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R E P O R T

31. BERNARD PARISH HOME MORTGAGE AUTHORITY

MARCH 31, 1967 AND 1966

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

Release Date 408 D 2 1997

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY

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### INDEPENDENT AUDITOR'S REPORT

May 23, 1997

Board of Trustees  
St. Bernard Parish Home  
Mortgage Authority  
Chalmette, Louisiana 70343

We have audited the accompanying combining balance sheets of the St. Bernard Parish Home Mortgage Authority, a component unit of the Parish of St. Bernard, and its programs as of March 31, 1997 and 1996 and the related combining statements of revenues, expenses and changes in retained earnings and cash flows for the years 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. These 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 audits provide a reasonable basis for our opinion.

As more fully described in Note 1, the financial statements present only the Home Mortgage Authority operations of St. Bernard Parish for the years ended March 31, 1997 and 1996 and are not intended to present fairly the results of operations of the Parish of St. Bernard.

In our opinion, the accompanying financial statements present fairly the financial position of the St. Bernard Parish Home Mortgage Authority and its programs at March 31, 1997 and 1996 and results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 23, 1997, on our consideration of St. Bernard Parish Home Mortgage Authority's internal control structure and a report dated May 23, 1997 on its compliance with laws and regulations.

*Duplantier, Hrapmann, Hogan & Maher, L.L.P.*

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY  
 COMBINED BALANCE SHEETS  
 MARCH 31, 1997 AND 1996

**ASSETS**

|  | P E R I O D E N D          |                            |
|--|----------------------------|----------------------------|
|  | 1997                       | 1996                       |
| Cash (Note 2)  | \$ 515                     | \$ 487                     |
| Cash equivalents (Notes 1 and 2)                           | 447,800                    | 405,548                    |
| U.S. Government Securities (Notes 1 and 2)                 | 794,200                    | 891,561                    |
| Guaranteed Investment Contract (Notes 1 and 2)             | 50,545                     | 50,545                     |
| Mortgage Loans Receivable - (Notes 3 and 4)                | 3,215,382                  | 3,426,631                  |
| Accrued interest receivable                                | 33,314                     | 45,354                     |
| Insurance receivable                                       | 1,852                      | 1,852                      |
| Deferred financing costs - Net of amortization<br>(Note 3) | 271,439                    | 327,428                    |
| Other  | <u>2,800</u>               | <u>483</u>                 |
| <b>TOTAL ASSETS</b>  | <b><u>\$ 4,825,132</u></b> | <b><u>\$ 5,474,529</u></b> |

**LIABILITIES AND RETAINED EARNINGS**

|  |                            |                            |
|--|----------------------------|----------------------------|
| Accrued interest payable (Note 4)              | \$ 30,000                  | \$ 30,000                  |
| Bonds payable (Notes 1 and 4)                  | <u>3,514,500</u>           | <u>3,495,750</u>           |
| Felix liabilities                              | 3,445,000                  | 3,424,000                  |
| Retained earnings                              | <u>800,132</u>             | <u>900,679</u>             |
| <b>TOTAL LIABILITIES AND RETAINED EARNINGS</b> | <b><u>\$ 4,825,132</u></b> | <b><u>\$ 5,474,529</u></b> |

See accompanying notes.

| 1979 PROGRAM      |                   | 1981 PROGRAM        |                     | 1982 PROGRAM        |                     |
|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| 1979              | 1980              | 1981                | 1982                | 1981                | 1982                |
| \$ ---            | \$ ---            | \$ ---              | \$ ---              | \$ 513              | \$ 467              |
| 120,024           | 121,000           | 120,402             | 120,437             | 397,244             | 127,428             |
| ---               | ---               | ---                 | ---                 | 705,350             | 597,567             |
| ---               | ---               | ---                 | ---                 | 94,645              | 86,545              |
| ---               | ---               | 2,111,593           | 1,158,344           | 1,300,957           | 1,237,587           |
| ---               | ---               | 15,284              | 25,498              | 18,028              | 21,456              |
| ---               | ---               | ---                 | ---                 | 1,842               | 1,842               |
| ---               | ---               | 94,816              | 112,128             | 114,300             | 102,322             |
| ---               | ---               | 2,432               | ---                 | 762                 | 473                 |
| <u>\$ 120,024</u> | <u>\$ 121,000</u> | <u>\$ 2,224,511</u> | <u>\$ 2,284,728</u> | <u>\$ 2,022,362</u> | <u>\$ 2,207,633</u> |
| <br>              |                   |                     |                     |                     |                     |
| \$ ---            | \$ ---            | \$ 12,800           | \$ 12,000           | \$ 12,700           | \$ 11,600           |
| ---               | ---               | 2,028,700           | 2,228,075           | 2,852,852           | 1,831,395           |
| ---               | ---               | 2,000,000           | 2,194,074           | 2,840,418           | 1,810,844           |
| 178,073           | 173,000           | 304,211             | 236,632             | 448,592             | 474,885             |
| <u>\$ 178,073</u> | <u>\$ 173,000</u> | <u>\$ 2,384,711</u> | <u>\$ 2,434,706</u> | <u>\$ 2,361,362</u> | <u>\$ 2,327,624</u> |

