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ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

August 31, 1999

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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, 1999 and the related individual and combined statements of revenues, expenses and changes in retained earnings (deficit) 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 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, 1999 and the results of its operations and 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 February 21, 2000 on our consideration of the St. Tammany Parish Public Trust Financing Authority's internal control over financial reporting and on our tests of its compliance with laws and regulations.

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

February 2., 2000

St. Tammany Public Trust Financing Authority

INDIVIDUAL AND COMBINED BALANCE SHEETS

August 31, 1999
(in thousands)

	Combined (Memorandum) Only)	1990A Program	1990B Program	1990 Multifamily Program	1991A Program	1991B Program	1991C Program	Unrestricted Fund
ASSETS								
Cash and cash equivalents	$ 1,013	$	$ 155	118	312	420	$	$ 8
Guaranteed investment contracts	1,497	1,449	48					
U. S. Government securities - at amortized cost	3,428		99			3,329		
Mortgage-backed securities - held-to-maturity	6,533	6,191			342			
Mortgage loans receivable	4,380		1,940	2,280		160		
Due from other funds	129	58	68			3		
Accounts receivable - Clearinghouse	79	79						
Accrued interest receivable	151	81	43	20	4	3		
Deferred financing costs - net of amortization	698	278	99	179	23		119	
Total assets	$ 17,908	$ 8,136	$ 2,452	$ 2,597	$ 681	$ 3,915	$ 119	$ 8
LIABILITIES AND RETAINED EARNINGS								
Accounts payable	$ 63	$	$	$	$ 1	$	$	$ 62
Accrued interest payable	211	182	18	7	4			
Due to other funds	129		58		3	68		
Bonds payable - net of discounts	13,249	5,601	1,052	2,280	361		3,955	
Total liabilities	13,652	5,783	1,128	2,287	369	68	3,955	62
Retained earnings (deficit)	4,256	2,353	1,324	310	312	3,847	(3,836)	(54)
Total liabilities and retained *earnings (deficit)*	$ 17,908	$ 8,136	$ 2,452	$ 2,597	$ 681	$ 3,915	$ 119	$ 8

The accompanying notes are an integral part of these statements.

St. Tammany Public Trust Financing Authority

INDIVIDUAL AND COMBINED
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS (DEFICIT)

For the Year Ended August 31, 1999
(in thousands)

	Combined (Memorandum) Only)	1990A Program	1990B Program	1990 Multifamily Program	1991A Program	1991B Program	1991C Program	Unrestricted Fund
Revenues								
Interest on mortgage loans	$ 423	$	$ 162	$ 240	$	$ 21	$	$
Interest on mortgage certificates	549	510			39			
Interest on investments	440	107	25	5	12	290		1
Total revenues	1,412	617	187	245	51	311	-	1
Expenses								
Interest	821	444	117	229	31			
Service fees	10		4	6				
Amortization of deferred financing costs	86	43	7	6	20	6	4	
Amortization of discounts on bonds payable	501	188	33				280	
Operating expenses	46	12	4	1	7			22
Total expenses	1,464	687	165	242	58	6	284	22
Net income (loss) before other financing sources (uses)	(52)	(70)	22	3	(7)	305	(284)	(21)
Other financing sources (uses)								
Transfers in (out)								
Total other financing sources (uses)	-	-	-	-	-	-	-	-
NET INCOME (LOSS)	(52)	(70)	22	3	(7)	305	(284)	(21)
Retained earnings (deficit) at beginning of year	4,308	2,423	1,302	307	319	3,542	(3,552)	(33)
Retained earnings (deficit) at end of year	$ 4,256	$ 2,353	$ 1,324	$ 310	$ 312	$ 3,847	$ (3,836)	$ (54)

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, 1999
(in thousands)

	Combined (Memorandum) Only)	1990A Program	1990B Program	1990 Multifamily Program	1991A Program	1991B Program	1991C Program	Unrestricted Fund
Cash flows from operating activities:								
Net income (loss)	$ (52)	$ (70)	$ 22	$ 3	$ (7)	$ 305	$ (284)	$ (21)
Adjustments to reconcile net income (loss)								
Amortization of bond discounts	501	188	33				280	
Amortization of deferred financing costs	80	43	7	6	20		4	
Interest on investments & mortgage certificates	(1,412)	(617)	(187)	(245)	(51)	(311)		(1)
Interest on bonds payable	821	444	117	229	31			
Decrease (increase) in interest receivable	21	23	(6)	1	2	1		
Increase/ decrease in due from/to other funds	0	(58)	(10)		3	65		
Increase in other receivables	(80)	(80)						
(Decrease) increase in interest payable	(87)	(79)	(5)		(3)			
Net cash used in operating activities	(208)	(206)	(29)	(6)	(5)	60	-	(22)
Cash flows from investing activities:								
Accretion in U. S. Government securities	(276)					(276)		
Guaranteed investments contracts	239	239						
Collected on mortgage-backed securities	2,092	1,819			273			
Collected on mortgage loans receivable	552		391	28		133		
Interest received on investments	1,411	617	187	245	51	311		
Net cash provided by investing activities	4,018	2,675	578	273	324	168	-	
Cash flows from non-capital financing activities:								
Bond redemptions	(2,684)	(2,025)	(360)	(28)	(271)			
Interest on bonds payable	(821)	(444)	(117)	(229)	(31)			
Net cash used in financing activities	(3,505)	(2,469)	(477)	(257)	(302)	-	-	-
Net increase (decrease) in cash and cash equivalents	305	-	72	10	17	228	-	(22)
Cash and cash equivalents at beginning of year	708	-	83	108	295	192	-	30
Cash and cash equivalents at end of year	$ 1,013	$ -	$ 155	$ 118	$ 312	$ 420	$ -	$ 8

