

RECEIVED

SEP 30 1999

R E P O R T

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY

MARCH 31, 1999 AND 1998

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

Release Date OCT 20 1999

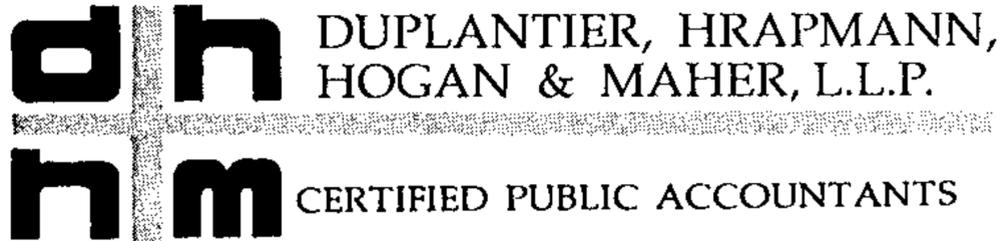
ST. BERNARD PARISH HOME MORTGAGE AUTHORITY

TABLE OF CONTENTS

MARCH 31, 1999 AND 1998

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS:	
Combining Balance Sheets.....	2
Combining Statements of Revenues, Expenses and Changes in Retained Earnings.....	3
Combining Statements of Cash Flows.....	4
Notes to Financial Statements.....	5 - 11
SUPPLEMENTARY INFORMATION:	
Year 2000 Issue.....	12
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.....	13 - 14
SUMMARY SCHEDULE OF FINDINGS.....	15

1979 PROGRAM		1991 PROGRAM		1992 PROGRAM	
1999	1998	1999	1998	1999	1998 (Restated)
\$ --	\$ --	\$ --	\$ --	\$ --	\$ 529
108,240	118,460	246,790	162,928	81,759	83,540
--	--	--	--	1,258,496	1,179,936
--	--	--	--	96,545	96,545
--	--	1,390,284	1,893,582	801,389	982,719
--	--	13,032	14,112	15,822	6,271
--	--	29,758	--	957	957
--	--	54,088	76,546	128,364	150,449
--	--	--	2,528	360	360
<u>\$ 108,240</u>	<u>\$ 118,460</u>	<u>\$ 1,733,952</u>	<u>\$ 2,149,696</u>	<u>\$ 2,383,692</u>	<u>\$ 2,501,306</u>
\$ --	\$ --	\$ 17,660	\$ 11,913	\$ 11,877	\$ 9,962
--	--	<u>1,365,476</u>	<u>1,794,426</u>	<u>1,574,043</u>	<u>1,692,332</u>
--	--	1,383,136	1,806,339	1,585,920	1,702,294
<u>108,240</u>	<u>118,460</u>	<u>350,816</u>	<u>343,357</u>	<u>797,772</u>	<u>799,012</u>
<u>\$ 108,240</u>	<u>\$ 118,460</u>	<u>\$ 1,733,952</u>	<u>\$ 2,149,696</u>	<u>\$ 2,383,692</u>	<u>\$ 2,501,306</u>



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
DAVID J. MUMFREY, C.P.A.
GUY L. DUPLANTIER, C.P.A.
BONNIE J. McAFEE, C.P.A.

1340 Poydras St., Suite 2000 • New Orleans, LA 70112

(504) 586-8866

FAX (504) 525-5888

cpa@dhhmcpa.com

A.J. DUPLANTIER, JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MICHELLE H. CUNNINGHAM, C.P.A.
KENNETH J. BROOKS, C.P.A., ASSOCIATE

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA. C.P.A.'S

INDEPENDENT AUDITOR'S REPORT

June 4, 1999

Board of Trustees
St. Bernard Parish Home
Mortgage Authority
Chalmette, Louisiana 70043

We have audited the accompanying combining balance sheets of the St. Bernard Parish Home Mortgage Authority, a component unit of the Parish of St. Bernard, and its programs as of March 31, 1999 and 1998 and the related combining statements of revenues, expenses and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As more fully described in Note 1, the financial statements present only the Home Mortgage Authority operations of St. Bernard Parish for the years ended March 31, 1999 and 1998 and are not intended to present fairly the results of operations of the Parish of St. Bernard.

As described in Note 7 to the financial statements, as of April 1, 1997, the St. Bernard Parish Home Mortgage Authority changed its method of accounting for investments.

