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**NEW ORLEANS HOME MORTGAGE
AUTHORITY**

**Independent Auditors' Report on
Audit of Financial Statements
and Additional Information and
Compliance and Internal Control
Structure for the Year Ended
March 31, 1997**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or assigned, 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.

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NEW ORLEANS HOME MORTGAGE AUTHORITY

TABLE OF CONTENTS

| | Page |
|--|-------|
| INDEPENDENT AUDITORS' REPORT | i |
| FINANCIAL STATEMENTS AS OF MARCH 31, 1997 AND FOR THE YEAR THEN ENDED: | |
| Combined Balance Sheets - All Funds | 1 |
| Combining Balance Sheets - Single Family Program Funds | 3-4 |
| Combined Statements of Revenue, Expenses and Changes in Fund Balance (Deficit) - All Funds | 5 |
| Combining Statements of Revenue, Expenses and Changes in Fund Balance (Deficit) - Single Family Program Funds | 6-7 |
| Combined Statements of Cash Flows - All Funds | 8 |
| Combining Statements of Cash Flows - Single Family Program Funds | 9-12 |
| Notes to Financial Statements | 13-29 |
| SUPPLEMENTAL SCHEDULES FOR THE YEAR ENDED MARCH 31, 1997: | |
| Program Expenses - Operating Fund | 24 |
| Program Expenses - Single Family Program Funds | 25-28 |
| Schedule of Operating Transactions | 29 |
| Compensation Paid to Members of the Board of Trustees | 30 |
| INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON THE AUDIT OF FINANCIAL STATEMENTS | 31 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON THE AUDIT OF FINANCIAL STATEMENTS | 33 |

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the
New Orleans Home Mortgage Authority:

We have audited the accompanying financial statements of the New Orleans Home Mortgage Authority ("Authority") as of March 31, 1997, and for the year then ended, listed in the accompanying table of contents. 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 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. 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 the individual funds of the Authority at March 31, 1997, and their revenues, expenses and changes in fund balance (deficit) and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Authority's management. Each schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated September 12, 1997 on our consideration of the Authority's internal control structure and a report dated September 12, 1997 on its compliance with laws and regulations.

Deloitte & Touche LLP

Bruno & Tervalat

New Orleans, Louisiana
September 12, 1997

NEW ORLEANS HOME MORTGAGE AUTHORITY

COMBINED BALANCE SHEETS - ALL FUNDS

MARCH 31, 1997 (WITH COMPARATIVE TOTALS FOR MARCH 31, 1996) (IN THOUSANDS)

| ASSETS | Operating Fund | NORMA | | | Totals | |
|---|----------------|-------------------------|-------------------|------------------|-------------------|------------------|
| | | Development Corporation | Unrestricted Fund | Single Family | (Memorandum Only) | 1996 |
| Cash (Note 2) | 2,428 | \$ 34 | \$ 585 | \$ 1,362 | \$ 4,476 | \$ 2,436 |
| Investments (Note 2) | 274 | | 3,817 | 122,660 | 127,571 | 129,176 |
| GNMA certificates (Note 2) | | | | 92,517 | 92,517 | 69,454 |
| Receivables | | | | | | |
| Mortgage loans (Note 4) | | 578 | 498 | 26,820 | 27,926 | 42,818 |
| Accrued interest | 2 | | 42 | 1,738 | 1,782 | 2,499 |
| Real estate owned and other (Note 4) | 60 | | 288 | 476 | 825 | 565 |
| Loans, other | | | 34 | | 34 | 34 |
| Total receivables | 62 | 578 | 888 | 29,065 | 40,588 | 45,328 |
| Less: Allowance for doubtful receivables (Note 4) | | 34 | 17 | 567 | 618 | 710 |
| Receivables - Net | 60 | 544 | 861 | 28,498 | 39,970 | 44,618 |
| Due from other funds | | | 561 | 3,711 | 4,272 | 3,340 |
| Prepaid expenses | 34 | | | 59 | 91 | 58 |
| Real insurance costs and other deferred expenses, net of accumulated amortization | | | | 4,368 | 4,368 | 4,821 |
| TOTAL ASSETS | 3,852 | 3,278 | 5,846 | 3,265,373 | 5,225,629 | 5,225,487 |
| LIABILITIES AND FUND BALANCE | | | | | | |
| LIABILITIES: | | | | | | |
| Accounts payable | \$ 34 | \$ | \$ | \$ 15 | \$ 39 | \$ 41 |
| Accrued interest | | | | 30,046 | 30,046 | 18,541 |
| Other liabilities | 16 | 68 | 140 | | 296 | 3 |
| Due to other funds | | | | 4,272 | 4,272 | 3,340 |
| Deferred revenue | | | | 1,681 | 1,681 | 1,780 |
| Revenue bonds payable (Note 3) | | | | 246,546 | 246,546 | 218,213 |
| Total | 40 | 68 | 140 | 262,560 | 262,820 | 241,888 |
| COMMITMENTS AND CONTINGENCIES (Note 5) | | | | | | |
| FUND BALANCE | 3,722 | 428 | 3,706 | 3,812 | 38,809 | 9,189 |
| TOTAL LIABILITIES AND FUND BALANCE | 3,882 | 3,278 | 5,846 | 3,265,373 | 5,225,629 | 5,225,487 |

See notes to financial statements.

NEW ORLEANS HOME MORTGAGE AUTHORITY

COMBINED BALANCE SHEETS - SINGLE FAMILY PROGRAM FUNDS

MARCH 31, 1987 (WITH COMPARATIVE TOTALS FOR MARCH 31, 1986) (IN THOUSANDS)

| ASSETS | Single | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|
| | Series A of 1984 | Series A of 1985 | Series A of 1987 | Series A of 1986 | Series B-1 of 1986 | Series C-1 of 1986 |
| Cash (Note 2) | \$ 42 | \$ 5 | \$ 1,507 | \$ 3 | \$ 42 | \$ - |
| Investments (Note 2) | 1,705 | 688 | 28,494 | 3,323 | 1,874 | 1,736 |
| GNMA certificates (Note 2) | | | | 16,893 | 16,944 | 19,835 |
| Receivables: | | | | | | |
| Mortgage loans (Note 4) | 1,790 | 3,811 | | 147 | | |
| Accrued interest | 176 | 76 | | | 375 | 163 |
| Real estate owned and other (Note 4) | 2 | 25 | | | | |
| Total receivables | 3,879 | 4,822 | | 147 | 375 | 163 |
| Less: Allowance for doubtful receivables (Note 4) | | | | | | |
| Receivables - Net | 3,879 | 4,822 | | 147 | 375 | 163 |
| Due from other funds | | | | | | |
| Prepaid expenses | 10 | 24 | | 3 | 1 | 3 |
| Bond issuance costs and other deferred expenses, net of accumulated amortization | 143 | 133 | 488 | 366 | 418 | 371 |
| TOTAL ASSETS | \$3,818 | \$4,792 | \$20,220 | \$18,653 | \$18,452 | \$21,836 |
| LIABILITIES AND FUND BALANCE (DEFICIT) | | | | | | |
| LIABILITIES: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 18 | \$ - | \$ - |
| Accrued interest | 1,863 | 2,955 | 1,803 | 486 | 449 | 511 |
| Due to other funds | 3,711 | | | | | |
| Deferred amounts | | | | 274 | 302 | 289 |
| Revenue bonds payable (Note 3) | 327 | 1,214 | 21,612 | 17,419 | 17,999 | 30,694 |
| Total liabilities | 3,192 | 4,209 | 28,624 | 18,199 | 18,699 | 31,814 |
| COMMITMENTS AND CONTINGENCIES (Note 5) | | | | | | |
| FUND BALANCE (DEFICIT) | 697 | 583 | 1,596 | 447 | 753 | 322 |
| TOTAL LIABILITIES AND FUND BALANCE (DEFICIT) | \$3,890 | \$4,792 | \$20,220 | \$18,653 | \$18,452 | \$21,836 |

See notes to financial statements.

Family Program Funds

| Family Program Funds | | | | | | | | Totals | |
|----------------------|-----------------------|--------------------------|------------------|------------------|--------------------------|--------------------|--------------------------|-----------------------------------|-----------------------------------|
| MRCMO of 1990 | Series A of 1991 | Refunding Series of 1992 | Series A of 1993 | Series A of 1994 | Series A of 1995 | Series A of 1996 | Refunding Series of 1997 | (Memorandum Only) 1997 | 1998 |
| \$ 77 1,381 | \$ - 289 30,731 | \$ 14 30,998 | \$ 352 1,900 | \$ 33 | \$ 31 1,085 28,428 | \$ 61 30,345 | \$ 3,596 1,688 | \$ 3,363 123,888 93,937 | \$ 3,699 124,795 68,454 |
| 20,625 188 | 65 | | 5,467 98 | | 183 | 466 | 7 | 36,851 1,768 | 41,778 3,076 |
| 366 | | | 73 | | | | | 475 | 627 |
| 24,289 | 65 | | 5,540 | | 183 | 466 | 7 | 39,805 | 44,374 |
| 587 | | | 14 | | | | | 567 | 690 |
| 11,688 | 65 | | 5,623 | 3,714 | 265 | 466 | 7 | 38,498 | 43,738 |
| 11 | | | | | | | | 3,713 | 3,368 |
| | | | | | | | | 87 | 55 |
| 1,865 | 294 | 181 | 315 | 141 | 183 | 466 | 24 | 4,788 | 4,861 |
| <u>\$13,118</u> | <u>\$11,231</u> | <u>\$11,644</u> | <u>\$7,608</u> | <u>\$3,855</u> | <u>\$28,913</u> | <u>\$31,315</u> | <u>\$3,887</u> | <u>\$288,371</u> | <u>\$246,699</u> |
| \$ 571 | \$ 58 173 | \$ 118 | \$ 181 | \$ 168 | \$ - 369 217 | \$ - 381 286 | \$ - 7 38 | \$ 15 18,048 4,173 3,688 | \$ 30 18,911 3,908 3,448 |
| 12,838 | 36,738 | 36,856 | 4,964 | 3,163 | 13,008 | 19,898 | 3,838 | 196,588 | 178,113 |
| 12,682 | 11,861 | 37,681 | 7,689 | 3,683 | 13,935 | 11,313 | 3,867 | 261,568 | 243,658 |
| 4,318 | 392 | 15,837 | 588 | | 81 | 172 | | 3,811 | 3,688 |
| <u>\$21,162</u> | <u>\$11,352</u> | <u>\$11,644</u> | <u>\$7,688</u> | <u>\$3,883</u> | <u>\$28,911</u> | <u>\$31,313</u> | <u>\$3,867</u> | <u>\$368,775</u> | <u>\$348,699</u> |

