
HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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 1-31-07



HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

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Independent Auditors' Report

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

We have audited the accompanying combined financial statements of the Hammond-Tangipahoa Home Mortgage Authority (the Authority) as of and for the years ended June 30, 2006 and 2005, as set forth in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Hammond-Tangipahoa Home Mortgage Authority as of June 30, 2006 and 2005, and its results of operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 6, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2006 on our consideration of the Hammond-Tangipahoa Home Mortgage Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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.

Our audits were made for the purpose of forming an opinion on the combined financial statements referred to in the first paragraph taken as a whole. The supplementary combining information and schedules as of June 30, 2006 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Hammond-Fangipahoa Home Mortgage Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Postlithwaite & Netterville

Baton Rouge, Louisiana
December 7, 2006

REQUIRED SUPPLEMENTARY INFORMATION

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006

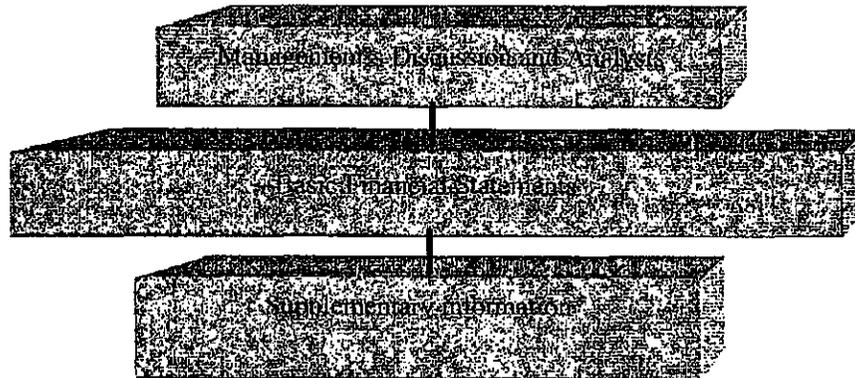
The Management's Discussion and Analysis of Hammond-Tangipahoa Home Mortgage Authority's (the Authority) financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended June 30, 2006. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Authority's combined financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- ★ The Authority ended fiscal 2006 with net assets of \$1,307,959 compared to \$1,330,563 at the end of fiscal 2005, representing a slight (1.7%) decrease.
- ★ The Authority's 2006 revenues decreased \$35,587 (or 34%) due primarily to decreases in the fair values of invested assets.
- ★ Expenses and losses increased \$28,528 (or 29%) in 2006 due primarily to the increase in interest expense as a result of the new Series 2006 bonds.
- ★ The Authority issued 2006 mortgage revenue bonds in June 2006 which significantly increased the Authority's outstanding debt and invested assets. These funds are to be used for the purpose of funding qualifying home mortgages.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic combined financial statements (including the notes to the combined financial statements), and supplementary information.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006

Basic Financial Statements

The basic financial statements present information for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Combined Balance Sheets; the Combined Statements of Revenues, Expenses, and Changes in Net Assets; and the Combined Statements of Cash Flows.

The Combined Balance Sheets (page 7) present the assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Combined Statements of Revenues, Expenses, and Changes in Net Assets (page 8) present information showing how Authority's net assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Combined Statements of Cash Flows (pages 9 - 10) present information showing how Authority's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Combined Balance Sheets (Condensed)
As of June 30, 2006, 2005 and 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 16,274,873	\$ 1,186,807	\$ 1,263,750
Securitized mortgage loans	<u>402,846</u>	<u>830,499</u>	<u>1,118,005</u>
Total assets	<u>16,677,719</u>	<u>2,017,306</u>	<u>2,381,755</u>
Other liabilities	160,660	6,743	10,786
Long-term debt outstanding	<u>15,209,100</u>	<u>680,000</u>	<u>1,081,917</u>
Total liabilities	<u>15,369,760</u>	<u>686,743</u>	<u>1,092,703</u>
Restricted for MRB programs	516,099	289,688	303,741
Unrestricted net assets	<u>791,860</u>	<u>1,040,875</u>	<u>985,311</u>
Total net assets	<u>\$ 1,307,959</u>	<u>\$ 1,330,563</u>	<u>\$ 1,289,052</u>

The Authority's balance sheet has substantially increased in both assets and liabilities due to the issuance of the Series 2006 mortgage revenue bonds in June 2006. However, the net assets remained relatively consistent with the previous two years.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006

Restricted net assets represent those assets that are not available for general use due to terms of the various bond trust indentures under which assets are held and pledged as security for the bonds of the Authority's Mortgage Revenue Bond Programs. Conversely, unrestricted net assets are those that do not have any limitations on their use.

