

**DENHAM SPRINGS/LIVINGSTON HOUSING  
AND MORTGAGE FINANCE AUTHORITY**

**DECEMBER 31, 2022**

**DENHAM SPRINGS, LOUISIANA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Denham Springs/Livingston Housing and  
Mortgage Finance Authority

**Report on the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the business-type activity of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Authority's programs presented in the accompanying financial statements as of and for the year ended December 31, 2022, as listed in the table of contents as schedules 1 through 3.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of the Denham Springs/Livingston Housing and Mortgage Finance Authority as of December 31, 2022, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each of the programs of the Denham Springs/Livingston Housing and Mortgage Finance Authority, as of December 31, 2022, and the respective changes in financial position and cash flows of each program for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

The Authority's management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Report on Summarized Comparative Information***

We have previously audited the Authority's December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2022. In

our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***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 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 our report dated June 19, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

Respectfully submitted,  
*Hannis T. Bourgeois, LLP*

Denham Springs, Louisiana  
June 19, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Denham Springs / Livingston Housing & 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, 2022. 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 document in conjunction with the Authority's financial statements, which begin on page 9.

### FINANCIAL HIGHLIGHTS

- During 2022, conventional market mortgage loan interest rates sharply increased due to rapid increases of the short-term rates by the Federal Reserve. High mortgage loan rates generally slow the pace of prepayments caused by refinancing the first mortgages. Prepayments from mortgage loans (as the underlying collateral for the Mortgage Backed Securities) are used to retire bonds prior to their maturity. Fewer assets result in lower mortgage related interest income and fewer bonds typically results in lower bond interest expense.
- Total Assets for 2022 decreased by \$656,421 as compared to \$103,632 for 2021 primarily due to paydowns of the mortgage asset related principal and an unrealized loss of \$721,880 market value adjustment on investments.
- Total Liabilities for 2022 decreased \$26,788 as compared to \$29,832 for 2021 primarily due to the \$26,084 reduction in Bonds Payable - Net.
- The Authority's assets exceeded its liabilities at the close of fiscal year 2022 by \$4,935,537, as compared to \$5,565,170 for 2021, which represents a \$629,633 decrease from 2021.
- The Authority's gross revenue for 2022 (exclusive of the "Net Realized and Unrealized Gains / Losses on Investments") increased \$18,143 from \$146,274 in 2021 to \$164,417 in 2022 due primarily to the increase of interest earned on investments which includes the Mortgage Backed Securities (the "MBS's") held as collateral for the various bond issues.
- There was a \$629,633 negative change in net position for 2022 as compared to \$73,800 negative change for 2021. Net income was \$92,247 in 2022 as compared to \$80,382 in 2021 (excluding the effect of unrealized gains and losses and the changes in the fair value of investments), an increase of \$11,865.
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## 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 Sheet; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

The Balance Sheet presents 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. The Schedule of Assets, Liabilities and Net Position by Program is on page 20.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed because of the current year 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 Schedule of Revenues, Expenses and Changes in Net Position by Program is on page 21.

The Statement of Cash Flows presents information showing how the Authority's cash changed because of the current year's operations. The cash flow statement is prepared using the direct method and includes the reconciliation of net income (loss) to net cash provided by (used in) operating activities (indirect method) as required by Statement No. 34 of the Governmental Accounting Standards Board. The Schedule of Cash Flow by Program is on pages 22 and 23.

**FINANCIAL ANALYSIS OF THE AUTHORITY**  
**Denham Springs/Livingston Housing**  
**and Mortgage Finance Authority**  
**Statement of Net Position**  
**For the Years Ended December 31, 2022 and 2021**

