proceeds as discussed in Note 7, and (3) remaining balances in the cost of issuance accounts where bonds are refinanced.

\* \* \* \* \*



**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE  
BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS**

To the Board of Trustees of the  
East Baton Rouge Mortgage Finance Authority  
Baton Rouge, Louisiana

We have audited the financial statements of the East Baton Rouge Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 1996, and have issued our report thereon dated June 3, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *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 of material misstatement.

The management of the Authority is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Authority for the year ended December 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the Board of Trustees of the Authority and the State of Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

*Deloitte + Touche LLP*

June 3, 1997



**Deloitte &  
Touche LLP**



Suite 501  
8550 United Plaza Boulevard  
Baton Rouge, Louisiana 70809-2261

Telephone: (504) 928 0100  
Facsimile: (504) 928 0149

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS**

To the Board of Trustees of the  
East Baton Rouge Mortgage Finance Authority  
Baton Rouge, Louisiana

We have audited the financial statements of the East Baton Rouge Mortgage Finance Authority (the Authority) as of December 31, 1996 and for the year then ended, and have issued our report thereon dated June 3, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *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 of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Authority is the responsibility of the Authority. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of management and the Board of Trustees of the Authority and the State of Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche LLP*

June 3, 1997