



## **Pustlethwaite & Netterville**

*A Professional Accounting Corporation*  
CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Louisiana Housing Finance Agency  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Louisiana Housing Finance Agency's General Fund, a component unit of the State of Louisiana, as of June 30, 1997 and 1996. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Housing Finance Agency's General Fund as of June 30, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 2, the financial statements present only the Louisiana Housing Finance Agency's General Fund and are not intended to present fairly the combined financial position, combined results of operations, or the combined cash flows of the Louisiana Housing Finance Agency's most significant bond programs in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 17, 1997, on our consideration of the Louisiana Housing Finance Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The reviewed statement of operations on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements of the Louisiana Housing Finance Agency. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Pustlethwaite & Netterville*

Baton Rouge, Louisiana  
September 17, 1997

LOUISIANA HOUSING FINANCE AGENCY

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LOUISIANA REINSURANCE FINANCE AGENCY

FINANCIAL STATEMENTS

JUNE 30, 1991





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**LOUISIANA HOUSING FINANCE AGENCY**

**FINANCIAL STATEMENTS**

**JUNE 30, 1997**

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

Release Date: **OCT 08 1997**



## LOUISIANA HOUSING FINANCE AGENCY

BALANCE SHEETS  
JUNE 30, 1997 AND 1996

## ASSETS

	1997	1996
CASH AND CASH EQUIVALENTS	\$ 4,476,000	\$ 4,148,161
INVESTMENTS	15,674,480	14,701,480
ACCRUED INTEREST RECEIVABLE	353,805	318,440
DUE FROM GOVERNMENTS	185,504	431,850
RECEIVABLES	40,680	180,029
OTHER ASSETS	66,878	70,156
DUE FROM HFB PROGRAMS	342,115	428,840
PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$128,814 and \$175,736, respectively)	287,513	124,875
	<u>21,585,257</u>	<u>18,856,191</u>
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	2,614,825	1,861,376
Investments	514,580	-
Mortgage loans receivable (net of reserve for credit losses of \$7,568,340 and \$7,174,879, respectively)	30,811,896	28,615,664
Accrued interest receivable	1,639,839	818,516
Rents receivable - rental property	16,381	217,119
Property and equipment - rental property	82,787	25,914
Other assets - rental property	303,180	15,000
	<u>34,877,600</u>	<u>27,255,197</u>
<b>Total Assets</b>	<b>\$ 56,462,857</b>	<b>\$ 46,111,378</b>

The accompanying notes are an integral part of these financial statements.



## LIABILITIES AND FUND BALANCE

	1997	1996
<b>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES</b>	\$ 388,124	\$ 396,146
COMPENSATED ABSENCES PAYABLE	58,937	58,637
DEFERRED INCOME	1,603,237	1,623,890
	1,891,328	2,078,673
<b>RESTRICTED LIABILITIES</b>		
Due to Investments	73,450	125,450
Deferred income	59,706	53,487
Trust security deposits and accrued liabilities - rental property	289,414	158,314
Accounts payable	13,586	13,586
	436,156	450,837
<b>TOTAL LIABILITIES</b>	2,327,484	2,600,650
<b>FUND BALANCE</b>		
Restricted - Federal programs	33,349,233	28,541,368
Restricted - rental property operations	2,365,621	659,118
Unrestricted	18,621,329	18,026,779
	54,336,183	47,227,265
 <b>Total Liabilities and Fund Balance</b>	 \$ 2,327,484	 \$ 2,600,650

## LOUISIANA HOUSING FINANCE AGENCY

STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996

	1997	1996
<b>OPERATING REVENUES</b>		
MHFA program tenant fees	\$ 419,868	\$ 514,750
Low income housing tax credit program fees	411,542	989,676
Commitments and loan fee income	298,316	638,404
Compliance and application fees - Home Program	156,726	300,880
Federal program administrative fees	808,889	752,179
Other income	56,620	36,484
Income on investments	<u>1,180,878</u>	<u>267,170</u>
	<u>3,404,839</u>	<u>4,117,293</u>
<b>OPERATING EXPENSES</b>		
Personnel services	881,491	734,332
Supplies	47,124	46,752
Travel	96,079	72,968
Operating services	434,728	665,057
Professional services	502,346	1,600,736
Depreciation	<u>58,282</u>	<u>52,681</u>
	<u>2,119,950</u>	<u>2,368,526</u>
Excess revenues and expenses from operations	<u>1,284,889</u>	<u>1,748,767</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Miscellaneous income	148,509	321,627
Interest income on restricted assets	841,384	595,464
Federal grant income	11,747,982	16,279,854
Federal grant funds passed through to subrecipients	( 2,318,598)	( 3,888,388)
Homeowner assistance payments	( 3,009,479)	-
Provision for loan losses	( 793,642)	( 3,079,652)
Net income from rental property	<u>1,317,671</u>	<u>1,363,124</u>
	<u>7,664,524</u>	<u>12,182,627</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>8,949,413</b>	<b>14,931,394</b>
<b>FUND BALANCE - Beginning of year</b>	<b>41,227,248</b>	<b>21,779,610</b>
Net residual equity transfers to/from LHFA MHA program	<u>826,742</u>	<u>4,296,617</u>
<b>FUND BALANCE - End of year</b>	<b>\$ 42,053,990</b>	<b>\$ 26,076,227</b>

The accompanying notes are an integral part of these financial statements.