NEW ORLEANS HOME MORTGAGE AUTHORITY

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (DEFICIT) - ALL FUNDS YEAR ENDED MARCH 31, 1997 (WITH COMPARATIVE TOTALS FOR MARCH 31, 1996) (IN THOUSANDS)

| | Operating Fund | NOHMA Development Corporation | Unrestricted Fund | Single Family | Totals | |
|---|-------------------|-------------------------------------|----------------------|------------------|---------------------------|-----------------|
| | | | | | (Memorandum Only) 1997 | 1996 |
| REVENUES: | | | | | | |
| Interest on mortgage loans and GNMA certificates | \$ - | \$ 3 | \$ - | \$ 10,738 | \$ 11,569 | \$ 11,987 |
| Interest on investments | 17 | | 373 | 8,329 | 8,412 | 7,939 |
| Leader participation fee | | | | 87 | 87 | 156 |
| Gain on sale of investments | | | | - | - | 3,055 |
| Other | 473 | 3 | 14 | 92 | 582 | 484 |
| Total revenues | <u>490</u> | <u>6</u> | <u>387</u> | <u>19,246</u> | <u>19,871</u> | <u>22,611</u> |
| EXPENSES: | | | | | | |
| Interest on revenue bonds | | | | 17,803 | 17,803 | 18,517 |
| Program expenses | 603 | | 83 | 349 | 1,847 | 3,089 |
| Amortization of bond issuance costs | | | | 353 | 353 | 423 |
| Provision for losses on real estate owned and doubtful receivables (Note 4) | | 14 | | 18 | 34 | 27 |
| Total expenses | <u>603</u> | <u>14</u> | <u>83</u> | <u>17,913</u> | <u>18,837</u> | <u>22,971</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OPERATING TRANSFERS | | | | | | |
| | (113) | (8) | 321 | 1,371 | 1,249 | 4,640 |
| OPERATING TRANSFERS BY (OUT) | | | | | | |
| | <u>418</u> | <u>108</u> | <u>(188)</u> | <u>(418)</u> | <u>-</u> | <u>-</u> |
| EXCESS OF REVENUES OVER EXPENSES | | | | | | |
| | 333 | 90 | 121 | 933 | 1,249 | 4,640 |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | | | | | | |
| | <u>547</u> | <u>407</u> | <u>3,382</u> | <u>3,658</u> | <u>8,599</u> | <u>4,999</u> |
| FUND BALANCE AT END OF YEAR | | | | | | |
| | <u>\$ 921</u> | <u>\$ 498</u> | <u>\$ 5,796</u> | <u>\$ 3,813</u> | <u>\$ 10,818</u> | <u>\$ 9,640</u> |

See notes to financial statements.

NEW ORLEANS HOME MORTGAGE AUTHORITY

CONDENSING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (DEFICIT) - SINGLE FAMILY PROGRAM FUNDS YEAR ENDED MARCH 31, 1987 (WITH COMPARATIVE TOTALS FOR MARCH 31, 1986) (IN THOUSANDS)

| | Single | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|
| | Series A of 1984 | Series A of 1985 | Series A of 1987 | Series A of 1988 | Series B-1 of 1988 | Series C-1 of 1988 |
| REVENUES: | | | | | | |
| Interest on mortgage loans and Ginnie certificates | \$ 611 | \$ 434 | \$ 1,702 | \$1,211 | \$1,483 | \$1,554 |
| Interest on investments | 309 | 180 | 1,702 | 76 | 284 | 118 |
| Lender participation fees | | | | 15 | 24 | 19 |
| Gain on sale of investments | | | | | | |
| Other | <u>10</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>11</u> | <u>---</u> |
| Total revenues | <u>600</u> | <u>594</u> | <u>1,711</u> | <u>1,602</u> | <u>1,798</u> | <u>1,712</u> |
| EXPENSES: | | | | | | |
| Interest on revenue bonds | 161 | 304 | 2,075 | 1,508 | 1,467 | 1,480 |
| Program expenses | 31 | 41 | ? | 8 | 8 | 4 |
| Amortization of bond insurance costs | 41 | 39 | 50 | 34 | 38 | 36 |
| Fund-on for losses on real estate owned and doubtful receivables (Note 4) | <u>114</u> | <u>5</u> | <u>---</u> | <u>1,119</u> | <u>1,481</u> | <u>1,489</u> |
| Total expenses | <u>347</u> | <u>489</u> | <u>2,125</u> | <u>2,669</u> | <u>2,994</u> | <u>2,999</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OPERATING TRANSFERS | | | | | | |
| | 253 | (105) | (414) | (106) | (196) | (287) |
| OPERATING TRANSFERS (IN 1987) | | | | | | |
| | <u>(253)</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>(20)</u> | <u>(4)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | | | | | | |
| | 0 | (105) | (414) | (106) | (216) | (291) |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | | | | | | |
| | <u>600</u> | <u>600</u> | <u>1,293</u> | <u>378</u> | <u>661</u> | <u>382</u> |
| FUND BALANCE (DEFICIT) AT END OF YEAR | | | | | | |
| | <u>1,293</u> | <u>1,561</u> | <u>1,946</u> | <u>1,447</u> | <u>1,761</u> | <u>1,568</u> |

See notes to financial statements.

| Family Program Funds | | | | | | | | Totals | |
|----------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|--------------------------|---------------------------------|---------------------------|-----------------|
| MEMORO of 1991 | Series A of 1991 | Refracting Series of 1992 | Series A of 1992 | Series A of 1994 | Series A of 1995 | Series AAB of 1996 | Refracting Series of 1997 | (Memorandum Only) 1997 | 1998 |
| \$ 1,280 | \$904 | \$ - | \$ 214 | \$ - | \$ 903 | \$ - | \$ 7 | \$10,788 | \$18,986 |
| 281 | 18 | 1,980 | 71 | 2 | 829 | 500 | 7 | 8,123 | 5,661 |
| | 13 | | | | 13 | 4 | | 87 | 156 |
| | 8 | | 11 | 2 | | | | - | 3,055 |
| <u>1,180</u> | <u>341</u> | <u>1,980</u> | <u>82</u> | <u>2</u> | <u>1,715</u> | <u>504</u> | <u>7</u> | <u>82</u> | <u>156</u> |
| | | | | | | | | <u>19,000</u> | <u>24,794</u> |
| 1,060 | 704 | 1,770 | 418 | 348 | 1,704 | 104 | 7 | 17,600 | 26,500 |
| 148 | 7 | 10 | 28 | 18 | 50 | 4 | | 349 | 448 |
| 188 | 20 | 60 | 19 | 8 | 5 | 6 | | 100 | 421 |
| | | | 4 | | | | | 18 | 293 |
| <u>1,396</u> | <u>731</u> | <u>1,840</u> | <u>469</u> | <u>366</u> | <u>1,764</u> | <u>110</u> | <u>7</u> | <u>17,958</u> | <u>27,731</u> |
| 899 | 88 | 125 | 117 | (150) | 21 | (17) | | 1,171 | 4,019 |
| <u>(175)</u> | <u>20</u> | <u>-----</u> | <u>-----</u> | <u>352</u> | <u>(13)</u> | <u>-----</u> | <u>-----</u> | <u>(688)</u> | <u>(6,119)</u> |
| 424 | 84 | 115 | 127 | - | 1 | (17) | - | 753 | 1,494 |
| <u>3,894</u> | <u>88</u> | <u>(6,855)</u> | <u>470</u> | <u>-----</u> | <u>88</u> | <u>-----</u> | <u>-----</u> | <u>3,662</u> | <u>(4,625)</u> |
| <u>\$ 4,108</u> | <u>1,082</u> | <u>\$ (5,015)</u> | <u>\$ 538</u> | <u>\$ -</u> | <u>\$ 88</u> | <u>\$ (17)</u> | <u>\$ -</u> | <u>\$ 3,812</u> | <u>\$ 1,868</u> |

NEW ORLEANS HOME MORTGAGE AUTHORITY

CONDENSED STATEMENTS OF CASH FLOWS - ALL PERIODS

YEAR ENDED MARCH 31, 1997 (with comparative totals for March 31, 1996) (in thousands)

| | Operating Fund | MORHA Development Corporation | Unrestricted Fund | Single Family | Total | |
|--|----------------|-------------------------------|-------------------|---------------|------------------|--------------|
| | | | | | (Management Fee) | |
| | | | | | 1997 | 1996 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Transfers (deposits) of deposits into expenses before opening credits | 31,102 | \$ 000 | \$ 000 | \$ 1,375 | \$ 1,280 | \$ 4,400 |
| Adjustments for noncash income (deductions) of nonrecourse notes before opening credits (to net cash provided by opening activities) | | | | | 381 | 423 |
| Amortization of bond premium costs | | | | 600 | | 13,000 |
| Gain on sale of investments | | | | | | 14,732 |
| Provision for bad debt and other assets and doubtful receivables | | 58 | | 18 | 24 | 27 |
| Interest on investments | | | | 11,885 | 17,505 | 14,732 |
| Interest on investments | (17) | | (115) | 8,555 | (8,412) | (27,000) |
| Other - net | (18) | | | 800 | (200) | 1,275 |
| Collection on mortgage loans and GNMA certificates | | 11,170 | | 30,000 | 30,200 | 9,000 |
| Purchases of mortgage loans and GNMA certificates | | | (230) | (23,800) | (23,800) | 3,750 |
| Net cash provided by fund of operating activities | (17) | 11,228 | (235) | 15,649 | 28,265 | 21,132 |
| CASH FLOWS FROM NON-OPERATING ACTIVITIES: | | | | | | |
| Proceeds from bond insurance | | | | 34,734 | 31,700 | 26,000 |
| Reimbursement | | | | (81,310) | (34,070) | (27,511) |
| Interest payments on notes/bonds | | | | (1,480) | (17,400) | (17,400) |
| Payment of bond insurance costs | | | | 800 | 100 | 1,000 |
| Special activities | (8) | 100 | (800) | 141 | 0 | 0 |
| Net cash provided by fund of nonoperating financing activities | (8) | 100 | (800) | 141 | (17) | 0 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Purchases of investments | (50) | | 11,800 | 80,155 | (88,840) | (91,200) |
| Maturities of investments | 50 | | 1,000 | 88,884 | 78,810 | 71,000 |
| Interest received on investments | 27 | | (80) | 4,881 | 4,881 | 4,137 |
| Net cash provided by fund of investing activities | (13) | | 1,120 | 83,790 | (8,149) | (16,063) |
| NET INCREASE (DECREASE) IN CASH | 80 | (11) | (68) | 1,672 | 2,039 | 874 |
| CASH, BEGINNING OF YEAR | 381 | 68 | 117 | 1,489 | 2,491 | 1,781 |
| CASH, END-OF YEAR | 461 | 57 | 49 | 3,161 | 4,530 | 2,655 |

