

**EAST BATON ROUGE MORTGAGE
FINANCE AUTHORITY**

DECEMBER 31, 2013

BATON ROUGE, LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Baton Rouge Mortgage Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities which include each of the individual programs, the unrestricted fund, and the 2013 combined of the East Baton Rouge Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the East Baton Rouge Mortgage Finance Authority as of December 31, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the East Baton Rouge Mortgage Finance Authority's December 31, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As described in Note 12 to the financial statements, in 2013, the East Baton Rouge Mortgage Finance Authority adopted a new accounting standard, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued a report dated June 19, 2014 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Baton Rouge Mortgage Finance Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Hannu J. Bourgeois, CPA

Baton Rouge, Louisiana
June 19, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The Management's Discussion and Analysis ("MD&A") of the East Baton Rouge Mortgage Finance Authority's (the "Authority") financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2013 as well as commentary of general market trends, market conditions and the Authority's mortgage loan origination and mortgage loan payoff history since 2002. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this MD&A in conjunction with the Authority's audited financial statements presented beginning on page 13.

The Authority's basic financial statements include the totals of the similar accounts of each of the Authority's various bond programs and the Unrestricted Fund. Since the assets of each individual bond series are restricted by the respective bond resolution and trust indenture which authorized each bond series, the totaling of the accounts, including the assets therein, is for convenience purposes only and does not indicate that the combined assets are available in any manner other than is provided for in the respective resolutions and indentures relating to each separate bond series. However, for the purpose of this analysis, we will refer to the combined totals in order to assist the reader in understanding the overall financial condition of the Authority.

GENERAL ECONOMIC TRENDS, INTEREST RATE MARKET CONDITIONS, OVERVIEW OF FINANCIAL STATEMENTS, A FINANCIAL ANALYSIS OF THE AUTHORITY, CURRENT ECONOMIC FACTORS, THE AUTHORITY'S 2014 BUDGET AND THE AUTHORITY'S MORTGAGE LENDING PROGRAMS

- Beginning in mid-September 2007 the Federal Reserve Bank (the "Fed"), in response to the turmoil in the "residential sub-prime" mortgage market, reduced the Fed funds target rate with a cut in its Fed funds target rate from 5.00% to 4.75% followed with two (2) more cuts at its subsequent meetings in 2007 and eight (8) more cuts in 2008 to a level of only 0.00% - 0.25%, (an all time historical low) on December 16, 2008, which historical low rate has continued for approximately the last 54 months, an unprecedented length of time without a change to the Fed funds target rate. The Fed funds rate remains at a target rate of 0.00% to 0.25% as of June 1, 2014.
- The financial markets faced several crises beginning in early March, 2008 when the fifth (5th) largest investment banking firm of Bear Stearns & Co. was bailed out from insolvency and almost certain bankruptcy through a Fed assisted buyout by JP Morgan Chase & Co.
- Financial markets deteriorated further in 2008 and reached a crisis point the first two (2) weeks of September 2008 with the takeover by the federal government of both the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corp. ("Freddie Mac") by placing both government sponsored enterprises ("GSE's") into conservatorship. Lehman Brothers & Co., then the world's fourth (4th) largest investment banking firm filed for bankruptcy protection and the Fed led a bailout of American International Group ("AIG"), the world's largest insurance company. Both Fannie Mae and Freddie Mac currently remain in conservatorship by the United States Government.

- The last quarter of 2008 saw unprecedented declines in the equity markets not experienced since the Great Depression. During which time the Fed pumped billions of dollars in the US banking system in order to provide sufficient liquidity to the financial markets.
- In 2008 the subprime residential mortgage loan crisis turned into a panic as most all mortgage related assets not guaranteed by the GSE's suffered massive mark to market losses. The credit markets locked up and more or less stopped functioning.
- A severe banking crisis ensued. Investment and commercial banks, domestically as well as internationally, suffered very significant unrealized losses during a period where the bid side of the credit markets for all practical purposes disappeared. As a result of mark to market accounting rules, many commercial and investment banks teetered on the verge of insolvency from both substantial realized losses as well as unrealized losses in quarter after quarter earnings reports caused by the required write-off of unrealized losses consistent with generally accepted accounting principles.
- The Fed in October, 2008, made substantial purchases of preferred stock of approximately \$250 billion issued by the nine (9) largest national banks as well as many regional banks in an effort to strengthen the capital position of the entire US commercial banking system.
- The Authority sold a \$20 million bond issue in late December, 2007. The Authority utilized a portion of these bond proceeds to originate approximately \$10 million in mortgage loans during the first six (6) months of 2008. The Authority redeemed approximately \$10 million in bonds in June, 2008 as a result of a federal tax requirement.
- The Authority did not issue any bonds in 2008. The Authority did issue bonds in October, 2009 to fund a \$20 million mortgage lending program. Approximately \$10 million of the funds made available were used to originate mortgage loans during 2010. The mortgage interest rate of 5.375% offered on this mortgage lending program became non-competitive as conventional mortgage interest rates fell. As a result approximately \$9.68 million of these funds were redeemed in February 2011.
- The Authority sold \$25 million in bonds on January 12, 2010 with the Government Sponsored Entities (the "GSE's") which bonds were privately placed with the GSE's (pursuant to special congressional legislation authorizing the GSE's to purchase bonds from local and state housing finance agencies such as the Authority). Initially the GSE Bonds were issued at variable short term interest rates convertible at the option of the Authority. The Authority converted the GSE Bonds to a fixed interest rate and locked in a fixed interest rate of 2.32% effective on November 22, 2011.
- The Authority is currently completing a mortgage lending program (the "GSE Mortgage Program") utilizing the GSE bond proceeds.
- The mortgage loan rates on the GSE Mortgage Lending Program range from 3.75% to 4.75% available to first-time homebuyers and includes down payment and closing cost assistance. This assistance is in the form of a soft second mortgage forgivable over a five (5) year period which second mortgage loan has no monthly principal or interest payments required.

FINANCIAL HIGHLIGHTS

2013 Mortgage Loan Principal Paydowns

- As conventional market mortgage loan interest rates began to rise in the late Spring of 2013 the amount of early paydowns declined resulting in \$16.710 million in mortgage loan paydowns in 2013 as compared with \$20.340 million in 2012. (See chart below)

<u>Year Ended December 31</u>	<u>Total Mortgage Payoffs^{*2} (million)</u>	<u>New Mortgage Loan Originations (million)</u>	<u>Net Mortgage Related Assets Increase or Decrease (million)</u>
2002	\$ 57.784	\$ 18.878	\$ (38.906)
2003	74.230	12.463	(61.767)
2004	53.985	22.636	(31.349)
2005	40.069	26.826	(13.243)
2006	25.679	38.946	13.267
2007	24.097	45.749	21.652
2008	21.565	15.192	(6.373)
2009	26.783	3.368	(23.415)
2010	28.716	11.140	(17.576)
2011	19.149	19.301	0.152
2012	20.340	23.270	2.930
2013	16.710	19.851	3.141
Totals	<u>\$ 409.107</u>	<u>\$ 257.620</u>	<u>\$ (151.487)</u>

^{*2} Prepayments of mortgage loans whether from whole mortgage loans or from GNMA, FNMA or FHLMC mortgage backed securities (“MBS”) (which MBS serve as collateral for the Authority’s bonds) are required to be used to retire the same approximate amount of Authority’s bonds prior to their respective stated maturities. This number reflects loans paid in full prior to maturity and regular monthly principal paydowns.

2013 New Mortgage Loan Originations

- The Authority originated \$19.851 million of new mortgage loans during 2013 as compared with \$23.270 million in 2012 and \$19.301 million in 2011. The level of mortgage loan origination activity in 2013 resulted in a net increase of the Authority’s net mortgage related assets by \$3.141 million as compared with a \$2.930 million net increase in 2012. (See above chart for the history of new mortgage loan originations for the last twelve (12) year period.)

2013 Adjusted Net Position

- The Authority's assets exceeded its liabilities at the close of 2013 by \$39.940 million, which represents a \$8.335 million decrease from the 2012 amount of \$48.275 million.
- For the year ended December 31, 2013, the Authority had \$4.810 million in unrealized losses in the Net Increase (Decrease) in the Fair Market Value of Investments.
- Without giving effect to the adjustment for the cumulative unrealized losses in the Net Increase (Decrease) in the Fair Value of Investments the Authority's assets exceeded its liabilities by \$44.750 million in 2013 which represents a decrease of \$6.490 million from the 2012 adjusted amount of \$51.240 million.

