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DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

DECEMBER 31, 2004

DENHAM SPRINGS, LOUISIANA

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May 9, 2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Denham Springs/Livingston Housing and
Mortgage Finance Authority

We have audited the accompanying financial statements of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 2004, as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these 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 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 audit provides 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 Denham Springs/Livingston Housing and Mortgage Finance Authority as of December 31, 2004, 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.

In accordance with Government Auditing Standards, we have also issued a report dated May 9, 2005 on our consideration of the Authority's internal control over financial reporting and 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 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 conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 through 3 as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

Harris T. Bourgeois, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Denham Springs / Livingston Housing & Mortgage Finance Authority's (the "Authority") financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2004. 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 8.

FINANCIAL HIGHLIGHTS

- During 2004, low mortgage loan interest rates continued to cause a significant amount of the Authority's mortgage loans to first time home buyers to be prepaid. 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.

- In December, 2004, the Authority received a $4,000,000 volume cap allocation from the State of Louisiana for tax-exempt mortgage revenue bonds for the purpose of initiating a new mortgage loan program for the first-time home buyers of Livingston Parish. The Authority issued the $4,000,000 Series 2004A short term bonds on December 29, 2004 and invested the bond proceeds in a Guaranteed Investment Contract ("GIC") which bears the same interest rate as the 2004A bonds. The short term 2004A bonds are being held by the Authority's Placement Agent. The Authority plans to initiate mortgage loans using the Private Placement FNMA Forward Delivery structure in 2005. The FNMA Forward Delivery structure allows the Authority to make mortgage loan funds available to home buyers periodically in increments of $1,000,000 called "Commitment Lots". The mortgage loan interest rate is priced with each new Commitment Lot, allowing the Authority to remain competitive with the conventional mortgage market. The mortgage loans in each Commitment Lot are originated over a period of five (5) months, at the end of which the mortgage loans are pooled into GNMA and FNMA Mortgage Backed Securities ("MBS's") by the Master Servicer. The Master Servicer sells the MBS's to the Authority's Trustee. Simultaneously, with the sale of the MBS's to the Trustee, the Authority (through it's Placement Agent) will issue Series 2004B long term mortgage revenue refunding bonds in an amount equal to the purchased MBS's. The Series 2004B long term mortgage revenue refunding bonds then are used to refund a like amount of the short term Series 2004A bonds. This process is repeated for each Commitment Lot. The FNMA Forward Delivery structure eliminates any negative arbitrage that the Authority would experience with a publicly offered bond issue in the current interest rate environment.

- Total Assets increased by $1,330,803 due to two major opposing factors: 1) assets increased due to the $4,000,000 GIC in the Series 2004A bond issue and 2) assets decreased due the significant prepayment of mortgage related assets. Likewise, Total Liabilities increased $1,420,660.

- The Authority's assets exceeded its liabilities at the close of fiscal year 2004 by $4,252,670, which represents a $89,857 decrease from 2003.

- The Authority's gross revenue (exclusive of the "Net Realized and Unrealized Gains / Losses on Investments") decreased $407,020 due to the lower mortgage related interest income due to prepayments.

- There was a $592,660 increase in the changes in net assets from the prior year due primarily to the significant decrease in operating expense of $945,475 in 2003 to $324,572 in 2004 and partially as a result of the change in the fair value of investments in 2004 compared to 2003 and the $119,633 in one time costs related to the redemption and refunding of the 1992 issue in 2003. Net Income was $70,621 in 2004 as compared to a Net Operating Loss of $143,262 in 2003 excluding the effect of the change in the fair value of 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 Assets; 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 assets and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating. Schedules of Assets, Liabilities and Net Assets by Program ison page 21.

