

**Shreveport Home Mortgage Authority  
A Component Unit of the  
City of Shreveport**

**FINANCIAL STATEMENTS**

**December 31, 2017**



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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Shreveport Home Mortgage Authority  
Shreveport, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Shreveport Home Mortgage Authority (Authority), a component unit of the City of Shreveport, Louisiana which are comprised of a statement of net position as of December 31, 2017, and the statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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 the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shreveport Home Mortgage Authority, as of December 31, 2017, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana  
June 19, 2018



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**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Trustees  
Shreveport Home Mortgage Authority  
Shreveport, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Shreveport Home Mortgage Authority (Authority), a component unit of the City of Shreveport, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 19, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana  
June 19, 2018

# Shreveport Home Mortgage Authority Management's Discussion and Analysis (Unaudited)

## Introduction

This management's discussion and analysis of the financial performance of Shreveport Home Mortgage Authority (Authority) provides an overview of the Authority's financial activities for the year ended December 31, 2017. It should be read in conjunction with the accompanying financial statements of the Authority.

## Financial Highlights

The Authority's assets exceeded its liabilities by \$2,771,870 (net position) as of December 31, 2017, and the Authority's total net position decreased \$74,680, or 2.6% during 2017. Current year operating revenues and the receipt of principal payments on outstanding mortgage-backed securities and the note receivable were used to pay the debt service on the outstanding bonds.

Non-operating loss for 2017 was (\$53,498), compared to a non-operating loss of (\$42,830) in 2016 resulting in an overall change in net position of (\$74,680). This change is attributed to fair value adjustments made to 2003 Bonds in 2017 due to an unrealized loss of (\$53,498) compared to an unrealized loss of (\$42,830) in 2016.

## Using This Annual Report

This Authority's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority, but restricted for specific purposes.

### ***The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position***

One of the most important questions asked by the Authority's finances is: "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and its activities. The Authority's total net position—the difference between assets and liabilities—is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as local economic factors also should be considered to assess the overall financial health of the Authority.

## Shreveport Home Mortgage Authority Management's Discussion and Analysis (Unaudited)

### **Statement of Cash Flows**

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

### **The Authority's Net Position**

The Authority's net position is the difference between assets and liabilities reported in the statement of net position, as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

December 31,	2017	2016
<b>Assets</b>		
Current assets	\$ 2,388,181	\$ 2,308,560
Noncurrent assets	5,097,327	5,528,300
<b>Total assets</b>	<b>7,485,508</b>	<b>7,836,860</b>
<b>Liabilities</b>		
Current liabilities	187,130	173,444
Long-term liabilities	4,526,508	4,816,866
<b>Total Liabilities</b>	<b>4,713,638</b>	<b>4,990,310</b>
<b>Net position</b>		
Restricted	155,006	211,883
Unrestricted	2,616,864	2,634,667
<b>Total net position</b>	<b>\$ 2,771,870</b>	<b>\$ 2,846,550</b>

The total assets of the Authority decreased by \$351,352 in the current year. This corresponds to the current year decrease in total liabilities of \$276,672 and decrease in net position of \$74,680. As cash flows from mortgage-backed securities and outstanding notes are received, payments are made on the existing debt.

The Authority's net position was \$2,771,870 at December 31, 2017. Of this amount, \$2,616,864 was unrestricted and represents funds owned by the Authority and not associated with an individual bond issue. Restricted net position is reported separately to show those amounts restricted by, and the use thereof governed by, the trust indentures for each bond issue.

## Shreveport Home Mortgage Authority Management's Discussion and Analysis (Unaudited)

### Operating Results and Changes in the Authority's Net Position

In 2017, the Authority's net position decreased by (\$74,680) or 2.6%, compared to a (\$61,110) decrease in net position in 2016 as shown in Table 2. This decrease in net position is due mainly to a decrease in non-operating revenues of (\$10,668) and a decrease in expenses of approximately (\$13,433). As assets and liabilities decrease, interest earned and interest paid decreased as well.

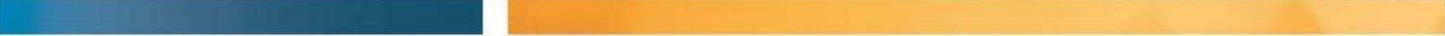
Table 2: Operating Results and Changes in Net Position

For the years ended December 31,	2017	2016
<b>Operating Revenues</b>		
Interest on mortgage-backed securities and note receivable	\$ 218,770	\$ 236,656
Other operating revenues	2,629	1,078
<b>Total operating revenues</b>	<b>221,399</b>	<b>237,734</b>
<b>Operating Expenses</b>		
Interest on bonds	212,366	226,143
Other operating expenses	30,215	29,871
<b>Total operating expenses</b>	<b>242,581</b>	<b>256,014</b>
<b>Operating income (loss)</b>	<b>(21,182)</b>	<b>(18,280)</b>
<b>Nonoperating gain (loss)</b>	<b>(53,498)</b>	<b>(42,830)</b>
<b>Increase (decrease) in net position</b>	<b>(74,680)</b>	<b>(61,110)</b>
<b>Net position, beginning of year</b>	<b>2,846,550</b>	<b>2,907,660</b>
<b>Net position, end of year</b>	<b>\$ 2,771,870</b>	<b>\$ 2,846,550</b>

### Debt Administration

During the year ended December 31, 2017, the Authority reduced its long-term debt by \$276,310. No new debt was issued in 2017.

