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Financial Report
Lafourche Parish Home
Mortgage Authority

December 31, 1999

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December 31, 1999 and 1998

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Lafourche Parish Home Mortgage Authority,
Thibodaux, Louisiana.

We have audited the accompanying general purpose financial statements of Lafourche Parish Home Mortgage Authority (the Authority) as of December 31, 1999 and 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Lafourche Parish Home Mortgage Authority as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 6, 2000, on our consideration of Lafourche Parish Home Mortgage Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

Thibodaux, La.,
April 6, 2000.

**BALANCE SHEETS - FIDUCIARY FUND TYPE -
NONEXPENDABLE TRUST FUND**

**Lafourche Parish Home Mortgage Authority
Thibodaux, Louisiana**

December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Assets		
Cash	\$ 212,480	\$ 926,389
Investments	3,175,936	2,349,724
Investments in FHLMC mortgage participant certificates	2,315,353	2,936,961
Real estate mortgage loans receivable, net	493,400	586,674
Accrued interest:		
Investments	5,839	6,991
Investments in FHLMC mortgage participation certificates	29,718	37,484
Real estate mortgage loans, net	3,833	9,648
Prepaid insurance	632	758
Prepaid guarantee fee	5,163	6,550
Deferred bond issuance costs, net of accumulated amortization	<u>78,939</u>	<u>99,723</u>
Totals	<u>\$ 6,321,293</u>	<u>\$ 6,960,902</u>
Liabilities		
Accounts payable	\$ 363	\$ 375
Accrued interest on bonds	34,655	43,509
Bonds payable (net of unamortized bond discounts)	4,267,251	4,780,986
Commitments (Note 9)	<u>-</u>	<u>-</u>
Total liabilities	<u>4,302,269</u>	<u>4,824,870</u>
Fund Balance		
Reserved - trust indentures	754,976	1,190,457
Unreserved	<u>1,264,048</u>	<u>945,575</u>
Total fund balance	<u>2,019,024</u>	<u>2,136,032</u>
Totals	<u>\$ 6,321,293</u>	<u>\$ 6,960,902</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCE - FIDUCIARY FUND TYPE -
NONEXPENDABLE TRUST FUND

Lafourche Parish Home Mortgage Authority
 Thibodaux, Louisiana

For the years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Operating Revenues		
Interest:		
Investments in FHLMC mortgage participation certificates	\$ 195,546	\$ 250,645
Investments and money market accounts	178,834	179,911
Real estate mortgage loans	41,674	57,015
Net increase (decrease) in fair value of investments	<u>(60,273)</u>	<u>376,348</u>
Total operating revenues	<u>355,781</u>	<u>863,919</u>
Operating Expenses		
Interest on bonds	420,906	489,211
Loan service fees	2,609	3,357
Professional services	20,859	22,419
Insurance	885	1,145
Amortization of deferred bond issuance costs	20,784	23,725
Trustee fee	5,100	3,800
Other	<u>1,646</u>	<u>1,757</u>
Total operating expenses	<u>472,789</u>	<u>545,414</u>
Excess (Deficiency) Of Revenues Over Expenses	(117,008)	318,505
Fund Balance		
Beginning of year	<u>2,136,032</u>	<u>1,817,527</u>
End of year	<u>\$ 2,019,024</u>	<u>\$ 2,136,032</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS -
FIDUCIARY FUND TYPE -
NONEXPENDABLE TRUST FUND

Lafourche Parish Home Mortgage Authority
Thibodaux, Louisiana

For the years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash Flows From Operating Activities		
Excess (deficiency) of revenues over expenses	\$ (117,008)	\$ 318,505
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:		
Interest expense on bonds	420,906	489,211
Interest earned on investments and money market accounts	(178,834)	(179,911)
Net (increase) decrease in fair value of investments	60,273	(376,348)
Amortization of deferred bond issue costs	20,784	23,725
Changes in assets and liabilities:		
Decrease in investments in FHLMC mortgage participation certificates	621,608	788,208
Decrease in real estate mortgage loans receivable	93,274	158,119
Decrease in accrued interest on FHLMC mortgage participation certificates	7,766	10,015
Decrease (increase) in accrued interest on real estate mortgage loans, net	5,815	(1,743)
Decrease in prepaid insurance	126	235
Decrease in prepaid guarantee fee	1,387	1,757
Increase (decrease) in accounts payable	(12)	55
Total adjustments	<u>1,053,093</u>	<u>913,323</u>
Net cash provided by operating activities (carried forward)	<u>936,085</u>	<u>1,231,828</u>

