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SHREVEPORT HOME MORTGAGE AUTHORITY
(a component unit of the City of Shreveport)

Financial Statements

Year Ended December 31, 1999
(with comparative totals for December 31, 1998)

(With Independent Auditors' Report Thereon)

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.

Release Date 8-2-00



333 Texas Street, Suite 1900
Shreveport, LA 71101-3692

Independent Auditors' Report

The Board of Trustees
Shreveport Home Mortgage Authority
Shreveport, Louisiana:

We have audited each of the accompanying combined balance sheets of the individual funds of the Shreveport Home Mortgage Authority (a component unit of the City of Shreveport) as of December 31, 1999, and each of the related combined statements of revenue, expenses, and changes in retained earnings and cash flows for the year then ended. These combined component unit financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these combined component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined component unit financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the Shreveport Home Mortgage Authority at December 31, 1999, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2000, on our consideration of the Shreveport Home Mortgage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This 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.

KPMG LLP

March 17, 2000



SHREVEPORT HOME MORTGAGE AUTHORITY
(a component unit of the City of Shreveport)

Combined Balance Sheets

December 31, 1999
(with comparative totals for December 31, 1998)

	1999 Issue (Single Family - Refunding)			1995 Issue (Multi-Family - Refunding)			1988 Issue (Refunding)			1984 Issue (Single Family)			Total All Issues (Memorandum Only)
	Mortgage Purchase Program Funds (note 6)	Operating Fund	Total	Mortgage Purchase Program Funds (note 6)	Operating Fund	Total	Mortgage Purchase Program Funds (note 6)	Operating Fund	Total	Mortgage Purchase Program Funds (note 6)	Operating Fund	Total	
Assets													
Cash and cash equivalents (note 4)	\$ 631	9,457	10,088	301,723	17,862	319,585	521,831	17,862	539,693	-	8,995	8,995	1,765,648
Mortgage loans receivable, net (note 2)	7,103,383	-	7,103,383	-	-	10,579,563	10,579,563	-	10,579,563	838,710	-	838,710	18,584,390
Note receivable (note 3)	-	-	-	4,360,000	-	-	-	-	-	-	-	-	4,360,000
Accrued interest receivable	36,177	7,544	43,721	34,051	-	70,000	70,000	-	70,000	18,340	-	18,340	166,112
Investment securities (note 4)	-	354,991	354,991	-	-	-	-	-	-	19,835	78,994	98,829	453,820
Bond issuance costs, net	196,582	-	196,582	-	-	-	82,662	-	82,662	-	-	-	279,244
Other assets	-	-	-	-	3,514	3,514	-	3,514	3,514	-	5,188	5,188	8,702
Interfund receivables (payables)	92,531	(92,531)	-	-	(761,460)	(761,460)	(761,460)	761,460	-	(126,082)	126,082	-	9,688
Total assets	\$ 7,429,304	279,461	7,708,765	4,695,774	782,836	11,275,432	10,492,596	782,836	11,275,432	750,803	219,259	970,062	25,617,916
Liabilities and Retained Earnings													
Liabilities:													
Bonds payable, net of unamortized discount (note 5)	\$ 7,255,000	-	7,255,000	4,360,000	-	10,406,675	10,406,675	-	10,406,675	750,803	-	750,803	22,772,478
Accrued interest payable	174,304	-	174,304	93,072	-	-	-	-	-	-	-	-	267,316
Other	-	-	-	-	-	85,921	85,921	-	85,921	-	-	-	85,921
Total liabilities	7,429,304	-	7,429,304	4,453,072	-	10,492,596	10,492,596	-	10,492,596	750,803	-	750,803	23,125,715
Retained earnings	-	279,461	279,461	242,762	782,836	782,836	-	782,836	782,836	-	219,259	219,259	2,492,201
Total liabilities and retained earnings	\$ 7,429,304	279,461	7,708,765	4,695,774	782,836	11,275,432	10,492,596	782,836	11,275,432	750,803	219,259	970,062	25,617,916

See accompanying notes to combined financial statements.

