HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

COMBINED FINANCIAL STATEMENTS

JUNE 30, 1999

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Hammond-Tangipahoa Home Mortgage Authority
Hammond, Louisiana

We have audited the accompanying combined financial statements of the Hammond-Tangipahoa Home Mortgage Authority as of and for the year ended June 30, 1999, as set forth in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Authority has adopted a policy of preparing its financial statements in accordance with accounting standards prescribed by the Governmental Accounting Standards Board. This change in accounting principles had no impact on the reporting of the Authority's earnings or financial position but did effect reporting formats and presentation.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Hammond-Tangipahoa Home Mortgage Authority as of June 30, 1999, its results of operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 11, 1999, on our consideration of the Hammond-Tangipahoa Home Mortgage Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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The Year 2000 supplemental information on page 13 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Authority is or will become Year 2000 compliant, that the Authority's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Authority does business are or will become Year 2000 compliant.

Postlethwaite & Netterville

Baton Rouge, Louisiana
November 11, 1999

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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 Trustees
Hammond-Tangipahoa Home Mortgage Authority
Hammond, Louisiana

We have audited the combined financial statements of the Hammond-Tangipahoa Home Mortgage Authority as of and for the year ended June 30, 1999, and have issued our report thereon dated November 11, 1999. 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 Hammond-Tangipahoa Home Mortgage Authority'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 Hammond-Tangipahoa Home Mortgage Authority'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. Our consideration of the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting, which we have communicated to management in a separate letter dated November 11, 1999.

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This report is intended for the information of the Authority's management and the Louisiana Legislative Auditor, and it is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

Baton Rouge, Louisiana
November 11, 1999

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HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED BALANCE SHEET
JUNE 30, 1999
(WITH COMPARATIVE MEMORANDUM TOTALS FOR JUNE 30, 1998)

ASSETS

	General Fund	1990 A & B Mortgage Revenue Bond Fund	Combined Totals 1999 (Memorandum Only)	Combined Totals 1998 (Memorandum Only)
Cash and cash equivalents	$ 550,950	$ 100,087	$ 651,037	$ 562,488
Certificate of deposit	85,991	-	85,991	82,296
Investments	-	1,390,445	1,390,445	1,326,294
Accrued interest receivable	1,789	39,974	41,763	86,823
Mortgage loans receivable(net of reserve for loan losses of $50,000)	-	2,300,668	2,300,668	3,266,371
Deferred financing costs	-	100,896	100,896	144,506
Foreclosed real estate and other assets	-	27,691	27,691	51,083
Total Assets	$ 638,730	$ 3,959,761	$ 4,598,491	$ 5,519,861

LIABILITIES AND FUND BALANCE

	General Fund	1990 A & B Mortgage Revenue Bond Fund	Combined Totals 1999 (Memorandum Only)	Combined Totals 1998 (Memorandum Only)
Accounts payable and accrued liabilities	$ -	$ 19,360	$ 19,360	$ 21,944
Accrued interest payable	-	12,585	12,585	8,652
Bonds payable	-	2,630,103	2,630,103	3,500,858
Total Liabilities	-	2,662,048	2,662,048	3,531,454
Fund Balance	638,730	1,297,713	1,936,443	1,988,407
Total Liabilities and Fund Balance	$ 638,730	$ 3,959,761	$ 4,598,491	$ 5,519,861

The accompanying notes are an integral part of this financial statement.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 1999
(WITH COMPARATIVE MEMORANDUM TOTAL FOR JUNE 30, 1998)

