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DENHAM SPRINGS/LIVINGSTON HOUSING
AND MORTGAGE FINANCE AUTHORITY

DECEMBER 31, 1998

DENHAM SPRINGS, LOUISIANA

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May 25, 1999

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, 1998, 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, 1998, 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.

As discussed in Note 8 to the financial statements, the Authority changed its method of accounting for investments to conform with Statement of Governmental Accounting Standards Board No. 31 effective January 1, 1998.

The year 2000 supplementary information on page 16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the Year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the Authority is or will become Year 2000 Compliant, that the Authority's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Authority does business are or will become Year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued a report dated May 25, 1999 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,

Harris A. Bourgeois, L.L.P.

Denham Springs/Livingston Housing and
Mortgage Finance Authority

INDIVIDUAL AND COMBINED BALANCE SHEETS

December 31, 1998

	<u>1992</u> <u>SERIES A</u>	<u>1992</u> <u>SERIES B</u>	<u>1992</u> <u>SERIES C</u>
ASSETS			
Cash and Cash Equivalents	\$ 55,931	\$ 143,195	\$ -
FNMA Securities, at Market Value	1,839,316	1,661,240	-
GNMA Securities, at Market Value	-	-	-
FCMSI Investment, at Market Value	-	-	-
Mortgage Loans Receivable	-	907,842	-
Due from Other Funds	-	4,000	-
Accrued Interest Receivable	5,960	6,361	-
Deferred Financing Costs - Net of Amortization	52,577	117,252	71,075
Prepaid Expense	-	1,164	-
Due from Escrow	-	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	\$1,953,784	\$2,841,054	\$ 71,075
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES (DEFICIT)			
Accounts Payable	\$ -	\$ 328	\$ -
Due to Other Funds	4,000	4,913	-
Accrued Interest Payable	13,540	9,166	-
Bonds Payable - Net	<u>1,080,829</u>	<u>829,091</u>	<u>1,792,638</u>
Total Liabilities	1,098,369	843,498	1,792,638
Fund Balances:			
Reserved for Debt Service	855,415	1,997,556	-
Unreserved - Undesignated (Deficit)	<hr/>	<hr/>	<u>(1,721,563)</u>
Total Fund Balances - (Deficit)	<hr/>	<hr/>	<u>(1,721,563)</u>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total Liabilities and Fund Balances	\$1,953,784	\$2,841,054	\$ 71,075
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

<u>1997</u> <u>SERIES</u>	<u>RESIDUAL</u> <u>FUND</u>	<u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
\$ 589,161	\$ 1,775,452	\$ 2,563,739
1,437,355	-	4,937,911
7,478,087	-	7,478,087
372,013	-	372,013
-	30,600	938,442
-	209,834	213,834
61,744	15,106	89,171
298,622	-	539,526
-	-	1,164
-	<u>547,120</u>	<u>547,120</u>
<u>\$10,236,982</u>	<u>\$ 2,578,112</u>	<u>\$17,681,007</u>
\$ -	\$ 4,500	\$ 4,828
204,921	-	213,834
244,254	-	266,960
<u>9,455,000</u>	<u>-</u>	<u>13,157,558</u>
9,904,175	4,500	13,643,180
332,807	-	3,185,778
-	<u>2,573,612</u>	<u>852,049</u>
<u>332,807</u>	<u>2,573,612</u>	<u>4,037,827</u>
<u>\$10,236,982</u>	<u>\$ 2,578,112</u>	<u>\$17,681,007</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, 1998