**Exhibit C
(Continued)**

	<u>1999</u>	<u>1998 (Restated)</u>
Net cash provided by operating activities (brought forward)	<u>936,085</u>	<u>1,231,828</u>
Cash Flows From Investing Activities		
Proceeds from sales of investments in U.S. Treasury Instruments	3,109,942	1,094,347
Investments in U.S. Treasury Instruments	(3,864,209)	(222,819)
Interest on investments	<u>47,768</u>	<u>70,039</u>
Net cash provided by (used in) investing activities	<u>(706,499)</u>	<u>941,567</u>
Cash Flows From Non-Capital Financing Activities		
Bond principal payments	(708,759)	(959,100)
Bond interest payments	<u>(234,736)</u>	<u>(305,773)</u>
Net cash used in financing activities	<u>(943,495)</u>	<u>(1,264,873)</u>
Net Increase (Decrease) In Cash	(713,909)	908,522
Cash		
Beginning of year	<u>926,389</u>	<u>17,867</u>
End of year	<u>\$ 212,480</u>	<u>\$ 926,389</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Lafourche Parish Home Mortgage Authority
Thibodaux, Louisiana

December 31, 1999 and 1998

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Lafourche Parish Home Mortgage Authority (the Authority) conform to generally accepted accounting principles as applicable to governments. The following is a summary of certain significant accounting policies:

a. Trust Indenture Accounts (Series 1990 Bonds)

The following accounts (Funds) are maintained by the Authority in accordance with the Trust Indentures dated April 1, 1990 for the Series 1990-A, Class A-1 bonds and the Series 1990-A, Class A-2 bonds, and the Trust Indenture dated May 1, 1990 for the Series 1990-B, Class B-1 and Class B-2 bonds:

- 1. Collection Account** - The Trustee is required to deposit all payments of interest and principal received on the four Federal Home Loan Mortgage Corporation (FHLMC) participation certificates (except for the portion of the principal amount of the participation certificates held in the FHLMC Reserve Account) and any accrued interest received from the original purchasers of the Series 1990-A, Class A-1 bonds into the Collection Account. On each Class A-1 payment date (the 20th day of the second month following each interest accrual period, which is defined as a calendar month), the Trustee shall first pay from the Collections Account installments of principal and interest of the Class A-1 bonds which are delinquent, then in the following order installments of principal and interest which are not delinquent, any amounts directed by the Issuer (the Authority) to be transferred to the Class A-1 Redemption Account, and any remaining monies to the Issuer Residual Account.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Trust Indenture Account (Series 1990 Bonds) (Continued)

- 2. Class A-1 Redemption Account** - The monies in this account shall be used solely for the payment of principal of the Class A-1 bonds called for redemption on any Class A-1 payment date on or after April 20, 2000, at 100 percent of the face amount of the bonds, and accrued interest for the applicable interest accrual period. The Trustee shall deposit into this account monies directed by the Issuer to be transferred from either the Collection Account or from the Issuer Residual Account.
- 3. Issuer Residual Account and Program Subaccount** - An initial deposit was made on April 11, 1990 (the bond restructuring date) to the Issuer Residual Account. The Trustee is required to make deposits into this account from the Collection Account, the Debt Service Account, and the FHLMC Reserve Account under provisions of various sections of the trust indentures. Expenses of the Issuer including trustee fees, independent accountant fees, legal fees, etc. will be paid from this account. On April 2 each year, amounts in excess of \$60,000 in the Issuer Residual Account may be released to the Issuer, deposited into the Class A-1 Redemption Account at the request of the Issuer, or deposited into the Program Subaccount. An initial deposit of \$645,065 was made into the Program Subaccount on the bond restructuring date. Amounts held in the Program Subaccount may be released to the issuer at any time and will be used to pay costs for public purposes which preserve the exclusion from gross taxable income of interest on the Series 1990-B, Class B-1 and Class B-2 Bonds. Amounts in these two accounts are not pledged as security for the bonds and not subject to liens of trust indentures.
- 4. FHLMC Reserve Account** - On the bond restructuring date, an initial deposit of \$296,000 was made to this account per the indenture, comprised of a 1 percent portion of the FHLMC mortgage participation certificates and other monies. Interest earned on investments in this account is required to be transferred to the Issuer Residual Account. Monies in this account up to the original \$296,000 are pledged to FHLMC to cover "guarantee costs," if any are incurred, including payments under the FHLMC guarantee which guarantees payment of interest at the coupon rate and collection of the

