
HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2004

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

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HAMMOND-TANGIPAOA HOME MORTGAGE AUTHORITY

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2004

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Independent Auditors' Report

To the Board of Trustees
Hammond-Tangipahoa Home Mortgage Authority
Hammond, Louisiana

We have audited the accompanying combined financial statements of the Hammond-Tangipahoa Home Mortgage Authority as of and for the years ended June 30, 2004 and 2003, as set forth in the table of contents. 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Hammond-Tangipahoa Home Mortgage Authority as of June 30, 2004 and 2003, and its results of operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the combined financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* as of July 1, 2003. This results in a change in the format and content of the financial statements.

Management's Discussion and Analysis on pages 3 through 6, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2004 on our consideration of the Hammond-Tangipahoa Home Mortgage Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary combining information and schedules as of June 30, 2004 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Hammond-Tangipahoa Home Mortgage Authority. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the combined financial statements taken as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 6, 2004

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

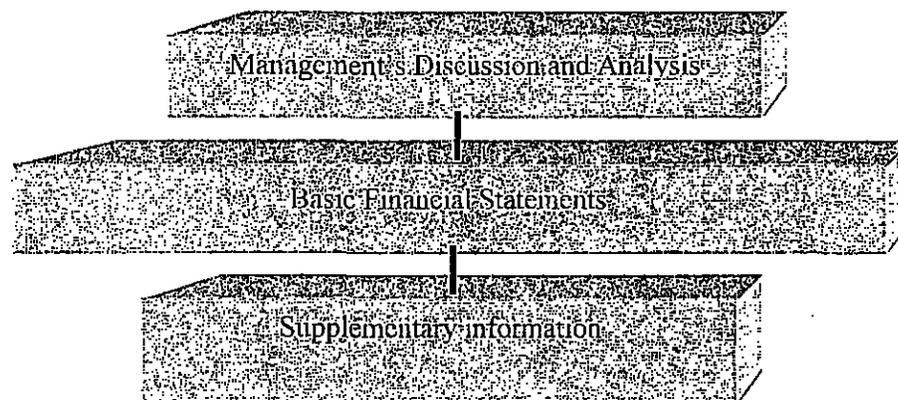
The Management's Discussion and Analysis of Hammond-Tangipahoa Home Mortgage Authority's (the Authority) financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Authority's combined financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- ★ The Authority's assets exceeded its liabilities at the close of fiscal year 2004 by \$1,289,052, which represents a 7% decrease from last fiscal year.
- ★ The Authority's 2004 revenues decreased \$254,514 (or 79%) from the prior year due to reduced interest earnings resulting largely from mortgage prepayments and changes in fair values of invested assets.
- ★ Expenses and losses decreased \$486,114 in 2004 due primarily to reduced interest expense from bond repayments and the non-recurrence of the prior year loss from extinguishment of debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic combined financial statements (including the notes to the financial statements), and supplementary information.

Basic Financial Statements

The basic financial statements present information for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Combined Balance Sheets; the Combined Statements of Revenues, Expenses, and Changes in Net Assets; and the Combined Statements of Cash Flows.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

The Combined Balance Sheets (page 7) present the assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Combined Statements of Revenues, Expenses, and Changes in Net Assets (page 8) present information showing how Authority's net assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Combined Statements of Cash Flows (pages 9 - 10) present information showing how Authority's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
As of June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 1,263,750	\$ 1,288,537
Securitized mortgage loans	<u>1,118,005</u>	<u>1,944,615</u>
Total assets	<u>2,381,755</u>	<u>3,233,152</u>
Other liabilities	10,786	18,448
Long-term debt outstanding	<u>1,081,917</u>	<u>1,819,258</u>
Total liabilities	<u>1,092,703</u>	<u>1,837,706</u>
Restricted for MRB programs	303,741	381,975
Unrestricted net assets	<u>985,311</u>	<u>1,013,471</u>
Total net assets	<u>\$ 1,289,052</u>	<u>\$ 1,395,446</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

Restricted net assets represent those assets that are not available for general use due to terms of the various bond trust indentures under which assets are held and pledged as security for the bonds of the Authority's Mortgage Revenue Bond Program. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be used for.