SHREVEPORT HOME MORTGAGE AUTHORITY
(a component unit of the City of Shreveport)

Combined Statements of Revenue, Expenses, and Changes in Retained Earnings

Year ended December 31, 1999
(with comparative totals for December 31, 1998)

	1995 Issue (Single Family - Refunding)		1998 Issue (Refunding)		1984 Issue (Single Family)		Total All Issues (Memorandum Only) 1999	Total All Issues (Memorandum Only) 1998	
	Mortgage Purchase Program Funds (note 6)	Operating Fund	1998 Issue (Multi-Family - Refunding) Bond Fund (note 6)	Mortgage Purchase Program Funds (note 6)	Operating Fund	Mortgage Purchase Program Funds (note 6)			Operating Fund
Operating revenue:									
Interest on mortgage loans and note receivable	\$ 455,722	-	455,722	279,035	1,102,045	93,969	4,846	1,935,617	2,159,570
Interest on investments	2,307	20,900	23,207	11,438	27,943	269	38,374	120,426	234,638
Other	26	692	718	10,128	-	-	1,358	21,504	102,030
Total operating revenue	<u>458,055</u>	<u>21,592</u>	<u>479,647</u>	<u>300,601</u>	<u>1,129,988</u>	<u>94,238</u>	<u>64,724</u>	<u>2,089,751</u>	<u>2,496,238</u>
Operating expenses:									
Interest on bonds	431,773	-	431,773	279,040	1,102,421	100,015	-	1,913,249	2,274,931
Amortization of issuance costs	7,281	-	7,281	10,126	10,126	-	-	17,407	19,620
Administrative expenses	-	10,513	10,513	3,544	35,876	-	10,625	68,236	150,813
Other	439,054	10,513	449,567	17,638	17,638	-	-	17,638	2,710
Total operating expenses	<u>888,108</u>	<u>21,026</u>	<u>909,134</u>	<u>300,348</u>	<u>1,166,061</u>	<u>100,015</u>	<u>10,625</u>	<u>2,016,552</u>	<u>2,448,074</u>
Net income (loss)	19,001	11,079	30,080	(891)	(36,073)	(5,777)	54,099	73,219	48,164
Transfers between funds	(19,001)	19,001	-	891	(891)	5,777	-	-	-
Retained earnings at beginning of year	-	249,381	249,381	-	818,909	-	913,784	2,418,982	2,370,818
Retained earnings at end of year	\$ -	<u>279,461</u>	<u>279,461</u>	<u>242,762</u>	<u>782,836</u>	<u>-</u>	<u>967,883</u>	<u>2,492,201</u>	<u>2,418,982</u>

See accompanying notes to combined financial statements.

SHREVEPORT HOME MORTGAGE AUTHORITY
(a component unit of the City of Shreveport)

Combined Statements of Cash Flows

Year ended December 31, 1999
(with comparative totals for December 31, 1998)

	1999 Issue (Single Family - Refunding)		1998 Issue (Refunding)		1984 Issue (Single Family)		Total All Issues (Memorandum Only)
	Mortgage Purchase Program Funds (note 6)	Operating Fund Total	Mortgage Purchase Program Funds (note 6)	Operating Fund Total	Mortgage Purchase Program Funds (note 6)	Operating Fund Total	
Cash flows from operating activities:							
Cash received on loans and operating investment interest	\$ 455,722	-	914,109	-	93,969	4,846	1,956,687
New mortgage loans	-	-	-	-	-	-	(5,796,877)
Principal payments received on mortgage loans and note receivable	400,277	-	2,660,388	-	218,779	21,228	2,960,013
Cash paid for administrative expenses	-	(10,513)	-	(35,876)	-	(6,694)	(122,059)
Other	26	692	(7,637)	-	-	21,504	26,071
Net cash provided by (used in) operating activities	856,025	(9,821)	3,566,860	(35,876)	312,748	36,953	4,993,147
Cash flows from noncapital financing activities:							
Interest paid	(479,495)	-	(908,229)	-	-	-	(1,666,764)
Principal payments on bonds	(2,065,000)	-	(2,642,326)	-	(321,522)	-	(5,028,848)
Transfers between funds	(1,590)	1,590	(32,714)	32,714	(1,360)	1,360	-
Net cash provided by (used in) noncapital financing activities	(2,546,085)	1,590	(3,583,269)	32,714	(322,882)	1,360	(6,695,612)
Cash flows from investing activities:							
Interest income received	4,364	20,642	27,249	694	269	38,374	354,964
Purchases of investments	-	(861,915)	-	-	(26,624)	(280,473)	(1,169,012)
Proceeds from maturities and sales of investments	193	849,797	-	-	29,822	236,809	1,116,621
Net cash provided by (used in) investing activities	4,557	8,524	27,249	694	3,467	38,374	7,746,082
Net increase (decrease) in cash and cash equivalents	(1,685,503)	293	10,840	(2,468)	(6,667)	(28,445)	(1,635,631)
Cash and cash equivalents at beginning of year	1,686,134	9,164	1,695,298	20,330	6,667	37,440	1,673,576
Cash and cash equivalents at end of year	\$ 631	9,457	521,831	17,862	-	8,995	3,401,279