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Trust Indenture Account (Series 1990 Bonds) (Continued)

4. FHLMC Reserve Account (Continued)

principal balance of the underlying mortgages backing the participation certificates to the holders of the participation certificates, and all costs and expenses incurred by FHLMC in connection with the disposition of loans in default, foreclosure, maintenance of or disposition of property acquired through foreclosure, etc. The FHLMC Reserve Account agreement terminated in April 1999, and the remaining moneys were transferred to the Program Sub-Account and Issued Residual Accounts.

5. Debt Service Reserve Account - An initial deposit was made by the Trustee on the bond restructuring date as required by the trust indenture of \$634,867 represented by an investment in a government agency discount obligation maturing on May 15, 2014 at a maturity amount of \$6,175,000. In the event that monies in the Retained Mortgage Loans Account are insufficient to pay the required principal or interest on the Class B-1 bonds, the Trustee shall liquidate the debt service reserve investment and transfer the amount of such deficiency to the Debt Service Account.

6. Debt Service Account - Following the payment in full of the Class A-2 bonds in October 1995, the Trustee transferred all remaining monies in the Retained Mortgage Loans Account to this account. After that date, the Trustee is required to deposit into the Debt Service Account all revenues and receipts of the retained mortgage loans (the 1979 mortgage loans pledged to secure the Series 1990-A, Class A-2 bonds until paid in full and then the Series 1990-B, Class B-1 Bonds), any insurance payments received with respect to the retained mortgage loans under the mortgage trust insurance policy, and required transfers from the Debt Service Reserve Account, if any. On each Class B-1 payment date (the 1st day of each month), the Trustee shall first pay from the Debt Service Account all interest due on delinquent Class B-1 bonds, then in the following order, interest due on Class B-1 bonds which are not delinquent and principal of Class B-1 bonds to the extent that amounts remaining in the Debt Service Account after making the previous payments exceed \$20,000. On the maturity date (May 20, 2004), the Trustee

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Trust Indenture Account (Series 1990 Bonds) (Continued)

6. Debt Service Account (Continued)

shall first pay interest due on delinquent Class B-1 bonds, then in the following order, interest due on Class B-1 bonds which are not delinquent and principal of Class B-1 bonds and the accreted value of the Class B-2 bonds. On any date fixed for redemption of Class B-1 and Class B-2 bonds (on or after May 20, 2009, in the event that the debt service reserve investment is called for redemption), the Trustee shall first redeem in whole the Class B-2 bonds at the accreted value at that date, then the Class B-1 bonds at 100 percent of the face amount plus accrued interest.

7. Expense Account - An initial deposit of \$403,971 from the proceeds of issuance of the various 1990 bonds was made to this account. Trustee fees and bond issue costs in the same amount were paid from this account. Upon payment in full of the Class A-1 bonds, any monies remaining in the Issuer Residual Account shall be transferred to this account and used to pay expenses.

8. Rebate Account - The Trustee shall transfer to this account from the Program Subaccount, Debt Service Account, or other available funds of the Issuer the amount required to be rebated the United States Government, if any, with respect to any rebate calculation made of interest earned on certain investments compared to the interest that would have been earned if invested at the yield rate of the Class B-1 and Class B-2 bonds. No amounts have been transferred to this account at December 31, 1999.

b. Basis of Accounting

The Authority follows the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

c. Budgetary Data

The Authority is not required by the Louisiana Revised Statutes 39:1303 to adopt a budget for the Authority's Nonexpendable Trust Fund.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

e. Investments

Investments in U.S. Treasury notes, U.S. Treasury Bills, and U.S. Government Agency discount obligations are carried at fair value, based on quoted market prices for the investments.

f. Investments in FHLMC Mortgage Participation Certificates

Investments in the FHLMC mortgage participation certificates are carried at original cost reduced for payments of principal on the underlying mortgages securing these mortgage-backed securities. Cost approximates fair value, based on other government securities of similar terms and interest rates since there are no quoted market prices for these securities.

