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# *Financial Report*

# *Lafourche Parish Home Mortgage Authority*

## *December 31, 2006*

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 6-6-07

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Thibodaux, Louisiana

December 31, 2006 and 2005

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# FINANCIAL SECTION

Bourgeois Bennett

# INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Lafourche Parish Home Mortgage Authority,
Thibodaux, Louisiana.

We have audited the accompanying financial statements of the governmental activities of Lafourche Parish Home Mortgage Authority (the Authority), a component unit of Lafourche Parish Council, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Authority's basic financial statements as listed 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 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 audits to obtain reasonable assurance about whether the 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 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Lafourche Parish Home Mortgage Authority as of December 31, 2006 and 2005, and the changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.



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Management's discussion and analysis on pages 3 through 5 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 primarily 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 our report, dated April 30, 2007 on our consideration of Lafourche Parish Home Mortgage Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws and 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 considered in assessing the results of our audit.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Thibodaux, Louisiana,
April 30, 2007.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Lafourche Parish Home Mortgage Authority

The Management's Discussion and Analysis of Lafourche Parish Home Mortgage Authority's (the Authority) financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2006. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

The Authority's assets exceeded its liabilities at the close of fiscal year 2006 by $1,813,072 (net assets), which represents a 3.95% decrease from last fiscal year. Of this amount, $321,636 is restricted for bond trust indentures and the remaining $1,491,436 is unrestricted.

The Authority's total assets decreased $181,449 (or 3.67%).

The Authority's revenue increased $112,058 (or 130.75%).

The Authority's expenses decreased $6,984 (of 2.50%).

The Authority did not have any funds with deficit fund balances.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial report consists of three parts: (1) management's discussion and analysis (this section), (2) financial statements, and (3) special reports by certified public accountants and management.

The statements of fiduciary net assets and changes in fiduciary net assets include assets, liabilities, additions (revenues) and deductions (expenses) using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All current year additions and deductions are taken into account regardless of when cash is received or paid. Reading these statements in conjunction with each other helps the user understand the composition of the Authority's net assets and the driving forces that initiate the changes in the net assets.

The statements of fiduciary net assets present information on all of the Authority's assets less liabilities which results in net assets. These statements are designed to display the financial position of the Authority. You can think of the Authority's net assets as one way to measure the Authority's financial health. Over time, increases or decreases in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating.

The statements of changes in fiduciary net assets provide information which shows how the Authority's net assets changed as a result of the current year's activities. This allows users of the financial statements to determine the major factors that effected the current financial statements and may have a significant impact on financial statements in the future.

**Comparative Condensed Statements of Fiduciary Net Assets**

| | December 31, 2006 | December 31, 2005 | Dollar Change |
|---|---|---|---|
| Assets | $ 4,764,841 | $ 4,946,290 | $ (181,449) |
| Liabilities | $ (2,951,769) | $ (3,058,617) | (106,848) |
| Net assets: | | | |
| Restricted - trust indentures | 321,636 | 430,005 | (108,369) |
| Unrestricted | 1,491,436 | 1,457,668 | 33,768 |
| Total net assets | $ 1,813,072 | $ 1,887,673 | $ (74,601) |

The decrease in assets is due primarily to the collections of investments in FHLMC mortgage participant certificates and real estate mortgage loans receivable and the decrease in the fair value of investments.

The decrease in liabilities is due primarily to bond principle payments made during the year.

**Comparative Condensed Statements of Changes in Fiduciary Net Assets**

| | December 31, 2006 | December 31, 2005 | Dollar Change |
|---|---|---|---|
| **Additions:** | | | |
| Interest: | | | |
| Investments in FHLMC mortgage participation certificates | $ 8,032 | $ 30,549 | $ (22,517) |
| Investments and money market accounts | 304,041 | 238,665 | 65,376 |
| Real estate mortgage loans | 8,508 | 12,752 | (4,244) |
| Net decrease in fair value of investments | (122,820) | (196,263) | 73,443 |
| Total additions | 197,761 | 85,703 | 112,058 |

| | December 31, 2006 | December 31, 2005 | Dollar Change |
|---|---|---|---|
| **Deductions:** | | | |
| Interest on bonds | 229,344 | 239,899 | (10,555) |
| Other | 43,018 | 39,447 | 3,571 |
| Total deductions | 272,362 | 279,346 | (6,984) |
| Decrease in net assets | (74,601) | (193,643) | 119,042 |
| Net assets beginning of year | 1,887,673 | 2,081,316 | (193,643) |
| Net assets end of year | $ 1,813,072 | $ 1,887,673 | $ (74,601) |

The change in the fair value of investments is a non-cash adjustment that may have a dramatic effect on the net assets of the Authority. When the decrease in the fair value of investments of $122,820 is added back to the decrease in net assets, the Authority had net additions of $48,219 before the change in fair value of investments.