	General Fund	1990 A & B Mortgage Revenue Bond Fund	Combined Totals 1999 (Memorandum Only)	Combined Totals 1998 (Memorandum Only)
REVENUES				
Interest earned on mortgage loans	$ -	$ 298,561	$ 298,561	$ 334,870
Investment income	25,006	107,821	132,827	133,183
Total revenues	25,006	406,382	431,388	468,053
EXPENSES				
Interest	-	362,490	362,490	367,391
Servicing fees	-	11,422	11,422	15,221
Amortization of deferred financing costs	-	43,610	43,610	26,363
Legal and administrative	-	45,592	45,592	46,171
Audit and accounting fees	-	14,500	14,500	13,867
Other operating expenses	1,187	4,551	5,738	10
Total expenses	1,187	482,165	483,352	469,023
EXCESS REVENUES OVER (UNDER) EXPENSES	23,819	(75,783)	(51,964)	(970)
FUND BALANCE, BEGINNING OF YEAR	506,777	1,481,630	1,988,407	1,989,377
Residual equity transfers	108,134	(108,134)	-	-
FUND BALANCE, END OF YEAR	$ 638,730	$ 1,297,713	$ 1,936,443	$ 1,988,407

The acompanying notes are an integral part of this financial statement.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1999
(WITH COMPARATIVE MEMORANDUM TOTALS FOR JUNE 30, 1998)

	General Fund	1990 A & B Mortgage Revenue Bond Fund	Combined Totals 1999	Combined Totals 1998
			Memorandum Only	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Excess revenues over expenses	$ 23,819	$ (75,783)	$ (51,964)	$ (970)
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:				
Amortization of deferred financing costs	-	43,610	43,610	26,363
Accretion of discount on investment securities		(10,760)	(10,760)	(9,782)
Amortization of discount on bonds payable	-	210,098	210,098	158,534
Mortgage loan principal payments received	-	965,703	965,703	786,060
Change in:				
Other Assets	-	22,117	22,117	(2,511)
Accrued interest receivable	(5,485)	45,060	39,575	(1,882)
Accounts payable	-	10,708	10,708	-
Accrued interest payable	-	(9,359)	(9,359)	(22,920)
Net cash provided by operating activities	18,334	1,201,394	1,219,728	932,892
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment redemptions	-	1,189,258	1,189,258	1,133,589
Investments purchased	-	(1,239,584)	(1,239,584)	(1,200,083)
Net cash used in investing activities	-	(50,326)	(50,326)	(66,494)

The accompanying notes are an integral part of this financial statement.

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HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1999
(WITH COMPARATIVE MEMORANDUM TOTALS FOR JUNE 30, 1998)

	General Fund	1990 A & B Mortgage Revenue Bond Fund	Combined Total 1999	Combined Total 1998
			Memorandum Only	
CASH FLOWS FROM FINANCING ACTIVITIES:				
Retirement of bonds payable	$ -	$(1,080,853)	$(1,080,853)	$ (805,252)
Residual equity transfers	108,134	(108,134)	-	-
Net cash provided by (used in) financing activities	108,134	(1,188,987)	(1,080,853)	(805,252)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	126,468	(37,919)	88,549	61,146
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	424,482	138,006	562,488	501,342
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 550,950	$ 100,087	$ 651,037	$ 562,488

Supplemental Cash Flow Information

	General Fund	1990 A & B Mortgage Revenue Bond Fund	Combined Total 1999	Combined Total 1998
Cash paid for interest	$ -	$ 161,751	$ 161,751	$ 231,777

The accompanying notes are an integral part of this financial statement.

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HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

1. **Organization of Authority**

The Hammond-Tangipahoa Home Mortgage Authority (the Authority) is a public trust created by a Trust Indenture dated February 20, 1979. The Authority's primary purpose is to provide funds to enable qualifying low and moderate income persons to purchase or, under certain circumstances, improve single unit, owner-occupied residences in the Parish of Tangipahoa, Louisiana. The Authority achieves this purpose by purchasing mortgage loans made to such persons by certain unaffiliated mortgage lenders.

The Authority uses the proceeds of issuance of bonds payable to fund the purchase of mortgage loans. The bonds issued by the Authority are limited obligations of the Authority, payable only from revenues and receipts derived from the mortgage loans and other assets held under and pursuant to the trust indenture.

The Authority is managed by a board of trustees appointed by the City Council of Hammond, Louisiana. Financial Consulting Services, Inc. serves as Mortgage Loan Administrator and Bank of New York serves as Trustee of the Authority.

