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SHREVEPORT HOME MORTGAGE AUTHORITY

(a component unit of the City of Shreveport)

Financial Statements

December 31, 2006

(With Independent Auditors' Report Thereon)

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

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

Management's Discussion and Analysis

December 31, 2006

The Management's Discussion and Analysis (MD&A) of the Shreveport Home Mortgage Authority (the Authority) provides an overview and overall review of the financial activities of the Authority for the year ended December 31, 2006. The intent of the MD&A is to look at the Authority's financial performance as a whole. It should, therefore, be read in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

The Authority's total net assets increased $66,143 or 2.0%. Over the course of this year's operations, current year operating revenues and receipt of principal payments on outstanding mortgage loans and the note receivable were used to pay the debt service on the outstanding bonds.

Interest received on mortgage loans and the note receivable decreased in 2006. For the year ended December 31, 2006, interest income decreased approximately $39,000. This decrease is attributable to the $1.9 million decrease in outstanding mortgage loans.

Overview of the Financial Statements

This financial report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements provide information on the Authority's financial status. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis of the Authority

The analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the Authority's activities.

Table 1

Net Assets		2006	2005
Current assets	$	2,363,155	2,632,311
Noncurrent assets		13,734,610	15,568,879
Total assets		16,097,765	18,201,190
Current liabilities		726,518	1,250,079
Long-term liabilities		12,014,616	13,660,623
Total liabilities		12,741,134	14,910,702
Net assets:			
Restricted		2,274,228	2,229,048
Unrestricted		1,082,403	1,061,440
Total net assets	$	3,356,631	3,290,488

SHREVEPORT HOME MORTGAGE AUTHORITY
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Management's Discussion and Analysis

December 31, 2006

The total assets of the Authority decreased by $2,103,425 in the current year. This corresponds to the current year decrease in total liabilities of $2,169,568. As the notes receivable are collected, payments are made on the outstanding debt.

The Authority's net assets were $3,356,631 at December 31, 2006. Of this amount, $1,082,403 was unrestricted and represents funds owned by the Authority and not associated with an individual issue. Restricted net assets are reported separately to show those amounts restricted by, and the use thereof governed by, the Trust Indenture for each bond issue.

Table 2

Changes in Net Assets		**2006**	**2005**
Operating revenues:			
Interest on mortgage loans and note receivable	$	726,945	766,325
Total operating revenues		726,945	766,325
Operating expenses:			
Interest on bonds		724,093	794,544
Other operating expenses		66,488	108,956
Total operating expenses		790,581	903,500
Operating loss		(63,636)	(137,175)
Nonoperating revenues		129,779	150,165
Change in net assets	$	66,143	12,990

Interest income from mortgage loans and note receivable decreased $39,380 during the current year and the interest expense on bonds payable decreased $70,451. These decreases are occurring because of the decreasing mortgage loans receivable and the reduction of bonds payable.

Nonoperating revenues decreased by $20,386.

(Continued)

SHREVEPORT HOME MORTGAGE AUTHORITY
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Management's Discussion and Analysis
December 31, 2006

Debt Administration

At December 31, 2006, the Authority had outstanding bonded indebtedness of $12,510,599 as compared to $14,669,885 at December 31, 2005. The current year changes in outstanding bonded indebtedness are the result of scheduled principal payments, bond discount accretion, and early call of bonds. In addition to scheduled principal and interest payments, $745,000 of the Single Family Mortgage Revenue Bonds Series A (1995 Issue) and $185,000 of the Single Family Mortgage Revenue (1984 Issue) were called for redemption at a redemption price of 100% of the principal amount called. The bonds, net of any unaccreted discount, consisted of the following at December 31:

Outstanding Debt		2006	2005
Single Family Mortgage Revenue Bonds (1984 Issue)	$	7,203	66,179
Collateralized Mortgage Refunding Bonds (1988 Issue)		110,238	945,097
Single Family Mortgage Revenue Refunding Bonds (1995 Issue)		1,750,000	2,495,000
Single Family Mortgage Revenue Bonds (2003 Issue)		6,423,158	6,883,609
Multi-Family Housing Revenue Refunding Bonds (2004 Issue)		4,220,000	4,280,000

The bonds in the 1984, 1988, and 1995 Issues (Single Family – Refunding) 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. These bonds have maintained a Moody's AAA rating. The 2003 Issue is a limited obligation of the Authority, payable solely from the pledged investments and the interest thereon. The Series 2003A Issue will be redeemed through a Series 2003B Issue by February 1, 2007. These bonds have maintained a Standard and Poor's Aaa rating. 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. A credit enhancer is also contained in the Trust Indenture for the 2004 Multi-Family Issue 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. These bonds have maintained a Standard and Poor's Aaa rating.

