EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

Financial Statements for the Year Ended December 31, 1995 and Independent Auditors' Report

Independent Auditors' Report on the Internal Control Structure in Accordance with Government Auditing Standards

Independent Auditors' Compliance Report Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

RECEIVED
LEGISLATIVE AUDITOR
96 JUN 28 PM 1:41

Deloitte & Touche LLP

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

Telephone: (504) 928-0108
Facsimile: (504) 928-0449

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, 1995, 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, 1995, 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 May 15, 1996 on our consideration of the Authority's internal control structure and a report dated May 15, 1996 on its compliance with laws and regulations.

Deloitte & Touche LLP

May 15, 1996

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED BALANCE SHEETS (IN THOUSANDS)
DECEMBER 31, 1995

ASSETS	1979 Program	1984 Program	1985 Program	1987 Program	1988 C&D Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992C Program
CASH AND CASH EQUIVALENTS (Note 3)	$ 129	$ 261	$ 132	$ -	$ 46	$ 22	$ 373	$ 27	$ 247	$ 779
CERTIFICATES OF DEPOSIT	-	-	-	-	-	-	-	-	-	-
GUARANTEED INVESTMENT AGREEMENTS - At cost, which approximates market (Notes 3 & 5)	-	1,103	1,225	-	1,732	1,853	1,297	3,411	1,099	1,193
U. S. GOVERNMENT SECURITIES - At amortized cost (Notes 3, 5 & 7)	66,401	-	-	-	-	-	668	-	-	-
MORTGAGE-BACKED SECURITIES - Net (Notes 4 & 5)	-	-	-	6,166	13,690	23,825	-	35,031	16,960	21,677
MORTGAGE LOANS RECEIVABLE - Net (Notes 4, 5 & 7)	-	5,689	5,569	-	-	-	23,584	-	-	-
ACCRUED INTEREST RECEIVABLE	814	96	108	43	131	171	295	310	116	156
DEFERRED FINANCING COSTS - Net of amortization	628	31	45	118	291	344	226	412	258	330
INTERPROGRAM RECEIVABLE (PAYABLE)	-	-	-	-	-	-	-	-	(13)	(68)
PREPAID INSURANCE AND OTHER ASSETS	-	20	11	-	-	-	206	-	-	-
TOTAL ASSETS	$67,972	$7,200	$7,090	$6,327	$15,890	$26,215	$26,649	$39,191	$18,667	$24,067
LIABILITIES AND FUND BALANCES										
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 9	$ 15	$ 6	$ -	$ 6	$ 17	$ 24	$ 152	$ 7	$ 4
ACCRUED INTEREST PAYABLE	1,527	-	-	7	523	163	83	1,179	301	394
BONDS PAYABLE - Net (Note 5)	62,820	5,982	5,762	6,060	15,065	24,905	25,040	37,125	17,964	22,520
Total liabilities	64,356	5,997	5,768	6,067	15,594	25,085	25,147	38,456	18,272	22,918
FUND BALANCES	3,616	1,203	1,322	260	296	1,130	1,502	735	395	1,149
TOTAL LIABILITIES AND FUND BALANCES	$67,972	$7,200	$7,090	$6,327	$15,890	$26,215	$26,649	$39,191	$18,667	$24,067

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED BALANCE SHEETS (IN THOUSANDS)
DECEMBER 31, 1995