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY  
 COMBINING STATEMENTS OF REVENUES, EXPENSES and CHANGES IN RETAINED EARNINGS  
 FOR THE YEARS ENDED MARCH 31, 2007 AND 2006

|  | COMBINED          |                   |
|--|-------------------|-------------------|
|  | 2007              | 2006              |
| <b>REVENUES:</b>                                     |                   |                   |
| Interest earned on mortgage loans<br>(Note 3)        | \$ 366,646        | \$ 328,738        |
| Interest earned on investments<br>(Note 2)           | 85,245            | 84,007            |
| Total  | \$ 451,891        | \$ 412,745        |
| <b>EXPENSES:</b>                                     |                   |                   |
| Interest (Note 4)                                    | 220,504           | 228,334           |
| Amortization of deferred financing<br>costs (Note 1) | 31,475            | 42,154            |
| Servicing fees (Note 5)                              | 15,320            | 13,440            |
| Mortgage loan insurance costs                        | 4,300             | 4,128             |
| Operating expenses                                   | 30,882            | 34,388            |
| Total  | \$ 400,732        | \$ 451,452        |
| <b>NET INCOME (LOSS)</b>                             | \$ (48,841)       | \$ (38,707)       |
| Retained earnings, beginning of year                 | 908,815           | 908,793           |
| <b>RETAINED EARNINGS, END OF YEAR</b>                | <b>\$ 859,974</b> | <b>\$ 869,086</b> |

See accompanying notes.

| 1979 PROGRAM   |                | 1980 PROGRAM   |                | 1981 PROGRAM   |                |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 1992           | 1990           | 1991           | 2000           | 2002           | 2000           |
| \$ --          | \$ --          | \$ 200,802     | \$ 221,219     | \$ 93,473      | \$ 116,909     |
| <u>8,812</u>   | <u>8,912</u>   | <u>8,782</u>   | <u>8,918</u>   | <u>78,183</u>  | <u>61,704</u>  |
| <u>8,812</u>   | <u>8,912</u>   | <u>209,620</u> | <u>231,183</u> | <u>154,188</u> | <u>204,760</u> |
| --             | --             | 172,429        | 283,629        | 148,829        | 348,716        |
| --             | --             | 18,218         | 14,980         | 28,780         | 77,028         |
| --             | --             | 8,583          | 8,799          | 4,888          | 4,052          |
| --             | --             | 3,178          | 2,883          | 1,322          | 3,290          |
| <u>8,895</u>   | <u>12,914</u>  | <u>8,861</u>   | <u>8,232</u>   | <u>37,338</u>  | <u>74,180</u>  |
| <u>8,895</u>   | <u>12,914</u>  | <u>208,189</u> | <u>239,473</u> | <u>182,222</u> | <u>238,629</u> |
| (1,812)        | (2,000)        | 16,411         | 18,529         | (18,088)       | (24,263)       |
| <u>375,995</u> | <u>389,608</u> | <u>318,632</u> | <u>399,928</u> | <u>478,888</u> | <u>509,271</u> |
| \$ 118,072     | \$ 203,889     | \$ 209,221     | \$ 208,632     | \$ 888,702     | \$ 414,950     |