For additional information on debt, see note 5 on page 14.

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 requests for additional financial information should be addressed to Mr. James A. Burnett, 1400 Youree Drive, Shreveport, Louisiana 71101-4197.

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Suite 1900
333 Texas Street
Shreveport, LA 71101-3692

Independent Auditors' Report

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

We were engaged to audit the accompanying financial statements of the Shreveport Home Mortgage Authority (the Authority), a component unit of the City of Shreveport, Louisiana, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management.

We were engaged to conduct 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shreveport Home Mortgage Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. As noted in the following paragraphs, we were unable to express an opinion on the financial statements.

We were unable to obtain third party confirmation of a portion of the outstanding mortgage loans receivable balance, information regarding the mortgage loans where taxes have not been paid, information regarding the adequacy of hazard insurance policies on outstanding mortgage loans, and information from the mortgage loans servicers relative to audit procedures performed by their independent public accountants. The Authority's records do not permit the application of other auditing procedures to mortgage receivable balances.

Since we were unable to obtain sufficient audit evidence relative to mortgage loans receivables and we were not able to apply other auditing procedures to satisfy ourselves as to balance outstanding of mortgage loans receivable, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2008 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed as Required Supplementary Information in the table of contents is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

September 16, 2008

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

Statement of Net Assets

December 31, 2006

Assets		
Current assets:		
Cash and cash equivalents	$	1,824,048
Current portion of mortgage loans receivable, net		478,695
Accrued interest receivable		56,896
Other assets		3,516
Total current assets		2,363,155
Noncurrent assets:		
Investment securities		718,863
Mortgage loans receivable, net		8,348,927
Note receivable		4,200,000
Bond issuance costs, net		466,820
Total noncurrent assets		13,734,610
Total assets		16,097,765
Liabilities		
Current liabilities:		
Current portion of bonds payable, net of unaccreted discount		576,463
Accounts payable		41,919
Accrued interest payable		101,113
Total current liabilities		719,495
Noncurrent liabilities:		
Bonds payable, net of unaccreted discount		11,934,136
Other		87,503
Total noncurrent liabilities		12,021,639
Total liabilities		12,741,134
Net Assets		
Restricted for debt service		2,274,228
Unrestricted		1,082,403
Total net assets	$	3,356,631

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended December 31, 2006

Operating revenues:		
Interest on mortgage loans and note receivable	$	726,945
Total operating revenues		726,945
Operating expenses:		
Interest on bonds		724,093
Amortization of issuance costs		20,169
Administrative expenses		46,319
Total operating expenses		790,581
Operating loss		(63,636)
Nonoperating revenues:		
Interest on investments		123,705
Other		6,074
Total nonoperating revenues		129,779
Change in net assets		66,143
Net assets, beginning of year		3,290,488
Net assets, end of year	$	3,356,631

See accompanying notes to financial statements.

SHREVEPORT HOME MORTGAGE AUTHORITY
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Statement of Cash Flows

