

HAMMOND-TANGIPAHOA HOME
MORTGAGE AUTHORITY

COMPILED FINANCIAL STATEMENTS

JUNE 30, 2018

HAMMOND, LOUISIANA

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Independent Accountant's Compilation Report

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

Management is responsible for the accompanying financial statements of the business-type activity of the Hammond-Tangipahoa Home Mortgage Authority (the Authority) as of and for the year ended June 30, 2018, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has omitted the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Baton Rouge, Louisiana
September 25, 2018

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

BALANCE SHEET

AS OF JUNE 30, 2018

ASSETS

Cash and Cash Equivalents	\$ 13,509
Certificates of Deposit	1,126,007
Investments	230,294
Accrued Interest Receivable	<u>2,154</u>
Total Assets	<u>\$ 1,371,964</u>

LIABILITIES AND NET POSITION

Liabilities:

Accounts Payable	<u>\$ 1,402</u>
Total Liabilities	1,402

Net Position:

Unrestricted	<u>1,370,562</u>
Total Net Position	<u>1,370,562</u>
Total Liabilities and Net Position	<u>\$ 1,371,964</u>

See independent accountant's compilation report.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

FOR THE YEAR ENDED JUNE 30, 2018

Operating Revenues:

Investment Income:	
Interest Earned	\$ 23,045
Change in Market Value-Investments	(20,769)
Other Income	<u>6,769</u>
Total Operating Revenues	9,045

Operating Expenses:

Professional fees	33,852
Board Per Diem Expense	<u>4,800</u>
Total Operating Expenses	<u>38,652</u>
Change in Net Position	(29,607)
Net Position - Beginning of Year	<u>1,400,169</u>
Net Position - End of Year	<u><u>\$ 1,370,562</u></u>

See independent accountant's compilation report.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows From Operating Activities:

Cash Receipts for:

Investment and Mortgage Loan Income \$ 22,860

Other Income 6,769

Cash Payments for:

Other Expenses (38,652)

Net Cash Used in Operating Activities (9,023)

Cash Flows From Investing Activities:

Purchase of Certificates of Deposits (723,683)

Proceeds from Maturities, Sales and Paydowns
of Investments and Certificates of Deposits 124,975

Net Cash Used in Investing Activities (598,708)

Net Decrease in Cash and Cash Equivalents (607,731)

Cash and Cash Equivalents at Beginning of Year 621,240

Cash and Cash Equivalents at End of Year \$ 13,509

Cash Flows From Operating Activities:

Change in Net Position \$ (29,607)

Adjustments to Reconcile Change in Net Position to Net

Cash Provided by Operating Activities:

Net Realized and Unrealized (Gains) Losses on Investments 20,769

Changes in Assets and Liabilities:

(Increase) in Accrued Interest Receivable (185)

Net Cash Used in Operating Activities \$ (9,023)

See independent accountant's compilation report.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(1) Summary of Significant Accounting Policies and Nature of Operations

(A) Organization of Authority -

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

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

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

(B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

Financial Reporting Entity

GASB Statement 61 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of these Statements, the Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. The Authority also has no component units, defined by GASB Statement 61 as other legally separate organizations for which the Authority members are financially accountable.

Measurement Focus - The Authority's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. These statements established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of activities and changes in net position and a statement of cash flows.

See independent accountant's compilation report.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. The Authority has no governmental or fiduciary funds.

Basis of Accounting - The Authority uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred or economic asset used.

The Authority’s principal operating revenues are the interest and change in fair value related to investments and mortgage backed securities.

The Authority complies with accounting principles generally accepted in the United States of America (GAAP) by applying all relevant Governmental Accounting Standards Board (GASB) pronouncements. As the Authority and its mortgage revenue bond programs are considered to be proprietary fund types, the Authority follows the guidance included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 1989 FASB and AICPA Pronouncements*.

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

The following fund is maintained by the Authority:

Residual Fund

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

Use of Estimates

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

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

Investment Securities and Securitized Mortgage Loans

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

Statement of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include certificates of deposit and all highly liquid debt instruments with maturities of three months or less when purchased.

(2) Cash and Cash Equivalents

Cash and certificates of deposit (with a maturity of less than three months) are stated at cost which approximates market value. Permissible types of cash instruments for the Mortgage Revenue Bond Funds (MRB programs) are stipulated in the respective trust indentures. State statutes set forth the permissible types of cash instruments for the residual fund. Under the statutes, the Authority may deposit funds in state banks organized under the laws of Louisiana and national banks with principal offices located within Louisiana. The Authority also has funds classified as "Cash and Cash Equivalents" on the Balance Sheet which represent interest in money market mutual funds.