(Continued)

SHREVEPORT HOME MORTGAGE AUTHORITY
(a component unit of the City of Shreveport)

Notes to Combined Financial Statements

December 31, 1999

(1) Summary of Accounting Policies

Organization

The Shreveport Home Mortgage Authority (the "Authority") is a tax exempt public trust, created pursuant to the Constitution and laws of the State of Louisiana, particularly Chapter 2-A of Title 9 of the Louisiana Revised Statutes of 1950, as amended, and the Trust Indenture, dated October 24, 1978, with the City of Shreveport, Louisiana, as beneficiary. The Authority can transfer excess cash to the City of Shreveport. Pursuant to the Trust Indenture, the Authority is authorized to undertake various programs to assist in the financing of housing for persons of low to moderate income in the City of Shreveport. The Authority is a component unit of the City of Shreveport.

The Authority began operations on September 14, 1979, and has since been involved in numerous bond issues ("Issues") with the following issues still outstanding:

Date	Issue Name	Original Amount
November 20, 1984	Single Family Mortgage Revenue Bonds (1984 Issue)	\$ 11,250,000
July 28, 1988	Collateralized Mortgage Refunding Bonds (1988 Issue)	44,111,177
March 14, 1995	Multi-Family Housing Revenue Refunding Bonds (1995 Issue)	4,435,000
December 7, 1995	Single Family Mortgage Revenue Refunding Bonds (1995 Issue)	9,450,000

Bonds and other obligations issued under the provisions of the Trust Indenture are not a debt or liability of the State of Louisiana, the City of Shreveport, or any political subdivision.

Basis of Presentation

The accounts of the Authority are organized on the basis of funds by issue, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, retained earnings, revenues, and expenses. Amounts in the "Total All Issues (Memorandum Only)" columns of the combined financial statements represent a summation of the combined financial statement line items of the funds and are presented for analytical purposes only. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. The following fund types are utilized by the Authority:

SHREVEPORT HOME MORTGAGE AUTHORITY
(a component unit of the City of Shreveport)

Notes to Combined Financial Statements

December 31, 1999

Mortgage Purchase Program Funds

These funds are used to account for the proceeds from mortgage revenue bonds, the debt service requirements of the bonds, and the related mortgage loans for housing in the City of Shreveport.

Operating Funds

These funds are the general operating funds of the Issues. All income and expenses not directly attributable to the Mortgage Purchase Program Funds are accounted for in these funds.

Bond Fund

In the 1995 Multi-Family Refunding Issue, the Bond Fund is used to account for the proceeds from the sale of the bonds, principal and interest payments on the note receivable, and the debt service on the bonds.

Operating Account

The Operating Account represents funds owned by the Authority not associated with an individual Issue. The primary source of these funds is the semiannual issuer's fee paid by certain Issues to the Authority, transfers of excess funds in the 1988 Issue, and interest on loans received in the refunding of the 1979 Issue and investment income. Payments from this account are made to cover expenses of the Authority not provided for under any of the various bond indentures.

Interest earned on the investments and mortgage loans in the Mortgage Purchase Program Funds is initially accounted for in those funds. The interest is then transferred to the respective Operating Fund when collected. To the extent monies are not available from the principal payments received on the mortgage loans, the Operating Funds transfer monies to the Mortgage Purchase Program Funds in amounts sufficient to pay all interest and principal on the outstanding bonds.

Basis of Accounting

The Authority uses the accrual method of accounting whereby expenses are recognized when the liability is incurred, and revenues are recognized when earned. All funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund operating statements present increases (revenues) and decreases (expenses) in net total assets. The Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for its proprietary operations as well as the following pronouncements issued on or before November 30, 1989: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins (unless those pronouncements conflict with or contradict GASB pronouncements).

SHREVEPORT HOME MORTGAGE AUTHORITY
(a component unit of the City of Shreveport)

Notes to Combined Financial Statements

December 31, 1999

Investment Securities

Investments are reported at fair value on the balance sheet. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Comparative Total Data

Comparative total data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in the Authority's financial position and operations and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles. However, comparative data (i.e., presentation of prior year totals by fund type) have not been presented in each issue, since their inclusion would make the statements unduly complex and difficult to read.