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

Denham Springs/Livingston Housing and
Mortgage Finance Authority
Statement of Net Assets
as of December 31, 2004 and 2003

	2004	2003	Increase (Decrease)
Cash & Cash Equivalents	$ 1,961,947	$ 1,623,692	$ 338,255
Guaranteed Investment Contracts and Investments	8,600,470	7,551,619	1,048,851
Other Assets	891,823	948,126	(56,303)
Total Assets	11,454,240	10,123,437	1,330,803
Other Liabilities	50,480	94,736	(44,256)
Long-Term Debt Outstanding	7,151,090	5,686,174	1,464,916
Total Liabilities	7,201,570	5,780,910	1,420,660
Net Assets:			
Restricted	328,982	440,424	(111,442)
Unrestricted	3,923,688	3,902,103	21,585
Total Net Assets	$ 4,252,670	$ 4,342,527	$ (89,857)

Restricted net assets represent those net 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 assets are those assets for which there are no such limitations.

Net assets of the Authority decreased by $89,857 from December 31, 2003 to December 31, 2004. This decrease in net assets can be attributed to the net loss of $89,857 which is primarily due to a decrease in the fair value of securities of $160,678.

Denham Springs/Livingston Housing and
Mortgage Finance Authority
Condensed Statement of Changes in Net Assets
For the Years Ended December 31, 2004 and 2003

	2004	2003	Increase (Decrease)
Revenues	$ 234,715	$ 382,591	$ (147,876)
Expenses - Operating	324,572	945,475	(620,903)
Expenses - Non-Operating	-	119,633	(119,633)
Change in Net Assets	$ (89,857)	$ (682,517)	$ 592,660

Revenue

The Authority's revenues decreased primarily due to lower mortgage interest income as a result of a shrinking asset base of mortgage backed securities in a climate of falling interest rates stimulating early payoffs and refinancing and decreasing volume due to no new housing program activity in 2004. In addition, the Authority had a net decrease in the fair value of investments of $160,678 in 2004 compared to a net decrease in the fair value of investments of $419,622 in 2003, resulting in an overall $147,876 decrease in revenues in 2004. Operating expenses decreased as a result of reduced bond interest payments due to the early retirement of bonds payable.

The Authority's total revenues exclusive of "Net Realized and Unrealized Gains (Losses) on Investments" decreased by $407,020. The total operating cost of all programs and services decreased by $620,903. These decreases were primarily a result of a decrease in bond interest expense of $437,011.

Debt

The Authority had $7,151,090 in bonds outstanding at the end of 2004, compared to $5,686,174 at the end of 2003, as shown in the table below.

Denham Springs/Livingston Housing and
Mortgage Finance Authority
Mortgage Revenue Bonds Outstanding
December 31, 2004 and 2003

	2004	2003	Increase (Decrease)
Mortgage Revenue Bonds	$ 7,151,090	$ 5,686,174	$ 1,464,916

The net increased debt level resulted from the issuance of the $4,000,000 Series 2004A, and the $2,535,084 early retirement 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 $50,480 outstanding at 2004 year-end compared with $94,736 at the 2003 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:

- The reductions in interest rates stimulated early payoffs and refinancing, shrinking the Authority asset base of mortgage backed securities and thereby reduced mortgage interest income and issuer fees the Authority receives.

- The Series 2004A and 2004B bonds and the initiation of a new mortgage lending program for first-time home buyers.

CONTACTING THE DENHAM SPRINGS / LIVINGSTON HOUSING & MORTGAGE FINANCE 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 Denham Springs / Livingston Housing & Mortgage Finance 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:

Stacy Jones 225-665-5406
Chairman
P O Box 2281
Denham Springs, LA. 70727-2281

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

BALANCE SHEET

AS OF DECEMBER 31, 2004

ASSETS

Cash and Cash Equivalents	$ 1,961,947
FNMA Securities	1,381,313
GNMA Securities	2,725,397
FGIC Capital Market Investment	493,760
Bayerische Landesbank Investment	4,000,000
Accrued Interest Receivable	39,314
Deferred Financing Costs - Net of Amortization	91,023
Due from Escrow	761,486
Total Assets	$ 11,454,240

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts Payable	$ 2,000
Accrued Interest Payable	48,480
Bonds Payable - Net	7,151,090
Total Liabilities	7,201,570
Net Assets:	
Restricted for Debt Service	328,982
Unrestricted	3,923,688
Total Net Assets	4,252,670
Total Liabilities and Net Assets	$ 11,454,240

The accompanying notes are an integral part of this statement.