See notes to financial statements

NEW ORLEANS HOME MORTGAGE AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS - SINGLE FAMILY PROGRAM FUNDS
 YEAR ENDED MARCH 31, 1987 (WITH COMPARATIVE TOTALS FOR MARCH 31, 1986)
 (IN THOUSANDS)

| | Single | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|
| | Series A of 1984 | Series J of 1985 | Series A of 1987 | Series A of 1988 | Series B-1 of 1988 | Series C-1 of 1988 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Excess (deficiency) of revenue over expenses before operating transfers | \$ 366 | \$ (18) | \$ (407) | \$ 73 | \$ 300 | \$ 30 |
| Adjustments to reconcile excess (deficiency) of revenue over expenses before operating transfers to net cash provided by operating activities: | | | | | | |
| Amortization of bond premiums | 12 | 19 | 37 | 10 | 30 | 26 |
| Gain of sale of investments | | | | | | |
| Provisions for losses on real estate owned and doubtful receivables | | 6 | | | | |
| Interest on revenue bonds | 161 | 231 | 2,075 | 1,528 | 1,367 | 1,885 |
| Interest on investments | (109) | (170) | (1,733) | (79) | (244) | (118) |
| Other - net | 7 | 5 | 3 | (7) | (13) | (19) |
| Collections on mortgage loans and GNMA certificates | 658 | 807 | | 1,448 | 1,299 | 1,099 |
| Purchases of mortgage loans and GNMA certificates | | | | | | |
| Net cash provided by (used in) operating activities | <u>1,091</u> | <u>611</u> | <u>44</u> | <u>2,962</u> | <u>2,700</u> | <u>2,660</u> |

| Family Program Funds | | | | | | | | Totals | |
|----------------------|---------------------|--------------------------------|---------------------|---------------------|---------------------|--------------------------|--------------------------------|-------------------|----------------|
| WPCOFO of 1991 | Series A of 1991 | Refunding Series of 1992 | Series A of 1992 | Series A of 1993 | Series A of 1994 | Series AAS of 1995 | Refunding Series of 1997 | (Memorandum Only) | |
| | | | | | | | | 1997 | 1998 |
| \$ 999 | \$ 99 | \$ 115 | \$ 127 | \$ (152) | \$ 33 | \$ (17) | \$ - | \$ 3,176 | \$ 4,623 |
| | | | | | | | | | |
| | 280 | 10 | 40 | 15 | 8 | 4 | | 597 | 415 (2,024) |
| | | | | | | | | | |
| | 1,261 | 325 | 1,779 | 428 | 348 | 1,791 | 7 | 18 | 199 |
| (281) | (18) | (7,980) | (71) | (5) | (200) | (502) | (7) | (7,003) | 16,511 |
| (244) | (33) | 14 | (54) | (5) | (130) | 286 | | (6,589) | (7,601) |
| | | | | | | | | | |
| | 1,781 | 408 | 934 | | 377 | | | 10,000 | 9,659 |
| | | | | | | (18,800) | | (18,800) | |
| | | | | | | | | | |
| | 4,156 | 1,351 | 11 | 863 | (109) | (17,675) | 284 | (8,849) | 21,445 |

(Continued)

NEW ORLEANS HOME MORTGAGE AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS - SINGLE FAMILY PROGRAM FUNDS YEAR ENDED MARCH 31, 1997 (WITH COMPARATIVE TOTALS FOR MARCH 31, 1996) (IN THOUSANDS)

| | Single | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|
| | Series A of 1984 | Series A of 1985 | Series A of 1987 | Series A of 1988 | Series B-1 of 1988 | Series C-1 of 1988 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | | |
| Proceeds from bond issuance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Bonds redeemed | (808) | (635) | (338) | (3,448) | (2,398) | (1,418) |
| Interest paid on revenue bonds | (600) | (1,307) | (2,667) | (3,840) | (1,635) | (1,667) |
| Payment of bond issuance costs | - | - | - | - | - | - |
| Interfund activities | - | - | - | - | (2) | (8) |
| Net cash provided by (used in) noncapital financing activities | (1,408) | (2,600) | (3,413) | (7,288) | (4,035) | (3,101) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Purchases of investments | (1,058) | (778) | - | (1,058) | (1,858) | - |
| Redemptions of investments | 907 | 1,807 | 1,168 | 1,318 | 1,948 | 318 |
| Interest received on investments | 48 | 108 | 238 | 52 | 102 | 111 |
| Net cash provided by (used in) investing activities | (103) | (118) | (307) | (698) | (1,312) | (41) |
| NET INCREASE (DECREASE) IN CASH | 100 | 100 | 140 | (1) | 40 | - |
| CASH, BEGINNING OF YEAR | 100 | 48 | 380 | 3 | 1 | 1 |
| CASH, END OF YEAR | \$ 200 | \$ 148 | \$ 520 | \$ 2 | \$ 41 | \$ 1 |

See notes to financial statements.

| Family Program Funds | | | | | | | | Totals | |
|----------------------|------------------|--------------------------|------------------|------------------|------------------|--------------------|--------------------------|-------------------|-----------------|
| MRCMO of 1991 | Series A of 1991 | Refunding Series of 1992 | Series A of 1992 | Series A of 1993 | Series A of 1995 | Series AAB of 1996 | Refunding Series of 1997 | (Memorandum Only) | |
| | | | | | | | | 1997 | 1998 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 25,893 | \$ 1,800 | \$ 10,315 | \$ 25,000 |
| (4,194) | 497 | (2,500) | 6000 | | | (34) | | (4,179) | (3,142) |
| (1,558) | (735) | (3,708) | (417) | | (1,750) | 683 | 64 | (17,485) | (3,479) |
| <u>0.00</u> | <u>0.</u> | <u>0.</u> | <u>0.</u> | <u>0.</u> | <u>0.</u> | <u>501</u> | <u>78</u> | <u>143</u> | <u>(3,124)</u> |
| <u>0.000</u> | <u>0.128</u> | <u>0.110</u> | <u>0.010</u> | <u>0.</u> | <u>0.720</u> | <u>25.024</u> | <u>1.878</u> | <u>118</u> | <u>(1.55)</u> |
| (6,098) | 922 | 9,947 | 6800 | | 970 | (47,687) | 11,880 | (40,488) | (18,110) |
| 4,122 | 844 | 8,947 | 800 | | 29,042 | 17,642 | | 46,688 | 74,996 |
| <u>118</u> | <u>0.</u> | <u>108</u> | <u>78</u> | <u>1</u> | <u>1,088</u> | <u>89</u> | <u>0.</u> | <u>4,681</u> | <u>1,957</u> |
| <u>178</u> | <u>0.</u> | <u>4,314</u> | <u>78</u> | <u>1</u> | <u>29,418</u> | <u>(30,140)</u> | <u>11,880</u> | <u>18,308</u> | <u>(21,770)</u> |
| (413) | - | 2 | (70) | (7) | (28) | 61 | 1,750 | 1,672 | 198 |
| <u>198</u> | <u>0.</u> | <u>13</u> | <u>428</u> | <u>28</u> | <u>68</u> | <u>0.</u> | <u>0.</u> | <u>1,688</u> | <u>1,488</u> |
| <u>\$ 71</u> | <u>\$ 0.</u> | <u>\$ 14</u> | <u>\$ 153</u> | <u>\$ 21</u> | <u>\$ 31</u> | <u>\$ 61</u> | <u>\$ 1,750</u> | <u>\$ 5,362</u> | <u>\$ 1,688</u> |

(Continued)

NEW ORLEANS HOME MORTGAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 1987

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The New Orleans Home Mortgage Authority (the "Authority") is a public trust created by a trust instrument dated October 11, 1978, pursuant to Chapter 2A of Title 9 of the Louisiana Revised Statutes of 1950, as amended. The Authority was created to provide funds, through the issuance of bonds, to promote the development of residential housing (single or multi-family dwellings) in the City of New Orleans, Louisiana, for persons of low or moderate income. In accordance with the respective indentures, the proceeds from the single family bond issues are used to acquire mortgage notes and mortgage-backed securities.

The Authority is managed by a board of trustees appointed by the Council of the City of New Orleans. First National Bank of Commerce (FNBC) serves as the trustee of its single family program funds. Hispanic National Bank serves as the mortgage loan administrator of the single family program. Various local financial institutions originate and service the Authority's single family program mortgage loans.

NOHMA Development Corporation - NOHMA Development Corporation was formed in the fiscal year 1984. The Corporation's mission is to provide increased home ownership among low-income families via a joint operating agreement with the authority through a variety of services. In fiscal year 1986, the Corporation began issuing Pride and First Home Loans. In fiscal years 1987 and 1986, the Corporation received an aggregate of \$440,000 provided by transfers from the Unrestricted Fund. These monies will be reimbursed to the Unrestricted Fund upon receipt of monies appropriated by the City of New Orleans for the related projects.

The following is a summary of the Authority's significant accounting policies which have been consistently applied in the preparation of the accompanying financial statements.

Basis of Accounting - The accompanying financial statements are presented on the accrual basis of accounting.

Investments - Investments are stated at cost, adjusted for the amortization of premiums and accretion of discounts on purchases. Premiums are amortized and discounts are accreted over the period from the date of purchase of the investment to its maturity, using a method which approximates the effective interest method.

Amortization of Bond Issuance Costs - Bond issuance costs have been deferred and are being amortized over the lives of the bonds in such a manner as to produce a constant periodic rate of interest on the bonds outstanding.

Deferred Revenue - Single family program master service and lender participation fees are deferred and recognized as an adjustment of yield over the lives of the related GAMBIA certificates.

Allocation of Transfers - The Operating Fund was established as a separate fund in 1987. In accordance with a Board resolution adopted August 6, 1984, transfers to the Operating Fund are allocated in the following manner. An initial allocation is made to the single family program based on the relative percentage of total program expenses during the previous fiscal year. The initial allocation is divided among individual programs based on the relative percentage of mortgage loans or GNMA's outstanding for the single family bond issues. In the single family group, the 1988A, 1988 B-1 and 1988 C-1 funds do not share in this allocation due to expense limitations imposed by these single family bond indentures, rather, the 1988 A, 1988 B-1 and 1988 C-1 funds transfer to the Operating Fund an Authority Fee based upon a percentage of the GNMA certificate outstanding.

Statement of Cash Flows - For purposes of the Statements of Cash Flows, the Authority considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Cashflow Funds - All of the various bond issues are required to have a number of specific funds and accounts established to account for transactions. Therefore, each bond issue column contains the total amounts for the various funds and accounts required, and the combined total column contains the totals of all funds of the Authority, including the Unrestricted Fund, which may be utilized by the Authority for any public purpose authorized by the Authority's Indenture. Since the use of assets and accounts of each of the bond issues is restricted by the related bond resolutions, the totaling of the funds and accounts is for convenience only and does not indicate that the combined assets are available in any manner other than as provided by the various trust indentures and bond resolutions.