The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the St. Tammany Public Trust Financing Authority conform to generally accepted accounting principles 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.

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.

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, 1999. 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 1991A and 1991B Programs.

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.

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 generally accepted accounting principles 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, 1999 were $1,013. 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, 1999 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	$ 1,013	$ 1,013	2
Guaranteed investment contracts	1,497	1,497	
U. S. Government securities	3,428	4,457	2
	$ 5,938	$ 6,967	
1990A PROGRAM			
Guaranteed investment contracts	$ 1,449	$ 1,449	2
1990B PROGRAM			
Cash equivalents	$ 155	$ 155	2
Guaranteed investment contracts	48	48	
U. S. Government securities	99	110	2
	$ 302	$ 313	2
1990 MULTIFAMILY PROGRAM			
Cash equivalents	$ 118	$ 118	2
1991A PROGRAM			
Cash equivalents	$ 312	$ 312	2
1991B PROGRAM			
Cash equivalents	$ 420	$ 420	2
U. S. Government securities	3,329	4,347	2
	$ 3,749	$ 4,767	2

NOTE B - CASH AND INVESTMENTS - Continued

UNRESTRICTED FUND			
Cash equivalents	$8	$8	2

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

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.

Securities held-to-maturity consist of the following (in thousands):

	December 31, 1997			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities:				
FHLMC (1990A Program)	$6,191	$ 13	$ -	$6,204
FNMA (1991A Program)	342	8	-	350
	$6,533	$ 21	$ -	$6,554

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. These securities, which bear a 7.5% interest rate and have maturity dates of January 1, 2010 to August 1, 2010, are collateralized by the related loans and secure the 1990A Program Series A-1 Bonds Payable.

NOTE C - MORTGAGE LOANS RECEIVABLE - Continued

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.

In conjunction with the issuance of the 1991A Program and 1991B Program Bonds Payable, the remaining balance of mortgage loans receivable acquired by the Authority under the 1980 Program in the amounts of approximately $3,700,000 and $2,100,000 was transferred to the 1991A Program and the 1991B Program, respectively. Upon receipt of the mortgage notes, the 1991A Program pooled the loans and sold them to the Federal National Mortgage Association (FNMA) in exchange for FNMA securities on which FNMA guarantees payment of principal and interest when due. These securities, which bear interest at 8.75% and 9.75% and have maturity dates of January 1, 2002 to May 1, 2002, are collateralized by the related loans and secure the 1991A Program Bonds Payable. The loans transferred to the 1991B Program secure the 1991B Program Bonds Payable and the 1991C Program Bonds Payable. Upon transfer to the 1991B Program, the interest rate on the Mortgage Loans Receivable was reduced to 9.50%.

The Mortgage Loans Receivable made through the 1990 Multifamily Program bear an interest rate of 10.50% and are secured by first mortgages on the related real property. There are five loans outstanding in this program.

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

In addition to the customary insurance required of the mortgagors, the mortgage loans in the 1990B and 1991B programs are insured by the Authority under a supplemental hazard policy and a master trust policy for mortgagor defaults.

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, 1999 (in thousands):

1990A Program:	
Taxable Refunding Bonds Class A-1, due May 20, 2011, 7.50% stated rate, 9.43% effective yield	$ 6,539
Less related discount	(938)
1990B Program:	
Tax Exempt Convertible Capital Appreciation Refunding Bonds, due July 25, 2011, 7.25% stated rate, 9.89% effective yield	1,418
Less related discount	(366)
1990 Multifamily Program:	
Multifamily Housing Revenue Refunding Bonds, due October 1, 2020, 10.00%	2,280
1991A Program:	
Single Family Mortgage Revenue Refunding Bonds, due June 1, 2002, 7.00%	361
1991C Program:	
Tax Exempt Capital Appreciation Refunding Bonds, due July 20, 2014, zero stated rate, 7.38% effective yield	11,850
Less related discount	(7,895)
Combined Total	$13,249

NOTE D - BONDS PAYABLE -Continued

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 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. The bonds are scheduled to mature on July 25, 2011, and are not subject to optional redemption prior to maturity.