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

Operating Revenues:	
Interest Earned on Other Investments	$ 395,193
Net Realized and Unrealized Gains (Losses) on Investments	(160,478)
Total Operating Revenues	234,715
Operating Expenses:	
Interest	215,804
Amortization of Deferred Financing Costs	49,371
Grant	29,000
Administrative Fees	12,603
Operating Expenses	4,294
Professional Fees	13,500
Total Operating Expenses	324,572
Change in Net Assets	(89,857)
Net Assets - Beginning of Year	4,342,527
Net Assets - End of Year	$ 4,252,670

The accompanying notes are an integral part of this statement.

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2004

Cash Flows From Operating Activities:	
Cash Receipts for:	
Investment Income on Other Investments	$ 422,438
Cash Payments for:	
Interest on Debt	(296,767)
Other Operating Expenses	(98,831)
Net Cash Provided by Operating Activities	26,840
Cash Flows From Investing Activities:	
Purchase of Investments	(4,000,000)
Proceeds from Maturities, Sales and Paydowns of Investments	2,790,672
Net Cash Used in Investing Activities	(1,209,328)
Cash Flows From Noncapital Financing Activities:	
Bond Redemptions	(2,479,257)
Proceeds from Bond Issuance	4,000,000
Net Cash Provided by Noncapital Financing Activities	1,520,743
Net Increase in Cash and Cash Equivalents	338,255
Cash and Cash Equivalents at Beginning of Year	1,623,692
Cash and Cash Equivalents at End of Year	$ 1,961,947

(CONTINUED)

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2004

Cash Flows From Operating Activities:		
Operating Loss	$	(89,857)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities:		
Amortization of Deferred Financing Costs		49,371
Net Amortization of Bond Discount (Premium)		(34,707)
Net Realized and Unrealized (Gains) Losses on Investments		160,478
Changes in Assets and Liabilities:		
(Increase) Decrease in Accrued Interest Receivable		27,246
(Increase) Decrease in Due from Other Funds		7,043
(Increase) Decrease in Other Assets		(41,435)
Increase (Decrease) in Other Liabilities		2,000
Increase (Decrease) in Due to Other Funds		(7,043)
Increase (Decrease) in Accrued Interest Payable		(46,256)
Net Cash Provided by Operating Activities	$	26,840

The accompanying notes are an integral part of this statement.

(1) Summary of Significant Accounting Policies

(A) Organization of Authority -

The Denham Springs/Livingston Housing and Mortgage Finance Authority (the "Authority") is a public trust created pursuant to provisions of the Louisiana Revised Statutes of 1950, as amended, by a Trust Indenture dated February 12, 1979. The Authority's primary purpose is to provide means of financing the cost of residential home ownership, development and rehabilitation which will provide decent, safe and sanitary housing for low and moderate income residents of Livingston Parish at prices they can afford, through the Authority's purchase of mortgage loans made to such persons by certain mortgage lenders.

On September 11, 1979, the Authority issued, through underwriters, Single Family Mortgage Revenue Bonds, 1979 Series A, totaling $35,000,000 to fund the purchase of such mortgage loans. This original issue was governed by a Bond Trust Indenture dated June 1, 1979. On April 1, 1987 the debt was restructured according to the terms of the First Supplemental Trust Indenture. On June 16, 1992, the Authority issued, through underwriters, 1992 Series A, 1992 Series B, and 1992 Series C Bonds totaling $25,475,000, for the purpose of advance refunding the balance on the original 1979 Series A Bonds. Each 1992 Series Bond issued was governed by individual indentures dated June 1, 1992. On October 31, 2003, the Authority redeemed the 1992 Series A and 1992 Series C Bonds and defeased the 1992 Series B Bonds.

On February 22, 1995, the Authority issued an additional $10,000,000 of Single Family Mortgage Revenue Bonds Series 1995. The proceeds of these bonds were to be used to finance the purchase of (A) fully modified, mortgage-backed securities guaranteed by the Governmental National Mortgage Association (GNMA) and backed by pools of FHA-insured mortgage loans or VA-guaranteed mortgage loans and (B) single pool, mortgage-backed securities guaranteed by the Federal National Mortgage Association (FNMA) and backed by pools of conventional mortgage loans. As discussed in the following paragraph these bonds were refunded with the proceeds of the issuance of the Series 1997 Bonds.