	2022	2021	Change from Prior Year
Cash and Cash Equivalents	\$ 534,685	\$ 582,325	\$ (47,640)
Certificates of Deposit	1,442,420	1,159,581	282,839
Municipal Government Obligations	2,846,388	3,677,086	(830,698)
GNMA Securities	297,879	353,630	(55,751)
FHLMC Securities	78,634	88,823	(10,189)
Accrued Interest Receivable	39,586	34,568	5,018
<b>Total Assets</b>	<b>\$ 5,239,592</b>	<b>\$ 5,896,013</b>	<b>\$ (656,421)</b>
Accounts Payable	\$ -	\$ 350	\$ (350)
Accrued Interest Payable	1,198	1,302	(104)
Unearned Servicing Release Fees	2,875	3,125	(250)
Bonds Payable - Net	299,982	326,066	(26,084)
<b>Total Liabilities</b>	<b>304,055</b>	<b>330,843</b>	<b>(26,788)</b>
<b>Net Position:</b>			
Restricted for Debt Service	80,928	106,243	(25,315)
Unrestricted	4,854,609	5,458,927	(604,318)
<b>Total Net Position</b>	<b>4,935,537</b>	<b>5,565,170</b>	<b>(629,633)</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 5,239,592</b>	<b>\$ 5,896,013</b>	<b>\$ (656,421)</b>

Restricted net position represents the net position that is not available for general use due to the terms of the various bond trust indentures under which assets are held and pledged as security for the bonds of the Authority's Mortgage Revenue Bond Programs. Conversely, unrestricted net position is assets for which there are no such limitations.

Net position of the Authority decreased by \$629,633 from December 31, 2021, to December 31, 2022. Without considering the Net Realized or Unrealized Gains / (Losses) on Investments, the Authority experienced a gain of \$92,247 in 2022 which is an increase of \$11,865 over the gain of \$80,382 in 2021.



**Denham Springs/Livingston Housing  
and Mortgage Finance Authority  
Condensed Statement of Changes in Net Position  
For the Years Ended December 31, 2022 and 2021**

	2022	2021	Increase (Decrease)
Revenues	\$ (557,463)	\$ (7,908)	\$ (549,555)
Expenses - Operating	72,170	65,892	6,278
Change in Net Position	\$ (629,633)	\$ (73,800)	\$ (555,833)

**Revenue**

The Authority’s revenues decreased by \$549,555 primarily due to the change in Net Realized and Unrealized Gains (Losses) on Investments and interest earned on other investments.

Total Operating Expenses increased \$6,278 in 2022 over 2021 primarily because of an increase in bond interest payments of \$7,039.

The Authority’s total revenues exclusive of “Net Realized and Unrealized Gains (Losses) on Investments” increased by \$18,143 from 2021 to 2022 due primarily to an increase of interest earned on other investments.

**Debt**

The Authority had \$299,982 in bonds outstanding at the end of 2022, compared to \$326,066 at the end of 2021, as shown in the table below – a decrease of \$26,084:

	2022	2021	Increase (Decrease)
Mortgage Revenue Bonds	\$ 299,982	\$ 326,066	\$ (26,084)

The decreased debt level resulted from the \$26,084 in retirement of bonds (either by maturity or early redemption) in the 2007 program from payments and prepayments of mortgage related assets.

The bond rating for the 2007 bond issue continues to carry the Aaa rating for the debt of its Mortgage Revenue Bonds. None of the Authority’s programs contain any sub-prime loans.

The Authority had accounts payable and accrued interest payable of \$4,777 outstanding at 2021 year-end compared with \$4,073 at the 2022 year-end. The decrease of \$704 is primarily due to the reduction of Accrued Interest Payable and a decrease in Unearned Service Release Fees..

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Authority's appointed officials considered the following factors and indicators when setting next year's budget. These factors and indicators include:

- The potential for rising conventional mortgage loan interest rates due to the Federal Reserve's stated intention to significantly raise short-term interest rates could cause early mortgage loans payoffs (as a result of property sales and mortgage loans refinancing) to slow. If mortgage rates rise because of higher short-term interest rates, the rate of mortgage loan refinancing's and home sales could result in a decrease in the rate of bonds being prepaid. Home sales and property values remained stable to increasing in Livingston Parish during 2021 but are expected to slow if the Federal Reserve follows through with the short-term increases and the potential for economic inflation.

