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

Financial Statements

December 31, 2003

(With Independent Auditors' Report Thereon)

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

Release Date 7-28-04

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

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

Management's Discussion and Analysis

December 31, 2003

The Management's Discussion and Analysis (MD&A) of the Shreveport Home Mortgage Authority (the Authority), provides an overview and overall review of the financial activities of the Authority for the year ended December 31, 2003. The intent of the MD&A is to look at the Authority's financial performance as a whole. It should, therefore, be read in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

The Authority's total net assets increased primarily due to the net impact of the issuance of a Series 2003A bond issue and certain payment assistance grants received in connection therewith. Otherwise, over the course of this year's operations, current year operating revenues and receipt of principal payments on outstanding mortgage loans and the note receivable were used to pay the debt service on the outstanding bonds.

Interest received on mortgage loans and the note receivable continues to decrease each year. For the year ended December 31, 2003, interest income decreased approximately $301,000. This continual decrease is due to principal payments and pay downs on the outstanding mortgage loans and note receivable with no new issuances.

Overview of the Financial Statements

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

Financial Analysis of the Authority

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

Table 1

Net Assets	2003	2002
Current assets	$ 4,398,331	4,149,550
Noncurrent assets	18,295,195	14,101,104
Total assets	22,693,526	18,250,654
Current liabilities	1,980,780	2,112,363
Long-term liabilities	17,441,779	13,333,758
Total liabilities	19,422,559	15,446,121
Net assets:		
Restricted	2,199,829	1,745,722
Unrestricted	1,071,138	1,049,811
Total net assets	$ 3,270,967	2,795,533

(Continued)

The total assets of the Authority increased by $4,442,872 in the current year. This corresponds to the current year increase in total liabilities of $3,976,438. As the notes receivable are collected, payments are made on the outstanding debt. The normal decline in assets and liabilities as loans are collected and bonds repaid was offset during 2003 by the issuance of $7,500,000 in Series 2003A bonds.

The Authority's net assets were $3,270,967 at December 31, 2003. Of this amount, $1,071,138 was unrestricted and represents funds owned by the Authority and not associated with an individual issue. Restricted net assets are reported separately to show those amounts restricted by, and the use thereof governed by, the Trust Indenture for each bond issue.

Table 2

Changes in Net Assets	2003	2002
Operating revenues:		
Interest on mortgage loans and note receivable	$ 1,014,862	1,316,041
Other operating revenue	8,296	29,129
Total operating revenues	1,023,158	1,345,170
Operating expenses:		
Interest on bonds	1,042,825	1,263,250
Other operating expenses	61,533	78,160
Total operating expenses	1,104,358	1,341,410
Operating income (loss)	(81,200)	3,760
Nonoperating revenues	547,634	57,237
Change in net assets	$ 466,434	60,997

Interest income from mortgage loans and note receivable decreased $301,179 during the current year while the interest expense on bonds payable decreased $220,425. These decreases are occurring because of the decreasing mortgage loans receivable and the reduction of bonds payable excluding the impact of the current year issue. Other operating revenue decreased $20,833 from 2002 primarily due to a decrease in miscellaneous revenues received for amounts owed to the servicers or payment beyond the principal balance.

Nonoperating revenues increased by $490,397 due primarily to receipt of housing assistance grants in connection with the Series 2003A issue.

The decrease in net assets caused by the operating loss of $81,200 was offset by nonoperating revenues of $547,634 resulting in an overall increase in net assets of $466,434. As a result, the Authority's current year operating revenues, interest income on investments, and receipts of principal payments on outstanding mortgage loans and the note receivable were used to pay the current year operating expenses and debt service on the outstanding bonds.