## LOUISIANA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS  
YEARS ENDED FURN IN 1997 AND 1996

	<u>1997</u>	<u>1996</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Interest revenues over expenses from operations	\$ 1,200,359	\$ 1,547,656
Adjustments to reconcile interest revenues over expenses to net cash provided by operating activities:		
Depreciation	90,280	92,640
Change in accrued interest receivable	( 45,413)	( 184,186)
Change in due from governments	203,496	64,974
Change in due from MRF programs	( 124,825)	( 281,212)
Change in accounts payable	( 288,022)	( 280,322)
Change in compensated absence payable	( 8,648)	9,889
Change in due to governments	( 61,600)	( 583,292)
Change in deferred income	37,566	( 443,215)
Change in other assets	211,217	14,796
Mortgage loans purchased (federal grants)	( 5,047,412)	( 13,764,043)
Collections of mortgage loans	53,518	79,073
Net cash used in operating activities	<u>( 4,604,280)</u>	<u>( 13,671,701)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Net residual equity transfers from LHFA, MRF programs	824,242	4,796,617
Receipts from federal grants	11,357,032	95,878,854
Disbursements of federal grants not capitalized	<u>( 5,618,382)</u>	<u>( 3,088,388)</u>
Net cash provided by noncapital financing activities	<u>6,562,892</u>	<u>97,607,083</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments purchased	( 24,964,648)	( 38,267,621)
Investments redeemed	22,793,169	32,631,843
Net cash from rental property	<u>1,823,286</u>	<u>1,231,949</u>
Net cash (used in) provided by investing activities	<u>( 2,348,193)</u>	<u>( 4,403,829)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Purchase of fixed assets	<u>( 142,060)</u>	<u>( 192,791)</u>

The accompanying notes are an integral part of these financial statements.



## LOUISIANA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 1987 AND 1986

	1987	1986
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 1,380,288	\$ 484,815
CASH AND CASH EQUIVALENTS, beginning of year	5,280,538	4,795,723
CASH AND CASH EQUIVALENTS, end of year	\$ 6,660,826	\$ 5,280,538
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ _____	\$ _____

The accompanying notes are an integral part of these financial statements.

## LOUISIANA HOUSING FINANCE AGENCY

### NOTES TO FINANCIAL STATEMENTS

#### I. Organization of the Agency

The Louisiana Housing Finance Agency (the Agency) is a political subdivision and instrumentality of the State of Louisiana established in 1988 pursuant to the Louisiana Housing Finance Act contained in Chapter 3-A of Title 40 of the Louisiana Revised Statutes of 1990, as amended. The initial enabling legislation and subsequent amendments gave the Agency the authority to undertake various programs to assist in the financing of housing needs in the state of Louisiana for persons of low and moderate incomes by issuing evidence of indebtedness to obtain funds for accomplishing its authorized public functions.

In accordance with the above legislation, the powers of the Agency are vested in a Board of Commissioners which is empowered to contract with outside parties to conduct the operations of the programs it initiates. For the programs it initiates, the Agency utilizes mortgage lenders in the State of Louisiana to originate and service mortgage and construction loans acquired under its single family and multifamily programs. The Agency also utilizes various banking institutions to serve as trustee for each of its bond programs and such trustee banks have the fiduciary responsibility for the care and investment of program funds.

#### 2. Significant Accounting Policies

##### a. Basis of accounting and reporting

The Agency complies with Generally Accepted Accounting Principles (GAAP). The Agency applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. As the Agency's general fund and its mortgage revenue bond programs are considered to be proprietary funds, the Agency also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the Agency's significant policies.

The Louisiana Housing Finance Agency prepares its financial statements in accordance with the standards established by the GASB. GASB Codification Section 2180 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The accompanying statements present only transactions of the Louisiana Housing Finance Agency's General Fund, determined to be a component unit of the State of Louisiana. The Agency's "General Fund" refers to the fund that accounts for the Agency's general operating activities and is not meant to denote a governmental type general fund of a primary government. The Agency's General Fund, as well as its Mortgage Revenue Bond Programs, are considered to be proprietary type funds, as discussed below.

Annually, the Louisiana Housing Finance Agency issues combined financial statements which include the activity contained in the accompanying financial statements.

Annually, the State of Louisiana issues general purpose financial statements which include the activity contained in the accompanying financial statements. The general purpose financial statements are issued by the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

## LOUISIANA HOUSING FINANCE AGENCY

### NOTES TO FINANCIAL STATEMENTS

#### 2. Significant Accounting Policies (continued)

##### a. Basis of accounting and reporting (continued)

The Funds of the Agency are proprietary fund types. Proprietary funds are used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful for sound financial administration. The generally accepted accounting principles ("GAAP") used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they were earned and expenses are recognized in the period incurred. Significant accounting policies consistently followed by the Agency in preparing its financial statements include:

##### b. Fund Accounting

**General Fund** - This fund provides for the accounting of general and administrative expenses of the Agency, any allowable transfers from other funds, investments, interest income, and various types of fees. Funds transferred from the Agency's programs are generally unrestricted and may be utilized for any lawful purpose of the Agency. The General Fund also accounts for the administration and pass through transactions of the federal programs administered by the Agency. (See Note F) The Agency owns five low income multifamily rental properties. The activity of these properties are also accounted for in the General Fund.

