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DEBARK SPRINGS/LEWISBORO HOUSING
AND MORTGAGE FINANCE AUTHORITY

DECEMBER 31, 1987

DEBARK SPRINGS, LOUISIANA

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 7-2-98

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May 29, 1998

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying Individual Programs and Residual Fund Balance Sheets of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of December 31, 1997, and the related Individual Statements of Revenues, Expenses, and Changes in Fund Balances 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of each of the individual programs and the residual fund of the Denham Springs/Livingston Housing and Mortgage Finance Authority as of December 31, 1997, and their revenues, expenses and changes in fund balances and their cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 29, 1998 on our consideration of the Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Respectfully submitted,

2 *Hannis T. Bourgeois, L.L.P.*

Barham Springs/Livingston Housing and
Mortgage Finance Authority

INDIVIDUAL AND COMBINED BALANCE SHEETS

December 31, 1997

	1997 <u>SERIES A</u>	1997 <u>SERIES B</u>	1997 <u>SERIES C</u>
ASSETS			
Cash and Cash Equivalents	\$ 59,304	\$ 144,631	\$ -
Federal Home Loan Mortgage Corporation, at Cost	-	-	-
FHMA Securities, at Amortized Cost	1,749,219	932,739	-
Ginnie Securities, at Amortized Cost	-	-	-
FCMI Investment, at Cost	-	-	-
Mortgage Loans Receivable due from Other Funds	-	1,081,583	-
Accrued Interest Receivable	7,878	8,381	-
Deferred Financing Costs - Net of Amortization	87,153	128,609	75,317
Prepaid Expenses	-	1,164	-
Due from Escrow	-	-	-
Total Assets	\$1,902,457	\$2,357,730	\$ 75,317
LIABILITIES AND FUND BALANCES (DEFICIT)			
Accounts Payable	\$ -	\$ 318	\$ -
Due to Other Funds	4,910	4,913	-
Accrued Interest Payable	17,437	11,930	-
Bonds Payable - Net	1,380,941	1,383,317	1,662,987
Total Liabilities	1,403,288	1,810,588	1,662,987
Fund Balances:			
Reserved for Debt Service	560,439	1,318,122	-
Unreserved - Undesignated (Deficit)	-	-	(1,587,670)
Total Fund Balances - (Deficit)	560,439	1,318,122	(1,587,670)
Total Liabilities and Fund Balances	\$1,902,457	\$2,357,730	\$ 75,317

The accompanying notes are an integral part of this statement.

1996 SERIES	1997 SERIES	ADDITIONAL FUND	TOTALS (MEMORANDUM ONLY)	
			1997	1998
\$ -	\$ 142,311	\$ 529,866	\$ 697,522	\$ 1,128,885
-	-	160,861	160,861	341,864
-	2,618,344	997,600	5,273,772	3,810,932
-	7,861,183	-	7,861,283	1,888,688
-	668,418	-	668,618	7,785,582
-	-	30,880	1,112,183	1,258,943
-	-	100,484	384,484	148,713
-	184,408	28,441	195,277	278,452
-	110,785	-	578,258	493,947
-	-	-	1,194	7,799
-	-	310,519	310,519	423,305
<u>\$ -</u>	<u>\$ 10,452,846</u>	<u>\$ 2,466,391</u>	<u>\$17,454,941</u>	<u>\$17,616,618</u>
\$ -	\$ -	\$ 9,008	\$ 9,328	\$ 4,629
-	182,571	-	204,488	140,713
-	288,931	-	387,109	109,775
-	10,880,028	-	14,048,595	14,102,425
-	10,453,904	9,008	14,547,497	14,759,412
-	178,942	-	2,037,923	1,897,514
-	-	2,457,391	889,921	1,880,822
-	178,942	2,457,391	2,907,444	2,859,286
<u>\$ -</u>	<u>\$ 18,452,846</u>	<u>\$ 2,466,391</u>	<u>\$17,454,941</u>	<u>\$17,616,618</u>