## DEBT ADMINISTRATION

### Long-term Debt

At December 31, 2006, the Authority had $2,951,769 in bonds payable outstanding, down from $3,054,426 at December 31, 2005, for a decrease of $102,657. The net decrease of $102,657 is comprised of a decrease for principal payments of $324,723 and increases for amortization of bond issue discounts of $123 and the accretion of interest on the Series 1990-B, Class B-2 bonds of $221,943 during 2006. The bonds bear interest at rates of 7.625% to 8%. More detailed information about the Authority's long-term debt is presented in Note 7, Exhibit C of this report.

## REQUESTS FOR INFORMATION

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 Board of Trustees of the Lafourche Parish Home Mortgage Authority, 327 Rosemont Dr., Thibodaux, Louisiana 70301.

Exhibit A

# STATEMENTS OF FIDUCIARY NET ASSETS - FIDUCIARY FUND TYPE - PRIVATE - PURPOSE TRUST FUND

## Lafourche Parish Home Mortgage Authority

Thibodaux, Louisiana

December 31, 2006 and 2005

| | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Cash | $ 145,068 | $ 25,246 |
| Investments | 4,498,063 | 4,421,380 |
| Investments in FHLMC mortgage participant certificates | - | 323,748 |
| Real estate mortgage loans receivable, net | 91,220 | 137,349 |
| Accrued interest: | | |
| Investments | 6,114 | 6,395 |
| Investments in FHLMC mortgage participation certificates | - | 3,993 |
| Real estate mortgage loans, net | 1,063 | 1,799 |
| Prepaid insurance | - | 183 |
| Prepaid guarantee fee | - | 689 |
| Deferred bond issuance costs, net of accumulated amortization | 23,313 | 25,508 |
| Total assets | $ 4,764,841 | $ 4,946,290 |
| **Liabilities** | | |
| Accounts payable | $ - | $ 68 |
| Accrued interest on bonds | - | 4,123 |
| Bonds payable (net of unamortized bond discounts) | 2,951,769 | 3,054,426 |
| **Commitments** (Note 9) | - | - |
| Total liabilities | 2,951,769 | 3,058,617 |
| **Net Assets** | | |
| Restricted - trust indentures | 321,636 | 430,005 |
| Unrestricted | 1,491,436 | 1,457,668 |
| Total net assets | 1,813,072 | 1,887,673 |
| Totals | $ 4,764,841 | $ 4,946,290 |

See notes to financial statements.

Exhibit B

# STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUND TYPE - PRIVATE - PURPOSE TRUST FUND

## Lafourche Parish Home Mortgage Authority

Thibodaux, Louisiana

For the years ended December 31, 2006 and 2005

| | 2006 | 2005 |
|---|---|---|
| **Additions** | | |
| Interest: | | |
| Investments in FHLMC mortgage participation certificates | $ 8,032 | $ 30,549 |
| Investments and money market accounts | 304,041 | 238,665 |
| Real estate mortgage loans | 8,508 | 12,752 |
| Net decrease in fair value of investments | (122,820) | (196,263) |
| Total additions | 197,761 | 85,703 |
| **Deductions** | | |
| Interest on bonds | 229,344 | 239,899 |
| Loan service fees | 331 | 445 |
| Professional services | 21,896 | 19,704 |
| Insurance | 334 | 252 |
| Amortization of deferred bond issuance costs | 2,195 | 2,774 |
| Trustee fee | 5,100 | 5,100 |
| Trustee fee - cash management fee | 415 | 314 |
| Advertising (Series 1979 A bond call) | 12,030 | 10,296 |
| Other | 717 | 562 |
| Total deductions | 272,362 | 279,346 |
| **Changes In Net Assets** | (74,601) | (193,643) |
| **Net Assets** | | |
| Beginning of year | 1,887,673 | 2,081,316 |
| End of year | $ 1,813,072 | $ 1,887,673 |

See notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

**Lafourche Parish Home Mortgage Authority**
Thibodaux, Louisiana

December 31, 2006 and 2005

## Note 1 - REPORTING ENTITY

The Lafourche Parish Home Mortgage Authority (the Authority) was established on February 1, 1979 pursuant to Chapter 2A of Title 9 of the Louisiana revised statutes, as amended, and is a public trust. The Authority was created to provide funds, through the issuance of bonds, to promote the development of residential housing in the Parish of Lafourche through low interest first mortgage loans and other purposes as specified by the Trust Indenture. The beneficiary of the trust is the Council of the Parish of Lafourche.

The Authority has a nine member appointed Board of Trustees each member having a four-year term and having the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. This report includes all funds of the Authority.

Evidences of indebtedness are solely the obligations of the Authority and are not obligations of the Parish of Lafourche or the State of Louisiana.

The Authority is a component unit of Lafourche Parish Council who is the beneficiary of the Trust on behalf of Lafourche Parish Home Mortgage Authority. The Authority has reviewed all of its activities and determined that there are no potential component units which should be included in its financial statements.