In our opinion, the financial statements referred to above present fairly the financial position of the St. Bernard Parish Home Mortgage Authority and its programs at March 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 1999 on our consideration of St. Bernard Parish Home Mortgage Authority's internal control over financial reporting and our tests of its compliance with laws and regulations.

Duplantier, Hrapmann, Hogan & Maher LLP

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
 COMBINING BALANCE SHEETS
MARCH 31, 1999 AND 1998

ASSETS

	<u>C O M B I N E D</u>	
	<u>1999</u>	<u>1998</u> (Restated)
Cash (Note 2)	\$ --	\$ 529
Cash equivalents (Notes 1 and 2)	436,789	364,928
U.S. Government Securities (Notes 1 and 2)	1,258,496	1,179,936
Guaranteed investment contract (Notes 1 and 2)	96,545	96,545
Mortgage loans receivable - (Notes 3 and 4)	2,191,673	2,876,301
Accrued interest receivable	28,854	20,383
Insurance receivable	30,715	957
Deferred financing costs - Net of amortization (Note 1)	182,452	226,995
Other	<u>360</u>	<u>2,888</u>
TOTAL ASSETS	<u>\$ 4,225,884</u>	<u>\$ 4,769,462</u>

LIABILITIES AND RETAINED EARNINGS

Accrued interest payable (Note 4)	\$ 29,537	\$ 21,875
Bonds payable (Notes 1 and 4)	<u>2,939,519</u>	<u>3,486,758</u>
Total liabilities	2,969,056	3,508,633
Retained earnings	<u>1,256,828</u>	<u>1,260,829</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 4,225,884</u>	<u>\$ 4,769,462</u>

See accompanying notes.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
 COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 FOR THE YEARS ENDED MARCH 31, 1999 AND 1998

	C O M B I N E D	
	1999	1998 (Restated)
REVENUES:		
Interest earned on mortgage loans (Note 3)	\$ 233,405	\$ 310,313
Interest earned on investments (Note 2)	22,531	24,304
Unrealized gain on U.S. Government Securities	78,560	280,960
Total	334,496	615,577
EXPENSES:		
Interest (Note 4)	258,032	296,335
Amortization of deferred financing costs (Note 1)	44,544	44,023
Servicing fees (Note 3)	9,392	11,125
Mortgage loan insurance costs	3,333	3,369
Operating expenses	23,196	23,895
Total	338,497	378,747
NET INCOME (LOSS)	(4,001)	236,830
Retained earnings, beginning of year	1,260,829	881,176
Cumulative effect of change in accounting principle (Note 7)	--	142,823
Retained earnings, beginning of year, as restated	1,260,829	1,023,999
RETAINED EARNINGS, END OF YEAR	\$ 1,256,828	\$ 1,260,829

See accompanying notes.

1979 PROGRAM		1991 PROGRAM		1992 PROGRAM	
1999	1998	1999	1998	1999	1998 (Restated)
\$ --	\$ --	\$ 156,201	\$ 218,417	\$ 77,204	\$ 91,896
5,323	5,629	8,775	8,617	8,433	10,058
--	--	--	--	78,560	280,960
5,323	5,629	164,976	227,034	164,197	382,914
--	--	121,069	152,186	136,963	144,149
--	--	22,459	18,369	22,085	25,654
--	--	6,408	7,394	2,984	3,731
--	--	2,528	2,445	805	924
15,543	7,192	5,053	7,504	2,600	9,199
15,543	7,192	157,517	187,898	165,437	183,657
(10,220)	(1,563)	7,459	39,136	(1,240)	199,257
118,460	120,023	343,357	304,221	799,012	456,932
--	--	--	--	--	142,823
118,460	120,023	343,357	304,221	799,012	599,755
\$ 108,240	\$ 118,460	\$ 350,816	\$ 343,357	\$ 797,772	\$ 799,012

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
 COMBINING STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED MARCH 31, 1999 AND 1998