**ST. BERNARD PARISH HOME MORTGAGE AUTHORITY**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 1997 AND 1996**

|  | C O M B I N E D     |                     |
|--|---------------------|---------------------|
|  | 1997                | 1996                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                     |                     |
| Net income (loss)  | \$ (28,400)         | \$ (29,170)         |
| Reconciliation of net income (loss) to net cash provided (used) by operating activities: |                     |                     |
| Amortization of deferred financing costs   | 31,408              | 47,188              |
| Amortization of investment discount  | (66,883)            | (55,686)            |
| Amortization of bond discount  | 89,797              | 77,823              |
| Other  | (7,484)             | 6,896               |
| Increase (decrease) in accrued interest receivable                                       | 36,280              | (14,827)            |
| Increase in accrued interest payable   | (5,854)             | (5,587)             |
| Interest paid on bonds payable   | 787,818             | 837,303             |
| Interest received on investments   | (24,896)            | (28,542)            |
|  | \$ 852,856          | \$ 867,794          |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                                  |                     |                     |
| Bond redemptions   | (210,440)           | (188,944)           |
| Interest paid on bonds payable   | (152,815)           | (177,311)           |
|  | \$ (363,255)        | \$ (366,255)        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                     |                     |
| Increase in mortgage loans receivable  | 158,148             | 377,607             |
| Interest received on investments   | 24,638              | 29,116              |
|  | \$ 182,786          | \$ 406,723          |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                  | <b>\$ 668,487</b>   | <b>\$ 895,362</b>   |
| Cash and cash equivalents - beginning of year  | \$ 809,623          | \$ 804,361          |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>   | <b>\$ 1,478,110</b> | <b>\$ 1,699,723</b> |

See accompanying notes.



| 1979 PROGRAM |            | 1974 PROGRAM |              | 1982 PROGRAM |              |
|--------------|------------|--------------|--------------|--------------|--------------|
| 1992         | 1988       | 1992         | 1988         | 1992         | 1988         |
| \$ (3,870)   | \$ 15,870  | \$ (5,411)   | \$ 30,724    | \$ (18,000)  | \$ (24,710)  |
| --           | --         | 16,219       | 14,968       | 18,300       | 27,204       |
| --           | --         | --           | --           | (42,947)     | (55,666)     |
| --           | --         | --           | --           | 58,792       | 27,429       |
| --           | --         | 51,500       | 5,888        | 42           | 28           |
| --           | --         | 10,812       | (2,447)      | 5,000        | (21,911)     |
| --           | --         | (1,280)      | (1,078)      | (864)        | (2,567)      |
| --           | --         | 121,621      | 188,849      | 79,387       | 88,614       |
| .. (5,970)   | .. (6,878) | .. (8,283)   | .. (5,215)   | .. (19,821)  | .. (10,217)  |
| .. (5,970)   | .. (6,878) | .. (88,579)  | .. (55,892)  | .. 61,565    | .. 78,391    |
| --           | --         | 1182,521     | (116,811)    | 679,280      | (200,547)    |
| .....        | .....      | .. (173,683) | .. (288,842) | .. (25,381)  | .. (80,634)  |
| .....        | .....      | .. (100,000) | .. (245,521) | .. (100,000) | .. (201,736) |
| --           | --         | 194,748      | 229,229      | 132,000      | 143,287      |
| .. 5,871     | .. 6,115   | .. 8,182     | .. 9,838     | .. 9,581     | .. 11,327    |
| .. 5,871     | .. 6,115   | .. 163,638   | .. 229,183   | .. 121,419   | .. 131,960   |
| .. (3,870)   | .. 15,870  | .. (11,810)  | .. 2,582     | .. 64,800    | .. (61,460)  |
| .. 103,000   | .. 109,834 | .. 382,832   | .. 189,158   | .. 132,800   | .. 161,667   |
| \$ 109,000   | \$ 129,899 | \$ 275,862   | \$ 182,532   | \$ 167,710   | \$ 182,000   |

**ST. BERNARD PARISH HOME MORTGAGE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 1997 AND 1996**

**ORGANIZATION**

The St. Bernard Parish Home Mortgage Authority (the "Authority") was created through a Trust Indenture dated May 9, 1979 pursuant to provisions of Chapter 2-A of Title 9 of the Louisiana Revised Statutes of 1950, as amended. The initial legislation and subsequent amendments grant 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. Bernard Parish, Louisiana.

