HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

JUNE 30, 2014

HAMMOND, LOUISIANA

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity of the Hammond-Tangipahoa Home Mortgage Authority (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of the Hammond-Tangipahoa Home Mortgage Authority as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Hammond-Tangipahoa Home Mortgage Authority's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Change in Accounting Principle

As described in Note 8 to the financial statements, in 2014 Hammond-Tangipahoa Home Mortgage Authority adopted a new accounting standard, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hammond-Tangipahoa Home Mortgage Authority's basic financial statements. The Schedule of Assets, Liabilities, and Net Position by Program (Schedule 1), Schedule of Revenues, Expenses, and Changes in Net Position by Program (Schedule 2), and Schedule of Cash Flows by Program (Schedule 3) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Assets, Liabilities, and Net Position by Program (Schedule 1), Schedule of Revenues, Expenses, and Changes in Net Position by Program (Schedule 2), and Schedule of Cash Flows by Program (Schedule 3) are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Assets, Liabilities, and Net Position by Program (Schedule 1), Schedule of Revenues, Expenses, and Changes in Net Position by Program (Schedule 2), and Schedule of Cash Flows by Program (Schedule 3) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hammond-Tangipahoa Home Mortgage Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Baton Rouge, Louisiana
October 23, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014 (the "Current fiscal year"). 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 financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- During the current fiscal year, low mortgage loan interest rates continued to cause the Authority's mortgage loans to first time home buyers to be prepaid but at a slower pace than the prior fiscal year. Prepayments from mortgage loans (as the underlying collateral for the Mortgage Backed Securities) are used to retire bonds prior to their maturity. Fewer assets results in lower mortgage related interest income and fewer bonds results in lower bond interest expense.

- Total Assets decreased by $1,087,596 primarily due to a $936,194 decrease in Securitized Mortgage loans from payments and prepayments, a decrease of $19,306 in Cash and Cash Equivalents, and a decrease of $127,489 in Investments. Total Liabilities decreased $1,128,482 primarily due to a reduction of $1,115,855 in bonds payable from principal payments and prepayments received from the Securitized Mortgage Loans.

- The Authority's assets exceeded its liabilities at the close of the current fiscal year by $1,597,706, which represents a $40,886 increase from the prior fiscal year due in part to a change in accounting required by GASB 65 which changes the treatment of deferred financing costs.

- The Authority's gross revenue (exclusive of the "Change in Market Value of Securitized Loans and Other Investments") decreased $90,259 due primarily to a $84,409 combined decrease in interest income on securitied mortgage loans and other investments.

- There was a $190,898 increase in the changes in net position from the prior year due primarily to the Change in Market Value of Securitized Loans and Other Investments in the current fiscal year compared to the prior fiscal year.

- There was a Net Loss of $4,502 in the current fiscal year as compared to a Restated Net Income of $20,402 in the prior fiscal year (excluding the effects of the Change in Market Value of Securitized Loans and Other Investments).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

The basic financial statements include information on a combined basis for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Balance Sheet presents the assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating. Schedules of Assets, Liabilities and Net Position by Program is on page 21.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed as a result of the current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods. Schedules of Revenues, Expenses and Changes in Net Position by Program is on page 22.

The Statement of Cash Flows presents information showing how the Authority's cash changed as a result of the current year's operations. The cash flow statement is prepared using the direct method and includes the reconciliation of net income (loss) to net cash provided by (used in) operating activities (indirect method) as required by Statement No. 34 of the Governmental Accounting Standards Board. Schedules of Cash Flow by Program is on pages 23 and 24.