ASSETS	1992D Program	1993 A&B Programs	1993C Program	1994 Refunding Program	1994 A&B Program	1995B Program	1995C Program	Unrestricted Fund	(Memorandum Only) Combined 1995	(Memorandum Only) Combined 1994
CASH AND CASH EQUIVALENTS (Note 3)	$ 233	$ 654	$ 712	$ -	$ 308	$ 1	$ 1	$ 1,033	$ 4,958	$ 3,997
CERTIFICATES OF DEPOSIT	-	-	-	-	-	-	-	100	100	100
GUARANTEED INVESTMENT AGREEMENTS - At cost, which approximates market (Notes 3 & 5)	820	1,964	634	-	11,640	34,665	-	-	62,636	53,439
U. S. GOVERNMENT SECURITIES - At amortized cost (Notes 3, 5 & 7)	-	-	-	-	-	-	5,819	11,991	84,879	95,258
MORTGAGE-BACKED SECURITIES - Net (Notes 4 & 5)	-	30,764	5,362	-	19,610	-	-	-	173,085	168,238
MORTGAGE LOANS RECEIVABLE - Net (Notes 4, 5 & 7)	6,407	-	7,618	-	-	-	-	-	48,867	56,166
ACCRUED INTEREST RECEIVABLE	95	157	106	-	289	503	-	204	3,594	3,732
DEFERRED FINANCING COSTS - Net of amortization	92	526	224	-	709	693	56	-	4,983	4,944
INTERPROGRAM RECEIVABLE (PAYABLE)	(22)	(47)	(29)	-	(63)	-	-	242	-	-
PREPAID INSURANCE AND OTHER ASSETS	3	-	6	-	-	206	-	-	452	442
TOTAL ASSETS	$ 7,628	$34,018	$14,633	$ -	$32,493	$36,068	$ 5,876	$13,570	$383,554	$386,316
LIABILITIES AND FUND BALANCES										
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 4	$ 9	$ 7	$ -	$ 55	$ 24	$ -	$ 49	$ 388	$ 210
ACCRUED INTEREST PAYABLE	106	397	169	-	494	556	-	-	5,899	6,121
BONDS PAYABLE - Net (Note 5)	5,990	32,000	13,575	-	31,210	34,590	5,820	-	346,428	350,149
Total liabilities	6,100	32,406	13,751	-	31,759	35,170	5,820	49	352,715	356,480
FUND BALANCES	1,528	1,612	882	-	734	898	56	13,521	30,839	29,836
TOTAL LIABILITIES AND FUND BALANCES	$ 7,628	$34,018	$14,633	$ -	$32,493	$36,068	$ 5,876	$13,570	$383,554	$386,316

See notes to financial statements.

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 1995

	1979 Program	1984 Program	1985 Program	1987 Program	1988 C&D Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992C Program
REVENUES:										
Interest earned on mortgage loans receivable / mortgage-backed securities (Note 4)	$ -	$ 674	$ 599	$ 536	$ 1,294	$2,111	$3,701	$2,911	$ 1,334	$ 1,795
Interest earned on other investments	3,890	122	128	2	85	177	222	192	79	96
Authority fee income	-	-	-	-	-	-	-	-	-	-
Residual from MRCMO	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	4	-	-	-
Total	3,890	796	727	538	1,379	2,288	3,927	3,103	1,413	1,891
EXPENSES:										
Interest (Note 5)	4,608	734	408	528	1,303	2,066	2,874	2,906	1,264	1,670
Amortization of deferred financing costs (Note 5)	59	15	18	20	92	63	70	89	41	53
Authority fees	-	-	-	-	-	-	-	-	22	122
Servicing fees	-	19	17	-	-	-	115	-	-	-
Insurance costs	-	33	34	-	-	-	142	-	-	-
Administrative fees	-	7	6	-	13	26	-	37	23	24
Operating expenses (Note 6)	21	5	2	3	12	15	15	149	13	9
Transfer of MRCMO residual	-	-	-	-	-	-	210	-	-	-
Expenses of other programs	-	-	-	-	-	-	-	-	-	-
Total	4,688	813	485	551	1,420	2,170	3,426	3,181	1,363	1,878
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(798)	(17)	242	(13)	(41)	118	501	(78)	50	13
TRANSFERS AMONG PROGRAMS (Note 8)	-	-	-	-	-	-	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	4,414	1,220	1,080	273	337	1,012	1,001	813	345	1,136
FUND BALANCES, END OF YEAR	$3,616	$ 1,203	$ 1,322	$260	$ 296	$ 1,130	$ 1,502	$ 735	$ 395	$ 1,149