g. Real Estate Mortgage Loans Receivable

Real estate mortgage loans receivable are reported net of an allowance for losses on real estate mortgage loans.

h. Allowance for Uninsured Losses on Real Estate Mortgage Loans

The Authority provides valuation allowances for estimated losses on real estate mortgage loans and real estate owned acquired through foreclosure. All real estate mortgage loans receivable are insured for losses by reason of a default by a mortgagor under the:

- Mortgage Guaranty Insurance Policy and VA Guaranty (Policy)

The Authority required all mortgagors who borrowed an original principal amount exceeding 80% of the lesser of the purchase price or the initial appraised value of the property to maintain a Policy in an amount so that the uninsured portion of the loan does not exceed 72% of the lesser or the purchase price or the initial appraised value of the property. The Policy is to

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Allowance for Uninsured Losses on Real Estate Mortgage Loans (Continued)

- **Mortgage Guaranty Insurance Policy and VA Guaranty (Policy) (Continued)**

be maintained until the remaining principal amount of the loan is reduced to 80% of the lesser of the purchase price or the appraised value of the property.

- **Mortgage Trust Insurance Policy (Policy)**

The Policy will cover losses by reason of default by the mortgagor on any loan within the aggregate loss limit of liability of the Policy. The aggregate loss limit of the Policy as of December 31, 1999 was \$693,982. If aggregate losses paid under the Policy reach the aggregate loss limit of the Policy, coverage for losses will be exhausted. All further losses will be borne by the Authority. Aggregate losses paid under the Policy as of December 31, 1999 amounted to \$50,111. The Policy is not a blanket policy against all losses, since claims there under may only be made respecting particular defaulted loans and only upon the satisfaction of certain conditions.

In providing valuation allowances, the estimated net realizable value of the underlying collateral, the estimated insured amount of the loan and the costs of holding real estate are considered. Loan losses are deducted from the allowance when the loans are actually charged off.

When a reduction of the carrying value of real estate owned to the estimated fair value or insured portion is required, the difference is charged to the allowance at the time of foreclosure; any subsequent adjustments are charged to loss on sale of real estate owned.

i. Allowance For Uncollected Interest

Accrued interest on real estate mortgage loans receivable are reported net of an allowance for uncollected interest. When a real estate mortgage loan becomes 90 days past due as to principal or interest, interest income in the current year is reduced and the allowance account is increased. Interest accrued in the prior year and not included in the allowance for uncollected interest is charged to the allowance for losses on real estate mortgage loans. When loans are charged against the allowance for losses on real estate mortgage loans, the interest accrued at that time is charged against the allowance for uncollected interest.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Real Estate Owned Acquired Through Foreclosure

Real estate owned acquired through foreclosure is initially recorded at the lower of cost (principal balance of the former mortgage loan plus costs of obtaining title or possession) or estimated fair value. Costs related to the improvement of the property are capitalized, whereas those relating to holding the property are expensed. The authority did not have any real estate acquired through foreclosure during 1999 or 1998.

k. Deferred Bond Issuance Costs and Bond Discounts

The costs of issuing the Series 1990 Bonds and the related bond discounts are being amortized over the life of the bonds based upon the bonds outstanding method (weighted average principal amounts outstanding during the year to the total of outstanding principal balances). As Bonds are redeemed, a proportionate part of the related unamortized bond issuance costs is charged to expense.

Note 2 - REPORTING ENTITY

The Lafourche Parish Home Mortgage Authority was established on February 1, 1979 pursuant to Chapter 2A of Title 9 of the Louisiana revised statutes, as amended, and is a public trust. The Authority was created to provide funds, through the issuance of bonds, to promote the development of residential housing in the Parish of Lafourche through low interest first mortgage loans and other purposes as specified by the Trust Indenture. The beneficiary of the trust is the Police Jury of the Parish of Lafourche.

The Authority has a nine member appointed Board of Trustees each member having a four-year term and having the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. This report includes all funds of the Authority.

Evidences of indebtedness are solely the obligations of the Authority and are not obligations of the Parish of Lafourche or the State of Louisiana.

