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ST. TAMMANY PUBLIC TRUST
FINANCING AUTHORITY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS

August 31, 2003

CONTENTS

Smith, Huval & Associates, L.L.C.
(A LIMITED LIABILITY COMPANY)
Certified Public Accountants
P.O. Box 3790
Covington, Louisiana 70434-3790

Samuel K. Smith, CPA
Patrick "Bryan" Huval, CPA

(985) 892-6633 - Covington
(985) 892-4666 - FAX

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
St. Tammany Public Trust Financing Authority

We have audited the accompanying individual and combined balance sheets of St. Tammany Public Trust Financing Authority (the Authority) as of August 31, 2003 and the related individual and combined statements of revenues, expenses and changes in retained earnings and cash flows for the year then ended. 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 auditing standards generally accepted in the United States of America 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 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany Public Trust Financing Authority and its programs at August 31, 2003 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2003 on our consideration of the St. Tammany Public Trust Financing Authority's internal control over financial reporting and on our tests of its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

December 30, 2003

Smith, Huval & Associates, L.L.C.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY

INDIVIDUAL AND COMBINED BALANCE SHEETS

August 31, 2003
(in thousands)

		1990A Program		1990B Program		1991C Program		Combined (Memorandum Only)
ASSETS								
Cash and cash equivalents	$	116	$	100	$	610	$	826
U. S. Government securities - at amortized cost		2,192				4,707		6,899
Accrued interest receivable		5						5
Deferred financing costs - net of amortization		57				98		155
Deferred restructuring fees		111						111
Total assets	$	2,481	$	100	$	5,415	$	7,996
LIABILITIES AND RETAINED EARNINGS								
Accrued interest payable	$	47	$		$		$	47
Bonds payable - net of discounts		1,812				5,308		7,120
Deferred revenue		56						56
Total liabilities		1,915		-		5,308		7,223
Retained earnings		566		100		107		773
Total liabilities and retained earnings	$	2,481	$	100	$	5,415	$	7,996

The accompanying notes are an integral part of these statements.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY

INDIVIDUAL AND COMBINED
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Year Ended August 31, 2003
(in thousands)

	1990A Program	1990B Program	1991C Program	Combined (Memorandum Only)
Revenues				
Interest on mortgage loans	$	$ 69	$	$ 69
Interest on mortgage certificates	154			154
Interest on investments	118	13	396	527
Miscellaneous income	17			17
Gain on sale of investments	141	3		144
Total revenues	430	85	396	911
Expenses				
Interest	147	16		163
Service fees		2		2
Amortization of deferred financing costs	28	11	6	45
Amortization of discounts on bonds payable	151	43	376	570
Operating expenses	23	3	10	36
Total expenses	349	75	392	816
Net income before other financing sources (uses) and extraordinary items	81	10	4	95
Other financing sources (uses)				
Residual transfer to municipalities	(1,491)	(975)	-	(2,466)
Total other financing sources (uses)	(1,491)	(975)	-	(2,466)
Net income (loss) before extraordinary items	(1,410)	(965)	4	(2,371)
Extraordinary items				
Restructuring fees	(8)	(66)		(74)
Loss on extinguishment of debt	(72)			(72)
Total extraordinary items	(80)	(66)	-	(146)
Net income (loss)	(1,490)	(1,031)	4	(2,517)
Retained earnings at beginning of year	2,056	1,131	103	3,290
Retained earnings at end of year	$ 566	$ 100	$ 107	$ 773

The accompanying notes are an integral part of these statements.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS

For the Year Ended August 31, 2003
(in thousands)

