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DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

DECEMBER 31, 1995

DENHAM SPRINGS, LOUISIANA

CONTENTS

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2322 TREMONT DRIVE, SUITE 200
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May 13, 1996

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying Individual Programs and Residual Fund Balance Sheets of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of December 31, 1995, and the related Individual Statements of Revenues, Expenses, and Changes in Fund Balances and Cash Flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 each of the individual programs and the residual fund of the Denham Springs/Livingston Housing and Mortgage Finance Authority as of December 31, 1995, and their revenues, expenses and changes in fund balances and their cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 13, 1996 on our consideration of the Authority's internal control structure and a report dated May 13, 1996 on its compliance with laws and regulations.

Respectfully submitted,

Hannis T. Bourgeois & Co., L.L.P.

Denham Springs/Livingston Housing and
Mortgage Finance Authority

INDIVIDUAL AND COMBINED BALANCE SHEETS

December 31, 1995

	1992 SERIES A	1992 SERIES B
ASSETS		
Cash and Cash Equivalents	$ 29,799	$ 183,629
Federal Home Loan Mortgage Coupon, at Cost	-	-
FNMA Securities, at Amortized Cost	2,300,139	838,385
GNMA Securities, at Amortized Cost	-	-
FCMSI Investment, at Cost	-	-
Mortgage Loans Receivable	-	1,367,922
Due from Other Funds	-	4,000
Accrued Interest Receivable	11,690	9,447
Deferred Financing Costs - Net of Amortization	94,643	142,905
Prepaid Expense	-	1,164
Due from Escrow	-	-
Total Assets	$2,436,271	$2,547,452
LIABILITIES AND FUND BALANCES (DEFICIT)		
Accounts Payable	$ -	$ 455
Due to Other Funds	4,000	4,913
Accrued Interest Payable	24,363	15,459
Bonds Payable - Net	1,945,834	1,330,733
Total Liabilities	$1,974,197	$1,351,560
Fund Balances:		
Reserved for Debt Service	$ 462,074	$1,195,892
Unreserved - Undesignated (Deficit)	-	-
Total Fund Balances - (Deficit)	$ 462,074	$1,195,892
Total Liabilities and Fund Balances	$2,436,271	$2,547,452

The accompanying notes are an integral part of this statement.

Denham Springs/Livingston Housing and
Mortgage Finance Authority

INDIVIDUAL AND COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 1995

	1992 SERIES A	1992 SERIES B
Revenues:		
Interest Earned on Mortgage Loans Receivable	$ -	$ 124,028
Interest Earned on Other Investments	188,390	77,019
Gain (Loss) on Sales of Investments	-	-
Miscellaneous Income	-	-
Total Revenues	$ 188,390	$ 201,047
Expenses:		
Interest	$ 175,535	$ 116,989
Amortization of Deferred Financing Costs	8,100	2,029
Loan Servicing Fees	-	5,739
Insurance	-	2,494
Grant	-	-
Legal	-	-
Administrative Fees	-	8,000
Operating Expenses	-	-
Professional Fees	-	5,558
Total Expenses	$ 183,635	$ 140,809
Excess (Deficiency) of Revenues Over Expenses Before Operating Transfers	$ 4,755	$ 60,238
Operating Transfers:		
Transfers In	$ -	$ 46,600
Transfers (Out)	(46,600)	-
	$ (46,600)	$ 46,600
Excess (Deficiency) of Revenues Over Expenses	$ (41,845)	$ 106,838
Fund Balances (Deficit) - Beginning of Year	503,919	1,089,054
Fund Balances (Deficit) - End of Year	$ 462,074	$1,195,892

1992 SERIES C	1995 SERIES	RESIDUAL FUND	TOTALS (MEMORANDUM ONLY)	
			1995	1994
$ -	$ 8,952	$ 771,514	$ 993,894	$ 1,155,269
-	-	465,415	465,415	474,140
-	-	500,000	3,638,524	3,926,576
-	1,312,745	-	1,312,745	-
-	8,718,503	-	8,718,503	-
-	-	96,600	1,464,522	1,821,580
-	-	136,913	140,913	138,163
-	260,676	17,602	299,415	44,414
84,402	204,612	-	526,562	357,601
-	13,090	-	14,254	1,164
-	-	443,199	443,199	413,900
$ 84,402	$ 10,518,578	$ 2,431,243	$18,017,946	$ 8,332,807
$ -	$ -	$ 4,500	$ 4,955	$ 13,056
-	132,000	-	140,913	138,163
-	276,247	-	316,069	49,209
1,431,136	10,000,000	-	14,707,703	5,363,784
$ 1,431,136	$ 10,408,247	$ 4,500	$15,169,640	$ 5,564,212
$ -	$ 110,331	$ -	$ 1,768,297	$ 1,592,973
(1,346,734)	-	2,426,743	1,080,009	1,175,622
$(1,346,734)	$ 110,331	$ 2,426,743	$ 2,848,306	$ 2,768,595
$ 84,402	$ 10,518,578	$ 2,431,243	$18,017,946	$ 8,332,807