FINANCIAL ANALYSIS OF THE AUTHORITY

Hammond-Tangipahoa Home Mortgage Authority
Statement of Net Assets
as of June 30, 2014 and 2013

	2014	Restated 2013	Increase (Decrease)
Cash & Cash Equivalents	$ 929,958	$ 949,264	$ (19,306)
Securitized Mortgage Loans	3,819,839	4,756,033	(936,194)
Guaranteed Investment Contracts and Investments	388,986	516,475	(127,489)
Other Assets	15,921	20,528	(4,607)
Total Assets	5,154,704	6,242,300	(1,087,596)
Other Liabilities	44,743	57,370	(12,627)
Long-Term Debt Outstanding	3,512,255	4,628,110	(1,115,855)
Total Liabilities	3,556,998	4,685,480	(1,128,482)
Net Position:			
Restricted	396,762	327,652	69,110
Unrestricted	1,200,944	1,229,168	(28,224)
Total Net Position	$ 1,597,706	$ 1,556,820	$ 40,886

Restricted net position represent those assets that are not available for general use due to the 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 position are those assets for which there are no such limitations.

Net position of the Authority increased by $40,886 from June 30, 2013 to June 30, 2014.

Hammond-Tangipahoa Home Mortgage Authority
Condensed Statement of Changes in Net Position
For the Years Ended June 30, 2014 and 2013

	2014	Restated 2013	Increase (Decrease)
Revenues	$ 259,170	$ 133,627	$ 125,543
Expenses - Operating	218,284	283,639	(65,355)
Change in Net Position	$ 40,886	$(150,012)	$ 190,898

Revenue

The Authority's revenues increased primarily due to a increase in the Market Value of Securitized Loans and Other Investments of $215,802 and a decrease in interest earned on Mortgage Loans and Other Investments of $84,409. Operating expenses decreased by $65,355 primarily as a result of a $59,734 reduction in interest paid on the Long-Term Debt.

The Authority's total revenues exclusive of the "Change in Market Value of Securitized Loans and Other Investments" decreased by $90,259 due primarily to a $75,813 decrease in interest earned on securitized mortgage loans. The total operating cost of all programs and services decreased by $65,355.

Debt

The Authority had $3,512,255 in bonds outstanding at the end of the current fiscal year, compared to $4,628,110 at the end of the prior fiscal year, as shown in the table below:

	2014	2013	Increase (Decrease)
Mortgage Revenue Bonds	$3,512,255	$4,628,110	$(1,115,855)

The net decreased debt level resulted from the $1,115,855 early retirement and scheduled redemption of bonds from payments and prepayments of mortgage related assets.

The Authority's bond rating continues to carry the Aaa rating for the debt of its Mortgage Revenue Bonds.

The Authority has accounts payable and accrued interest payable of $18,917 outstanding at the current fiscal year end compared with $23,339 at the prior fiscal year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

Conventional mortgage loan interest rates have remained at below 5% for the last several years. Conventional mortgage interest rates since the beginning of 2010 gradually fell to a 3.75% or slightly lower range by June 1, 2013. Mortgage loan interest rates began to climb slightly in the current fiscal year which will result in a slowdown of mortgage loan prepayments which in turn results in fewer bonds being called ahead of their maturity dates.

Based on declining demand the Authority did not issue any bonds during the current fiscal year.

CONTACTING THE HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY MANAGEMENT

This financial report is designed to provide Louisiana's citizens and taxpayers, as well as the Authority's customers and creditors with a general overview of the Hammond-Tangipahoa Home Mortgage Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Stan Dameron
Chairman
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HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

BALANCE SHEET

AS OF JUNE 30, 2014
(With Comparative Totals as of June 30, 2013)

ASSETS

	2014	Restated 2013
Cash and Cash Equivalents	$ 929,958	$ 949,264
Investments	388,986	516,475
Securitized Mortgage Loans	3,819,839	4,756,033
Accrued Interest Receivable	15,921	20,528
Total Assets	$ 5,154,704	$ 6,242,300

LIABILITIES AND NET POSITION

	2014	Restated 2013
Liabilities:		
Accrued Interest Payable	$ 13,917	$ 18,339
Accounts Payable	5,000	5,000
Unearned Servicing Release Fees	25,826	34,031
Bonds Payable - Net	3,512,255	4,628,110
Total Liabilities	3,556,998	4,685,480
Net Position:		
Restricted for MRB Programs	396,762	327,652
Unrestricted	1,200,944	1,229,168
Total Net Position	1,597,706	1,556,820
Total Liabilities and Net Position	$ 5,154,704	$ 6,242,300