Statements of Revenues, Expenses, and Changes in Net Assets
for the Years Ended June 30, 2004 and 2003

	2004	2003
Revenues	\$ 60,570	\$ 315,084
Expenses	(166,964)	(653,077)
Decrease in net assets	(\$ 106,394)	(\$ 337,993)

Net assets of the Authority decreased by \$106,394, or 7%, from June 30, 2003 to June 30, 2004. The Authority's operating revenues decreased primarily as a result of two factors. First, refinancings and early payoffs of mortgage loans and subsequent reinvestment of those proceeds into lower yielding investments and mortgage loans have caused interest earnings to decrease. Secondly, the market value of the investment portfolio dropped by approximately \$80,000. Operating expenses decreased as a result of reduced interest costs due to early retirement of bonds issued in prior years and loss on extinguishment of debt of approximately \$280,000 in prior year.

Debt

The Authority had \$1,081,917 in bonds outstanding at year-end, compared to \$1,819,258 at the end of 2003, a decrease of 41%.

The Authority's bond rating continues to carry the Aaa rating for the debt of its Mortgage Revenue Bonds.

The Authority has accrued interest payable of \$10,786 outstanding at year-end compared with \$18,448 last year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- The reduction in conventional market interest rates has stimulated early payoffs and refinancing of the mortgage loans which were securitized into the mortgage backed securities that are the collateral for the Authority's bond issue. These early payoffs shrink the Authority's asset base thereby reducing the mortgage interest income.
- Collection of the principal from the early payoffs is used to pay down the bonds outstanding ahead of maturity which effectively reduces the Authority's liabilities and reduces the amount of bond interest expense.

The AUTHORITY expects that next year's results will be mixed based on the following:

- Conventional market mortgage loan interest rates are expected to remain at low levels
- The Authority has no plans to close a mortgage revenue bond issue during the fiscal year ending June 30, 2005.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

CONTACTING HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY'S MANAGEMENT

This financial report is designed to provide Louisiana's citizens and taxpayers, as well as the Authority's customers, investors and creditors with a general overview of Hammond-Tangipahoa Home Mortgage Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stan Dameron, Chairman, Hammond/Tangipahoa Home Mortgage Authority, 400 E. Thomas, Hammond, LA 70401, 985-345-7685.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED BALANCE SHEETS
JUNE 30, 2004 AND 2003

ASSETS

	2004	2003
Cash and cash equivalents	\$ 123,573	\$ 38,296
Certificates of deposit	132,600	331,076
Investments	964,934	848,908
Securitized mortgage loans	1,118,005	1,944,615
Accrued interest receivable	10,502	15,318
Deferred financing costs	32,141	54,939
 Total Assets	 \$ 2,381,755	 \$ 3,233,152

LIABILITIES AND NET ASSETS

Accrued interest payable	\$ 10,786	\$ 18,448
Bonds payable	1,081,917	1,819,258
 Total Liabilities	 1,092,703	 1,837,706
 Net Assets		
Restricted for MRB programs	303,741	381,975
Unrestricted	985,311	1,013,471
Total Net Assets	1,289,052	1,395,446
 Total Liabilities and Net Assets	 \$ 2,381,755	 \$ 3,233,152

The accompanying notes are an integral part of these financial statements.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
<u>REVENUES</u>		
Mortgage loan income:		
Interest earned	\$ 85,083	\$ 140,453
Change in market value-securitized loans	(40,016)	33,598
Investment income:		
Interest earned	55,129	150,225
Change in market value-investments	(39,626)	(10,841)
Other income	-	1,649
Total revenues	60,570	315,084
<u>EXPENSES AND LOSSES</u>		
Interest	100,885	299,035
Amortization of deferred financing costs	22,798	16,316
Legal fees	15,000	27,648
Accounting and audit costs	9,062	16,050
Board meeting expenses and per diem	2,400	2,831
Loss on extinguishment of debt	-	286,292
Other operating expenses	16,819	4,905
Total expenses	166,964	653,077
Net Loss	(106,394)	(337,993)
<u>NET ASSETS - beginning of year</u>	1,395,446	1,733,439
<u>NET ASSETS - end of year</u>	\$ 1,289,052	\$ 1,395,446