2013 Adjusted Operating Revenues

- The Authority's adjusted revenues of \$6.253 million in 2013 (exclusive of the \$4.810 million Net Decrease in the Fair Value of Investments and realized losses of \$673,000 for the year ended December 31, 2013) decreased by \$838,000 as compared to adjusted and restated revenues of \$7.091 million generated in 2012 (exclusive of the Net Decrease in the Fair Value of Investments of \$1.119 million which represented an unrealized loss of \$2.965 million and \$1.846 million in realized gains in 2012) due to the following factors:
- The Authority generated income earned on mortgage loans receivable/mortgage backed securities of \$5.280 million in 2013 as compared with \$5.994 million in 2012 - a decrease of \$714,000.
- The Authority realized a \$153,000 decrease in income earned on other investments from \$840,000 in 2012 to \$687,000 in 2013.
- The Authority's Fee Income in 2013 decreased by \$69,000 in 2013 to \$165,000 from \$234,000 in 2012.
- The Authority has an increase in Other Income of \$98,000 from \$23,000 in 2012 to \$121,000 in 2013.

2013 Operating Expenses

- The Authority's 2013 Total Operating Expenses of \$9.105 million decreased by \$92,000 from 2012 operating expenses of \$9.197 million.
- Interest Expense declined by \$918,000 from \$5.221 million in 2012 to \$4.303 million in 2013.
- The amortization of deferred financing costs has been removed in 2013 and 2012 was adjusted as explained in footnote # 12 due to a change in accounting standards.
- There was an increase in the amortization of DAP/MLAP of \$161,000 in 2013 as compared to 2012.
- There was an increase of \$856,000 in Operating Expenses in 2013 as compared to 2012, almost entirely attributable to an increase of approximately \$672,000 in the amount of grants awarded by the Authority from \$1.542 million in 2012 to \$2.214 million in 2013.

2013 Adjusted Net Operating Income

- The Authority experienced a net operating loss of \$1.734 million in 2013 compared with a \$1.069 million net operating loss in 2012 (excluding the realized and unrealized gains or losses in the Net Increase (Decrease) in the Fair Value of Investments for 2013 and 2012) and adjusting for the non-cash expense item categories of (a) the amortization of deferred financing costs and (b) the amortization of down-payment assistance program and the Authority assistance program costs.

2013 Unrestricted Fund Net Position

- As of December 31, 2013, the Authority had unrestricted net position of \$23.068 million as compared with unrestricted net position of \$28.733 million as of December 31, 2012 representing a decrease of \$5.665 million due primarily to the Net Decrease in the Fair Value of Investments of \$2.813 million in 2013 as compared with the Net Increase in the Fair Value of Investments of \$1.407 million in 2012.

Authority's Bond Credit Ratings

- The Authority has a "Aaa" rating from Moody's Investor Service ("Moody's") on substantially all of its separately secured series of bonds with the exception of Series 2002A-1 and A-2, 2007B, 2009A-1, A-2 and A-3 Bonds which are rated Aa1 on the Series 2002A-1 and A-2 and 2007B Bonds and Baa1 on the 2009A-1, A-2 and A-3 Bonds. These series of Bonds are all rated lower than Aaa solely due solely to the downgrade of the Moody's ratings of various financial institutions respective guaranteed investment agreement providers with which the Authority invests its monthly receipts of mortgage loan principal and interest payments from its mortgage backed securities which serve as collateral for the Authority's Bonds.
- The 2009 GSE Bonds are rated Aa+ by Standard and Poor's Corporation.
- In addition in May 2002, the Authority applied for an issuer rating from Moody's Investor Services ("Moody's"). Moody's awarded the Authority an 'A3' issuer general obligation rating which is the current rating. The Authority issued a series of subordinate bonds in the principal amount of \$2 million as a part of the Series 2009A Bonds on October 27, 2009 secured by the Authority's general obligation pledge of the Authority's unrestricted assets.
- Moody's affirmed the Authority's 'A3' issuer general obligation rating on October, 2012 (which "A3" rating remains the current credit rating) as previously mentioned Moody's included as a part of its rating report certain operating and debt ratios in its rating report.

OVERVIEW OF THE FINANCIAL STATEMENTS

These basic financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements) and the supplemental information.

Basic Financial Statements

The basic financial statements include information on a combined basis for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements include the balance sheets; the statements of revenues, expenses, and changes in net position; and the statements of cash flows.

The balance sheets (pages 13 & 14) present the assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating on an adjusted basis.

The statements of revenues, expenses, and changes in net position (pages 15 & 16) present information showing how the Authority's net position changed as a result of the current year's operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The statements of cash flows (pages 17 - 20) present information showing how the Authority's cash changed as a result of the current year's operations. The combining cash flow statements are prepared using the direct method and include the reconciliation of net income (loss) to net cash provided by (used in) operating activities (indirect method) as required by Statement 34 of the Governmental Accounting Standards Board.

**COMBINED STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2013 AND 2012
(In thousands)**

	<u>2013</u>	<u>Restated 2012</u>	<u>Change from Prior Year</u>
Mortgage backed securities & mortgage loan receivable	\$ 97,410	\$ 112,729	\$ (15,319)
Guaranteed investment contracts and investments including cash & cash equivalents	36,038	40,192	(4,154)
U.S. Government and Agency Securities	12,739	14,480	(1,741)
Capital Assets, Net of Accumulated Depreciation	1,573	1,549	24
Other non-cash assets	<u>2,235</u>	<u>3,010</u>	<u>(775)</u>
Total Assets	<u>\$ 149,995</u>	<u>\$ 171,960</u>	<u>\$ (21,965)</u>
Other liabilities	\$ 951	\$ 1,186	\$ (235)
Short-term debt outstanding (including Lines of Credit)	17,955	9,380	8,575
Long-term debt outstanding	<u>91,149</u>	<u>113,119</u>	<u>(21,970)</u>
Total Liabilities	<u>110,055</u>	<u>123,685</u>	<u>(13,630)</u>
Net Position:			
Net Investment in Capital Assets	1,573	1,549	24
Restricted *1	15,299	17,993	(2,694)
Unrestricted *2	<u>23,068</u>	<u>28,733</u>	<u>(5,665)</u>
Total Net Position	<u>39,940</u>	<u>48,275</u>	<u>(8,335)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 149,995</u>	<u>\$ 171,960</u>	<u>\$ (21,965)</u>

*1 'Restricted net assets' represent those net assets that are restricted and as a result are not available for general use due to the terms of the various bond trust indentures under which certain specified assets are held and pledged as security for the individual bonds of the Authority constituting its mortgage lending programs.

*2 'Unrestricted net assets' are those assets for which there is not a specific limitation pledge of any of the unrestricted net assets to a specific bond issue of the Authority.

Authority Debt

- The Authority had \$91.149 million in mortgage revenue bonds and a \$17.955 million line of credit with the Federal Home Loan Bank of Dallas outstanding (excluding accrued interest) on December 31, 2013 as compared to \$113.119 million in mortgage revenue bonds and \$9.380 million line of credit with the Federal Home Loan Bank of Dallas outstanding as of December 31, 2012, as shown in the table below:

OUTSTANDING AUTHORITY DEBT AS OF DECEMBER 31, 2013 AND 2012

	2013 (millions)	2012 (millions)	Change from Prior Year (millions)
Mortgage Revenue Bonds	\$91.149	\$113.119	(\$21.970)
Line of Credit (FHLB of Dallas)	<u>17.955</u>	<u>9.380</u>	<u>8.575</u>
Outstanding Debt (as of December 31)	<u>\$109.104</u>	<u>\$122.499</u>	<u>(\$13.395)</u>

- Mortgage Revenue Bonded Debt outstanding decreased by \$21.970 million as of December 31, 2013 as compared with December 31, 2012.
- The Authority had an outstanding line of credit as of December 31, 2012 of \$9.380 million with the Federal Home Loan Bank of Dallas as compared with a line of credit of \$17.955 million on December 31, 2013 an increase of \$8.575 million.

Accounts Payable and Accrued Interest Payable

The Authority had accounts payable, accrued liabilities and accrued interest payable of \$1.186 million outstanding on December 31, 2012 compared with \$951,000 for 2013 - a decrease of \$235,000.

SUMMARY OF RECENT MORTGAGE LENDING PROGRAMS FROM 2007-2013

The GSE Bond proceeds are currently invested at rates significantly lower than the GSE Bonds interest rate of 2.32% thereby also creating a 'negative' cost of carry on the GSE bond proceeds.

As a result of this additional cost, the Authority (as it did on its 2002 mortgage lending program) utilized a line of credit at the Federal Home Loan Bank of Dallas ("FHLB") on its mortgage lending programs to finance the acquisition of the mortgage backed securities ("MBS") originated under the 2009A and GSE Bonds mortgage lending programs.

The Series 2009A bond proceeds were invested to a single future maturity date which resulted in a higher earnings rate than what was estimated to have been earned by the Authority with various multiple 'flexible' investment dates.