## **CONTACTING THE DENHAM SPRINGS / LIVINGSTON HOUSING & MORTGAGE FINANCE AUTHORITY MANAGEMENT**

This Financial report is designed to provide Louisiana's citizens and taxpayers, as well as the Authority's customers and creditors with a general overview of the Denham Springs / Livingston Housing & Mortgage Finance Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Stacy Jones  
Chairman  
P O Box 2281  
Denham Springs, LA 70727-2281  
225-665-5406

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

BALANCE SHEET

AS OF DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2021)

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 534,685	\$ 582,325
Certificates of Deposit	1,442,420	1,159,581
Municipal Government Obligations	2,846,388	3,677,086
GNMA Securities	297,879	353,630
FHLMC Securities	78,634	88,823
Accrued Interest Receivable	<u>39,586</u>	<u>34,568</u>
Total Assets	<u><u>\$ 5,239,592</u></u>	<u><u>\$ 5,896,013</u></u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>Liabilities:</b>		
Accounts Payable	\$ -	\$ 350
Accrued Interest Payable	1,198	1,302
Unearned Servicing Release Fees	2,875	3,125
Bonds Payable - Net	<u>299,982</u>	<u>326,066</u>
Total Liabilities	304,055	330,843
<b>Net Position:</b>		
Restricted for Debt Service	80,928	106,243
Unrestricted	<u>4,854,609</u>	<u>5,458,927</u>
Total Net Position	<u>4,935,537</u>	<u>5,565,170</u>
Total Liabilities and Net Position	<u><u>\$ 5,239,592</u></u>	<u><u>\$ 5,896,013</u></u>

The accompanying notes are an integral part of this statement.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues:</b>		
Interest Earned on Other Investments	\$ 164,167	\$ 146,070
Commitment Fee Income	250	204
Net Realized and Unrealized Gains (Losses) on Investments	<u>(721,880)</u>	<u>(154,182)</u>
Total Operating Revenues	(557,463)	(7,908)
<b>Operating Expenses:</b>		
Interest	13,972	6,933
Grants	30,000	30,000
Administrative Fees	7,517	8,653
Operating Expenses	2,881	2,706
Professional Fees	<u>17,800</u>	<u>17,600</u>
Total Operating Expenses	<u>72,170</u>	<u>65,892</u>
Change in Net Position	(629,633)	(73,800)
<b>Net Position - Beginning of Year</b>	<u>5,565,170</u>	<u>5,638,970</u>
<b>Net Position - End of Year</b>	<u><u>\$ 4,935,537</u></u>	<u><u>\$ 5,565,170</u></u>

The accompanying notes are an integral part of this statement.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022	2021
<b>Cash Flows From Operating Activities:</b>		
Cash Receipts for:		
Investment Income on Investments and Commitment Fees	\$ 160,585	\$ 146,506
Cash Payments for:		
Interest on Debt	(15,161)	(16,196)
Other Operating Expenses	(58,548)	(58,909)
Net Cash Provided by Operating Activities	86,876	71,401
<b>Cash Flows From Investing Activities:</b>		
Purchase of Investments	(656,404)	(745,629)
Proceeds from Maturities, Sales and Paydowns of Investments	547,137	589,182
Net Cash Used in Investing Activities	(109,267)	(156,447)
<b>Cash Flows From Noncapital Financing Activities:</b>		
Bond Redemptions	(24,999)	(20,420)
Servicing Release Fees	(250)	(204)
Net Cash Used in Noncapital Financing Activities	(25,249)	(20,624)
<b>Net Decrease in Cash and Cash Equivalents</b>	(47,640)	(105,670)
<b>Cash and Cash Equivalents at Beginning of Year</b>	582,325	687,995
<b>Cash and Cash Equivalents at End of Year</b>	\$ 534,685	\$ 582,325

(CONTINUED)