The 2003 Issue is a limited obligation of the Authority, payable-solely from the pledged investments and the interest thereon. The Series 2003A Issue was redeemed through a Series 2003B Issue in 2004, 2005 and 2007. The bonds in the 2004 Issue (Multi-Family – Refunding) are secured by the



## Shreveport Home Mortgage Authority Management's Discussion and Analysis (Unaudited)

loan and by certain other resources and assets constituting the trust estate under the indenture. A credit enhancer also is contained in the trust indenture for the 2004 Multi-Family Issue that guarantees no loss will be incurred on the sale of the property should a default occur on the debt being serviced by the investor.

For additional information on debt see Note 5.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Mr. Travis Morehart, CPA, 1215 Hawn Avenue, Shreveport, Louisiana 71107.

**Shreveport Home Mortgage Authority**  
**Statement of Net Position**

*December 31,* 2017

Assets

Current assets	
Cash and cash equivalents	\$ 2,380,726
Accrued interest receivable	7,455
Total current assets	2,388,181
Noncurrent assets	
Investments	1,808,994
Note receivable	3,288,333
Total assets	7,485,508

Liabilities

Current liabilities	
Current portion of bonds payable	174,421
Accrued expenses	12,709
Total current liabilities	187,130
Bonds payable	4,526,508
Total liabilities	4,713,638

Net Position

Restricted for debt service	155,006
Unrestricted	2,616,864
Total net position	\$ 2,771,870

*See accompanying notes to the financial statements.*

**Shreveport Home Mortgage Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**

For the year ended December 31,	2017
Operating revenues	
Interest on mortgage-backed securities and note receivable	\$ 218,770
Other operating revenues	2,629
Total operating revenues	221,399
Operating expenses	
Interest on bonds	212,366
Administrative expenses	30,215
Total operating expenses	242,581
Operating loss	(21,182)
Nonoperating revenue	
Unrealized investment loss	(53,498)
Total nonoperating expenses	(53,498)
Decrease in net position	(74,680)
Net position, beginning of year	2,846,550
Net position, end of year	\$ 2,771,870

*See accompanying notes to the financial statements.*

**Shreveport Home Mortgage Authority**  
**Statement of Cash Flows**

<i>December 31,</i>	2017
<hr/>	
Operating activities	
Interest payments received	\$ 235,936
Principal payments received	345,628
Interest paid	(212,723)
Principal payments on bonds	(276,310)
Cash paid for administrative expenses	(30,215)
Other	2,629
<hr/>	
Net cash provided by operating activities	64,945
<hr/>	
Investing activities	
Purchases of investments	(305,638)
Proceeds from maturities and sales of investments	319,966
<hr/>	
Net cash provided by investing activities	14,328
<hr/>	
Net increase in cash and cash equivalents	79,273
<hr/>	
Cash and cash equivalents, beginning of year	2,301,453
<hr/>	
Cash and cash equivalents, end of year	\$ 2,380,726
<hr/>	
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (21,182)
Adjustments to reconcile operating loss to net provided by	
operating activities	
Principal payments received on mortgage loans and note receivable	345,628
Principal payments on bonds	(276,310)
Amortization of loan premium	17,514
Changes in operating assets and liabilities	
Accrued interest receivable	(348)
Accrued expenses	(357)
<hr/>	
Net cash provided by operating activities	\$ 64,945
<hr/>	
Schedule of Noncash Investing and Financing Activities	
Unrealized investment loss	\$ (53,498)
<hr/>	

*See accompanying notes to the financial statements.*

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations and Reporting Entity**

The Shreveport Home Mortgage Authority (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 (funded primarily by the issuance of debt) to assist in the financing of housing for person of low to moderate income in the City of Shreveport. Upon providing financing, the Authority invests funds in mortgage-backed securities, such as FNMA and GNMA mortgage pools consisting of loans originated in Shreveport.

The Authority began operations on September 14, 1979, and has since been involved in numerous bond issues with various issues (the Issues) still outstanding as discussed in Note 5.

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.