	C O M B I N E D	
	1999	1998 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (4,001)	\$ 236,830
Reconciliation of net income (loss) to net cash provided (used) by operating activities:		
Amortization of deferred financing costs	44,544	44,023
Amortization of bond discount	84,820	81,139
Other	2,527	--
Unrealized gain on U.S. Government Securities	(78,560)	(280,960)
(Increase) decrease in accrued interest receivable	(8,471)	12,731
(Increase) decrease in insurance receivable	(29,758)	895
Increase (decrease) in accrued interest payable	7,662	(4,720)
Interest paid on bonds payable	165,550	219,917
Interest received on investments	(22,531)	(24,304)
	161,782	285,551
Net cash provided (used) by operating activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Bond redemptions	(632,059)	(508,741)
Interest paid on bonds payable	(165,550)	(219,917)
	(797,609)	(728,658)
Net cash used by noncapital financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in mortgage loans receivable	684,628	335,881
Interest received on investments	22,531	24,304
	707,159	360,185
Net cash provided by investing activities		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	71,332	(82,922)
Cash and cash equivalents - beginning of year	365,457	448,379
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 436,789	\$ 365,457

See accompanying notes.

1979 PROGRAM		1991 PROGRAM		1992 PROGRAM	
1999	1998	1999	1998	1999	1998 (Restated)
\$ (10,220)	\$ (1,563)	\$ 7,459	\$ 39,136	\$ (1,240)	\$ 199,257
--	--	22,459	18,369	22,085	25,654
--	--	--	--	84,820	81,139
--	--	2,527	--	--	--
--	--	--	--	(78,560)	(280,960)
--	--	1,080	974	(9,551)	11,757
--	--	(29,758)	--	--	895
--	--	5,747	(1,889)	1,915	(2,831)
--	--	115,322	154,076	50,228	65,841
(5,323)	(5,629)	(8,775)	(8,617)	(8,433)	(10,058)
(15,543)	(7,192)	116,061	202,049	61,264	90,694
--	--	(428,950)	(282,277)	(203,109)	(226,464)
--	--	(115,322)	(154,076)	(50,228)	(65,841)
--	--	(544,272)	(436,353)	(253,337)	(292,305)
--	--	503,298	218,013	181,330	117,868
5,323	5,629	8,775	8,617	8,433	10,058
5,323	5,629	512,073	226,630	189,763	127,926
(10,220)	(1,563)	83,862	(7,674)	(2,310)	(73,685)
118,460	120,023	162,928	170,602	84,069	157,754
\$ 108,240	\$ 118,460	\$ 246,790	\$ 162,928	\$ 81,759	\$ 84,069

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999 AND 1998

ORGANIZATION

The St. Bernard Parish Home Mortgage Authority (the "Authority") was created through a Trust Indenture dated May 9, 1979 pursuant to provisions of Chapter 2-A of Title 9 of the Louisiana Revised Statutes of 1950, as amended. The initial legislation and subsequent amendments grant the Authority the power to obtain funds and to use the proceeds to promote the financing and development of any essential program conducted in the public interest within the boundaries of St. Bernard Parish, Louisiana.

The Authority's operations consist of two single family mortgage revenue bond programs and two single family mortgage refunding bond programs whereby the Authority promoted residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing. The funds for these programs were obtained through the issuance of \$25,000,000 in Single Family Mortgage Revenue Bonds, dated September 1, 1979, \$10,000,000 in Single Family Mortgage Revenue Bonds, dated November 1, 1980, \$4,435,000 in Single Family Mortgage Refunding Bonds, dated March 29, 1991, \$11,255,000 in 1992 Series A Taxable Single Family Mortgage Refunding Bonds, dated June 1, 1992, \$2,130,000 in 1992 Series B-1 Taxable Single Family Mortgage Refunding Bonds, dated June 1, 1992, \$200,000 (maturity amount) in 1992 Series B-2 Taxable Single Family Mortgage Refunding Bonds, dated June 1, 1992, and \$3,000,000 (maturity amount) in 1992 Series C Tax Exempt Single Family Mortgage Revenue Bonds dated June 1, 1992. The bonds dated September 1, 1979 have been defeased and the bonds dated November 1, 1980 have been called. The \$11,255,000 in 1992 Series A bonds dated June 1, 1992 have matured. The bonds issued by the Authority are general obligations of the Authority and are not an obligation of the State of Louisiana or any other political subdivision thereof.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

Government Accounting Standards Board (GASB) Statement No. 14 has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

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

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reporting entity (Continued)

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

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

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

Basis of Reporting

The combined financial statements include the 1979 single family mortgage revenue bond program and the 1991 and 1992 single family mortgage refunding bond programs. There is no longer activity in the 1980 single family mortgage revenue bond program. The individual funds for each bond program are combined in the accompanying individual program financial statements.