	1990A Program	1990B Program	1991C Program	Combined (Memorandum Only)
Cash flows from operating activities:				
Net income before other financing sources (uses) and extraordinary items	$ 81	$ 10	$ 4	$ 95
Adjustments to reconcile net income to net cash provided by (used for) in operations				
Amortization of bond discounts	151	42	376	569
Amortization of deferred financing costs	28	11	6	45
Gain on sale of U. S. Government securities	(141)	(3)		(144)
Interest on investments and mortgage certificates	(272)	(82)	(6)	(360)
Interest on bonds payable	146	16		162
Increase in deferred expenses	(111)			(111)
Decrease in interest receivable	39	9		48
Increase in deferred revenue	56			56
Decrease in interest payable	(46)	(4)		(50)
Net cash provided by (used for) operating activities	(69)	(1)	380	310
Cash flows from investing activities:				
Proceeds on sale of U. S. bond securities	2,209	103		2,312
Proceeds on sale of mortgage loans		842		842
Accretion in U. S. Government securities			(390)	(390)
Guaranteed investments contracts	1,749	40		1,789
Collected on mortgage-backed securities	1,024			1,024
Collected on mortgage loans receivable		258		258
Interest received on investments	272	82	6	360
Purchase of U. S. Government securities	(2,192)			(2,192)
Net cash provided by (used for) investing activities	3,062	1,325	(384)	4,003
Cash flows from non-capital financing activities:				
Residual transfer to municipalities	(1,491)	(975)		(2,466)
Bond redemptions	(1,035)	(320)		(1,355)
Partial debt refunding payment to escrow	(197)			(197)
Interest on bonds payable	(146)	(16)		(162)
Restructuring fees	(8)	(66)		(74)
Net cash (used for) financing activities	(2,877)	(1,377)	-	(4,254)
Net increase (decrease) in cash and cash equivalents	116	(53)	(4)	59
Cash and cash equivalents at beginning of year	-	153	614	767
Cash and cash equivalents at end of year	$ 116	$ 100	$ 610	$ 826

The accompanying notes are an integral part of these statements.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

August 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the St. Tammany Public Trust Financing Authority conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of certain significant accounting policies:

1. History of the Authority

The St. Tammany Public Trust Financing Authority (the Authority) was created through a Trust Indenture dated March 6, 1979 pursuant to provisions of Chapter 2-A of the Louisiana Revised Statutes of 1950, as amended. The initial legislation and subsequent amendments granted the Authority the power to obtain funds and to use the proceeds to promote the financing and development of any essential program conducted in the public interest within the boundaries of St. Tammany Parish, Louisiana.

The Authority's operations consist of the following programs. Two are single family mortgage revenue bond programs whereby the Authority promotes residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing. The funds for these programs were obtained through the issuance of $50,000,000 of 1979 Single Family Mortgage Revenue Bonds, dated July 1, 1979, (the 1979 Program) and $37,500,000 of 1980 Single Family Mortgage Revenue Bonds, dated December 1, 1980 (the 1980 Program). In addition, the Authority had a collateralized loans-to-lenders program whereby the Authority provided funds to participating savings and loan associations for the purpose of making loans to developers for the acquisition, construction and ownership of multifamily rental properties. The funds for this program were obtained through the issuance of $20,915,000 of 1982 Collateralized Loans-to-Lenders Housing Revenue Bonds, dated May 1, 1982 (the 1982 Program).

On March 8, 1990, the Authority issued $26,470,000 in Taxable Refunding Bonds Series 1990A dated March 1, 1990 (the 1990A Program) and on April 17, 1990 issued $3,340,000 Tax-Exempt Convertible Capital Appreciation Refunding Bonds Series 1990B dated April 1, 1990 (the 1990B Program) for the purpose of providing for the repayment of the outstanding bonds of the 1979 program. The Authority entered into an Escrow Deposit Agreement with a local bank pursuant to which there have been deposited sufficient funds and Government Obligations (as defined in the 1979 Indenture) to provide for repayment of the 1979 bonds pursuant to the 1979 Indenture. Simultaneously, the mortgage loans receivable and certain funds of the 1979 Program were transferred to the 1990A Program and to the Authority's Unrestricted Fund. During the year ended August 31, 2003, the Authority retired all remaining 1990B bonds payable.