Other - It should be noted that the amounts listed in the Single Family financial statements under the headings "Series A of 1987" and "Series A of 1993" result from the restructuring transactions and are not comparable to the program operations data appearing in the other columns. The \$5,977,600 fund deficit shown for the Refunding Series of 1993 is a result of presenting U. S. Government and Agency securities valued at accrued cost, and yielding up to 8%, with a greater amount of bonds payable valued at market value and yielding 5.00% to 6.25%. As discussed in Note 3, the securities are intended to mature at dates and in amounts which coincide with the debt service requirements on the bonds.

2. CASH AND INVESTMENTS

Cash - In accordance with the various revenue bond resolutions, the Authority maintains deposits at three depository banks authorized to act as trustees. All such depositories are members of the Federal Reserve System.

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 3, the Authority's deposits are categorized to give an indication of the level of risk assumed at year-end. Category 1 includes deposits that are insured or collateralized by securities held by the Authority or its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging institution's trust department in the Authority's name. Category 3 includes deposits uncollateralized or collateralized with securities held by the pledging institution, but not in the Authority's name.

At March 31, 1997, substantially all cash on deposit was classified as a Category 1 credit risk.

Investments: The Authority may also invest its funds as authorized by the various revenue bond resolutions, as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies,
- Insured or secured certificates of deposit,
- Investment agreements with United States banks and federal agencies, or
- Promissory notes of United States banks.

At March 31, 1997, the Authority's investments consisted of:

Unrestricted Fund

The investments held in the Unrestricted Fund at March 31, 1997, totaling approximately \$3,857,800, consisted primarily of U.S. Treasury Notes and Agency obligations bearing interest from 5.375% to 8.20% with maturities through the year 2010. The market value of these investments approximated cost.

Operating Fund

Investments held in the Operating Fund at March 31, 1997, totaling approximately \$274,080, consisted of U.S. Treasury Bills and U.S. Treasury Notes bearing interest from 5.125% to 6.00% with maturities through the year 1999. The market value of these investments approximated cost.

| Fund/Description | Carrying Amount | Market Value |
|---|--------------------|-----------------|
| | (In thousands) | |
| Single Family | | |
| Series A of 1984 | | |
| Investment agreement with Bank One, Dallas, Texas, 10.27%, due 4-1-18 | \$ 1,732 | \$ 1,732 |
| Series A of 1985 | | |
| Investment agreement with Bank One, Dallas, Texas, 8% 11%, due 9-03-18 | 608 | 608 |
| Series A of 1987 | | |
| Resolution Trust Corp. 0% coupon bonds due from 7-11-97 to 7-11-99 | 1,748 | 1,748 |
| U.S. Treasury Notes 3.57%, due 9-30-97 | 26,610 | 26,610 |
| Total | 28,498 | 28,798 |

| Fund/Description | Carrying Amount | Market Value (in thousands) |
|--|--------------------|-----------------------------------|
| Single Family - Continued | | |
| Series A of 1988: | | |
| Investment agreement with AIG Financial Products Corp., 8.5%, due 12-1-20 | 1,827 | 1,827 |
| Series B-1 of 1988: | | |
| Investment agreement with AIG Financial Products Corp., 8%, due 12-1-22 | 1,874 | 1,874 |
| Series C-1 of 1988: | | |
| Investment agreement with Morgan Guaranty Trust Co., N.Y., 8.15%, due 12-1-22 | 1,756 | 1,756 |
| MRCMO of 1991: | | |
| Investment agreement with Rockwell Highway Inc., 4 - 8.7%, due 9-15-14 | 1,822 | 1,822 |
| Federal National Mortgage Association, FNMA debentures, due 7-15-14 | 408 | 421 |
| Total | <u>2,282</u> | <u>2,340</u> |
| Series A of 1991: | | |
| Investment agreement with Postpanski, Ltd. 4.51% and 5.25%, due 9-3-83 and 9-1-23 | 215 | 215 |
| Refunding Series of 1992: | | |
| Resolution Trust Corp. 8% coupon bonds due from 7-15-93 to 9-15-11 | 58,945 | 54,328 |
| Series A of 1993: | | |
| Investment Agreement with Postpanski, Ltd., 4.21%, due 5-1-14 | 1,583 | 1,583 |
| Series A of 1993: | | |
| Investment Agreements with AIG Financial Products Corp. 5.32%, due 9-1-28 | 872 | 872 |
| Other | 213 | 213 |
| Total | <u>1,888</u> | <u>1,888</u> |
| Series A&B of 1996: | | |
| Investment agreement with Assured Investment Corp., 3.54 % due 3-1-98 | 28,898 | 28,898 |
| Investment agreement with Societa General Corp., 6.8125%, due 12-1-27 | 299 | 299 |
| Total | <u>29,197</u> | <u>29,197</u> |
| Refunding Series of 1997: | | |
| U.S. Treasury Bills due 4-3-97 | 1,480 | 1,480 |
| Total Single Family Investments | <u>7,125,480</u> | <u>\$ 126,888</u> |

In accordance with GABE Statement No. 3, the Authority's investments are categorized to give an indication of the level of risk assumed 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 unsecured and unregistered investments for which the securities are held by the countyparty's trust department or agent in the Authority's name. Category 3 includes unsecured or unregistered investments for which the securities are held by the countyparty, or by its trust department or agent but not in the Authority's name.

All of the Authority's investments at March 31, 1997, were classified as a Category 1 credit risk.

3. GNMA CERTIFICATES

The 1988 Series A, 1988 Series B-1, 1988 Series C-1, 1991 Series A bonds and Series A 1990 were issued to provide funds to purchase up to \$48 million, \$37.2 million, \$26 million, \$15.2 million and \$29 million, respectively, of mortgage loans which are 30 year fixed-rate mortgages bearing interest at 8.97%, 8.8%, 7.7%, 7.5% and 6.9%, respectively. Upon purchase by the Authority, the loans are immediately sold and assigned to a master servicer who exchanges the mortgage loans for mortgage-backed securities (GNMA certificates). The GNMA certificates are backed by the mortgage loans and guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"). Interest on the GNMA certificates is stated at one-half of one percent (0.5%) less than the interest rate on the respective mortgage loans with final maturity dates ranging from 2018 through 2027.

4. MORTGAGE LOANS RECEIVABLE

Mortgage loans have scheduled maturities of 30 years and are collateralized by first mortgages on the related property. The loans are serviced by certain designated loan servicers, who receive compensation for services rendered. The loans have stated interest rates as follows:

| Single Family Issues | Interest Rate |
|----------------------|---------------|
| MRCMO of 1991 | 8.25% |
| Series A of 1994 | 10.85% |
| Series A of 1993 | 10.75% |
| Series A of 1993 | 8.85% |

On February 1, 1994, as directed by the Series A of 1993 bond trust indenture, interest rates on prior mortgage loans acquired from the 1993A issue by the 1993A issue were reduced from 8.85 per annum to 8.35% per annum. At such time as the aggregate sum of prior mortgage loans and the monies in the revenue fund and reserve accounts are greater than or equal to 10% of the aggregate principal amount of the bonds outstanding, the interest rate on prior mortgage loans will be further reduced to 8.25%.

During 1997, the board of trustees adopted a loan program whereby payments from the Series 1993A loans (now held by the 1991 MRCMO issue) would be used to provide new loans to qualified borrowers at interest rates of 8.25% and 7.5%. Additionally, a grant was received in fiscal 1997 from the Federal Home Loan Bank to be used to provide \$1.7 million of new loans in the 1991 MRCMO issue at an interest rate of 6.5%. At March 31, 1997, loans outstanding under these programs total \$3,800,000 and are included in the 1991 MRCMO loans.

In addition to the customary insurance required of the mortgagors, the mortgage loans are insured by the Authority under special hazard policies and mortgage pool insurance policies. The pool insurance policies provide coverage on the full amount of loss incurred as a result of default in payments by a mortgagor, subject to certain limitations and aggregate loss limits. Properties acquired due to foreclosures, together with related interest earnings guaranteed by insurance companies, are included in the accompanying balance sheet as real estate owned and other receivables.

The mortgage pool insurer of all 1991 MRCMD loans filed for bankruptcy and was ordered into liquidation in a prior year. The Authority has not obtained another mortgage insurer to provide pool insurance for the 1991 MRCMD loans.

As March 31, 1997 the principal balances of 1991 MRCMD mortgage loans in default were as follows (in thousands):

| | |
|--|----------------|
| Over 30 days | \$2,555 |
| Over 60 days | 683 |
| Over 90 days (includes Foreclosure/Bankruptcy) | 733 |
| Total | <u>\$3,971</u> |

The Authority has established an allowance for doubtful receivables for the 1991 MRCMD loans of approximately \$253,809 as of March 31, 1997. The determination of the allowance was based on, among other things, an analysis of the unpaid balance of loans in default as compared to estimated value of related real estate and anticipated costs of disposal.

Due to delays in commencement and completion of the foreclosure process for specific loans and certain other uninsured loans, the Authority has established allowances for losses on real estate owned and doubtful interest receivable for other single family insured with mortgage loans receivable as of March 31, 1997. The determination of these allowances was based on an analysis of the balances of loans in foreclosure and real estate owned and other receivables as compared to estimated values of related real estate and estimated future receipts from loan issuers.

The Unrestricted Fund and MOHMA Development Corporation have an aggregate of approximately \$800,000 of PRIDE loans which provide the borrower with funds to pay their closing costs and are subordinate to the first mortgages. The loans generally do not accrue interest if paid within ten years. The Authority has provided an allowance on these loans based upon its review of activity to date and its estimate of the amount necessary to absorb future losses.