Denham Springs/Livingston Housing and
Mortgage Finance Authority

**INDIVIDUAL AND COMBINED STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN FUND BALANCES**

For the Year Ended December 31, 1997

	1997 <u>SERIES A</u>	1997 <u>SERIES B</u>	1997 <u>SERIES C</u>
Revenues:			
Interest Earned on Mortgage Loans Receivable	\$ -	\$ 85,176	\$ -
Interest Earned on Other Investments	147,309	89,133	-
Gain (Loss) on Sales of Investments	-	-	-
Miscellaneous Income (Expense)	-	-	-
Total Revenues	<u>147,309</u>	<u>174,309</u>	<u>-</u>
Expenses:			
Interest	120,530	84,869	128,276
Amortization of Deferred Financing Costs	4,314	2,829	4,442
Loan Servicing Fees	-	3,986	-
Insurance	-	1,765	-
GRASS	-	-	-
Administrative Fees	-	4,080	-
Operating Expenses	-	-	-
Professional Fees	-	-	-
Down Payment Assistance	-	-	-
Total Expenses	<u>124,844</u>	<u>96,639</u>	<u>128,718</u>
Excess (Deficiency) of Revenues Over Expenses Before Operating Transfers	22,465	77,670	(128,718)
Operating Transfers:			
Transfers In	-	-	-
Transfers (Out)	-	-	-
Excess (Deficiency) of Revenues Over Expenses	<u>22,465</u>	<u>77,670</u>	<u>(128,718)</u>
Fund Balances (Deficit) -			
Beginning of Year	<u>478,004</u>	<u>1,208,202</u>	<u>(1,482,752)</u>
Fund Balances (Deficit) -			
End of Year	<u>\$ 500,469</u>	<u>\$1,285,872</u>	<u>\$ (1,587,470)</u>

The accompanying notes are an integral part of this statement.

1996 SERIES	1997 SERIES	RESIDUAL FUND	TOTALS	
			1997	1996
\$ -	\$ -	\$ 3,737	\$ 88,913	\$ 145,073
33,598	644,951	136,188	1,886,993	1,063,568
-	68150	18,3180	48,6330	(2,4480)
-	(11,153)	5,078	(2,078)	895
33,598	637,378	138,787	1,128,188	1,167,698
55,249	571,778	-	992,503	1,814,340
183	-	-	18,868	14,183
-	-	-	3,368	4,339
-	-	-	1,755	1,839
-	-	52,832	52,832	64,880
547	9,000	149	18,890	32,932
-	-	9,581	9,581	8,611
1,360	-	6,750	8,250	7,328
-	30,401	-	30,481	33,088
57,479	611,180	65,286	1,878,946	1,157,138
(23,978)	26,188	31,583	49,238	9,908
-	172,743	-	172,743	2,341
(91,189)	-	(77,554)	(172,743)	(2,341)
(91,189)	172,743	(77,554)	-	-
119,168	198,942	(8,053)	49,338	9,300
119,168	-	2,462,414	2,858,266	2,848,366
\$ -	\$ 198,942	\$ 2,457,361	\$ 2,907,444	\$ 2,858,266

Berkham Springs/Livingston Housing and
Mortgage Finance Authority

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 1997

	<u>1997</u> <u>DOLLARS A</u>	<u>1992</u> <u>DOLLARS B</u>	<u>1993</u> <u>DOLLARS C</u>
Cash Flows From Operating Activities:			
Excess (Deficiency) of Revenues Over Expenses Before Operating Transfers	\$ 22,165	\$ 77,870	\$ (124,718)
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided by Operating Activities:			
Amortization of Deferred Financing Costs	4,314	2,819	4,443
Amortization of Bond Discount	9,786	12,340	128,278
Accretion on Investments	(41,240)	(80,487)	-
Changes in Assets and Liabilities:			
(Increase) Decrease in Accrued Interest Receivable	1,728	8,348	-
(Increase) Decrease in Due from Other Funds	-	-	-
(Increase) Decrease in Other Assets	-	-	-
Increase (Decrease) in Accounts Payable	-	-	-
Increase (Decrease) in Due to Other Funds	-	-	-
Increase (Decrease) in Current Interest Payable	(2,122)	(1,629)	-
Net Cash Provided by (Used in) Operating Activities	(8,139)	18,492	-

(Continued)

	1995 RESERVE	1997 RESERVE	RESIDUAL VALUE	TOTALS	
				1997 MEMBERSHIP ONLY	1998
\$	(23,978)	\$ 26,188	\$ 71,581	\$ 49,318	\$ 5,900
	183	-	-	10,968	14,183
	-	-	-	149,573	133,321
	-	997	-	(138,718)	(512,844)
	331,845	(158,865)	(3,414)	83,173	38,943
	-	-	(69,571)	(69,571)	-
	6,545	-	(35,314)	(28,669)	(38,843)
	-	-	4,380	4,380	(124)
	(132,088)	186,571	-	69,571	-
	<u>(226,243)</u>	<u>328,311</u>	<u>-</u>	<u>132,473</u>	<u>(6,298)</u>
	1194,453)	336,485	(26,188)	116,187	89,542