(Continued)

Debt Administration

At December 31, 2003, the Authority had outstanding bonded indebtedness of $19,132,174 as compared to $15,080,964 at December 31, 2002. The current year changes in outstanding bonded indebtedness are the result of scheduled principal and interest payments, bond discount accretion, and early call of bonds offset by the issuance of $7,500,000 Series 2003A bonds. In addition to scheduled principal and interest payments, $1,280,000 of the Single Family Mortgage Revenue Bonds Series A (1995 Issue) and $445,000 of the Single Family Mortgage Revenue (1984 Issue) were called for redemption at a redemption price of 100% of the principal amount called. The bonds, net of any unaccreted discount, consisted of the following at December 31:

Outstanding Debt		2003	2002
Single Family Mortgage Revenue Bonds (1984 Issue)	$	201,002	283,609
Collateralized Mortgage Refunding Bonds (1988 Issue)		2,986,172	5,072,355
Multi-Family Housing Revenue Refunding Bonds (1995 Issue)		4,360,000	4,360,000
Single Family Mortgage Revenue Refunding Bonds (1995 Issue)		4,085,000	5,365,000
Single Family Mortgage Revenue Bonds (2003 Issue)		7,500,000	—

The bonds in the 1984, 1988, and 1995 (Single Family – Refunding) Issues are collateralized by and payable from the income, revenues, and receipts derived by the Authority from the mortgage loans and the funds and accounts held under or pledged to the Trust Indentures. The bonds in the 1995 (Multi-Family – Refunding) Issue are collateralized by the revenues and other amounts derived by the Authority from the note receivable and the funds and accounts established under the Trust Indenture. A credit enhancer is also contained in the Trust Indenture for the 1995 Multi-Family Issue that guarantees that no loss will be incurred on the sale of the property should a default occur on the debt being serviced by the investor. The 2003 Issue is a limited obligation of the Authority payable solely from the pledged investments and the interest thereon. The Series 2003A Issue will be redeemed through a Series 2003B Issue by February 1, 2007.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. James A. Burnett, 1400 Youree Drive, Shreveport, Louisiana 71101-4197.

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Independent Auditors' Report

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

We have audited the basic financial statements of the Shreveport Home Mortgage Authority (a component unit of the City of Shreveport) as of and for the year ended December 31, 2003, as listed in the Table of Contents. These component unit basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these component unit basic financial statements based on our audit.

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

In our opinion, the component unit basic financial statements referred to above present fairly, in all material respects, the financial position of the Shreveport Home Mortgage Authority as of December 31, 2003 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2004, on our consideration of the Shreveport Home Mortgage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed as Required Supplementary Information in the Table of Contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

March 26, 2004

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

Statement of Net Assets

December 31, 2003

Assets	
Current assets:	
Cash and cash equivalents (note 4)	$ 2,290,998
Current portion of mortgage loans receivable, net (note 2)	1,218,128
Accrued interest receivable	123,887
Investment securities (note 4)	760,048
Other assets	5,270
Total current assets	4,398,331
Noncurrent assets:	
Investment securities (note 4)	7,500,000
Mortgage loans receivable, net (note 2)	6,037,934
Note receivable (note 3)	4,360,000
Bond issuance costs, net	397,261
Total noncurrent assets	18,295,195
Total assets	22,693,526
Liabilities	
Current liabilities:	
Current portion of bonds payable, net of unaccreted discount (note 5)	1,777,898
Accrued interest payable	202,882
Total current liabilities	1,980,780
Noncurrent liabilities:	
Bonds payable, net of unaccreted discount (note 5)	17,354,276
Other	87,503
Total noncurrent liabilities	17,441,779
Total liabilities	19,422,559
Net Assets	
Restricted	2,199,829
Unrestricted	1,071,138
Total net assets	$ 3,270,967

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended December 31, 2003

Operating revenues:		
Interest on mortgage loans and note receivable	$	1,014,862
Other		8,296
Total operating revenues		1,023,158
Operating expenses:		
Interest on bonds		1,042,825
Amortization of issuance costs		12,888
Administrative expenses		48,645
Total operating expenses		1,104,358
Operating income (loss)		(81,200)
Nonoperating revenues (expenses):		
Housing assistance payment grants		471,691
Interest on investments		75,943
Total nonoperating revenues		547,634
Change in net assets		466,434
Net assets at beginning of year		2,804,533
Net assets at end of year	$	3,270,967