Basis of Accounting

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

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

Amortization

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

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Amortization (Continued)

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

Investments

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates.

Statements of Cash Flows

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

2. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Deposits

At March 31, 1999 and 1998, deposits in the amount of \$-0- and \$529, respectively, (bank balance) were insured by the Federal Deposit Insurance Corporation (FDIC).

Cash Equivalents

Cash equivalents consist of government backed pooled funds. The funds are held by the Authority's custodian's trust department in the Authority's name. The funds are managed by the Authority's custodian.

Investments

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

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999 AND 1998

2. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments (Continued)

	<u>1999</u> <u>MARKET</u> <u>VALUE</u>	<u>1998</u> <u>MARKET</u> <u>VALUE</u>	<u>CATEGORY</u>
1992 Program:			
Guaranteed			
Investment			
Contracts	\$ 96,545	\$ 96,545	2
U.S. Government			
securities	<u>1,258,496</u>	<u>1,179,936</u>	2
	<u>\$1,355,041</u>	<u>\$1,276,481</u>	

Market values are furnished by the Authority's custodial bank.

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

3. MORTGAGE LOANS RECEIVABLE:

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

In accordance with the Trust Indenture of the 1992 Series B Single Family Mortgage Refunding Bonds and the 1992 Series C Tax Exempt Single Family Mortgage Revenue Bonds, the right, title and interest in the remaining mortgage loans of the 1979 program were transferred to the 1992 program as of June 1, 1992. Certain mortgage loans of the 1979 program were sold prior to this date.

Mortgage loans receivable acquired by the Authority from participating mortgage lenders under the 1979 program which were transferred to the 1992 program have a stated rate of 8.375%. The mortgage loans under the 1980 program previously had a stated rate of 11.5%, but after transfer to the 1991 program, have a stated rate of 9.3%. These mortgage loans, which were granted only to residents of St. Bernard Parish, have scheduled maturities of thirty years and are secured by first mortgages on the related real property. Each participating mortgage lender services those loans purchased from it by the Authority and receives compensation for services rendered.

In addition to the customary insurance required of the mortgagors, the mortgage loans are insured by the Authority under pool insurance policies. The loans of the 1991 program are also insured under a special hazard policy.

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

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999 AND 1998

4. BONDS PAYABLE:

The net proceeds obtained from the 1979 and 1980 bond issues were used to establish funds authorized by the Bond Trust Indentures and to purchase eligible mortgage loans secured by first mortgage liens on single family owner-occupied residences from qualified mortgage lenders accepted for participation in the programs by the Authority.

On March 31, 1991, the Authority issued \$4,435,000 in Single Family Mortgage Refunding Bonds with an interest rate of 8% to advance refund \$5,900,000 of outstanding 1980 Series bonds with an interest rate of 10.75%. The 1980 Series bonds have since been retired.

On June 1, 1992, the Authority issued \$11,255,000 in Single Family Mortgage Refunding Bonds, \$200,000 (maturity amount) in Single Family Mortgage Refunding Bonds, \$3,000,000 (maturity amount) in Single Family Mortgage Revenue Bonds, and \$2,130,000 in Single Family Mortgage Refunding Bonds to advance refund \$16,470,000 of outstanding 1979 Series bonds with interest rates of 5.87% to 7.5%. The net proceeds of \$13,795,143 (after \$1,621,319 in underwriting fees, trustee costs, and cash requirements) plus an additional \$4,294,455 of 1979 reserve fund money, loan proceeds and accrued interest were used to purchase Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1979 Series Bonds. As a result, the 1979 bonds are considered defeased and the liability for those bonds was removed from the financial statements. At March 31, 1999 and 1998, \$13,405,000 and \$13,960,000, respectively, of the defeased bonds were still outstanding.

