



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

Financial Statements

December 31, 2005

(With Independent Auditors' Report Thereon)

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/26/06

SHREVEPORT HOME MORTGAGE AUTHORITY
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SHREVEPORT HOME MORTGAGE AUTHORITY
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Management's Discussion and Analysis

December 31, 2005

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, 2005. 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 \$12,990 or 0.4%. 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 increased in 2005. For the year ended December 31, 2005, interest income increased approximately \$55,000. This increase is due to additional loans made in 2005 related to the 2003 bond issuance.

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

An 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	2005	2004
Current assets	\$ 2,632,311	3,857,196
Noncurrent assets	15,568,879	16,433,804
Total assets	18,201,190	20,291,000
Current liabilities	1,250,079	2,067,108
Long-term liabilities	13,660,623	14,946,394
Total liabilities	14,910,702	17,013,502
Net assets:		
Restricted	2,229,048	2,217,596
Unrestricted	1,061,440	1,059,902
Total net assets	\$ 3,290,488	3,277,498

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The total assets of the Authority decreased by \$2,089,810 in the current year. This corresponds to the current year decrease in total liabilities of \$2,102,800. As the notes receivable are collected, payments are made on the outstanding debt.

The Authority's net assets were \$3,290,488 at December 31, 2005. Of this amount, \$1,061,440 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	<u>2005</u>	<u>2004</u>
Operating revenues:		
Interest on mortgage loans and note receivable	\$ 766,325	711,550
Total operating revenues	<u>766,325</u>	<u>711,550</u>
Operating expenses:		
Interest on bonds	794,544	879,303
Other operating expenses	108,956	85,794
Total operating expenses	<u>903,500</u>	<u>965,097</u>
Operating loss	(137,175)	(253,547)
Nonoperating revenues	150,165	260,078
Change in net assets	\$ <u>12,990</u>	<u>6,531</u>

Interest income from mortgage loans and note receivable increased \$54,775 during the current year while the interest expense on bonds payable decreased \$84,759. These decreases are occurring because of the decreasing mortgage loans receivable and the reduction of bonds payable excluding the impact of the current year issue.

Nonoperating revenues decreased by \$109,913 due primarily to adjustments to the Series 1984 and 1988 issues made in the prior year.

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Management's Discussion and Analysis

December 31, 2005

Debt Administration

At December 31, 2005, the Authority had outstanding bonded indebtedness of \$14,669,885 as compared to \$16,809,432 at December 31, 2004. 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, \$445,000 of the Single Family Mortgage Revenue Bonds Series A (1995 Issue) and \$275,000 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	2005	2004
Single Family Mortgage Revenue Bonds (1984 Issue)	\$ 66,179	138,891
Collateralized Mortgage Refunding Bonds (1988 Issue)	945,097	1,890,541
Single Family Mortgage Revenue Refunding Bonds (1995 Issue)	2,495,000	2,940,000
Single Family Mortgage Revenue Bonds (2003 Issue)	6,883,609	7,500,000
Multi-Family Housing Revenue Refunding Bonds (2004 Issue)	4,280,000	4,340,000

The bonds in the 1984, 1988, and 1995 (Single Family – Refunding) Issues are collateralized by and payable from the income, revenues, and receipts derived by the Authority from the mortgage loans and the funds and accounts held under or pledged to the Authority pursuant to the Trust Indentures. 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 (Multi-Family – Refunding) Issue 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.



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

Independent Auditors' Report

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

We have audited the basic financial statements of the Shreveport Home Mortgage Authority (a component unit of the City of Shreveport) as of and for the year ended December 31, 2005, as listed in the table of contents. These component unit basic financial statements are the responsibility of the Shreveport Home Mortgage Authority's management. Our responsibility is to express an opinion on these component unit basic 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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit basic financial statements referred to above present fairly, in all material respects, the financial position of the Shreveport Home Mortgage Authority as of December 31, 2005 and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in note 4 to the basic financial statements, the Shreveport Home Mortgage Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures* in 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2006 on our consideration of the Shreveport Home Mortgage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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

June 12, 2006

SHREVEPORT HOME MORTGAGE AUTHORITY
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Statement of Net Assets

