

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

FINANCIAL STATEMENTS

December 31, 2018



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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 comprise the statement of net position as of December 31, 2018, 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, 2018, 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 24, 2019, 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 24, 2019



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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, 2018, 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 24, 2019.

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, of 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 24, 2019

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, 2018. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

The Authority's assets exceeded its liabilities by \$2,700,265 (net position) as of December 31, 2018, and the Authority's total net position decreased \$71,605, or 2.6% during 2018. 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 profit for 2018 was (\$73,939), compared to a non-operating loss of (\$53,498) in 2017 resulting in an overall change in net position of (\$71,605). This change is attributed to fair value adjustments made to 2003 Bonds in 2018 due to an unrealized loss of (\$73,939) compared to an unrealized loss of (\$53,498) in 2017.

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,	2018	2017
Assets		
Current assets	\$ 2,356,005	\$ 2,388,181
Noncurrent assets	4,781,549	5,097,327
Total assets	7,137,554	7,485,508
Liabilities		
Current liabilities	195,627	187,130
Long-term liabilities	4,241,662	4,526,508
Total Liabilities	4,437,289	4,713,638
Net position		
Restricted	94,774	155,006
Unrestricted	2,605,491	2,616,864
Total net position	\$ 2,700,265	\$ 2,771,870

The total assets of the Authority decreased by \$347,954 in the current year. This corresponds to the current year decrease in total liabilities of \$276,349 and decrease in net position of \$71,605. 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 \$2,700,265 at December 31, 2018. Of this amount, \$2,605,491 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 2018, the Authority's net position decreased by (\$71,605) or 2.6%, compared to a (\$74,680) decrease in net position in 2017 as shown in Table 2. This decrease in net position is due mainly to a decrease in non-operating revenues of (\$73,939) and a decrease in expenses of approximately (\$13,045). As assets and liabilities decrease, interest earned and interest paid decrease as well.

Table 2: Operating Results and Changes in Net Position

For the years ended December 31,	2018	2017
Operating Revenues		
Interest on mortgage-backed securities and note receivable	\$ 219,713	\$ 218,770
Other operating revenues	12,157	2,629
Total operating revenues	231,870	221,399
Operating Expenses		
Interest on bonds	199,626	212,366
Other operating expenses	29,910	30,215
Total operating expenses	229,536	242,581
Operating income (loss)	2,334	(21,182)
Nonoperating gain (loss)	(73,939)	(53,498)
Increase (decrease) in net position	(71,605)	(74,680)
Net position, beginning of year	2,771,870	2,846,550
Net position, end of year	\$ 2,700,265	\$ 2,771,870

Debt Administration

During the year ended December 31, 2018, the Authority reduced its long-term debt by \$284,846. No new debt was issued in 2018.

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 loan and by certain other resources and assets constituting the trust estate under the indenture.



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

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

<i>December 31,</i>	2018
<hr/>	
Assets	
Current assets	
Cash and cash equivalents	\$ 2,348,074
Accrued interest receivable	7,931
Total current assets	<hr/> 2,356,005 <hr/>
Noncurrent assets	
Investments	1,613,216
Note receivable	3,168,333
Total assets	<hr/> 7,137,554 <hr/>
Liabilities	
Current liabilities	
Current portion of bonds payable	183,021
Accrued expenses	12,606
Total current liabilities	<hr/> 195,627 <hr/>
Bonds payable	<hr/> 4,241,662 <hr/>
Total liabilities	<hr/> 4,437,289 <hr/>
Net Position	
Restricted for debt service	94,774
Unrestricted	2,605,491
Total net position	<hr/> \$ 2,700,265 <hr/> <hr/>

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,	2018
<hr/>	
Operating revenues	
Interest on mortgage-backed securities and note receivable	\$ 219,713
Other operating revenues	12,157
<hr/>	
Total operating revenues	231,870
Operating expenses	
Interest on bonds	199,626
Administrative expenses	29,910
<hr/>	
Total operating expenses	229,536
<hr/>	
Operating profit	2,334
Nonoperating revenue	
Unrealized investment loss	(73,939)
<hr/>	
Total nonoperating expenses	(73,939)
<hr/>	
Decrease in net position	(71,605)
Net position, beginning of year	2,771,870
Net position, end of year	\$ 2,700,265
<hr/> <hr/>	

See accompanying notes to the financial statements.