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

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

	<u>MARCH 31</u>	
	<u>1999</u>	<u>1998</u>
Single Family Mortgage Revenue Bonds:		
1992 program Series C, zero coupon, due 2014 at maturity value of \$3,000,000, discounted to yield approximately 7.65%, unamortized discount was \$2,046,139 and \$2,115,761 at March 31, 1999 and 1998, respectively.	\$ 953,861	\$ 884,239
Single Family Mortgage Refunding Bonds:		
1991 Program, due 1994-2012, 8%	1,365,476	1,794,426
1992 Program Series B-1, due 2011, 7.5% stated rate, discounted to yield approximately 7.84%, unamortized discount was \$23,992 and \$34,791 at March 31, 1999 and 1998, respectively.	569,863	762,173

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999 AND 1998

4. BONDS PAYABLE: (Continued)

1992 Program Series B-2, zero coupon, due 2014 at maturity value of \$200,000, discounted to yield approximately 9.25%, unamortized discount was \$149,681 and \$154,080 at March 31, 1999 and 1998, respectively.

	<u>50,319</u>	<u>45,920</u>
	<u>\$2,939,519</u>	<u>\$3,486,758</u>

It is not possible to project the bond principal payments for the 1991 and 1992 Series B-1 issue for the next five years due to the required redemption procedures of the Trust Indentures. The Indenture of the 1991 issue requires monies remaining in the Collection Account of the 1991 Issue shall pay principal of the bonds after the following payments are satisfied:

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

The Indenture of the 1992 Series B-1 issue requires monies remaining in the Bond Fund Account of the 1992 Series B-1 issue shall pay principal of the bonds after the following payments are satisfied:

- a) payment of all interest due and payable with respect to any overdue bonds;
- b) payment of any installments of interest then due and payable on any bonds which are not overdue;
- c) payment to the Expense Account an amount sufficient to maintain a balance of \$15,000 therein.

The 1992 Series C bonds are callable at the option of the issuer on any date on or after June 1, 2002 at the following redemption prices expressed as percentages of the accreted value of the bonds as of the date of redemption:

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999 AND 1998

4. BONDS PAYABLE: (Continued)

<u>REDEMPTION PERIOD</u>	<u>REDEMPTION PRICES</u>
June 1, 2002 through May 31, 2003	103%
June 1, 2003 through May 31, 2004	102
June 1, 2004 through May 31, 2005	101
June 1, 2005 and thereafter	100

5. BOARD OF TRUSTEES EXPENSES:

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

6. ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

7. CHANGE IN ACCOUNTING PRINCIPLE:

The Authority changed its method of accounting for investments in debt securities to conform with the requirements of GASB Statement No. 31. This statement requires that investments in debt securities be carried at fair value. This statement was adopted by restating the financial statements for the year ended March 31, 1998 and recording a cumulative effect of a change in accounting principle as of April 1, 1997. The result of the restatement and cumulative effect was an increase in net income of \$215,086 for the year ended March 31, 1998 and an increase in retained earnings of \$142,823 as of April 1, 1997.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
SUPPLEMENTARY INFORMATION
YEAR 2000 ISSUE
(Unaudited)

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Authority's operations as early as the year 1999.

Information necessary for the operations of the Authority is maintained in the accounting and computer systems of the Authority's trustee bank.

The Authority has completed a process of identifying computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the Authority's operations. The Authority is in the implementation stage in that computer software and hardware are believed to be year 2000 compliant.

However, because of the unprecedented nature of the year 2000 issue, its effect and the success of related 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, or that parties with whom the Authority does business will be year 2000 ready.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
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
FOR THE YEAR ENDED MARCH 31, 1999

June 4, 1999

Board of Trustees
St. Bernard Parish Home
Mortgage Authority
Chalmette, Louisiana 70043

We have audited the financial statements of the St. Bernard Parish Home Mortgage Authority as of and for the year ended March 31, 1999, and have issued our report thereon dated June 4, 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 St. Bernard Parish Home Mortgage Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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. Bernard Parish Home Mortgage Authority's internal control over financial reporting 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 the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgement, could adversely affect St. Bernard Parish Home Mortgage Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying summary schedule of findings as item 99-01.

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 necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted another matter involving the internal control over financial reporting that we have reported to management of St. Bernard Parish Home Mortgage Authority in a separate letter dated June 4, 1999.