The Authority's Board of Trustees is empowered under the Trust Indenture and the bond program agreement to contract with outside parties to conduct the day-to-day operations of the bond programs it initiates. In connection with the bond program, the Authority utilizes area financial institutions to originate and service the mortgage loans acquired. In addition, a financial institution has been designated as Trustee of the individual bond program and has the fiduciary responsibility for the custody and investment of funds.

## Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing government accounting and financial reporting principles. The following is a summary of certain significant accounting policies:

### a. Trust Indenture Accounts (Series 1990 Bonds)

The following accounts (Funds) are maintained by the Authority in accordance with the Trust Indentures dated April 1, 1990 for the Series 1990-A, Class A-1 bonds and the Series 1990-A, Class A-2 bonds, and the Trust Indenture dated May 1, 1990 for the Series 1990-B, Class B-1 and Class B-2 bonds:

1. **Collection Account** - The Trustee is required to deposit all payments of interest and principal received on the four Federal Home Loan Mortgage Corporation (FHLMC) participation certificates (except for the portion of the principal amount of the participation certificates held in the Issuer Residual Account) and any accrued interest received from the original purchasers of the Series 1990-A, Class A-1 bonds into the Collection Account. On each Class A-1 payment date (the 20th day of the second month following each interest accrual period, which is defined as a calendar month), the Trustee shall first pay from the Collections Account installments of principal and interest of the Class A-1 bonds which are delinquent, then in the following order installments of principal and interest which are not delinquent, any amounts directed by the Issuer (the Authority) to be transferred to the Class A-1 Redemption Account, and any remaining monies to the Issuer Residual Account.

2. **Class A-1 Redemption Account** - The monies in this account shall be used solely for the payment of principal of the Class A-1 bonds called for redemption on any Class A-1 payment date on or after April 20, 2000, at 100 percent of the face amount of the bonds, and accrued interest for the applicable interest accrual period. The Trustee shall deposit into this account monies directed by the Issuer to be transferred from either the Collection Account or from the Issuer Residual Account.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a. Trust Indenture Account (Series 1990 Bonds) (Continued)**

3. **Issuer Residual Account and Program Sub account** - An initial deposit was made on April 11, 1990 (the bond restructuring date) to the Issuer Residual Account. The Trustee is required to make deposits into this account from the Collection Account, and the Debt Service Account under provisions of various sections of the trust indentures. Expenses of the Issuer including trustee fees, independent accountant fees, legal fees, etc. will be paid from this account. On April 2 each year, amounts in excess of $60,000 in the Issuer Residual Account may be released to the Issuer, deposited into the Class A-1 Redemption Account at the request of the Issuer, or deposited into the Program Subaccount. An initial deposit of $645,065 was made into the Program Subaccount on the bond restructuring date. Amounts held in the Program Subaccount may be released to the issuer at any time and will be used to pay costs for public purposes which preserve the exclusion from gross taxable income of interest on the Series 1990-B, Class B-1 and Class B-2 Bonds. Amounts in these two accounts are not pledged as security for the bonds and not subject to liens of trust indentures.

4. **Debt Service Reserve Account** - An initial deposit was made by the Trustee on the bond restructuring date as required by the trust indenture of $634,867 represented by an investment in a government agency discount obligation maturing on May 15, 2014 at a maturity amount of $6,175,000. In the event that monies in the Retained Mortgage Loans Account are insufficient to pay the required principal or interest on the Class B-1 bonds, the Trustee shall liquidate the debt service reserve investment and transfer the amount of such deficiency to the Debt Service Account.

5. **Debt Service Account** - Following the payment in full of the Class A-2 bonds in October 1995, the Trustee transferred all remaining monies in the Retained Mortgage Loans Account to this account. After that date, the Trustee is required to deposit into the Debt Service Account all revenues and receipts of the retained mortgage loans (the 1979 mortgage loans pledged to secure the Series 1990-A, Class A-2 bonds until paid in full and then the Series 1990-B, Class B-1 Bonds), any insurance payments received with respect to the retained mortgage loans under the mortgage trust insurance policy, and required transfers from the Debt Service Reserve Account, if any. On each Class B-1 payment date (the 1st day of each month), the Trustee shall first pay from the Debt Service Account all interest due on delinquent

## Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### a. Trust Indenture Account (Series 1990 Bonds) (Continued)

Class B-1 bonds, then in the following order, interest due on Class B-1 bonds which are not delinquent and principal of Class B-1 bonds to the extent that amounts remaining in the Debt Service Account after making the previous payments exceed $20,000. On the maturity date (May 20, 2004), the Trustee shall first pay interest due on delinquent Class B-1 bonds, then in the following order, interest due on Class B-1 bonds which are not delinquent and principal of Class B-1 bonds and the accreted value of the Class B-2 bonds. On any date fixed for redemption of Class B-1 and Class B-2 bonds (on or after May 20, 2009, in the event that the debt service reserve investment is called for redemption), the Trustee shall first redeem in whole the Class B-2 bonds at the accreted value at that date, then the Class B-1 bonds at 100 percent of the face amount plus accrued interest.