(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, 1995

	1992D Program	1993 A&B Program	1993C Program	1994 Refunding Program	1994 A&B Program	1995B Program	1995C Program	Unrestricted Fund	(Memorandum Only) Combined 1995	Combined 1994
REVENUES:										
Interest earned on mortgage loans receivable / mortgage-backed securities (Note 4)	$ 545	$ 1,757	$ 743	$ 1	$ 637	$ -	$ -	$ 358	$ 18,996	$ 20,224
Interest earned on other investments	70	127	106	-	1,294	504	-	508	7,602	7,663
Authority fee income	-	-	-	-	-	-	-	443	443	260
Residual from MRCMO	-	-	-	-	-	-	-	209	209	510
Other	-	-	-	-	-	218	-	-	222	173
Total	615	1,884	849	1	1,931	722	-	1,518	27,472	28,830
EXPENSES:										
Interest (Note 5)	450	1,635	704	-	1,982	489	-	-	23,621	24,889
Amortization of deferred financing costs (Note 5)	14	80	38	-	37	10	-	-	699	845
Authority fees	105	81	50	-	63	-	-	-	443	260
Servicing fees	25	-	25	-	-	-	-	-	201	249
Insurance costs	8	-	13	-	-	-	-	-	230	266
Administrative fees	7	31	13	-	-	-	-	110	297	322
Operating expenses (Note 6)	3	38	18	46	15	-	-	104	468	285
Transfer of MRCMO residual	-	-	-	-	-	-	-	-	210	510
Expenses of other programs	-	-	-	-	-	-	-	300	300	107
Total	612	1,865	861	46	2,097	499	-	514	26,469	27,733
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	3	19	(12)	(45)	(166)	223	-	1,004	1,003	1,097
TRANSFERS AMONG PROGRAMS (Note 8)	-	27	(27)	(3)	(60)	652	56	(645)	-	-
FUND BALANCES, BEGINNING OF YEAR	1,525	1,566	921	48	960	23	-	13,162	29,836	28,739
FUND BALANCES, END OF YEAR	$ 1,528	$ 1,612	$ 882	$ -	$ 734	$ 898	$ 56	$ 13,521	$ 30,839	$ 29,836

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, 1995

	1979 Program	1984 Program	1985 Program	1987 Program	1988 C&D Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992C Program
OPERATING ACTIVITIES:										
Excess (deficiency) of revenues over expenses	$ (798)	$ (17)	$ 242	$ (13)	$ (41)	$ 118	$ 501	$ (78)	$ 50	$ 13
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:										
Amortization of deferred financing costs	59	15	18	20	92	63	70	89	41	53
Accretion of mortgage loans/ mortgage-backed securities discount	(1,502)	-	-	-	-	(10)	(1,165)	(4)	(10)	-
Interest income on other investments	(3,890)	(122)	(128)	(2)	(85)	(177)	(222)	(192)	(79)	(96)
Interest expense on bonds payable	4,608	734	408	528	1,303	2,066	2,874	2,906	1,264	1,670
Gain on sale of investments	-	-	-	-	-	-	-	-	-	-
Bond call premium										
Changes in assets and liabilities:										
Decrease (increase) in accrued interest receivable on mortgage loans/ mortgage-backed securities	82	26	(18)	4	72	20	42	109	10	22
Decrease in prepaid insurance and other assets	-	5	2	-	-	-	93	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	(1)	15	5	-	(2)	(6)	2	129	5	-
Increase (decrease) in intercompany payable	-	-	-	-	-	-	-	-	13	68
Increase (decrease) in deferred commitment fees and origination costs - net	-	-	-	-	(49)	(63)	-	-	(59)	-
Principal collected on mortgage loans/ mortgage-backed securities	-	1,344	1,081	601	1,616	3,215	4,308	2,618	1,821	2,991
Purchase of mortgage loans/ mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
Net cash provided by (used in) operating activities	(1,442)	2,000	1,610	1,138	2,906	5,226	6,503	5,577	3,056	4,721
INVESTING ACTIVITIES:										
Proceeds from maturity or sale of investments	4,659	1,980	1,802	-	4,802	4,549	6,281	7,837	3,054	3,285
Interest received on investments	3,890	124	128	2	85	177	222	192	79	96
Purchase of investments	-	(1,971)	(1,779)	-	(2,597)	(4,844)	(6,361)	(4,980)	(3,298)	(3,137)
Net cash provided by (used in) investing activities	8,549	133	151	2	2,290	(118)	142	3,049	(165)	244

