

R E P O R T

ST. BERNARD PARISH HOME
MORTGAGE AUTHORITY

MARCH 31, 2003

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

May 16, 2003

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

We have audited the accompanying combining financial statements of the St. Bernard Parish Home Mortgage Authority, a component unit of the Parish of St. Bernard, and its programs as of March 31, 2003 as listed in the foregoing index to the report. 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 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 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.

As more fully described in Note 1, the financial statements present only the Home Mortgage Authority operations of St. Bernard Parish for the year ended March 31, 2003 and are not intended to present fairly the results of operations of the Parish of St. Bernard.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Bernard Parish Home Mortgage Authority and its programs at March 31, 2003 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the St. Bernard Parish Home Mortgage Authority adopted the provisions of the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2002.

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 (GASB). We have applied certain limited procedures, which consisted primarily 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 our report dated May 16, 2003 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. 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.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

ST. BERNARD PARISH
HOME MORTGAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED MARCH 31, 2003

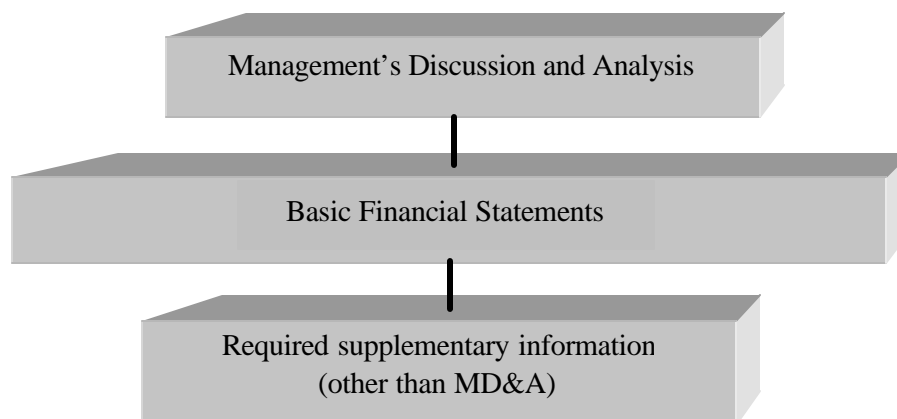
The Management's Discussion and Analysis of the St. Bernard Parish Home Mortgage Authority's financial performance presents a narrative overview and analysis of St. Bernard Parish Home Mortgage Authority's financial activities for the year ended March 31, 2003. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the St. Bernard Parish Home Mortgage Authority's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- The St. Bernard Parish Home Mortgage Authority's assets exceeded its liabilities at the close of fiscal year 2003 by \$1,497,847, which represents an increase from last fiscal year. The net assets increased by \$313,945 (or 26.5%).
- The St. Bernard Parish Home Mortgage Authority's operating revenues decreased \$46,418 (or 42.1%) and the net results from operations increased by \$23,294 (or 20.9%).

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements, if applicable, 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.



ST. BERNARD PARISH
HOME MORTGAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED MARCH 31, 2003

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the St. Bernard Parish Home Mortgage 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 Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page 7) presents the current and long-term portions of 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 St. Bernard Parish Home Mortgage Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 8) presents information showing how St. Bernard Parish Home Mortgage Authority's 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 Cash Flow Statement (page 9) presents information showing how St. Bernard Parish Home Mortgage 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 to net cash provided by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
as of March 31, 2003
(in thousands)

	<u>2003</u>
Current and other assets	\$ 2,377
Noncurrent assets	667
Total assets	<u>3,044</u>
Other liabilities	1
Long-term debt outstanding	1,545
Total liabilities	<u>1,546</u>
Net assets:	
Unrestricted	1,498
Total net assets	<u>\$ 3,044</u>

ST. BERNARD PARISH
HOME MORTGAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED MARCH 31, 2003

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, loan agreements or other requirements. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be used for.

Net assets of St. Bernard Parish Home Mortgage Authority increased by \$313,945 (or 26.5%), from March 31, 2002 to March 31, 2003. The main cause of the increase is an unrealized gain on investments as a result of the recovering investment markets.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
for the year ended March 31, 2003
(in thousands)

	<u>2003</u>
Operating revenues	\$ 64
Operating expenses	<u>(175)</u>
Operating loss	<u>(111)</u>
Non-operating revenues (expenses)	<u>425</u>
Net increase in net assets	<u>\$ 314</u>

The St. Bernard Parish Home Mortgage Authority's total revenues increased \$368,233 or (304.5%). The total cost of all programs and services decreased by \$23,124 (or 11.74%). The main cause of the increase in revenue is the unrealized gain on investments. The main cause of the decrease in costs is a decrease in interest expense due to the principal payments on bonds.

ST. BERNARD PARISH
HOME MORTGAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED MARCH 31, 2003

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The St. Bernard Parish Home Mortgage Authority has no capital assets.