6. **Expense Account** - An initial deposit of $403,971 from the proceeds of issuance of the various 1990 bonds was made to this account. Trustee fees and bond issue costs in the same amount were paid from this account. Upon payment in full of the Class A-1 bonds, any monies remaining in the Issuer Residual Account shall be transferred to this account and used to pay expenses.

7. **Rebate Account** - The Trustee shall transfer to this account from the Program Sub account, Debt Service Account, or other available funds of the Issuer the amount required to be rebated the United States Government, if any, with respect to any rebate calculation made of interest earned on certain investments compared to the interest that would have been earned if invested at the yield rate of the Class B-1 and Class B-2 bonds. No amounts have been transferred to this account at December 31, 2006.

### b. Fund Type

The accounts of the Authority are organized on the basis of a fund, which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that compromise its assets, liabilities, net assets, revenues and expenses. The fund type presented in the financial statements:

## Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b. Fund Type (Continued)

**Fiduciary Fund - Private - Purpose Trust Fund** - This fund is used to account for bond proceeds that were used to finance residential housing through low interest first mortgage loans and other purposes as specified by the Trust indenture.

### c. Fund Equity

Equity is classified as net assets and displayed in two components:

a. Restricted net assets - Consists of net assets with constraints placed on the use by the bond trust indentures.

b. Unrestricted net assets - All other net assets that are not recorded as security for the bonds.

### d. Basis of Accounting

The Authority follows the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

### e. Budgetary Data

The Authority is not required by the Louisiana Revised Statutes 39:1303 to adopt a budget for the Authority's Private - Purpose Trust Fund.

### f. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### g. Investments

Investments in U.S. Treasury notes, U.S. Treasury Bills, and U.S. Government Agency discount obligations are carried at fair value, based on quoted market prices for the investments as reported by the Trustee.

## Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### h. Investments in FHLMC Mortgage Participation Certificates

Investments in the FHLMC mortgage participation certificates are carried at fair value based on quoted market prices for these securities as reported by the Trustee.

### i. Real Estate Mortgage Loans Receivable

Real estate mortgage loans receivable are reported net of an allowance for losses on real estate mortgage loans.

### j. Allowance for Uninsured Losses on Real Estate Mortgage Loans

The Authority provides valuation allowances for estimated losses on real estate mortgage loans and real estate owned acquired through foreclosure. All real estate mortgage loans receivable are insured for losses by reason of a default by a mortgagor under the:

- Mortgage Guaranty Insurance Policy and VA Guaranty (Policy)

  The Authority required all mortgagors who borrowed an original principal amount exceeding 80% of the lesser of the purchase price or the initial appraised value of the property to maintain a Policy in an amount so that the uninsured portion of the loan does not exceed 72% of the lesser or the purchase price or the initial appraised value of the property. The Policy is to be maintained until the remaining principal amount of the loan is reduced to 80% of the lesser of the purchase price or the appraised value of the property.

- Mortgage Trust Insurance Policy (Policy)

  The Policy will cover losses by reason of default by the mortgagor on any loan within the aggregate loss limit of liability of the Policy. The aggregate loss limit of the Policy as of December 31, 2006 was $693,982. If aggregate losses paid under the Policy reach the aggregate loss limit of the Policy, coverage for losses will be exhausted. All further losses will be borne by the Authority. Aggregate losses paid under the Policy as of December 31, 2006 amounted to $50,111. The Policy is not a blanket policy against all losses, since claims there under may only be made respecting particular defaulted loans and only upon the satisfaction of certain conditions.

## Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### j. Allowance for Uninsured Losses on Real Estate Mortgage Loans (Continued)

In providing valuation allowances, the estimated net realizable value of the underlying collateral, the estimated insured amount of the loan and the costs of holding real estate are considered. Loan losses are deducted from the allowance when the loans are actually charged off.

When a reduction of the carrying value of real estate owned to the estimated fair value or insured portion is required, the difference is charged to the allowance at the time of foreclosure; any subsequent adjustments are charged to loss on sale of real estate owned.

### k. Allowance For Uncollected Interest

Accrued interest on real estate mortgage loans receivable are reported net of an allowance for uncollected interest. When a real estate mortgage loan becomes 90 days past due as to principal or interest, interest income in the current year is reduced and the allowance account is increased. Interest accrued in the prior year and not included in the allowance for uncollected interest is charged to the allowance for losses on real estate mortgage loans. When loans are charged against the allowance for losses on real estate mortgage loans, the interest accrued at that time is charged against the allowance for uncollected interest.

### l. Real Estate Owned Acquired Through Foreclosure

Real estate owned acquired through foreclosure is initially recorded at the lower of cost (principal balance of the former mortgage loan plus costs of obtaining title or possession) or estimated fair value. Costs related to the improvement of the property are capitalized, whereas those relating to holding the property are expensed. The authority did not have any real estate acquired through foreclosure during 2006 or 2005.