	<u>1992 SERIES A</u>	<u>1992 SERIES B</u>	<u>1992 SERIES C</u>
Revenues:			
Interest Earned on Mortgage Loans Receivable	\$ -	\$ 75,796	\$ -
Interest Earned on Other Investments	127,404	95,684	-
Net Realized and Unrealized Gains (Losses)	<u>50,484</u>	<u>127,435</u>	<u>-</u>
Total Revenues	177,888	298,915	-
Expenses:			
Interest	99,335	72,731	129,651
Amortization of Deferred Financing Costs	5,210	2,029	4,442
Loan Servicing Fees	-	3,440	-
Insurance	-	1,474	-
Grant	-	-	-
Administrative Fees	-	8,000	-
Operating Expenses	-	-	-
Professional Fees	<u>-</u>	<u>5,250</u>	<u>-</u>
Total Expenses	<u>104,545</u>	<u>92,924</u>	<u>134,093</u>
Excess (Deficiency) of Revenues Over Expenses Before Operating Transfers	73,343	205,991	(134,093)
Operating Transfers:			
Transfers In	-	-	-
Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-
Excess (Deficiency) of Revenues Over Expenses	73,343	205,991	(134,093)
Fund Balances (Deficit) - Beginning of Year, as Restated	<u>782,072</u>	<u>1,791,565</u>	<u>(1,587,470)</u>
Fund Balances (Deficit) - End of Year	<u>\$ 855,415</u>	<u>\$1,997,556</u>	<u>\$ (1,721,563)</u>

The accompanying notes are an integral part of this statement.

<u>1997</u> <u>SERIES</u>	<u>RESIDUAL</u> <u>FUND</u>	<u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
\$ -	\$ 2,525	\$ 78,321
663,455	138,832	1,025,375
<u>119,815</u>	<u>1,071</u>	<u>298,805</u>
783,270	142,428	1,402,501
596,220	-	897,937
10,019	-	21,700
-	-	3,440
-	-	1,474
-	54,000	54,000
-	7,500	15,500
-	2,396	2,396
<u>500</u>	<u>3,800</u>	<u>9,550</u>
<u>606,739</u>	<u>67,696</u>	<u>1,005,997</u>
176,531	74,732	396,504
-	40,060	40,060
<u>(40,060)</u>	<u>-</u>	<u>(40,060)</u>
<u>(40,060)</u>	<u>40,060</u>	<u>-</u>
136,471	114,792	396,504
<u>196,336</u>	<u>2,458,820</u>	<u>3,641,323</u>
\$ <u>332,807</u>	\$ <u>2,573,612</u>	\$ <u>4,037,827</u>

Denham Springs/Livingston Housing and
Mortgage Finance Authority

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 1998

	<u>1992</u> <u>SERIES A</u>	<u>1992</u> <u>SERIES B</u>	<u>1992</u> <u>SERIES C</u>
Cash Flows From Operating Activities:			
Excess (Deficiency) of Revenues Over Expenses Before Operating Transfers	\$ 73,343	\$ 205,991	\$ (134,093)
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided by (Used in) Operating Activities:			
Amortization of Deferred Financing Costs	5,210	2,029	4,442
Amortization of Bond Discount	9,367	12,894	129,651
Accretion on Investments	(44,878)	(87,564)	-
Net Realized and Unrealized (Gains) Losses on Marketable Securities	(50,484)	(127,435)	-
Changes in Assets and Liabilities:			
(Increase) Decrease in Accrued Interest Receivable	1,910	-	-
(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	<u>(3,897)</u>	<u>(2,164)</u>	<u>-</u>
Net Cash Provided by (Used in) Operating Activities	(9,429)	3,751	-

(CONTINUED)

<u>1997 SERIES</u>	<u>RESIDUAL FUND</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
\$ 176,531	\$ 74,732	\$ 396,504
10,019	-	21,700
7,194 (998)	-	159,106 (133,440)
(119,815)	(1,071)	(298,805)
92,861	11,335	106,106
-	(9,350)	(9,350)
-	(36,601)	(36,601)
-	(4,500)	(4,500)
9,350	-	9,350
<u>(14,079)</u>	<u>-</u>	<u>(20,140)</u>
161,063	34,545	189,930