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended December 31, 2003

Cash flows from operating activities:		
Interest payments received on mortgage loans and note receivable	$	983,077
Principal payments received on mortgage loans and note receivable		3,507,027
Interest paid		(967,735)
Principal payments on bonds		(3,549,923)
Cash paid for administrative expenses		(97,374)
Other		8,615
Net cash used in operating activities		(116,313)
Cash flows from investing activities:		
Interest income received		75,943
Purchases of investments		(10,080,713)
Proceeds from maturities and sales of investments		2,622,857
Net cash used in investing activities		(7,381,913)
Cash flows from noncapital financing activities:		
Proceeds from issuance of bonds		7,500,000
Payment of bond issuance costs		(173,652)
Proceeds from assistance payment grants		471,691
Net cash provided by noncapital financing activities		7,798,039
Net increase in cash and cash equivalents		299,813
Cash and cash equivalents at beginning of year		1,991,185
Cash and cash equivalents at end of year	$	2,290,998
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(81,200)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Principal payments received on mortgage loans and note receivable		3,507,027
Principal payments on bonds		(3,549,923)
Bond discount accretion		101,133
Amortization of bond issuance costs		12,888
Loan discount accretion		(77,633)
Net decrease in other assets		319
Net decrease in accrued interest receivable		45,848
Net decrease in accrued interest payable		(26,043)
Net decrease in accounts payable		(48,729)
Net cash used in operating activities	$	(116,313)

See accompanying notes to financial statements.

(1) Summary of Accounting Policies

(a) Organization

The Shreveport Home Mortgage Authority (the Authority) is a tax exempt public trust, created pursuant to the Constitution and laws of the State of Louisiana, particularly Chapter 2-A of Title 9 of the Louisiana Revised Statutes of 1950, as amended, and the Trust Indenture, dated October 24, 1978, with the City of Shreveport, Louisiana, as beneficiary. The Authority can transfer excess cash to the City of Shreveport. Pursuant to the Trust Indenture, the Authority is authorized to undertake various programs to assist in the financing of housing for persons of low to moderate income in the City of Shreveport. The Authority is a component unit of the City of Shreveport.

The Authority began operations on September 14, 1979 and has since been involved in numerous bond issues ("Issues") with the following issues still outstanding:

Date	Issue name	Original amount
November 20, 1984	Single Family Mortgage Revenue Bonds (1984 Issue)	$ 11,250,000
July 28, 1988	Collateralized Mortgage Refunding Bonds (1988 Issue)	44,111,177
March 14, 1995	Multi-Family Housing Revenue Refunding Bonds (1995 Issue)	4,435,000
December 7, 1995	Single Family Mortgage Revenue Refunding Bonds (1995 Issue)	9,450,000
August 26, 2003	Single Family Mortgage Revenue Bonds (2003 Series A Issue)	7,500,000

Bonds and other obligations issued under the provisions of the Trust Indenture are not a debt or liability of the State of Louisiana, the City of Shreveport, or any political subdivision.

(b) Basis of Presentation

The accounts of the Authority are organized by issue, each of which is considered a separate accounting entity. The operations of each issue are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The following fund types are utilized by the Authority:

Mortgage Purchase Program Funds – These funds are used to account for the proceeds from mortgage revenue bonds, the debt service requirements of the bonds, and the related mortgage loans for housing in the City of Shreveport.

Operating Funds – These funds are the general operating funds of the Issues. All income and expenses not directly attributable to the Mortgage Purchase Program Funds are accounted for in these funds.

Bond Fund – In the 1995 Multi-Family Refunding Issue, the Bond Fund is used to account for the proceeds from the sale of the bonds, principal and interest payments on the note receivable, and the debt service on the bonds.

Operating Account – The Operating Account represents funds owned by the Authority not associated with an individual Issue. The primary source of these funds is the semiannual issuer's fee paid by certain Issues to the Authority, transfers of excess funds in the 1988 Issue, and interest on loans received in the refunding of the 1979 Issue and investment income. Payments from this account are made to cover expenses of the Authority not provided for under any of the various bond indentures.

Interest earned on the investments and mortgage loans in the Mortgage Purchase Program Funds is initially accounted for in those funds. The interest is then transferred to the respective Operating Fund when collected. To the extent monies are not available from the principal payments received on the mortgage loans, the Operating Funds transfer monies to the Mortgage Purchase Program Funds in amounts sufficient to pay all interest and principal on the outstanding bonds.