The Authority is currently borrowing funds from the FHLB to finance its acquisition of MBS on the GSE mortgage lending program and also is currently earning a 'net' spread greater than the 'negative' cost of carry on the GSE bond proceeds.

At the present time the Authority has approximately \$17.955 million as of December 31, 2013 (as of June 1, 2014 it is \$18.775 million) in total advances (i.e., line of credit) at the FHLB of Dallas.

The Authority sold approximately \$28.50 million in MBS's on August 15, 2012 at a profit of approximately \$1.875 million.

The Authority sold approximately \$11.648 million in MBS's on September 11, 2013 at a loss of approximately \$673,000. All remaining MBS will be transferred to 2009 GSE Trust Indenture and serve as the collateral for the 2009 GSE Bonds.

In the past the Authority has successfully structured its mortgage lending programs by utilizing the strong financial position of its Unrestricted Fund. The Authority anticipates continuing to utilize its Unrestricted Fund to further its mission of providing affordable housing.

CURRENT ECONOMIC FACTORS AND THE AUTHORITY'S 2014 BUDGET

The Authority's Board of Trustees considered the following factors and indicators when the Authority adopted its 2014 Operating Budget. These factors and indicators include:

- The potential for the continuation of relatively low but rising conventional mortgage loan interest rates in 2014 will cause early mortgage loans payoffs (as a result of mortgage loan refinancings) to slow down.
- Through the end of May, 2014 the Authority added approximately \$647,000 in mortgage related assets as a part of the 2009GSE program which is nearly complete. The Authority is considering other mortgage lending programs for the remainder of 2014.

CONTACTING THE EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

This Financial Report including the MD&A (which MD&A has been prepared by Financial Consulting Services, Inc. at the direction of the Authority as its Program Administrator) is designed to provide East Baton Rouge citizens, as well as the Authority's customers and creditors (i.e. bondholders) with a general overview of the East Baton Rouge Mortgage Finance Authority's finances and to show the Authority's accountability for the money it receives from its bond issue proceeds and other sources, which includes income earned on mortgage loan receivables/mortgage backed securities and income earned on other investments and Authority fee income. If you have any questions about this report or need additional financial information, please contact:

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President

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**EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY**

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND BALANCE SHEETS

AS OF DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2012)

(In Thousands)

	MRCMO Program	1993 A&B Program	1997 D Program	1998 B Program
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ -	\$ 24	\$ 47	\$ 97
Guaranteed Investment Agreements	-	665	247	259
U.S. Government and Agency Securities	3,496	-	-	-
Mortgage-Backed Securities	-	1,179	1,987	3,261
Mortgage Loans Receivable - Net	-	-	-	-
Accrued Interest Receivable	-	20	13	17
Downpayment and Authority Assistance Programs	-	-	-	-
Note Receivable	-	-	-	-
Inter-Program Receivable (Payable)	-	-	(2)	(2)
Prepaid Insurance and Other Assets	-	-	-	-
Capital Assets (Net of Accumulated Depreciation)	-	-	-	-
Total Assets	<u>\$ 3,496</u>	<u>\$ 1,888</u>	<u>\$ 2,292</u>	<u>\$ 3,632</u>
<u>LIABILITIES AND NET POSITION</u>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 1	\$ 2
Accrued Interest Payable	-	12	18	20
Bonds and Lines of Credit Payable - Net	3,290	845	1,255	1,510
Total Liabilities	<u>3,290</u>	<u>857</u>	<u>1,274</u>	<u>1,532</u>
Net Position:				
Net Investment in Capital Assets	-	-	-	-
Restricted	206	1,031	1,018	2,100
Unrestricted	-	-	-	-
Total Net Position	<u>206</u>	<u>1,031</u>	<u>1,018</u>	<u>2,100</u>
Total Liabilities and Net Position	<u>\$ 3,496</u>	<u>\$ 1,888</u>	<u>\$ 2,292</u>	<u>\$ 3,632</u>

(CONTINUED)

<u>1998 D</u> <u>Program</u>	<u>2002 A</u> <u>Program</u>	<u>2003 A</u> <u>Program</u>	<u>2004 A</u> <u>Program</u>
\$ 43	\$ 365	\$ 39	\$ 150
716	1,244	-	-
-	-	-	-
4,467	3,662	5,429	5,873
-	-	-	-
27	30	23	24
-	-	-	-
-	-	-	-
(1)	(1)	(5)	(3)
-	-	-	-
-	-	-	-
<u>\$ 5,252</u>	<u>\$ 5,300</u>	<u>\$ 5,486</u>	<u>\$ 6,044</u>

\$ 2	\$ 3	\$ -	\$ -
41	63	20	25
<u>3,125</u>	<u>4,820</u>	<u>4,910</u>	<u>5,527</u>
<u>3,168</u>	<u>4,886</u>	<u>4,930</u>	<u>5,552</u>
-	-	-	-
2,084	414	556	492
-	-	-	-
<u>2,084</u>	<u>414</u>	<u>556</u>	<u>492</u>
<u>\$ 5,252</u>	<u>\$ 5,300</u>	<u>\$ 5,486</u>	<u>\$ 6,044</u>

**EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY**

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2012)

(In Thousands)

	<u>2005 A</u>	<u>2006 A</u>	<u>2007 A</u>	<u>2007 B</u>
	<u>Program</u>	<u>Program</u>	<u>Program</u>	<u>Program</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 287	\$ 224	\$ 226	\$ 731
Guaranteed Investment Agreements	-	-	1,285	144
U.S. Government and Agency Securities	-	-	-	-
Mortgage-Backed Securities	8,447	6,684	11,955	2,957
Mortgage Loans Receivable - Net	-	-	-	-
Accrued Interest Receivable	32	28	65	14
Downpayment and Authority Assistance Programs	238	285	633	205
Note Receivable	-	-	-	-
Inter-Program Receivable (Payable)	-	(4)	(10)	(4)
Prepaid Insurance and Other Assets	2	1	-	-
Capital Assets (Net of Accumulated Depreciation)	-	-	-	-
Total Assets	<u>\$ 9,006</u>	<u>\$ 7,218</u>	<u>\$ 14,154</u>	<u>\$ 4,047</u>
<u>LIABILITIES AND NET POSITION</u>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 2	\$ 2	\$ 3	\$ -
Accrued Interest Payable	92	76	140	37
Bonds and Lines of Credit Payable - Net	<u>7,955</u>	<u>6,308</u>	<u>11,918</u>	<u>2,775</u>
Total Liabilities	<u>8,049</u>	<u>6,386</u>	<u>12,061</u>	<u>2,812</u>
Net Position:				
Net Investment in Capital Assets	-	-	-	-
Restricted	957	832	2,093	1,235
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>957</u>	<u>832</u>	<u>2,093</u>	<u>1,235</u>
Total Liabilities and Net Position	<u>\$ 9,006</u>	<u>\$ 7,218</u>	<u>\$ 14,154</u>	<u>\$ 4,047</u>

The notes to the financial statements are an integral part of this statement.

<u>2009 A Program</u>	<u>2009 GSE Program</u>	<u>Unrestricted Fund</u>	<u>2013 Combined</u>	<u>Restated 2012 Combined</u>
\$ 361	\$ 25,646	\$ 2,773	\$ 31,013	\$ 35,019
465	-	-	5,025	5,173
-	-	9,243	12,739	14,480
11,433	964	26,944	95,242	110,857
569	-	1,599	2,168	1,872
51	3	97	444	491
-	-	-	1,361	1,987
-	-	400	400	500
(7)	-	39	-	-
-	-	27	30	32
-	-	1,573	1,573	1,549
<u>\$ 12,872</u>	<u>\$ 26,613</u>	<u>\$ 42,695</u>	<u>\$ 149,995</u>	<u>\$ 171,960</u>

\$ 2	\$ -	\$ 99	\$ 116	\$ 109
146	145	-	835	1,077
<u>11,911</u>	<u>25,000</u>	<u>17,955</u>	<u>109,104</u>	<u>122,499</u>
<u>12,059</u>	<u>25,145</u>	<u>18,054</u>	<u>110,055</u>	<u>123,685</u>
-	-	1,573	1,573	1,549
813	1,468	-	15,299	17,993
-	-	23,068	23,068	28,733
<u>813</u>	<u>1,468</u>	<u>24,641</u>	<u>39,940</u>	<u>48,275</u>
<u>\$ 12,872</u>	<u>\$ 26,613</u>	<u>\$ 42,695</u>	<u>\$ 149,995</u>	<u>\$ 171,960</u>

**EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY**

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

(In Thousands)