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022	2021
<b>Cash Flows From Operating Activities:</b>		
Change in Net Position	\$ (629,633)	\$ (73,800)
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:		
Net Amortization of Investment Discount (Premium)	1,186	1,152
Net Amortization of Bond Discount (Premium)	(1,085)	(886)
Net Realized and Unrealized (Gains)		
Losses on Investments	721,880	154,182
Changes in Assets and Liabilities:		
(Increase) Decrease in Accrued Interest Receivable	(5,018)	(920)
Increase (Decrease) in Accounts Payable	(350)	50
Increase (Decrease) in Accrued Interest Payable	(104)	(8,377)
Net Cash Provided by Operating Activities	\$ 86,876	\$ 71,401

The accompanying notes are an integral part of this statement.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**(1) Summary of Significant Accounting Policies**

**(A) Organization of Authority -**

The Denham Springs/Livingston Housing and Mortgage Finance Authority (the "Authority") is a public trust created pursuant to provisions of the Louisiana Revised Statutes of 1950, as amended, by a Trust Indenture dated February 12, 1979. The Authority's primary purpose is to provide means of financing the cost of residential home ownership, development and rehabilitation which will provide decent, safe and sanitary housing for low and moderate income residents of Livingston Parish at prices they can afford, through the Authority's purchase of mortgage loans made to such persons by certain mortgage lenders.

In April 2007, the Authority issued \$14,375,000 of Series 2007 (Go Zone) Single Family Mortgage Revenue Bonds to purchase GNMA, FNMA and/or FHLMC securities backed by and based on the mortgage loans made by certain mortgage lending institutions made in the eligible loan area to finance owner-occupied single family residential immovable property located in Livingston Parish to be owned and occupied by low and moderate income families or persons residing in the eligible loan area. The lending institutions assembled these loans into pools in order to permit GNMA, FNMA, and/or FHLMC securities to be issued and therefore to be purchased by the Authority with proceeds of the Series 2007 Bonds.

The Authority is managed by a Board of Trustees appointed by the City Council of Denham Springs. The Authority's Board of Trustees is empowered under the bond trust indenture and the bond program agreement to contract with outside parties to conduct the day-to-day operations of the Authority and the programs it initiates. Under its original single family mortgage purchase bond program, the Authority utilized area financial institutions to originate and service the mortgage loans acquired. Regions Trust has been designated as the Trustee of the 2007 program and has the fiduciary responsibility for the custody and investment of funds. Regions Trust has been designated as the custodian of the residual fund, while Raymond James manages investment of the funds.

Although located within the boundaries of the City of Denham Springs, the City does not significantly influence the operations of the Authority nor is the Authority held accountable to the City of Denham Springs for fiscal matters.

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.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

Based on criteria outlined in Statement No. 61 of the Governmental Accounting Standards Board, the Denham Springs/Livingston Housing and Mortgage Finance Authority is considered a related party to the City of Denham Springs.

**(B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation -**

**Measurement Focus** - The Authority's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. These statements established standards for external financial reporting for all state and local governmental entities which includes a balance sheet, a statement of revenues, expenses and changes in net position and a statement of cash flows.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. The Authority has no governmental or fiduciary funds.

**Basis of Accounting** - The Authority uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred or economic asset used.

The accounts of the Authority are organized on the basis of individual programs. The programs, which are administered by a trustee bank, provide for a separate set of self-balancing accounts which account for bonds issued, debt service and bond redemption requirements, investments, and related revenues and operating expenses. These individual programs are aggregated in the financial statements to comprise the fund of the Authority.

The Authority's accounts are organized into a single proprietary fund. The enterprise fund (a proprietary fund) is used to account for operations (a) that are operated in a manner similar to private business where the intent of the governing body is that the cost (expense, including depreciation) of providing goods and services to the general public is financial or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or changes in net assets is appropriate for capital maintenance.

The Authority's principal operating revenues are the interest and appreciation (depreciation) related to investments and mortgages/mortgage-backed securities.

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*.



**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

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.

Investments

Investments are recorded at fair value. Fluctuations in the fair value of investments are recorded as gains (losses) in the Statements of Revenues, Expenses and Changes in Net Position.

Statements of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include certificates of deposit and all highly liquid debt instruments with maturities of three months or less when purchased.

Summary Financial Information for 2021

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, 2021, from which the summarized information was derived.