Year ended December 31, 2006

Cash flows from operating activities:		
Interest payments received on mortgage loans and note receivable	$	732,201
Principal payments received on mortgage loans and note receivable		1,984,720
Interest paid		(723,722)
Principal payments on bonds		(2,181,367)
Cash paid for administrative expenses		(53,912)
Other		34,044
Net cash used in operating activities		(208,036)
Cash flows from investing activities:		
Interest income received		123,705
Purchases of investments		(858,600)
Proceeds from maturities and sales of investments		927,059
Net cash provided by investing activities		192,164
Net decrease in cash and cash equivalents		(15,872)
Cash and cash equivalents, beginning of year		1,839,920
Cash and cash equivalents, end of year	$	1,824,048
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(63,636)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Principal payments received on mortgage loans and note receivable		1,984,720
Principal payments on bonds		(2,181,367)
Bond discount accretion		22,081
Amortization of bond issuance costs		19,944
Loan discount accretion		(22,526)
Amortization of loan premium		17,514
Net increase in other assets		9,174
Net increase in accrued interest receivable		10,268
Net increase in other liabilities		(10,282)
Other		6,074
Net cash used in operating activities	$	(208,036)

See accompanying notes to financial statements.

(1) Summary of Accounting Policies

(a) 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
December 7, 1995	Single Family Mortgage Revenue Refunding Bonds (1995 Issue)		9,450,000
August 26, 2003	Single Family Mortgage Revenue Bonds (Series 2003A Issue)		7,500,000
February 1, 2004	Multi-Family Housing Revenue Refunding Bonds (2004 Issue)		4,360,000

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.

(b) Basis of Presentation

The accounts of the Authority are organized by issue, 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 assets, 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 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 semi-annual 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.

(c) ***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. The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The operating statements present increases (revenues) and decreases (expenses) in net 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).

The Authority distinguishes operating revenues and expenses from nonoperating 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 loans and the note receivable. The Authority also recognizes as operating revenue annual fees (i.e., foreclosure fees, issuer fees) to recover costs associated with administering the mortgage loans and note receivable and foreclosures. The principal operating expenses of the Authority are interest cost on outstanding bonds, related amortization of discount and issue cost, and administration expenses.

(Continued)

(d) Investment Securities

Investments are reported at fair value on the statement of assets. 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.

(e) 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.

(f) Mortgage Loan Discount

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

(g) 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, 2006, estimated losses on loans were not material.

(h) 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 90 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 90 days of their purchase.

(i) Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of financial position and revenue and expenses for the period. Actual results could differ from those estimates.

(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 1984 Issue and Operating Account mortgage loans have a face value of $221,075 and $5,611, respectively, at December 31, 2006. The 1988 Issue mortgage loans have a face value of $1,624,044, which is reduced by an unamortized discount of $980,731 at December 31, 2006.

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 is insured under master policies of supplemental mortgage insurance obtained from LNA 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 Genworth 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, 2006 were $1,678,262 and $1,863,838, respectively.

As the principal and interest payments on the GNMA and FNMA certificates of the 2003 Issue (Single Family) are fully guaranteed by the GNMA and FNMA, the Authority is not responsible for mortgage loan insurance for the mortgage loans in the 2003 Issue (Single Family). The carrying and market values of the 2003 Issue (Single Family) GNMA and FNMA certificates at December 31, 2006 were $6,279,361 and $5,830,154, respectively.

(3) Note Receivable

The note receivable is a $4,200,000 note in the 2004 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. 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. 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.

(4) Cash and Cash Equivalents and Investment Securities

The Authority maintains cash deposits and investments for each bond issuance. Each type is displayed on the Statement of Net Assets as "Cash and cash equivalents" or "Investment securities".

(a) Deposits

Deposits (including demand deposit accounts and certificates of deposits) at December 31, 2006 for the Authority are summarized as follows:

Carrying Amount	Bank Balance
$5,030	$5,030

The Authority's bank balance of deposits at December 31, 2006 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. The Authority does not have a written policy for custodial credit risk.

(b) Investments

State statutes authorize 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 Authority's investment balance at December 31, 2006 consisted of the following:

Security	Rating	Percentage of total portfolio	Fair market value	Months to maturity 0 - 6	6 - 12	12 - 24	Over 24
JP Morgan US Treasury Plus Money Market	N/A	69%	$ 1,743,974	1,743,974	—	—	—
Hancock Horizon Treasury Money Market Account	N/A	2%	55,043	55,043	—	—	—
Federated Treasury Obligation IS Fund	N/A	1%	20,000	20,000	—	—	—
Bank One, Mbank Investment Agreements	N/A	3%	74,204	—	—	—	74,204
Bayerische Landesbank Investment Agreements	N/A	11%	269,407	—	—	—	269,407
XL Asset Funding Company Investment	N/A	15%	375,253	375,253	—	—	—
Total		100%	$ 2,537,881	2,194,270	—	—	343,611
Percentage of Portfolio Value			100%	86%	0%	0%	14%

The investments with original maturities of three months or more when purchased totaling $718,863 are classified as "Investment securities" on the Statement of Net Assets. The remaining investments totaling $1,819,018 are classified as "Cash and cash equivalents" on the Statement of Net Assets as these funds are money market funds.