##### c. Loan fees

Loan fees are deferred and amortized using a method that approximates the interest realized over the maturity of life of the related loans, except for single family fixed-rate mortgage loans. Due to anticipated prepayments, fixed-rate single family loans (generally made for a contractual 30-year term) are amortized over an estimated 17-year economic life. In the event an extraordinary mandatory redemption occurs due to most payee loans not being originated, all fixed fees (as a pro-rata share of unfunded mortgage loans) are recognized immediately as revenue.

##### d. Investments

Investments are included in the accompanying financial statements at amortized cost.

LOUISIANA HOUSING FINANCE AGENCY

NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

a. Allowance for Loan Losses

The allowance is maintained at a level adequate to absorb probable losses. Management determines the adequacy of the allowance based upon reviews of groups of credits, loss experience of similar type loans, current and future estimated economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. Loans deemed uncollectible are charged to the allowance. Provisions for loan losses and recoveries on loans previously charged off are added to the allowance.

c. Issue Fees

The Agency receives an administrative fee from the majority of the bond programs issued by the Agency. The amounts and/or calculations of the fees are specified in the various bond indentures.

d. Fixed Assets

The Agency's major classes of fixed assets consist of equipment and automobiles. These assets are recorded at cost less accumulated depreciation and depreciated over their estimated useful lives using the straight-line method.

h. Reclassification

Certain amounts in the 1998 financial statements have been reclassified to conform to the current year's presentation.

i. 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.

3. Cash and Investments

For reporting purposes, cash and cash equivalents include cash on hand, financial institution deposits and all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are stated at cost, which approximates market value. Under state law the Louisiana Housing Finance Agency may deposit funds within a fiscal agent bank, selected and designated by the Executive Emergency Board. Further, the Agency may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of Federally or state chartered credit unions.

## LOUISIANA HOUSING FINANCE AGENCY

## NOTES TO FINANCIAL STATEMENTS

## 3. Cash and Investments (continued)

The Louisiana Housing Finance Agency had cash and cash equivalents totaling \$7,008,838 and \$5,218,539 at June 30, 1997 and 1996 which included bank deposits of \$1,047,868 and \$1,288,668, respectively. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must, at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial fund, in the form of substituting receipts held by the State Treasurer. The bank deposits, which include \$695,799 of certificate deposits classified as investments at June 30, 1997, as well as checking accounts, savings account and C.D.'s classified as cash equivalents were secured as follows:

	1997	1996
Carrying amount	\$ 1,743,488	\$ 1,288,668
Bank balances:		
Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	\$ 808,080	\$ 400,000
Collateralized with securities held by pledging financial institution or its trust department or agent in the entity's name	1,605,146	1,715,516
Uncollateralized, including any securities held for the entity but not in the entity's name	329,262	173,152
Total Bank Balances	\$ 2,411,672	\$ 2,288,778

Investment securities which are classified as cash and cash equivalents of \$6,083,319 and \$3,931,871 at June 30, 1997 and 1996 primarily consist of short-term U.S. Government Securities held by various trust accounts maintained by the Agency.

At June 30, 1997 and 1996, investments totaling \$16,188,989 and \$14,391,488, respectively, consisted primarily of U. S. Treasury bills and notes, FPMR securities and certificates of deposit. The market value of these investments approximates the carrying value. These assets are held by the broker or dealer's trust department or agent, but not in the Agency's name (GAAP category T). Interest rates on investments and cash equivalents ranged from 4.0% to 7.5% at June 30, 1997.

Under Louisiana Revised Statute of 1950, as amended, the Agency may invest in obligations of the U. S. Treasury, agencies, and instrumentalities, repurchase agreements, and other investments as provided by the statute mentioned above.

## LOUISIANA HOUSING FINANCE AGENCY

## NOTES TO FINANCIAL STATEMENTS

## 4. Notes and Bonds Payable (continued)

Bond Issue	Interest Rate	Term (Years)	Maturity Dates	In Thousands		
				Amount Issued	Retired to Date	Outstanding at 6/30/97
1993 M.F. Multifamily 1995A&B L.A.W. Multifamily	7.7%	87(20/93)	Various	\$ 3,276	(5) 309	\$ 2,967
1995A S.D. S.L. Multifamily	4.0-9.8%	84/81/93	Various	22,490	(4) 4,724	17,766
1995A L.F. Multifamily	3.0-7.0%	83/81/93	Various	8,888	(4) 33	8,855
1995 A.L.F. Multifamily	9%	83/81/93	83/81/93	19,845	(4) 817	19,028
1997 M.F. Multifamily	3.25-4.3%	83/81/97	Various	6,878	—	6,878
				\$ 57,377	(24) 246,539	\$ 57,131

## 5. Federal Financial Assistance

## Section 8 Program

In connection with the Section 8 PDA and 1994A&B Multifamily Mortgage Revenue Bond Programs, the Agency entered into a Housing Assistance Program (HAP) contract with the Department of Housing and Urban Development (HUD) as authorized under Section 8 of the United States Housing Act of 1937, as amended. Under the contract, the Agency serves as an agent for HUD by distributing HAP funds to the housing project owners. The Agency receives an administrative fee and is reimbursed for certain expenses by HUD for providing this service. These fees totaled approximately \$48,000 for the years ending June 30, 1997 and 1996. HAP funds distributed totaled \$2,135,968 and 1,091,206 for the years ended June 30, 1997 and 1996, respectively.