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 1995

	1992D Program	1993 A&B Program	1993C Program	1994 Refunding Program	1994 A&B Program	1995B Program	1995C Program	Unrestricted Fund	Combined 1995 (Memorandum Only)	Combined 1994 (Memorandum Only)
OPERATING ACTIVITIES:										
Excess (deficiency) of revenues over expenses	$ 3	$ 18	$ (12)	$ (45)	$ (166)	$ 223	$ -	$ 1,004	$ 1,002	$ 1,097
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:										
Amortization of deferred financing costs	14	80	38	-	37	10	-	-	699	845
Accretion of mortgage loans/ mortgage-backed securities discount	-	2	(1)	-	2	-	-	64	(2,624)	(1,368)
Interest income on other investments	(70)	(127)	(106)	-	(1,294)	(504)	-	(508)	(7,602)	(7,404)
Interest expense on bonds payable	450	1,635	704	-	1,982	489	-	-	23,621	24,889
Gain on sale of investments	-	-	-	-	-	-	-	-	-	-
Bond call premium									-	-
Changes in assets and liabilities:										
Decrease (increase) in accrued interest receivable on mortgage loans/ mortgage-backed securities	(4)	28	(3)	-	230	(509)	-	28	139	345
Decrease in prepaid insurance and other assets	(2)	-	2	-	-	(206)	-	96	(10)	122
Increase (decrease) in accounts payable and accrued liabilities	3	-	3	-	-	24	-	3	180	(12)
Increase (decrease) in intercompany payable	22	47	29	-	63	-	-	(242)	-	-
Increase (decrease) in deferred commitment fees and origination costs - net	-	(24)	-	-	(21)	346	-	-	130	(46)
Principal collected on mortgage loans/ mortgage-backed securities	611	2,411	1,146	-	240	-	-	-	24,003	36,667
Purchase of mortgage loans/ mortgage-backed securities	-	(705)	(575)	-	(18,832)	-	-	-	(20,112)	(28,067)
Net cash provided by (used in) operating activities	1,027	3,365	1,225	(45)	(17,759)	(127)	-	445	19,426	27,068
INVESTING ACTIVITIES:										
Proceeds from maturity or sale of investments	936	3,924	2,200	-	19,471	-	-	2,900	67,680	103,143
Interest received on investments	70	127	105	-	1,294	504	-	508	7,603	5,584
Purchase of investments	(763)	(3,060)	(1,494)	-	(466)	(35,011)	(5,819)	(3,114)	(78,694)	(118,030)
Net cash provided by (used in) investing activities	243	991	811	-	20,299	(34,507)	(5,819)	294	(3,411)	(9,303)

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 1995

	1979 Program	1984 Program	1985 Program	1987 Program	1988 C&D Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992C Program
NON-CAPITAL FINANCING ACTIVITIES:										
Proceeds of bond issuance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Bond redemptions and principal repayments	(2,425)	(2,079)	(1,795)	(611)	(3,755)	(3,040)	(5,023)	(5,550)	(1,775)	(2,910)
Interest paid on bonds payable	(4,663)	-	-	(529)	(1,433)	(2,085)	(1,667)	(3,080)	(1,289)	(1,721)
Payment of deferred financing costs	-	-	-	-	-	-	-	-	-	-
Transfers among programs	-	-	-	-	-	-	-	-	-	-
Net cash provided by (used in) non-capital financing activities	(7,088)	(2,079)	(1,795)	(1,140)	(5,188)	(5,125)	(6,690)	(8,630)	(3,064)	(4,631)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19	54	(34)	-	8	(17)	(45)	(4)	(173)	334
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	110	207	166	-	38	39	418	31	420	445
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 129	$ 261	$ 132	$ -	$ 46	$ 22	$ 373	$ 27	$ 247	$ 779

(Concluded

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 1995

									(Memorandum Only)	
	1992D Program	1993 A&B Program	1993C Program	1994 Refunding Program	1994 A&B Program	1995B Program	1995C Program	Unrestricted Fund	Combined 1995	Combined 1994
NON-CAPITAL FINANCING ACTIVITIES:										
Proceeds of bond issuance	$ -	$ -	$ -	$ -	$ -	$34,658	$5,820	$ -	$ 40,478	$ 58,175
Bond redemptions and principal repayments	(690)	(2,375)	(1,230)	-	-	-	-	-	(33,258)	(55,020)
Interest paid on bonds payable	(462)	(1,662)	(718)	-	(2,229)	-	-	-	(21,538)	(21,708)
Payment of deferred financing costs	-	-	-	-	-	(680)	(56)	-	(736)	(779)
Transfers among programs	-	27	(27)	(3)	(60)	652	56	(645)	-	-
Net cash provided by (used in) non-capital financing activities	(1,152)	(4,010)	(1,975)	(3)	(2,289)	34,630	5,820	(645)	(15,054)	(19,332)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	118	346	61	(48)	251	(4)	1	94	961	(1,567)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	115	308	651	48	57	5	-	939	3,997	5,564
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 233	$ 654	$ 712	$ -	$ 308	$ 1	$ 1	$1,033	$ 4,958	$ 3,997

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995

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, 1988C&D, 1988E&F, 1990, 1992A&B, 1992C, 1993A&B, 1993C and 1994A&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
1995A Program, dated February 23, 1995 (remarketed)	8,840
1995B Program, dated October 5, 1995	12,500
1995C Program, dated September 28, 1995 (short-term escrow issue)	5,820
Total	$743,225

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, 1995 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. The Unrestricted Fund held certificates of deposit at various financial institutions. At December 31, 1995 these certificates were entirely insured.