2. **Significant Accounting Policies**

Financial Reporting Entity

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Authority is considered a *primary government*, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. The Authority also has no *component units*, defined by GASB Statement 14 as other legally separate organizations for which the Authority members are financially accountable.

Basis of Accounting and Reporting

The Authority complies with Generally Accepted Accounting Principles (GAAP) by applying all relevant Governmental Accounting Standards Board (GASB) pronouncements. As the Authority and its mortgage revenue bond program are considered to be proprietary fund types, the Authority 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.

Proprietary fund types 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 to 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 of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized when incurred.

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

Basis of Accounting and Reporting (continued)

The following funds are maintained by the Authority in accordance with the authorizing legislation and bond indentures:

General Fund

This fund provides for the accounting of general and administrative expenses of the Authority, any allowable transfers from other funds, investment interest income, and various types of fees. Assets of this fund are generally unrestricted and may be utilized for any lawful purpose of the Authority.

1990 A & B Mortgage Revenue Bond Fund

This fund has been established to account for the various accounts established under the Series 1990 A & B bond trust indenture. These accounts provide for the custody of assets and the payment of the debt service requirements and are aggregated in the accompanying combined financial statements. The assets of the accounts under the indenture are restricted, consequently, the amounts shown in the total "memorandum only" column are presented only for analytical purposes and totals of the accounts does not indicate that the combined assets are available in any manner other than that provided for in the trust indentures.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Securities

Investment securities are stated at fair value based on quoted market prices or on prices determined by the issuer of the investment contracts. Amortization of premium and accretion of discount are computed on an effective yield basis over the life of each investment security.

Mortgage Loans

Mortgage loans are stated at the unpaid principal balances of the loans outstanding. The reserve for possible loan losses is determined based on a review and assessment of the mortgage loan portfolio, taking into consideration the borrower's ability to repay, past collection experience and other factors. Interest on mortgage loans is recorded when earned.

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

Deferred Bond Issuance Costs

Deferred bond issuance costs, including the underwriters' discount on the sale of the bonds payable, are amortized on an effective yield basis over the estimated lives of the related bonds payable.

Bonds Payable

Bonds payable are stated net of the unamortized discount which is being amortized on an effective yield basis over the estimated lives of the bond.

Income Taxes

The Authority is exempt from federal and state income tax as a tax-exempt trust under the provisions of Section 115 of the Internal Revenue Code.

3. **Cash and Cash Equivalents**

For reporting purposes, cash and cash equivalents include demand deposits at financial institutions, mutual funds, and all highly liquid investments with a maturity of three months or less. Cash and cash equivalents are stated at cost which approximates market value. Permissible types of cash instruments for the 1990 A and B bond fund are stipulated in the trust indenture. State statutes set forth the permissible types of cash instruments for the general fund, which include deposits of funds into state banks organized under the laws of Louisiana and national banks having their principal offices in Louisiana. At June 30, 1999, the Authority had bank deposits with aggregate carrying amounts of $145,938 and aggregate bank balances of $146,987. All bank balances were within the $100,000 FDIC insurance limits.

4. **Investments**

Under Louisiana Revised Statute of 1950, as amended, the Authority's General Fund may invest in obligations of the U. S. Treasury, agencies, and instrumentalities, repurchase agreements, and other investments as provided by the statute mentioned above. Permissible types of investments for the bond funds are stipulated in the trust indenture.

At June 30, 1999, bond fund investments consisted of:

	Amortized Cost	Fair Value
Investment contracts	$ 1,202,320	$ 1,202,320
FNMA debenture	118,488	188,125
	$ 1,320,808	$ 1,390,445

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4. **Investments** (continued)

The investment contract is a deposit in a financial institution with a guaranteed interest rate over the life of the related bonds outstanding. The investment contract is unsecured and redemption of the investment depends solely on the financial condition of the provider. The investment contracts have no secondary market and their fair value is considered to be the same as cost.