On January 15, 1997, the Authority issued $10,000,000 Single Family Mortgage Revenue Refunding Bonds - Series 1997 to refund the Single Family Mortgage Revenue Bonds - Series 1995. The assets securing the Series 1995 bonds including the 1995 GNMA Securities and the 1995 FNMA Securities were transferred to the Trustee on the date the new bonds were issued. Funds securing the 1995 bonds were then made available to finance the purchase of additional securities backed by mortgage loans made to finance the purchase of single-family residences located in the Parish of Livingston, Louisiana to be owned and occupied by low and moderate income families residing in the parish. The Series 1997 Bonds are governed by a separate indenture dated January 15, 1997.

On June 30, 2000, the Authority issued $5,010,000 Series 2000A Single Family Mortgage Revenue and Refunding Bonds and $1,140,000 Series 2000B Single Family Mortgage Revenue Bonds. The Series 2000 Bonds are governed by a separate indenture dated June 1, 2000. $360,000 of the proceeds of the Series 2000A Bonds were used to refund a like amount of the Series 1997 Bonds. The remaining proceeds of the Series 2000A and all of the proceeds of the Series 2000B will be used to finance the purchase of fully modified mortgage backed securities guaranteed as to timely payment of principal and interest by GNMA and/or Single-pooled, mortgage-backed securities issued and guaranteed by Fannie Mae. In each case the above securities will be backed by pools of qualifying primary residence mortgage loans made by one or more of the participating mortgage lending institutions to qualified persons or families of low and moderate income residing within the stated eligible loan area.

Due to the interest rate environment experienced since the issuance of the Series 2000A and 2000B bonds, in June 2001 the Authority exercised a conversion feature included in the original bond indenture. This conversion feature allowed a portion of the bonds to be converted to Series A-1 and Series B-1 bonds which bear interest at a lower rate than the original issue in order for the mortgage loans to be made at the lower prevailing market interest rates. Therefore, under the conversion feature, $1,305,000 of the Series 2000A bonds were converted to Series 2000A-1 bonds and $295,000 of Series 2000B bonds were converted to Series 2000B-1 bonds.

In December, 2004, the Authority received a $4,000,000 volume cap allocation from the State of Louisiana for tax-exempt mortgage revenue bonds for the purpose of initiating a new mortgage loan program for the first-time home buyers of Livingston Parish. The Authority issued the $4,000,000 Series 2004A short term bonds on December 29, 2004 and invested the bond proceeds in a Guaranteed Investment Contract ("GIC") which bears the same interest rate as the 2004A bonds. The short term 2004A bonds are being held by the Authority's Placement Agent. The Authority plans to initiate mortgage loans using the Private Placement FNMA Forward Delivery structure in 2005. The FNMA Forward Delivery structure allows the Authority to make mortgage loan funds available to home buyers periodically in increments of $1,000,000 called "Commitment Lots". The mortgage loan interest rate is priced with each new Commitment Lot, allowing the Authority to remain competitive with the conventional mortgage market. The mortgage loans in each Commitment Lot are originated over a period of five (5) months, at the end of which the mortgage loans are pooled into GNMA and FNMA Mortgage Backed Securities ("MBS's") by the Master Servicer. The Master Servicer sells the MBS's to the Authority's Trustee. Simultaneously, with the sale of the MBS's to the Trustee, the Authority (through it's Placement Agent) will issue Series 2004B long term mortgage revenue refunding bonds in an amount equal to the purchased MBS's. The Series 2004B long term mortgage revenue refunding bonds then are used to refund a like amount of the short term Series 2004A bonds. This process is repeated for each Commitment Lot. The FNMA Forward Delivery structure eliminates any negative arbitrage that the Authority would experience with a publicly offered bond issue in the current interest rate environment.