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, 1995 are as follows (in thousands):

1979 Program	$70,829
MRCMO Program	1,081
1995C Program	5,907
Unrestricted Fund	12,147
Combined	$ 89,964

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	$84,879	$ -	$ -	$ 84,879	$ 89,964
Guaranteed Investment Agreements	-	-	62,636	62,636	62,636
	$84,879	$ -	$62,636	$147,515	$152,600

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 %
1992D Program	8.400 %
1993C Program	7.125 %

In addition to the customary insurance required of the mortgagors, the mortgage loans are insured under supplemental hazard policies, servicer performance bonds, and master 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 $6,689,000 at December 31, 1995.

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:

	Term	Interest Rate
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%

It is anticipated that in 1996, the 1995 mortgage lending program will purchase 30 year mortgage-backed securities.

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 and 1994 A&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, 1995 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 %	$375,000
1988 E&F Program	8.06 %	344,000
1990 Program	8.07 %	665,000
1992 A&B, 1992C and 1992D Programs	7.14 %	183,000
1993 A&B and 1993C Programs	5.65 %	56,000
1994 A&B Program	7.19 %	275,000

In addition, there are nonrefundable commitment fees of $346,000 related to the 1995B Program. Since this program had not yet purchased mortgage-backed securities as of December 31, 1995, no amortization is recorded in the December 31, 1995 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, 1995 (in thousands):

1979 Program, due serially and term through 2010, bearing interest at 6.64% to 7.375% payable semiannually	$ 62,820
1984 Program:	
Capital appreciation bonds due serially and term from 1997 to 2015, priced to yield 10.25% to 11.25% at maturity	35,829
Less unamortized bond discount	(29,847)
Subtotal	5,982
Current interest bonds due serially through 1996, bearing interest at 9.5% to 10% payable semiannually	-
Total - 1984 Program	5,982

1985 Program:	
Capital appreciation bonds due serially and term from 1995 to 2016 priced to yield 9% to 10% at maturity	7,135
Less unamortized bond discount	(1,373)
Subtotal	5,762
Current interest bonds due serially through 1994, bearing interest at 8.1% payable semiannually	-
Total - 1985 Program	5,762
1987 Program, term bonds due 2011, bearing interest at 8.25% payable monthly	6,060
1988 C&D Program, due serially and term through 2020, bearing interest at 7% to 8.6% payable semiannually	15,065
1988 E&F Program, due serially and term through 2021, bearing interest at 6.9% to 7.875% payable semiannually	24,905
MRCMO Program:	
Current interest bonds due through 2007, bearing interest at 7.9% payable quarterly, priced to yield 8.8% to 9.7%	17,911
Compound interest bonds due 2010, bearing interest at 7.9% payable quarterly upon redemption of current interest bonds, priced to yield 9.69%	9,647
Zero coupon bonds due 2014, priced to yield 9.33% at maturity	3,500
Less unamortized bond discount	(6,018)
Total - MRCMO Program	25,040
1990 Program, due serially and term through 2023, bearing interest at 6.5% to 7.875% payable semiannually	37,125
1992 A&B Program, due serially and term from 1995 through 2024, bearing interest at 5.25% to 7.1% payable semiannually	18,030
Less unamortized bond discount	(66)
Total - 1992 A&B Program	17,964

1992 C Program, term bonds due through 2032, bearing interest at 7% payable semiannually	22,520
1992 D Program, term bonds due through 2032, bearing interest at 7.1% payable semiannually	5,990
1993 A&B Program, due serially and term from 1995 through 2025, bearing interest at 3.3% to 5.5% payable semiannually	32,000
1993 C Program, due serially and term from 1995 through 2025, bearing interest at 3.4% to 5.5% payable semiannually	13,575
1994 A&B Program, term bonds due from 1998 through 2020, bearing interest at 4.9% to 6.8% payable semiannually	31,210
1995 B Program, due serially and term from 2010 through 2028, bearing interest at 5.5% to 6.35% payable semiannually	34,590
1995 C Program, term bonds due on February 28, 1996 with 30 day deferred tender dates, bearing interest at a variable rate, 3.78% at December 31, 1995	5,820
Total bonds payable	$346,428