5. REVENUE BONDS PAYABLE

The following is a summary of the outstanding revenue bonds payable and transactions of the Authority as of and for the year ended March 31, 1997 (in thousands):

| | Amount | Interest Rate | Maturity Date | Outstanding March 31, 1997 | Bonds Issued | Bonds Retired | Outstanding March 31, 1997 |
|--------------------------------|------------------|---------------|---------------|----------------------------|--------------|---------------|----------------------------|
| Single Family | | | | | | | |
| 1984 Series A Issue: | | | | | | | |
| Current interest serial bonds | \$ 17,836 | 8.0-8.8% | 10-01-86 | \$ 178 | \$ - | \$ 178 | \$ - |
| Compound interest serial bonds | 3,589 | 10.175-11.0% | 10-01-83 | 812 | | 338 | 774 |
| Compound interest term bonds | <u>1,824</u> | 11.575 % | 10-01-83 | <u>59</u> | | | <u>59</u> |
| Total | \$ 23,249 | | | 849 | | 516 | 774 |
| 1985 Series A Issue: | | | | | | | |
| Compound interest serial bonds | \$ 4,789 | 9.75-10.0% | 09-03-87 | 1,369 | | 633 | 736 |
| Compound interest term bonds | <u>3,424</u> | 10 % | 09-03-88 | <u>478</u> | | | <u>678</u> |
| Total | \$ 8,213 | | | 1,847 | | 633 | 1,414 |
| 1987 Series A Issue: | | | | | | | |
| Serial bonds | \$ 5,458 | 5.3-7.0% | 10-03-89 | 1,333 | | 500 | 1,783 |
| Term bonds | <u>27,689</u> | 7.8 % | 10-03-88 | <u>15,885</u> | | | <u>25,889</u> |
| Total | \$ 33,147 | | | 17,218 | | 500 | 27,689 |
| 1988 Series A Issue: | | | | | | | |
| Serial bonds | 4,358 | 5.0-7.0% | 10-03-90 | 1,793 | | 403 | 3,128 |
| Term bonds | <u>14,650</u> | 8.4 % | 10-03-89 | <u>7,978</u> | | 758 | <u>6,820</u> |
| Term bonds | <u>10,920</u> | 8.6 % | 10-03-89 | <u>9,275</u> | | | <u>8,125</u> |
| Total | \$ 30,000 | | | 19,046 | | 1,161 | 17,673 |
| 1989 Series B-1 Issue: | | | | | | | |
| Term bonds | <u>1,17,200</u> | 8.0-8.375% | 11-01-91 | <u>28,185</u> | | <u>8,185</u> | <u>17,900</u> |

(Continued)

| | Amount | Interest Rate | Maturity Date | Outstanding March 31, 1997 | Book Value | Book Value | Outstanding March 31, 1997 |
|------------------------------------|------------------------|---------------|---------------|----------------------------|--------------|---------------------|----------------------------|
| | | | | | (Book) | (Face) | |
| 1992 Series C-1 Issue: | | | | | | | |
| Term bonds | <u>\$26,000</u> | 7.85-7.95% | 11-01-93 | <u>\$ 23,183</u> | _____ | <u>\$1,418</u> | <u>\$ 26,000</u> |
| 1991 MBLMCO: | | | | | | | |
| A-1 | \$28,480 | 6.375 % | 09-15-95 | 8,183 | _____ | 4,154 | 3,767 |
| A-2 | 4,000 | 7.5 % | 01-15-96 | 4,000 | _____ | _____ | 4,000 |
| A-3 | 11,915 | 7.5 % | 09-15-99 | 12,913 | _____ | _____ | 11,915 |
| A-4 | 800 | 7.5 % | 03-15-90 | 800 | _____ | _____ | 800 |
| A-5 | <u>1,200</u> | 8.180 % | 09-15-94 | <u>1,508</u> | _____ | _____ | <u>1,200</u> |
| Total | <u>\$48,695</u> | | | <u>28,318</u> | _____ | <u>4,154</u> | <u>27,982</u> |
| 1991 Series A Issue: | | | | | | | |
| Serial bonds | \$ 1,200 | 4.75-6.40% | 09-01-94 | 1,700 | _____ | 155 | 1,465 |
| Term bonds | <u>11,320</u> | 4.25-6.80% | 09-01-93 | <u>9,552</u> | _____ | <u>368</u> | <u>1,200</u> |
| Total | <u>\$12,520</u> | | | <u>11,252</u> | _____ | <u>493</u> | <u>16,730</u> |
| Outstanding Series of 1992: | | | | | | | |
| Serial bonds | \$11,700 | 5.0-6.0% | 07-15-93 | 8,945 | _____ | 2,908 | 6,440 |
| Term bonds | <u>21,441</u> | 6.25 % | 01-15-91 | <u>50,445</u> | _____ | _____ | <u>21,441</u> |
| Total | <u>\$33,141</u> | | | <u>60,390</u> | _____ | <u>2,908</u> | <u>27,881</u> |
| 1991 Series A Issue: | | | | | | | |
| Term bonds | \$ 1,200 | 4.0 % | 03-01-93 | 365 | _____ | 365 | _____ |
| Term bonds | 4,000 | 7.0 % | 03-01-94 | 4,000 | _____ | 235 | 4,415 |
| Term bonds | <u>80</u> | 7.0 % | 03-01-94 | <u>80</u> | _____ | _____ | <u>80</u> |
| Total | <u>\$ 5,278</u> | | | <u>7,415</u> | _____ | <u>600</u> | <u>4,933</u> |
| 1994 Series A Issue: | | | | | | | |
| Term bonds | <u>\$ 1,141</u> | 8.12% | 06-01-99 | <u>1,141</u> | _____ | _____ | <u>1,141</u> |
| 1991 Series A Issue: | | | | | | | |
| Serial bonds | 1,833 | 4.2-5.5% | 11/9/90 | 5,815 | _____ | _____ | 1,833 |
| Term bonds | 1,403 | 6.20% | 6/9/93 | 2,418 | _____ | _____ | 1,403 |
| Term bonds | 3,000 | 6.10% | 6/9/92 | 5,000 | _____ | _____ | 3,000 |
| Term bonds | 4,000 | 6.85% | 6/9/94 | 4,000 | _____ | _____ | 4,000 |
| Term bonds | <u>8,750</u> | 6.80% | 6/9/93 | <u>8,750</u> | _____ | _____ | <u>8,750</u> |
| Total | <u>\$29,000</u> | | | <u>26,883</u> | _____ | _____ | <u>29,000</u> |

(Continued)

| | Issued | Interest Rate | Maturity Date | Outstanding March 31, 1997 | Bonds Issued | Bonds Retired | Outstanding March 31, 1997 |
|---|------------------|---------------|---------------|----------------------------|-------------------|------------------|----------------------------|
| 1997 Series A&B Issue: | | | | | | | |
| Serial bonds | \$ 6,500 | 4.35-5.70% | 12/1/98 | | \$ 6,500 | | \$ 6,500 |
| Term bonds | 3,900 | 6.80% | 12/1/21 | | 3,900 | | 3,900 |
| Term bonds | 8,800 | 6.00% | 12/1/29 | | 8,800 | | 8,800 |
| Term bonds | 1,800 | 5.75% | 12/1/30 | | 1,800 | | 1,800 |
| Term bonds | 3,470 | 5.25% | 12/1/30 | | 3,470 | | 3,470 |
| Term bonds | 2,500 | 5.90% | 12/1/30 | | 2,500 | | 2,500 |
| Total | \$ 28,870 | | | | 29,870 | | 29,870 |
| Refunding Series of 1997 | | | | | | | |
| | \$ 2,820 | Varies | 12/1/97 | | 2,820 | | 2,820 |
| Unamortized discount on 1987 Series A bonds | | | | | | | |
| | | | | (84) | | 84 | (79) |
| Unamortized discount on 1991 MRCMO | | | | | | | |
| | | | | (2,815) | | (211) | (1,954) |
| Unamortized discount on Refunding Series of 1992 | | | | | | | |
| | | | | (1,179) | | (80) | (1,009) |
| Unamortized premium on 1993 Series A bonds | | | | | | | |
| | | | | 480 | | 24 | 506 |
| Total | | | | \$ 238,213 | \$ 232,715 | \$ 34,593 | \$ 248,548 |

Additional information pertaining to the foregoing bonds is as follows:

SINGLE FAMILY

All the single family bonds issued through 1985 are secured by and payable solely from bond proceeds, revenues and other amounts derived by the Authority from the mortgage loans acquired with bond proceeds and from certain reserve funds.

1997 Series A Issue

Interest on the compound interest bonds is payable at maturity or upon redemption. The serial bonds mature semi-annually and are payable on April 1 and October 1 of each year.

The compound interest term bonds mature on October 1, 2015, and bear interest payable at maturity or upon redemption in amounts as set forth in the form of each such compound interest bond. The bonds are also subject to mandatory redemption under certain conditions.

1985 Series A Issue

Interest on the compound interest bonds is payable at maturity or upon redemption. The serial bonds mature in amounts ranging from \$135,000 to \$58,000 (plus interest) from the year 1997 through September 15, 2007.

The compound interest term bonds bear interest at the rate of 11.87% per annum, payable at maturity or upon redemption. Compounded amounts corresponding to the principal amounts ranging from \$17,000 to \$21,000 (plus interest) are required as sinking fund redemptions on March 15 and September 15 of each year from the year 2008 through September 15, 2016. The bonds are also subject to mandatory redemption under certain conditions.

1987 Series A Issue

Interest on the serial and term bonds is payable semi-annually on April and October 1 of each year. The serial bonds mature semi-annually and are payable on April and October 1 of each year in amounts ranging from approximately \$268,000 to \$300,000 through October 1, 1999.

The term bonds require sinking fund redemptions to be made on April and October of each year from the year 2000 through 2018 in amounts ranging from \$118,000 to \$1,344,000. These bonds are subject to redemption at the option of the issuer on or after October 1, 1997, at redemption prices ranging from 105% to 108%. The bonds are also subject to mandatory redemption under certain conditions. The Authority anticipates redeeming substantially all of these bonds on October 1, 1997. A loss of approximately \$1,300,000 will be incurred if these bonds are paid off as of October 1, 1997. This loss includes a 3% redemption premium and the writeoff of unamortized bond insurance costs.

In September of 1995, the Authority restructured a portion of the 1987 Series A Issue revenue securities. This option restructuring was prompted by a favorable shift in interest rates due to current market conditions. As a result, the proceeds from the sale of the reissued securities were significantly greater than the cost of the existing securities. The Authority realized a gain on sale of investments of \$1,655,000 from this transaction.

1988 Series A Issue

These bonds are secured by and payable solely from bond proceeds, revenues, GNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA. Interest on the serial and term bonds is payable semi-annually on June 1 and December 1 of each year. The serial bonds mature semi-annually and are payable on June 1 and December 1 of each year in amounts ranging from approximately \$150,000 to \$250,000 through December 1, 2008.

The term bonds require sinking fund redemptions to be made on June 1 and December 1 of each year from the year 2009 through 2019 in amounts ranging from \$236,000 to \$1,344,000. These bonds are subject to redemption at the option of the issuer on or after June 1, 1998, at redemption prices ranging from 103% to 108%. The bonds are also subject to mandatory redemption under certain conditions.

1988 Series B-1 Issue

These bonds are secured by and payable solely from bond proceeds, revenues, GNMA certificates and other amounts derived by the Authority from this issue and certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA. Interest on the bonds is payable semi-annually on June 1 and December 1 of each year.

The term bonds require sinking fund redemptions to be made semi-annually on January 15 and July 15 from the year 2001 through 2011 in amounts ranging from \$145,000 to \$210,000 with the unpaid balance of \$48,500,000 due January 15, 2011. These bonds are not subject to redemption prior to their stated maturity.