The Authority is managed by a Board of Trustees appointed by the City Council of Denham Springs. The Authority's Board of Trustees is empowered under the bond trust indenture and the bond program agreement to contract with outside parties to conduct the day-to-day operations of the Authority and the programs it initiates. The Authority employs J.P. Morgan (formerly Banc One) as its Program Administrator to provide administrative staff support for the Board of Trustees and its committees, general office administration for the Authority and program administration and supervision for its mortgage purchase bond program. Under its original single family mortgage purchase bond program, the Authority utilized area financial institutions to originate and service the mortgage loans acquired. In addition, J.P. Morgan has been designated as the Trustee of the bond program and has the fiduciary responsibility for the custody and investment of funds.

Although located within the boundaries of the City of Denham Springs, the City does not significantly influence the operations of the Authority nor is the Authority held accountable to the City of Denham Springs for fiscal matters.

The bonds issued by the Authority are general obligations of the Authority and are not obligations of the State of Louisiana or any other political subdivision thereof.

Based on criteria outlined in Statement No. 14 and Statement No. 39 of the Governmental Accounting Standards Board the Denham Springs/Livingston Housing and Mortgage Finance Authority is considered a related party to the City of Denham Springs.

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

Measurement Focus - On January 1, 2003, the Authority adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government*" and Statement No. 37, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*" (an amendment to Statement No. 34). These statements established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets 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 assets (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 assets. 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 accounts of the Authority are organized on the basis of individual programs. The programs, which are administered by a trustee bank, provide for a separate set of self-balancing accounts which account for bonds issued, debt service and bond redemption requirements, investments, and related revenues and operating expenses. These individual programs are aggregated in the financial statements to comprise the fund of the Authority.

The Authority's accounts are organized into a single proprietary fund. The enterprise fund (a proprietary fund) is used to account for operations (a) that are operated in a manner similar to private business where the intent of the governing body is that the cost (expense, including depreciation) of providing goods and services to the general public is financial or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or changes in net assets is appropriate for capital maintenance.

The Authority's principal operating revenues are the interest and appreciation (depreciation) related to investments and mortgages/mortgage-backed securities.

Under the provisions of GASB Statement 20, "Accounting and Financial Reporting for Proprietary Fund Accounting," the Authority follows pronouncements of the GASB and has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

In accordance with GASB No. 31, investments are recorded at fair value. Fluctations in the fair value of investments are recorded as gains (losses) in the Statements of Revenues, Expenses and Changes in Net Assets.

Amortization

Bond issuance costs, including the underwriters' discount on the sale of the bonds and the restructuring expenses, are amortized ratably over the life of the bonds based upon the principal amounts outstanding.

Statements 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.

(2) Bonds Payable -

The outstanding bonds payable at December 31, 2004 consist of the following:

1997 Series Single Family Mortgage Revenue Refunding Bonds Maturing Serially Through February 1, 2012 with Interest Rate of 6.20% Payable Semiannually	$1,560,000

(CONTINUED)

2000 Series A and A-1, Single Family Mortgage Revenue and Refunding Bonds Maturing Serially through April 1, 2009, with Interest at 7.17% Payable Monthly	1,487,280
Add: Unamortized Bond Premium	103,810
Total 2000 Series	1,591,090
2004 Series A, Single Family Mortgage Revenue Bonds, with variable interest rate based on the Bond Market Association Municipal Swap Index, payable monthly (current rate 2.36%)	4,000,000
Total Bonds Payable	$7,151,090

The Series 2000 A and A-1 and Series 2004A are structured such that the monthly remittances from the mortgage loans and FNMA investment in mortgage-backed securities will be passed on to bondholders as monthly principal and interest redemptions of bonds payable. In 2004, the 2000B and B-1 bonds were completely paid off.

A schedule of Changes in Long-Term Debt for the year 2004 is as follows:

	1997 Series	2000 Series A and B	2004 Series A	Totals
Balances at January 1, 2004	$ 3,160,000	$ 2,526,174	$ -	$ 5,686,174
Additions:				
Valued at Par	-	-	4,000,000	4,000,000
Deletions:				
Cash Payments	(1,600,000)	(879,257)	-	(2,479,257)
Accretion of Deep Discount	-	702	-	702
Amortization of Premium	-	(56,529)	-	(56,529)
Balances at December 31, 2004	$ 1,560,000	$ 1,591,090	$ 4,000,000	$ 7,151,090