## HOME Program

The Agency has also entered into a partnership agreement on behalf of the State of Louisiana with HUD under the HOME Investment Partnership Program as authorized by Title II of the National Affordable Housing Act. Under the agreement, the Agency administers and distributes funding to be used for a variety of low income housing activities. These activities and the form of funding provided are as follows:

Activity	Funding Form
a) Rehabilitation and new construction of low-income multi-family rental complexes	Low interest bearing loans
b) Rehabilitation of structures for low-income homeowners	Grants
c) First year operating expenses for community housing development organizations (CHDOs)	Grants
d) Homebuyer assistance	Low interest, zero interest bearing loans and grants.

## LOUISIANA HOUSING FINANCE AGENCY

## NOTES TO FINANCIAL STATEMENTS

## 5. Federal Financial Assistance (continued)

The Agency disbursed a total of \$9,486,308 and \$14,651,964 in connection with the HOME Program during 1997 and 1998, respectively.

The Agency recognized \$808,898 and \$752,128 in administrative fee revenue under this program for 1997 and 1998, respectively.

## 6. Board of Commissioners Expenses

The appointed members of the Agency's Board of Commissioners receive a per diem payment for meetings attended and services rendered, and are also reimbursed for their actual expenses incurred in the performance of their duties as Commissioners. For the year ended June 30, 1997, the following per diem payments were made to the members of the Agency's Board and are included in general and administrative expenses:

Robert Austin	\$	250
William Dierker, Jr.		250
Larry Caldwell		250
Billie Carter		50
Lloyd Cookman		450
Michael Domingo		450
Robert Durr		50
Elmo Frazier		150
Elvira Hunter		700
Debra White Lockwood		400
Levin C. McKnight, III		600
Phillip Miller		750
Osgood Minter		600
Albert S. Pappalardo		700
Nancy Powell		150
W. E. Tachon, Jr.		300
Phil Vance		450
		<hr/>
	\$	6,850

## 7. Retirement Benefits

Substantially all of the employees of the agency belong to the Louisiana State Employees' Retirement System, a single employer, defined benefit pension plan. The System is a statewide public employee retirement system and is available to all eligible employees. The System publishes annual financial reports which include detailed historical, financial, and actuarial information. The Agency contributed approximately \$24,580 and \$41,000 to the system during 1997 and 1998, respectively.

## LOUISIANA HOUSING FINANCE AGENCY

## NOTES TO FINANCIAL STATEMENTS

## 8. Fixed Assets

A summary of changes in fixed assets is as follows:

	Balance June 30, 1996		Additions		Deletions		Balance June 30, 1997	
Fixed assets (cost)	\$	312,612	\$	122,965	\$	-	\$	435,577
Accumulated depreciation	(	172,730)	(	58,282)			(	231,012)
	\$	139,882	\$	64,683	\$		\$	204,565

## 9. Commitments and Contingencies

In the ordinary course of business, the Agency has various outstanding commitments and contingent liabilities that are not reflected in the accompanying financial statements. In addition, the Agency is a defendant in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial condition of the Agency.

The Agency has entered into a building lease on its premises. The lease term was for three years with an option to renew for five one year periods. In July 1996, the Agency amended the lease to alter the terms to a month-to-month basis. The Agency will be required to give thirty days notice prior to ending the lease.

Rent expenses to the Agency for both years ended June 30, 1997 and 1996 totaled \$60,000.

Subsequent to year end, on August 13, 1997, the Agency entered into an agreement for the purchase of a new operating location, including land and an existing building, for \$1,608,000. The closing of the agreed upon purchase is scheduled to occur on or before December 1, 1997.

## 10. HUD Disposition Properties

The Agency is the owner of five low income multifamily rental properties. These properties were purchased from the U.S. Department of Housing and Urban Development (HUD) at a cost of \$1 each. Included in the tenant population are Section 8 qualified persons for which the Agency receives housing assistance payments (HAP) under amended HAP contracts. As owner of these properties, the Agency assumes all rights and responsibilities with regard to lease, maintenance and compliance with federal regulations.

As mentioned in note 2, these rental properties' assets, liabilities and activity are accounted for in separate books but are combined with the Agency's General Fund in the accompanying financial statements. Assets and liabilities of the properties are considered to be restricted and the net income is the non operating revenue to the Agency.

## LOUISIANA HOUSING FINANCE AGENCY

## NOTES TO FINANCIAL STATEMENTS

## 11. Restricted Loans

As part of its HOME program, the Agency makes loans to qualified low income single family homeowners and to developers of low income multi-family projects. These loans are issued as a supplement to primary financing which is obtained from sources outside of the Agency. The loans are collateralized by a second mortgage on the property and payments on these loans are deferred until the time that the primary loan is paid out. These loans are amortized. The loan portfolio at June 30 is as follows:

	1997	1996	Interest Rate
Multi-family Home Mortgage	\$ 21,689,452	\$ 20,870,712	7 1/2 - 8 1/4
Single Family Project Mortgage	13,898,783	12,314,632	Non-interest bearing
Reserve for loan losses	£ 7,968,389	£ 7,174,624	
	\$ 30,556,624	\$ 29,813,680	

The Agency has restricted the repayments of these loans to funding future lending programs and as such, principal and interest on these loans is included in restricted assets.

The increase in the reserve for credit losses was a result of a change of \$793,665 to the provision for loan losses accrued in fiscal 1997.

## 12. Concentration of Credit Risk

The Agency's HOME program loans are issued to single family homeowners and multi-family low income housing project developers residing and located in Louisiana. A substantial portion of the multi-family low income housing project loans have been issued among entities with a common ownership.