1992 SERIES C	1995 SERIES	RESIDUAL FUND	TOTALS (MEMORANDUM ONLY) 1995	TOTALS (MEMORANDUM ONLY) 1994
$ -	$ -	$ 7,970	$ 131,998	$ 156,996
-	584,474	130,090	979,973	397,562
-	-	(200)	(200)	(5,141)
-	50,000	7,500	57,500	49,510
$ -	$ 634,474	$ 145,360	$ 1,169,271	$ 598,927
$ 103,507	$ 569,069	$ -	$ 965,100	$ 419,604
4,442	2,200	-	16,771	9,462
-	-	-	5,739	6,648
-	-	-	2,494	2,750
-	-	54,000	54,000	44,817
-	423	-	423	110
-	15,883	7,539	31,422	16,416
-	-	5,053	5,053	3,435
-	3,000	-	8,558	9,676
$ 107,949	$ 590,575	$ 66,592	$ 1,089,560	$ 512,918
$ (107,949)	$ 43,899	$ 78,768	$ 79,711	$ 86,009
$ -	$ 66,432	$ -	$ 113,032	$ 145,470
-	-	(66,432)	(113,032)	(145,470)
$ -	$ 66,432	$ (66,432)	$ -	$ -
$ (107,949)	$ 110,331	$ 12,336	$ 79,711	$ 86,009
(1,238,785)	-	2,414,407	2,768,595	2,682,586
$(1,346,734)	$ 110,331	$ 2,426,743	$ 2,848,306	$ 2,768,595

Denham Springs/Livingston Housing and Mortgage Finance Authority

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 1995

	1992 SERIES A	1992 SERIES B
Cash Flows From Operating Activities:		
Excess (Deficiency) of Revenues Over Expenses Before Operating Transfers	$ 4,755	$ 60,238
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided by Operating Activities:		
Amortization of Deferred Financing Costs	8,100	2,029
Amortization of Bond Discount	14,559	11,376
Accretion on Investments	(34,825)	(67,952)
Changes in Assets and Liabilities:		
(Increase) Decrease in Accrued Interest Receivable	2,443	3,186
(Increase) Decrease in Due from Other Funds	129,250	-
(Increase) Decrease in Other Assets	-	-
Increase (Decrease) in Accounts Payable	-	(10,026)
Increase (Decrease) in Due to Other Funds	-	(129,250)
Increase (Decrease) in Current Interest Payable	(5,831)	(3,556)
Net Cash Provided by (Used in) Operating Activities	$ 118,451	$ (133,955)

(CONTINUED)

1992 SERIES C	1995 SERIES	RESIDUAL FUND	TOTALS (MEMORANDUM ONLY) 1995	1994
$ (107,949)	$ 43,899	$ 78,768	$ 79,711	$ 86,009
4,442	2,200	-	16,771	9,462
103,507	-	-	129,442	112,366
-	-	-	(102,777)	(94,447)
-	(260,676)	46	(255,001)	(812)
-	-	(132,000)	(2,750)	(129,250)
-	(13,090)	(29,299)	(42,389)	(25,947)
-	-	1,925	(8,101)	(137,163)
-	132,000	-	2,750	129,250
-	276,247	-	266,860	(5,471)
$ -	$ 180,580	$ (80,560)	$ 84,516	$ (56,003)

Denham Springs/Livingston Housing and
Mortgage Finance Authority

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended December 31, 1995

	1992 SERIES A	1992 SERIES B
Cash Flows from Investing Activities:		
Proceeds from Maturities or Sales of Investments	$ 390,828	$ -
Purchases of Investments	-	-
Principal Collections on Mortgage Loans	-	357,059
Net Cash Provided by (Used in) Investing Activities	$ 390,828	$ 357,059
Cash Flows from Noncapital Financing Activities:		
Proceeds from Issuance of Series 1995 Bonds	$ -	$ -
Bond Redemptions	(465,900)	(298,543)
Payment of Deferred Financing Costs	-	-
Operating Transfers In (Out) - Net	(46,600)	46,600
Net Cash Provided by (Used in) Noncapital Financing Activities	$ (512,500)	$ (251,943)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (3,221)	$ (28,839)
Cash and Cash Equivalents at Beginning of Year	33,020	212,468
Cash and Cash Equivalents at End of Year	$ 29,799	$ 183,629

The accompanying notes are an integral part of this statement.