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

	1997 Series	2000 Series A	Totals
2005	$ 264,256	$ 459,392	$ 723,648
2006	259,710	408,938	668,648
2007	262,310	369,560	631,870
2008	259,290	326,616	585,906
Thereafter	853,590	92,281	945,871
	1,899,156	1,656,787	3,555,943
Add (Less) Unamortized Premium	-	103,810	103,810
Total Bond Principal and Interest	1,899,156	1,760,597	3,659,753
Less: Portion Representing Interest	(339,156)	(169,507)	(508,663)
Total Principal Outstanding at December 31, 2004	$ 1,560,000	$ 1,591,090	$ 3,151,090

Computation of annual principal redemptions for Series 2000 A are determined by applying the 0% PSA Prepayment Model. The PSA Prepayment Model was developed by the Public Securities Association and is based on various assumptions. Actual principal redemptions may vary.

The debt service requirement to maturity, including interest requirements for the 2004 Series A Bonds Payable are not currently known due to the unique nature of this bond issue. Once the bonds are converted to a permanent interest rate, debt service requirements will be calculated. Currently, interest is paid monthly.

(3) **Cash and Investments** -

The Authority's programs maintain deposits at the Trustee bank. The balances of these deposits at December 31, 2004, were entirely insured. The Authority also has funds, classified as "Cash and Cash Equivalents" on the Balance Sheet, which represent interests in money market mutual funds.

The Authority's investments at December 31, 2004 are recorded at market value as summarized below:

	Amortized Cost	Fair Value	Unrealized Gains (Losses)
FNMA Mortgaged Backed Securities	$ 1,382,951	$ 1,381,313	$ (1,638)
GNMA Mortgage Backed Loan Pool	$ 2,615,011	$ 2,725,397	$ 110,386
FGIC Capital Market Investment	$ 493,760	$ 493,760	$ -
Bayerische Landesbank Investment	$ 4,000,000	$ 4,000,000	$ -

The FNMA mortgaged backed securities are restricted for debt service on the program's bonds and payment of various program expenses. These securities are held by the Trustee bank in the Trustee's name and are pledged to secure the Authority's investments.

The FGIC Capital Market Investment (formerly FCMSI Float Fund), as authorized by the Series 1997 Bond Indenture, is restricted to pay debt service requirements and provide funds for future GNMA mortgage loan backed pools.

The Bayerische Landesbank Investment, as authorized by the Series 2004 Bond Indenture, is restricted to pay debt services requirements and provide funds for future purchases of mortgage loan backed pools.

Included in the caption "Net Realized and Unrealized Gains (Losses)" on the Individual and Combined Statements of Revenues, Expenses and Changes in Fund Balance are as follows: realized gains of $-0-, realized losses of ($46,841) and the net change in unrealized gains (losses) at December 31, 2004 as compared to December 31, 2003 of ($113,637).

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2004

(4) Compensation Paid Board Members -

Richard Waldrep	$ 200
J.W. Day	175
James Labarre	225
Ken Holland	225
Gerald Hughes	175
Stacy Jones, Chairman	250
Neil Juneau	100
	$1,350

(5) Prior Year's Defeasance of Debt -

On June 16, 1992, the Authority applied proceeds from sales of investments of the 1979 Series A Bond issue and proceeds from issuance of 1992 Series A and 1992 Series B Bond issues to advance refund the outstanding portion of the 1979 Series A Bonds. The Authority placed sufficient proceeds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the Authority's financial statements. At December 31, 2004, the balance of the defeased portion of the bonds is $17,910,000.

On October 31, 2003, the Authority completed a redemption of the outstanding balances of the Series 1992 Class A-1 and Series 1992 Class C Bonds. The Class A Bonds were refunded at par and the total balance redeemed was $282,543. The Class C Bonds were redeemed with a call premium of 2%. The total balance refunded of these bonds was $2,593,207 plus the call premium of $51,864.

In addition, on that same date, the Authority also completed a defeasance of the outstanding balance of the Class B-2 Bonds. Since these bonds are not callable until 2014, the Authority placed $181,962 of funds in an irrevocable trust with an escrow agent to provide for all future debt payments on these bonds. As a result, these bonds are considered to be defeased and, accordingly, the liability for these bonds has been removed from these financial statements. At December 31, 2004, the par balance of the defeased portion of the bonds is $300,000.