## 13. Risk Management

The Agency is exposed to various risks of loss related to theft, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees. To provide coverage for these risks, the Agency participates with the State of Louisiana's Office of Risk Management, a public entity risk pool currently operating as a common risk management and insurance program for branches of state government. This Agency pays an annual premium to ORM for this coverage.

LOUISIANA HOUSING FINANCE AGENCY

COMPREHENSIVE STATEMENT OF OPERATIONS  
REAL ESTATE PROPERTIES

Twelve Month Period Ended June 30, 1997

	Residential	Commercial	Woodlands	Universities	Leisure	Total
Total From Revenue	\$ 1,987,566	\$ 1,341,878	\$ 163,296	\$ 213,343	\$ 311,199	\$ 4,118,033
Total Expenses	(243,821)	(373,412)	(1,232)	(5,822)	(3,822)	(628,112)
Net Rental Revenue	1,743,745	968,466	162,064	217,999	307,377	3,080,651
Total Financial Revenue	-	51	2,817	943	989	4,360
Total Other Revenue	316,569	48,724	12,158	7,289	6,281	420,011
Total Revenue	2,060,314	1,017,271	177,039	225,231	314,646	4,175,461
Total Administrative Expenses	428,197	249,826	78,007	21,493	49,929	827,452
Total Utilities Expenses	149,312	127,256	18,128	21,241	24,921	339,868
Total Operating & Maintenance Expenses	495,423	351,124	182,891	66,898	71,922	1,068,458
Total Taxes & Insurance	184,898	62,247	66,884	17,825	18,638	349,492
Total Financial Expenses	-	-	-	-	-	-
Total Cost of Operations before Depreciation	1,257,830	792,453	265,910	107,457	146,470	2,470,120
Profit (Loss) Before Depreciation	802,484	224,818	111,129	117,774	160,876	1,703,981
Depreciation	(6,827)	(3,881)	(2,522)	(494)	(12)	(14,836)
Net Profit (Loss)	\$ 795,657	\$ 220,937	\$ 108,607	\$ 117,280	\$ 148,864	\$ 1,689,145

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# Postlethwaite & Netterville

A Registered Accounting Corporation  
CERTIFIED PUBLIC ACCOUNTANTS

800 WEST 11TH PLAZA BLDG., SUITE 1201 • BAYOU BOULEVARD, LOUISIANA 70002 • TELEPHONE (504) 982-4888 • FAX (504) 971-4111

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

To the Board of Commissioners  
Louisiana Housing Finance Agency  
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Housing Finance Agency as of and for the year ended June 30, 1997, and have issued our report thereon dated September 17, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Louisiana Housing Finance Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Housing Finance Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Louisiana Housing Finance Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and,

accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the board of commissioners, management and Federal auditing agencies. However, this report is a matter of public record and its distribution is not limited.

*Pastelblauite & Nettenville*

Baton Rouge, Louisiana  
September 17, 1987



## Postlethwaite & Netterville

A Professional Accounting Firm  
CERTIFIED PUBLIC ACCOUNTANTS

800 WARRIEN PLAZA, SUITE 1001 • 2411 OAK RIDGE, LOUISIANA 70002 • TELEPHONE (504) 887-8800 • FAX (504) 887-4211

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners  
Louisiana Housing Finance Agency  
Baton Rouge, Louisiana

#### Compliance

We have audited the compliance of the Louisiana Housing Finance Agency with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1997. The Louisiana Housing Finance Agency's major federal programs are identified in the accompanying schedule of expenses of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Louisiana Housing Finance Agency's management. Our responsibility is to express an opinion on the Louisiana Housing Finance Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audit of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Louisiana Housing Finance Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Louisiana Housing Finance Agency's compliance with those requirements.

In our opinion, the Louisiana Housing Finance Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1997.

### Internal Control Over Compliance

The management of the Louisiana Housing Finance Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Louisiana Housing Finance Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that could be material in relation to a major federal program 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 over compliance and its operation that we consider to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Louisiana Housing Finance Agency as of and for the year ended June 30, 1997, and have issued our report thereon dated September 17, 1997. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-333 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the board of commissioners, management and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

*Patricia A. Hignite : Metairie*

Patricia A. Hignite, Louisiana  
September 17, 1997

**LOUISIANA HOUSING FINANCE AGENCY**  
**SCHEDULE OF EXPENSES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 1991**

Federal Grant Pass-Through Grantor Program Title	Federal CFDA Number	Expense
U. S. Department of HUD		
Section 8 Program <sup>1</sup>	14.102	\$ 1,136,074
Home Program <sup>2</sup>	14.229	1,494,361 <sup>10</sup>

<sup>1</sup>Denotes major federal financial assistance program.

<sup>10</sup> In addition to these expenses of federal funds, \$5,991,000 was disbursed in the form of loans and was capitalized to the Agency's balance sheet as of June 30, 1991.