The accompanying notes are an integral part of these financial statements.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

Page 1 of 2

	<u>2004</u>	<u>2003</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
<u>Cash received from:</u>		
Investment and mortgage loan income	\$ 147,266	\$ 272,475
Mortgage principal repayments	784,356	621,461
Fee revenue	14,846	1,649
<u>Cash paid to:</u>		
Suppliers of services	(58,127)	(51,434)
Bondholders for interest	(95,888)	(280,352)
Net cash provided by operating activities	<u>792,453</u>	<u>563,799</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investments sold	1,782,379	5,111,200
Investments purchased	(1,739,555)	(1,651,051)
Net cash provided by investing activities	<u>42,824</u>	<u>3,460,149</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>		
Retirement of bonds payable	(750,000)	(4,150,000)
Net cash used in financing activities	<u>(750,000)</u>	<u>(4,150,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	85,277	(126,052)
<u>CASH AND CASH EQUIVALENTS - beginning of year</u>	<u>38,296</u>	<u>164,348</u>
<u>CASH AND CASH EQUIVALENTS - end of year</u>	<u>\$ 123,573</u>	<u>\$ 38,296</u>

The accompanying notes are an integral part of these financial statements.

HAMMOND-TANGIPAOA HOME MORTGAGE AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

Page 2 of 2

	<u>2004</u>	<u>2003</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Loss	\$ (106,394)	\$ (337,993)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of mortgage loan premium	2,238	3,455
Amortization of deferred financing costs	22,798	16,316
Amortization of deferred loss	12,659	12,659
Change in unrealized losses on securities	79,642	(22,757)
Losses recognized on bond retirement	-	286,292
Mortgage loan principal payments received	784,356	621,461
Change in:		
Accrued interest receivable	4,816	3,049
Accrued interest payable	(7,662)	(18,683)
	<u>792,453</u>	<u>563,799</u>
Net cash provided by operating activities	<u>\$ 792,453</u>	<u>\$ 563,799</u>

The accompanying notes are an integral part of these financial statements.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Organization of Authority

The Hammond-Tangipahoa Home Mortgage Authority (the Authority) is a public trust created through a Trust Indenture dated February 20, 1979. The Authority's primary purpose is to provide funds to enable qualifying low and moderate income persons to purchase or, under certain circumstances, improve single unit, owner-occupied residences in the Parish of Tangipahoa, Louisiana. The Authority achieves this purpose by purchasing qualifying mortgage loans made to such persons by participating mortgage lenders.

The Authority uses the proceeds of issuance of bonds payable to fund the purchase of mortgage loans or GNMA and FNMA certificates which are backed by qualifying mortgage loans. This practice is carried out through the creation of programs (MRB programs) which are periodically sponsored by the Authority, based upon the housing demand of the geographic region. The bonds issued by the Authority are limited obligations of the Authority, payable only from revenues and receipts derived from the mortgage loans and other assets held under and pursuant to the trust indenture.

The Authority is managed by a board of trustees appointed by the City Council of Hammond, Louisiana.

2. Significant Accounting Policies

Financial Reporting Entity

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Authority is considered a *primary government*, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. The Authority also has no *component units*, defined by GASB Statement 14 as other legally separate organizations for which the Authority members are financially accountable.

Change in Accounting Principle

The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement 34) in 2004. Statement 34 establishes financial reporting standards for all state and local governments and related entities. As it relates to the Authority, Statement 34 affected presentation and disclosure requirements and had no impact on net assets. The impact was on the presentation of net assets, the inclusion of management's discussion and analysis, and the preparation of the Statements of Cash Flows on the direct method.

Basis of Accounting and Reporting

The Authority complies with accounting principles generally accepted in the United States of America (GAAP) by applying all relevant Governmental Accounting Standards Board (GASB) pronouncements. As the Authority and its mortgage revenue bond program are considered to be proprietary fund types, the Authority also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

Basis of Accounting and Reporting (continued)

Proprietary fund types are used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The accounting principles generally accepted in the United States of America (GAAP) used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis of accounting). Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized when incurred.