### m. Deferred Bond Issuance Costs and Bond Discounts

The costs of issuing the Series 1990 Bonds and the related bond discounts are being amortized over the life of the bonds based upon the bonds outstanding method (weighted average principal amounts outstanding during the year to the total of outstanding principal balances). As Bonds are redeemed, a proportionate part of the related unamortized bond issuance costs is charged to expense.

## Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**n.** The Authority adopted GASB Statement No. 40, Deposit and Investment Risks Disclosures, and amendment of GASB Statement No. 3. Statement No. 40 addresses disclosure of common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk, such disclosures are included in Note 3. Adoption of Statement No. 40 does not affect the Authority's financial position, results of operations of cash flows.

The Authority adopted GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and also establishes accounting requirements for insurance recoveries. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Adoption of Statement No. 42 does not materially affect the Authority's financial position, results of operations or cash flows.

## Note 3 - DEPOSITS AND INVESTMENTS

Louisiana state law allows the Authority to invest excess funds in obligations of the United States or any other federally insured investments, certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations.

Bank Deposits:

State Law requires deposits (cash) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision, or with an unaffiliated bank or with a trust company for the account of the political subdivision.

## Note 3 - DEPOSITS AND INVESTMENTS (Continued)

Year end balances of deposits are as follows:

| | 2006 | |
|---|---|---|
| | Bank Balances | Reported Amount |
| Cash | $145,068 | $145,068 |

| | 2005 | |
|---|---|---|
| | Bank Balances | Reported Amount |
| Cash | $25,246 | $25,246 |

As a means of limiting its exposure to fair value losses arising from interest rates, the Authority's investment policy emphasizes maintaining liquidity to match specific cash flows.

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy requires the application of the prudent-person rule. The policy states, *In general, the Lafourche Parish Home Mortgage Authority shall operate under the "Prudent Person" rule, exercising judgment and care, under the circumstances prevailing, which people of ordinary prudence would employ in the management of their own affairs - not in regard to speculation, but as to the permanent disposition of their own funds, considering both safety of capital and income.*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Note 3 - DEPOSITS AND INVESTMENTS (Continued)**

A reconciliation of deposits and investments as shown on the Statement of Net Assets is as follows:

| | 2006 | 2005 |
|---|---|---|
| Reported amount of deposits | $ 145,068 | $ 25,246 |
| Reported amount of investments | 4,498,063 | 4,421,380 |
| Reported amount of investments in FHLMC mortgage participant certificates (Note 4) | - | 323,748 |
| Totals | $ 4,643,131 | $ 4,770,374 |
| Cash and cash equivalents | $ 78,896 | $ 288 |
| Cash and cash equivalents - restricted | 66,172 | 24,958 |
| Investments | 1,412,539 | 1,457,380 |
| Investments - restricted | 3,085,524 | 2,964,000 |
| Investments in FHLMC mortgage participant certificates (Note 4) - restricted | - | 323,748 |
| Totals | $ 4,643,131 | $ 4,770,374 |

Cash and investments consist of the following amounts which are held by the Trustee in various accounts established in accordance with the trust indentures for the Series 1990-A, Class A-1 and Class A-2 bonds, and the Series 1990-B, Class B-1, and B-2 bonds:

| | 2006 | | |
|---|---|---|---|
| | | Investments | |
| Trust Indenture Accounts | Cash | Cost | Fair Value |
| Collection Account | $ 5 | $ - | $ - |
| Issuer Residual Account | 9 | - | - |
| Program Subaccount | 78,896 | 1,418,626 | 1,412,539 |
| Debt Service Account | 65,205 | - | - |
| Debt Service Reserve Account | 953 | 2,876,600 | 3,085,524 |
| Totals | $ 145,068 | $ 4,295,226 | $ 4,498,063 |

**Note 3 - DEPOSITS AND INVESTMENTS (Continued)**

| Summary of Investments | Cost | Market Value |
|---|---|---|
| U.S. Treasury Notes | $ 1,418,626 | $ 1,412,539 |
| Student Loan Marketing Association zero coupon bond (9.5%, maturity date May 15, 2014) | 2,876,600 | 3,085,524 |
| Totals | $ 4,295,226 | $ 4,498,063 |

| Trust Indenture Accounts | 2005 | | |
|---|---|---|---|
| | | Investments | |
| | Cash | Cost | Fair Value |
| Collection Account | $ 7 | $ 309,580 | $ 320,511 |
| Issuer Residual Account | 1,349 | 3,127 | 3,237 |
| Program Subaccount | 288 | 1,475,932 | 1,457,380 |
| Debt Service Account | 23,602 | - | - |
| Debt Service Reserve Account | - | 2,627,032 | 2,964,000 |
| Totals | $ 25,246 | $ 4,415,671 | $ 4,745,128 |

| Summary of Investments | Cost | Market Value |
|---|---|---|
| U.S. Treasury Notes | $ 1,475,932 | $ 1,457,380 |
| Student Loan Marketing Association zero coupon bond (9.5%, maturity date May 15, 2014) | 2,627,032 | 2,964,000 |
| FHLMC mortgage Participation Certificates | 312,707 | 323,748 |
| Totals | $ 4,415,671 | $ 4,745,128 |

## Note 3 - DEPOSITS AND INVESTMENTS (Continued)

U.S. Treasury Notes and the Student Loan Marketing Association zero coupon bond are permissible types of investments stipulated in the bond trust indentures.