Bond Issuance Costs and Bond Discount

Costs related to issuing bonds are capitalized. Bonds are presented net of discounts related to the sale of bonds. Bond costs and discounts are amortized on the interest method over the term of the bonds. The bond issuance cost for the 1995 Multi-Family Issue were paid by the owner of the property.

Mortgage Loan Discount

Discounts on the 1984 and 1988 mortgage loans are amortized on the interest method over the terms of the loans.

Provisions for Loan Losses

Provisions for losses on loans and accrued interest are charged to earnings when it is determined that the investment in applicable assets is greater than their estimated net realizable value. At December 31, 1999, estimated losses on loans were not material.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are defined as being cash in bank deposit accounts and short-term investments with an original maturity of ninety days or less. Investments in guaranteed investment contracts and U.S. government securities are excluded from cash and cash equivalents although such investments may mature within ninety days of their purchase.

SHREVEPORT HOME MORTGAGE AUTHORITY
(a component unit of the City of Shreveport)

Notes to Combined Financial Statements

December 31, 1999

(2) Mortgage Loans Receivable

Mortgage loans for the 1984 Issue, 1988 Issue, and the Operating Account are collateralized by first liens on single family residential property. The mortgage loans have an aggregate effective interest rate to the Authority of 9.67% for the 1988 Issue, 10.68% for the 1984 Issue, and 7.00% for the mortgage loans held in the Operating Account. Mortgage loans for the 1995 Issue (Single Family - Refunding) represent mortgage pass-through certificates (GNMA and FNMA certificates) backed by certain qualifying mortgage loans for single family residences.

The 1988 Issue mortgage loans have a face value of \$12,149,957 which is reduced by unamortized discount of \$1,570,394 at December 31, 1999.

All loans purchased by the Authority under the 1988 Issue and the Operating Account are required to be insured by FHA or guaranteed by VA. Additionally, each mortgage loan in these issues are insured under master policies of supplemental mortgage insurance obtained from Mortgage Guaranty Insurance Corporation. These master policies insure, subject to certain conditions, each mortgage loan owned by the Authority against losses not otherwise insured, to a maximum of 10% of the aggregate initial principal balance of all mortgage loans originated. The conventional loans under the 1984 Single Family Issue are insured under master policies of mortgage pool insurance obtained from GE Capital Mortgage Insurance Corporation to a maximum of 15% of the aggregate initial principal balances of the loans, as well as being fully insured with various approved private mortgage insurers for the unamortized principal balance of the loan and accrued and unpaid interest.

As the principal and interest payments on the GNMA and FNMA certificates of the 1995 Issue (Single Family - Refunding) are fully guaranteed by the GNMA and FNMA, the Authority is not responsible for mortgage loan insurance for the mortgage loans in the 1995 Issue (Single Family - Refunding). The carrying and market values of the 1995 Issue (Single Family - Refunding) GNMA and FNMA certificates at December 31, 1999 were \$7,103,383 and \$6,659,259, respectively.

(3) Note Receivable

The note receivable is a \$4,360,000 note in the 1995 Multi-Family Refunding Issue due from an investor maturing September 1, 2025. The note receivable bears interest at a fixed rate of 6.4%. The note is collateralized by land, buildings, and fixtures of the investor. The bonds payable in the 1995-A Multi-Family Refunding Issue are not a general obligation debt or liability of the Authority. Security for the bonds is the note receivable. In addition, a policy of indemnity is in place to cover nonpayment of the bonds in the event of default by the investor. Because the bonds are not a general obligation of the Authority, failure to collect all of the note would ultimately lead to a corresponding reduction in amounts paid to the bondholder. Therefore, no provision has been made to record an allowance for doubtful accounts.

SHREVEPORT HOME MORTGAGE AUTHORITY
(a component unit of the City of Shreveport)

Notes to Combined Financial Statements

December 31, 1999

(4) Cash and Cash Equivalents and Investment Securities

Investments, including cash equivalents, consist of securities as specifically called for under terms of the Trust Indentures; these include variable rate notes, U.S. Treasury bonds, U.S. Treasury bills, U.S. government agencies, certificates of deposit, and investment agreements.