The following funds are maintained by the Authority:

General Fund

This fund provides for the accounting of general and administrative expenses of the Authority, any allowable transfers from other funds, investment interest income, and various types of fees. Assets of this fund are generally unrestricted and may be utilized for any lawful purpose of the Authority.

Mortgage Revenue Bond Funds (MRB Programs)

These funds have been established to account for the various trust accounts created under trust indentures of MRB programs. The various accounts within the funds provide for the custody of assets and the payment of the debt service requirements and are aggregated in the accompanying combined financial statements.

The above funds are presented on a combined basis, however, the assets of the accounts under the indenture are restricted and consequently, the amounts presented do not necessarily indicate that the combined assets are available in any manner other than that provided for in the trust indentures.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Securities and Securitized Mortgage Loans

Investment securities and securitized mortgage loans are stated at fair value based on quoted market prices. The change in unrealized gain or loss is recognized as a component of income. Amortization of premium and accretion of discount are computed on a method that approximates the interest method over the life of each security.

Deferred Loss on Refunding

The Authority accounts for debt refundings in accordance with GASB No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. In accordance with this statement, gains and losses that result from debt refundings are deferred and amortized over the life of the new debt or the retired debt, whichever is the shorter period, using a method that approximates the interest method.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

Deferred Bond Issuance Costs

Deferred bond issuance costs, including the underwriters' discount on the sale of the bonds payable, are amortized on a method that approximates the interest method over the estimated lives of the related bonds payable.

Bonds Payable

Bonds payable are stated net of the unamortized discount or premiums which is amortized on a method that approximates the interest method over the estimated lives of the bond.

3. Cash, Cash Equivalents, and Certificates of Deposit

For reporting purposes, cash and cash equivalents include demand deposits at financial institutions and money market funds. Cash, cash equivalents, and certificates of deposit are stated at cost which approximates market value. Permissible types of cash instruments for the 1999 A and B Mortgage Revenue Bond Funds (MRB programs) are stipulated in the respective trust indentures. State statutes set forth the permissible types of cash instruments for the general fund. Under the statutes, the Authority may deposit funds in state banks organized under the laws of Louisiana and national banks having their principal offices in Louisiana. At June 30, 2004 and 2003, the Authority had bank deposits (consisting of demand deposits and certificates of deposit) with aggregate carrying amounts of \$256,173 and 369,372 and bank balances of \$244,942 and 322,888, respectively. All bank balances were covered under FDIC insurance.

4. Investments and Securitized Mortgage Loans

The Authority's investments and securitized program loans are categorized to give an indication of the level of custodial credit risk assumed by the Authority at June 30, 2004. The categories are described as follows: Category 1 – insured or registered, or securities held by the Authority or its agent in the Authority's name; Category 2 – uninsured and unregistered, with securities held by the counterparty's trust departments or agent in the Authority's name; or Category 3 – uninsured and unregistered with securities held by the counterparty or by its trust department or by its agent not in the Authority's name. The GIC's and money market funds are not classified in categories of credit risk, because they are direct contractual investments and are not securities.

June 30, 2004

	Category			Total
	1	2	3	
U.S. Government & Agency Securities	\$ 740,195	\$ -	\$ -	\$ 740,195
Program Securitized Mortgage Loans	<u>1,118,005</u>	<u>-</u>	<u>-</u>	<u>1,118,005</u>
	<u>\$ 1,858,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,858,200</u>
Guaranteed investment contracts held by Trustee				<u>224,739</u>
Total investments				<u>\$ 2,082,939</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Investments and Securitized Mortgage Loans (continued)

Investment and program loans are reported in the financial statements as:

	<u>General Fund</u>	<u>1999 A & B MRB Fund</u>	<u>Total</u>
Investments	\$ 740,195	\$ 224,739	\$ 964,934
Securitized mortgage loans	-	1,118,005	1,118,005
	<u>\$ 740,195</u>	<u>\$ 1,342,744</u>	<u>\$ 2,082,939</u>