The U.S. Treasury Notes and the Student Loan Marketing Association zero coupon bond at December 31, 2006 and 2005 are being held in book-entry form at the Federal Reserve Bank for the account of the Trustee. The Authority's holdings are reflected on the individual Trust Indenture Accounts' trust account statements. Investments in the U.S. Treasury Notes have maturity dates within three years of December 31, 2006.

## Note 4 - INVESTMENTS IN FHLMC MORTGAGE PARTICIPATION CERTIFICATES

In the bond restructuring on April 11, 1990, the Authority delivered to Federal Home Loan Mortgage Corporation (FHLMC), a U.S. Government agency, $9,865,330 of the Series 1979 A mortgage loans in exchange for four participation certificates bearing interest at 7.75% in the same aggregate face amount. The participation certificates represent an undivided fractional interest in the mortgage loans. FHLMC guarantees full and timely payment of principal and interest under these mortgage backed securities.

During 2006, the remaining balance of investments in FHLMC mortgage participant certificates was sold.

Investments in FHLMC mortgage participation certificates for 2005 consist of the following amounts which were held by the Trustee in various accounts established in accordance with the trust indentures for the Series 1990-A, Class A-1 and Class A-2 bonds, and the Series 1990-B, Class B-1 and B-2 bonds:

| Trust Indenture Accounts | 2005 Cost | 2005 Fair Value |
|---|---|---|
| Collection Account | $ 309,580 | $ 320,511 |
| Issuer Residual Account | 3,127 | 3,237 |
| Totals | $ 312,707 | $ 323,748 |

## Note 4 - INVESTMENTS IN FHLMC MORTGAGE PARTICIPATION CERTIFICATES (Continued)

These investments were being held in book-entry form at the Federal Reserve Bank for the account of the Trustee. The Authority's investments were reflected on the individual Trust Indenture Accounts' trust account statements.

## Note 5 - REAL ESTATE MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable at December 31, 2006 and 2005 consisted of the following:

| | 2006 | 2005 |
|---|---|---|
| Real estate mortgage loans: | | |
| Current | $ 59,609 | $ 85,729 |
| 30 to 90 days in arrears | 15,653 | 34,411 |
| 90 or more days in arrears | 15,958 | 17,209 |
| | 91,220 | 137,349 |
| Less: | | |
| Allowance for uninsured losses on real estate mortgage loans | - | - |
| Totals | $ 91,220 | $ 137,349 |

Mortgage loans acquired by the Authority from participating financial institutions under the Series 1979 A Single Family Mortgage Revenue Bonds and retained by the Authority have scheduled maturities of 30 years, are secured by first mortgages on the related property, and have an annual interest rate of 8.375%. In addition, the loans are insured for various hazard and casualty losses and have been insured against default by mortgagors under a master trust policy.

All of the single family mortgage loans are originated by participating mortgage lenders and are sold without recourse to the Authority. The participating mortgage lenders service the mortgage loans for the Authority and receive monthly compensation based upon the unpaid principal balance of each mortgage loan.

## Note 5 - REAL ESTATE MORTGAGE LOANS RECEIVABLE (Continued)

Accrued interest on real estate mortgage loans at December 31, 2006 and 2005 consisted of the following:

| | 2006 | 2005 |
|---|---|---|
| Accrued interest | $ 2,884 | $ 3,108 |
| Less: | | |
| Allowance for uncollected interest | (1,821) | (1,309) |
| Totals | $ 1,063 | $ 1,799 |

## Note 6 - DEFERRED BOND ISSUANCE COSTS

Details of deferred bond issuance costs as of December 31, 2006 and 2005 were as follows:

| | 2006 | 2005 |
|---|---|---|
| Underwriters discount | $ 122,725 | $ 122,725 |
| Other costs | 286,855 | 286,855 |
| | 409,580 | 409,580 |
| Less accumulated amortization | (386,267) | (384,072) |
| Totals | $ 23,313 | $ 25,508 |

## Note 7 - BONDS PAYABLE

Bonds payable at December 31, 2006 and 2005 consists of Taxable Refunding Bonds, Series 1990-A, Tax-exempt Convertible Capital Appreciation Refunding Bonds, Series 1990-B, Class B-1, and Tax-exempt Capital Appreciation Refunding Bonds, Series 1990-B, Class B-2. Proceeds from the issuance of these bonds were principally used to defease the Single Family Revenue Bonds, 1979 Series A (one $5,000 bond remains outstanding at December 31, 2006). The Class A-1 bonds and Class A-2 bonds were issued on April 11, 1990. The Class B-1 and Class B-2 bonds were issued on May 14, 1990.