The Authority's operations consist of two single family mortgage revenue bond programs and two single family mortgage refunding bond programs whereby the Authority promoted 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 \$25,000,000 in Single Family Mortgage Revenue Bonds, dated September 1, 1979, \$18,000,000 in Single Family Mortgage Revenue Bonds, dated November 1, 1980, \$4,515,000 in Single Family Mortgage Refunding Bonds, dated March 29, 1993, \$11,255,000 in 1992 Series A Taxable Single Family Mortgage Refunding Bonds, dated June 1, 1992, \$2,130,000 in 1992 Series B-1 Taxable Single Family Mortgage Refunding Bonds, dated June 1, 1992, \$200,800 (maturity amount) in 1992 Series B-2 Taxable Single Family Mortgage Refunding Bonds, dated June 1, 1992, and \$3,000,000 (maturity amount) in 1992 Series C Tax Exempt Single Family Mortgage Revenue Bonds dated June 1, 1992. The bonds dated September 1, 1979 have been defeased and the bonds dated November 1, 1980 have been called. The \$11,255,000 in 1992 Series A bonds dated June 1, 1992 have matured. The bonds issued by the Authority are general obligations of the Authority and are not an obligation of the State of Louisiana or any other political subdivision thereof.

The Authority has a Board of Trustees which is empowered under the bond trust indentures and the bond program agreements to contract with outside parties to conduct the day-to-day operations of the program it initiates. Under the bond programs, the Authority utilizes financial institutions to originate and service the mortgage loans acquired. In addition, a bank has been designated as Trustee of the separate bond programs and has the fiduciary responsibility for the custodianship and investment of funds.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Reporting Entity**

Government Accounting Standards Board (GASB) Statement No. 34 has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointment of a voting majority of the governing board
  - a. The ability of the parish government to impose its will on the organization

ST. BERNARD PARISH HOME HOUSING AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 MARCH 31, 1997 AND 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reporting entities (Continued)

- b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the parish government.
2. Organizations which are fiscally dependent.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the parish government appoints the governing board, the Authority was determined to be a component unit of the St. Bernard Parish Government, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only on the funds maintained by the Authority and do not present information on the parish government, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

Annually, the St. Bernard Parish Government issues audited general purpose financial statements which include the activity contained in the accompanying financial statements.

Basis of Reporting

The combined financial statements include the 1978 single family mortgage revenue bond program and the 1981 and 1992 single family mortgage refunding bond program. There is no longer activity in the 1990 single family mortgage revenue bond program. The individual funds for each bond program are combined in the accompanying individual program financial statements.

Basis of Accounting

The Authority follows the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the related liability is incurred. Certain funds were established under the powers granted by the Bond Trust indentures. The funds, which are maintained by the trustee bank, provide for the accounting of bonds issued, debt service and bond redemption requirements, investments, and related revenues and operating expenses.

The Authority applies all GAO pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before December 30, 1989 unless these pronouncements conflict with or contradict GAO pronouncements.

Amortization

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

Premiums and discounts on the purchase of investments are amortized over the life of the security using the level yield method.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 MARCH 31, 1987 AND 1988

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Amortization (Continued)

Discounts on bonds payable are amortized over the lives of the bonds using the level yield method.

Statements of Cash Flow

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

2. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Deposits

At March 31, 1987 and 1988, deposits in the amount of \$513 and \$487, respectively (bank balances) were insured by the Federal Deposit Insurance Corporation (FDIC).

Cash Equivalents

The Authority invests in the Markets Treasury Securities Money Market Fund which is considered a cash equivalent. The Markets Treasury Securities Money Market Fund invests exclusively in obligations issued by the U.S. Treasury and backed by its full faith and credit and in repurchase agreements involving such obligations. However, an investment in the fund is neither insured nor guaranteed by the U.S. Government. The Money Market Funds are held by a subcustodian in the name of the Authority. The Funds are managed by the Trustee Bank of the Authority.