On October 1, 1990, the Authority issued $2,446,000 in Multifamily Housing Revenue Refunding Bonds bearing 10% interest and maturing October 1, 2020. The funds from this issuance were used to provide for the refinancing of certain moderate to low income multifamily residential development projects previously financed by the 1982 Program. During the year ended August 31, 2002, the borrowers paid remaining balances on multifamily loans and the Authority simultaneously retired remaining bonds payable.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. History of the Authority - Continued

On April 25, 1991, the Authority issued $3,780,000 Single Family Mortgage Revenue Refunding Bonds Series 1991A, dated April 1, 1991 (the 1991A Program) $2,095,000 Taxable Refunding Bonds Series 1991B, dated April 1, 1991 (the 1991B Program) and $11,850,000 Tax-Exempt Capital Appreciation Refunding Bonds Series 1991C dated May 1, 1991 (the 1991C Program). The Series 1991A bonds bear an interest rate of 7.00% and mature on June 1, 2002. The Series 1991B bonds bear an interest rate of 8.25% and were paid off during the current year ended August 31, 2000. The Series 1991C Bonds bear no interest and mature on July 20, 2014. The proceeds from the issuance of these bonds were used to pay bond issuance costs of the program and, along with funds from the 1980 Program, were used to retire the 1980 Program's outstanding Bonds Payable, the 1980 Program's Mortgage Loans Receivable were transferred to the 1991A and 1991B Programs' as collateral for the respective Bonds Payable. The 1991C Program's Bonds Payable are secured by a second lien on the Mortgage Loans Receivable of the 1991B Program. During the year ended August 31, 2000, all remaining assets and liabilities in the 1991B Program were transferred to the 1991C Program. During the year ended August 31, 2002, all remaining 1991A mortgage certificates receivable and bonds outstanding were retired. Balance of funds in progress were paid to the Cities of Covington and Slidell.

The bonds issued by the Authority are general obligations for the Authority and are not an obligation of the State of Louisiana or any other political subdivision thereof. The Authority's Board of Trustees is empowered under the trust indentures and the bond program agreements to contract with outside parties to conduct the day-to-day operations of the programs it initiates. Under each of the programs the Authority utilizes area financial institutions to originate and service the mortgage loans and notes acquired. In addition, a bank has been designated as Trustee for each of the bond programs and has the fiduciary responsibility for the custody and investment of funds.

2. Basis of Accounting and Reporting

The Authority follows the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the related liability is incurred. The Authority operates certain funds established by the Bond Trust Indentures. The funds, which are maintained by the Trustee, provide for the accounting for bonds issued, debt service and bond redemption requirements, investments, and related revenues and expenses. The individual funds within each bond program are aggregated in the accompanying individual and combined financial statements. Because the 1979 Program was in-substance defeased during the year ending August 31, 1990, it is no longer presented with the individual and combined financial statements. The Authority applies all applicable FASB pronouncements passed on or before November 30, 1989 in accounting and reporting for its proprietary fund operations unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Combined Totals

The accompanying combined and individual financial statements include the totals of the similar accounts of the Authority's bond programs. Because the assets of each program are restricted by the related bond resolutions, the totaling of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the resolutions of the separate programs.

4. Cash and Cash Equivalents

Under state law, the Authority may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

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

5. Amortization

Bond issuance costs, including underwriters' discount on bonds sold, are being amortized ratably over the life of the bonds, based upon the principal amounts outstanding.

6. Deferred Financing Costs

Such costs related to bonds called in accordance with the early redemption provisions as described in the Bond Trust Indentures are charged to expense in the year that such bonds are called.

7. Discounts

Discounts resulting from the purchase of U. S. Government securities and the sale of bonds are amortized over the lives of the securities under the effective interest method.

8. Estimates

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

NOTE B - CASH AND INVESTMENTS

The Authority's programs maintain deposits at the Trustee bank. The balance of these deposits (in thousands) at August 31, 2003 were $826. The Authority's cash equivalents represent interests in money market mutual funds. Its investments included guaranteed investment contracts and U. S. Government securities.

The Authority's cash equivalents and investments at August 31, 2003 are categorized below (in thousands) to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Authority's name.