**Note 7 - BONDS PAYABLE (Continued)**

The Series 1990-A Taxable Refunding Bonds are comprised of Class A-1 bonds and Class A-2 bonds. The Class A-1 bonds have a face amount of $9,765,000 and bear interest at 7.75%. Principal and interest payments were made on each Class A-1 payment date (the 20th day of the second month following each interest accrual period, defined as a calendar month). Principal payments made on each payment date were based on the principal collections received on the four FHLMC mortgage participation certificates. The principal balance of the participation certificates is multiplied by 98.98% as stipulated in the bond indenture and then compared to the previous month's calculation. The reduction in the "bond values" is the amount of principal of the Class A-1 bonds that was paid on each payment date.

The Class A-1 bonds were secured by the FHLMC mortgage participation certificates for which the payment of principal and interest was guaranteed by FHLMC, and certain other monies from accounts established by the trust indenture. During 2006, the A-1 bonds were paid in full when the FHLMC mortgage participation certificates were sold (Note 4).

The Class A-2 Bonds were paid in full (except for one bond owned which will be considered to be paid at maturity and is not secured by the lien of the Class A-2 trust indenture) in October 1995. The Class A-2 bonds had a face amount of $770,000 and bore interest at 7.625%. Principal and interest payments were made on each Class A-2 payment date (the 1st day of the second month following each interest accrual period, which is defined as a calendar month). Principal payments were based on the collections of principal and interest on the real estate mortgage loans and payments made by the Authority for related expenses. Principal payments were made only from monies on deposit in the Retained Mortgage Loans Account in excess of $20,000 after payment of the Class A-2 interest and certain other costs, if any.

The Class A-2 bonds were secured by the real estate mortgage loans receivable and the investment in the Debt Service Reserve Account.

## Note 7 - BONDS PAYABLE (Continued)

The Tax-exempt Convertible Capital Appreciation Refunding Bonds, Series 1990-B, Class B-1 had a face amount of $595,000 and a stated interest rate of 7.625%. Interest accrued at 7.625% monthly from date of issuance until the date that the Class A-2 bonds were paid in full, when the compounded value (original principal plus accrued interest) converted and bear interest at 7.625%. The amount of interest accrued through October 1995 that converted to principal was $308,801. Monthly payments of principal and interest commenced immediately after the payment in full of the Class A-2 Bonds. Principal and interest payments were made monthly on each Class B-1 payment date (1st day of the second month following the interest accrual period, defined as a calendar month) in addition to interest to the extent that monies in the Debt Service Account exceed $20,000 after the payment of all interest.

During 2006, the Class B-1 bonds were paid in full.

The Tax-exempt Capital Appreciation Refunding Bonds, Series 1990-B, Class B-2 will mature on May 14, 2014 at $5,250,000. The original issue amount is $797,948. Interest is not payable monthly, but shall accrete value at an interest rate of 8% compounded semiannually which will produce an aggregate maturity amount of $5,250,000.

The Class B-2 bonds are subject to redemption on or after May 20, 2009 under certain conditions. The Class B-2 bonds are secured by a residual interest in the trust estate created under the Class A-2 indenture. Those monies and revenues pledged to secure the Class A-2 bonds will secure and Class B-2 bonds.

All monies, investments, revenues, and assets in the accounts established in the trust indentures are pledged as security for repayment of the various bonds, except for the amount held in the FHLMC Reserve Account and amounts held in the Issuer Residual Account in excess of $60,000 and the Program Sub account.

**Note 7 - BONDS PAYABLE (Continued)**

The following are the outstanding balances of the bonds payable at December 31, 2006 and 2005:

| | 2006 | | |
|---|---|---|---|
| | Bond Principal Balance at December 31, 2006 | Unamortized Bond Issue Discount | Balance at December 31, 2006 |
| A-2 | $ 5,000 | $ - | $ 5,000 |
| B-2 | 2,941,769 | - | 2,941,769 |
| Totals | $ 2,946,769 | $ - | 2,946,769 |
| Series 1979 A | | | 5,000 |
| Total | | | $ 2,951,769 |

| | 2005 | | |
|---|---|---|---|
| | Bond Principal Balance at December 31, 2005 | Unamortized Bond Issue Discount | Balance at December 31, 2005 |
| A-1 | $ 310,272 | $ - | $ 310,272 |
| A-2 | 5,000 | - | 5,000 |
| B-1 | 14,451 | 123 | 14,328 |
| B-2 | 2,719,826 | - | 2,719,826 |
| Totals | $ 3,049,549 | $ 123 | 3,049,426 |
| Series 1979 A | | | 5,000 |
| Total | | | $ 3,054,426 |

**Note 8 - UNRESTRICTED NET ASSETS**

Monies in the Program Sub account and monies in excess of $60,000 in the Issuer Residual Account as of April 2 each year are not pledged as security for the bonds and are not subject to the lien of the trust indentures. These amounts are reported as unrestricted net assets at December 31, 2006 and 2005.