The Authority's Board of Trustees is empowered under the Trust Indenture and the bond program agreement to contract with outside parties to conduct the day-to-day operations of the bond programs it initiates. In connection with the bond program, the Authority utilizes area financial institutions to originate and service the mortgage loans acquired. In addition, a financial institution has been designated as Trustee of the individual bond program and has the fiduciary responsibility for the custody and investment of funds.

Note 3 - CASH AND INVESTMENTS

Cash and investments consist of the following amounts which are held by the Trustee in various accounts established in accordance with the trust indentures for the Series 1990-A, Class A-1 and Class A-2 bonds, and the Series 1990-B, Class B-1 and B-2 bonds:

<u>Trust Indenture Accounts</u>	<u>1999</u>		
	<u>Cash</u>	<u>Investments</u>	
		<u>Cost</u>	<u>Fair Value</u>
Issuer Residual Account	\$ 78,854	\$ -	\$ -
Program Subaccount	116,653	1,110,573	1,115,030
Debt Service Account	16,973	-	-
Debt Service Reserve Account	<u>-</u>	<u>1,523,985</u>	<u>2,060,906</u>
Totals	<u>\$212,480</u>	<u>\$2,634,558</u>	<u>\$3,175,936</u>

<u>Summary of Investments</u>	<u>Cost</u>	<u>Market Value</u>
U.S. Treasury Bill	\$ 366,013	\$ 371,828
U.S. Treasury Notes	744,560	743,202
Student Loan Marketing Association zero coupon bond (9.5%, maturity date May 15, 2014)	<u>1,523,985</u>	<u>2,060,906</u>
Totals	<u>\$2,634,558</u>	<u>\$3,175,936</u>

<u>Trust Indenture Accounts</u>	<u>1998</u>		
	<u>Cash</u>	<u>Investments</u>	
		<u>Cost</u>	<u>Fair Value</u>
Issuer Residual Account	\$ 92,413	\$ -	\$ -
Program Subaccount	557,182	356,306	358,780
FHLMC Reserve Account	266,632	-	-
Debt Service Account	10,162	-	-
Debt Service Reserve Account	<u>-</u>	<u>1,391,767</u>	<u>1,990,944</u>
Totals	<u>\$926,389</u>	<u>\$1,748,073</u>	<u>\$2,349,724</u>

Note 3 - CASH AND INVESTMENTS (Continued)

<u>Summary of Investments</u>	<u>Cost</u>	<u>Market Value</u>
U.S. Treasury Note	\$ 356,306	\$ 358,780
Student Loan Marketing Association zero coupon bond (9.5%, maturity date May 15, 2014)	<u>1,391,767</u>	<u>1,990,944</u>
Totals	<u>\$1,748,073</u>	<u>\$2,349,724</u>

U.S. Treasury Bills and Notes and the Student Loan Marketing Association zero coupon bond are permissible types of investments stipulated in the bond trust indentures.

The U.S. Treasury Bills and Notes and the Student Loan Marketing Association zero coupon bond at December 31, 1999 and 1998 are being held in book-entry form at the Federal Reserve Bank for the account of the Trustee. The Authority's holdings are reflected on the individual Trust Indenture Accounts' trust account statements. Investments in the U.S. Treasury notes have maturity dates within three years of December 31, 1999.

Note 4 - INVESTMENTS IN FHLMC MORTGAGE PARTICIPATION CERTIFICATES

In the bond restructuring on April 11, 1990, the Authority delivered to Federal Home Loan Mortgage Corporation (FHLMC), a U.S. Government agency, \$9,865,330 of the Series 1979 A mortgage loans in exchange for four participation certificates bearing interest at 7.75% in the same aggregate face amount. The participation certificates represent an undivided fractional interest in the mortgage loans. FHLMC guarantees full and timely payment of principal and interest under these mortgage backed securities.

These investments are being held in book-entry form at the Federal Reserve Bank for the account of the Trustee. The Authority's investments are reflected on the individual Trust Indenture Accounts' trust account statements.