1992 SERIES C	1995 SERIES	RESIDUAL FUND	TOTALS (MEMORANDUM ONLY)	
			1995	1994
$ -	$ 1,375,648	$ 8,725	$ 1,775,201	$ 503,284
-	(11,406,896)	-	(11,406,896)	-
-	-	-	357,059	195,438
$ -	$(10,031,248)	$ 8,725	$ (9,274,636)	$ 698,722
$ -	$ 10,000,000	$ -	$ 10,000,000	$ -
-	-	-	(764,443)	(385,923)
-	(206,812)	-	(206,812)	-
-	66,432	(66,432)	-	-
$ -	$ 9,859,620	$ (66,432)	$ 9,028,745	$ (385,923)
$ -	$ 8,952	$ (138,267)	$ (161,375)	$ 256,796
-	-	909,781	1,155,269	898,473
$ -	$ 8,952	$ 771,514	$ 993,894	$ 1,155,269

NOTES TO FINANCIAL STATEMENTS

December 31, 1995

(1) 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. As more fully discussed in Note 7, 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 is governed by individual indentures dated June 1, 1992.

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 will 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. The mortgage loans will be originated by various mortgage-lending institutions to finance the purchase of single family residences located in Livingston Parish to be owned and occupied by low and moderate income families residing in the Parish. The Series 1995 Bonds are governed by a separate indenture dated February 1, 1995.

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 Premier Corporate Trust 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, Premier Corporate Trust 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 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.

(2) Summary of Significant Reporting and Accounting Policies -

Basis of Accounting and Reporting

The Authority follows the accrual basis of accounting for its Residual Fund and for all funds established by the Bond Trust Indentures. The funds, which are maintained by the Trustee Bank, provide for the accounting for bonds issued, debt service and bond redemption requirements, investments, and related revenues and expenses. These individual funds for each bond program are aggregated in the accompanying individual financial statements.

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.

Total Columns on Combined Statements

The combined statements include the totals of the similar accounts of each of the Authority's bond programs and the Authority's Residual Fund. Because the assets of the bond programs are restricted by the related bond resolutions and indentures, the totaling of the accounts, including the assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the resolutions and indentures relating to the separate programs.

In particular, it should be noted that the figures listed under the heading "1992 Series C" are the 1992 tax exempt residual revenue capital appreciation bond issue defeasance data and are not comparable to the program operations data appearing in the other columns. The $1,346,734 deficit shown in the fund balance for the 1992 C Issue is a result of the transfer of bond proceeds to the Residual Fund as called for in the Indenture and the accretion of the 1992 C Capital Appreciation Bonds. The 1992 Series C Bonds are to be paid solely from the remaining assets of the 1992 Series B Bonds upon final maturity of the 1992 Series B Bonds.

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. Premium and discount on the purchase of U.S. Government securities are amortized over the lives of the securities.

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.

(3) Mortgage Loans -

Mortgage loans have a stated interest rate of 8.00% and are collateralized by mortgages on single unit, owner-occupied residences. The loans, which have scheduled maturities of 30 years, are serviced by a designated loan servicer. This loan servicer is responsible for collecting the loan payments from the borrowers and remitting these payments to the Authority's Trustee. The loan servicer is compensated for servicing the loans based upon a percentage of the unpaid balances for the loans outstanding.

The mortgage loans are insured by the Authority under a mortgage servicer performance bonds policy and a special hazard policy.

As part of the defeasance of the 1979 Series A bond issue, the Authority on July 31, 1992, transferred $13,900,000 (at par value) of the 1979 Mortgage Loans to the holder of the 1992 Series A, Class 2 Bonds in payment thereof. The remaining mortgage loans receivables will be used to satisfy maturing 1992 Series A, 1992 Series B, and 1992 Series C bond principal and interest payments.

(4) Bonds Payable -

The outstanding bonds payable consist of the following:

	1995	1994
1992 Series A, Single Family Mortgage Revenue Refunding Bonds Maturing Serially Through August 1, 2011, With Interest at 7.50% Payable Monthly	$ 1,945,834	$ 2,411,734
1992 Series B, Single Family Mortgage Revenue Refunding Bonds:		
Class B-1 - Maturing Serially Through August 1, 2011, With Interest at 7.25% Payable Monthly	$ 1,274,517	$ 1,573,059
Class B-2 - Capital Appreciation Bonds Maturing July 10, 2014, Priced to Yield 9.25% at Maturity	$ 300,000	$ 300,000
Less: Unamortized Bond Discount	(243,784)	(248,638)
Net Class B-2	$ 56,216	$ 51,362
Total 1992 Series B	$ 1,330,733	$ 1,624,421
1992 Series C, Residual Revenue Capital Appreciation Bonds Maturing July 10, 2014, Priced to Yield 7.65% at Maturity	$ 5,750,000	$ 5,750,000
Less: Unamortized Bond Discount	(4,318,864)	(4,422,371)
Total 1992 Series C	$ 1,431,136	$ 1,327,629
1995 Series Single Family Mortgage Revenue Bonds Maturing Serially Through February 1, 2028 with Interest Rates of 5.5%-6.875% Payable Semiannually	$10,000,000	$ -
Total Bonds Payable	$14,707,703	$ 5,363,784