	MRCMO Program	1993 A&B Program	1997 D Program	1998 B Program
<u>REVENUES:</u>				
Income Earned on Mortgage Loans				
Receivable/ Mortgage Backed Securities	\$ -	\$ 59	\$ 126	\$ 191
Income Earned on Other Investments	-	35	19	13
Net Increase (Decrease) in the Fair Value of Investments	39	(65)	(102)	(64)
Other Income (Loss)	-	-	-	-
Authority Fee Income	-	-	-	-
Total	<u>39</u>	<u>29</u>	<u>43</u>	<u>140</u>
<u>EXPENSES:</u>				
Interest	292	57	91	98
Amortization of DAP & MLAP	-	-	-	-
Bond Issuance Costs	-	-	-	-
Authority Fees	-	-	8	9
Servicing Fees	-	-	-	-
Insurance Costs	-	-	-	-
Administrative Fees	-	1	7	10
Operating Expenses	-	3	6	8
Total	<u>292</u>	<u>61</u>	<u>112</u>	<u>125</u>
Net Income (Loss)	(253)	(32)	(69)	15
Transfers Among Programs	-	-	-	-
Net Position - Beginning of Year, as Restated	459	1,063	1,087	2,085
Net Position - End of Year	<u>\$ 206</u>	<u>\$ 1,031</u>	<u>\$ 1,018</u>	<u>\$ 2,100</u>

(CONTINUED)

<u>1998 D</u> <u>Program</u>	<u>2002 A</u> <u>Program</u>	<u>2003 A</u> <u>Program</u>	<u>2004 A</u> <u>Program</u>
\$ 245	\$ 223	\$ 336	\$ 402
43	56	-	-
(171)	(171)	(143)	(183)
-	-	-	-
-	-	-	-
<u>117</u>	<u>108</u>	<u>193</u>	<u>219</u>
197	274	271	295
-	-	84	129
-	-	-	-
4	3	22	13
-	-	-	-
-	-	-	-
9	10	7	9
6	8	2	2
<u>216</u>	<u>295</u>	<u>386</u>	<u>448</u>
(99)	(187)	(193)	(229)
-	-	-	-
2,183	601	749	721
<u>\$ 2,084</u>	<u>\$ 414</u>	<u>\$ 556</u>	<u>\$ 492</u>

**EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY**

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

(In Thousands)

	<u>2005A</u> <u>Program</u>	<u>2006 A</u> <u>Program</u>	<u>2007 A</u> <u>Program</u>	<u>2007 B</u> <u>Program</u>
<u>REVENUES:</u>				
Income Earned on Mortgage Loans				
Receivable/ Mortgage Backed Securities	\$ 528	\$ 393	\$ 922	\$ 226
Income Earned on Other Investments	-	-	48	7
Net Increase (Decrease) in the Fair Value of Investments	(454)	(207)	(527)	(56)
Other Income	-	-	-	-
Authority Fee Income	-	-	-	-
Total	<u>74</u>	<u>186</u>	<u>443</u>	<u>177</u>
<u>EXPENSES:</u>				
Interest	450	325	597	167
Amortization of DAP & MLAP	119	95	158	41
Bond Issuance Costs	-	-	-	-
Authority Fees	-	20	49	8
Servicing Fees	-	-	-	-
Insurance Costs	-	-	-	-
Administrative Fees	13	10	24	-
Operating Expenses	13	5	23	3
Total	<u>595</u>	<u>455</u>	<u>851</u>	<u>219</u>
Net Income (Loss)	(521)	(269)	(408)	(42)
Transfers Among Programs	-	-	-	-
Net Position - Beginning of Year, as Restated	1,478	1,101	2,501	1,277
Net Position - End of Year	<u>\$ 957</u>	<u>\$ 832</u>	<u>\$ 2,093</u>	<u>\$ 1,235</u>

The notes to the financial statements are an integral part of this statement.

<u>2009 A Program</u>	<u>2009 GSE Program</u>	<u>Unrestricted Fund</u>	<u>2013 Combined</u>	<u>Restated 2012 Combined</u>
\$ 699	\$ 29	\$ 901	\$ 5,280	\$ 5,994
13	-	453	687	840
(499)	(67)	(2,813)	(5,483)	(1,119)
-	-	121	121	23
-	-	165	165	234
<u>213</u>	<u>(38)</u>	<u>(1,173)</u>	<u>770</u>	<u>5,972</u>
585	580	24	4,303	5,221
191	-	301	1,118	957
-	-	-	-	80
29	-	-	165	234
-	-	1	1	-
-	-	25	25	25
12	-	493	605	648
5	-	2,804	2,888	2,032
<u>822</u>	<u>580</u>	<u>3,648</u>	<u>9,105</u>	<u>9,197</u>
(609)	(618)	(4,821)	(8,335)	(3,225)
-	820	(820)	-	-
1,422	1,266	30,282	48,275	51,500
<u>\$ 813</u>	<u>\$ 1,468</u>	<u>\$ 24,641</u>	<u>\$ 39,940</u>	<u>\$ 48,275</u>

**EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY**

**INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

(In Thousands)

	MRCMO Program	1993 A&B Program	1997 D Program
Cash Flows From Operating Activities:			
Cash Receipts for:			
Mortgage Loans and Mortgage-Backed Securities Income	\$ -	\$ 59	\$ 126
Collection of Mortgage Loans and Mortgage-Backed Securities	-	323	458
Income (Loss) on Other Investments	-	38	22
Cash Payments for:			
Purchase of Mortgage Loans and Mortgage-Backed Securities	-	-	-
Interest Paid	-	(63)	(99)
Other Items	-	(7)	(21)
Net Cash Provided by (Used in) Operating Activities	<u>-</u>	<u>350</u>	<u>486</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of Capital Assets	-	-	-
Net Cash Used in Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Investing Activities:			
Investment Purchases, Sales, and Maturities - Net	-	163	92
Net Cash Provided by (Used in) Investing Activities	<u>-</u>	<u>163</u>	<u>92</u>
Cash Flows From Noncapital Financing Activities:			
Proceeds from Bond Issues / Line of Credit	-	-	-
Payments on Bond Issues / Line of Credit	-	-	-
Retirement of Notes and Bonds Payable	-	(510)	(555)
Interfund Activities	-	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>	<u>(510)</u>	<u>(555)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>-</u>	<u>3</u>	<u>23</u>
Cash and Cash Equivalents at Beginning of Year	<u>-</u>	<u>21</u>	<u>24</u>
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ 47</u>

(CONTINUED)

<u>1998 B Program</u>	<u>1998 D Program</u>	<u>2002 A Program</u>	<u>2003 A Program</u>	<u>2004 A Program</u>
\$ 191	\$ 245	\$ 223	\$ 336	\$ 402
567	921	988	1,217	1,561
17	48	59	6	8
-	-	-	-	-
(107)	(212)	(286)	(277)	(299)
<u>(27)</u>	<u>(18)</u>	<u>(20)</u>	<u>(32)</u>	<u>(27)</u>
<u>641</u>	<u>984</u>	<u>964</u>	<u>1,250</u>	<u>1,645</u>
-	-	-	-	-
-	-	-	-	-
<u>39</u>	<u>174</u>	<u>(88)</u>	<u>-</u>	<u>-</u>
<u>39</u>	<u>174</u>	<u>(88)</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
<u>(670)</u>	<u>(1,155)</u>	<u>(955)</u>	<u>(1,332)</u>	<u>(1,545)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(670)</u>	<u>(1,155)</u>	<u>(955)</u>	<u>(1,332)</u>	<u>(1,545)</u>
10	3	(79)	(82)	100
<u>87</u>	<u>40</u>	<u>444</u>	<u>121</u>	<u>50</u>
<u>\$ 97</u>	<u>\$ 43</u>	<u>\$ 365</u>	<u>\$ 39</u>	<u>\$ 150</u>

**EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY**

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

(In Thousands)

	2005A Program	2006 A Program	2007 A Program
Cash Flows From Operating Activities:			
Cash Receipts for:			
Mortgage Loans and Mortgage-Backed Securities Income	\$ 528	\$ 393	\$ 922
Collection of Mortgage Loans and Mortgage-Backed Securities	3,068	2,011	5,824
Income (Loss) on Other Investments	13	8	72
Cash Payments for:			
Purchase of Mortgage Loans and Mortgage-Backed Securities	-	-	-
Interest Paid	(494)	(355)	(667)
Other Items	(26)	(37)	(100)
Net Cash Provided by (Used in) Operating Activities	3,089	2,020	6,051
Cash Flows From Capital and Related Financing Activities:			
Acquisition of Capital Assets	-	-	-
Net Cash Used in Capital and Related Financing Activities	-	-	-
Cash Flows From Investing Activities:			
Investment Purchases, Sales, and Maturities - Net	-	-	(110)
Net Cash Provided by (Used in) Investing Activities	-	-	(110)
Cash Flows From Noncapital Financing Activities:			
Proceeds from Bond Issues / Line of Credit	-	-	-
Payments on Bond Issues / Line of Credit	-	-	-
Retirement of Notes and Bonds Payable	(3,795)	(2,484)	(5,962)
Interfund Activities	-	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(3,795)	(2,484)	(5,962)
Net Increase (Decrease) in Cash and Cash Equivalents	(706)	(464)	(21)
Cash and Cash Equivalents at Beginning of Year	993	688	247
Cash and Cash Equivalents at End of Year	\$ 287	\$ 224	\$ 226