Note 5 - REAL ESTATE MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable at December 31, 1999 and 1998 consisted of the following:

	<u>1999</u>	<u>1998</u>
Real estate mortgage loans:		
Current	\$432,345	\$419,316
30 to 90 days in arrears	32,786	109,144
90 or more days in arrears	<u>28,269</u>	<u>58,214</u>
	493,400	586,674
Less:		
Allowance for uninsured losses on real estate mortgage loans	<u> -</u>	<u> -</u>
Totals	<u>\$493,400</u>	<u>\$586,674</u>

Mortgage loans acquired by the Authority from participating financial institutions under the Series 1979 A Single Family Mortgage Revenue Bonds and retained by the Authority have scheduled maturities of 30 years, are secured by first mortgages on the related property, and have an annual interest rate of 8.375%. In addition, the loans are insured for various hazard and casualty losses and have been insured against default by mortgagors under a master trust policy.

All of the single family mortgage loans are originated by participating mortgage lenders and are sold without recourse to the Authority. The participating mortgage lenders service the mortgage loans for the Authority and receive monthly compensation based upon the unpaid principal balance of each mortgage loan.

Accrued interest on real estate mortgage loans at December 31, 1999 and 1998 consisted of the following:

	<u>1999</u>	<u>1998</u>
Accrued interest	\$ 5,765	\$10,453
Less:		
Allowance for uncollected interest	<u>(1,932)</u>	<u>(805)</u>
Totals	<u>\$ 3,833</u>	<u>\$ 9,648</u>

Note 6 - DEFERRED BOND ISSUANCE COSTS

Details of deferred bond issuance costs as of December 31, 1999 and 1998 were as follows:

	1999	1998
Underwriters discount	\$ 122,725	\$122,725
Other costs	286,855	286,855
	409,580	409,580
Less accumulated amortization	(330,641)	(309,857)
Totals	\$ 78,939	\$ 99,723

Note 7 - BONDS PAYABLE

Bonds payable at December 31, 1999 and 1998 consists of Taxable Refunding Bonds, Series 1990-A, Tax-exempt Convertible Capital Appreciation Refunding Bonds, Series 1990-B, Class B-1, and Tax-exempt Capital Appreciation Refunding Bonds, Series 1990-B, Class B-2. Proceeds from the issuance of these bonds were principally used to defease the Single Family Revenue Bonds, 1979 Series A (one \$5,000 bond remains outstanding at December 31, 1999). The Class A-1 bonds and Class A-2 bonds were issued on April 11, 1990. The Class B-1 and Class B-2 bonds were issued on May 14, 1990.

The Series 1990-A Taxable Refunding Bonds are comprised of Class A-1 bonds and Class A-2 bonds. The Class A-1 bonds have a face amount of \$9,765,000 and bear interest at 7.75%. Principal and interest payments are made on each Class A-1 payment date (the 20th day of the second month following each interest accrual period, defined as a calendar month). Principal payments made on each payment date are based on the principal collections received on the four FHLMC mortgage participation certificates. The principal balance of the participation certificates is multiplied by 98.98% as stipulated in the bond indenture and then compared to the previous month's calculation. The reduction in the "bond values" is the amount of principal of the Class A-1 bonds that is paid on each payment date. The balance of the Class A-1 bonds will remain at 98.98% of the remaining principal balance of the participation certificates.

The Class A-1 bonds are secured by the FHLMC mortgage participation certificates for which the payment of principal and interest is guaranteed by FHLMC, and certain other monies from accounts established by the trust indenture. The maturity date of the bonds is June 20, 2012 for any principal that remains unpaid at that date.

Note 7 - BONDS PAYABLE (Continued)

The Class A-2 Bonds were paid in full (except for one bond owned which will be considered to be paid at maturity and is not secured by the lien of the Class A-2 trust indenture) in October 1995. The Class A-2 bonds had a face amount of \$770,000 and bore interest at 7.625%. Principal and interest payments were made on each Class A-2 payment date (the 1st day of the second month following each interest accrual period, which is defined as a calendar month). Principal payments were based on the collections of principal and interest on the real estate mortgage loans and payments made by the Authority for related expenses. Principal payments were made only from monies on deposit in the Retained Mortgage Loans Account in excess of \$20,000 after payment of the Class A-2 interest and certain other costs, if any.

The Class A-2 bonds were secured by the real estate mortgage loans receivable and the investment in the Debt Service Reserve Account.