Government Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, as amended by GASB 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34* 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:

- Appointment of a voting majority of the governing board
- Organizations which are fiscally dependent
- 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 City government appoints the governing board, the Authority was determined to be a component unit of the City of Shreveport, Louisiana. The accompanying financial statements present information only on the funds maintained by the Authority and do not present information on the City of Shreveport.

The City of Shreveport, Louisiana issues audited financial statements, which include the activity contained in the accompanying financial statements.

## Shreveport Home Mortgage Authority Notes to Financial Statements

### ***Basis of Presentation***

The Authority prepares its financial statements as a business-type activity and accounts of the Authority are organized by bond issue series, each of which is considered a separate accounting entity. The operations of each issue are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses. The following fund types are utilized by the Authority:

- 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-backed securities 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.

Interest earned on the investments and mortgage-backed securities in the Mortgage Purchases Program Funds is initially accounted for in those funds. The interest is then transferred to the respective bond fund's operating account when collected. To the extent monies are not available from the principal payments received on the mortgage-backed securities, the respective bond fund's operations account transfers 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 basis of accounting whereby expenses are recognized when the liability is incurred and revenues are recognized when earned. The Authority's financial statements are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of the Authority are included on the statement of net position.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues of the Authority are interest charges on mortgage-backed securities and the note receivable. The principal operating expenses of the Authority are interest cost on outstanding bonds and administrative expenses.

### **Notes Receivable**

Notes receivable are stated at the outstanding principal balance. Interest income is recognized in accordance with the terms of the note. Notes past due more than 180 days, if any, are considered delinquent.

## Shreveport Home Mortgage Authority Notes to Financial Statements

### Provisions for Loan Losses

Provisions for losses on loans and accrued interest are charged to earning when it is determined that the investment in applicable assets is greater than their estimated net realizable value. At December 31, 2017, estimated losses on loans were not material and therefore, not recorded.

### Cash and Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2017, cash equivalents consisted primarily of money market accounts with brokers.

### Investments and Investment Income

Investments, including mortgage-backed securities and mutual funds, are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains, and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

### 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Net Position

Net position of the Authority is classified in two components. Net position restricted for debt service consists of funds that reserved for outstanding bond payable balances. Unrestricted net position is remaining assets that do not meet the definition of restricted for debt service.

### NOTE 2: Cash and cash equivalents

Cash deposits (including demand deposit accounts and bank deposit sweep program accounts at Raymond James) at December 31, 2017, had a carrying amount of \$2,380,726 (book balance) in the governmental funds.

The Authority's bank balance of deposits at December 31, 2017, is not exposed to any custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. All the Authority's deposits are covered by FDIC insurance.

## Shreveport Home Mortgage Authority Notes to Financial Statements

### NOTE 3: NOTE RECEIVABLE

The note receivable is a \$3,288,333 note in the 2004 Multi-Family Refunding Issue due from an investor and maturing September 1, 2025. The note receivable bears interest at a fixed rate of 6.5%. Total principal and interest payments ranging from \$161,225 to \$170,425 are made on a semiannual basis through February 15, 2025. A final principal payment of \$2,260,000, plus interest is due on February 15, 2023. The note is collateralized by land, buildings and fixtures of the investor. The note receivable is the security for the bonds.

### NOTE 4: DEPOSITS, INVESTMENTS AND INVESTMENT INCOME

State statutes authorized the Authority to invest in direct obligations of the United States Treasury, United States government agency obligations and Louisiana Asset Management Pool (LAMP), a local government investment pool. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana.

The investments with original maturities of three months or more are classified as investments. At December 31, 2017, the Authority held investments in FNMA and GNMA mortgage backed securities as seen in the following table.

The Authority's investment balance at December 31, 2017, consisted of the following:

Type	Fair Value	Maturities in Years				Level
		Less than 1	1 - 5	6 - 10	More than 10	
FNMA mortgage-backed securities	\$ 128,894	\$ -	\$ -	\$ 70,212	\$ 58,682	2
GNMA mortgage-backed securities	232,426	-	-	58,659	173,767	2
GNMA mortgage loan receivables	1,447,674	-	-	-	1,447,676	2
	<u>\$ 1,808,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,871</u>	<u>\$ 1,680,125</u>	

### Fair Value Measurements

GASB Statement No. 72, establishes a hierarchy of inputs to valuation techniques used to measure fair value. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The implementation of this new statement did not change the method of measuring the fair value of the Authority's assets. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1—Investments reflect prices quoted in active markets.
- Level 2—Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3—Investments reflect prices based upon unobservable sources.

## Shreveport Home Mortgage Authority Notes to Financial Statements

Although maturity of the FNMA and GNMA pass-through mortgage securities are greater than 10 years, there has been an acceleration of paying in full the mortgage certificates. The Authority has been using the accelerated payments to pay down the 2003 bonds. Actual maturities may differ materially from the schedule.

- Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits at least 65% of its investment portfolio to maturities of less than one-year (excluding mortgage certificates) and a maximum of 35% to maturities of one to more than 10 years (excluding mortgage certificates).
- Credit Risk – Is the risk that the issuer or other counterparty to an investment will not fulfil its obligations. All mortgage-backed securities are guaranteed by FNMA or GNMA. The Authority's investment policy requires all securities to be investment-grade obligations. At December 31, 2017, the Authority's investments in money market mutual funds were rated Aaa by Moody's Investor's Service and AAAm-G by Standard & Poor's. Investment in FNMA and GNMA pass-through mortgage certificates are not used.
- Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority's investments are not subject to custodial credit risk.
- Concentration of Credit Risk – The Authority does not limit the amount that may be invested in any one issuer.

Applicable state statutes do not address credit quality ratings, concentration of credit risk by issuer or investment maturity limitations.

### ***Investment Income***

Investment income, including amounts earned on mortgage-backed securities and the note receivables for the year ended December 31, 2017, consists of:

Operating Revenues		
Interest on mortgage-backed securities and note receivable	\$	236,284
Nonoperating expenses		
Unrealized Investment loss		(53,498)
	\$	<u>182,786</u>

## Shreveport Home Mortgage Authority Notes to Financial Statements

### NOTE 5: BONDS PAYABLE

Bonds payable at December 31, 2017, consisted of:

2004 Issue (Multi-Family -Refunding) - Multi-Family Housing Revenue Refunding Bonds, 2004 dated February 1, 2004 - \$4,360,000 at a variable interest rate that can change weekly, based on a published rate by Raymond James (1.64% at December 31, 2017) due February 15, 2033.	\$ 3,330,000
2003 Issue (Single Family) - Single Family Mortgage Revenue Bonds, 2003A (Redeemed) and 2003B dated August 1, 2003 - \$7,500,000 Revenue Refunding Bonds at interest rates of 4.57% - 5.37%, due April 1, 2037 (payments have been accelerated and estimated pay-off will be different than original maturity date).	1,370,929
Balances at January 1, 2017	4,700,929
Less current maturities	(174,421)
	\$ 4,526,508

A schedule of changes in long-term debt for the year ended December 31, 2017 is as follows:

Balances at January 1, 2016	\$ 4,977,239
Additions	-
Deletions - cash payments	(276,310)
Balances at December 31, 2017	\$ 4,700,929

Debt service requirements as of December 31, 2017 are as follows:

<i>Years Ending December 31,</i>	Total to be Paid	Principal	Interest
2018	\$ 388,614	\$ 174,421	\$ 214,193
2019	383,453	177,416	206,037
2020	398,079	200,577	197,502
2021	392,059	203,911	188,148
2022	392,327	217,429	174,898
2023-2024	4,118,727	3,727,175	391,552
	\$ 6,073,259	\$ 4,700,929	\$ 1,372,330

## Shreveport Home Mortgage Authority Notes to Financial Statements

The bonds in the 2004 Issue (Multi-Family-Refunding) 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.

On February 1, 2004, the Authority issued \$4,360,000 in bonds, the 2004 Multi-Family Housing Revenue Refunding Bonds, to advance refund \$4,360,000 of the 1995 Multi-Family Issue. Bond costs of \$130,569 were paid by the Authority. At December 31, 2017, the principal outstanding on the 2004 bonds was \$3,330,000.

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.

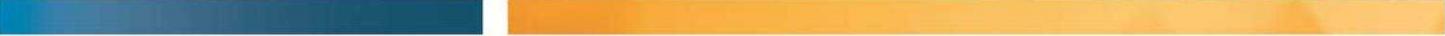
### **NOTE 6: RESTRICTED ASSETS**

A substantial portion of the amounts reflected in the statement of net position 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 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.

### **NOTE 7: SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

Act 706 of the Regular Legislative Session requires the total compensation, reimbursements, and benefits of an agency head be reported as a supplemental report within the financial statement. This note serves as the report. The Agency Head of the Authority is the Chairman of the Board of Trustees. Lydia Jackson is the Chairman of the Board of Trustees. For the year ending December 31, 2017, Lydia Jackson received no compensation, benefits or other payments during this time period.



## Shreveport Home Mortgage Authority Schedule of Findings and Questioned Costs

### **CURRENT YEAR FINDINGS AND QUESTIONED COSTS**

#### Section I - Internal Control and Compliance Material to the Financial Statements

No findings have been reported in the current year.

#### Section II - Internal Control and Compliance Material to Federal Awards.

N/A

#### Section III -- Management Letter

No management letter was issued.

### **PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

#### Section I - Internal Control and Compliance Material to the Financial Statements

None

#### Section II - Internal Control and Compliance Material to Federal Awards

N/A

#### Section III -- Management Letter

No management letter was issued.