Denham Springs/Livingston Housing and
Mortgage Finance Authority

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended December 31, 1998

	<u>1992</u> <u>SERIES A</u>	<u>1992</u> <u>SERIES B</u>	<u>1992</u> <u>SERIES C</u>
Cash Flows from Investing Activities:			
Proceeds from Maturities/ Transfers or Sales of Investments	305,888	-	-
Purchases/Transfers of Investments	-	-	-
Principal Collections on Mortgage Loans	-	173,741	-
Net Cash Provided by Investing Activities	305,888	173,741	-
Cash Flows from Noncapital Financing Activities:			
Bond Redemptions	(299,732)	(180,318)	-
(Payment)/Transfer of Deferred Financing Costs	-	-	-
Operating Transfers In (Out) - Net	-	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(299,732)	(180,318)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(3,273)	(2,826)	-
Cash and Cash Equivalents at Beginning of Year	59,204	146,021	-
Cash and Cash Equivalents at End of Year	\$ 55,931	\$ 143,195	\$ -

The accompanying notes are an integral part of this statement.

<u>1997 SERIES</u>	<u>RESIDUAL FUND</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
-	1,160,861	1,466,749
875,897	-	875,897
<u>-</u>	<u>-</u>	<u>173,741</u>
875,897	1,160,861	2,516,387
(545,000)	-	(1,025,050)
(5,050)	-	(5,050)
<u>(40,060)</u>	<u>40,060</u>	<u>-</u>
(590,110)	40,060	(1,030,100)
<u>446,850</u>	<u>1,235,466</u>	<u>1,676,217</u>
<u>142,311</u>	<u>539,986</u>	<u>887,522</u>
<u>\$ 589,161</u>	<u>\$ 1,775,452</u>	<u>\$ 2,563,739</u>

Denham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

(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 1950, as amended, by a Trust Indenture dated February 12, 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 \$35,000,000 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 7, 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 governed by individual indentures dated June 1, 1992.

On February 22, 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.

On January 15, 1997, the Authority issued \$10,000,000 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 available to finance the purchase

Denham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1998

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 Banc 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, Banc 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.

Denham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1998

(2) 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 \$1,721,563 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, 1998

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 Flows

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.

(3) Mortgage Loans -

Mortgage loans have a stated interest rate of 8.00% 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, 1992, transferred \$13,900,000 (at par value) of the 1979 Mortgage Loans to the holder of the 1992 Series A, Class 2 Bonds in payment thereof. The remaining mortgage loan receivables will be used to satisfy maturing 1992 Series A, 1992 Series B, and 1992 Series C bond principal and interest payments.

Denham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1998

(4) 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 7.50% Payable Monthly	\$ 1,080,829
1992 Series B, Single Family Mortgage Revenue Refunding Bonds: Class B-1 - Maturing Serially Through August 1, 2011, With In- terest at 7.25% Payable Monthly	755,367
Class B-2 - Capital Appreciation Bonds Maturing July 10, 2014, Priced to Yield 9.25% at Maturity	300,000
Less: Unamortized Bond Discount	<u>(226,276)</u>
Net Class B-2	<u>73,724</u>
Total 1992 Series B	829,091
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>(3,957,362)</u>
Total 1992 Series C	1,792,638
1997 Series Single Family Mortgage Revenue Refunding Bonds Maturing Serially Through February 1, 2027 with Interest Rate of 6.20% Payable Semiannually	<u>9,455,000</u>
Total Bonds Payable	<u>\$13,157,558</u>

Denham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1998

The 1992 Series A and 1992 Series B-1 Bonds are structured such that the monthly remittances from the mortgage loans and FNMA 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 1998 is as follows:

	<u>1992</u> <u>SERIES A</u>	<u>1992</u> <u>SERIES B</u>	<u>1992</u> <u>SERIES C</u>	<u>1997</u> <u>SERIES</u>	<u>TOTALS</u>
Balances at January 1, 1998	\$ 1,380,561	\$ 1,003,037	\$ 1,662,987	\$10,000,000	\$14,046,585
Additions: Valued at Par	-	-	-	-	-
Deletions: Cash Payments	299,732	180,318	-	545,000	1,025,050
Accretion of Deep Discount	-	6,372	129,651	-	136,023
Balances at December 31, 1998	<u>\$ 1,080,829</u>	<u>\$ 829,091</u>	<u>\$ 1,792,638</u>	<u>\$ 9,455,000</u>	<u>\$13,157,558</u>

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

	<u>1992</u> <u>SERIES A</u>	<u>1992</u> <u>SERIES B</u>	<u>1992</u> <u>SERIES C</u>	<u>1997</u> <u>SERIES</u>	<u>TOTALS</u>
1999	\$ 147,199	\$ 5,677	\$ -	\$ 65,000	\$ 217,876
2000	159,416	150,077	-	120,000	429,493
2001	172,648	92,765	-	130,000	395,413
2002	186,977	4,398	-	140,000	331,375
Thereafter	<u>414,589</u>	<u>802,450</u>	<u>5,750,000</u>	<u>9,000,000</u>	<u>15,967,039</u>
	1,080,829	1,055,367	5,750,000	9,455,000	17,341,196
Less: Unamortized Discounts	-	(226,276)	(3,957,362)	-	(4,183,638)
	<u>\$ 1,080,829</u>	<u>\$ 829,091</u>	<u>\$ 1,792,638</u>	<u>\$ 9,455,000</u>	<u>\$13,157,558</u>

Denham Springs/Livingston Housing and
Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1998

Computation of annual principal redemptions for 1992 Series A and 1992 Series B determined by applying the 0% 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.

(5) Cash and Investments -

The Authority's programs maintain deposits at the Trustee bank. The balances of these deposits at December 31, 1998, 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 Authority's investments at December 31, 1998 are recorded at market value as summarized below:

	<u>AMORTIZED COST</u>	<u>MARKET</u>	<u>UNREALIZED GAINS (LOSSES)</u>
FNMA Zero Coupon Securities	\$1,634,049	\$2,512,627	\$ 878,578
FNMA Mortgaged Backed Securities	<u>2,387,612</u>	<u>2,425,284</u>	<u>37,672</u>
	<u>\$4,021,661</u>	<u>\$4,937,911</u>	<u>\$ 916,250</u>
 GNMA Mortgage Backed Loan Pool	 <u>\$7,364,153</u>	 <u>\$7,478,087</u>	 <u>\$ 113,934</u>
 FCMSI Float Fund	 <u>\$ 372,013</u>	 <u>\$ 372,013</u>	 <u>\$ -</u>

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1998

Included in the caption "Net Realized and Unrealized Gains (Losses)" on the Individual and Combined Statements of Revenues, Expenses and Changes in Fund Balance are as follows: Realized Gains of \$2,500, realized losses of \$-0- and the net change in unrealized gains (losses) at December 31, 1998 as compared to December 31, 1997 of \$296,305 (which includes the restatement of net assets as of December 31, 1997 of \$733,879 as more fully discussed in Note 8).

(6) Compensation Paid Board Members -

Richard Waldrep	\$	75
James Labarre		50
Victor Holland		75
Gerald Hughes		75
Stacy Jones, Chairman		75
Neil Juneau		25
Robert Seals, Jr.		-
Beau Robinson		75
		75
	\$	450

(7) Prior Year's Defeasance of Debt -

On June 16, 1992, the Authority applied proceeds from sales of investments of the 1979 Series A Bond issue and proceeds from issuance of 1992 Series A and 1992 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, 1998, the balance of the defeased portion of the bonds is \$18,690,000.