The Tax-exempt Convertible Capital Appreciation Refunding Bonds, Series 1990-B, Class B-1 had a face amount of \$595,000 and a stated interest rate of 7.625%. Interest accrued at 7.625% monthly from date of issuance until the date that the Class A-2 bonds were paid in full, when the compounded value (original principal plus accrued interest) converted and bear interest at 7.625%. The amount of interest accrued through October 1995 that converted to principal was \$308,801. Monthly payments of principal and interest commenced immediately after the payment in full of the Class A-2 Bonds. Principal and interest payments are made monthly on each Class B-1 payment date (1st day of the second month following the interest accrual period, defined as a calendar month) in addition to interest to the extent that monies in the Debt Service Account exceed \$20,000 after the payment of all interest.

The Class B-1 bonds will mature on May 14, 2014 for any principal that remains unpaid on that date.

The Tax-exempt Capital Appreciation Refunding Bonds, Series 1990-B, Class B-2 will mature on May 14, 2014 at \$5,250,000. The original issue amount is \$797,948. Interest is not payable monthly, but shall accrete value at an interest rate of 8% compounded semiannually which will produce an aggregate maturity amount of \$5,250,000.

The Class B-1 and Class B-2 bonds are subject to redemption on or after May 20, 2009 under certain conditions. The Class B-1 and Class B-2 bonds are secured by a residual interest in the trust estate created under the Class A-2 indenture. Those monies and revenues pledged to secure the Class A-2 bonds will secure the Class B-1 and Class B-2 bonds upon payment in full of the Class A-2 bonds.

Note 7 - BONDS PAYABLE (Continued)

All monies, investments, revenues, and assets in the accounts established in the trust indentures are pledged as security for repayment of the various bonds, except for the amount held in the FHLMC Reserve Account and amounts held in the Issuer Residual Account in excess of \$60,000 and the Program Subaccount.

The following are the outstanding balances of the bonds payable at December 31, 1999 and 1998:

Class	1999		
	Bond Principal Balance at December 31, 1999	Unamortized Bond Issxue Discount	Balance at December 31, 1999
A-1	\$2,291,735	\$141,435	\$2,150,300
A-2	5,000	-	5,000
B-1	412,824	4,652	408,172
B-2	<u>1,698,779</u>	<u>-</u>	<u>1,698,779</u>
Totals	<u>\$4,408,338</u>	<u>\$146,087</u>	4,262,251
Series 1979 A			<u>5,000</u>
Total			<u>\$4,267,251</u>
Class	1998		
	Bond Principal Balance at December 31, 1998	Unamortized Bond Issue Discount	Balance at December 31, 1998
A-1	\$2,907,003	\$206,756	\$2,700,247
A-2	5,000	-	5,000
B-1	506,315	6,187	500,128
B-2	<u>1,570,611</u>	<u>-</u>	<u>1,570,611</u>
Totals	<u>\$4,988,929</u>	<u>\$212,943</u>	4,775,986
Series 1979 A			<u>5,000</u>
Total			<u>\$4,780,986</u>

Note 7 - BONDS PAYABLE (Continued)

A combined schedule of maturities and interest requirements for all bonds for each of the next five years is not presented as required by the Statement of Financial Accounting Standards Number 47. The amount of the obligation is not fixed and determinable on an annual basis because, as noted above, bond principal and interest payments are based on variables including principal collections on the four FHLMC mortgage participation certificates, principal and interest collections on the real estate mortgage loans, and payments made for related expenses.

Note 8 - UNRESERVED FUND BALANCE

Monies in the Program Subaccount and monies in excess of \$60,000 in the Issuer Residual Account as of April 2 each year are not pledged as security for the bonds and are not subject to the lien of the trust indentures. These amounts are reported as unreserved fund balance at December 31, 1999 and 1998.

Note 9 - ADVANCE REFUNDING OF SERIES 1979 A BONDS

In April and May of 1990, in order to provide monies to the Authority for its valid public purpose, the Authority provided for the full refunding of its Series 1979 A Single Family Mortgage Revenue Bonds. The Authority issued \$10,535,000 of Taxable Refunding Bonds, Series 1990-A, Class A-1 and Class A-2, \$595,000 of Tax-exempt Convertible Capital Appreciation Refunding Bonds, Series 1990-B, Class B-1, and Tax-exempt Capital Appreciation Refunding Bonds, Series 1990-B, Class B-2 maturing on May 20, 2014 in the amount of \$5,250,000. The proceeds of the refunding issues, along with other available funds of the Authority, have been placed in an irrevocable escrow account to be used solely to defease \$13,145,000 of principal of the Series 1979 A bonds (one \$5,000 bond remains outstanding at December 31, 1999 and was not defeased).