(CONTINUED)

<u>2007 B Program</u>	<u>2009 A Program</u>	<u>2009 GSE Program</u>	<u>Unrestricted Fund</u>	<u>2013 Combined</u>	<u>Restated 2012 Combined</u>
\$ 226	\$ 699	\$ 29	\$ 901	\$ 5,280	\$ 5,994
761	1,944	-	-	19,643	25,960
11	23	-	409	734	840
-	-	(122)	(10,216)	(10,338)	(860)
(179)	(611)	(580)	(24)	(4,253)	(5,066)
(11)	(48)	-	(2,873)	(3,247)	(3,385)
<u>808</u>	<u>2,007</u>	<u>(673)</u>	<u>(11,803)</u>	<u>7,819</u>	<u>23,483</u>
-	-	-	(66)	(66)	(770)
-	-	-	(66)	(66)	(770)
<u>45</u>	<u>(167)</u>	<u>-</u>	<u>1,780</u>	<u>1,928</u>	<u>4,606</u>
<u>45</u>	<u>(167)</u>	<u>-</u>	<u>1,780</u>	<u>1,928</u>	<u>4,606</u>
-	-	-	17,955	17,955	9,380
-	-	-	(9,380)	(9,380)	-
(1,020)	(2,279)	-	-	(22,262)	(32,441)
-	-	820	(820)	-	-
<u>(1,020)</u>	<u>(2,279)</u>	<u>820</u>	<u>7,755</u>	<u>(13,687)</u>	<u>(23,061)</u>
(167)	(439)	147	(2,334)	(4,006)	4,258
<u>898</u>	<u>800</u>	<u>25,499</u>	<u>5,107</u>	<u>35,019</u>	<u>30,761</u>
<u>\$ 731</u>	<u>\$ 361</u>	<u>\$ 25,646</u>	<u>\$ 2,773</u>	<u>\$ 31,013</u>	<u>\$ 35,019</u>

**EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY**

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

(In Thousands)

	MRCMO Program	1993 A&B Program	1997 D Program
Reconciliation of Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Net Income (Loss)	\$ (253)	\$ (32)	\$ (69)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	-	-	-
Accretion of Interest Expense	292	-	-
Unrealized and Realized (Gains) Losses on Investments	(39)	65	102
Amortization of Downpayment and Authority Assistance Programs	-	-	-
Purchase of Mortgage Loans and Mortgage-Backed Securities	-	-	-
Collections of Loans and Mortgage-Backed Securities Notes Receivable	-	323	458
Other - Net	-	(6)	(5)
Net Cash Provided by (Used in) Operating Activities	\$ -	\$ 350	\$ 486

(CONTINUED)

<u>1998 B</u> <u>Program</u>	<u>1998 D</u> <u>Program</u>	<u>2002 A</u> <u>Program</u>	<u>2003 A</u> <u>Program</u>	<u>2004 A</u> <u>Program</u>
\$ 15	\$ (99)	\$ (187)	\$ (193)	\$ (229)
-	-	-	-	-
-	-	-	-	-
64	171	171	143	183
-	-	-	84	129
-	-	-	-	-
567	921	988	1,217	1,561
-	-	-	-	-
(5)	(9)	(8)	(1)	1
<u>\$ 641</u>	<u>\$ 984</u>	<u>\$ 964</u>	<u>\$ 1,250</u>	<u>\$ 1,645</u>

**EAST BATON ROUGE
MORTGAGE FINANCE AUTHORITY**

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

(In Thousands)

	2005A Program	2006 A Program	2007 A Program
Reconciliation of Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Net Income (Loss)	\$ (521)	\$ (269)	\$ (408)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	-	-	-
Accretion of Interest Expense	-	-	-
Unrealized and Realized (Gains) Losses on Investments	454	207	527
Amortization of Downpayment and Authority Assistance Programs	119	95	158
Purchase of Mortgage Loans and Mortgage-Backed Securities	-	-	-
Collections of Loans and Mortgage-Backed Securities Notes Receivable	3,068	2,011	5,824
Other - Net	(31)	(24)	(50)
Net Cash Provided by (Used in) Operating Activities	\$ 3,089	\$ 2,020	\$ 6,051

The notes to the financial statements are an integral part of this statement.

<u>2007 B Program</u>	<u>2009 A Program</u>	<u>2009 GSE Program</u>	<u>Unrestricted Fund</u>	<u>2013 Combined</u>	<u>Restated 2012 Combined</u>
\$ (42)	\$ (609)	\$ (618)	\$ (4,821)	\$ (8,335)	\$ (3,225)
-	-	-	42	42	-
-	-	-	-	292	266
56	499	67	2,813	5,483	1,119
41	191	-	301	1,118	957
-	-	(122)	(10,216)	(10,338)	(860)
761	1,944	-	-	19,643	25,960
-	-	-	100	100	(500)
(8)	(18)	-	(22)	(186)	(234)
<u>\$ 808</u>	<u>\$ 2,007</u>	<u>\$ (673)</u>	<u>\$ (11,803)</u>	<u>\$ 7,819</u>	<u>\$ 23,483</u>

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies -

(A) Organization of Authority

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

The Authority's operations consist primarily of single family mortgage purchase bond programs under which the Authority promotes residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing. Under the 1993 A&B, 1997 D, 1998 B, 1998 D, 2002 A, 2003 A, 2004 A, 2005 A, 2006 A, 2007 A, 2007 B, and 2009 A Programs, these loans are pooled and sold to the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) in exchange for mortgage-backed securities (MBS) on which GNMA, FNMA, or FHLMC guarantees payment of principal and interest when due. These securities are collateralized by the related loans. The Authority also issues short-term convertible program notes, which are securitized by government agency securities during the interim in preparation of long-term issues. The funds for the Authority's programs were obtained through the issuance of bonds in the following face value amounts (in thousands):

1987 Program, dated July 1, 1987	Closed	\$ 15,450
1988 C&D Program, dated August 1, 1988	Closed	26,975
1988 E&F Program, dated June 22, 1989	Closed	40,000
Municipal Refunding Collateralized Mortgage Obligations (MRCMO) Program, dated January 25, 1989		67,905
1990 Program, dated August 1, 1990	Closed	56,000
1992 A&B Program, dated April 1, 1992	Closed	25,000
1992 C Program, dated April 1, 1992	Closed	38,310
1992 D Program, dated April 1, 1992	Closed	8,975
1993 A&B Program, dated October 27, 1993		36,720
1993 C Program, dated October 27, 1993	Closed	15,270
1994 A&B Program, dated August 15, 1994	Closed	31,210
1994 C Program, dated December 29, 1994 (remarketed)	Closed	13,250
1995 A Program, dated February 23, 1995 (remarketed)	Closed	8,840
1995 B Program, dated October 5, 1995	Closed	12,500

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

1995 C Program, dated September 28, 1995 (remarketed)	Closed	5,820
1996 A Program, dated February 29, 1996 (remarketed)	Closed	9,765
1996 B program, dated October 24, 1996	Closed	12,500
1996 C Program, dated September 27, 1996 (remarketed)	Closed	6,390
1997 B Program, dated March 27, 1997 (remarketed)	Closed	10,755
1997 C1-C3 Program, dated December 31, 1997	Closed	101,400
1997 D Program, dated June 1, 1997		18,600
1997 F Program, dated September 25, 1997 (remarketed)	Closed	5,135
1998 A Program, dated June 1, 1998	Closed	12,920
1998 B Program, dated June 1, 1998		23,595
1998 C Program, dated December 1, 1998	Closed	41,180
1998 D Program, dated December 1, 1998		6,000
1999 A Program, dated July 15, 1999	Closed	12,000
1999 B Program, dated July 15, 1999	Closed	16,485
2000 A&B Program, dated May 31, 2000	Closed	57,208
2000 C Program, dated November 9, 2000 (remarketed from 2000 A&B Program)	Closed	10,000
2000 D Program, dated November 9, 2000 (remarketed from 2000 A&B Program)	Closed	6,294
2000 E Program, dated November 9, 2000	Closed	14,787
2000 CR Program, dated August 14, 2001 (remarketed from 2000 C Program)	Closed	5,200
2000 DR Program, dated August 14, 2001 (remarketed from 2000 D Program)	Closed	3,330
2000 ER Program, dated August 14, 2001 (remarketed from 2000 E Program)	Closed	7,710
2002 A Program, dated June 18, 2002		30,925
2003 A Program, dated September 16, 2003		21,940
2004 A Program, dated October 5, 2004		24,451
2005 A Program, dated December 20, 2005		30,000
2006 A Program dated July 25, 2006		20,000
2007 A Program, dated February 23, 2007		40,000
2007 B Program, dated December 28, 2007		20,000
2009 A Program, dated October 22, 2009		29,360
2009 GSE Program dated November 22, 2011		25,000

The bonds issued by the Authority are general obligations of the Authority and are not obligations of the State of Louisiana or any other political subdivision thereof.