June 30, 2003

	<u>Category</u>			<u>Total</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Government & Agency Securities	\$ 639,658	\$ -	\$ -	\$ 639,658
Program Securitized Mortgage Loans	1,944,615	-	-	1,944,615
	<u>\$ 2,584,273</u>	<u>\$ -</u>	<u>\$ -</u>	2,584,273
Guaranteed investment contracts held by Trustee				<u>209,250</u>
Total investments				<u>\$ 2,793,523</u>

Investment and program loans are reported in the financial statements as:

	<u>General Fund</u>	<u>1999 A & B MRB Fund</u>	<u>Total</u>
Investments	\$ 639,658	\$ 209,250	\$ 848,908
Securitized mortgage loans	-	1,944,615	1,944,615
	<u>\$ 639,658</u>	<u>\$ 2,153,865</u>	<u>\$ 2,793,523</u>

The investment contracts owned by the 1999 A & B Mortgage Revenue Bond Program represent deposits in a financial institution with a guaranteed interest rate over the life of the related bonds outstanding. The investment contract is unsecured and redemption of the investment depends solely on the financial condition of the contract provider (GE Funding). The investment contract has no secondary market and its fair value is considered to be the same as cost.

The various loans of the 1999 A & B MRB program have been pooled and securitized into GNMA and FNMA securities. These securities bear pass-through rates of 6.45% - 6.85%, and are guaranteed as to timely payment of principal and interest by the Government National Mortgage Association and Federal National Mortgage Association. The underlying loans backing the GNMA and FNMA securities are collateralized by mortgages on single unit, owner-occupied residences located in the Parish of Tangipahoa, Louisiana. The loans, which have scheduled maturities of approximately 30 years, are serviced by a master servicer.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

5. Bonds Payable

The Authority issues revenue bonds to assist in the financing of housing needs in the Parish of Tangipahoa, State of Louisiana. The bonds are limited obligations of the Authority, payable only from the income, revenues and receipts derived from the mortgage loans and other investments held under and pursuant to the trust indentures and pledged therefore. The issuance of debt for the financing of projects by the Authority is subject to the approval of the Louisiana State Bond Commission. Bonds are issued under various bond resolutions adopted by the Authority to provide financing for qualified single family residences.

At June 30, 2004, bonds payable outstanding were as follows:

	<u>Coupon Rate</u>	<u>Face Amount</u>	<u>Unamortized Deferred Loss on Refunding</u>	<u>Carrying Amount</u>
Term Bonds, due 5/1/2020	5.9%	\$ 385,000	\$ -	\$ 385,000
Term Bonds, due 11/1/2031	6.0%	700,000	(3,083)	696,917
		<u>\$ 1,085,000</u>	<u>(\$ 3,083)</u>	<u>\$ 1,081,917</u>

At June 30, 2003, bonds payable outstanding were as follows:

	<u>Coupon Rate</u>	<u>Face Amount</u>	<u>Unamortized Deferred Loss on Refunding</u>	<u>Carrying Amount</u>
<u>Series 1999 A:</u>				
Serial Bonds	4.5%-5.0%	\$ 140,000	\$ -	\$ 140,000
Term Bonds, due 5/1/2020	5.9%	775,000	-	775,000
Term Bonds, due 11/1/2031	6.0%	700,000	-	700,000
<u>Series 1999 B Taxable:</u>				
Term Bonds, due 11/1/2030	7.35%	220,000	(15,742)	204,258
		<u>\$ 1,835,000</u>	<u>(\$ 15,742)</u>	<u>\$ 1,819,258</u>

The Series 1999 A & B bonds pay interest semi-annually, on May 1 and November 1. The 1999 A Serial bonds (all of which were retired during the year ended June 30, 2004) matured serially, beginning November 1, 2001 through November 1, 2006. The term bonds have scheduled sinking fund requirements which begin in November 2006. In accordance with the mandatory redemption provisions of the trust indenture, all bonds are subject to optional redemption prior to their maturity. Such redemptions may occur as a result of mortgage loan prepayments or other conditions related to mortgage loan demand. Because of fluctuations in the loan demand, these programs and the bonds have an expected life of ten to twelve years, well below the terms stated in the bond documents. Future debt service requirements are as follows:

<u>Ending June 30,</u>	<u>Principal</u>	<u>Estimated Interest</u>	<u>Total</u>
2005	\$ -	\$ 64,715	\$ 64,715
2006	-	64,715	64,715
2007	-	64,715	64,715
2008	-	64,715	64,715
2009	-	64,715	64,715

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

5. Bonds Payable (continued)

2010-2014	-	323,575	323,575
2015-2019	-	323,575	323,575
2020-2024	385,000	232,715	617,715
2025-2028	-	210,000	210,000
2029-2032	<u>700,000</u>	<u>185,500</u>	<u>885,500</u>
	<u>\$ 1,085,000</u>	<u>\$ 1,598,940</u>	<u>\$ 2,683,940</u>

6. Defeased Bonds

On August 30, 1990, the Authority irrevocably placed into trust an amount of funds sufficient for payment of the Single Family Mortgage Revenue Bonds, 1979 Series A bonds. As a result of this defeasance, these bonds have been removed from the Authority's financial statements. At June 30, 2004, the balance of the defeased bonds outstanding was \$7,080,000.

On August 18, 1999, the Authority issued the 1999 Series A and Series B (refunding) mortgage revenue bonds, with aggregate face values of \$5,000,000 and \$1,250,000, respectively. Concurrently, the Authority irrevocably placed cash and U. S. Government obligations in trust to provide sufficient payment to defease the Series 1990 A and B bonds outstanding, and accrued interest payable at that date. Funding for the defeasance was provided from proceeds of the sale of the mortgage loan portfolio which secured the bonds, and from proceeds of the issuance of the 1999 Series B (refunding) bonds. At June 30, 2004, the balance of the defeased Series 1990 A and B bonds outstanding was \$500,000. As a result of the defeasance, the 1990 A & B bonds and the related pledged assets have been removed from the Authority's financial statements.

7. Board of Trustees Expenses

The appointed members of the Authority's Board of Trustees receive a per diem payment for meetings attended and services rendered, and are also reimbursed for their actual expenses incurred in the performance of their duties as Trustees. For the year ended June 30, 2004, the following per diem payments were made to the members of the Authority's Board:

Stan Dameron	\$ 600
Sandy Davis	600
Andrew Gasaway	600
Rodney Cashe	<u>600</u>
	<u>\$ 2,400</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINING BALANCE SHEET
JUNE 30, 2004

ASSETS

	<u>General Fund</u>	<u>1999 A & B Mortgage Revenue Bond Fund</u>	<u>Combined Totals</u>
Cash and cash equivalents	\$ 108,573	\$ 15,000	\$ 123,573
Certificate of deposit	132,600	-	132,600
Investments	740,195	224,739	964,934
Securitized mortgage loans	-	1,118,005	1,118,005
Accrued interest receivable	3,943	6,559	10,502
Deferred financing costs	-	32,141	32,141
 Total Assets	 <u>\$ 985,311</u>	 <u>\$ 1,396,444</u>	 <u>\$ 2,381,755</u>