Derham Springs/Livingston Housing and
Mortgage Finance Authority

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended December 31, 1997

	<u>1997</u>	<u>1996</u>	<u>1995</u>
	<u>SERIES A</u>	<u>SERIES B</u>	<u>SERIES C</u>
Cash Flows from Investing Activities:			
Proceeds from Maturities/ Transfers or Sales of Investments	187,336	-	-
Purchases/Transfers of Investments	-	-	-
Principal Collections on Mortgage Loans	-	38,161	-
Net Cash Provided by (Used in) Investing Activities	187,336	38,161	-
Cash Flows from Noncapital Financing Activities:			
Proceeds from Issuance of Series 1997 Bonds	-	-	-
Bond Redemptions (Payments)/Transfer of Deferred Financing Costs	(248,192)	(134,313)	-
Operating Transfers In (Out) - Net	-	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(248,192)	(134,313)	-
Net Increase (Decrease) In Cash and Cash Equivalents	31,065	(119,861)	-
Cash and Cash Equivalents at Beginning of Year	28,139	163,362	-
Cash and Cash Equivalents at End of Year	\$ 39,204	\$ 143,501	\$ -

The accompanying notes are an integral part of this statement.

1995 SERIES	1997 SERIES	ADDITIONAL FUND	TOTALS (MEMORANDUM ONLY)	
			1997	1995
10,450,444	166,488	301,804	10,695,562	5,479,339
-	(10,362,830)	(497,988)	110,700,310	(1,061,375)
-	-	43,022	118,148	218,184
18,058,484	(10,046,143)	(254,498)	113,492	629,148
-	18,008,000	-	18,008,000	-
(10,460,880)	-	-	(18,382,405)	(621,699)
362,330	(318,765)	-	1108,337	-
(93,185)	172,343	177,534	-	-
18,893,943	9,861,958	177,334	1490,382	1321,499
(36,938)	143,313	(358,348)	(241,353)	134,391
36,828	-	838,234	1,128,885	393,394
\$ -	\$ 143,311	\$ 535,308	\$ 887,522	\$ 1,128,885

Denham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 1987

(1) Organization of Authority -

The Denham Springs/Livingston Housing and Mortgage Finance Authority (the "Authority") is a public trust created pursuant to provisions of the Louisiana Revised Statutes of 1958, as amended, by a Trust Indenture dated February 13, 1979. The Authority's primary purpose is to provide means of financing the cost of residential home ownership, development and rehabilitation which will provide decent, safe and sanitary housing for low and moderate income residents of Livingston Parish at prices they can afford, through the Authority's purchase of mortgage loans made to such persons by certain mortgage lenders.

On September 11, 1979, the Authority issued, through underwriters, Single Family Mortgage Revenue Bonds, 1979 Series A, totaling \$35,080,000 to fund the purchase of such mortgage loans. This original issue was governed by a Bond Trust Indenture dated June 1, 1979. On April 1, 1987 the debt was restructured according to the terms of the First Supplemental Trust Indenture. As more fully discussed in Note 8, on June 16, 1992, the Authority issued, through underwriters, 1992 Series A, 1992 Series B, and 1992 Series C Bonds totaling \$25,475,000, for the purpose of advance refunding the balance on the original 1979 Series A Bonds. Each 1992 Series Bond issued is covered by individual indentures dated June 1, 1992.

On February 23, 1995, the Authority issued an additional \$10,000,000 of Single Family Mortgage Revenue Bonds Series 1995. The proceeds of these bonds were to be used to finance the purchase of (A) fully modified, mortgage-backed securities guaranteed by the Governmental National Mortgage Association (GNMA) and backed by pools of FHA-insured mortgage loans or VA-guaranteed mortgage loans and (B) single pool, mortgage-backed securities guaranteed by the Federal National Mortgage Association (FNMA) and backed by pools of conventional mortgage loans. As discussed in the following paragraph these bonds were refunded with the proceeds of the issuance of the Series 1997 Bonds.