The Authority's Board of Trustees is empowered under the bond trust indentures and the bond program agreements to contract with outside parties to conduct the day-to-day operations of the Authority and the programs it initiates. The Authority employs Financial Consulting Services, Inc. as its Program Administrator to provide administrative staff support for the Board of Trustees and its committees, general office administration for the Authority and program administration and supervision for each of its mortgage purchase bond programs. Under each

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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of its single family mortgage purchase bond programs, the Authority utilizes area financial institutions to originate and service the mortgage loans acquired. In addition, a bank has been designated as the Trustee of the separate bond programs and has the fiduciary responsibility for the custody and investment of funds.

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

- (B) **Basis of Presentation - Fund Accounting** - The proprietary funds are used to account for the Authority's ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resource measurement focus under which all assets and all liabilities associated with the operation of these funds are included in the balance sheet. The operating statements present increases (revenues) and decreases (expenses) in total net position. The Authority follows the guidance included in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*, contained in pre-November 1989 FASB and AICPA pronouncements.

Basis of Accounting - The Authority prepares financial statements in accordance with accounting principles generally accepted in the United States of America. Such principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Basis of Reporting - Effective January 1, 2003, the Authority adopted GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and also adopted the required portions of GASB Statements No. 37 and 38, which modified the disclosure requirements of GASB No. 34. GASB No. 34 establishes standards for external financial reporting for all state and local governmental entities. It requires the classification of net position in three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

- *Unrestricted* – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

The net position of the Unrestricted Fund are net investment in capital assets or unrestricted. The net position of all other programs are substantially restricted under the terms of the various bond indentures.

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

GASB Statement No. 31 - The GASB issued Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB Statement No. 31 became effective for the Authority for periods beginning after June 15, 1997 and was adopted by the Authority effective January 1, 1998. The statement requires that most investments be recorded at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties and has generally been based upon quoted values. This method of accounting causes fluctuations in reported investment values based on fluctuations in the investment market.

Fluctuations in the fair value of investments are recorded as income or expense in the statements of revenues, expenses, and changes in net position, and the amount is disclosed in the statements of cash flows as unrealized gain (loss) on investments. The Authority applies the provisions of the Statement to U.S. Government securities and mortgage-backed securities. The sale of these investments by the Authority is generally subject to certain restrictions as described in the individual bond indentures.

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

Commitment Fees - Nonrefundable commitment fees received subsequent to January 1, 1988 through December 31, 2013 from originating financial institutions and certain direct loan origination costs were deferred and amortized over the estimated lives of the related assets as a yield adjustment. As of December 31, 2013, management changed their estimate of these assets and the remaining unamortized assets were expensed as of December 31, 2013 due to the change in estimate.

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

Reclassification of Prior Year Amounts - Certain prior year balances have been reclassified to conform to the current year presentation.

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

Summary Financial Information for 2012 - The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

(2) **Cash and Investments** -

In compliance with State laws, those deposits not covered by depository insurance are secured by bank owned securities specifically pledged to the Authority and held in joint custody by an independent custodian bank. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As a result of the pledging of additional securities by custodial banks in the Authority's name, the Authority does not have any custodial credit risk at December 31, 2013.

The Authority recognizes all purchases of investments with a maturity of three months or less, except for short term repurchases agreements, as cash equivalents.

Credit Risk - Statutes authorize the Authority to invest in the following types of investment securities;

- (1) Fully-collateralized certificates of deposit issued by qualified commercial banks, federal credit unions and savings and loan associations located within the State of Louisiana.
- (2) Direct obligations of the U.S. Government, including such instruments as treasury bills, treasury notes and treasury bonds and obligations of U.S. Government agencies that are deliverable on the Federal Reserve Systems.
- (3) Repurchase agreements in government securities in (2) above made with the 36 primary dealers that report to and are regulated by the Federal Reserve Bank of New York.
- (4) Guaranteed Investment Contracts with companies with good credit ratings.

The Authority has no investment policy that would further limit its investment choices beyond the restrictions imposed by the State of Louisiana. At December 31, 2013, the Authority's investments in MBS with GNMA, FNMA, and FHLMC are rated AAA by taking the average of the Moody's Investors Services, Standard and Poor, and Fitch ratings. The Authority has no limit on the amount it may invest in any one issuer so long as the State of Louisiana's restrictions are followed.

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

The Authority has a portion of its assets as of December 31, 2013, invested in GNMA, FNMA, and FHLMC obligations including MBS totaling approximately \$95.248 million. GNMA is an instrumentality of the Federal government. Its obligations carry the full faith and credit of the United States of America. Neither FNMA nor FHLMC are instrumentalities of the federal government and as such do not carry the full faith and credit of the United States of America. FNMA is a federally chartered and stockholder-owned corporation. FNMA was originally established in 1938 as a United States government agency and was transformed into a stockholder-owned and privately managed corporation in 1968. FHLMC is a stockholder-owned government sponsored corporation created in 1970. The Authority's total investment in FNMA and FHLMC obligations (including MBS) as of December 31, 2013, was approximately \$24.617 million. Any potential downgrade in the credit rating of either FNMA and/or FHLMC could have an adverse impact on the market value of the obligations of FNMA and/or FHLMC (including MBS) owned by the Authority. In connection with the approximately \$24.617 million of FNMA and FHLMC MBS, which the Authority has pledged to bondholders pursuant to separate trust indentures authorizing various bond issues, the asset portion of these various balance sheets could be adversely affected while the liabilities are not since the liabilities are not marked to market. However, any financial risk to the Authority is entirely mitigated since the bond indentures authorizing the Authority's bonds do not provide any acceleration of the Authority's bonded debt as a result of potential downgrade of either FNMA and/or FHLMC credit rating.

For the year ended December 31, 2013, the Authority recognized \$0.673 million in realized losses and \$4.810 million in unrealized losses in the Net Increase (Decrease) in the Fair Value of Investments.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's Interest Rate Risk Program generally restricts Investments to those whose terms are no longer than the terms of the related bonds.

Authority's programs have investments in guaranteed investment contracts, mortgage backed securities and other investments which have maturities which approximate the terms of the related debt. Therefore the Authority balances its interest rate risk against the related debt. By using this method, the Authority believes that it will mitigate its interest rate risk.

The Authority's unrestricted fund has investments in U.S. Government and agency securities with a weighted average maturity of 5 years and in MBS with a weighted average maturity of approximately 15 years.

Custodial Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2013, the Authority is not exposed to custodial credit risk with respect to its investments because all investments are either insured by federal depository insurance, registered in the name of the Authority, or collateralized by other investments pledged in the name of the Authority.

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

(3) Mortgage Loans Receivable and Mortgage-Backed Securities -

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

2009 A Program	6.00%
Unrestricted Fund	8.40% - 10.95%

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

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

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

	<u>Term</u>	<u>Pass Through Interest Rate</u>
1993 A & B Program	30 years	4.75% - 6.50%
1997 D Program	30 years	5.875% - 6.625%
1998 B Program	30 years	5.125% - 8.35%
1998 D Program	30 years	4.25% - 6.125%
2002 A Program (1992 A & B)	30 years	7.00%
2003 A Program	30 years	4.76% - 5.25%
2004 A Program	30 years	4.90% - 5.20%
2005 A Program	30 years	4.875%
2006 A Program	30 years	5.375%
2007 A Program	30 years	3.60% - 5.40%
2007 B Program	30 years	3.30% - 5.45%
2009 A Program	30 years	4.875% - 7.10%
2009 GSE Program	30 years	3.75% - 4.75%
Unrestricted Fund	30 years	5.625% - 7.755%

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

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

(4) Changes in Capital Assets

Capital asset activity for the year ended December 31, 2013 (in thousands):

<u>Governmental Activities</u>	<u>Balance 12/31/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2013</u>
Capital Assets not being Depreciated:				
Land	\$ 631	\$ -	\$ -	\$ 631
Total	631	-	-	631
Capital Assets being Depreciated:				
Furniture & Fixtures	134	20	-	154
Building & Improvements	794	46	-	840
Total	928	66	-	994
Less Accumulated Depreciation for:				
Furniture & Fixtures	8	21	-	29
Building & Improvements	2	21	-	23
Total Accumulated Depreciation:	10	42	-	52
Total Capital Assets being Depreciated, Net	918	24	-	942
Capital Assets, Net	<u>\$ 1,549</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 1,573</u>

Depreciation is being calculated using the straight-line method over the estimated useful life of capital assets. Depreciation expense was \$41,688 for the year ended December 31, 2013.