Investments

The Authority's investments are categorized below 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.

|   | 1987              |                  | 1988              |                  | CATEGORY |
|---|-------------------|------------------|-------------------|------------------|----------|
|   | CARRYING<br>VALUE | MARKET<br>VALUE  | CARRYING<br>VALUE | MARKET<br>VALUE  |          |
| 1987 Program<br>Guaranteed<br>Investment<br>Contracts | \$ 90,545         | \$ 98,545        | \$ 90,545         | \$ 98,545        | 2        |
| U.S. Government<br>securities                         | 150,153           | 688,876          | 695,561           | 688,440          | 2        |
|   | <u>\$240,698</u>  | <u>\$787,421</u> | <u>\$786,106</u>  | <u>\$786,985</u> |          |

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 MARCH 31, 1992 AND 1990

2. PROPERTY, CASE EQUIPMENTS AND INVESTMENTS: (Continued)

Investments (Continued)

U.S. Government securities and guaranteed investment contracts are carried at amortized cost.

The bond indentures authorize the trustee to make investments under prudent investment standards reasonably expected to produce the greatest investment yield.

3. MORTGAGE LOANS RECEIVABLE:

In accordance with the Trust Indenture of the 1981 Single Family Mortgage Revenue Refunding Bonds, the right, title and interest in the mortgage loans of the 1980 program were transferred to the 1990 program as of March 1, 1991.

In accordance with the Trust Indenture of the 1982 Series B Single Family Mortgage Revenue Refunding Bonds and the 1992 Series C Tax Exempt Single Family Mortgage Revenue Bonds, the right, title and interest in the remaining mortgage loans of the 1978 program were transferred to the 1992 program as of June 1, 1992. Certain mortgage loans of the 1978 program were sold prior to this date.

Mortgage loans receivable acquired by the Authority from participating mortgage lenders under the 1978 program which were transferred to the 1990 program have a stated rate of 8.375%. The mortgage loans under the 1990 program previously had a stated rate of 11.5%, but after transfer to the 1990 program, have a stated rate of 9.3%. These mortgage loans, which were granted only to residents of St. Bernard Parish, have scheduled maturities of thirty years and are secured by first mortgages on the related real property. Each participating mortgage lender services those loans purchased from it by the Authority and receives compensation for services rendered.

In addition to the customary insurance required of the mortgagors, the mortgage loans are insured by the Authority under pool insurance policies. The loans of the 1990 program are also insured under a special hazard policy.

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

4. BONDS PAYABLE:

The net proceeds obtained from the 1978 and 1980 bond issues were used to establish funds authorized by the Bond Trust Indentures and to purchase eligible mortgage loans secured by first mortgage liens on single family owner-occupied residences from qualified mortgage lenders accepted for participation in the program by the Authority.

On March 31, 1990, the Authority issued \$4,435,000 in Single Family Mortgage Refunding Bonds with an interest rate of 9% on advance refund \$5,800,000 of outstanding 1980 Series Bonds with an interest rate of 10.75%. The 1980 Series bonds have since been retired.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 MARCH 31, 1997 AND 1998

4. BONDS PAYABLE: (Continued)

On June 3, 1992, the Authority issued \$13,255,000 in Single Family Mortgage Refunding Bonds, \$200,000 (maturity amount) in Single Family Mortgage Refunding Bonds, \$3,000,000 (maturity amount) in Single Family Mortgage Revenue Bonds, and \$2,130,000 in Single Family Mortgage Refunding Bonds to advance refund \$28,470,000 of outstanding 1979 Series Bonds with interest rates of 5.87% to 7.5%. The net proceeds of \$13,385,143 (after \$8,081,319 in underwriting fees, trustee costs, and cash requirements) plus an additional \$4,299,450 of 1979 reserve fund money, loan proceeds and accrued interest were used to purchase Government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1979 Series Bonds. As a result, the 1979 bonds are considered defeased and the liability for those bonds was removed from the financial statements. At March 31, 1997 and 1998, \$13,940,000 of the defeased bonds were still outstanding.

The Bond Trust Indentures provide that bond principal and interest are secured by pledges of all mortgage loans acquired, all revenues and collections with respect to such loans, and all funds established by the Authority, together with all of the proceeds generated therefrom.