Denham Springs/Livingston Housing and Mortgage Finance Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1995

The 1992 Series A and 1992 Series B-1 Bonds 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.

A schedule of Changes in Long-Term Debt for the year 1995 is as follows:

	1992 SERIES A	1992 SERIES B	1992 SERIES C	1995 SERIES	TOTALS
Balances at January 1, 1995	$ 2,411,734	$ 1,624,421	$ 1,327,629	$ -	$ 5,363,784
Additions: Valued at Par	$ -	$ -	$ -	$10,000,000	$10,000,000
Deletions: Cash Payments	$ 465,900	$ 298,543	$ -	$ -	$ 764,443
Accretion of Deep Discount	$ -	$ 4,855	$ 103,507	$ -	$ 108,362
Balances at December 31, 1995	$ 1,945,834	$ 1,330,733	$ 1,431,136	$10,000,000	$14,707,703

Scheduled bond principal redemptions for each of the next five years (exclusive of interest) are as follows:

	1992 SERIES A	1992 SERIES B	1992 SERIES C	1995 SERIES	TOTALS
1996	$ 116,655	$ 5,362	$ -	$ -	$ 122,017
1997	126,338	350,184	-	-	476,522
1998	136,824	223,282	-	-	360,106
1999	148,180	5,677	-	115,000	268,857
2000	160,479	150,077	-	120,000	430,556
Thereafter	1,257,358	839,935	5,750,000	9,765,000	17,612,293
	$ 1,945,834	$ 1,574,517	$ 5,750,000	$10,000,000	$19,270,351
Less: Unamortized Discounts	-	(243,784)	(4,318,864)	-	(4,562,648)
	$ 1,945,834	$ 1,330,733	$ 1,431,136	$10,000,000	$14,707,703

Computation of annual principal redemptions for 1992 Series A and 1992 Series B 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.

(5) Cash and Investments -

The Authority's programs maintain deposits at the Trustee bank. The balances of these deposits at December 31, 1995, 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 amortized cost and approximate market value of the U.S. Government securities are as follows:

	AMORTIZED COST	MARKET	UNREALIZED GAINS (LOSSES)
FNMA Zero Coupon Securities	$1,268,057	$1,500,418	$ 232,361
FNMA Mortgaged Backed Securities	2,370,467	2,373,105	2,638
	$3,638,524	$3,873,523	$ 234,999
Federal Home Loan Mortgage Coupon Securities	$ 465,415	$ 446,229	$ (19,186)
GNMA Mortgage Backed Loan Pool	$1,312,745	$1,312,745	$ -
FCMSI Float Fund	$8,718,503	$8,718,503	$ -

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 FCMSI Float Fund investments, as authorized by the Series 1995 Bond Indenture, are restricted to pay debt service requirements and provide funds for future GNMA mortgage loan backed pools.

(6) Compensation Paid Board Members -

James Labarre	$ -
Victor Holland	-
Gerald Hughes	-
Stacy Jones	-
Neil Juneau	-
Robert Seals, Jr., Chairman	-
Beau Robinson	-
	$ -

(7) 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, 1995, the balance of the defeased portion of the bonds is $20,715,000.

OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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May 13, 1996

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) for the year ended December 31, 1995, and have issued our report thereon dated May 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, and contracts applicable to the Authority is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. 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 Trustees, management and the Legislative Auditor and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by Denham Springs/ Livingston Housing and Mortgage Finance Authority, is a matter of public record.

Respectfully submitted,

Hannis T. Bourgeois & Co., L.L.P.

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CERTIFIED PUBLIC ACCOUNTANTS

2322 TREMONT DRIVE, SUITE 200
BATON ROUGE, LA 70809

May 13, 1996

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, for the year ended December 31, 1995, and have issued our report thereon dated May 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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.

The management of the Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Authority, for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the use of the Board of Trustees, management and the Legislative Auditor and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by Denham Springs/Livingston Housing and Mortgage Finance Authority, is a matter of public record.

Respectfully submitted,

Hannis T. Bourgeois & Co., L.L.P.