Cash and cash equivalents include the following at December 31, 1999:

One Group U.S. Treasury Securities Money Market Fund:	
1984 Issue (Single Family)	\$ 8,995
1988 Issue (Refunding)	536,610
Operating Account	<u>905,149</u>
	1,450,754
ISG Treasury Money Market Fund	
1995 Issue (Single Family -- Refunding)	10,088
Fidelity Treasury Bill Money Market Fund	
1995 Issue (Multi-Family -- Refunding)	301,723
Trust Account Cash:	
1988 Issue (Refunding)	<u>3,083</u>
Total cash and cash equivalents	\$ <u><u>1,765,648</u></u>

The above cash equivalents are not insured or collateralized.

Investment securities are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
1984 Issue (Single Family) - Bank One, MBank Investment Agreements	\$ 98,829	98,829
1995 Issue (Single Family - Refunding) - Bayerische Landesbank Investment Agreements	<u>354,991</u>	<u>354,991</u>
	\$ <u><u>453,820</u></u>	<u><u>453,820</u></u>

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year end. All investments are Category 2 investments. Category 2 includes uninsured and unregistered investments for which the securities are held by the trustee in the Authority's name.

SHREVEPORT HOME MORTGAGE AUTHORITY
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Notes to Combined Financial Statements

December 31, 1999

(5) Bonds Payable

Bonds payable at December 31, 1999 consist of:

1995 Issue (Single Family - Refunding) - Single Family Mortgage Revenue Refunding Bonds, 1995A dated December 1, 1995 - \$790,000 Current Interest Bonds due serially each August 1, 1999 until 2006, at interest rates of 4.25% to 5.2%; \$5,450,000 Term Bonds due August 2028 at 6.0% interest; \$1,015,000 Term Bonds due August 1, 2013, at 5.2% interest	\$ <u>7,255,000</u>
1995 Issue (Multi-Family - Refunding) - Multi-Family Housing Revenue Refunding Bonds, Series 1995A dated March 14, 1995 - \$4,360,000 Current Interest Bonds due September 1, 2025	\$ <u>4,360,000</u>
1988 Issue (Refunding) - Taxable Collateralized Mortgage Refunding Bonds, Series 1988-A dated July 1, 1988, due in monthly installments of approximately \$259,000 including interest (based on the payments of the mortgage loan pool collateralizing the Issue) at an interest rate of 6.8%	\$ 11,991,938
Unaccreted discount	<u>(1,585,263)</u>
	\$ <u>10,406,675</u>
1984 Issue (Single Family) - Single Family Mortgage Revenue Bonds, 1984 Series A dated November 1, 1984; Compound Interest Term Bonds due May 1, 2016, at an approximate yield of 11.25%	\$ 4,485,000
Unaccreted discount	<u>(3,734,197)</u>
	\$ <u>750,803</u>
Total bonds payable	\$ <u>22,772,478</u>

SHREVEPORT HOME MORTGAGE AUTHORITY
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Notes to Combined Financial Statements

December 31, 1999

A summary of scheduled bond maturities and interest follows:

		(thousands of dollars)										
		Total	2000	2001	2002	2003	2004	2005- 2009	2010- 2014	2015- 2019	2020- 2024	2025- 2029
Bonds:												
1984 Single Family Issue	\$	4,485	-	-	-	-	-	-	-	4,485	-	-
1988 Refunding Issue		11,992	1,808	1,949	2,100	2,263	2,439	1,433	-	-	-	-
1995 Multi-Family Refunding Issue		4,360	-	-	-	-	-	-	-	-	-	4,360
1995 Single Family Refunding Issue		7,255	100	100	105	110	115	260	1,015	-	-	5,450
Total principal on bonds		28,092	1,908	2,049	2,205	2,373	2,554	1,693	1,015	4,485	-	9,810
Less: unamortized discount		5,319	239	258	277	299	322	190	-	3,734	-	-
Net principal		22,773	1,669	1,791	1,928	2,074	2,232	1,503	1,015	751	-	9,810
Interest		20,004	1,457	1,325	1,184	1,031	866	3,346	3,241	3,030	3,030	1,494
Total	\$	42,777	3,126	3,116	3,112	3,105	3,098	4,849	4,256	3,781	3,030	11,304

The 1995 Issue (Multi-Family – Refunding) may be redeemed in whole or in part on or after December 1, 2005, upon notice, at a redemption price beginning at 102% and subsequently declining to par. The 1995 Issue (Single Family – Refunding) may be redeemed, in whole or part, at par, after March 1, 2006. Certain mandatory redemption provisions are described in the Bond Indentures which require redemption at a price equal to the principal and accrued interest to the redemption date. For the 1984 Issue, there are no optional redemption features.