1993 Series A Issue

Interest on the bonds is payable semi-annually on May 1 and November 1. The bonds require sinking fund redemptions to be made on May 1 and November 1 of each year from the year 1994 through 2004 in amounts ranging from \$45,000 to \$215,000. All bonds are subject to redemption at the option of the issuer on or after November 1, 2000.

1994 Series A Issue

These bonds are secured by a residual interest in the assets of the 1994 Series. Interest on the bonds is compounded semi-annually on April 1 and October 1 of each year commencing on April 1, 1993, and is payable at maturity or upon redemption. The bonds are subject to mandatory redemption prior to their stated maturity, in whole or in part on any interest accrual date, at a redemption price equal to 100% of the accreted value of the bonds to be redeemed on the date fixed for redemption, without premium.

All bonds are subject to redemption at the option of the issuer, on or after October 1, 2004, at redemption prices ranging from 102% to 108% of the accreted value of the bonds to be redeemed.

1995 Series A Issue

During 1995, the Authority issued \$29,000,000 of Single Family Mortgage Revenue Bonds Series 1995A. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from \$180,000 to \$135,000 beginning December 1, 1998 through December 1, 2010.

The term bonds require sinking fund redemptions to be made on June 1 and December 1 of each year from the year 2000 through 2020 in amounts ranging from \$115,000 to \$1,100,000. These bonds are subject to redemption at the option of the issuer on or after June 1, 1998 at a redemption price of 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

In 1996 the Authority received a \$100,000 grant to pay for a portion of the bond issuance costs which amount was used to reduce bond issuance costs shown in the balance sheet.

1996 Series A&B Issue

During 1996, the Authority issued \$29,190,000 of Single Family Mortgage Revenue Bonds Series 1996 A&B. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from \$400,000 to \$710,000 beginning December 1, 1999 through December 1, 2010.

The term bonds require sinking fund redemptions to be made on June 1 and December 1 of each year from the year 2011 through 2029 in amounts ranging from \$288,000 to \$975,000. These bonds are subject to redemptions at the option of the issuer on or after December 1, 2006 at redemption prices ranging from 101% to 105% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

Refunding Series of 1997

During 1997, the Authority issued \$2,030,000 of refunding bonds with an interest rate which fluctuates monthly based on an index. These bonds are expected to be completed prior to December 31, 1997.

6. COMMITMENTS AND CONTINGENCIES - SINGLE FAMILY PROGRAM FUNDS

The accompanying balance sheet does not include approximately \$100,000 at March 31, 1997, which is held in escrow by the servicers for the account of borrowers for the payment of taxes and insurance.

7. CONTRACTS WITH THE CITY OF NEW ORLEANS

During the year ended March 31, 1996, the Authority entered into contracts with the City of New Orleans to provide administrative and other services on a cost reimbursement basis.

A total of approximately \$1,300,000 was received and \$1,200,000 was expended on these contracts in the year ended March 31, 1996. These expenditures included a \$125,000 management fee to the Operating Fund and a \$300,000 reimbursement of bond insurance costs in connection with the 1995 Series A issue.

A total of approximately \$1,150,000 was received and \$1,050,000 was expended on this contract in the year ended March 31, 1997. These expenditures included a \$100,000 management fee to the Operating Fund and \$750,000 of loans whose ownership is vested in the grantor. The \$80,000 of cash and the \$230,000 discounted present value of these loans has been included in loans on the balance sheets of the NOLANA Development Corporation and Unrestricted Funds. An equivalent amount of \$210,000 has been included in other liabilities since these assets are not available to the Authority for its general use.

During the years ended March 31, 1997 and 1996, the Authority had other contracts with the City of New Orleans to provide fund disbursement and other services on a cost reimbursement basis. Fees earned for these services are recorded in the Unrestricted fund.

NEW ORLEANS HOME MORTGAGE AUTHORITY

SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENSES - OPERATING FUND YEAR ENDED MARCH 31, 1997

| | |
|-------------------------------------|-------------------------|
| Salaries | \$283,674 |
| Payroll taxes | 28,474 |
| Health insurance | 18,308 |
| Worker's compensation | 3,468 |
| Fidelity insurance | 932 |
| Telephone | 15,835 |
| Accounting and auditing | 44,608 |
| Accounting software and supplies | 33,917 |
| Advertising | 4,452 |
| Auto allowances | 7,150 |
| Postage and freight | 4,371 |
| Cleaning | 6,081 |
| Office supplies | 8,626 |
| Printing and reproduction | 15,513 |
| Utilities | 8,627 |
| Refreshments | 3,368 |
| Books, subscriptions and books | 6,494 |
| Travel and entertainment | 3,291 |
| Depreciation | 10,829 |
| Equipment leasing | 4,588 |
| Maintenance | 6,109 |
| Building insurance | 4,913 |
| Conferences | 4,361 |
| Temporary labor | 9,214 |
| Repairs | 6,784 |
| Bank charges | 1,627 |
| Rentals | 650 |
| Continuing education and travel | 7,142 |
| Per diem and expense reimbursements | 16,453 |
| Board meeting expense | 3,744 |
| Equipment | 4,989 |
| Other professional fees | 18,315 |
| Furniture and fixtures | 1,745 |
| Printing | <u>13,638</u> |
| TOTAL | <u>\$602,832</u> |

NEW ORLEANS HOME MORTGAGE AUTHORITY

SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENSES -

SINGLE FAMILY PROGRAM FUNDS

YEAR ENDED MARCH 31, 1987 (WITH COMPARATIVE TOTALS FOR MARCH 31, 1986)

(BY THOUSANDS)

| | Series A of 1984 | Series A of 1985 | Series A of 1987 | Series A of 1988 | Series B-1 of 1988 | Single Series C-1 of 1988 |
|---|---------------------|---------------------|---------------------|---------------------|-----------------------|---------------------------------|
| Insurance | \$ 21 | \$ 10 | 8 | 8 | 8 | 8 |
| Mortgage loan administrator and accounting fees | | 3 | | | | |
| Professional fees - legal, auditing, and marketing | | 4 | | | 3 | 3 |
| Services' fees | 10 | 11 | | | | |
| Treasury fee | | 8 | 7 | 6 | 4 | 3 |
| Other | — | — | — | — | 3 | — |
| TOTAL | <u>\$ 31</u> | <u>\$ 41</u> | <u>\$ 7</u> | <u>\$ 6</u> | <u>\$ 8</u> | <u>\$ 4</u> |

| Family Program Funds | | | | | | | Totals | |
|----------------------|---------------------|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------------|---------------|
| MRCMO of 1991 | Series A of 1991 | Refunding Series A of 1992 | Series A of 1993 | Series A of 1994 | Series A of 1995 | Series A of 1996 | (Memorandum Only) 1997 | 1998 |
| \$ | \$ | \$ | \$ 1 | \$ | \$ | \$ | \$ 36 | \$ 68 |
| | | | 8 | | | | 48 | 81 |
| | 3 | | 3 | | | | 14 | 15 |
| 100 | | | 29 | | | | 148 | 167 |
| 9 | 4 | 15 | 6 | | 6 | 6 | 73 | 84 |
| ----- | ----- | ----- | ----- | 10 | 36 | ----- | 47 | 35 |
| <u>\$ 148</u> | <u>\$ 7</u> | <u>\$ 15</u> | <u>\$ 38</u> | <u>\$ 10</u> | <u>\$ 36</u> | <u>\$ 6</u> | <u>\$ 148</u> | <u>\$ 245</u> |

NEW ORLEANS HOME MORTGAGE AUTHORITY

SUPPLEMENTAL SCHEDULE OF OPERATING TRANSFERS YEAR ENDED MARCH 31, 1997 (IN THOUSANDS)

| Transfers To or From | | Operating Transfers In | Operating Transfers Out |
|---|--------------------------------|------------------------------|-------------------------------|
| UNRESTRICTED FUND | | | |
| Single Family: 1996 Refunding NOHMA Developmental Corp. | | \$ - - | \$ - 100 |
| | | <u>\$ -</u> | <u>\$ 100</u> |
| Net Operating Transfers | | <u>\$ 100</u> | |
| OPERATING FUND | | | |
| Single Family: Series B-1 of 1988 Series C-1 of 1988 Series A of 1991 MRCMO of 1993 Series A of 1995 | | \$ 2 4 5 375 32 | \$ - - - - - |
| | | <u>\$ 418</u> | <u>\$ -</u> |
| Net Operating Transfers | | <u>\$ 418</u> | |
| NOHMA DEVELOPMENT CORPORATION | | | |
| Unrestricted Fund | | <u>\$ 180</u> | |
| SINGLE FAMILY PROGRAM FUNDS | | | |
| Series B-1 of 1988 | Operating Fund | \$ - | \$ 2 |
| Series C-1 of 1988 | Operating Fund | - | 4 |
| 1996 Refunding | Unrestricted | - | - |
| Series A of 1991 | Operating Fund | - | 5 |
| MRCMO of 1993 | Operating Fund | - | 375 |
| Series A of 1994 | Series A of 1994 | - | 352 |
| Series A of 1994 | Single Family Series A of 1994 | 392 | - |
| Series A of 1995 | Operating Fund | - | 32 |
| | | <u>\$ 392</u> | <u>\$ 778</u> |
| Net Operating Transfers | | | <u>\$ 618</u> |

NEW ORLEANS HOME MORTGAGE AUTHORITY

SUPPLEMENTAL SCHEDULE OF COMPENSATION PAID TO MEMBERS OF THE BOARD OF TRUSTEES YEAR ENDED MARCH 31, 1997

| | |
|-----------------------|-----------------|
| O. Wade Wooten | \$ 1,650 |
| Charles H. Brown | 2,000 |
| Gary Clark | 1,500 |
| Arnold Goldberg | 1,500 |
| Kenn Boco | 2,800 |
| Joseph C. Pruitt, Jr. | 300 |
| Guy T. Williams | <u>1,200</u> |
| TOTAL | <u>\$11,100</u> |

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

The Board of Trustees of the
New Orleans Home Mortgage Authority:

We have audited the financial statements of the New Orleans Home Mortgage Authority (the "Authority") as of and for the year ended March 31, 1997, and have issued our report thereon dated September 12, 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. These 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 March 31, 1997 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.

However, we noted other matters involving the internal control structure and its operation that we will report to management of the New Orleans Home Mortgage Authority in a separate letter dated September 12, 1997.