As more fully discussed in Note 7, on January 16, 1997, the Authority issued \$35,000,000 Single Family Mortgage Revenue Refunding Bonds - Series 1997 to refund the Single Family Mortgage Revenue Bonds - Series 1995. The assets securing the Series 1995 bonds including the 1995 GNMA Securities and the 1995 FNMA Securities were transferred to the Trustee on the date the new bonds were issued. Funds securing the 1995 bonds were then made

Denham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1997

available to finance the purchase of additional securities backed by mortgage loans made to finance the purchase of single-family residences located in the Parish of Livingston, Louisiana to be owned and occupied by low and moderate income families residing in the parish. The Series 1997 Bonds are governed by a separate indenture dated January 15, 1997.

The Authority is managed by a Board of Trustees appointed by the City Council of Denham Springs. The Authority's Board of Trustees is empowered under the bond trust indenture and the bond program agreement to contract with outside parties to conduct the day-to-day operations of the Authority and the programs it initiates. The Authority employs Base One (formerly Premier Corporate Trust) as its Program Administrator to provide administrative staff support for the board of trustees and its committees, general office administration for the Authority and program administration and supervision for its mortgage purchase bond program. Under its original single family mortgage purchase bond program, the Authority utilized area financial institutions to originate and service the mortgage loans acquired. In addition, Base One (formerly Premier Corporate Trust) has been designated as the Trustee of the bond program and has the fiduciary responsibility for the custody and investment of funds.

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

The bonds issued by the Authority are general obligations of the Authority and are not obligations of the State of Louisiana or any other political subdivision thereof.

Based on criteria outlined in Statement No. 14 of the Governmental Accounting Standards Board the Denham Springs/Livingston Housing and Mortgage Finance Authority is considered a related party to the City of Denham Springs.

Danham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1997

(3) **Summary of Significant Reporting and Accounting Policies -**

Basis of Accounting and Reporting

The Authority follows the accrual basis of accounting for its Residual Fund and for all funds established by the Bond Trust Indentures. The funds, which are maintained by the Trustee Bank, provide for the accounting for bonds issued, debt service and bond redemption requirements, investments, and related revenues and expenses. These individual funds for each bond program are aggregated in the accompanying individual financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Total Columns on Combined Statements

The combined statements include the totals of the similar accounts of each of the Authority's bond programs and the Authority's Residual Fund. Because the assets of the bond programs are restricted by the related bond resolutions and indentures, the totaling of the accounts, including the 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 and indentures relating to the separate programs.

Deficit Fund Balance

The figures listed under the heading "1992 Series C" are the 1992 tax exempt residual revenue capital appreciation bond issue defeasance data and are not comparable to the program operations data appearing in the other columns. The \$1,507,470 deficit shown in the fund balance for the 1992 C issue is a result of the transfer of bond proceeds to the Residual Fund as called for in the Indenture and the accretion of the 1992 C Capital Appreciation Bonds. The 1992 Series C Bonds are to be paid solely from the remaining assets of the 1992 Series B Bonds upon final maturity of the 1992 Series B Bonds.

Denham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1997

Amortization

Bond issuance costs, including the underwriters' discount on the sale of the bonds and the restructuring expenses, are amortized ratably over the life of the bonds based upon the principal amounts outstanding. Premium and discount on the purchase of U.S. Government securities are amortized over the lives of the securities.

Statements of Cash Flow

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

(4) Mortgage Loans -

Mortgage loans have a stated interest rate of 8.80% and are collateralized by mortgages on single unit, owner-occupied residences. The loans, which have scheduled maturities of 30 years, are serviced by a designated loan servicer. This loan servicer is responsible for collecting the loan payments from the borrowers and remitting these payments to the Authority's Trustee. The loan servicer is compensated for servicing the loans based upon a percentage of the unpaid balances for the loans outstanding.

The mortgage loans are insured by the Authority under a mortgage servicer performance bonds policy and a special hazard policy.

As part of the defeasance of the 1979 Series A bond issue, the Authority on July 31, 1993, transferred \$33,880,000 (at par value) of the 1979 mortgage loans to the holder of the 1993 Series A, Class 2 Bonds in payment thereof. The remaining mortgage loan receivables will be used to satisfy maturing 1993 Series A, 1993 Series B, and 1993 Series C bond principal and interest payments.