December 31, 2005

Assets	
Current assets:	
Cash and cash equivalents	\$ 1,839,920
Current portion of mortgage loans receivable, net	712,537
Accrued interest receivable	67,164
Other assets	12,690
	<hr/>
Total current assets	2,632,311
Noncurrent assets:	
Investment securities	787,322
Mortgage loans receivable, net	10,034,793
Note receivable	4,260,000
Bond issuance costs, net	486,764
	<hr/>
Total noncurrent assets	15,568,879
	<hr/>
Total assets	18,201,190
	<hr/>
Liabilities	
Current liabilities:	
Current portion of bonds payable, net of unaccreted discount	1,096,765
Accounts payable	30,493
Accrued interest payable	122,821
	<hr/>
Total current liabilities	1,250,079
Noncurrent liabilities:	
Bonds payable, net of unaccreted discount	13,573,120
Other	87,503
	<hr/>
Total noncurrent liabilities	13,660,623
	<hr/>
Total liabilities	14,910,702
	<hr/>
Net Assets	
Restricted for debt service	2,229,048
Unrestricted	1,061,440
	<hr/>
Total net assets	\$ 3,290,488
	<hr/>

See accompanying notes to financial statements.

SHREVEPORT HOME MORTGAGE AUTHORITY
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Statement of Revenues, Expenses, and Changes in Net Assets

Year ended December 31, 2005

Operating revenues:	
Interest on mortgage loans and note receivable	\$ 766,325
Total operating revenues	<u>766,325</u>
Operating expenses:	
Interest on bonds	794,544
Amortization of issuance costs	20,884
Administrative expenses	88,072
Total operating expenses	<u>903,500</u>
Operating loss	<u>(137,175)</u>
Nonoperating revenues:	
Interest on investments	125,035
Other	25,130
Total nonoperating revenues	<u>150,165</u>
Change in net assets	12,990
Net assets, beginning of year	<u>3,277,498</u>
Net assets, end of year	<u>\$ 3,290,488</u>

See accompanying notes to financial statements.

SHREVEPORT HOME MORTGAGE AUTHORITY
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Statement of Cash Flows

Year ended December 31, 2005

Cash flows from operating activities:	
Interest payments received on mortgage loans and note receivable	\$ 753,166
Advances on mortgage loans receivable	(3,341,890)
Principal payments received on mortgage loans and note receivable	2,164,802
Interest paid	(749,135)
Principal payments on bonds	(2,178,702)
Cash paid for administrative expenses	(57,579)
Other	<u>(7,974)</u>
Net cash used in operating activities	<u>(3,417,312)</u>
Cash flows from investing activities:	
Interest income received	125,035
Purchases of investments	(1,296,589)
Proceeds from maturities and sales of investments	<u>4,468,037</u>
Net cash provided by investing activities	<u>3,296,483</u>
Net decrease in cash and cash equivalents	(120,829)
Cash and cash equivalents, beginning of year	<u>1,960,749</u>
Cash and cash equivalents, end of year	\$ <u><u>1,839,920</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (137,175)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Principal payments received on mortgage loans and note receivable	2,164,802
Principal payments on bonds	(2,178,702)
Bond discount accretion	39,155
Amortization of bond issuance costs	20,885
Loan discount accretion	(31,535)
Amortization of loan premium	21,308
Advances on mortgage loans receivable	(3,341,890)
Net increase in other assets	(7,974)
Net increase in accrued interest receivable	(2,933)
Net increase in other liabilities	<u>36,747</u>
Net cash used in operating activities	\$ <u><u>(3,417,312)</u></u>

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2005

(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:

<u>Date</u>	<u>Issue name</u>	<u>Original amount</u>
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.

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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.

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(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, 2005, 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 \$257,724 and \$15,923, respectively, at December 31, 2005. The 1988 Issue mortgage loans have a face value of \$2,423,603, which is reduced by an unamortized discount of \$1,003,258 at December 31, 2005.

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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, 2005 were \$2,296,908 and \$2,493,305, 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, 2005 were \$6,756,430 and \$6,355,023, respectively.

(3) Note Receivable

The note receivable is a \$4,260,000 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”. The Authority adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, during 2005.

(a) Deposits

Deposits (including demand deposit accounts and certificates of deposits) at December 31, 2005 for the Authority are summarized as follows:

<u>Carrying Amount</u>	<u>Bank Balance</u>
\$54,596	\$54,596

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The Authority's bank balance of deposits at December 31, 2005 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 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, 2005 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	66%	\$ 1,710,555	1,710,555	—	—	—
Hancock Horizon Treasury Money Market Account	N/A	2%	54,512	54,512	—	—	—
Federated Treasury Obligation IS Fund	N/A	1%	20,257	20,257	—	—	—
Bank One, Mbank Investment Agreements	N/A	3%	72,924	—	—	—	72,924
Bayerische Landesbank Investment Agreements	N/A	13%	339,146	—	—	—	339,146
XL Asset Funding Company Investment	N/A	15%	375,252	—	—	375,252	—
Total		100%	\$ 2,572,646	1,785,324	—	375,252	412,070
Percentage of Portfolio Value			100%	69%	0%	15%	16%

The investments with original maturities of three months or more when purchased totaling \$787,322 are classified as "Investment securities" on the Statement of Net Assets. The remaining investments totaling \$1,785,324 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.