Debt

The St. Bernard Parish Home Mortgage Authority had \$1,544,647 in bonds payable outstanding at year-end, compared to \$1,739,949 last year, a decrease of \$195,302 (or 11.2%).

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

There were no amendments to the original budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The St. Bernard Parish Home Mortgage Authority's appointed officials considered the following factors and indicators when setting next year's budget. These factors and indicators include:

- Interest rates

CONTACTING THE ST. BERNARD PARISH HOME MORTGAGE AUTHORITY MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the St. Bernard Parish Home Mortgage Authority's finances and to show the St. Bernard Parish Home Mortgage Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jack A. Stephens, Chairman, P. O. Box 168, Chalmette, Louisiana 70044.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
COMBINING STATEMENT OF NET ASSETS
MARCH 31, 2003

ASSETS

	<u>COMBINED</u>	<u>1979 PROGRAM</u>	<u>1991 PROGRAM</u>	<u>1992 PROGRAM</u>
CURRENT ASSETS:				
Cash (Note 2)	\$ 10,198	\$ -	\$ 10,198	\$ -
Cash equivalents (Notes 1 and 2)	326,990	80,175	124,693	122,122
U.S. Government Securities (Notes 1 and 2)	1,838,240	-	-	1,838,240
Guaranteed investment contract (Notes 1 and 2)	97,012	-	-	97,012
Mortgage loans receivable (Notes 3 and 4)	86,245	-	39,960	46,285
Accrued interest receivable	7,230	-	3,437	3,793
Deferred financing costs - Net of amortization (Note 1)	6,582	-	507	6,075
Prepaid expenses	4,206	-	4,000	206
Total current assets	<u>2,376,703</u>	<u>80,175</u>	<u>182,795</u>	<u>2,113,733</u>
NONCURRENT ASSETS:				
Mortgage loans receivable (Notes 3 and 4)	600,706	-	387,369	213,337
Deferred financing costs - Net of amortization (Note 1)	<u>66,321</u>	<u>-</u>	<u>4,055</u>	<u>62,266</u>
Total noncurrent assets	<u>667,027</u>	<u>-</u>	<u>391,424</u>	<u>275,603</u>
TOTAL ASSETS	<u>\$ 3,043,730</u>	<u>\$ 80,175</u>	<u>\$ 574,219</u>	<u>\$ 2,389,336</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:				
Accrued interest payable (Note 4)	\$ 1,236	\$ -	\$ 1,236	\$ -
Bonds payable (Notes 1 and 4)	<u>80,790</u>	<u>-</u>	<u>80,790</u>	<u>-</u>
Total current liabilities	<u>82,026</u>	<u>-</u>	<u>82,026</u>	<u>-</u>
NONCURRENT LIABILITIES:				
Bonds payable (Notes 1 and 4)	<u>1,463,857</u>	<u>-</u>	<u>104,655</u>	<u>1,359,202</u>
Total liabilities	<u>1,545,883</u>	<u>-</u>	<u>186,681</u>	<u>1,359,202</u>
NET ASSETS:				
Unrestricted	<u>1,497,847</u>	<u>80,175</u>	<u>387,538</u>	<u>1,030,134</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,043,730</u>	<u>\$ 80,175</u>	<u>\$ 574,219</u>	<u>\$ 2,389,336</u>

See accompanying notes.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2003

	<u>COMBINED</u>	<u>1979 PROGRAM</u>	<u>1991 PROGRAM</u>	<u>1992 PROGRAM</u>
OPERATING REVENUES:				
Interest earned on mortgage loans (Note 3)	\$ <u>63,893</u>	\$ <u>-</u>	\$ <u>31,046</u>	\$ <u>32,847</u>
Total operating revenues	<u>63,893</u>	<u>-</u>	<u>31,046</u>	<u>32,847</u>
OPERATING EXPENSES:				
Interest (Note 4)	126,611	-	19,981	106,630
Amortization of deferred financing costs (Note 1)	18,339	-	6,311	12,028
Servicing fees (Note 3)	3,108	-	1,903	1,205
Mortgage loan insurance costs	329	-	-	329
Operating expenses	<u>26,819</u>	<u>6,801</u>	<u>9,902</u>	<u>10,116</u>
Total operating expenses	<u>175,206</u>	<u>6,801</u>	<u>38,097</u>	<u>130,308</u>
OPERATING LOSS	<u>(111,313)</u>	<u>(6,801)</u>	<u>(7,051)</u>	<u>(97,461)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest earned on investments (Note 2)	9,002	1,063	1,548	6,391
Unrealized gain (loss) on investments	<u>416,256</u>	<u>-</u>	<u>-</u>	<u>416,256</u>
Total nonoperating revenues	<u>425,258</u>	<u>1,063</u>	<u>1,548</u>	<u>422,647</u>
CHANGES IN NET ASSETS	313,945	(5,738)	(5,503)	325,186
Net assets, beginning of year	<u>1,183,902</u>	<u>85,913</u>	<u>393,041</u>	<u>704,948</u>
NET ASSETS, END OF YEAR	\$ <u><u>1,497,847</u></u>	\$ <u><u>80,175</u></u>	\$ <u><u>387,538</u></u>	\$ <u><u>1,030,134</u></u>