The accompanying notes are an integral part of this statement.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals For the Year Ended June 30, 2013)

	2014	Restated 2013
Operating Revenues:		
Mortgage Loan Income:		
Interest Earned	$ 187,203	$ 263,016
Change in Market Value-Securitized Loans	50,514	(161,962)
Investment Income:		
Interest Earned	18,374	26,970
Change in Market Value-Investments	(5,126)	(8,452)
Other Income	8,205	14,055
Total Operating Revenues	259,170	133,627
Operating Expenses:		
Interest	162,107	221,841
Legal and Professional fees	19,482	16,500
Accounting and Audit Costs	15,950	15,900
Board Meeting Expenses and Per Diem	6,000	6,500
Other Expenses	14,745	22,898
Total Operating Expenses	218,284	283,639
Change in Net Position	40,886	(150,012)
Net Position - Beginning of Year, As Restated	1,556,820	1,706,832
Net Position - End of Year	$ 1,597,706	$ 1,556,820

The accompanying notes are an integral part of this statement.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014	2013
Cash Flows From Operating Activities:		
Cash Receipts for:		
Investment and Mortgage Loan Income	$ 221,538	$ 310,333
Program Mortgage Principal Collections	975,354	1,546,488
Cash Payments for:		
Interest on Debt	(188,411)	(266,898)
Other Expenses	(56,177)	(61,798)
Net Cash Provided by Operating Activities	952,304	1,528,125
Cash Flows From Investing Activities:		
Purchase of Investments	-	(70,104)
Proceeds from Maturities, Sales and Paydowns of Investments	122,363	316,607
Net Cash Provided by Investing Activities	122,363	246,503
Cash Flows From Noncapital Financing Activities:		
Bond Redemptions	(1,093,973)	(1,874,016)
Net Cash Used in Noncapital Financing Activities	(1,093,973)	(1,874,016)
Net Increase (Decrease) in Cash and Cash Equivalents	(19,306)	(99,388)
Cash and Cash Equivalents at Beginning of Year	949,264	1,048,652
Cash and Cash Equivalents at End of Year	$ 929,958	$ 949,264

(CONTINUED)

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014	Restated 2013
Cash Flows From Operating Activities:		
Change in Net Position	$ 40,886	$ (150,012)
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:		
Amortization of Mortgage Loan Premium	11,354	12,069
Amortization of Bond Premium	(21,882)	(37,483)
Amortization of Unearned Servicing Release Fees	(8,205)	(14,055)
Net Realized and Unrealized (Gains) Losses on Investments	(45,388)	170,414
Mortgage Loan Principal Payments Received	975,354	1,546,488
Changes in Assets and Liabilities:		
(Increase) Decrease in Accrued Interest and Other Receivable	4,607	8,278
Increase (Decrease) in Accrued Interest and Other Payable	(4,422)	(7,574)
Net Cash Provided by Operating Activities	$ 952,304	$ 1,528,125

The accompanying notes are an integral part of this statement.

(1) Summary of Significant Accounting Policies

(A) 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.

(B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

Financial Reporting Entity

GASB Statement 61 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of these Statements, 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 61 as other legally separate organizations for which the Authority members are financially accountable.

Measurement Focus - The Authority's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. These statements established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of activities and changes in net position and a statement of cash flows.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. The Authority has no governmental or fiduciary funds.

Basis of Accounting - The Authority uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred or economic asset used.

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 programs are considered to be proprietary fund types, the Authority follows the guidance included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 1989 FASB and AICPA Pronouncements.*

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.

The following funds are maintained by the Authority:

Residual 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 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.

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.

Statement of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include certificates of deposit and all highly liquid debt instruments with maturities of three months or less when purchased.