SUPPLEMENTARY INFORMATION

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS BY PROGRAM

AS OF DECEMBER 31, 2004

	1992 Series A	1992 Series B	1997 Series
ASSETS			
Cash and Cash Equivalents	$ -	$ -	$ -
FNMA Securities	-	-	235,353
GNMA Securities	-	-	1,222,968
FGIC Capital Market Investment	-	-	493,760
Bayerische Landesbank Investment	-	-	-
Due from Other Funds	-	-	-
Accrued Interest Receivable	-	-	14,929
Deferred Financing Costs - Net of Amortization	-	-	49,270
Due from Escrow	-	-	-
Total Assets	$ -	$ -	$ 2,016,280
LIABILITIES AND NET ASSETS			
Liabilities:			
Due to Other Funds	$ -	$ -	$ 221,520
Accounts Payable	-	-	-
Accrued Interest Payable	-	-	40,284
Bonds Payable - Net	-	-	1,560,000
Total Liabilities	-	-	1,821,804
Net Assets:			
Restricted for Debt Service	-	-	194,476
Unrestricted	-	-	-
Total Net Assets	-	-	194,476
Total Liabilities and Net Assets	$ -	$ -	$ 2,016,280

Schedule 1

	2000 Series	2004 Series A	Residual Fund	Elimination Adjustment	Total
	$ 62,424	$ -	$ 1,899,523	$ -	$ 1,961,947
	126,541	-	1,019,419	-	1,381,313
	1,502,429	-	-	-	2,725,397
	-	-	-	-	493,760
	-	4,000,000	-	-	4,000,000
	-	-	221,520	(221,520)	-
	8,670	-	15,715	-	39,314
	33,728	-	8,025	-	91,023
	-	-	761,486	-	761,486
	$ 1,733,792	$ 4,000,000	3,925,688	$ (221,520)	$ 11,454,240
	$ -	$ -	$ -	$ (221,520)	$ -
	-	-	2,000	-	2,000
	8,196	-	-	-	48,480
	1,591,090	4,000,000	-	-	7,151,090
	1,599,286	4,000,000	2,000	(221,520)	7,201,570
	134,506	-	-	-	328,982
	-	-	3,923,688	-	3,923,688
	134,506	-	3,923,688	-	4,252,670
	$ 1,733,792	$ 4,000,000	3,925,688	$ (221,520)	$ 11,454,240

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

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

FOR THE YEAR ENDED DECEMBER 31, 2004

	1992 Series A	1992 Series B	1997 Series
Operating Revenues:			
Interest Earned on Other Investments	$ -	$ -	$ 145,347
Net Realized and Unrealized Gains (Losses) on Investments	-	-	(54,591)
Total Operating Revenues	-	-	90,756
Operating Expenses:			
Interest	-	-	144,258
Amortization of Deferred Financing Costs	-	-	29,414
Grant	-	-	-
Administrative Fees	-	-	1,112
Operating Expenses	-	74	-
Professional Fees	-	-	500
Total Operating Expenses	-	74	175,284
Operating Income (Loss)	-	(74)	(84,528)
Non-Operating Revenue (Expense):			
Transfers In (Out)	(13,136)	(4,513)	(9,436)
	(13,136)	(4,513)	(9,436)
Change in Net Assets	(13,136)	(4,587)	(93,964)
Net Assets - Beginning of Year	13,136	4,587	288,440
Net Assets - End of Year	$ -	$ -	$ 194,476

Schedule 2

	2000 Series	2004 Series A	Residual Fund	Total
	$ 129,056	$ -	$ 120,790	$ 395,193
	(53,362)	-	(52,525)	(160,478)
	75,694	-	68,265	234,715
	71,546	-	-	215,804
	19,957	-	-	49,371
	-	-	29,000	29,000
	1,669	-	9,822	12,603
	-	-	4,220	4,294
	-	-	13,000	13,500
	93,172	-	56,042	324,572
	(17,478)	-	12,223	(89,857)
	-	-	27,085	-
	-	-	27,085	-
	(17,478)	-	39,308	(89,857)
	151,984	-	3,884,380	4,342,527
	$ 134,506	$ -	$ 3,923,688	$ 4,252,670