(c) ***Basis of Accounting***

The Authority uses the accrual method of accounting whereby expenses are recognized when the liability is incurred, and revenues are recognized when earned. The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The operating statements present increases (revenues) and decreases (expenses) in net assets. The Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for its proprietary operations as well as the following pronouncements issued on or before November 30, 1989: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins (unless those pronouncements conflict with or contradict GASB pronouncements).

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues of the Authority are interest charges on mortgage loans and the note receivable. The Authority also recognizes as operating revenue annual fees (i.e., foreclosure fees, issuer fees) to recover costs associated with administering the mortgage loans and note receivable and foreclosures.

(d) ***Investment Securities***

Investments are reported at fair value on the balance sheet. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

(e) ***Bond Issuance Costs and Bond Discount***

Costs related to issuing bonds are capitalized. Bonds are presented net of discounts related to the sale of bonds. Bond costs and discounts are amortized on the interest method over the term of the bonds. The bond issuance cost for the 1995 Multi-Family Issue was paid by the owner of the property.

(f) ***Mortgage Loan Discount***

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

(g) ***Provisions for Loan Losses***

Provisions for losses on loans and accrued interest are charged to earnings when it is determined that the investment in applicable assets is greater than their estimated net realizable value. At December 31, 2003, estimated losses on loans were not material.

(h) ***Cash and Cash Equivalents***

For purposes of the statement of cash flows, cash and cash equivalents are defined as being cash in bank deposit accounts and short-term investments with an original maturity of ninety days or less. Investments in guaranteed investment contracts and U.S. government securities are excluded from cash and cash equivalents although such investments may mature within ninety days of their purchase.

(2) Mortgage Loans Receivable

Mortgage loans for the 1984 Issue, 1988 Issue, and the Operating Account are collateralized by first liens on single family residential property. The mortgage loans have an aggregate effective interest rate to the Authority of 9.67% for the 1988 Issue, 10.68% for the 1984 Issue, and 7.00% for the mortgage loans held in the Operating Account. Mortgage loans for the 1995 Issue (Single Family – Refunding) represent mortgage pass-through certificates (GNMA and FNMA certificates) backed by certain qualifying mortgage loans for single family residences.

The 1984 Issue and Operating Account mortgage loans have a face value of $381,601 and $21,934, respectively, at December 31, 2003. The 1988 Issue mortgage loans have a face value of $4,338,267 which is reduced by unamortized discount of $1,083,034 at December 31, 2003.

All loans purchased by the Authority under the 1988 Issue and the Operating Account are required to be insured by FHA or guaranteed by VA. Additionally, each mortgage loan in these issues is insured under master policies of supplemental mortgage insurance obtained from Mortgage Guaranty Insurance Corporation. These master policies insure, subject to certain conditions, each mortgage loan owned by the Authority against losses not otherwise insured, to a maximum of 10% of the aggregate initial principal balance of all mortgage loans originated. The conventional loans under the 1984 Single Family Issue are insured under master policies of mortgage pool insurance obtained from GE Capital Mortgage Insurance Corporation to a maximum of 15% of the aggregate initial principal balances of the loans, as well as being fully insured with various approved private mortgage insurers for the unamortized principal balance of the loan and accrued and unpaid interest.

As the principal and interest payments on the GNMA and FNMA certificates of the 1995 Issue (Single Family – Refunding) are fully guaranteed by the GNMA and FNMA, the Authority is not responsible for mortgage loan insurance for the mortgage loans in the 1995 Issue (Single Family – Refunding). The carrying and market values of the 1995 Issue (Single Family – Refunding) GNMA and FNMA certificates at December 31, 2003 were $3,597,294 and $3,896,482, respectively.