**(2) Bonds Payable -**

The net proceeds obtained from the 2007 Series bond issue were used to establish funds authorized by the Bond Trust Indenture to purchase or fund 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. The Bond Trust Indenture provided 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.

The outstanding bonds payable at December 31, 2022 consist of the following:

2007 Series (Go Zone) Single Family Mortgage Revenue Bonds	
Maturing Serially through November 1, 2040, with Interest at	
5.00% Payable Monthly	\$ 287,505
Add: Unamortized Bond Premium	<u>12,477</u>
Total 2007 Series	<u><u>\$ 299,982</u></u>

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

A schedule of Changes in Long-Term Debt for the year 2022 is as follows:

	2007 Series
Balances at January 1, 2022	\$ 326,066
Additions:	
Valued at Par	-
Premium	-
Deletions:	
Cash Payments	(24,999)
Amortization of Premium	(1,085)
Balances at December 31, 2022	\$ 299,982

Debt Service requirements to maturity, including interest requirements, are as follows:

2023	\$ 161,139
2024	76,689
2025	36,498
2026	17,370
2027	8,267
2028 - 2032	7,324
2033 - Thereafter	183
Add (Less) Unamortized Premium	12,477
Total Bond Principal and Interest	319,947
Less: Portion Representing Interest	(19,965)
Total Principal Outstanding at December 31, 2022	\$ 299,982

Computation of annual principal redemptions for Series 2007 is determined by applying the 0% PSA Prepayment Model. The PSA Prepayment Model was developed by the Public Securities Association and is based on various assumptions. Actual principal redemptions may vary.

**(3) Cash and Investments -**

The Authority's programs maintain deposits at the Trustee bank. The balances of these deposits at December 31, 2022, were either completely covered by FDIC insurance or were invested in U.S. treasury money market funds. The Authority also has funds, classified as "Cash and Cash Equivalents" on the Balance Sheet, which represent interests in money market mutual funds.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

The Authority's investments at December 31, 2022 are recorded at market value as summarized below:

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Certificates of Deposit	<u>\$ 1,580,000</u>	<u>\$ 1,442,420</u>	<u>\$ (137,580)</u>
Municipal Government Obligations	<u>\$ 3,344,083</u>	<u>\$ 2,846,388</u>	<u>\$ (497,695)</u>
GNMA Mortgage Backed Loan Pool	<u>\$ 308,163</u>	<u>\$ 297,879</u>	<u>\$ (10,284)</u>
FHLMC Mortgage Backed Securities	<u>\$ 81,966</u>	<u>\$ 78,634</u>	<u>\$ (3,332)</u>

Included in the caption "Net Realized and Unrealized Gains (Losses)" on the Individual and Combined Statements of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2022 are as follows:

Realized Gains	\$ -
Realized Losses	(25,508)
Net Change in Unrealized Gains (Losses)	<u>(696,372)</u>
Total Net Realized and Unrealized Gains (Losses) at December 31, 2022	<u>\$ (721,880)</u>

As of December 31, 2022, the Authority's investments had the following maturities:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
			<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Certificates of Deposit	\$1,580,000	\$1,442,420	\$ 328,837	\$ 874,460	\$ 171,673	\$ 67,450
Municipal Government Obligations	3,344,083	2,846,388	281,498	850,041	1,131,404	583,445
U.S. Agencies	<u>390,129</u>	<u>376,513</u>	<u>-</u>	<u>28,170</u>	<u>41,066</u>	<u>307,277</u>
Total	<u>\$5,314,212</u>	<u>\$4,665,321</u>	<u>\$ 610,335</u>	<u>\$1,752,671</u>	<u>\$1,344,143</u>	<u>\$ 958,172</u>

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

**Interest Rate Risk.** Investments of the Authority’s various bond programs are limited to those authorized in the various bond indentures. The Authority’s investment policy does not specifically define limits for investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. However, as a means of limiting its exposure to fair value changes arising from fluctuations in interest rates, the Authority does attempt to ladder the maturities of its investments. The Authority typically buys and holds its investments until maturity or until called. Investments of the residual fund are managed by Raymond James in accordance with the Authority’s investment policies.