(8) Change in Accounting Principle -

The Governmental Accounting Standards Board ("GASB") issued Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB Statement (GASB) No. 31 became effective for the Authority for periods beginning after June 15, 1997 and was adopted by the Authority effective January 1, 1998. The Statement 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 and has generally been based upon quoted values. This

Denham Springs/Livingston Housing and
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1998

method of accounting causes fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of investments are recorded as gains (losses) in the statements of revenues, expenses and changes in fund balances, and the amount is disclosed in the statements of cash flows as net realized and unrealized (gains) losses on marketable securities. The Authority applies the provisions of the Statement to U.S. Government securities and mortgage-backed securities.

As permitted by GASB No. 31, the Authority has retroactively applied the provisions of this new statement by restating fund balances as of December 31, 1997. A net adjustment of \$733,879 made to fund balances as of December 31, 1997 represents the difference between the excess of market value over (under) carrying value of the investments held by the Authority at that date. The following is a detail of fund balances:

	<u>1992</u> <u>SERIES A</u>	<u>1992</u> <u>SERIES B</u>	<u>1992</u> <u>SERIES C</u>	<u>1997</u> <u>SERIES</u>	<u>RESIDUAL</u> <u>FUND</u>	<u>TOTALS</u>
Beginning of Year- January 1 1998, as Previously Reported	\$ 500,459	\$1,338,122	\$(1,587,470)	\$ 198,942	\$2,457,391	\$2,907,444
Increase (De- crease) in Fund Balances-January 1, 1998, Due to Adoption of GASB No. 31	<u>281,613</u>	<u>453,443</u>	<u>-</u>	<u>(2,606)</u>	<u>1,429</u>	<u>733,879</u>
Beginning of Year-January 1, 1998, as Restated	<u>\$ 782,072</u>	<u>\$1,791,565</u>	<u>\$(1,587,470)</u>	<u>\$ 196,336</u>	<u>\$2,458,820</u>	<u>\$3,641,323</u>

REQUIRED SUPPLEMENTARY INFORMATION

Denham Springs/Livingston Housing and
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YEAR 2000 ISSUES

December 31, 1998

The Year 2000 Issue is the result of shortcomings in many electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. For many years, programmers eliminated the first two digits from a year when writing programs. For example, programmers would designate January 1, 1965, as "01/01/65" instead of "01/01/1965." On January 1, 2000 at 12:00:01 a.m., the internal clock in computers and other equipment will roll over from "12/31/99" to "01/01//00." Unfortunately, many programs (if not corrected will not be able to distinguish between the Year 2000 and the Year 1990. This may cause the programs to process data inaccurately or to stop processing data altogether. Another factor that may cause problems in programs is the leap-year calculation. Some programs are unable to detect the year 2000 as a leap year.

Problems affecting a wide range of governmental activities will likely result if computers and other electronic equipment that are dependent upon date-sensitive coding are not corrected. These problems have the potential for causing a disruption to some government operations and may temporarily increase the cost of those operations.

The Authority's Board of Trustees 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 Authority and the programs it initiates. The Authority employs Bank One-Trust Division 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 each of its mortgage purchase bond programs.

The Program Administrator maintains computerized current data on the Authority's accounting records and loans data, and supervises the servicing and trustee functions for each program. The Authority, therefore, has no computer software or hardware as the internal related functions are performed by Bank One. As such, the Authority has not directly incurred or committed any funds in connection with the Year 2000 Issue. The management of Bank One has informed the Authority that it has completed the awareness, assessment, and remediation stages of Bank One's Year 2000 Program and the validation testing stage is expected to be completed by the third quarter of 1999.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Authority is or will be Year 2000 ready, that the Authority's remediation efforts will be successful in whole or in part, or that parties with whom the Authority does business will be Year 2000 ready.

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 25, 1999

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

We have audited the financial statements of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 1998, and have issued our report thereon dated May 25, 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 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 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 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 Denham Springs/Livingston Housing and Mortgage Finance Authority, is a matter of public record.

Respectfully submitted,

Harris A. Bourgeois, L.L.P.