This report is intended for the information of St. Bernard Parish Home Mortgage Authority's Board of Trustees, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Duplantier, Hupmann, Hogan & Maher LLP

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED MARCH 31, 1999

SUMMARY OF AUDITOR'S RESULTS:

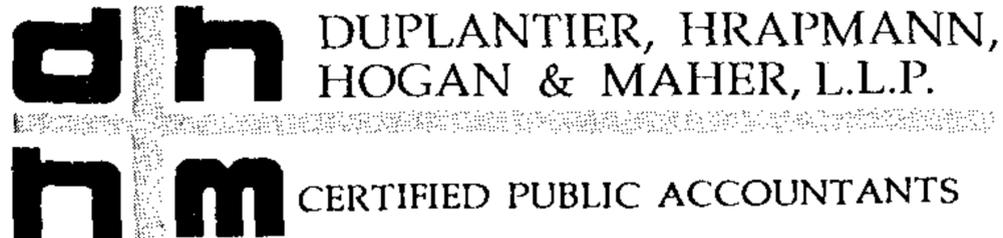
1. The opinion issued on the financial statements of St. Bernard Parish Home Mortgage Authority for the year ended March 31, 1998 was unqualified.
2. Internal Control
Material weaknesses: none noted
Reportable conditions: one instance
3. Compliance
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

99-01 - Transaction Date

It was noted during the audit that some transactions contained in the trustee's statements were reported at dates later than the actual transactions date. This caused the month-end balances per the trust statements to be incorrect in some cases.

We recommend that all transactions be reported in the trust statement at the correct date.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
DAVID J. MUMFREY, C.P.A.
GUY L. DUPLANTIER, C.P.A.
BONNIE J. McATEE, C.P.A.

1340 Poydras St., Suite 2000 • New Orleans, LA 70112

(504) 586-8866

FAX (504) 525-5888

cpa@dhhmcpa.com

MICHELLE H. CUNNINGHAM, C.P.A.
KENNETH J. BROOKS, C.P.A., ASSOCIATE

A.J. DUPLANTIER, JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA. C.P.A.'S

June 4, 1999

Board of Trustees
St. Bernard Parish Home Mortgage Authority
Chalmette, Louisiana 70043

In planning and performing our audit of the financial statements of the St. Bernard Home Mortgage Authority for the year ended March 31, 1999, we considered its internal control 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. However, we noted a matter involving the internal control and its operation that we consider to be a reportable condition 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 St. Bernard Parish Home Mortgage Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

99-01

Transaction Dates

It was noted during the audit that some transactions contained in the trustee's statements were reported at dates later than the actual transaction date. This caused the month-end balances per the trust statements to be incorrect in some cases.

We recommend that all transactions be reported in the trust statements at the correct date.

During the course of our examination, we became aware of the following matter which represents a suggestion for improved record keeping.

99-02

Trust Statements

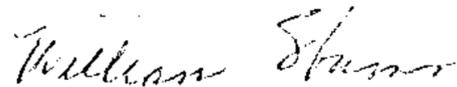
During the fiscal year ended March 31, 1999, the Authority's trustee underwent a transition due to the acquisition of the custodial bank. Prior to the transition, the trust statements and schedules contained sufficient detail to allow the tracking and recording of daily transactions of the Authority. Receipts from the mortgage companies were identified by company on the trust statements. Schedules were provided on a monthly basis that detailed the mortgage company receipts by principal, interest and service fees. Subsequent to the transition, the transactions on the trust statements were often posted in summary, and the detail schedules were not consistently provided. In many instances, this information had to be obtained from the mortgage companies in order to record the transactions.

It is our recommendation that the trust statements and schedules be detailed and provided as they were prior to the transition of the custodial bank.

This report is intended solely for the information and use of the Board of Trustees, management and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP



William G. Stamm, CPA
Partner

WGS\djt



St. Bernard Parish

Home Mortgage Authority Board

RECEIVED

8201 W. Judge Perez Drive
Chalmette, La. 70043
Telephone 278-4200

SEP 30 1999

OFFICERS

Jack A. Stephens
Chairman

September 29, 1999

State Legislative Auditor
c/o William G. Stamm, CPA
Dupantier, Hrapmann, Hogan & Mahee, L.L.P.
1340 Poydras Street, Suite 2000
New Orleans, LA 70112