LOUISIANA HOUSING FINANCE AGENCY  
SCHEDULE OF REPORTABLE CONDITIONS  
JUNE 30, 1987

- Condition:** The Agency is not maintaining an accurate and up-to-date detail of the whole mortgage loans of the 1995 C Program with regards to current balances, delinquency status and foreclosure status.
- There is a lack of reconciliation between the loan servicer's balances outstanding and the balance on the General Ledger which reflects actual collections made by the trust account.
- Effect:** The accuracy and completeness of the information needed to effectively manage the loans is called into question.
- Recommendation:** The Agency should reconcile the mortgage loan balances from the trustee's copy of mortgage loans as per servicer to the general ledger.
- Response:** The Agency's ability to monitor and reconcile loan servicer's trial balances to existing general ledger is hampered by both the lack of personnel in the accounting area and the untimeliness of general ledgers from outside processors. The Agency has addressed this problem by initiating a reorganization of the accounting department to add a section responsible for mortgage revenue bond accounting, and, the Agency is in the process of bringing accounting services in-house to enhance its ability to monitor and reconcile the loan servicer's balances outstanding. In the interim the trust statements will be compared to the loan servicer's trials to insure that the trustee is posting collections to the trust statements.
- Condition:** With regards to all programs which contain whole loans, the Agency appears to have been lax in its monitoring of the foreclosure process. Many loans were noted as being past due for quite some time, with little or no steps taken to initiate foreclosure proceedings.
- Effect:** Should significant delays in the foreclosure process occur, the bond program funds could stand to be denied insurance claims on the loans.
- Recommendation:** The Agency should monitor the foreclosure process on a continual basis.

**Response:**

The Agency has been actively seeking the employment of personnel with mortgage loan servicing experience. The Agency has extended an offer to qualified personnel with mortgage loan servicing experience and with the employment the procedures to monitor the feedback procedures will be implemented on a regular basis.



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**LOUISIANA HOUSING FINANCE AGENCY**

**REPORT TO MANAGEMENT**

**JUNE 30, 1997**

Under provisions of state law, this report is a public document. A copy of this report has been distributed to the auditor, or receiver, and to other appropriate public officials. The report is available for public inspection at the State Budget office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date \_\_\_\_\_

LOUISIANA HOUSING FINANCE AGENCY

REPORT TO MANAGEMENT

MARCH 30, 1987





## Dustlethwaite & Netterville

A Professional Accounting Corporation  
CERTIFIED PUBLIC ACCOUNTANTS

8028 LANTANA PLACE, SUITE 1001 • DORTCH HIGHLAND, LOUISIANA 70007 • TELEPHONE (504) 833-4000 • FAX (504) 837-1011

September 17, 1997

Board of Commissioners  
Louisiana Housing Finance Agency  
Baton Rouge, Louisiana

In planning and performing our audit of the combined financial statements of the Louisiana Housing Finance Agency for the year ended June 30, 1997, we considered the Agency's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters. We previously reported on the Agency's internal control situation in our report dated September 17, 1996, which included a schedule of findings and questioned costs, which reported several reportable conditions. This letter does not affect our report dated September 17, 1997, on the financial statements of the Louisiana Housing Finance Agency.

### Monitoring Cash Transactions of Bond Programs

The Agency currently lacks a system to monitor the activity of the trust accounts of the bond programs. As a consequence, inappropriate disbursement of funds could possibly occur and not be detected by the Agency.

**Recommendation:** We recommend that the Agency implement a system to monitor various fees and other disbursements paid for and paid from the trust accounts.

### Furniture and Equipment

The Agency currently lacks an adequate depreciation schedule. Depreciation is presently being computed by workers at the time of the audit, and the financial statements are adjusted accordingly.

The Agency failed to take the physical inventory of furniture and equipment by June 30, 1997 as is mandated by state statute. The Agency did, however, take such inventory in August 1997.

**Recommendation:** The Agency should establish a depreciation schedule listing all assets of the Agency and their useful lives. This schedule should also be the primary tool in performing the annual physical inventory, which should be performed timely.

### Uninsured Deposits with Financial Institutions

The Agency had financial institution deposits which were not insured by either FDIC insurance or investments owned by the financial institution pledged to the deposits. The uninsured amount was \$284,526 as June 30, 1997. The Agency is required by law to insure all of its deposits with financial institutions.

**Recommendation:** The Agency should periodically check the coverage of its deposits to ensure that depositing bank has adequately insured all deposits.

### Separation of Duties

One individual performs the duties of posting disbursements and reconciling the bank statements. This individual also has access to the checkbook.

**Recommendation:** The duties of posting disbursements and reconciling bank statements should be separate. The individual reconciling the bank statements should not have physical access to the checks.

### Lack of Appraisal

One of the HOME Single Family Projects listed did not have an appraisal done. An appraisal is customarily obtained to determine that the project's value does not exceed HUD established limits.

**Recommendation:** While it is inherently unlikely that a dwelling which is considered to be a "HUD Home" would exceed established fair market value limitations, the Agency should adequately document its reasons for not following its control procedures for complying with federal regulations.

We would like to express our appreciation for the cooperation and courtesies extended to us during our visit by all Agency personnel. We will be happy to discuss in more detail any of the above topics or any other issues that may concern you, at your convenience.