The Authority's investment policy requires all securities to be investment grade obligations, but does not address specific credit quality ratings. The Authority does not limit the amount that may be invested in securities of any one issuer. Applicable state statutes do not address credit quality ratings, concentration of credit risk by issuer, or investment maturity limitations.

(Continued)

(5) Bonds Payable

Bonds payable at December 31, 2006 consists of:

2004 Issue (Multi-Family – Refunding) – Multi-Family Housing Revenue Refunding Bonds, 2004 dated February 1, 2004 – $4,360,000 at an interest rate of 6.5%	$	4,220,000
2003 Issue (Single Family) – Single Family Mortgage Revenue Bonds, 2003A and 2003B dated August 1, 2003 – $7,500,000 Revenue Refunding Bonds at interest rates of 4.57% to 5.37% due April 1, 2037		6,423,158
1995 Issue (Single Family – Refunding) – Single Family Mortgage Revenue Refunding Bonds, 1995A dated December 1, 1995 – $545,000; Current Interest Bonds due serially each August 1 until 2006 at interest rates of 4.25% to 5.2%; $5,450,000 Term Bonds due August 2028 at an interest rate of 6.0%		1,750,000
1988 Issue (Refunding) – Taxable Collateralized Mortgage Refunding Bonds, Series 1988A 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%		1,126,201
Unaccreted discount		(1,015,963)
		110,238
1984 Issue (Single Family) – Single Family Mortgage Revenue Bonds, Series 1984A dated November 1, 1984; Compound Interest Term Bonds due May 1, 2016, at an approximate yield of 11.25%		20,000
Unaccreted discount		(12,797)
		7,203
Total bonds payable, net of unaccreted discount		12,510,599
Less current portion of bonds payable, net of unaccreted discount		583,486
Long-term bonds payable, net of unaccreted discount	$	11,927,113

(Continued)

A summary of scheduled bond maturities and interest follows:

		(thousands of dollars)									
	Total	2007	2008	2009	2010	2011-2015	2016-2020	2021-2025	2026-2030	2031-2035	2036-2040
Bonds:											
1984 Single Family Issue	$ 20	—	—	—	—	—	20	—	—	—	—
1988 Refunding Issue	1,126	1,126	—	—	—	—	—	—	—	—	—
1995 Single Family Refunding Issue	1,750	—	—	—	—	—	—	—	1,750	—	—
2003 Single Family Issue	6,423	466	95	100	105	607	772	981	1,248	1,588	461
2004 Multi-Family Refunding Issue	4,220	60	60	60	70	430	590	2,950	—	—	—
Total principal on bonds	13,539	1,652	155	160	175	1,037	1,382	3,931	2,998	1,588	461
Less: unaccreted discount	1,029	1,016	—	—	—	—	13	—	—	—	—
Net principal	12,510	636	155	160	175	1,037	1,369	3,931	2,998	1,588	461
Interest	11,732	748	664	656	647	3,088	2,730	1,902	968	314	15
Total	$ 24,242	1,384	819	816	822	4,125	4,099	5,833	3,966	1,902	476

The 2003A Issue (Single Family) may be redeemed in whole or in part at a redemption price equal to 100% of the principal amount plus accrued interest. 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. The 2003A Issue is required to be redeemed in whole through the issuance of a Series 2003B Issue by February 1, 2007. During 2004, $3.9 million of the Series 2003A Issue was redeemed through the Series 2003B issue. During 2005, $3.2 million was redeemed through the Series 2003B Issue. The remaining $375,251 will be redeemed by February 1, 2007.

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 30 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 Issues (Single Family – Refunding) 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 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.