Combined Statements of Revenues, Expenses, and Changes in Net Assets (Condensed)
for the Years Ended June 30, 2006, 2005 and 2004

	2006	2005	2004
Revenues	\$ 104,159	\$ 139,746	\$ 60,570
Expenses	(126,763)	(98,235)	(166,964)
Increase (decrease) in net assets	\$ (22,604)	\$ 41,511	(\$ 106,394)

In 2006, the Authority's operating revenues decreased primarily as a result of lower interest earned on mortgages due to collections made during the year. Additionally, the appreciation in value of the investment portfolio decreased by approximately \$36,000. Interest income and expense increased for the year as a result of the the new Series 2006 bonds.

Net assets of the Authority increased by \$41,511, or 3% in 2005. The Authority's operating revenues increased in 2005 due primarily to changes in the market value of the investment portfolio. Total expenses decreased during the year as a result of reduced interest costs due to retirement of the bonds.

Debt

The Authority had \$15,209,100 in bonds outstanding at June 30, 2006, compared to \$680,000 at June 30, 2005. Bonds outstanding at year-end 2004 were \$1,081,917.

The Authority's bond rating continues to carry the Aaa rating for the debt of its Mortgage Revenue Bonds as determined by Moody's Investor Services.

The Authority has accrued interest payable of \$50,372 outstanding at year-end 2006 compared with \$6,743 and \$10,786 at year- end 2005 and 2004, respectively. This 2006 increase reflects the higher level of bonds outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Expected stabilization in interest rates will tend to discourage early payoffs and refinancing.
- The new 2006 MRB program will begin to produce loans to qualified borrowers resulting in a higher level of mortgage loans outstanding and thus a higher interest spread.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006

CONTACTING HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY'S MANAGEMENT

This financial report is designed to provide Louisiana's citizens and taxpayers, as well as the Authority's customers, investors and creditors with a general overview of Hammond-Tangipahoa Home Mortgage Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stan Dameron, Chairman, Hammond/Tangipahoa Home Mortgage Authority, 1819 N. Columbia Street, Covington, LA 70433, 985-898-0206.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED BALANCE SHEETS
JUNE 30, 2006 AND 2005

ASSETS

	2006	2005
Cash and cash equivalents	\$ 72,851	\$ 228,610
Certificates of deposit	-	99,334
Investments	15,894,707	828,262
Securitized mortgage loans	402,846	830,499
Accrued interest receivable	51,362	8,203
Prepaid expense	3,000	3,000
Deferred financing costs	252,953	19,398
Total Assets	\$ 16,677,719	\$ 2,017,306

LIABILITIES AND NET ASSETS

Accrued interest payable	\$ 50,372	\$ 6,743
Deferred servicing release fees	110,288	-
Bonds payable	15,209,100	680,000
Total Liabilities	15,369,760	686,743
Net Assets		
Restricted for MRB programs	516,099	289,688
Unrestricted	791,860	1,040,875
Total Net Assets	1,307,959	1,330,563
Total Liabilities and Net Assets	\$ 16,677,719	\$ 2,017,306

The accompanying notes are an integral part of these financial statements.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
<u>REVENUES</u>		
Mortgage loan income:		
Interest earned	\$ 32,222	\$ 59,646
Change in market value - securitized loans	(29,101)	(14,874)
Investment income:		
Interest earned	107,611	55,772
Change in market value - investments	(7,009)	37,559
Other income	436	1,643
Total revenues	104,159	139,746
<u>EXPENSES AND LOSSES</u>		
Interest	78,097	56,763
Amortization of deferred financing costs	13,638	12,743
Legal fees	12,000	12,000
Accounting and audit costs	8,500	8,500
Board meeting expenses and per diem	2,400	2,600
Other operating expenses	12,128	5,629
Total expenses	126,763	98,235
Change in net assets	(22,604)	41,511
<u>NET ASSETS - beginning of year</u>	1,330,563	1,289,052
<u>NET ASSETS - end of year</u>	\$ 1,307,959	\$ 1,330,563

The accompanying notes are an integral part of these financial statements.