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(5) Bonds Payable

Bonds payable at December 31, 2005 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%	\$ 4,280,000
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	6,883,609
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%	2,495,000
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%	1,979,066
Unaccreted discount	<u>(1,033,969)</u>
	945,097
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%	205,000
Unaccreted discount	<u>(138,821)</u>
	66,179
Total bonds payable, net of unaccreted discount	14,669,885
Less current portion of bonds payable, net of unaccreted discount	<u>1,096,765</u>
Long-term bonds payable, net of unaccreted discount	\$ <u>13,573,120</u>

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A summary of scheduled bond maturities and interest follows:

		(thousands of dollars)										
		Total	2006	2007	2008	2009	2010- 2014	2015- 2019	2020- 2024	2025- 2029	2030- 2034	2035- 2039
Bonds:												
1984 Single Family Issue	\$	205	—	—	—	—	—	205	—	—	—	—
1988 Refunding Issue		1,979	1,979	—	—	—	—	—	—	—	—	—
1995 Single Family Refunding Issue		2,495	—	—	—	—	—	—	—	2,495	—	—
2003 Single Family Issue		6,884	92	471	101	106	613	780	992	1,262	1,607	860
2004 Multi-Family Refunding Issue		4,280	60	60	60	60	400	550	3,090	—	—	—
Total principal on bonds		15,843	2,131	531	161	166	1,013	1,535	4,082	3,757	1,607	860
Less: unaccreted discount		1,173	1,034	—	—	—	—	139	—	—	—	—
Net principal		14,670	1,097	531	161	166	1,013	1,396	4,082	3,757	1,607	860
Interest		13,860	877	735	726	718	3,446	3,109	2,431	1,356	413	49
Total	\$	28,530	1,974	1,266	887	884	4,459	4,505	6,513	5,113	2,020	909

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.

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Notes to Financial Statements

December 31, 2005

The bonds in the 1984, 1988, and 1995 (Single Family – Refunding) Issues are collateralized by and payable from the income, revenues, and receipts derived by the Authority from the mortgage loans and the funds and accounts held under or pledged to the Authority pursuant to the Trust Indentures. The bonds in the 2004 (Multi-Family – Refunding) Issue are collateralized by the revenues and other amounts derived by the Authority from the note receivable and the funds and accounts established under the Trust Indenture. A credit enhancer is also contained in the Trust Indenture that guarantees that no loss will be incurred on the sale of the property should a default occur on the debt being serviced by the investor.

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, 2005, 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, 2005, 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, 2005, \$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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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 have audited the statement of net assets of the Shreveport Home Mortgage Authority (the Authority), a component unit of the City of Shreveport, as of December 31, 2005 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 June 12, 2006, which included an explanatory paragraph due to a change in accounting principle for the adoption of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures* in 2005. 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.

Internal Control Over Financial Reporting

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

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, and contracts, 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*.

We noted certain matters that we reported to management of the City in a separate letter dated June 12, 2006.

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

June 12, 2006



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

June 12, 2006

CONFIDENTIAL

The Board of Trustees
Shreveport Home Mortgage Authority
Shreveport, Louisiana

Ladies and Gentlemen:

We have audited the financial statements of Shreveport Home Mortgage Authority (the Authority) for the year ended December 31, 2005, and have issued our report thereon dated June 12, 2006. 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, 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

Shreveport Home Mortgage Authority

Shreveport, Louisiana

June 29, 2006

Legislative Auditors Office
Baton Rouge, LA

Re: Board of Trustee Meetings for
Shreveport Home Mortgage Authority

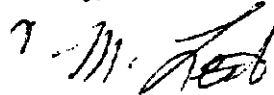
Gentlemen:

The Board of Trustees of the Shreveport Home Mortgage Authority held no meetings during 2005 because it had no urgent business or need to meet.

Upon suggestion of our auditors and upon reconsideration, we believe that we should meet at least once a year and invite our bond counsel, bank trustees, certified public accountant (who prepares our financial statements) and auditors to make presentations to us at that meeting of the matters which they handle on our behalf. Of course, we will request a representative of the City of Shreveport to attend and participate also.

We commit to begin this practice this year, 2006.

Sincerely,



C.M. Lester, Jr.
Chairman