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

SCHEDULE OF CASH FLOWS BY PROGRAM

FOR THE YEAR ENDED DECEMBER 31, 2004

	1992 Series A	1992 Series B	1997 Series
Cash Receipts for:			
Investment Income on Other Investments	$ -	$ -	$ 164,588
Cash Payments for:			
Interest on Debt	-	-	(164,455)
Other Operating Expenses	(4,000)	(987)	258
Net Cash Provided by (Used in) Operating Activities	(4,000)	(987)	391
Cash Flows From Investing Activities:			
Purchase of Investments	-	-	-
Proceeds from Maturities, Sales and Paydowns of Investments	-	-	1,609,045
Net Cash Provided by (Used In) Investing Activities	-	-	1,609,045
Cash Flows From Noncapital Financing Activities:			
Bond Redemptions	-	-	(1,600,000)
Proceeds from Bond Issuance	-	-	-
Operating Transfers In (Out) - Net	(13,136)	(4,513)	(9,436)
Net Cash Provided by (Used in) NonCapital Financing Activities	(13,136)	(4,513)	(1,609,436)
Net Increase (Decrease) in Cash and Cash Equivalents	(17,136)	(5,500)	-
Cash and Cash Equivalents at Beginning of Year	17,136	5,500	-
Cash and Cash Equivalents at End of Year	$ -	$ -	$ -

(CONTINUED)

Schedule 3

2000 Series	2004 Series A	Residual Fund	Total
$ 134,064	$ -	$ 123,786	$ 422,438
(132,312)	-	-	(296,767)
(1,669)	-	(92,433)	(98,831)
83	-	31,353	26,840
-	(4,000,000)	-	(4,000,000)
873,243	-	308,384	2,790,672
873,243	(4,000,000)	308,384	(1,209,328)
(879,257)	-	-	(2,479,257)
-	4,000,000	-	4,000,000
-	-	27,085	-
(879,257)	4,000,000	27,085	1,520,743
(5,931)	-	366,822	338,255
68,355	-	1,532,701	1,623,692
$ 62,424	$ -	$ 1,899,523	$ 1,961,947

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

SCHEDULE OF CASH FLOWS BY PROGRAM (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2004

	1992 Series A	1992 Series B	1997 Series
Cash Flows From Operating Activities:			
Operating Income (Loss)	$ -	$ (74)	$ (84,528)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:			
Amortization of Deferred Financing Costs	-	-	29,414
Net Amortization of Bond Discount (Premium)	-	-	21,120
Net Realized and Unrealized (Gains) Losses on Investments	-	-	54,591
Changes in Assets and Liabilities:			
(Increase) Decrease in Accrued Interest Receivable	-	-	19,241
(Increase) Decrease in Due from Other Funds	-	4,000	-
(Increase) Decrease in Other Assets	-	-	-
Increase (Decrease) in Other Liabilities	-	-	-
Increase (Decrease) in Due to Other Funds	(4,000)	(4,913)	1,870
Increase (Decrease) in Accrued Interest Payable	-	-	(41,317)
Net Cash Provided by (Used in) Operating Activities	$ (4,000)	$ (987)	$ 391

Schedule 3
(Continued)

2000 Series	2004 Series A	Residual Fund	Total
$ (17,478)	$ -	$ 12,223	$ (89,857)
19,957	-	-	49,371
(55,827)	-	-	(34,707)
53,362	-	52,525	160,478
5,008	-	2,997	27,246
-	-	3,043	7,043
-	-	(41,435)	(41,435)
-	-	2,000	2,000
-	-	-	(7,043)
(4,939)	-	-	(46,256)
$ 83	$ -	$ 31,353	$ 26,840

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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May 9, 2005

To the Board of Directors
Denham Springs/Livingston Housing and
Mortgage Finance Authority

We have audited the financial statements of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 2004, and have issued our report thereon dated May 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the use of the Board of Directors, management and the Legislative Auditor and should not be used for any other purpose. Under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Harris T. Bourgeois, LLP