HAMMOND-TANGIPAOHA HOME MORTGAGE AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

Page 1 of 2

	2006	2005
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
<u>Cash received from:</u>		
Investment and mortgage loan income	\$ 96,839	\$ 159,441
Program mortgage principal collections	398,388	286,424
Fee revenue	652	2,443
<u>Cash paid to:</u>		
Suppliers of services	(35,244)	(32,529)
Bondholders for interest	(34,468)	(60,807)
Net cash provided by operating activities	426,167	354,972
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investments sold	2,118,149	1,288,487
Investments purchased	(17,092,270)	(1,133,422)
Net cash (used in) provided by investing activities	(14,974,121)	155,065
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>		
Deferred financing costs	(247,193)	-
Proceeds from bond issue and notes payable	14,999,100	-
Servicing release fees	110,288	-
Retirement of bonds payable	(470,000)	(405,000)
Net cash (used in) provided by financing activities	14,392,195	(405,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(155,759)	105,037
<u>CASH AND CASH EQUIVALENTS - beginning of year</u>	228,610	123,573
<u>CASH AND CASH EQUIVALENTS - end of year</u>	\$ 72,851	\$ 228,610

The accompanying notes are an integral part of these financial statements.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

Page 2 of 2

	2006	2005
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets (same as operating income (loss))	\$ (22,604)	\$ 41,511
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of mortgage loan premium	163	1,082
Amortization of deferred financing costs	13,638	12,743
Amortization of deferred loss	-	3,083
Change in unrealized losses on securites	36,110	14,874
Mortgage loan principal payments received	398,388	286,424
Change in:		
Accrued interest receivable	(43,157)	2,298
Prepaid expense	-	(3,000)
Accrued interest payable	43,629	(4,043)
	<u>\$ 426,167</u>	<u>\$ 354,972</u>
Net cash provided by operating activities		

The accompanying notes are an integral part of these financial statements.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

1. 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.

2. Significant Accounting Policies

Financial Reporting Entity

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, 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 14 as other legally separate organizations for which the Authority members are financially accountable.

Basis of Accounting and Reporting

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 program are considered to be proprietary fund types, the Authority also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

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.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

Basis of Accounting and Reporting (continued)

The following funds are maintained by the Authority:

General 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.

Mortgage Revenue Bond Funds (MRB Programs)

These funds have been established to account for the various trust accounts created pursuant to the terms of the trust indentures of MRB programs. The various accounts within the funds provide for the custody of assets and the payment of the debt service requirements and are aggregated in the accompanying combined financial statements.

The above funds are presented on a combined basis, however, the assets of the accounts under the indenture are restricted and consequently, the amounts presented do not necessarily indicate that the combined assets are available in any manner other than that provided for in the trust indentures.

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.

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.

Deferred Loss on Refunding

The Authority accounts for debt refundings in accordance with GASB No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. In accordance with this statement, gains and losses that result from debt refundings are deferred and amortized over the life of the new debt or the retired debt, whichever is the shorter period, using a method that approximates the interest method.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

Deferred Bond Issuance Costs

Deferred bond issuance costs, including the underwriters' discount on the sale of the bonds payable, are amortized on a method that approximates the interest method over the estimated lives of the related bonds payable.

Bonds Payable

Bonds payable are stated net of the unamortized discount or premiums which is amortized on a method that approximates the interest method over the estimated lives of the bonds.

3. Cash and Certificates of Deposit

Cash and certificates of deposit 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 general 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.

Deposits in financial institutions 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, 2006 and 2005, the Authority had bank deposits (consisting of demand deposits and certificates of deposit) with aggregate carrying amounts of \$72,851 and \$327,944, respectively. The Authority's deposits had no exposure to custodial credit risk as of June 30, 2006 and 2005.