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, 1995 were as follows (in thousands):

	Early Bond Redemptions	Related Deferred Financing Costs Expensed
1984 Program	$ 2,079	$ 13
1985 Program	1,795	15
1988 C&D Program	3,560	69
1988 E&F Program	2,560	37
1990 Program	5,120	61
1992 A&B Program	1,565	23
1992 C Program	2,910	43
1992 D Program	690	11
1993 A&B Program	1,995	33
1993 C Program	1,065	17
	$ 23,339	$ 322

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

	1996	1997	1998	1999	2000	Thereafter	Total
1979 Program	$ 2,595	$ 2,795	$ 3,000	$ 3,220	$ -	$ 51,210	$ 62,820
1984 Program	-	-	-	-	-	5,982	5,982
1985 Program	-	-	-	-	-	5,762	5,762
1987 Program	-	-	-	-	-	6,060	6,060
1988 C&D Program	195	205	220	225	255	13,965	15,065
1988 E&F Program	520	530	570	610	665	22,010	24,905
MRCMO Program	-	-	-	-	-	25,040	25,040
1990 Program	430	465	465	475	485	34,805	37,125
1992 A&B Program	220	220	220	220	220	16,864	17,964
1992 C Program	-	-	-	-	-	22,520	22,520
1992 D Program	-	-	-	-	-	5,990	5,990
1993 A&B Program	535	555	575	600	625	29,110	32,000
1993 C Program	205	215	225	230	240	12,460	13,575
1994 A&B Program	-	-	370	360	-	30,480	31,210
1995 A&B Program	-	-	370	370	370	33,480	34,590
1995 C Program	5,820	-	-	-	-	-	5,820
	$ 10,520	$ 4,985	$ 6,015	$ 6,310	$ 2,860	$ 315,738	$ 346,428

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, 1995, the following amounts were paid to the Authority's Board members:

Board Member	
Randy Bonnecaze	$ 7,400
Astrid Clements	6,000
Robert Gaston, III	9,000
William G. Gauthier	6,800
Henry Henagen	17,400
Sidney W. Longwell, Sr.	7,800
Jake L. Netterville	6,800
Loretta Pourciau	4,600
Lynda Rowley	6,000
Total	$ 71,800

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.

Also included in operating expenses are arbitrage earning rebates paid by the applicable program to the IRS. An arbitrage earning rebate is due for long term bonds and short term bonds not remarketed when earnings exceed the program's bond yield. For the year ended December 31, 1995, the following amounts were expensed for arbitrage earning rebates:

1990 Program	$131,056
1994 Refunding Program	45,732
	$ 176,788

7. PROGRAM RESTRUCTURING TRANSACTIONS

During the year ended December 31, 1994, Program 1994C 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 1994C 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 1995B 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 1992A&B, 1992C and 1992D Programs was transferred to the 1980 Program in exchange for the 1980 Program's mortgage loan portfolio (which was transferred to the 1992C and 1992D Programs) and other funds held by the 1980 Program (which were transferred to the 1992A&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 1992C and 1992D programs was reduced from 10.9% to 8.4% and the mortgage loans transferred to the 1992C Program were swapped with FNMA in exchange for mortgage-backed securities in the same principal amount.

The majority of the net proceeds of the 1993A&B and 1993C 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 1993A&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 1993A&B and 1993C Programs was reduced to 7.125%, and the loans transferred to the 1993A&B Program were swapped with FNMA in exchange for mortgage-backed securities in the same principal amount. Certain of the funds held by the 1993A&B and 1993C Programs in guaranteed investment agreements at December 31, 1993 were utilized to originate new mortgage loans in 1994.

8. 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.

* * * * * *

Deloitte & Touche LLP

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

Telephone: (504) 928-0108
Facsimile: (504) 928-0449

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, 1995, and have issued our report thereon dated May 15, 1996.

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, 1995, 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

May 15, 1996

Deloitte &
Touche LLP

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

Telephone: (504) 928-0108
Facsimile: (504) 928-0449

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, 1995 and for the year then ended, and have issued our report thereon dated May 15, 1996.

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

May 15, 1996