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 reportable 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. However, 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 the members of the Board of Trustees, management, and others within the Authority, and officials of the Louisiana Legislative Auditor's Office. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

Bruno & Servatky

New Orleans, Louisiana
September 12, 1997

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

The Board of Trustees of the
New Orleans Home Mortgage Authority:

We have audited the financial statements of the New Orleans Home Mortgage Authority (the "Authority") as of March 31, 1997 and for the year then ended, and have issued our report thereon dated September 12, 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 management 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 the members of the Board of Trustees, management, and others within the Authority, and officials of the Louisiana Legislative Auditor's Office. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

Bruno & Tervalon

New Orleans, Louisiana
September 12, 1997

September 13, 1999

Members of the Board of Trustees of the
New Orleans Home Mortgage Authority:

Dear Members of the Board:

In planning and performing our audit of the financial statements of the New Orleans Home Mortgage Authority (the "Authority") for the year ending March 31, 1999, we developed the following recommendations concerning certain matters related to its internal control structure and certain observations and recommendations on other accounting, administrative and operating matters. A full description of the responsibility of management for establishing and maintaining an internal control structure, and the objectives of and inherent limitations in such a structure, is set forth in the attached Appendix, and should be read in conjunction with this letter. Our comments are presented in the Exhibit

This report is intended for the information of the Board of Trustees, management, and the State of Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Yours truly,

Deloitte & Touche LLP

Bruno & Tervalat

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EXHIBIT

YEAR 2000

Observation and Recommendation

The approach of the year 2000 presents significant issues for many financial, information, and operational systems. Many systems in use today may not be able to interpret data after December 31, 1999 appropriately, because such systems allow only two digits to indicate the year in a date. As a result, such systems are unable to distinguish January 1, 2000 from January 1, 1900, which could have adverse consequences on the operations of the entity and the integrity of information processing, raising safety, operational, and financial issues.

Our audit of the Authority's financial statements for the year ended March 31, 1997, does not provide any assurance that the Authority's systems are year 2000 compliant. In addition, we were not engaged to perform, nor did we perform, any procedures to test whether the Authority's systems are year 2000 compliant or whether the plans and activities of the Authority are sufficient to address and correct system or any other problems that might arise because of the year 2000. Accordingly, we do not express any opinion or provide any other assurances regarding the year 2000. We recommend that management insure that the Authority's systems are year 2000 compliant.

Management's Response

We will perform a review of all of the Authority's systems and contact our software vendors to insure that our systems are year 2000 compliant.

TIMELINESS OF CLOSING OF ACCOUNTING RECORDS

Observation and Recommendation

The accounting records of certain of the Authority's funds were not periodically (monthly, quarterly or annually) closed in what would be considered a timely basis. The Authority did not therefore have an opportunity to properly reconcile certain of the subsidiary records such as lease receivable, other real estate, bonds payable and accrued interest payable to the general ledger amounts and make appropriate adjustments prior to commencement of our audit. Among other adjustments not made, were appropriate adjustments to record the reparation of real estate and its ultimate sale. We recommend that the Authority set an appropriate timetable for the periodic closing of all of the funds books and the reconciliation of subsidiary records to the general ledgers and the recording of appropriate adjustments.

Management's Response

The Authority was delayed in the timely closing of certain of the funds accounting records due to many factors including additional responsibilities that the Authority assumed during the year under audit. The Authority will insure that these accounting records are periodically closed on a timely basis, that all significant subsidiary records are reconciled to the general ledgers and appropriate adjustments are made prior to commencement of the audit of our March 31, 1998 financial statements.

CONTRACT WITH NEW ORLEANS REDEVELOPMENT AUTHORITY (NORA)

Observation and Recommendation

The Authority serves as the managing agent for NORA. We have been informed by the Authority's management that in connection with NORA's 1994 audit, certain comments may be made by the auditors of NORA regarding reportable conditions and findings related to management functions of NORA. These comments relate to financial reporting, accounting procedures and compliance matters. We recommend that the Authority resolve these issues as soon as possible in order to mitigate any potential exposure to the Authority.

Management's Response

The Authority is in the process of resolving these issues.

STATUS OF PRIOR YEAR'S FINDINGS

INTEREST AND OTHER ACCRUALS

See comments in our current year's finding under the heading "Timeliness of Closings of Accounting Records."

NEW ACCOUNTING SOFTWARE

The Authority implemented the prior year's finding regarding taking advantage of various training programs. Although not a current year finding, the Authority should continue its training program.

APPENDIX

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, THE INTERNAL CONTROL STRUCTURE

The following statements concerning management's responsibility for the internal control structure and the objectives of and the inherent limitations to the internal control structure are adapted from the Statements on Auditing Standards of the American Institute of Certified Public Accountants.

Management's Responsibility

Management 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 policies and procedures.

Objectives

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 recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Limitations

Because of inherent limitations in any internal control structure, errors or irregularities may 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.

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NEW ORLEANS HOME MORTGAGE AUTHORITY

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED MARCH 31, 1997

TABLE OF CONTENTS

| | PAGE |
|---|------|
| INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE | 3 |
| SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE | 3 |
| NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE ... | 4 |
| INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 4 |
| INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS | 9 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 13 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS | 15 |

TABLE OF CONTENTS, CONTINUED

| | PAGE |
|--|------|
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS | 17 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS | 19 |
| SCHEDULE OF PRIOR FINDINGS AND RECOMMENDATIONS | 24 |
| EXIT CONFERENCE | 25 |

**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF
FEDERAL FINANCIAL ASSISTANCE**

To the Board of Trustees
New Orleans Home Mortgage Authority

We have audited the schedule of Federal Financial Assistance of the New Orleans Home Mortgage Authority (NOHMA) for the year ended March 31, 1997. The Schedule of Federal Financial Assistance is the responsibility of the management of NOHMA. Our responsibility is to express an opinion on the Schedule of Federal Financial Assistance based on our audit. The accompanying Schedule of Federal Financial Assistance is not a part of NOHMA's general purpose financial statements for the year ended March 31, 1997. The general purpose financial statements were audited by another independent auditor and us.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and the provisions of OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of Federal Financial Assistance is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Federal Financial Assistance. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule of Federal Financial Assistance. We believe that our audit provides a reasonable basis for our opinion.

**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF
FEDERAL FINANCIAL ASSISTANCE**
(CONTINUED)

To the Board of Trustees
New Orleans Home Mortgage Authority
Page 2

In our opinion, the accompanying Schedule of Federal Financial Assistance of the New Orleans Home Mortgage Authority presents fairly in all material respects, the Federal financial assistance expenditures for the year ended March 31, 1997, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 25, 1997 on our consideration of the New Orleans Home Mortgage Authority's internal control structure and a report dated September 25, 1997 on its compliance with laws and regulations.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

September 25, 1997

Bruno

CERTIFIED PUBLIC ACCOUNTANTS

& Tervalon

NEW ORLEANS HOME MORTGAGE AUTHORITY
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED MARCH 31, 1997

| | CFDA NUMBER | CONTRACT PERIOD | GRANT APPROPRIATION |
|---|----------------|-----------------------|------------------------|
| 20105 FEDERAL PROGRAMS | | | |
| Flowed through the City of New Orleans: | | | |
| Department of Housing and Urban Development Community Development Block Grant | 14.228 | 04/01/94- 12/31/97 | \$ 893,187 |
| 20505-08 FEDERAL PROGRAMS | | | |
| Flowed through the City of New Orleans: | | | |
| Department of Housing and Urban Development Development Home Grant | 14.229 | 05/01/95- 12/31/97 | 86,889 |
| OTHER ECONOMIC ASSISTANCE | | | |
| Neighborhood Housing Improvement Fund (City of New Orleans) | | 04/01/94- 12/31/97 | 674,323 |
| TOTAL FEDERAL AND OTHER ASSISTANCE | | | <u>\$1,448,323</u> |

See the accompanying Notes to the Schedule of Federal Financial Assistance.

NEW ORLEANS HOME MORTGAGE AUTHORITY
NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

NOTE 1 - Organization:

The New Orleans Home Mortgage Authority (NOHMA) is a public trust created by a trust indenture dated October 11, 1978, pursuant to Chapter 3A of Title 9 of the Louisiana Revised Statutes of 1950, as amended. NOHMA was created to provide funds, through the issuance of bonds, to promote the development of residential housing (single or multi-family dwellings) in the city of New Orleans, Louisiana, for persons of low or moderate income. In accordance with the respective indentures, the proceeds from the single family bond issued are used to acquire mortgage notes and mortgage-backed securities. On May 1, 1980, NOHMA entered into agreements with the City of New Orleans to establish the New Orleans Home Mortgage Authority Impact Neighborhood Strategy, CDF 10-018 (98)CD Budget Code 7428, Code 7828 and 7831 to provide decent, safe and sanitary housing and to increase homeownership to lower and middle income individuals.

**NOTE 2 - Purpose of the Schedule of Federal
Financial Assistance _____:**

The schedule of Federal Financial Assistance has been prepared for the purpose of complying with the terms and conditions of the Community Development Block Grant and Home Grant from the U.S. Department of Housing and Urban Development, and the Neighborhood Housing Improvement Fund Grant from the City of New Orleans.

NOTE 3 - Basis of Accounting:

The schedule of Federal Financial Assistance has been prepared on the accrual basis of Accounting. However, the schedule presents only a selected portion of the activities of NOHMA, and is not intended to and does not present either the financial position, changes in fund balances, or the revenues, expenses and transfers of NOHMA.

NEW ORLEANS HOME MORTGAGE AUTHORITY
NOTE TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
(CONTINUED)

NOTE 4 - Accounting Estimates:

The preparation of the Schedule of Federal Financial Assistance in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of grant revenues and expenditures during the reporting period. Actual results could differ from these estimates.

NOTE 5 - Contingency:

NOHMA is a recipient of federal and city grants. These grants are governed by various federal, state and local guidelines, regulations and contractual agreements.

The administration of this program funded by these grants and awards is under the control of NOHMA and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found to be not properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

NOTE 6 - Loan Program:

During the year ended March 31, 1997, NOHMA expended \$693,187 of the CDBG contract to provide second mortgage loans to individuals who qualify as low and moderate income persons. The loans are not payable until the earlier of the date the borrower sells or disposes of the property, or in thirty years. No interest accrues on the note, unless the property is sold to a purchaser who is not low-income, interest in that case accrues at 4%.

Ownership of the loans is vested in the grantor. Repayments are restricted and must be recycled back into the loan program.

& Tervalon

MEMBER OF PRICE WATERHOUSE COOPERS
AND LYONS LLP
MEMBER OF PRICE WATERHOUSE COOPERS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF THE
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
New Orleans Home Mortgage Authority

We have audited the Schedule of Federal Financial Assistance of the New Orleans Home Mortgage Authority (NOHMA) for the year ended March 31, 1997 and have issued our report thereon dated September 26, 1997. The general purpose financial statements of NOHMA were audited by another independent auditor and us.

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 Schedule of Federal Financial Assistance for NOHMA is free of material misstatement.