4. Investments

At June 30, 2006, investments of \$15,894,707 consisted of the following:

INVESTMENT TYPE/ISSUER	FAIR VALUE	CREDIT QUALITY RATING *	% OF INVESTMENTS	EXPECTED MATURITY/ DURATION
Federal Home Loan Mortgage Corporation CMO	\$ 529,510	Aaa	3.33%	1 - 5 years
Federal National Mortgage Association	188,383	Aaa	1.19%	1 - 5 years
Fidelity Money Market	35,433	N/A	0.20%	N/A
Investment Contract FGIC Capital	57,281	N/A	0.38%	11/2031
Investment Contract AIG	15,084,100	N/A	94.90%	12/2007
Total Investments	\$ 15,894,707		100%	

*Credit quality rating obtained from Standard & Poors

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

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, 2006, the Authority's investments in government debt obligations are not subject to custodial credit risk.

Credit Risk: Credit 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 securities. Credit risk is minimized by investing in U.S. Government Agency obligations.

The investment contracts owned by the 1999 A & B and the 2006 Mortgage Revenue Bond Programs represent deposits in financial institutions with a guaranteed interest rate over the life of the related bonds outstanding. The investment contracts are unsecured and their redemption depends solely on the financial condition of the contract provider. The investment contract has no secondary market and its fair value is considered to be the same as cost.

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 securities with an expected maturity of 1 to 5 years, taking into consideration the prepayment speed of mortgage backed securities which can result in an expected maturity well ahead of the contractual maturity.

The Authority does not have a written investment policy with respect to these three risks.

5. Securitized mortgage loans

The various loans of the 1999 A & B MRB program have been pooled and securitized into GNMA and FNMA securities. These securities bear pass-through rates of 6.45% - 6.85%, and are guaranteed as to timely payment of principal and interest by the Government National Mortgage Association and Federal National Mortgage Association. The underlying loans backing the GNMA and FNMA securities are collateralized by mortgages on single unit, owner-occupied residences located in the Parish of Tangipahoa, Louisiana. The loans, which have scheduled maturities of approximately 30 years, are serviced by a master servicer.

6. 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 are 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.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

6. Bonds Payable (continued)

Long-term debt activity for the year ended June 30, 2006 was as follows:

	<u>Balance June 30, 2005</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Balance June 30, 2006</u>
1999 A & B Term Bonds, 5.9%, due 2031	\$ 680,000	\$ -	(\$ 470,000)	\$ 210,000
2006 Term Bonds, 4.85%, due 2039	-	<u>14,705,000</u>	-	<u>14,705,000</u>
	<u>680,000</u>	<u>14,705,000</u>	<u>(470,000)</u>	<u>14,915,000</u>
Add: Issuance premium	-	<u>294,100</u>	-	<u>294,100</u>
	<u>\$ 680,000</u>	<u>\$ 14,999,100</u>	<u>(\$ 470,000)</u>	<u>\$ 15,209,100</u>

Long-term debt activity for the year ended June 30, 2005 was as follows:

	<u>Balance June 30, 2004</u>	<u>Debt Issue</u>	<u>Debt Retired</u>	<u>Balance June 30, 2005</u>
1999 A and B Term Bonds, due 2031	\$ 1,085,000	\$ -	(\$ 405,000)	\$ 680,000

The Series 1999 A & B bonds pay interest semi-annually, on May 1 and November 1 and have scheduled sinking fund requirements which begin in November 2006. In accordance with the mandatory redemption provisions of the trust indenture, all bonds are subject to optional redemption prior to their maturity. Such redemptions may occur as a result of mortgage loan prepayments or other conditions related to mortgage loan demand. Because of fluctuations in the loan demand, these programs and the bonds have an expected life well below the terms stated in the official statement. Future debt service requirements according to the official statements for the 1999 A and B Bonds are as follows:

Ending June 30,	<u>Principal</u>	<u>Estimated Interest</u>	<u>Total</u>
2007	\$ -	\$ 12,495	\$ 12,495
2008	-	12,495	12,495
2009	-	12,495	12,495
2010	-	12,495	12,495
2011	-	12,495	12,495
2012-2016	-	62,475	62,475
2017-2021	-	62,475	62,475
2022-2026	-	62,475	62,475
2027-2031	<u>210,000</u>	<u>62,475</u>	<u>272,475</u>
	<u>\$ 210,000</u>	<u>\$ 312,375</u>	<u>\$ 522,375</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