(5) Note Receivable -

In accordance with a Cooperative Endeavor Agreement entered into by and between the Authority and a component unit of the City of Baton Rouge – East Baton Rouge Parish dated as of and effective September 1, 2011, and with the passage of a dedicated tax to support the component unit, the \$500 thousand grant awarded in the Cooperative Endeavor Agreement was converted into a loan in 2012.

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

The specific terms of the loan as generally described in the Cooperative Endeavor Agreement includes five (5) annual payments of \$100 thousand plus accrued interest beginning January 31, 2013. The interest rate is adjustable at WSJ Prime Rate (Current Rate is 3.25%) as of each January 31st for the years set forth in the Schedule of Payments.

Schedule of Payments (in thousands):

<u>Payment Date</u>	<u>Amount</u>
1/31/2014	\$ 100
1/31/2015	100
1/31/2016	100
1/31/2017	<u>100</u>
	<u>\$ 400</u>

(6) Bonds and Lines of Credit Payable -

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

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

Outstanding bonds and lines of credit payable consist of the following at December 31, 2013 and 2012 (in thousands):

	<u>2013</u>
MRCMO Program	
Zero coupon bonds due 2014, priced to yield 9.33% maturity	\$ 3,500
Less unamortized bond discount	<u>(210)</u>
Total-MRCMP Program	3,290
1993 A&B Program due serially and term from 2021 through 2025, and bearing interest at 5.00% to 5.50% payable semiannually	845
1997 D Program due serially and term from 2016 through 2030 bearing interest at 5.65% to 5.90% payable semiannually	1,255

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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

	<u>2013</u>
1998 B Program due serially and term from 2016 through 2030, bearing interest at 5.20% to 5.35% payable semiannually	1,510
1998 D Program due serially and term from 2018 through 2033, bearing interest at 5.13% to 5.25% payable semiannually	3,125
2002 A Program due serially and term from 2020 through 2033, bearing interest at 4.70% to 5.60% payable semiannually	4,820
2003 A Program due serially and term of 2036, bearing interest at 4.70% to 5.25% payable semiannually	4,910
2004 A Program due serially and term of 2036, bearing interest at 4.90% to 5.20% payable semiannually Plus unamortized bond premium	5,475 <u>52</u>
Total-2004A Program	5,527
2005 A Program, due serially and term from 2014 through 2038, bearing interest at 4.15% to 4.80% payable semiannually	7,955
2006 A Program, due serially and term of 2038, bearing interest at 4.90% payable semiannually Plus unamortized bond premium	6,210 <u>98</u>
Total-2006A Program	6,308
2007 A Program, due serially and term 2014 through 2038, bearing interest at 3.90% to 5.40% payable semiannually Plus unamortized bond premium	11,780 <u>138</u>
Total-2007A Program	11,918

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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

	<u>2013</u>
2007 B Program, due serially and term from 2014 through 2039, bearing interest at 3.60% to 5.45% payable semiannually	2,775
2009 A Program, due serially and term from 2014 through 2040, bearing interest at 2.20% to 5.25% payable semiannually	11,735
Plus unamortized bond premium	<u>176</u>
Total-2009A Program	11,911
2009 GSE Program (Escrow bond), due 2042 bearing interest at 2.32% payable monthly	25,000
*Unrestricted Fund Line of Credit, due April 2014 bearing interest at 0.18% to 0.56% payable monthly	<u>17,955</u>
Total Bonds and Lines of Credit Payable - Net at December 31, 2013	<u><u>\$ 109,104</u></u>

*The line of credit has no stated maximum draw as long as the Authority is depositing collateral as they are requesting a draw.

	<u>2012</u>
MRCMO Program	
Zero coupon bonds due 2014, priced to yield 9.33% maturity	\$ 3,500
Less unamortized bond discount	<u>(502)</u>
Total-MRCMO Program	2,998
1993 A&B Program due serially and term from 2021 through 2025, and bearing interest at 5.0% to 5.50% payable semiannually	1,355
1997 D Program due serially and term from 2016 through 2030 bearing interest at 5.65% to 5.90% payable semiannually	1,810
1998 B Program due serially and term from 2016 through 2030, bearing interest at 5.20% to 5.35% payable semiannually	2,180
1998 D Program due serially and term from 2018 through 2033, bearing interest at 5.13% to 5.25% payable semiannually	4,280

(CONTINUED)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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	<u>2012</u>
2002 A Program due serially and term from 2020 through 2033, bearing interest at 4.70% to 5.60% payable semiannually	5,775
2003 A Program due serially and term of 2036, bearing interest at 4.70% to 5.25% payable semiannually	6,242
2004 A Program due serially and term of 2036, bearing interest at 4.90% to 5.20% payable semiannually Plus unamortized bond premium	7,002 <u>70</u>
Total-2004A Program	7,072
2005 A Program, due serially and term from 2013 through 2038, bearing interest at 4.05% to 4.80% payable semiannually	11,750
2006 A Program, due serially and term of 2038, bearing interest at 4.90% payable semiannually Plus unamortized bond premium	8,650 <u>142</u>
Total-2006A Program	8,792
2007 A Program, due serially and term 2013 through 2038, bearing interest at 3.90% to 5.40% payable semiannually Plus unamortized bond premium	17,655 <u>225</u>
Total-2007A Program	17,880
2007 B Program, due serially and term from 2013 through 2039, bearing interest at 3.60% to 5.45% payable semiannually	3,795
2009 A Program, due serially and term from 2013 through 2040, bearing interest at 2.20% to 5.25% payable semiannually Plus unamortized bond premium	13,975 <u>215</u>
Total-2009A Program	14,190

(CONTINUED)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

	<u>2012</u>
2009 GSE Program (Escrow bond), due 2041 bearing interest at 2.32% payable monthly	25,000
*Unrestricted Fund Line of Credit, due April 2013 bearing interest at 0.13% to 0.21% payable monthly	<u>9,380</u>
Total Bonds and Lines of Credit Payable - Net at December 31, 2012	<u>\$ 122,499</u>

*The line of credit has no stated maximum draw as long as the Authority is depositing collateral as they are requesting a draw.

The bonds are subject to early redemption provisions as described in the Bond Trust Indentures at redemption prices equal to the principal amounts of the bonds redeemed plus accrued interest to the applicable call dates.

A summary of changes in debt during the years ended December 31, 2013 and 2012 (in thousands), is as follows:

	<u>2013</u>	<u>2012</u>
Balance - January 1	\$ 122,499	\$ 145,216
Proceeds from Line of Credit	17,955	9,380
Repayments and Maturities	<u>(31,350)</u>	<u>(32,097)</u>
Balance - December 31	<u>\$ 109,104</u>	<u>\$ 122,499</u>

Following is a schedule of the future principal and interest payments of the Authority's debt based on the stated maturity dates of the debt. Actual repayment dates will likely occur earlier since substantially all of the debt is subject to early redemption provisions. These early redemption provisions relate to payments received on the mortgage-backed securities and mortgage loans receivable and certain other factors. These early redemptions will also reduce future interest payments.