Deposits in financial institutions including those on deposit at the Trustee Banks may be exposed to custodial credit risk. Custodial credit risk is the risk that funds may not be recovered by a depositor upon failure of the financial institution. At June 30, 2018, the Authority had bank deposits (consisting of demand deposits) with aggregate bank balances of \$13,509 and carrying amounts of \$13,509. None of the Authority's bank balances was exposed to custodial credit risk as of June 30, 2018 since it was completely insured by FDIC/SIPC insurance or invested in United States Treasury backed money market funds.

HAMMOND-TANGIPAOA HOME MORTGAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

(3) Investments and Long-Term Certificates of Deposits -

The Authority's investments including Long-Term Certificates of Deposits at June 30, 2018 are recorded at fair value as summarized below:

<u>Investment Type/Issuer</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>% of Investments (Fair Value)</u>	<u>Expected Maturity/ Duration</u>
Certificates of Deposit	\$1,140,000	\$1,126,007	Not Rated	83.02%	1-10 years
Municipal Bond - Public Impt.	25,000	25,035	AA-	1.85%	5 years
Government National Mortgage Association REMIC	10,764	11,185	Not Rated	0.82%	>10 years
Federal National Mortgage Association Pool	59,040	59,358	Not Rated	4.38%	>10 years
Federal Farm Credit Bank	90,000	89,745	AA+	6.62%	>5 years
Municipal Bond-Refunding	<u>45,000</u>	<u>44,971</u>	AAA	<u>3.31%</u>	1 year
Total Investments	<u>\$1,369,804</u>	<u>\$1,356,301</u>		<u>100.00%</u>	

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, an entity will not be able to recover the value of its investments that are in possession of an outside party. At June 30, 2018, the Authority's investments in government debt obligations are not subject to custodial credit risk. As of June 30, 2018, none of the Authority's certificates of deposit balance of \$1,126,007 was exposed to custodial risk because it was completely covered by FDIC insurance.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will be unable to meet its obligations. Bond ratings from the nationally recognized rating agencies provide an indicator of the credit risk of debt annuities. Credit risk is minimized by investing in U.S. Government Agency obligations which carry the explicit guarantee of the U.S. government.

Interest Rate Risk: The risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority measures and monitors this risk by investing in the majority of securities with an expected maturity of 1 to 10 years, taking into consideration the prepayment speed of mortgage backed securities which can result in an expected maturity well ahead of the contractual maturity.

Fair Value of Financial Instruments: The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Brokered Certificates of Deposit	\$ 1,126,007	\$ -	\$ -	\$ 1,126,007
Mortgage-Backed Securities	-	70,543	-	70,543
Municipal Government Obligations	-	70,006	-	70,006
Federal Farm Credit Bank	-	89,745	-	89,745
	<u>\$ 1,126,007</u>	<u>\$ 230,294</u>	<u>\$ -</u>	<u>\$ 1,356,301</u>

(4) Bonds Payable

The Authority issues revenue bonds to assist in the financing of housing needs in the Parish of Tangipahoa, State of Louisiana. The bonds were limited obligations of the Authority, payable only from the assets, income, revenues and receipts derived from the mortgage loans and other investments held under and pursuant to the trust indentures and pledged therefore. The issuance of debt for the financing of projects by the Authority is subject to the approval of the Louisiana State Bond Commission. Bonds are issued under various bond resolutions adopted by the Authority to provide financing for qualified single family residences. As of June 30, 2018 the Authority has no outstanding bonds payable.

(5) Board of Trustees Expenses

The appointed members of the Authority's Board of Trustees receive a per diem payment for meetings attended and services rendered, and are also reimbursed for their actual expenses incurred in the performance of their duties as Trustees. For the year ended June 30, 2018, the following per diem payments were made to the members of the Authority's Board:

Stan Dameron	\$ 1,200
Sandy Davis	1,200
Andrew Gasaway	1,200
Stella Remble	<u>1,200</u>
	<u>\$ 4,800</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

(6) Schedule of Compensation, Benefits, and Other Payments to Chairman of the Board of Trustees

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by Stan Dameron, Chairman of the Board of Trustees, who was the acting agency head for the year ended June 30, 2018:

Per Diem	\$ 1,200
Benefit Insurance	-
Travel Reimbursements	-
Conferences	-
Meals	-
Total Compensation	<u>\$ 1,200</u>

(7) Summary Schedule of Prior Year Findings

There were no findings to be reported in a summary schedule of prior year findings.

(8) Subsequent Events

The Authority evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through September 25, 2018, the date which the financial statements were available to be issued.