6. Bonds Payable (continued)

The Series 2006 bonds pay interest monthly, commencing July 1, 2006. Principal payments are to be paid monthly in an amount equal to the loan repayments, prepayments and other funds on deposit in the redemption account of the bond fund. The bonds have a nominal maturity of June 1, 2039 however, because of anticipated prepayments, the bonds have an expected life well below the terms stated in the official statement. Because of the unpredictability of the interest rate environment and the resulting prepayments, future debt service requirements cannot be reasonably estimated.

7. Defeased Bonds

On August 30, 1990, the Authority irrevocably placed into trust an amount of funds sufficient for payment of the Single Family Mortgage Revenue Bonds, 1979 Series A bonds. As a result of this defeasance, these bonds have been removed from the Authority's financial statements. At June 30, 2006 and 2005, the balance of the defeased bonds outstanding was \$5,710,000 and \$6,400,000 respectively.

On August 18, 1999, the Authority issued the 1999 Series A and Series B (refunding) mortgage revenue bonds, with aggregate face values of \$5,000,000 and \$1,250,000, respectively. Concurrently, the Authority irrevocably placed cash and U. S. Government obligations in trust to provide sufficient payment to defease the Series 1990 A and B bonds outstanding, and accrued interest payable at that date. Funding for the defeasance was provided from proceeds of the sale of the mortgage loan portfolio which secured the bonds, and from proceeds of the issuance of the 1999 Series B (refunding) bonds. At June 30, 2006 and 2005, the balance of the defeased Series 1990 A and B bonds outstanding was \$500,000. As a result of the defeasance, the 1990 A & B bonds and the related pledged assets have been removed from the Authority's financial statements.

8. 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, 2006 and 2005, the following per diem payments were made to the members of the Authority's Board:

	<u>2006</u>	<u>2005</u>
Stan Dameron	\$ 600	\$ 650
Sandy Davis	600	650
Andrew Gasaway	600	650
Rodney Cash	600	650
	<u>\$ 2,400</u>	<u>\$ 2,600</u>

A board member's business performs administrative and accounting services for an annual fee of \$1,200.

SUPPLEMENTARY COMBINING INFORMATION

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINING BALANCE SHEET
JUNE 30, 2006

ASSETS

	<u>General Fund</u>	<u>1999 A & B Mortgage Revenue Bond Fund</u>	<u>2006 Mortgage Revenue Bond Fund</u>	<u>Combined Totals</u>
Cash and cash equivalents	\$ 67,802	\$ 5,049	\$ -	\$ 72,851
Investments	717,893	57,281	15,119,533	15,894,707
Securitized mortgage loans	-	402,846	-	402,846
Accrued interest receivable	3,165	3,019	45,178	51,362
Prepaid expense	3,000	-	-	3,000
Deferred financing costs	-	5,760	247,193	252,953
Total Assets	<u>\$ 791,860</u>	<u>\$ 473,955</u>	<u>\$ 15,411,904</u>	<u>\$ 16,677,719</u>