See accompanying notes.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
 COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2003

	<u>COMBINED</u>	<u>1979 PROGRAM</u>	<u>1991 PROGRAM</u>	<u>1992 PROGRAM</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received for services	\$ 85,553	\$ -	\$ 47,942	\$ 37,611
Cash paid for goods and services	<u>(56,391)</u>	<u>(6,801)</u>	<u>(32,929)</u>	<u>(16,661)</u>
Net cash provided (used) by operating activities	<u>29,162</u>	<u>(6,801)</u>	<u>15,013</u>	<u>20,950</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Bond redemptions	<u>(298,545)</u>	<u>-</u>	<u>(171,432)</u>	<u>(127,113)</u>
Net cash used by noncapital financing activities	<u>(298,545)</u>	<u>-</u>	<u>(171,432)</u>	<u>(127,113)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Decrease in mortgage loans receivable	336,964	-	162,637	174,327
Purchase of investments	(468)	-	-	(468)
Interest received on investments	<u>9,002</u>	<u>1,063</u>	<u>1,548</u>	<u>6,391</u>
Net cash provided by investing activities	<u>345,498</u>	<u>1,063</u>	<u>164,185</u>	<u>180,250</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	76,115	(5,738)	7,766	74,087
Cash and cash equivalents - beginning of year	<u>261,073</u>	<u>85,913</u>	<u>127,125</u>	<u>48,035</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>337,188</u>	\$ <u>80,175</u>	\$ <u>134,891</u>	\$ <u>122,122</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH
 PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating loss	\$ (111,313)	\$ (6,801)	\$ (7,051)	\$ (97,461)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Amortization of deferred financing costs	18,339	-	6,311	12,028
Amortization of bond discount	103,243	-	-	103,243
(Increase) decrease in prepaid expenses	(36)	-	-	(36)
(Increase) decrease in accrued interest receivable	21,661	-	16,896	4,765
Increase (decrease) in accrued interest payable	<u>(2,732)</u>	<u>-</u>	<u>(1,143)</u>	<u>(1,589)</u>
Net cash provided (used) by operating activities	<u>\$ 29,162</u>	<u>\$ (6,801)</u>	<u>\$ 15,013</u>	<u>\$ 20,950</u>

See accompanying notes.

ST. BERNARD PARISH
HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

NATURE OF OPERATIONS

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 and the \$2,130,000 in 1992 Series B-1 bonds dated June 1, 1992 have been paid off. 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:

Basis of Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and reporting standards. The Authority applies

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation (Continued)

all GASB pronouncements as well as Financial Accounting Standards (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

These financial statements were prepared in accordance with GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. All activities of the Authority are accounted for within a single proprietary (enterprise) fund. This fund type is used to report any activity for which a fee is charged to external users for good and services. In addition, these financial statements include the implementation of GASB Statement Number 34, *Basic Financial Statement – Management's Discussion and Analysis for – State and Local Governments* and related standards. This new standard provides for significant changes in terminology, recognition of contributions in the Statement of Revenues, Expenses and Changes in Net Assets, inclusion of a management's discussion and analysis as supplementary information and other changes.

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
 - b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity
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.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reporting Entity (Continued)

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.

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.

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

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

2. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Deposits

At March 31, 2003, deposits in the amount of \$10,198 (bank balance) were insured by the Federal Deposit Insurance Corporation.

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.

	<u>Market Value</u>	<u>Category</u>
1992 Program:		
Guaranteed Investment Contracts	\$ 97,012	2
U.S. Government securities	<u>1,838,240</u>	2
	<u>\$ 1,935,252</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.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

3. MORTGAGE LOANS RECEIVABLE: (Continued)

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 had a stated rate of 8.375%. These mortgage loans were paid in full during the year ended March 31, 2003. 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.

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

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

4. BONDS PAYABLE: (Continued)

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, 2003, \$12,825,000 of the defeased bonds were still outstanding.

During the year ended March 31, 2003, the remaining outstanding bonds of the \$2,130,000 1992 Series B-1 Single Family Mortgage Refunding Bonds were paid off.