The FNMA debenture is classified into custodial risk category three. The investment contract is not securitized and, therefore, is not subject to classification of custodial risk.

5. **Mortgage Loans**

Mortgage loans have a stated interest rate of 8.25% and are collateralized by mortgages on single unit, owner-occupied residences located in the Parish of Tangipahoa, Louisiana. The loans, which have scheduled maturities of 30 years, are serviced by certain designated loan servicers. These loan servicers are responsible for collecting the loan payments from the borrowers and remitting these payments to the Authority's Trustee. The loan servicers are compensated for servicing the loans based upon a percentage of the unpaid balances of the loans outstanding.

The Authority is not covered by a mortgage guaranty ("pool") insurance policy.

6. **Bonds Payable**

	Face Amount	Unamortized Discount	Carrying Amount
Series 1990 A:			
Class A-2 bonds	$ 1,391,703	($ 50,159)	$ 1,341,544
Class A-3 bonds	500,000	(381,512)	118,488
Series 1990 B:			
Class 1 bonds	2,867,000	(1,696,929)	1,170,071
	$ 4,758,703	($ 2,128,600)	$ 2,630,103

The Class A-2 bonds are current interest amortizing bonds with a contractual maturity date of November 15, 2008 and bear a stated interest rate of 7.61% payable in quarterly installments. Each quarterly principal installment consists of a scheduled mandatory payment amount, which escalates over the lives of the bonds, plus, to the extent there are available monies, a principal distribution amount which is calculated in accordance with the Trust Indenture.

The Class A-3 bonds are zero coupon bonds that mature on August 14, 2014. The Class A-3 bonds mature at $500,000 based on an effective yield of 9.634% compounded quarterly.

The Class 1 bonds are zero coupon bonds that mature on May 20, 2011. The Class 1 bonds mature at $2,867,000 based on an effective yield of 7.61% compounded quarterly.

Payment of principal and interest on the bonds is guaranteed by a financial guarantee insurance policy.

7. **Defeased Bonds**

On August 30, 1990, the Authority irrevocably placed into trust an amount of funds sufficient for payment of the Single Family Mortgage Revenue Bonds, 1979 Series A bonds. As a result of this defeasance, these bonds have been removed from the Authority's financial statements. At June 30, 1999, the balance of the defeased bonds outstanding was $9,540,000.

8. **Subsequent Events**

On August 10, 1999, the Authority issued the 1999 series A and series B (refunding) mortgage revenue bonds, with aggregate face values of $5,000,000 and $1,250,000, respectively. Concurrently, the Authority irrevocably placed cash and U. S. Government obligations in trust to provide sufficient payment or defease the Series 1990 A and B bonds outstanding, and accrued interest payable at that date. Funding for the defeasance was provided from proceeds of the sale of the mortgage loan portfolio which secured the bonds, and from proceeds of the issuance of the 1999 Series B bonds.

9. **Board of Trustees Expenses**

The appointed members of the Authority's Board of Trustees 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 Trustees. For the year ended June 30, 1999, the following per diem payments were made to the members of the Authority's Board and are included in legal and administrative expenses:

Stan Dameron	$ 600
Sandy Davis	600
Andrew Gasaway	600
Terry Blackwell	600
Rodney Cashe	600
	$ 3,000

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HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

DISCLOSURES REGARDING YEAR 2000 READINESS

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Authority's computer programs that have time-sensitive software may recognize a date using"00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, or engage in similar normal business activities.

The Authority utilizes and relies upon the computer technology of various third-party service providers, including the mortgage loan administrator, the trustee and the designated loan services, for the internal and external reporting of financial and operating information. The third-party service providers have developed plans to address their own Year 2000 problems as they relate to the Authority's operations. The third-party service providers have indicated that they will be Year 2000 compliant. If modifications of computer technology of the service providers is not completed timely, the Year 2000 problem could have a material impact on the operations of the Authority. However, the Authority has not developed a contingency plan because it is confident that all computer technology will be Year 2000 ready.