LIABILITIES AND NET ASSETS

Accrued interest payable	\$ -	\$ 6,788	\$ 43,584	\$ 50,372
Deferred servicing release fees	-	-	110,288	110,288
Bonds payable	-	210,000	14,999,100	15,209,100
Total Liabilities	<u>-</u>	<u>216,788</u>	<u>15,152,972</u>	<u>15,369,760</u>
Net Assets				
Restricted for MRB programs	-	257,167	258,932	516,099
Unrestricted	791,860	-	-	791,860
Total Net Assets	<u>791,860</u>	<u>257,167</u>	<u>258,932</u>	<u>1,307,959</u>
Total Liabilities and Net Assets	<u>\$ 791,860</u>	<u>\$ 473,955</u>	<u>\$ 15,411,904</u>	<u>\$ 16,677,719</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	1999 A & B Mortgage Revenue Bond Fund	2006 Mortgage Revenue Bond Fund	Eliminations	Combined Totals
REVENUES					
Mortgage loan income:					
Interest earned	\$ -	\$ 32,222	\$ -	\$ -	\$ 32,222
Change in market value-securitized loans	-	(29,101)	-	-	(29,101)
Investment income:					
Interest earned	49,536	12,897	45,178	-	107,611
Change in market value-investments	(7,009)	-	-	-	(7,009)
Other income	652	-	-	(216)	436
Total revenues	<u>43,179</u>	<u>16,018</u>	<u>45,178</u>	<u>(216)</u>	<u>104,159</u>
EXPENSES AND LOSSES					
Interest	-	34,513	43,584	-	78,097
Amortization of deferred financing costs	-	13,638	-	-	13,638
Legal fees	12,000	-	-	-	12,000
Accounting and audit costs	8,500	-	-	-	8,500
Board meeting expenses and per diem	2,400	-	-	-	2,400
Other operating expenses	11,956	388	-	(216)	12,128
Total expenses	<u>34,856</u>	<u>48,539</u>	<u>43,584</u>	<u>(216)</u>	<u>126,763</u>
OPERATING INCOME (LOSS)	8,323	(32,521)	1,594	-	(22,604)
Interfund transfers	(257,338)	-	257,338	-	-
CHANGE IN NET ASSETS	(249,015)	(32,521)	258,932	-	(22,604)
NET ASSETS - beginning of year	<u>1,040,875</u>	<u>289,688</u>	<u>-</u>	<u>-</u>	<u>1,330,563</u>
NET ASSETS - end of year	<u>\$ 791,860</u>	<u>\$ 257,167</u>	<u>\$ 258,932</u>	<u>\$ -</u>	<u>\$ 1,307,959</u>

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

Page 1 of 2

	General Fund	1999 A & B Mortgage Revenue Bond Fund	2006 Mortgage Revenue Bond Fund	Combined Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
<u>Cash received from:</u>				
Investment and mortgage loan income	\$ 49,464	\$ 47,375	\$ -	\$ 96,839
Program mortgage loan principal collections	-	398,388	-	398,388
Fee revenue	652	-	-	652
<u>Cash paid to:</u>				
Suppliers of services	(34,856)	(388)	-	(35,244)
Bondholders for interest	-	(34,468)	-	(34,468)
Net cash provided by operating activities	<u>15,260</u>	<u>410,907</u>	<u>-</u>	<u>426,167</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Investments sold	1,378,827	739,322	-	2,118,149
Investments purchased	<u>(1,297,557)</u>	<u>(675,180)</u>	<u>(15,119,533)</u>	<u>(17,092,270)</u>
Net cash provided by (used in) investing activities	<u>81,270</u>	<u>64,142</u>	<u>(15,119,533)</u>	<u>(14,974,121)</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>				
Net residual equity transfers/contributions	(257,338)	-	257,338	-
Deferred financing costs	-	-	(247,193)	(247,193)
Servicing release fees	-	-	110,288	110,288
Proceeds from bond issue and notes payable	-	-	14,999,100	14,999,100
Retirement of bonds payable	-	(470,000)	-	(470,000)
Net cash (used in) provided by financing activities	<u>(257,338)</u>	<u>(470,000)</u>	<u>15,119,533</u>	<u>14,392,195</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(160,808)	5,049	-	(155,759)
CASH AND CASH EQUIVALENTS - beginning of year	228,610	-	-	228,610
CASH AND CASH EQUIVALENTS - end of year	\$ 67,802	\$ 5,049	\$ -	\$ 72,851

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

Page 2 of 2

	<u>General Fund</u>	<u>1999 A & B Mortgage Revenue Bond Fund</u>	<u>2006 Mortgage Revenue Bond Fund</u>	<u>Combined Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Operating income (loss)	\$ 8,323	\$ (32,521)	\$ 1,594	\$ (22,604)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Amortization of mortgage loan premium	-	163	-	163
Amortization of deferred financing costs	-	13,638	-	13,638
Change in unrealized losses on securities	7,009	29,101	-	36,110
Mortgage loan principal collections	-	398,388	-	398,388
Change in:				
Accrued interest receivable	(72)	2,093	(45,178)	(43,157)
Prepaid expense	-	-	-	-
Accrued interest payable	-	45	43,584	43,629
	<u>\$ 15,260</u>	<u>\$ 410,907</u>	<u>\$ -</u>	<u>\$ 426,167</u>
Net cash provided by operating activities	<u>\$ 15,260</u>	<u>\$ 410,907</u>	<u>\$ -</u>	<u>\$ 426,167</u>