	Carrying Value	Market Value	Category
COMBINED			
Cash equivalents	$ 826	$ 826	2
U. S. Government securities	6,899	8,795	2
	$ 7,725	$ 9,621	
1990A PROGRAM			
Cash equivalents	$ 116	$ 116	2
U. S. Government securities	2,192	2,192	2
	$ 2,308	$ 2,308	
1990B PROGRAM			
Cash equivalents	$ 100	$ 100	2
	$ 100	$ 100	
1991C PROGRAM			
Cash equivalents	$ 610	$ 610	2
U. S. Government securities	4,707	6,603	2
	$ 5,317	$ 7,213	2

U. S. Government securities and guaranteed investment contracts are carried at amortized cost because it is the Authority's intent to hold all such securities until maturity.

NOTE B - CASH AND INVESTMENTS (Continued)

The Authority does not anticipate a requirement to sell any of the U. S. Government and Federal Agency Securities it holds, prior to maturity, because such securities are invested to mature as funds are required. Substantially all the U. S. Government securities are restricted for debt service on the respective program's bonds and payment of various program expenses.

NOTE C - MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable acquired by the Authority from participating mortgage lenders under the 1979 and 1980 Programs have stated interest rates of 7.875% and 12.5%, respectively, have scheduled maturities of thirty and twenty years, respectively, and are secured by first mortgages on the related real property.

In conjunction with the issuance of the 1990A Program Bonds Payable, the remaining balance of mortgage loans receivable acquired by the Authority under the 1979 Program in the amount of approximately $29,923,000 was transferred to the 1990A Program. Upon receipt of the mortgage notes, the 1990A Program pooled the qualifying loans and sold them to the Federal Home Loan Mortgage Corporation (FHLMC) in exchange for FHLMC securities on which FHLMC guarantees payment of principal and interest when due. On June 27, 2003 these 1990A FHLMC securities were sold to a financial institution. A realized gain of $140,872 was recorded.

The remainder of the mortgage loans secure the 1990B Program Bonds Payable. These mortgage loans were transferred to the 1990B Program during the year ended August 31, 1994, after the 1990A Program Series A-2 Bonds were paid off. On June 26, 2003 the remaining mortgage loans were sold to a financial institution.

Participating mortgage lenders service the mortgage loans for the Authority and receive monthly compensation based upon the unpaid principal balances of the mortgage loans.

The mortgage loans were made through conventional, FHA and VA programs sponsored by the various participating mortgage lenders.

NOTE D - BONDS PAYABLE

Outstanding bonds payable are due on a term and serial basis and bear interest at rates as follows at August 31, 2003 (in thousands):

NOTE D - BONDS PAYABLE (Continued)

1990A Program:	
Taxable Refunding Bonds Class A-1, due May 20, 2011, 7.50% stated rate, 9.43% effective yield	$ 2,121
Less related discount	(309)
1991C Program:	
Tax Exempt Capital Appreciation Refunding Bonds, due July 20, 2014, zero stated rate, 7.38% effective yield	11,850
Less related discount	(6,542)
Combined Total	$ 7,120

The bond principal and interest requirements of the 1990A Program Class A-1 Bonds Payable are secured by the pledge of the FHLMC Certificates of the 1990A Program. The 1990A Program Class A-1 Bonds pay interest semi-annually and are structured such that the monthly principal remittances received from the FHLMC certificates are passed through to bondholders as semi-annual principal redemptions of bonds payable. The bonds are scheduled to mature on May 20, 2011, and are subject to optional redemption after March 20, 2000 in accordance with the 1990A Program Bond Indenture.

The 1990A Program Class A-2 Bonds Payable were paid off during the year ended August 31, 1994. The 1991B Program bonds payable were paid off during the year ended August 31, 1999.

The bond principal and interest requirements of the 1990B Program Bonds Payable are secured by the pledge of all assets of the 1990B Program. The 1990B Program bonds pay interest monthly at the rate of 7.25%. The bonds are structured such that the monthly principal remittances received from the mortgage loans are passed through to bondholders as monthly principal redemptions of bonds payable. All outstanding bonds were redeemed during the year ended August 31, 2003.