The management of NOHMA is responsible for establishing and maintaining an 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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF THE
SCHEDULE OF THE FEDERAL FINANCIAL ASSISTANCE
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

the Schedule of Federal Financial Assistance 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 Schedule of Federal Financial Assistance for the year ended March 31, 1987, 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 Schedule of Federal Financial Assistance 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 internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the Schedule of Federal Financial Assistance 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.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF THE
SCHEDULE OF THE FEDERAL FINANCIAL ASSISTANCE
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

however, we noted certain matters involving the internal control structure and its operation that we have reported to the management of NCHMA, in separate letter dated September 25, 1997.

This report is intended for the information of the management of NCHMA and funding agencies. This restriction is not intended to limit the distribution of this report, which upon acceptance by NCHMA is a matter of public record.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

September 25, 1997

Bruno

CERTIFIED PUBLIC ACCOUNTANTS

& Tervalon

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Trustees
New Orleans Home Mortgage Authority

We have audited the Schedule of Federal Financial Assistance of the New Orleans Home Mortgage Authority (NOHMA) for the year ended March 31, 1997, and have issued our report thereon dated September 25, 1997. We have also audited the compliance of NOHMA with requirements applicable to a major federal financial assistance program and have issued our report thereon dated September 25, 1997. The audit of the general purpose financial statements were audited by another independent auditor and us.

We conducted our audits in accordance with generally accepted auditing standards, government auditing standards, issued by the Comptroller General of the United States, and OMB Circular A-136. Those standards and the provisions of OMB Circular A-136 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Federal Financial Assistance is free of material misstatement and about whether NOHMA complied with laws and regulations, noncompliance with which would be material to major federal financial assistance programs.

In planning and performing our audits for the year ended March 31, 1997, we considered NOHMA's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the organization's Schedule of Federal Financial Assistance and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-136.

This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the Schedule of Federal Financial Assistance in a separate report dated September 25, 1997.

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS
(CONTINUED)

The management of NORMA is responsible for establishing and maintaining an 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, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the Schedule of Federal Financial Assistance in accordance with generally accepted accounting principles and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities or instances of noncompliance 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.

For the purpose of this report, we have classified the significant internal control structure policies and procedures into the following categories:

Internal Control Structure Categories

- | | |
|-------------------------------|-----------------------------------|
| o Reversion | o Cash Disbursements |
| o Receivables | o Civil Rights |
| o Cash Receipts | o Political Activities |
| o Eligibility | o Drug-Free Workplace |
| o Administrative Requirements | o Allowable Costs/Cost Principles |

For all of the internal control structure categories listed above, 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.

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

(CONTINUED)

During the year ended March 31, 1997, NCHMA expended 98 percent (90%) of its total federal awards under the major federal financial assistance program (U.S. Department of HUD--Community Development Block Grant).

We performed tests of controls, as required by OMB Circular A-134, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we have considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to NCHMA's major federal financial assistance program which is identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute 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 internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program 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 operations that we consider to be material weaknesses as defined above.

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

[CONTINUED]

This report is intended for the information of the management of
NORMA and funding agencies. This restriction is not intended to
limit the distribution of this report, which upon acceptance by
NORMA is a matter of public record.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

September 25, 1997

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF THE
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
New Orleans Home Mortgage Authority

We have audited the Schedule of Federal Financial Assistance of the New Orleans Home Mortgage Authority (NOHMA) for the year ended March 31, 1997 and have issued our report thereon dated September 26, 1997. The general purpose financial statements of NOHMA were audited by another independent auditor and us.

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 Schedule of Federal Financial Assistance is free of material misstatement.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF THE
SCHEMULE OF FEDERAL FINANCIAL ASSISTANCE
PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

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

This report is intended for the information of management of NCHRA and funding agencies. This restriction is not intended to limit the distribution of this report, which upon acceptance by NCHRA is a matter of public record.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

September 20, 1997

& Tervalon

INCORPORATED IN MISSISSIPPI
500 PINE STREET, SUITE 200
NEW ORLEANS, LOUISIANA 70119

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE
TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Trustees
New Orleans Home Mortgage Authority

We have audited the schedule of Federal Financial Assistance of the New Orleans Home Mortgage Authority (NOHMA) for the year ended March 31, 1997, and have issued our Report Thereon dated September 25, 1997. The general purpose financial statements were audited by another independent auditor and us.

We have applied procedures to test NOHMA's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance for the year ended March 31, 1997:

General Requirements

- | | |
|-----------------------------------|-------------------------------|
| • Political Activity | • Civil Rights |
| • Allowable Costs/Cost Principles | • Drug Free Workplace Act |
| | • Administrative Requirements |

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on NOHMA's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE
TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS
(CONTINUED)

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that ~~HOHMA~~ had not complied, in all material respects, with those requirements.

This report is intended for the information of the management of ~~HOHMA~~ and funding agencies. This restriction is not intended to limit the distribution of this report, which upon acceptance by ~~HOHMA~~ is a matter of public record.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

September 25, 1987

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Board of Trustees
New Orleans Home Mortgage Authority

We have audited the Schedule of Federal Financial Assistance of the New Orleans Home Mortgage Authority (NOHMA) for the year ended March 31, 1997, and have issued our report thereon dated September 25, 1997. The general purpose financial statements of NOHMA were audited by another independent auditor and are

We have also audited NOHMA's compliance with the requirements governing types of services allowed or excluded; eligibility; matching; level of effort, or earmarking; reporting; claims for advances and reimbursements; and accounts claimed or used for matching that are applicable to its major Federal financial assistance program which is identified in the accompanying Schedule of Federal Financial Assistance for the year ended March 31, 1997. The management of NOHMA is responsible for NOHMA's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards: Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about NOHMA's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS
(CONTINUED)

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

In our opinion, NCRMA complied, in all material respects, with the specific requirements referred to previously that are applicable to its major federal program for the year ended March 31, 1997.

This report is intended for the information of the management of NCRMA and funding agencies. This restriction is not intended to limit the distribution of this report, which upon acceptance by NCRMA is a matter of public record.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

September 25, 1997

& Tervalon

MICHAEL E. TIVALON, CPA
400 PINE STREET, SUITE 1000
NEW ORLEANS, LOUISIANA 70119

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO HOUSING
FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

To the Board of Trustees
New Orleans Home Mortgage Authority

We have audited the Schedule of Federal Financial Assistance of the New Orleans Home Mortgage Authority (NOHMA) for the year ended March 31, 1997, and have issued our report thereon dated September 26, 1997. The general purpose financial statements were audited by another independent auditor and us.

In connection with our audit of the Schedule of Federal Financial Assistance of NOHMA for the year ended March 31, 1997 and with our consideration of NOHMA's internal control structure used to administer federal financial assistance programs, as required by OMB Circular A-128, we selected certain transactions applicable to the major federal financial assistance program for the year ended March 31, 1997. As required by OMB circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed and eligibility that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on NOHMA's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that NOHMA had not complied, in all material respects with these requirements.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS
(CONTINUED)

This report is intended for the information of the management of
NORMA and funding agencies. This restriction is not intended to
limit the distribution of this report, which upon acceptance by
NORMA is a matter of public record.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

September 30, 1997

NEW ORLEANS HOME MORTGAGE AUTHORITY
SCHEDULE OF PRIOR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED MARCH 31, 1997

The prior audit report dated September 25, 1996 contained certain findings. The following schedule is the current status of those findings:

1. SEPARATE BANK ACCOUNTS

| <u>Condition</u> | <u>Resolved</u> | <u>Unresolved</u> |
|--|-----------------|-------------------|
| We noted as a result of our audit procedures, that the ODFG Federal Funds and City MIF Funds were maintained in the same bank account. | X | |

CURRENT STATUS

During the fiscal year, NHOHA opened a separate bank account for ODFG.

NEW ORLEANS HOME MORTGAGE AUTHORITY
SCHEDULE OF FINANCIAL FINDINGS AND RECOMMENDATIONS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 1997

3. DRUG-FREE WORKPLACE ACT

Resolved

Unresolved

Condition

We noted during our audit that NOLMA's Drug-Free Policy did not contain the following required statements:

X

As a condition of employment, the employee will:

- o Abide by the terms of the statement; and
- o Notify the employer in writing of any criminal drug statute conviction for a violation occurring in the workplace no later than five (5) calendar days after such conviction.

CURRENT STATUS

No changes were made to amend the policy to include the above required statements. As such, this finding is not resolved.

NEW ORLEANS HOME MORTGAGE AUTHORITY

EXIT CONFERENCE

An exit conference was held at the New Orleans Home Mortgage Authority to discuss the audit report. This exit conference was attended by:

NEW ORLEANS HOME MORTGAGE AUTHORITY

Mr. Mamishi St. Julien -- Executive Director
Mr. Rodney Lemon -- Chief Financial Officer

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael B. Bruce, CPA -- Managing Partner
Mr. Waldo J. Moret, Jr., CPA -- Partner

This report is intended for the information of the New Orleans Home Mortgage Authority and Board of Trustees. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

September 23, 1997

& Tervalon

MEMBER OF BRUNO LLP
ALICE J. THERIAULT, CPA
DANIELA ROSSI, JR., CPA

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Trustees
New Orleans Home Mortgage Authority

In planning and performing our audit of the schedule of Federal Financial Assistance of the New Orleans's Home Mortgage Authority (NOHMA) for the year ended March 31, 1997, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the Schedule of Federal Financial Assistance, and not to provide assurance on the internal control structure.

While our review of the organization's internal control structure did not disclose any areas which we consider to be material weaknesses or reportable conditions, we would like to take this opportunity to provide the attached comment for your consideration.

We would be pleased to discuss these comments and suggestions in further detail at your convenience.

This report is intended for the information of the management of NOHMA and funding agencies. This restriction is not intended to limit the distribution of this report, which upon acceptance by NOHMA is a matter of public record.



BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

September 26, 1997

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

FINANCIAL REPORTING

Condition

We noted during our audit, that **NOEMA** had not timely reported the transactions which occurred in the new bank account opened for the **CDSS** funds.

Recommendation

In order to ensure adequate internal control over the financial reporting area, we recommend **NOEMA** adhere to its policies regarding financial reporting and prepare its records on a timely basis.

Management's Response

Management has taken note of the recommendation and is adhering to its financial reporting policies to ensure that all reports are prepared in a timely fashion.

RECORD RETENTION

Condition

We observed as a result of our audit procedures, that the cancelled checks from the new **CDSS** account were not available during the audit.

Recommendation

Maintaining security over accounting records is a requirement for providing adequate controls as well as complying with the record retention requirements of governmental grants.

We recommend that **NOEMA** should implement a reliable system for safekeeping of all of its financial records to guard against the possibility of losses that could occur.

Management's Response

The noted checks have since been obtained and are now properly filed and available for inspection.