Summary Financial Information for 2013

The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

(2) 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. The Authority also has funds classified as "Cash and Cash Equivalents" on the Balance Sheet which represent interest in money market mutual funds.

Deposits in financial institutions including those on deposit at the Trustee Banks 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, 2014, the Authority had bank deposits (consisting of demand deposits and U.S. Treasury money market funds) with aggregate bank balances of $930,894 and carrying amounts of $929,958. None of the Authority's bank balances was exposed to custodial credit risk as of June 30, 2014 since it was completely insured by FDIC/SIPC insurance or invested in United States Treasury backed money market funds.

(3) Investments

The Authority's investments at June 30, 2014 are recorded at fair value as summarized below:

Investment Type/Issuer	Amortized Cost	Fair Value	Credit Quality Rating	% of Investments (Fair Value)	Expected Maturity/ Duration
Municipal Bond - Public Impt.	$ 25,000	$ 24,285	BBB+	0.58%	6-10 years
Government National Mortgage Association	659,159	714,906	AAA	16.99%	1-5 years
Federal National Mortgage Association	3,077,049	3,424,847	AAA	81.37%	1-5 years
Municipal Bond-Refunding	45,000	44,787	AAA	1.06%	1-5 years
Total Investments	$3,806,208	$4,208,825		100.00%	

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, 2014, the Authority's investments in government debt obligations are not subject to custodial credit risk.

Credit Risk: Credit risk 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 annuities. Credit risk is minimized by investing in U.S. Government Agency obligations which carry the explicit guarantee of the U.S. government.

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 the majority of 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.

(4) Securitized Mortgage Loans

The various loans of the 2006 MRB programs have been pooled and securitized into GNMA and FNMA securities. These securities bear pass-through rates of 5.05% 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.

(5) 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.

Long-term debt activity for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Debt Issued	Debt Retired	Balance June 30, 2014
2006 Term Bonds, 4.85%, Due 2039	$ 4,537,374	$ -	$ (1,093,973)	$ 3,443,401
Add: Issuance Premium	90,736	-	(21,882)	68,854
	$ 4,628,110	$ -	$ (1,115,855)	$ 3,512,255

Debt Service requirements to maturity, including interest requirements, are as follows:

	2006 Terms Bonds
2015	$ 540,506
2016	497,987
2017	458,171
2018	420,878
2019	385,951
2020 - 2024	1,512,828
2025 - Thereafter	607,916
Add Unamortized Premium	68,854
Total Bond Principal and Interest	4,493,091
Less: Portion Representing Interest	(980,836)
Total Principal Outstanding at June 30, 2014	$ 3,512,255

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. Computation of annual principal redemptions for Series 2006 are determined by applying a Prepayment Model. The Prepayment Model is based on various assumptions. Actual principal redemptions may vary.

(6) Prior Year's Defeasance of Debt

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, 2014, the balance of the defeased Series 1990 A and B bonds outstanding was $500,000. As a result of defeasance, the 1990 A & B bonds and the related pledged assets have been removed from the Authority's financial statements.

(7) 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, 2014, the following per diem payments were made to the members of the Authority's Board:

Stan Dameron	$ 1,200
Sandy Davis	1,200
Andrew Gasaway	1,200
Jeffery Cashe	1,200
Stella Remble	1,200
	$ 6,000

(8) Change in Accounting Principle

The Authority adopted GASB Statement 65, *Items Previously Reported as Assets and Liabilities.* Under GASB Statement 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as expense in the period incurred. The Authority had incurred debt financing cost in prior years for the issuance of its 2006 bond project. These costs were previously capitalized as assets and amortized as expense over the duration of the related debt. GASB 65 adopted a definition of cost of issuance on debt by identifying which costs are subject to capitalization. The costs paid by the Authority for debt issuance no longer met the GASB definition. In order to conform to GASB 65, the Authority removed Deferred Financing Costs – Net of Amortization and reduced net position as if the cost was expensed in the period incurred which was prior to June 30, 2012. The following items have been restated as follows:

	Residual Fund	2006 Mortgage Revenue Bond Series	Total June 30, 2012
Net Position - Beginning of Year as Previously Reported	$ 1,249,563	$ 585,262	$ 1,834,825
Deferred Financing Cost Adjustment	-	(127,993)	(127,993)
Net Position - End of Year as Restated	$ 1,249,563	$ 457,269	$ 1,706,832

The following items on the June 30, 2013 financial statements were adjusted as a result of adopting GASB 65:

	Residual Fund	2006 Mortgage Revenue Bond Series	Total June 30, 2013
Deferred Financing Cost - Net of Amoritization at June 30, 2013, as Previously Reported	$ -	$ 92,884	$ 92,884
Deferred Financing Cost Adjustment:			
Less: Deferred Financing Cost - Net of Amortization at June 30, 2012	-	(127,993)	(127,993)
Add: June 30, 2013 Amortization of Deferred Financing Cost	-	35,109	35,109
Cummulated Effect of Change in Accounting Principle	-	(92,884)	(92,884)
Deferred Financing Cost - Net of Amoritization at June 30, 2013, as Restated	$ -	$ -	$ -

	Residual Fund	2006 Mortgage Revenue Bond Series	Total June 30, 2013
Change in Net Position at June 30, 2013, as Previously Reported	$ (20,395)	$ (164,726)	$ (185,121)
Add: June 30, 2013 Amortization of Deferred Financing Cost	-	35,109	35,109
Change in Net Position at June 30, 2013, As Restated	$ (20,395)	$ (129,617)	$ (150,012)

SUPPLEMENTARY INFORMATION

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION BY PROGRAM

AS OF JUNE 30, 2014
(With Comparative Totals as of June 30, 2013)

	Residual Fund	2006 Mortgage Revenue Bond Fund	2014 Total	Restated 2013 Total
ASSETS				
Cash and Cash Equivalents	$ 815,498	$ 114,460	$ 929,958	$ 949,264
Investments	388,986	-	388,986	516,475
Securitized Mortgage Loans	-	3,819,839	3,819,839	4,756,033
Accrued Interest Receivable	1,460	14,461	15,921	20,528
Total Assets	$ 1,205,944	$ 3,948,760	$ 5,154,704	$ 6,242,300
LIABILITIES AND NET POSITION				
Liabilities:				
Accrued Interest Payable	$ -	$ 13,917	$ 13,917	$ 18,339
Accounts Payable	5,000	-	5,000	5,000
Unearned Servicing Release Fees	-	25,826	25,826	34,031
Bonds Payable - Net	-	3,512,255	3,512,255	4,628,110
Total Liabilities	5,000	3,551,998	3,556,998	4,685,480
Net Position:				
Restricted for MRB Programs	-	396,762	396,762	327,652
Unrestricted	1,200,944	-	1,200,944	1,229,168
Total Net Position	1,200,944	396,762	1,597,706	1,556,820
Total Liabilities and Net Position	$ 1,205,944	$ 3,948,760	$ 5,154,704	$ 6,242,300

See independent auditor's report.

Schedule 2

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY PROGRAM

FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Residual Fund	2006 Mortgage Revenue Bond Fund	2014 Total	Restated 2013 Total
Operating Revenues:				
Mortgage Loan Income:				
Interest Earned	$ -	$ 187,203	$ 187,203	$ 263,016
Change in Market Value - Securitized Loans	-	50,514	50,514	(161,962)
Investment Income:				
Interest Earned	18,360	14	18,374	26,970
Change in Market Value-Investments	(5,126)	-	(5,126)	(8,452)
Other Income	-	8,205	8,205	14,055
Total Operating Revenues	13,234	245,936	259,170	133,627
Operating Expenses:				
Interest	-	162,107	162,107	221,841
Legal and Professional fees	19,482	-	19,482	16,500
Accounting and Audit Costs	15,950	-	15,950	15,900
Board Meeting Expenses and Per Diem	6,000	-	6,000	6,500
Other Expenses	26	14,719	14,745	22,898
Total Operating Expenses	41,458	176,826	218,284	283,639
Operating Income (Loss)	(28,224)	69,110	40,886	(150,012)
Non-Operating Revenue (Expense):				
Transfers In (Out)	-	-	-	-
	-	-	-	-
Change in Net Position	(28,224)	69,110	40,886	(150,012)
Net Position - Beginning of Year, As Restated	1,229,168	327,652	1,556,820	1,706,832
Net Position - End of Year	$ 1,200,944	$ 396,762	$ 1,597,706	$ 1,556,820