## Note 9 - ADVANCE REFUNDING OF SERIES 1979 A BONDS

In April and May of 1990, in order to provide monies to the Authority for its valid public purpose, the Authority provided for the full refunding of its Series 1979 A Single Family Mortgage Revenue Bonds. The Authority issued $10,535,000 of Taxable Refunding Bonds, Series 1990-A, Class A-1 and Class A-2, $595,000 of Tax-exempt Convertible Capital Appreciation Refunding Bonds, Series 1990-B, Class B-1, and Tax-exempt Capital Appreciation Refunding Bonds, Series 1990-B, Class B-2 maturing on May 20, 2014 in the amount of $5,250,000. The proceeds of the refunding issues, along with other available funds of the Authority, have been placed in an irrevocable escrow account to be used solely to defease $13,145,000 of principal of the Series 1979 A bonds (one $5,000 bond remains outstanding at December 31, 2006 and was not defeased).

Under terms of the escrow deposit agreement, the amounts deposited into the escrow account with the Escrow Trustee were used to purchase U.S. Government obligations as allowed under the agreement. These investments, along with accrued interest earned thereon, will provide amounts sufficient for future payment of principal and interest on the Series 1979 A bonds, which totaled approximately $29,820,000 at the date of refunding. The advance refunding met the requirements of an in-substance debt defeasance and therefore, the escrow account and the $13,145,000 of refunded bonds are not reflected on the financial statements of the Authority.

The balance outstanding of the refunded debt of Series 1979 A bonds at December 31, 2006 and 2005 was $5,680,000 and $6,450,000, respectively.

## Note 10 - COMPENSATION PAID BOARD OF TRUSTEES

The Trustees serve without compensation, but may be reimbursed for actual expenses incurred in the performance of their duties as Trustees. The Trustees did not receive any per diem, compensation, or reimbursement for actual expenses for the years ended December 31, 2006 and 2005.

**SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

Bourgeois Bennett

# 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

To the Board of Trustees,
Lafourche Parish Home Mortgage Authority,
Thibodaux, Louisiana.

We have audited the financial statements of Lafourche Parish Home Mortgage Authority (the Authority), State of Louisiana, a component unit of Lafourche Parish Council, as of and for the year ended December 31, 2006, and have issued our report thereon dated April 30, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our 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 a 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.



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A material weakness is a significant deficiency, or a 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 Authority's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Trustees, management, and the Legislative Auditor for the State of Louisiana and 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Thibodaux, Louisiana,
April 30, 2007.

# SCHEDULE OF FINDINGS AND RESPONSES

## Lafourche Parish Home Mortgage Authority

For the year ended December 31, 2006

### Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes _X_ no
- Significant deficiency(ies) identified that are not considered to be material weakness ___ yes _X_ none reported

Noncompliance material to financial statements noted? ___ yes _X_ no

b) Federal Awards

Lafourche Parish Home Mortgage Authority did not receive federal awards during the year ended December 31, 2006.

### Section II - Financial Statement Findings

There were no financial statement findings noted during the audit for the year ended December 31, 2006.

### Section III - Federal Award Findings and Questioned Costs

Not applicable.

## REPORTS BY MANAGEMENT

# SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

## Lafourche Parish Home Mortgage Authority

For the year ended December 31, 2006

### Section I - Internal Control and Compliance Material to the Basic Financial Statements

#### Internal Control

No material weaknesses were noted during the audit of the basic financial statements for the year ended December 31, 2005.

No reportable conditions were reported during the audit of the basic financial statements for the year ended December 31, 2005.

#### Compliance

No compliance findings material to the basic financial statements were noted during the audit for the year ended December 31, 2005.

### Section II - Internal Control and Compliance Material To Federal Awards

Lafourche Parish Home Mortgage Authority did not receive federal awards during the year ended December 31, 2005.

### Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2005.

# MANAGEMENT'S CORRECTIVE ACTION PLAN

## Lafourche Parish Home Mortgage Authority

For the year ended December 31, 2006

### Section I - Internal Control and Compliance Material to the Basic Financial Statements

#### Internal Control

No material weaknesses were noted during the audit of the basic financial statements for the year ended December 31, 2006.

No significant deficiencies were reported during the audit of the basic financial statements for the year ended December 31, 2006.

#### Compliance

No compliance findings material to the basic financial statements were noted during the audit for the year ended December 31, 2006.

### Section II - Internal Control and Compliance Material To Federal Awards

Lafourche Parish Home Mortgage Authority did not receive federal awards during the year ended December 31, 2006.

### Section III - Management Letter

A management letter was not issued in connection with the audit of the basic financial statements for the year ended December 31, 2006.