Payments of principal on the 1988 Issue are based on payments of the mortgage pool collateralizing the Issue. Prepayments of these mortgage loans are used to prepay principal on the 1988 Issue. Additionally, the bonds are subject to redemption at the option of the bondholder on thirty days' notification to the Authority. The redemption value would be the lesser of the then outstanding principal and interest on the bonds or the fair market value of the mortgage loans. The Trustee is authorized to act at the direction of the bondholder to sell the mortgage loans on the redemption date.

The bonds in the 1984, 1988, and 1995 (Single Family – Refunding) Issues are collateralized by and payable from the income, revenues, and receipts derived by the Authority from the mortgage loans and the funds and accounts held under or pledged to the Authority pursuant to the Trust Indentures. The bonds in the 1995 (Multi-Family – Refunding) Issue are collateralized by the revenues and other amounts derived by the Authority from the note receivable and the funds and accounts established under the Trust Indenture. A credit enhancer is also contained in the Trust Indenture that guarantees that no loss will be incurred on the sale of the property should a default occur on the debt being serviced by the investor.

SHREVEPORT HOME MORTGAGE AUTHORITY
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Notes to Combined Financial Statements

December 31, 1999

There are a number of limitations and restrictions contained in the various bond indentures. The Authority is in compliance with all significant limitations and restrictions.

On March 14, 1995, the Authority issued \$4,435,000 in bonds, the 1995 Issue (Multi-Family – Refunding), to advance refund the \$4,360,000 1983-B Issue bearing interest at 6.4%, and pay part of the issuance costs of the new bonds. The 1983-B Issue bonds are considered defeased and have been removed from the Authority’s financial statements. At December 31, 1999, the principal outstanding on the refunded bonds was \$4,360,000.

The 1979 Issue bonds are considered defeased and have been removed from the Authority’s financial statements. At December 31, 1999, \$37,500,000 of bonds in the 1979 Issue are still outstanding.

(6) Restricted Assets

Substantially all amounts reflected in the combined balance sheet represent assets in such accounts or funds designated under the Trust Indenture for each Issue to be invested and/or held for subsequent disbursement in such manner and at such time as specifically defined in the respective Trust Indenture.

All of the assets of the Mortgage Purchase Program Funds are restricted by, and the use thereof is governed by, the Trust Indentures.

The balance at December 31, 1999 of the restricted assets of each fund or account established under the respective Trust Indenture and a reconciliation to total assets by Issue is as follows:

<u>1995 Issue (Single Family – Refunding)</u>	
Cash and cash equivalents	\$ 631
Mortgage loan account	7,103,383
Accrued interest receivable	36,177
Total assets in restricted funds	7,140,191
Plus interfund receivables	92,531
Total restricted assets	7,232,722
Bond issuance costs, net	196,582
Total assets	\$ 7,429,304
 <u>1995 Issue (Multi-Family -- Refunding)</u>	
Total assets, all restricted	\$ 4,695,774

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Notes to Combined Financial Statements

December 31, 1999

<u>1988 Issue (Refunding)</u>	
Mortgage loan account	\$ 10,579,563
Accrued interest receivable	70,000
Reserve funds	521,831
Total assets in restricted funds	11,171,394
Less interfund payables	(761,460)
Total restricted assets	10,409,934
Bond issuance costs, net	82,662
Total assets	\$ 10,492,596
 <u>1984 Issue (Single Family)</u>	
Mortgage loan account	\$ 838,710
Accrued interest receivable	18,340
Reserve fund	19,835
Total assets in restricted funds	876,885
Less interfund payables	(126,082)
Total restricted assets	\$ 750,803

(7) Commitments

Under the terms of the applicable Trust Indentures, the Authority is required to redeem bonds prior to maturity when balances in certain funds exceed specified levels. The 1988 Issue is redeemable, as described in note 5, based on mortgage prepayments or at the option of the bondholders.

(8) Subsequent Event

On March 1, 2000, \$185,000 of the 1995 Single Family Mortgage Revenue Refunding Bonds Series A and B were called for redemption at a redemption price of 100% of the principal amount called.



333 Texas Street, Suite 1900
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**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Board of Trustees
Shreveport Home Mortgage Authority
Shreveport, Louisiana:

We have audited each of the combined balance sheets of the various funds of the Shreveport Home Mortgage Authority (the "Authority"), a component unit of the City of Shreveport, as of December 31, 1999, and each of the related combined statements of revenue, expenses, and changes in retained earnings and cash flows for the year then ended, and have issued our report thereon dated March 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

KPMG LLP

March 17, 2000



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