Note 9 - ADVANCE REFUNDING OF SERIES 1979 A BONDS (Continued)

Under terms of the escrow deposit agreement, the amounts deposited into the escrow account with the Escrow Trustee were used to purchase U.S. Government obligations as allowed under the agreement. These investments, along with accrued interest earned thereon, will provide amounts sufficient for future payment of principal and interest on the Series 1979 A bonds, which totaled approximately \$29,820,000 at the date of refunding. The advance refunding met the requirements of an in-substance debt defeasance and therefore, the escrow account and the \$13,145,000 of refunded bonds are not reflected on the financial statements of the Authority.

The balance outstanding of the refunded debt of Series 1979 A bonds at December 31, 1999 and 1998 was \$9,975,000 and \$10,375,000, respectively.

Note 10 - COMPENSATION PAID BOARD OF TRUSTEES

The Trustees serve without compensation, but may be reimbursed for actual expenses incurred in the performance of their duties as Trustees. The Trustees did not receive any per diem, compensation, or reimbursement for actual expenses for the years ended December 31, 1999 and 1998.

Note 11 - CONCENTRATION OF CREDIT RISK

The Authority maintains its cash balances in various trust accounts in one financial institution, which serves as the Trustee as described in the bond indentures, where the deposits are insured by Federal Deposit Insurance Corporation up to \$100,000 per bank. At December 31, 1999 and 1998, the Authority had \$112,480 and \$826,389, respectively, in excess of this insured limit in one bank.

Note 13 - SUPPLEMENTAL DISCLOSURES OF CASH AND NONCASH INFORMATION

Cash paid for interest was \$234,736 and \$305,774 during 1999 and 1998, respectively.

The Authority had the following noncash transaction in financing and investing activities:

	<u>1999</u>	<u>1998</u>
Investment in Student Loan Marketing Association Zero Coupon Bond increased by accrued interest	<u>\$132,218</u>	<u>\$120,747</u>
Interest expense on the Series 1990-B, Class B-2 bonds	<u>\$128,168</u>	<u>\$118,498</u>
Amortization of bond issue discounts	<u>\$66,856</u>	<u>\$77,138</u>
Decrease in interest payable on bonds	<u>\$(8,854)</u>	<u>\$(12,198)</u>

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

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

To the Board of Trustees,
Lafourche Parish Home Mortgage Authority,
Thibodaux, Louisiana.

We have audited the general purpose financial statements of the Lafourche Parish Home Mortgage Authority (the Authority), as of and for the year ended December 31, 1999, and have issued our report thereon, dated April 6, 2000. We conducted our audit in accordance with generally accepted auditing 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 Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 audits, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 over financial reporting 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 general purpose 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.

This report is intended for the information of the Board of Trustees, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Thibodaux, La.,
April 6, 2000.

SCHEDULE OF FINDINGS

Lafourche Parish Home Mortgage Authority

For the year ended December 31, 1999

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are
not considered to be material weakness ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

b) Federal Awards

Lafourche Parish Home Mortgage Authority did not receive federal awards during the year ended December 31, 1999.

Section II - Financial Statement Findings

There were no financial statement findings noted during the audit for the year ended December 31, 1999.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

Lafourche Parish Home Mortgage Authority

For the year ended December 31, 1999

Section I - Internal Control and Compliance Material to the General Purpose Financial Statements

Internal Control

No material weaknesses were noted during the audit for the year ended December 31, 1998. No reportable conditions were reported during the audit for the year ended December 31, 1998.

Compliance

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended December 31, 1998.

Section II - Internal Control and Compliance Material To Federal Awards

Lafourche Parish Home Mortgage Authority did not receive federal awards during the year ended December 31, 1998.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 1998.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Lafourche Parish Home Mortgage Authority

For the year ended December 31, 1999

Section I - Internal Control and Compliance Material to the General Purpose Financial Statements

Internal Control

No material weaknesses were noted during the audit for the year ended December 31, 1999. No reportable conditions were reported during the audit for the year ended December 31, 1999.

Compliance

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended December 31, 1999.

Section II - Internal Control and Compliance Material To Federal Awards

Lafourche Parish Home Mortgage Authority did not receive federal awards during the year ended December 31, 1999.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 1999.