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

Scheduled principal payments for the years subsequent to December 31, 2013, are as follows (in thousands):

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Therafter</u>	<u>Total</u>
MRCMO Program	\$ 3,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,500
1993 A&B Program	-	-	-	-	-	845	845
1997 D Program	-	-	135	-	-	1,120	1,255
1998 B Program	-	-	165	-	-	1,345	1,510
1998 D Program	-	-	-	-	240	2,885	3,125
2002 A Program	-	-	-	-	-	4,820	4,820
2003 A Program	-	-	-	-	-	4,910	4,910
2004 A Program	-	-	-	-	-	5,475	5,475
2005 A Program	130	130	-	-	-	7,695	7,955
2006 A Program	-	-	-	-	-	6,210	6,210
2007 A Program	165	165	170	185	185	10,910	11,780
2007 B Program	50	50	50	45	45	2,535	2,775
2009 A Program	205	200	130	65	80	11,055	11,735
2009 GSE Program	-	-	-	-	-	25,000	25,000
Unrestricted Fund Line of Credit	<u>17,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,955</u>
	<u>\$ 22,005</u>	<u>\$ 545</u>	<u>\$ 650</u>	<u>\$ 295</u>	<u>\$ 550</u>	<u>\$ 84,805</u>	<u>108,850</u>
Less Unamortized Bond Discount							(210)
Plus Unamortized Premium							<u>464</u>
Total Outstanding- December 31, 2013							<u>\$ 109,104</u>

(CONTINUED)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

Scheduled interest payments for the years subsequent to December 31, 2013, are as follows: (in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Thereafter</u>	<u>Total</u>
MRCMO Program	\$ 210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210
1993 A&B Program	45	45	45	45	45	253	478
1997 D Program	73	73	73	65	65	560	909
1998 B Program	81	81	81	72	72	846	1,232
1998 D Program	163	163	163	163	163	1,884	2,702
2002 A Program	249	249	249	249	249	2,555	3,798
2003 A Program	244	244	244	244	244	4,227	5,447
2004 A Program	274	274	274	274	274	4,745	6,114
2005 A Program	369	364	358	358	358	5,698	7,506
2006 A Program	304	304	304	304	304	6,014	7,534
2007 A Program	559	553	546	539	532	8,368	11,097
2007 B Program	144	142	140	138	136	2,168	2,867
2009 A Program	585	580	574	569	567	7,928	10,803
2009 GSE Program	580	580	580	580	580	13,785	16,685
Unrestricted Fund Line of Credit	<u>32</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32</u>
	<u>\$ 3,912</u>	<u>\$ 3,652</u>	<u>\$ 3,631</u>	<u>\$ 3,600</u>	<u>\$ 3,589</u>	<u>\$ 59,031</u>	<u>\$ 77,414</u>

(7) Operating Expenses -

The members of the Authority's Board of Trustees receive a per diem fee for all committee and board meetings attended. For the years ended December 31, 2013 and 2012, payments to the Authority's Board members were as follows:

<u>Board Member</u>	<u>2013</u>	<u>2012</u>
Cheri Ausberry	\$ 4,400	\$ 5,200
Dennis Blunt	3,600	3,800
Norman Chenevert	4,400	7,000
Astrid Clements	7,200	7,400
Helena Cunningham	5,800	3,200
Robert Gaston, III	3,800	5,200
Matt McKay	800	5,200
Blaine Grimes	1,400	-
Jake Netterville	3,800	3,400
Valerie Shexnayder	<u>5,600</u>	<u>5,200</u>
Total	<u>\$ 40,800</u>	<u>\$ 45,600</u>

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

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

(8) Authority Fees -

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

(9) Downpayment Assistance and Authority Assistance Programs -

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

Costs related to these programs are capitalized and are being amortized over the lives of the related assets as yield adjustments based upon the average lives of the underlying assets. The remaining unamortized balances are classified on the accompanying balance sheets in the same caption as the related assets. A summary of the activity with respect to these programs during the years ended December 31, 2013 and 2012, is as follows (in thousands):

2013:

	<u>December 31,</u> <u>2012</u>	<u>Paid in</u> <u>2013</u>	<u>2013</u> <u>Amortization</u>	<u>December 31,</u> <u>2013</u>
2003 A Program	\$ 85	\$ -	\$ (85)	\$ -
2004 A Program	128	-	(128)	-
2005 A Program	356	-	(118)	238
2006 A Program	380	-	(95)	285
2007 A Program	792	-	(159)	633
2007 B Program	246	-	(41)	205
	<u>\$ 1,987</u>	<u>\$ -</u>	<u>\$ (626)</u>	<u>\$ 1,361</u>

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

(CONTINUED)

2012:

	<u>December 31,</u> <u>2011</u>	<u>Paid in</u> <u>2012</u>	<u>2012</u> <u>Amortization</u>	<u>December 31,</u> <u>2012</u>
2002 A Program	\$ 69	\$ -	\$ (69)	\$ -
2003 A Program	169	-	(84)	85
2004 A Program	257	-	(129)	128
2005 A Program	475	-	(119)	356
2006 A Program	475	-	(95)	380
2007 A Program	950	-	(158)	792
2007 B Program	286	-	(40)	246
	<u>\$ 2,681</u>	<u>\$ -</u>	<u>\$ (694)</u>	<u>\$ 1,987</u>

(10) Commitments

The East Baton Rouge Mortgage Finance Authority promotes economic development in the parish through its community grants program for non-profit organizations. The program provides grant funds and capital funds to be used for projects by non-profit organizations that advance the Authority's mission in increasing home ownership. Grants are awarded to organizations and agencies within East Baton Rouge Parish for use in East Baton Rouge Parish. Below is a schedule of commitments (in thousands):

	<u>Commitments</u> <u>As of 12/31/12</u>	<u>Additions</u>	<u>Payments</u>	<u>Remaining</u> <u>Commitment</u> <u>As of 12/31/13</u>
East Baton Rouge Redevelopment Authority	\$ 2,058	\$ -	\$ 1,395	\$ 663
Baton Rouge Area Chamber	1,350	-	450	900
Gulf Coast Housing Partnership	100	-	100	-
Downtown Development District	250	-	250	-
Mid City Redevelopment (Line of Credit)	100	-	95	5
Total	<u>\$ 3,858</u>	<u>\$ -</u>	<u>\$ 2,290</u>	<u>\$ 1,568</u>

(11) Transfers Among Programs

Transfers among programs generally consist of nonrecurring transfers associated with (1) the initial issuance of bonds, (2) transfers to the unrestricted fund of remaining fund assets of closed funds once bonds are redeemed, and (3) balances in the cost of issuance accounts.

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

(12) Change in Accounting Principle -

The Authority adopted GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. Under GASB Statement 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as expense in the period incurred. The Authority had incurred debt financing cost in prior years for the issuance of its bond projects. These costs were previously capitalized as assets and amortized as expense over the duration of the related debt. GASB 65 adopted a definition of cost of issuance on debt by identifying which costs are subject to capitalization. The costs paid by the Authority for debt issuance no longer met the GASB definition. In order to conform to GASB 65, the Authority removed Deferred Financing Costs – Net of Amortization and reduced net position as if the cost was expensed in the period incurred which was prior to December 31, 2011. The following items have been restated as follows (in thousands):

	Net Position - December 31, 2011 as Previously Reported	Deferred Financing Cost Adjustment	Net Position - December 31, 2011 as Restated
MRCMO Program	\$ 695	\$ (1)	\$ 694
1993 A&B Program	1,075	(13)	1,062
1993 C Program	1,176	(1)	1,175
1997 D Program	1,150	(22)	1,128
1998 B Program	2,173	(30)	2,143
1998 D Program	2,304	(45)	2,259
2002 A Program	937	(86)	851
2003 A Program	1,233	(83)	1,150
2004 A Program	1,165	(102)	1,063
2005 A Program	1,904	(50)	1,854
2006 A Program	1,503	(45)	1,458
2007 A Program	2,997	(54)	2,943
2007 B Program	1,595	(22)	1,573
2009 A Program	2,074	(194)	1,880
2009 GSE Program	628	(143)	485
Unrestricted Fund	29,782	-	29,782
Total December 31, 2011	<u>\$ 52,391</u>	<u>\$ (891)</u>	<u>\$ 51,500</u>

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

The following items on the December 31, 2012 financial statements were adjusted as a result of adopting GASB 65 (in thousands):

	Deferred Financing Cost at December 31, 2012	Additional Bond Issuance Cost Paid in 2012	Amortization of Deferred Financing Cost	Cumulative Effect of Change in Accounting Principle
MRCMO Program	\$ 1	\$ -	\$ -	\$ 1
1993 A&B Program	9	-	4	13
1993 C Program	-	-	1	1
1997 D Program	17	-	5	22
1998 B Program	23	-	7	30
1998 D Program	36	-	9	45
2002 A Program	73	-	13	86
2003 A Program	65	-	18	83
2004 A Program	85	-	17	102
2005 A Program	38	-	12	50
2006 A Program	35	-	10	45
2007 A Program	43	-	11	54
2007 B Program	11	-	11	22
2009 A Program	188	-	6	194
2009 GSE Program	221	(80)	2	143
Unrestricted Fund	-	-	-	-
Total December 31, 2011	\$ 845	\$ (80)	\$ 126	\$ 891

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities which include each of the individual programs, the unrestricted fund, and the 2013 combined of the East Baton Rouge Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 19, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis J. Bourgeois, CPA

Baton Rouge, Louisiana
June 19, 2014

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2013

A. Internal Control Over Financial Reporting

None

B. Compliance and Others Matters

None

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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS

DECEMBER 31, 2013

A. Internal Control Over Financial Reporting

None

B. Compliance and Others Matters

None