Sincerely,

*Robert K. Smith : Nutterville*





## Louisiana Housing Finance Agency

W. A. "BOBBY" POSTER, JR.  
DIRECTOR

V. JEAN DUPRE  
VICE DIRECTOR

200 LAKEVIEW ST. SUITE 1000  
BIRMINGHAM, LOUISIANA 70201  
(504) 382-4400  
FAX (504) 382-4300

September 30, 1997

Metairie and Natchitoches  
8500 United Plaza Blvd. Suite 1001  
Baton Rouge, LA 70809

Attention: Ms. Candice Wright

Dear Ms. Wright:

In connection with the audit of Louisiana Housing Finance Agency and the Report to Management, the Agency would like the following response entered into the report:

### **Monitoring Cash Transactions of Bond Programs:**

**Response:** The Agency has implemented procedures to monitor cash transactions of the Bond Programs. A list of trustee firms and issuance fees by bond issue will be constructed and reviewed during the year to ensure compliance with the individual Trust Indentures. (See Appendix A)

### **Furniture and Equipment:**

**Response:** With the reorganization of the Accounting Department, both depreciation and physical inventory will be maintained and performed by designated personnel within the Agency's Accounting Department. (See Appendix B)

### **Unsecured Deposits with Financial Institutions:**

**Response:** The Agency has reviewed and adjusted all collateralization agreements with existing banks. Procedures have been implemented to ensure that accounts will be collateralized in the future. (See Appendix C)

### **Separation of Duties:**

**Response:** The Agency had a vacancy within the Accounting Department and had lack of depth to prevent this situation. With the hiring of the Accounting Specialist 2, the duties have been separated. (See Appendix D)

### **Lack of Appraisal**

**Response:** The loan package tested was a HUD Repurchase property. While appraisals are customarily obtained to determine that the project's value does not exceed HUD's established limits, property obtained under HUD repurchase are not required to have an appraisal since one was obtained by HUD during their procedures. Therefore, the amount of the repurchase price from HUD is considered the appraised value. While appraisals on HUD Repurchase property is not required, the Agency does attempt to secure the appraisal from HUD. For the test package, an appraisal has been secured and added to the file. A review of the obtained appraisal indicates that the purchase price was below the market price.

### **Whole Mortgage Loan Monitoring**

The Agency has been actively seeking the employment of personnel with mortgage loan servicing experience. The Agency has extended an offer to qualified personnel with mortgage loan servicing experience and with the employment the procedures to monitor the foreclosed procedures will be implemented on a regular basis.

The Agency ability to monitor and reconcile loan servicer's trial balances to existing general ledger is hampered by both the lack of personnel in the accounting area and the untimely items of general ledgers from outside processors. The Agency has address this problem by initiating a reorganization of the accounting department to add a section responsible for mortgage revenue bond accounting and, the Agency is in the process of bring accounting services in-house to enhance its ability to monitor and reconcile the loan servicer's balances outstanding. In the interim the trust statements will be compared to the loan servicer's trials to insure that the trustee is posting collections to the trust statements.

If we can be of any further assistance, please feel free to contact me or Susan J. Poehl.

Sincerely,



V. Jean Butler  
President

VJH:ms

Enclosures

**Louisiana Housing Finance Agency  
 Single Family Mortgage Revenue Bonds  
 Schedule of Transfer Fees and Issuer Fees**

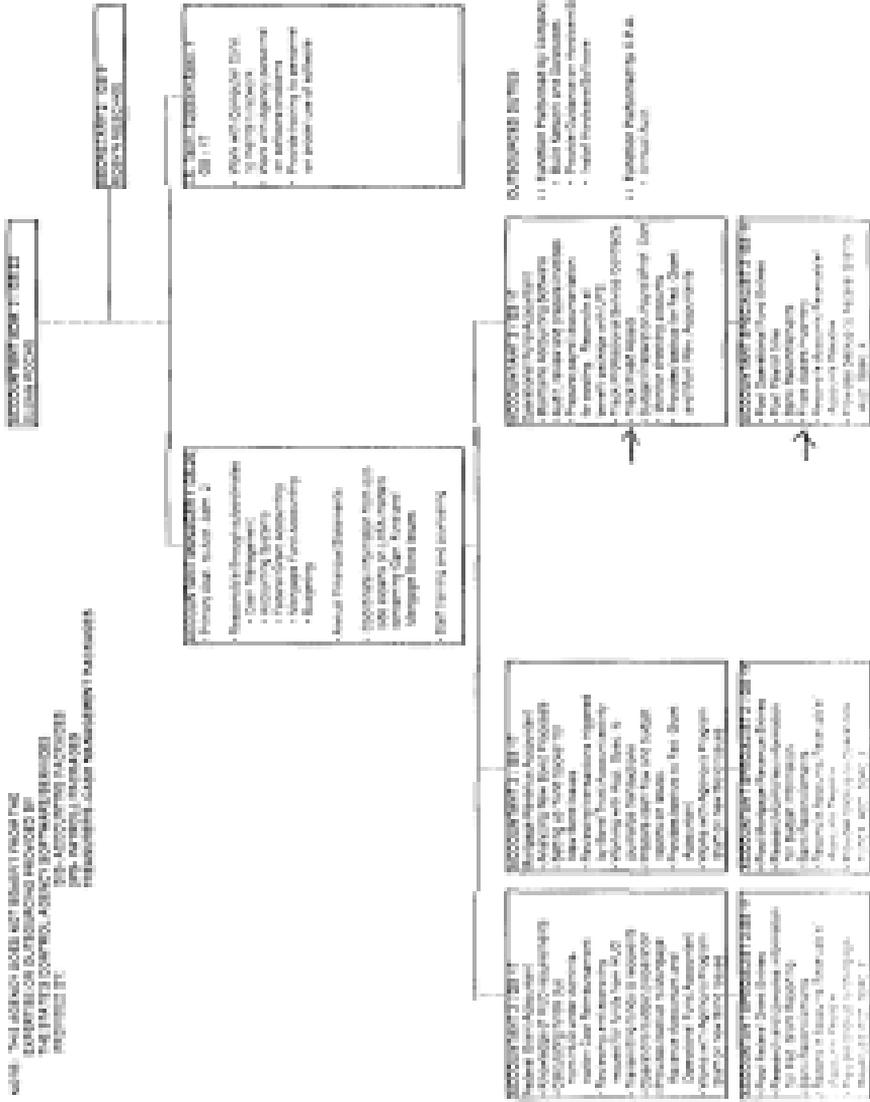
Item	Transfer Fee Description	Date Billed	Paid By
0989	Annual Administration \$9,500, Paying Agent Fees .800% of October 31 GDSMA balance, Transaction Fees 1111 to 10001 at \$10 each	December 1	LHFA
0990A	Annual Admin \$10,000 plus .800% of GDSMA balance (at 7/31) plus \$80 per investment transaction for 8/1 to 7/31	September 1	LHFA
0990B	Annual Administration \$10,000, Paying Agent Fees .800% of October 31 GDSMA balance, Transaction Fees 1111 to 10001 at \$10 each	December 1	LHFA
Home 1	\$1,500 Flat Fee/Annual Fee	June 1 and December 1	Bond Program
Home 2	\$1,500 Flat Fee/Annual Fee	June 1 and December 1	Bond Program
Home 3	.025% of Bonds Outstanding	June 1	Bond Program
0990E	\$1,500 Flat Fee/Annual Fee	March 1 and September 1	Bond Program
0990A	.025% of Bonds Outstanding	June 1	Bond Program
0990C	.02% annually of Bonds Outstanding	June 1 and December 1	Bond Program
0990D	.025% of Bonds Outstanding	June 1 and December 1	Bond Program
0990F	.025% of Bonds Outstanding	December 1	Bond Program
0990G	.025% of Bonds Outstanding	December 1	Bond Program
0990H	.025% of Bonds Outstanding	December 1	Bond Program