Outstanding bonds payable are due on a term and serial basis and bear interest at rates as follows:

|  | <u>MARCH 31</u>    |                    |
|--|--------------------|--------------------|
|  | <u>1997</u>        | <u>1998</u>        |
| Single Family Mortgage Revenue Bonds:  |                    |                    |
| 1982 program Series C, zero coupon, due 2014 at maturity value of \$3,000,000, discounted to yield approximately 7.85%, unamortized discount was \$2,179,714 and \$2,239,828 at March 31, 1997 and 1998, respectively. | \$ 820,288         | \$ 760,965         |
| Single Family Mortgage Refunding Bonds:  |                    |                    |
| 1981 Program, due 1994-2012, \$6   | 2,676,703          | 2,258,875          |
| 1992 Program Series B-1, due 2011, 7.5% stated rate, discounted to yield approximately 7.04%, unamortized discount was \$40,807 and \$54,812 at March 31, 1997 and 1998, respectively.                                 | 875,421            | 1,037,808          |
| 1992 Program Series B-2, zero coupon, due 2014 at maturity value of \$200,000, discounted to yield approximately 8.25%, unamortized discount was \$158,850 and \$163,678 at March 31, 1997 and 1998, respectively.     | 91,958             | 38,324             |
|  | <u>\$3,314,369</u> | <u>\$4,099,976</u> |

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 1991 AND 1990

4. BONDS PAYABLE: (Continued)

It is not possible to predict the bond principal payments for the 1990 and 1989 Series B-1 issue for the next five years due to the required redemption procedures of the trust indentures. The indenture of the 1991 issue requires monies remaining in the Collection Account of the 1990 issue shall pay principal of the bonds after the following payments are satisfied:

- a) payment to the Rebate Account in an amount equal to the excess non-mortgage earnings;
- b) payment of all interest due and payable with respect to any overdue bonds and any principal of such overdue bonds;
- c) payment of interest due and payable on any bonds which are not overdue;
- d) payment to the Debt Service Reserve Account (if necessary) to maintain the reserve requirement;
- e) payment to the Revenue Account an amount equal to 1/12 of .55% per annum of the aggregate principal amount of bonds outstanding.

The indenture of the 1989 Series B-1 issue requires monies remaining in the Bond Fund Account of the 1990 Series B-1 issue shall pay principal of the bonds after the following payments are satisfied:

- a) payment of all interest due and payable with respect to any overdue bonds;
- b) payment of any installments of interest then due and payable on any bonds which are not overdue;
- c) payment to the Expense Account an amount sufficient to maintain a balance of \$5,000 therein.

The 1990 Series E bonds are callable at the option of the issuer on any date on or after June 1, 2002 at the following redemption prices expressed as percentages of the accreted value of the bonds as of the date of redemption:

| <u>REDEMPTION PERIOD</u>          | <u>REDEMPTION PRICE</u> |
|-----------------------------------|-------------------------|
| June 1, 2002 through May 31, 2003 | 100%                    |
| June 1, 2003 through May 31, 2004 | 102                     |
| June 1, 2004 through May 31, 2005 | 104                     |
| June 1, 2005 and thereafter       | 108                     |

5. STATE OF TRUSTEES EXPENSES:

The members of the Authority's Board of Trustees receive no compensation for their services rendered but are reimbursed for their actual travel costs incurred in connection with their duties as trustees of the Authority.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY  
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
FOR THE YEAR ENDED MARCH 31, 1997

May 23, 1997

Board of Trustees  
St. Bernard Parish Home  
Mortgage Authority  
Chalmette, Louisiana 70008

We have audited the financial statements of St. Bernard Parish Home Mortgage Authority, as of and for the year ended March 31, 1997, and have issued our report thereon, dated May 23, 1997.

We conducted our audit in accordance with generally accepted auditing standards, and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of St. Bernard Parish Home Mortgage Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of St. Bernard Parish Home Mortgage Authority, for the year ended March 31, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.



Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Trustees of St. Bernard Parish Home Mortgage Authority and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

*Debra L. Hays, CPA*

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY  
 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
 IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
 FOR THE YEAR ENDED MARCH 31, 1997

May 23, 1997

Board of Trustees  
 St. Bernard Parish Home  
 Mortgage Authority  
 Chalmette, Louisiana 70049

We have audited the financial statements of St. Bernard Parish Home Mortgage Authority as of and for the year ended March 31, 1997, and have issued our report thereon dated May 23, 1997.

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 financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the St. Bernard Parish Home Mortgage Authority is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws and regulations. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the Board of Trustees of St. Bernard Parish Home Mortgage Authority and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

*Debra L. Thompson, CPA, Manager & Member LLP*