Shreveport Home Mortgage Authority
Statement of Cash Flows

<i>December 31,</i>	2018
<hr/>	
Operating activities	
Interest payments received	\$ 219,237
Principal payments received	265,278
Interest paid	(199,731)
Principal payments on bonds	(276,249)
Cash paid for administrative expenses	(29,910)
Other	12,157
<hr/>	
Net cash used in operating activities	(9,218)
<hr/>	
Investing activities	
Purchases of investments	(54,608)
Proceeds from maturities and sales of investments	31,174
<hr/>	
Net cash provided by investing activities	(23,434)
<hr/>	
Net increase in cash and cash equivalents	(32,652)
<hr/>	
Cash and cash equivalents, beginning of year	2,380,726
<hr/>	
Cash and cash equivalents, end of year	\$ 2,348,074
<hr/> <hr/>	
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ 2,334
Adjustments to reconcile operating loss to net provided by operating activities	
Principal payments received on mortgage loans and note receivable	265,278
Principal payments on bonds	(276,249)
Amortization of loan premium	-
Changes in operating assets and liabilities	
Accrued interest receivable	(483)
Accrued expenses	(98)
<hr/>	
Net cash provided by operating activities	\$ (9,218)
<hr/> <hr/>	
Schedule of Noncash Investing and Financing Activities	
Unrealized investment loss	\$ (73,939)
<hr/> <hr/>	

See accompanying notes to the financial statements.

Shreveport Home Mortgage Authority Notes to 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

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 receipts on mortgage-backed securities and the note receivable. The principal operating expenses of the Authority are interest charges 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.

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

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, 2018, 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, 2018, 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, 2018, had a carrying amount of \$2,348,074 (book balance) in the governmental funds.

Shreveport Home Mortgage Authority Notes to Financial Statements

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

The Authority's bank balance of deposits at December 31, 2018, 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.

NOTE 3: NOTE RECEIVABLE

The note receivable is a \$3,168,333 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, 2018, 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, 2018, 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	\$ 112,947	\$ -	\$ -	\$ 112,947	\$ -	2
GNMA mortgage-backed securities	197,872	-	-	197,872	-	2
GNMA mortgage loan receivables	1,302,397	-	-	-	1,245,653	2
	<u>\$ 1,613,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,819</u>	<u>\$ 1,245,653</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.

NOTE 4: DEPOSITS, INVESTMENTS AND INVESTMENT INCOME (CONTINUED)

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.

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 fulfill 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.

Shreveport Home Mortgage Authority Notes to Financial Statements

NOTE 4: DEPOSITS, INVESTMENTS AND INVESTMENT INCOME (CONTINUED)

Investment Income

Investment income, including amounts earned on mortgage-backed securities and the note receivables for the year ended December 31, 2018, consists of:

Operating Revenues		
Interest on mortgage-backed securities and note receivable	\$	219,713
Nonoperating expenses		
Unrealized Investment loss		(73,939)
	\$	<u>145,774</u>

NOTE 5: BONDS PAYABLE

Bonds payable at December 31, 2018, consisted of:

		2018
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.	\$	3,210,000
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).		<u>1,214,683</u>
Balances at December 31, 2018		4,424,683
Less current maturities		<u>(183,021)</u>
	\$	<u>4,241,662</u>

A schedule of changes in long-term debt for the year ended December 31, 2018 is as follows:

Balances at January 1, 2018	\$	4,700,932
Additions		-
Deletions - cash payments		<u>(276,249)</u>
Balances at December 31, 2018	\$	<u>4,424,683</u>

Shreveport Home Mortgage Authority
Notes to Financial Statements

NOTE 5: BONDS PAYABLE (CONTINUED)

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

<i>Years Ending December 31,</i>	Total to be Paid	Principal	Interest
2019	\$ 383,454	\$ 183,021	\$ 200,432
2020	398,079	206,490	191,589
2021	392,059	210,150	181,909
2022	391,461	219,385	172,076
2023	2,834,185	2,727,869	106,316
Thereafter	877,769	877,768	-
	<u>\$ 5,277,007</u>	<u>\$ 4,424,683</u>	<u>\$ 852,322</u>

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, 2018, the principal outstanding on the 2004 bonds was \$3,210,000.

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.



Shreveport Home Mortgage Authority Notes to Financial Statements

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, 2018, Lydia Jackson received no compensation, benefits or other payments during this time period.

NOTES 8: SUBSEQUENT EVENTS

In March 2019, Shreveport Home Mortgage Authority received the full amount of the outstanding notes receivable at year end and subsequently paid off the remaining amount of outstanding bonds.

Management has evaluated subsequent events through June 24, 2019, the date the financial statements were available to be issued.



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.