**Louisiana Housing Finance Agency  
 Single Family Mortgage Revenue Bonds  
 Schedule of Trustee Fees and Issuer Fees**

Issue	Issuer Fee Description	Fees Paid
1999	0.1% of .21% of CHMA Balance	Monthly
1999A	0.1% of .21% of CHMA Balance	Monthly
1999B	0.1% of .25% of CHMA Balance	Monthly
1999C-1	.50% annually of Mortgage Certificates outstanding 35 days prior to debt service date	June 1 and December 1
1999C-2	.50% annually of Mortgage Certificates outstanding 35 days prior to debt service date	June 1 and December 1
1999C-3	.50% annually of Mortgage Certificates outstanding 35 days prior to debt service date	June 1 and December 1
1999D	.10% annually of Mortgage Certificates outstanding 35 days prior to debt service date	March 1 and September 1
1999E	.045% of FHMA Balance, .005% of CHMA Balance, .005% of FHLBAC Balance (semi-annual rate)	June 1 and December 1
1999F	.075% of Whole Loans and Certificate Balance (semi-annual rate)	June 1 and December 1
1999G	.05% of Ladyette loans, .14% of Home loans, .055% of Low Rate, .4% of Assisted (semi-annual rate)	June 1 and December 1
1999H	.30% of Home Loans, .05% of Low Rate loans, .35% of Assisted Loans (semi-annual)	June 1 and December 1
1999I	.30% of Home Loans, .05% of Low Rate loans, .35% of Assisted Loans (semi-annual)	June 1 and December 1
1999J	.30% of Home Loans, .05% of Low Rate loans, .35% of Assisted Loans (semi-annual)	June 1 and December 1

**PROPOSED ORGANIZATIONAL STRUCTURE**

NOTE: THE ADVISORY BOARD WILL REPORT THROUGH THE  
 DIRECTOR OF SCIENTIFIC PROGRAMS TO  
 THE JPM THE COMMISSION, AGENCY FOR SCIENTIFIC RESEARCH  
 AND TECHNOLOGICAL DEVELOPMENT  
 INFORMATION SYSTEMS MANAGEMENT





# Liberty Bank

170 BULLDOGS  
New Orleans, LA 70002-0102  
(504) 588-8888

September 19, 1997

Ms. Susan Poche  
LOUISIANA INVESTING FINANCE AGENCY  
Baton Rouge, LA

Dear Ms. Poche:

This is to advise that the following security has been pledged as additional collateral to secure the deposits of the LEFA.

Par/Type	Maturity	Qualif No.	Market Value
\$200,000 GNMA II AHSB FL	10-30-95	342828788	\$204,800.00

Also, per your request, monthly collateral statements will be forwarded to your office by the 10th of each month.

Please feel free to contact me at (504) 382-8818 should you have any questions.

Sincerely,

*Blaine R. Sterling*  
Blaine R. Sterling

JSP





DATE: SEPTEMBER 26, 1987  
TO: Susan Poole  
FROM: Paula Sanchez *Paula Sanchez*  
SUBJECT: Outstanding Requirements

Per our conversation this morning, this memo is to confirm that I have started procedures on our end to change the four accounts for the LEPA that are not coded Public Funds (81282800, 81282800, 812164415, 812813580).

It appears all four accounts were opened at the same branch. You may want to inform the person opening these accounts at LEPA that going forward they should inform the bank that they are a public utility.

Thanks.

Internal Memorandum

REFERENCE C