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 February 1, 2004, the Authority issued $4,360,000 in bonds, the 2004 Multi-Family Housing Revenue Refunding Bonds, to advance refund the $4,360,000 1995 Multi-Family Issue. Bond costs of $130,569 were paid by the Authority. The 1995 Multi-Family Issue bonds are considered defeased and have been removed from the Authority's financial statements. At December 31, 2006, the principal outstanding on the refunded bonds was $4,360,000.

On March 14, 1995, the Authority issued $4,435,000 in bonds and the 1995 Issue (Multi-Family – Refunding) to advance refund the $4,360,000 1983B Issue, bearing interest at 6.4% and pay part of the issuance costs of the new bonds. The 1983B Issue bonds are considered defeased and have been removed from the Authority's financial statements. At December 31, 2006, 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, 2006, $23,425,000 of bonds in the 1979 Issue were still outstanding.

(6) Restricted Assets

Substantially all amounts reflected in the statement of net assets 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.

(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.

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333 Texas Street
Shreveport, LA 71101-3692

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*

The Board of Trustees
Shreveport Home Mortgage Authority:

We were engaged to audit the statement of net assets of the Shreveport Home Mortgage Authority (the Authority), a component unit of the City of Shreveport, Louisiana, as of December 31, 2006 and the related statements of revenue, expenses, and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated September 16, 2008 which stated we were unable to obtain sufficient audit evidence relative to mortgage loans receivable and therefore, our scope of work was not sufficient to enable us to express, and we did not express, an opinion on these financial statements. We were engaged to conduct 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency, described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider finding 06-1 to be a material weakness.

Compliance and Other Matters

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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 06-1.

We noted certain matters that we reported to management of Example Entity in a separate letter dated September 16, 2008.

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, 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

September 16, 2008

SHREVEPORT HOME MORTGAGE AUTHORITY, LOUISIANA

Schedule of Findings and Responses

Year ended December 31, 2006

Section 1 – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on the basic financial statements: **Disclaimer of opinion**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified that are not considered to be material weaknesses? **No**

Noncompliance material to the basic financial statements noted? **Yes**

Section 2 – Financial Statement Findings Reported in Accordance with *Government Auditing Standards*

Item: 06-1

Criteria or Specific Requirement: The annual audited financial statements of the Authority are required to be completed and submitted to the Louisiana Legislative Auditor within six months of the Authority's year end or June 30, 2007.

Type of Finding: Noncompliance and material weakness.

Condition: The audited financial statements were not completed by June 30, 2007.

Effect: Noncompliance with state law regarding financial reporting.

Cause: Complete information was not available in a timely manner to allow the preparation and audit of the financial statements within the time period required.

Recommendation: We recommend the Authority take the appropriate steps to ensure all financial information is prepared timely to allow the Authority to meet the legal deadline for financial reporting.

Views of Responsible Officials and Planned Corrective Actions:

A) Name of Contact Responsible – James Burnett
B) Corrective Action Planned – Plan to begin audit of December 31, 2007 financial statements as soon as possible.

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Shreveport, LA 71101-3692

September 16, 2008

CONFIDENTIAL

The Board of Trustees
Shreveport Home Mortgage Authority
Shreveport, Louisiana

Ladies and Gentlemen:

We were engaged to audit the financial statements of Shreveport Home Mortgage Authority (the Authority) for the year ended December 31, 2006; however, we issued a disclaimer of opinion dated September 16, 2008, as we could not obtain sufficient audit evidence relative to mortgage loans receivable. In planning and performing our audit of the financial statements of the Authority, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

Board Meetings

It is our understanding that the Board of Trustees has not held a formal meeting since fiscal 2004. While we understand holding frequent meetings may not be necessary given the nature of the activities of the Authority, we believe periodic formal meetings are necessary. We recommend the Board meet at least annually to discuss the financial results of the Authority and other significant business/transactions. The Board should review the activity of the various trustee banks to ensure that they all perform in accordance with the trustee agreements and the official statements related to the bonds outstanding.

* * * * * * *

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the company's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Board of Trustees, 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.

Very truly yours,

KPMG LLP