Dunham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1993

440 Bonds Payable -

The outstanding bonds payable consist of the following:

1992 Series A, Single Family Mortgage Revenue Refunding Bonds Maturing Serially Through August 1, 2011, With Interest at 7.15% Payable Monthly	\$ 1,260,561
1992 Series B, Single Family Mortgage Revenue Refunding Bonds: Class B-1 - Maturing Serially Through August 1, 2011, With In- terest at 7.15% Payable Monthly	928,688
Class B-2 - Capital Appreciation Bonds Maturing July 10, 2014, Priced to Yield 9.15% at Maturity	308,000
Less: Unamortized Bond Discount	<u>(232,642)</u>
Net Class B-2	67,352
Total 1992 Series B	1,003,037
1992 Series C, Residual Revenue Capital Appreciation Bonds Maturing July 10, 2014, Priced to Yield 7.65% at Ma- turity	5,750,000
Less: Unamortized Bond Discount	<u>(4,067,022)</u>
Total 1992 Series C	1,682,978
1995 Series Single Family Mortgage Revenue Bonds Maturing Partially Through February 1, 2020 with Interest Rates of 5.5%-6.875% Payable Semiannually - Advanced Refunded in 1997	
1997 Series Single Family Mortgage Revenue Refunding Bonds Maturing Serially Through February 1, 2027 with Interest Rate of 6.15% Payable Semiannually	<u>10,300,000</u>
Total Bonds Payable	<u>\$14,948,583</u>

Deerham Springs/Livingston Housing and
Mortgage Finance Authority

NOTICE TO FINANCIAL STATEMENTS ADDRESSEES

December 31, 1987

The 1982 Series A and 1982 Series B-1 Bonds are structured such that the monthly remittances from the mortgage loans and from investment in mortgage-backed securities will be passed on to bondholders as monthly principal and interest redemptions of bonds payable.

A schedule of Changes in Long-Term Debt for the year 1987 is as follows:

	1982 SERIES A	1982 SERIES B	1982 SERIES C	1985 SERIES	1987 SERIES	TOTAL
Balance as Jan- uary 1, 1987	\$ 1,428,750	\$ 1,133,431	\$ 1,542,731	\$10,000,000	\$ -	\$14,104,895
Additions: Valued at Par	-	-	-	-	18,000,000	18,000,000
Debitments: Cash Payments	248,182	134,233	-	10,000,000	-	10,382,415
Accrual of Bond Premium	-	8,828	128,328	-	-	137,156
Balance as December 31, 1987	\$ 1,180,568	\$ 1,008,027	\$ 1,671,029	\$ -	\$18,000,000	\$14,048,585

Scheduled bond principal redemptions for each of the next five years (exclusive of interest) are as follows:

	1988 SERIES A	1988 SERIES B	1988 SERIES C	1987 SERIES	TOTAL
1988	\$ 138,888	\$ 202,882	\$ -	\$ -	\$ 341,770
1989	148,380	5,877	-	88,000	242,257
1990	188,478	188,877	-	128,000	405,355
1991	135,789	547,814	-	128,000	811,603
Thereafter	781,228	188,288	\$,172,820	\$,888,820	18,368,528
	1,388,683	1,035,885	1,758,820	10,000,000	14,183,388
Less: Unamor- tized Discount	-	(222,888)	(14,000,000)	-	(14,222,888)
	\$ 1,388,683	\$ 812,997	\$ 1,644,820	\$10,000,000	\$14,646,503

Berham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1997

Computation of Annual principal redemptions for 1992 Series A and 1992 Series B determined by applying the 6% PSA Prepayment Model. The PSA Prepayment Model was developed by the Public Securities Association and is based on various assumptions. Actual principal redemptions may vary.

(8) Cash and Investments -

The Authority's programs maintain deposits at the Trustee bank. The balances of these deposits at December 31, 1997, were entirely insured. The Authority also has funds, classified as "Cash and Cash Equivalents" on the Balance Sheet, which represent interests in money market mutual funds.