**Credit Risk.** The Authority’s investments in U.S. Agencies carry the explicit guarantee of the U.S. government.

**Custodial Credit Risk - Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2022, none of the Authority’s bank balance of \$2,114,685 was exposed to custodial credit risk because it was either completely covered by FDIC insurance or was invested in U.S. treasury money market funds and held in trust.

**Concentration of Credit Risk.** The Authority places no limit on the amount the Authority may invest in any one issuer. More than 5% of the Authority’s investments are in GNMA’s and FHLMCs.

**Fair Value of Financial Instruments.** The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of December 31, 2022:

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Brokered Certificates of Deposit	\$ 1,442,420	\$ -	\$ -	\$ 1,442,420
Mortgage-Backed Securities	-	376,513	-	376,513
Municipal Government Obligations	-	2,846,388	-	2,846,388
	\$ 1,442,420	\$ 3,222,901	\$ -	\$ 4,665,321

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

**(4) Compensation Paid Board Members -**

Brent Dugas	\$ 100
James Durbin	75
Gerald Hughes	100
Kayla Johnson	75
Stacy Jones, Chairman	<u>100</u>
	<u>\$ 450</u>

**(5) Schedule of Compensation, Benefits, and Other Payments to Chairman of the Board of Directors -**

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by Stacy Jones, Chairman of the Board of Directors, who was the acting agency head for the year ended December 31, 2022:

Per Diem	\$ 100
Benefit Insurance	-
Travel Reimbursements	-
Conferences	-
Meals	<u>-</u>
Total Compensation	<u>\$ 100</u>

**(6) Subsequent Events -**

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through June 19, 2023, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

Schedule 1

SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION BY PROGRAM

AS OF DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2021)

			Totals	
	2007 Series	Residual Fund	2022	2021
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 79,980	\$ 454,705	\$ 534,685	\$ 582,325
Certificates of Deposit	-	1,442,420	1,442,420	1,159,581
Municipal Government Obligations	-	2,846,388	2,846,388	3,677,086
GNMA Securities	225,046	72,833	297,879	353,630
FHLMC Securities	78,634	-	78,634	88,823
Accrued Interest Receivable	1,323	38,263	39,586	34,568
Total Assets	\$ 384,983	\$ 4,854,609	\$ 5,239,592	\$ 5,896,013
 <b><u>LIABILITIES AND NET POSITION</u></b>				
<b>Liabilities:</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 350
Accrued Interest Payable	1,198	-	1,198	1,302
Unearned Servicing Release Fees	2,875	-	2,875	3,125
Bonds Payable - Net	299,982	-	299,982	326,066
Total Liabilities	304,055	-	304,055	330,843
<b>Net Position:</b>				
Restricted for Debt Service	80,928	-	80,928	106,243
Unrestricted	-	4,854,609	4,854,609	5,458,927
Total Net Position	80,928	4,854,609	4,935,537	5,565,170
Total Liabilities and Net Position	\$ 384,983	\$ 4,854,609	\$ 5,239,592	\$ 5,896,013

The accompanying notes are an integral part of this statement.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

Schedule 2

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION BY PROGRAM

FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	2007	Residual	<u>Totals</u>	
	<u>Series</u>	<u>Fund</u>	<u>2022</u>	<u>2021</u>
<b>Operating Revenues:</b>				
Interest Earned on Other Investments	\$ 16,149	\$ 148,018	\$ 164,167	\$ 146,070
Commitment Fee Income	250	-	250	204
Net Realized and Unrealized Gains (Losses) on Investments	<u>(24,042)</u>	<u>(697,838)</u>	<u>(721,880)</u>	<u>(154,182)</u>
Total Operating Revenues	(7,643)	(549,820)	(557,463)	(7,908)
<b>Operating Expenses:</b>				
Interest	13,972	-	13,972	6,933
Grants	-	30,000	30,000	30,000
Administrative Fees	2,200	5,317	7,517	8,653
Operating Expenses	-	2,881	2,881	2,706
Professional Fees	<u>1,500</u>	<u>16,300</u>	<u>17,800</u>	<u>17,600</u>
Total Operating Expenses	<u>17,672</u>	<u>54,498</u>	<u>72,170</u>	<u>65,892</u>
Change in Net Position	(25,315)	(604,318)	(629,633)	(73,800)
<b>Net Position - Beginning of Year</b>	<u>106,243</u>	<u>5,458,927</u>	<u>5,565,170</u>	<u>5,638,970</u>
<b>Net Position - End of Year</b>	<u><u>\$ 80,928</u></u>	<u><u>\$ 4,854,609</u></u>	<u><u>\$ 4,935,537</u></u>	<u><u>\$ 5,565,170</u></u>