Re: \$4,435,000 St. Bernard Parish Home Mortgage Authority Single Family Mortgage Refunding Bonds 1991 Series A; \$11,255,00 Taxable Single Family Mortgage Refunding Bonds 1992 Series A; \$2,130,00 Taxable Single Family Mortgage Refunding Bonds 1992 Series B Class B-1 and \$27,192 Taxable Single Family Mortgage Refunding Bonds 1992 Series B Class B-2; and \$572,350.83 Tax-Exempt Single Family Mortgage Revenue Bonds 1992 Series C

Dear Mr. Stamm,

This letter is the St. Bernard Parish Home Mortgage Authority's (the "Authority") response to your firm's report on compliance and internal control dated June 4, 1999 and specifically items numbered 99-01 and 99-02. Replacement of Bank One Trust Company, NA is the proposed corrective action by the Authority to address the concerns stated in the report. Attached hereto is a letter sent to Bank One Trust Company, NA on September 29, 1999 requesting their resignation as trustee for the Authority's Bonds.

If there are any questions, please do not hesitate to call the undersigned.

Very truly yours,

Jack A. Stephens
Chairman, St. Bernard Home
Mortgage Authority

JAS/rf
Enclosures



St. Bernard Parish
Home Mortgage Authority Board

8201 W. Judge Perez Drive
Chalmette, La. 70043
Telephone 278-4200

OFFICERS
Jack A. Stephens
Chairman

September 29, 1999

Ms. Deborah Compton-Boudreaux
Trust Officer
Bank One Trust Company, NA
Corporate Trust Department
201 St. Charles Avenue, 27th Floor, LA3-5292
New Orleans, LA 70170

Certified Mail: Z 206 973 931

Re: \$4,435,000 St. Bernard Parish Home Mortgage Authority Single Family Mortgage Refunding Bonds 1991 Series A; \$11,255,00 Taxable Single Family Mortgage Refunding Bonds 1992 Series A; \$2,130,00 Taxable Single Family Mortgage Refunding Bonds 1992 Series B Class B-1 and \$27,192 Taxable Single Family Mortgage Refunding Bonds 1992 Series B Class B-2; and \$572,350.83 Tax-Exempt Single Family Mortgage Revenue Bonds 1992 Series C

Dear Debbie,

On behalf of the members of the St. Bernard Parish Home Mortgage Authority (the "Authority"), I am hereby advising you as to the desire of the Authority to replace Bank one Trust Company, NA as trustee (the "Trustee") on the captioned issues.

As you are aware, the Authority has been experiencing rather severe problems with the level of service that Bank One Trust Company, NA has been providing to the Authority and you are in receipt of prior correspondence regarding such problems. I am enclosing a letter regarding internal control matters from the annual audit from Duplantier, Hrapmann, Hogan & Mahee, L.L.P., the Authority's auditors. You can see that in such letter, the auditors have highlighted certain Trustee matters as reportable conditions under standards established by the American Institute of Certified Public Accountants. The Authority must now prove to the State Legislative Auditor that the Authority is taking corrective action to implement the recommendations of the auditors.

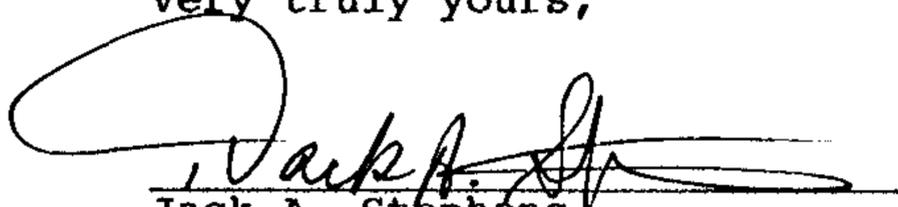
The Authority finds the current level of services being provided by the Trustee are unacceptable. Under the trust documents, the Trustee may resign or the Trustee may be removed by the Authority at the direction of a majority of the owners of the

(2)

Bonds. We hereby request that Bank One Trust Company, NA resign in accordance with the trust documents, which requires 30 days notice, so that the Authority may appoint a successor Trustee. It is essential that the Authority have a Trustee which administers the trusts for the Bondholders properly and in accordance with the trust documents.

Please respond to this resignation request as soon as possible and in any event, no later than Friday, October 1, 1999.

Very truly yours,



Jack A. Stephens
Chairman, St. Bernard Home
Mortgage Authority

JAS/rf

Enclosures

cc: Anthony Fernandez, Jr.
William G. Stamm, CPA