The amortized cost and approximate market value of the U.S. Government securities are as follows:

	<u>AMORTIZED COST</u>	<u>MARKET</u>	<u>UNREALIZED GAINS (LOSSES)</u>
FEMA zero Coupon Securities	\$1,501,687	\$1,609,310	\$ 107,623
FEMA Mortgaged Backed Securities	2,232,166	2,821,378	589,212
	<u>\$3,733,853</u>	<u>\$4,430,688</u>	<u>\$ 696,835</u>
Federal Home Loan Mortgage Coupon Securities	\$ 180,861	\$ 180,725	\$ (136)
GSEA Mortgage Backed Loan Pool	\$7,861,283	\$7,860,353	\$ (930)
FOMBI Float Fund	\$ 469,618	\$ 469,618	\$ -

The FEMA mortgaged backed securities are restricted for debt service on the program's bonds and payment of various program expenses. These securities are held by the Trustee bank in the Trustee's name and are pledged to secure the Authority's investments.

The FOMBI Float Fund investments, as authorized by the Series 1997 Bond Indenture, are restricted to pay debt service requirements and provide funds for future GSEA mortgage loan backed pools.

Seaham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1997

(6) Compensation Paid Board Members -

James Labarre	\$	-
Victor Holland	-	-
Gerald Hughes	-	-
Stacy Jones, Chairman	-	-
Neil Jussau	-	-
Robert Seals, Jr.	-	-
Wesley Robinson	-	-
		<hr/>
	\$	-
		<hr/>

(7) Current Year Refunding -

During the current year, the Authority issued \$10,800,800 Single Family Mortgage Revenue Refunding Bonds - Series 1997 to completely refund the outstanding portion of the Single Family Mortgage Revenue Bonds - Series 1995.

As discussed in Note 1, the purpose of the Series 1997 bonds is the same as the Series 1995 bonds. The current refunding was undertaken in order to achieve a lower mortgage interest rate and, therefore, make the loans more attractive to potential borrowers to be consistent with current mortgage interest rates which have steadily declined since the Series 1995 bonds were issued. Since the maturity schedule of both the Series 1995 and 1997 bonds is dependent upon repayments of mortgage loans, it is not practical to compute a difference in debt service payments between the two issues. The unamortized cost of issuance and bond discount of the Series 1995 bonds of \$100,326 were transferred to the Series 1997 bonds. This amount along with an additional cost to issue the 1997 bonds of \$108,357 will be amortized in a manner consistent with provisions of Government Accounting Standards Board ("GASB") Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities."

(8) Prior Year's Defeasance of Debt -

On June 16, 1993, the Authority applied proceeds from sales of investments of the 1979 Series A Bond issue and proceeds from issuance of 1993 Series A and 1993 Series B Bond issues to advance refund the outstanding portion of the 1979 Series A Bonds. The Authority placed sufficient proceeds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the Authority's financial statements. At December 31, 1997, the balance of the defeased portion of the bonds is \$19,410,800.

Genham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1987

(8) New Accounting Standard -

The Governmental Accounting Standards Board ("GASB") has issued Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB Statement 31 will become effective for the Authority for periods beginning after June 15, 1987. It requires that most investments be recorded at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties. This method of accounting will cause fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of investments will be recorded in the operating statements, in accordance with GASB No. 21. Reported investment income will be affected as amounts formerly excluded from the operating statements as "unrealized", or non-cash, gains and losses will now be included.

OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS



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May 29, 1998

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

We have audited the financial statements of the Deerham Springs/
Livingston Housing and Mortgage Finance Authority (the Authority) as
of and for the year ended December 31, 1997, and have issued our
report thereon dated May 29, 1998. We conducted our audit in
accordance with generally accepted auditing standards and the
standards applicable to financial audits contained in Government
Auditing Standards, issued by the comptroller general of the United
States.

Compliance

As part of obtaining reasonable assurance about whether the
Authority's financial statements are free of material misstatement,
we performed tests of its compliance with certain provisions of laws,
regulations, contracts and grants, noncompliance with which could have
a direct and material effect on the determination of financial
statement amounts. However, providing an opinion on compliance with
those provisions was not an objective of our audit and, accordingly,
we do not express such an opinion. The results of our tests
disclosed no instances of noncompliance that are required to be
reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's
internal control over financial reporting in order to determine our
auditing procedures for the purpose of expressing our opinion on the
financial statements and not to provide assurance on the internal
control over financial reporting. Our consideration of the internal
control over financial reporting would not necessarily disclose all
matters in the internal control 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 accounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the use of the Board of Directors, management and the Legislative Auditor and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by Danham Springs/Livingston Housing and Mortgage Finance Authority, is a matter of public record.

Respectfully submitted,

Shannon C. Lougheed, C.P.A.