The bond principal and interest requirements of the 1991C Program Bonds Payable are secured by the pledge of all assets of the 1991C Program and by a zero coupon U. S. Government Security with a face amount of $11,850,000 which matures on July 5, 2014. The 1991C Program bonds are structured such that the bonds accrete in value monthly until the value at maturity is $11,850,000. The bonds are scheduled to mature on July 20, 2014, and are not subject to optional redemption prior to maturity.

NOTE D - BONDS PAYABLE (Continued)

It is not possible to project the bond principal payments for the 1990A Program Class A-1 Bonds and the 1991C Program Bonds for the next five years due to the repayment structuring and the redemption procedures of the Trust Indentures.

NOTE E - COOPERATIVE ENDEAVOR AGREEMENT

On September 14, 1995, the Authority signed a Cooperative Endeavor Agreement with the Louisiana Housing Finance Agency (the Agency). The Agency and the Authority have agreed to cooperate in the financing of single family mortgage loans through a pool financing by the Agency on behalf of the Authority and other local public trusts.

The Authority allowed the Agency to utilize the Authority's available 1995 bond allocation of $4 million in exchange for the Agency's agreement to reserve the Authority's share of the Agency's 1995 Single Family Housing Bond Issue for a period of about ten months.

Based upon the December 1995 Issue, the Agency has reserved approximately $4,000,000 for use in St. Tammany Parish. All transactions for this issue are accounted for on the books of the Agency. The Authority is not liable for any bonds issued by the Agency.

NOTE F - EXTRAORDINARY ITEM

During the year ended August 31, 2003, the Authority transferred $196,565 to an irrevocable escrow fund in order to defease $150,000 of the 1990A Program Class A-1 outstanding bonds. U. S. Government securities were purchased to provide for debt service of defeased bonds. This transaction met the requirements of an in-substance defeasance and that portion of bonds have been removed from the 1990A Program Class A-1 bond liability.

A loss on extinguishment of the debt of $72,460 was recorded as an extraordinary item. Also, fees associated with extinguishment of $7,828 were recorded as an extraordinary item.

Also, in the year ending August 31, 2003, the Authority sold its remaining 1990B mortgage loans to a financial institution. Fees associated with this transaction of $66,000 were recorded as an extraordinary item.

NOTE G - SUBSEQUENT EVENT

On November 20, 2003, the Authority retired the remaining 1990A Program Class A-1 bonds payable of $2,120,824. This retirement was made with cash and investments on hand at August 31, 2003.

SUPPLEMENTAL INFORMATION

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY

SCHEDULE OF GOVERNING BOARD

August 31, 2003

Board of Trustees	Compensation
Ben Morris P.O. Box 828 Slidell, LA 70459 (985) 646-4333	$ 0
Marti Livaudais P.O. Box 828 Slidell, LA 70459	$ 0
Candice Watkins 609 N. Columbia Street Covington, LA 70433 (985) 892-1811	$ 0
Matthew Faust 37 Spruce Drive Covington, LA 70433 (895)892-6584	$ 0
Edward J. Price, III 3101 E. Causeway Approach Mandeville, LA 70448 (985) 626-3133	$ 0

Smith, Huval & Associates, L.L.C.
(A LIMITED LIABILITY COMPANY)
Certified Public Accountants
P.O. Box 3790
Covington, Louisiana 70434-3790

Samuel K. Smith, CPA
Patrick "Bryan" Huval, CPA

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(985) 892-4666 - FAX

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
St. Tammany Public Trust Financing Authority

We have audited the financial statements of the St. Tammany Public Trust Financing Authority as of and for the year ended August 31, 2003, and have issued our report thereon dated December 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance
As part of obtaining reasonable assurance about whether St. Tammany Public Trust Financing 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 St. Tammany Public Trust Financing 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the St. Tammany Public Trust Financing Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are considered to be material weaknesses.

To the Board of Trustees
St. Tammany Public Trust Financing Authority

This report is intended solely for the use of the Board of Trustees and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 30, 2003

Smith, Hurst & Associates, L.L.C.