See independent auditor's report.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

SCHEDULE OF CASH FLOWS BY PROGRAM

FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Residual Fund	2006 Mortgage Revenue Bond Fund	2014 Total	2013 Total
Cash Flows From Operating Activities:				
Cash Receipts for:				
Investment and Mortgage Loan Income	$ 18,861	$ 202,677	$ 221,538	$ 310,333
Program Mortgage Principal Collections	-	975,354	975,354	1,546,488
Cash Payments for:				
Interest on Debt	-	(188,411)	(188,411)	(266,898)
Other Expenses	(41,458)	(14,719)	(56,177)	(61,798)
Net Cash Provided by (Used In) Operating Activities	(22,597)	974,901	952,304	1,528,125
Cash Flows From Investing Activities:				
Purchase of Investments	-	-	-	(70,104)
Proceeds from Maturities, Sales and Paydowns of Investments	122,363	-	122,363	316,607
Net Cash Provided by Investing Activities	122,363	-	122,363	246,503
Cash Flows From Noncapital Financing Activities:				
Bond Redemptions	-	(1,093,973)	(1,093,973)	(1,874,016)
Net Cash Used in NonCapital Financing Activities	-	(1,093,973)	(1,093,973)	(1,874,016)
Net Increase (Decrease) in Cash and Cash Equivalents	99,766	(119,072)	(19,306)	(99,388)
Cash and Cash Equivalents at Beginning of Year	715,732	233,532	949,264	1,048,652
Cash and Cash Equivalents at End of Year	$ 815,498	$ 114,460	$ 929,958	$ 949,264

(CONTINUED)

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

SCHEDULE OF CASH FLOWS BY PROGRAM (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Residual Fund	2006 Mortgage Revenue Bond Fund	2014 Total	Restated 2013 Total
Cash Flows From Operating Activities:				
Change in Net Position	$ (28,224)	$ 69,110	$ 40,886	$ (150,012)
Adjustments to Reconcile Change in Net Position to Net Cash Provided by (Used in) Operating Activities:				
Amortization of Mortgage Loan Premium	-	11,354	11,354	12,069
Amortization of Bond Premium	-	(21,882)	(21,882)	(37,483)
Amortization of Unearned Servicing Release Fees	-	(8,205)	(8,205)	(14,055)
Net Realized and Unrealized (Gains) Losses on Investments	5,126	(50,514)	(45,388)	170,414
Mortgage Loan Principal Payments Received	-	975,354	975,354	1,546,488
Changes in Assets and Liabilities:				
(Increase) Decrease in Accrued Interest Receivable and Other	501	4,106	4,607	8,278
Increase (Decrease) in Accrued Interest Payable and Accounts Payable	-	(4,422)	(4,422)	(7,574)
Net Cash Provided by (Used In) Operating Activities	$ (22,597)	$ 974,901	$ 952,304	$ 1,528,125

See independent auditor's report.

INDEPENDENT AUDITOR'S 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*

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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*

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the business-type activity of the Hammond-Tangipahoa Home Mortgage Authority (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Baton Rouge, Louisiana
October 23, 2014

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2014

(A) Findings - Internal Control Over Financial Reporting

None.

(B) Findings - Compliance and Other Matters

None.

HAMMOND-TANGIPAHOA HOME MORTGAGE AUTHORITY

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2014

(A) Findings -Internal Control Over Financial Reporting -

None.

(B) Findings-Compliance and Other Matters

None.