The accompanying notes are an integral part of this statement.



**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

Schedule 3

SCHEDULE OF CASH FLOWS BY PROGRAM

FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

			Totals	
	2007 Series	Residual Fund	2022	2021
<b>Cash Receipts for:</b>				
Investment Income on Investments and Commitment Fees	\$ 17,689	\$ 142,896	\$ 160,585	\$ 146,506
<b>Cash Payments for:</b>				
Interest on Debt	(15,161)	-	(15,161)	(16,196)
Other Operating Expenses	(3,700)	(54,848)	(58,548)	(58,909)
Net Cash Provided by (Used in) Operating Activities	(1,172)	88,048	86,876	71,401
<b>Cash Flows From Investing Activities:</b>				
Purchase of Investments	-	(656,404)	(656,404)	(745,629)
Proceeds from Maturities, Sales and Paydowns of Investments	23,818	523,319	547,137	589,182
Net Cash Provided by (Used in) Investing Activities	23,818	(133,085)	(109,267)	(156,447)
<b>Cash Flows From Noncapital Financing Activities:</b>				
Bond Redemptions	(24,999)	-	(24,999)	(20,420)
Servicing Release Fees	(250)	-	(250)	(204)
Net Cash Used in Noncapital Financing Activities	(25,249)	-	(25,249)	(20,624)
<b>Net Decrease in Cash and Cash Equivalents</b>	(2,603)	(45,037)	(47,640)	(105,670)
<b>Cash and Cash Equivalents at Beginning of Year</b>	82,583	499,742	582,325	687,995
<b>Cash and Cash Equivalents at End of Year</b>	\$ 79,980	\$ 454,705	\$ 534,685	\$ 582,325

(CONTINUED)

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

Schedule 3  
(Continued)

SCHEDULE OF CASH FLOWS BY PROGRAM (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	2007	Residual	<u>Totals</u>	
	<u>Series</u>	<u>Fund</u>	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities:</b>				
Change in Net Position	\$ (25,315)	\$ (604,318)	\$ (629,633)	\$ (73,800)
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:				
Net Amortization of Investment Discount (Premium)	1,186	-	1,186	1,152
Net Amortization of Bond Discount (Premium)	(1,085)	-	(1,085)	(886)
Net Realized and Unrealized (Gains)				
Losses on Investments	24,042	697,838	721,880	154,182
Changes in Assets and Liabilities:				
(Increase) Decrease in Accrued Interest Receivable	104	(5,122)	(5,018)	(920)
Increase (Decrease) in Accounts Payable	-	(350)	(350)	50
Increase (Decrease) in Accrued Interest Payable	(104)	-	(104)	(8,377)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (1,172)</u>	<u>\$ 88,048</u>	<u>\$ 86,876</u>	<u>\$ 71,401</u>

The accompanying notes are an integral part of this statement.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Denham Springs/Livingston Housing and  
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 activity of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 2022, 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, 2023.

***Report on 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) as a basis for designing 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 the 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.

## ***Report on 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 financial statement. 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 Authority'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 T. Bourgeois, LLP*

Denham Springs, Louisiana  
June 19, 2023



**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

DECEMBER 31, 2022

**A. Internal Control Over Financial Reporting**

None

**B. Compliance and Others Matters**

None