(3) Note Receivable

The note receivable is a $4,360,000 note in the 1995 Multi-Family Refunding Issue due from an investor maturing September 1, 2025. The note receivable bears interest at a fixed rate of 6.4%. The note is collateralized by land, buildings, and fixtures of the investor. The bonds payable in the 1995-A Multi-Family Refunding Issue are not a general obligation debt or liability of the Authority. Security for the bonds is the note receivable. In addition, a policy of indemnity is in place to cover nonpayment of the bonds in the event of default by the investor. Because the bonds are not a general obligation of the Authority, failure to collect all of the note would ultimately lead to a corresponding reduction in amounts paid to the bondholder. Therefore, no provision has been made to record an allowance for doubtful accounts.

(4) Cash and Cash Equivalents and Investment Securities

Investments, including cash equivalents, consist of securities as specifically called for under terms of the Trust Indentures; these include variable rate notes, U.S. Treasury bonds, U.S. Treasury bills, U.S. government agency securities, certificates of deposit, and investment agreements.

Cash and cash equivalents include the following at December 31, 2003:

Cash – 1988 Issue (Refunding)	$	25,022
One Group U.S. Treasury Securities Money Market Fund:		
1984 Issue (Single Family)		12,804
1988 Issue (Refunding)		604,565
Operating Account		1,049,204
		1,666,573
Fidelity Treasury Capital Reserve Fund:		
1995 Issue (Multi-Family – Refunding)		293,579
Hancock Horizon Treasury Money Market Account (2003A Issue)		305,824
Total cash and cash equivalents	$	2,290,998

The above cash equivalents are not insured or collateralized.

Investment securities are as follows:

		Carrying amount	Fair value
1984 Issue (Single Family):			
Bank One, MBank Investment Agreements	$	67,404	67,404
1995 Issue (Single Family – Refunding):			
Bayerische Landesbank Investment Agreements		692,644	692,644
2003 Issue (Single Family):			
XL Asset Funding Company Investment Agreements		7,500,000	7,500,000
	$	8,260,048	8,260,048

The XL Asset Funding investment is security for the Series 2003A Issue until such time as the Series A is redeemed through a Series 2003B Issue and therefore is classified as noncurrent. The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. All investments are Category 2 investments. Category 2 includes uninsured and unregistered investments for which the securities are held by the trustee in the Authority's name.

(5) Bonds Payable

Bonds payable at December 31, 2003 consist of:

2003 Issue (Single Family) – Single Family Mortgage Revenue Bonds, 2003A dated August 1, 2003 – $7,500,000 Variable Rate Bonds at LIBOR plus .008% (1.178% at December 31, 2003) due February 1, 2007	$ 7,500,000
1995 Issue (Single Family – Refunding) – Single Family Mortgage Revenue Refunding Bonds, 1995A dated December 1, 1995 – $545,000 Current Interest Bonds due serially each August 1 until 2006, at interest rates of 4.25% to 5.2%; $5,450,000 Term Bonds due August 2028 at 6.0% interest	4,085,000
1995 Issue (Multi-Family – Refunding) – Multi-Family Housing Revenue Refunding Bonds, Series 1995A dated March 14, 1995 – $4,360,000 Current Interest Bonds due September 1, 2025	4,360,000
1988 Issue (Refunding) – Taxable Collateralized Mortgage Refunding Bonds, Series 1988-A dated July 1, 1988, due in monthly installments of approximately $259,000 including interest (based on the payments of the mortgage loan pool collateralizing the Issue) at an interest rate of 6.8%	3,993,604
Unaccreted discount	(1,007,432)
	2,986,172
1984 Issue (Single Family) – Single Family Mortgage Revenue Bonds, 1984 Series A dated November 1, 1984; Compound Interest Term Bonds due May 1, 2016, at an approximate yield of 11.25%	775,000
Unaccreted discount	(573,998)
	201,002
Total bonds payable, net of unaccreted discount	19,132,174
Less current portion of bonds payable, net of unaccreted discount	1,777,898
Long-term bonds payable, net of unaccreted discount	$ 17,354,276

(Continued)

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

Notes to Financial Statements

December 31, 2003

A summary of scheduled bond maturities and interest follows:

		(thousands of dollars)								
	Total	2004	2005	2006	2007	2008	2009-2013	2014-2018	2019-2023	2024-2028
Bonds:										
1984 Single Family Issue	$ 775	—	—	—	—	—	—	775	—	—
1988 Refunding Issue	3,993	2,438	1,555	—	—	—	—	—	—	—
1995 Multi-Family Refunding Issue	4,360	—	—	—	—	—	—	—	—	4,360
1995 Single Family Refunding Issue	4,085	—	—	—	—	—	—	—	—	4,085
2003 Single Family Issue	7,500	—	—	—	7,500	—	—	—	—	—
Total principal on bonds	20,713	2,438	1,555	—	7,500	—	—	775	—	8,445
Less: unaccreted discount	1,581	660	347	—	—	—	—	574	—	—
Net principal	19,132	1,778	1,208	—	7,500	—	—	201	—	8,445
Interest	12,782	816	653	612	531	524	2,621	2,621	2,621	1,783
Total	$ 31,914	2,594	1,861	612	8,031	524	2,621	2,822	2,621	10,228

The 2003A Issue (Single Family) may be redeemed in whole or in part on and after February 2, 2004 at a redemption price equal to 100% of the principal amount plus accrued interest provided that not more than $3,000,000 may be redeemed prior to July 1, 2004 and not more than $4,500,000 may be redeemed prior to September 1, 2004. Certain mandatory redemption provisions are described in the Bond Indentures which require redemption at a price equal to the principal and accrued interest to the redemption date. The 2003A Issue is required to be redeemed in whole through the issuance of a Series 2003B Issue by February 1, 2007. No such redemptions took place during 2003.

The 1995 Issue (Multi-Family – Refunding) may be redeemed in whole or in part on or after December 1, 2005, upon notice, at a redemption price beginning at 102% and subsequently declining to par. The 1995 Issue (Single Family – Refunding) may be redeemed, in whole or part, at par, after March 1, 2006. Certain mandatory redemption provisions are described in the Bond Indentures which require redemption at a price equal to the principal and accrued interest to the redemption date. For the 1984 Issue, there are no optional redemption features.

Payments of principal on the 1988 Issue are based on payments of the mortgage pool collateralizing the Issue. Prepayments of these mortgage loans are used to prepay principal on the 1988 Issue. Additionally, the bonds are subject to redemption at the option of the bondholder on thirty days' notification to the Authority. The redemption value would be the lesser of the then outstanding principal and interest on the bonds or the fair market value of the mortgage loans. The Trustee is authorized to act at the direction of the bondholder to sell the mortgage loans on the redemption date.

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

There are a number of limitations and restrictions contained in the various bond indentures. The Authority is in compliance with all significant limitations and restrictions.

On March 14, 1995, the Authority issued $4,435,000 in bonds, the 1995 Issue (Multi-Family – Refunding), to advance refund the $4,360,000 1983-B Issue bearing interest at 6.4% and pay part of the issuance costs of the new bonds. The 1983-B Issue bonds are considered defeased and have been removed from the Authority's financial statements. At December 31, 2003, the principal outstanding on the refunded bonds was $4,360,000.

The 1979 Issue bonds are considered defeased and have been removed from the Authority's financial statements. At December 31, 2003, $37,500,000 of bonds in the 1979 Issue are still outstanding.

(6) Restricted Assets

Substantially all amounts reflected in the statement of net assets represent assets in such accounts or funds designated under the Trust Indenture for each Issue to be invested and/or held for subsequent disbursement in such manner and at such time as specifically defined in the respective Trust Indenture.

All of the assets of the Mortgage Purchase Program Funds are restricted by, and the use thereof is governed by, the Trust Indentures.

(7) Commitments

Under the terms of the applicable Trust Indentures, the Authority is required to redeem bonds prior to maturity when balances in certain funds exceed specified levels. The 1988 Issue is redeemable, as described in note 5, based on mortgage prepayments or at the option of the bondholders.

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

The Board of Trustees
Shreveport Home Mortgage Authority:

We have audited the statement of net assets of the Shreveport Home Mortgage Authority (the Authority), a component unit of the City of Shreveport, as of December 31, 2003 and the related statements of revenue, expenses, and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated March 26, 2004. 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

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 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. 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 material weaknesses. 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, and the State of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 26, 2004