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

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

We have audited the financial statements of the Hammond-Tangipahoa Home Mortgage Authority (the Authority) as of and for the year ended June 30, 2006, and have issued our report thereon dated December 7, 2006. 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.

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 grants, 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*.

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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned cost as items 2006-1 and 2006-2.

A material weakness is a 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the aforementioned reportable conditions, we believe that item 2006-1 is a material weakness while item 2006-2 is not.

This report is intended for the information of the Authority's management and the Louisiana Legislative Auditor, and it is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 7, 2006

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2006-1

Financial reporting, separation of duties

- Criteria:** An optimal system of internal controls over financial reporting requires ongoing monitoring of financial condition by managers and the board of directors through financial statements including reconciliation of checking accounts to the accounting system. Different individuals should be involved in the process to ensure proper checks and balances.
- Condition:** The Authority's general fund checking account was not journalized into the Authority's general ledger on an on-going basis during the year, nor was any type of written financial report provided to the board on an ongoing basis. One individual maintains custody of the check book and provides a verbal report to the board of the checks issued.
- Effect:** Without ongoing monitoring of the financial condition through financial statements and proper segregation of duties, the board may be lacking sufficient financial information when making decisions. Additionally, when the duties of custody, accounting and reconciliation are not segregated, errors, fraud or misuse of funds may occur without timely detection by the organization. An example of such an error remaining undetected occurred during the 2005-2006 fiscal year when the Authority's brokerage account issued a check to the operating account in the amount of \$10,385.80 which was not deposited for over nine months .
- Recommendation:** The Authority should journalize transactions of the checking account on an ongoing basis and review written financial statements (cash basis) of the general fund on an ongoing basis. The financial statements/report presented to the board should be reconciled to the bank statement and at least reviewed by an individual other than the person having custody of the checkbook.

Management's Response:

The Authority's checking account will be reconciled monthly by the same external party that currently performs the accounting for the Authority. Financial reports will be provided to the board at each meeting. Additionally, in effort to prevent future occurrences of delayed deposits of checks, all transfers from the brokerage account to the operating checking account will be performed through electronic transfer of funds.

2006-2

Proper Documentation of Transactions

- Criteria:** Cash disbursements should be adequately documented. Such documentation should be current, contain evidence appropriate approvals and supportive the amount of the disbursements.
- Condition:** The Authority contracts for legal services with a local attorney (retained attorney) at a stated monthly rate of \$1,000. The contract for service is traditionally awarded on an annual basis, expires on June 30, and has been renewed in writing for the previous two successive years. However, the contract for the 2005-2006 year was not renewed in

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2006-2

Documentation of Transactions (continued)

writing. According to the terms of the contract which ended June 30, 2005 which was verbally renewed by the board, the attorney will perform all necessary legal services as well as handle other matters as needed for the Authority. The professional services contract also contains language not reflective of the relationship with Authority's retained attorney. The costs under the contract are paid from the Authority's general operating funds.

In connection with the issuance of the 2006 Bonds, the retained attorney also received legal fees as local counsel of the Authority which were paid from the costs of issuance account of the 2006 Bonds.

Effect:

The Authority's contract for professional services is outdated and does not clearly describe the scope of services to be provided by the retained attorney. Additionally, payment of legal fees that may be outside the scope of the retained services may lack sufficient documentation.

Recommendation:

The Authority should execute a written contract for legal services. The contract should clearly identify the services being contracted for and the professional fees to be paid for those services. Fees billed to the Authority outside the scope of this agreement should be supported by additional invoices or through a written amendment to the contract and approved by the board.

**Management's
Response:**

The Authority will execute a written contract with its general counsel for legal services which more clearly identifies the services to be provided, the scope thereof and the fees to be paid for those services.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None