LIABILITIES AND NET ASSETS

Accrued interest payable	\$ -	\$ 10,786	\$ 10,786
Bonds payable	-	1,081,917	1,081,917
 Total Liabilities	 -	 1,092,703	 1,092,703
 Net Assets			
Restricted for MRB programs	-	303,741	303,741
Unrestricted	985,311	-	985,311
 Total Net Assets	 <u>985,311</u>	 <u>303,741</u>	 <u>1,289,052</u>
 Total Liabilities and Net Assets	 <u>\$ 985,311</u>	 <u>\$ 1,396,444</u>	 <u>\$ 2,381,755</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>General Fund</u>	<u>1999 A & B Mortgage Revenue Bond Fund</u>	<u>Eliminations</u>	<u>Combined Totals</u>
<u>REVENUES</u>				
Mortgage loan income:				
Interest earned	\$ -	\$ 85,083	\$ -	\$ 85,083
Change in market value-securitized loans	-	(40,016)	-	(40,016)
Investment income:				
Interest earned	38,075	17,054	-	55,129
Change in market value-investments	(39,626)	-	-	(39,626)
Other income	14,846	-	(14,846)	-
Total revenues	<u>13,295</u>	<u>62,121</u>	<u>(14,846)</u>	<u>60,570</u>
<u>EXPENSES AND LOSSES</u>				
Interest	-	100,885	-	100,885
Amortization of deferred financing costs	-	22,798	-	22,798
Legal fees	15,000	-	-	15,000
Accounting and audit costs	9,062	-	-	9,062
Board meeting expenses and per diem	2,400	-	-	2,400
Other operating expenses	14,993	16,672	(14,846)	16,819
Total expenses	<u>41,455</u>	<u>140,355</u>	<u>(14,846)</u>	<u>166,964</u>
Net Loss	(28,160)	(78,234)	-	(106,394)
<u>NET ASSETS - beginning of year</u>	<u>1,013,471</u>	<u>381,975</u>	<u>-</u>	<u>1,395,446</u>
<u>NET ASSETS - end of year</u>	<u>\$ 985,311</u>	<u>\$ 303,741</u>	<u>\$ -</u>	<u>\$ 1,289,052</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

Page 1 of 2

	<u>General Fund</u>	<u>1999 A & B Mortgage Revenue Bond Fund</u>	<u>Combined Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
<u>Cash received from:</u>			
Investment and mortgage loan income	\$ 38,573	\$ 108,693	\$ 147,266
Mortgage principal repayments	-	784,356	784,356
Fee revenue	14,846	-	14,846
<u>Cash paid to:</u>			
Suppliers of services	(41,455)	(16,672)	(58,127)
Bondholders for interest	-	(95,888)	(95,888)
Net cash provided by operating activities	<u>11,964</u>	<u>780,489</u>	<u>792,453</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Investments sold	848,313	934,066	1,782,379
Investments purchased	(790,000)	(949,555)	(1,739,555)
Net cash provided by (used in) investing activities	<u>58,313</u>	<u>(15,489)</u>	<u>42,824</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>			
Retirement of bonds payable	-	(750,000)	(750,000)
Net cash used in financing activities	<u>-</u>	<u>(750,000)</u>	<u>(750,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	70,277	15,000	85,277
<u>CASH AND CASH EQUIVALENTS - beginning of year</u>	<u>38,296</u>	<u>-</u>	<u>38,296</u>
<u>CASH AND CASH EQUIVALENTS - end of year</u>	<u>\$ 108,573</u>	<u>\$ 15,000</u>	<u>\$ 123,573</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

Page 2 of 2

	General Fund	1999 A & B Mortgage Revenue Bond Fund	Combined Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net Loss	\$ (28,160)	\$ (78,234)	\$ (106,394)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Amortization of mortgage loan premium	-	2,238	2,238
Amortization of deferred financing costs	-	22,798	22,798
Amortization of deferred loss	-	12,659	12,659
Change in unrealized losses on securities	39,626	40,016	79,642
Mortgage loan principal payments received	-	784,356	784,356
Change in:			
Accrued interest receivable	498	4,318	4,816
Accrued interest payable	-	(7,662)	(7,662)
	<u>\$ 11,964</u>	<u>\$ 780,489</u>	<u>\$ 792,453</u>
Net cash provided by operating activities	<u>\$ 11,964</u>	<u>\$ 780,489</u>	<u>\$ 792,453</u>

SUPPLEMENTARY COMBINING INFORMATION



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Report on Compliance and Other Matters 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
Hammond-Tangipahoa Home Mortgage Authority
Hammond, Louisiana

We have audited the combined financial statements of the Hammond-Tangipahoa Home Mortgage Authority as of and for the year ended June 30, 2004, and have issued our report thereon dated December 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hammond-Tangipahoa Home Mortgage Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hammond-Tangipahoa 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 financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 for the information of the Authority's management and the Louisiana Legislative Auditor, and it is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Baton Rouge, Louisiana
December 6, 2004

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None