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:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</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 \$1,712,969 at March 31, 2003.	\$ 3,000,000	\$ --	\$ --	\$ 3,000,000	\$ --
Single Family Mortgage Refunding Bonds:					
1991 Program, due 1994-2012, 8%	356,877	--	(171,432)	185,445	80,790
1992 Program Series B-1, due 2011, 7.5% stated rate, discounted to yield approximately 7.84%, unamortized discount was \$0- at March 31, 2003.	127,113	--	(127,113)	--	--
1992 Program Series B-2, zero coupon, due 2014 at maturity value of \$200,000, discounted to yield approximately 9.25%, unamortized discount was \$127,829 at March 31, 2003.	<u>200,000</u>	<u>--</u>	<u>--</u>	<u>200,000</u>	<u>--</u>
	3,683,990	--	(298,545)	3,385,445	<u>\$ 80,790</u>
Less: Bond discount	<u>(1,944,041)</u>	<u>--</u>	<u>103,243</u>	<u>(1,840,798)</u>	
	<u>\$ 1,739,949</u>	<u>\$ --</u>	<u>\$ (195,302)</u>	<u>\$ 1,544,647</u>	

It is not possible to project the bond principal payments for the 1991 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:

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

4. BONDS PAYABLE: (Continued)

- 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 1992 Series C bonds are callable at the option of the issuer on any date on or after June 1, 2003 at the following redemption prices expressed as percentages of the accreted value of the bonds as of the date of redemption:

<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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

7. SUBSEQUENT EVENT:

In June 2003, the 1992 Series C bonds and the 1992 Series B-2 bonds were defeased. An irrevocable Escrow Fund was established with \$1,473,503 to be held in trust and used solely for the payment of principal and interest on the bonds as they become due and payable or subject to redemption.

Also, in June 2003, the 1991 Series bonds were paid in full.



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

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JAMES MAHER, JR., C.P.A.
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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

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

May 16, 2003

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, 2003, and have issued our report thereon dated May 16, 2003. 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

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*. However, we noted an immaterial instance of noncompliance that we have reported to management in a separate letter dated May 16, 2003.

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 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 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. Under Louisiana Revised Statute 24: 513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED MARCH 31, 2003

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, 2003 was unqualified.
2. Internal Control
Material weaknesses: none noted
Reportable conditions: none noted
3. Compliance
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENT AUDITING STANDARDS
GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA :

None

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
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May 16, 2003

Sheriff Jack A. Stephens
St. Bernard Parish Home Mortgage Authority
St. Bernard Parish Courthouse Annex
P. O. Box 168
Chalmette, LA 70044

We have audited the financial statements of St. Bernard Parish Home Mortgage Authority as of and for the year ended March 31, 2003, and have issued our report thereon dated May 16, 2003. 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.

As a part of our examination, we have issued our report on the financial statements, dated May 16, 2003, and our report on internal control and compliance with laws, regulations, and contracts dated May 16, 2003.

During the course of our examination, we became aware of the following matter which represents an immaterial deviation of compliance with the 1992 series bond indenture.

Expense Fund (2003-1)

Per section 5.02 of the 1992 series bond indenture, a balance of \$15,000 should be maintained in the expense fund. For eight months during the year, the balance in the expense fund was below \$15,000, due to the Trustee not transferring funds to maintain the proper balance. As a result, the Authority was not in compliance with the bond indenture. However, the proper balance was being maintained in the expense fund as of March 31, 2003. We recommend that management take the steps necessary to ensure that the Trustee maintains the proper balance in the expense fund.

Status of Prior Year Finding

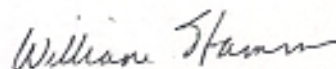
Expense Fund (2002-1)

This finding is repeated for the year ended March 31, 2003. (See above.)

We recommend management address the foregoing issue as an improvement to operations and the administration of public programs. We are available to further explain the suggestion or help implement the recommendation.

Very truly yours,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP



William G. Stamm, CPA
Partner

WGS/fk



St. Bernard Parish
Home Mortgage Authority Board

8201 M. Judge Perez Drive

Chalmette, La. 70043

Telephone 277-6371

July 21, 2003

Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Sir or Madam:

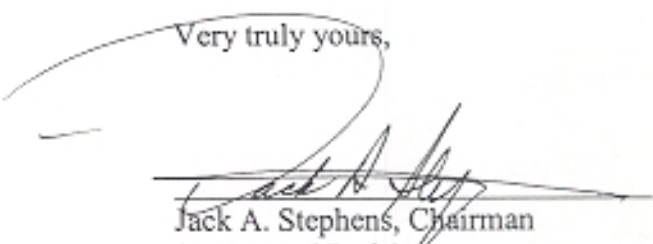
Following is the Corrective Action Plan for suggestion 2003-1, reported in the management letter for the St. Bernard Parish Home Mortgage Authority for the year ended March 31, 2003:

2003-1

We will contact our trustee bank and request that the required balances be maintained in the expense fund.

Should you require further information, please do not hesitate to contact me.

Very truly yours,



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