The bond principal and interest requirements to the 1990 Multifamily Program Bonds Payable are secured by the pledge of the Mortgage Loans Receivable of the 1990 Multifamily Program. The 1990 Multifamily Program bonds pay interest monthly and 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. The bonds are scheduled to mature on October 1, 2020, and are subject to optional redemption in accordance with the 1990 Multifamily Program Bond Indenture.

The bond principal and interest requirements of the 1991A Program Bonds Payable are secured by the pledge of the FNMA Certificates of the 1991A Program. The 1991A Program bonds pay interest monthly and are structured such that the monthly principal remittances received from the FNMA certificates are passed through to bondholders as monthly principal redemptions of bonds payable. The bonds are scheduled to mature on June 1, 2002.

The bond principal and interest requirements of the 1991B Program Bonds Payable are secured by the pledge of the Mortgage Loans Receivable of the 1991B Program. The 1991B Program bonds pay interest monthly and 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. These bonds were paid off during the year ended August 31, 1999.

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 pledge of the mortgage loans receivable of the 1991B

NOTE D - BONDS PAYABLE -Continued

Program after the repayment of the 1991B Bonds Payable. The bonds payable are also secured by a zero coupon U. S. Government Security with a face amount of $11,850,000 which matures on July 5, 2014, held by the 1991B Program until after the repayment of the 1991B Program Bonds Payable. The 1991C Program bonds are structured such that the bonds accrued value semi-annually at 7.5% until payment in full of the 1991B Program Bonds, at which time the Bonds will convert to pay principal and interest monthly at the rate of 7.5%. The bonds are scheduled to mature on July 20, 2014, and are not subject to optional redemption prior to maturity.

It is not possible to project the bond principal payments for the 1990A Program Class A-1 Bonds, the 1990B Program Bonds, the 1990 Multifamily Program Bonds, the 1991A Program 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 - PROGRAM DEFICITS

The 1991C Program has a deficit (in thousands) in retained earnings at August 31, 1999 in the amount of $3,838 and the Unreserved Program has a deficit in retained earnings at August 31, 1999 in the amount of $54.

NOTE F - 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.

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

To the Board of Trustees
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, 1999, and have issued our report thereon dated January 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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. However, we noted a matter involving the internal control over fianancial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significicant 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. We have described the reportable condition in a separate letter dated February 2, 2000.

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. However, we do not believe that the above mentioned reportable condition is a material weakness.

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

This report is intended for the information of the Board of Trustees and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

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

February 2, 2000

Recommendations for Improvements

in the Internal Control of

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY

August 31, 1999

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

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February 2, 2000

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

In planning and performing our audit of the general purpose financial statements of the St. Tammany Public Trust Financing Authority for the year ended August 31, 1999, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgement, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

REPORTABLE CONDITIONS

Trustee Accounting

The St. Tammany Public Trust Financing Authority has engaged a commercial bank to perform trustee duties relating to receipt and disbursement of proceeds and debt service. During our audit of the Trustee's accounting, we noted various errors which are described as follows:

1. A 1990B bond payment was incorrectly paid out of the 1990A fund. A Due from/to has been recorded on the appropriate fund to correct this error.

2. Due to a miscalculation by the Trustee, one bond payment on the 1990A fund was overpaid resulting in a receivable from the clearinghouse.

3. Mortgage collections of $42,186 and $25,538 for the 1990B fund were mistakenly deposited into the 1991B fund. This error has also been corrected by recording a Due from/to on the appropriate fund.

4. Mortgage collections of $2,729 for the 1991B fund were mistakenly deposited in the 1991A fund.

5. Certain required transfer to the 1991A Revenue accounts were not made for several months during the year ended August 31, 1999.

The management of the St. Tammany Public Trust Financing Authority should discuss the above issues with appropriate trustee personnel. Controls should be instituted at the trustee which will ensure that mortgage collections are deposited in the proper account, that bond payments are made from the proper account and in accordance with the bond resolutions, and that required transfers are made in accordance with the bond resolutions.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the August 31, 1999 general purpose financial statements dated February 2, 2000. We have not considered the internal control since the date of our report.

This report is intended for the information of the Authority's management, members of the Board of Trustees, and the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

February 2, 2000

Lloyd Raner Walters

ATTORNEY AT LAW • NOTARY PUBLIC

March 2, 2000

Mr. Bryan Huval
Smith, Huval and Associates
P.O. Box 3790
Covington, LA 70434-3790 via fax only: 892-4666

re: Management Letter Comments

Bryan:

In reference to your Management Letter Comments, we have taken the following corrective action:

1) The Trustee Bank, who was responsible for the mistakes mentioned, has replaced the responsible person and we, together with the Trustee Bank, will monitor the new person to make sure there are no future problems or mistakes;

2) We are going to meet with the Trustee Bank, with your comments, to make sure that the mistakes have been completely rectified and that they will not occur in the future. We will get a written response from the Trustee Bank confirming our agreement.

3) We will review the matter on a regular, perhaps a quarterly basis, to make sure that such matters do not arise in the future.

Cordially,

Lloyd R. Walters

gd/

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