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DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

DECEMBER 31, 2003

DENHAM SPRINGS, LOUISIANA

CONTENTS

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June 3, 2004

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 2003, as listed in the foregoing table of contents. These basic 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, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Denham Springs/Livingston Housing and Mortgage Finance Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussions and Analysis - For State and Local Governments* and Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of January 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated June 3, 2004 on our consideration of the Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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,

Hannis 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, 2003. 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 7.

FINANCIAL HIGHLIGHTS

- The Authority implemented GASB 34 and 37 "Basic Financial Statements - and Management Discussion and Analysis for State and Local Governments in 2003".

- During 2003, historically low mortgage rates have caused a significant amount of the Authority's mortgage loans to first time home buyers to be prepaid. Prepayments from mortgage loans (whether from whole loans or 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 $7,902,604 due to two major factors: 1) significant prepayment of mortgage related assets and 2) the redemption and refunding of the 1992 Series A, B and C Bond Issue. The assets of the 1992 issue were sold, the bonds were redeemed and refunded and the residual was transferred to the Authority's Residual Fund. Total Liabilities decreased $7,220,087.

- The Authority's assets exceeded its liabilities at the close of fiscal year 2003 by $4,342,527, which represents a $682,517 decrease from 2002.

- The Authority's gross revenue (exclusive of the "Net Realized and Unrealized Gains / Losses on Investments") decreased $368,941.

- There was a $1,562,806 decrease in the changed in net assets from the prior year primarily as a result of the change in the fair value of investments in 2003 compared to 2002 ($880,289 net income in 2002 to a net loss of $682,517 in 2003) and $119,633 in one time costs related to the redemption and refunding of the 1992 issue. Net Operating Loss was $143,262 in 2003 as compared to net income of $140,054 in 2002 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 is on page 20.

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 21.

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 22 and 23.

FINANCIAL ANALYSIS OF THE AUTHORITY

Denham Springs/Livingston Housing and
Mortgage Finance Authority
Statement of Net Assets
as of December 31, 2003 and 2002

	2003	2002	Increase (Decrease)
Cash & Cash Equivalents	$ 1,623,692	$ 897,363	$ 726,329
Mortgage Loans Receivable	-	283,806	(283,806)
Guaranteed Investment Contracts and Investments	7,551,619	15,636,401	(8,084,782)
Other Assets	948,126	1,208,471	(260,345)
Total Assets	10,123,437	18,026,041	(7,902,604)
Other Liabilities	94,736	181,188	(86,452)
Long-Term Debt Outstanding	5,686,174	12,819,809	(7,133,635)
Total Liabilities	5,780,910	13,000,997	(7,220,087)
Net Assets:			
Restricted	440,424	4,251,995	(3,811,571)
Unrestricted	3,902,103	773,049	3,129,054
Total Net Assets	$ 4,342,527	$ 5,025,044	$ (682,517)

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 $682,517 from December 31, 2002 to December 31, 2003. This decrease in net assets can be attributed to the net loss of $682,517 which is primarily due to a decrease in the fair value of securities of $419,622 and $119,633 in one time costs related to the collapse of the 1992 issue.

Denham Springs/Livingston Housing and
Mortgage Finance Authority
Condensed Statement of Changes in Net Assets
For the Years Ended December 31, 2003 and 2002

	2003	2002	Increase (Decrease)
Revenues	$ 382,591	$ 1,911,389	$ (1,528,798)
Expenses - Operating	945,475	1,031,100	(85,625)
Expenses - Non-Operating	119,633	-	119,633
Change in Net Assets	$ (682,517)	$ 880,289	$ (1,562,806)

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 2003. In addition, the Authority had a net decrease in the fair value of investments of $419,622 in 2003 compared to a net increase in the fair value of investments of $740,235 in 2002, resulting in a $1,159,857 decrease in revenues in 2003. 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 $368,941. The total operating cost of all programs and services decreased by $85,625. These decreases were primarily a result of a decrease in bond interest expense of $254,974.

Debt

The Authority had $5,686,174 in bonds outstanding at the end of 2003, compared to $12,819,809 at the end of 2002, as shown in the table below.

Denham Springs/Livingston Housing and
Mortgage Finance Authority
Revenue Bonds Outstanding
December 31, 2003 and 2002

	2003	2002	Increase (Decrease)
Mortgage Revenue Bonds	$ 5,686,174	$ 12,819,809	$ (7,133,635)

The decreased debt level resulted from no new single family bond program in 2003, early retirement of bonds from prepayments of mortgage related assets and the redemption and refunding of the 1992 issue.

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 $94,736 outstanding at 2003 year-end compared with $165,929 at the 2002 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.

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
Chairman
P O Box 2281
Denham Springs, LA. 70727-2281

225-665-6506

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

BALANCE SHEET

AS OF DECEMBER 31, 2003

ASSETS

Cash and Cash Equivalents	$ 1,623,692
FNMA Securities	1,798,909
FHLMC Securities	253,595
GNMA Securities	4,362,893
FCMSI Investment	1,136,222
Accrued Interest Receivable	66,559
Deferred Financing Costs - Net of Amortization	153,490
Due from Escrow	728,077
Total Assets	$ 10,123,437

LIABILITIES AND NET ASSETS

Liabilities:	
Accrued Interest Payable	$ 94,736
Bonds Payable - Net	5,686,174
Total Liabilities	5,780,910
Net Assets:	
Restricted for Debt Service	440,424
Unrestricted	3,902,103
Total Net Assets	4,342,527
Total Liabilities and Net Assets	$ 10,123,437

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, 2003

Operating Revenues:	
Interest Earned on Mortgage Loans Receivable	$ 19,663
Interest Earned on Other Investments	782,550
Net Realized and Unrealized Gains (Losses) on Investments	(419,622)
Total Operating Revenues	382,591
Operating Expenses:	
Interest	652,815
Amortization of Deferred Financing Costs	166,021
Insurance	1,554
Grant	24,000
Administrative Fees	17,126
Operating Expenses	2,059
Professional Fees	81,900
Total Operating Expenses	945,475
Operating Loss	(562,884)
Non-Operating Revenue (Expense)	
Payment of Call Premium	(51,864)
Payment to Refunded Bond Escrow Agent	(67,769)
	(119,633)
Change in Net Assets	(682,517)
Net Assets - Beginning of Year	5,025,044
Net Assets - End of Year	$ 4,342,527

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, 2003

Cash Flows From Operating Activities:	
Cash Receipts for:	
Investment Income on Mortgage Loans	$ 21,163
Investment Income on Other Investments	652,835
Cash Payments for:	
Interest on Debt	(571,102)
Other Operating Expenses	(172,332)
Net Cash Used in Operating Activities	(69,436)
Cash Flows From Investing Activities:	
Proceeds from Maturities, Sales and Paydowns of Investments	8,137,394
Purchases of Investments	(318,107)
Principal Collections on Mortgage Loans	283,806
Net Cash Provided by Investing Activities	8,103,093
Cash Flows From Noncapital Financing Activities:	
Bond Redemptions	(4,488,650)
Payment to Refunded Bond Escrow Agent	(2,818,678)
Net Cash Used in Noncapital Financing Activities	(7,307,328)
Net Increase in Cash and Cash Equivalents	726,329
Cash and Cash Equivalents at Beginning of Year	897,363
Cash and Cash Equivalents at End of Year	$ 1,623,692

(CONTINUED)

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2003

Cash Flows From Operating Activities:		
Operating Loss	$	(562,884)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities:		
Amortization of Deferred Financing Costs		166,021
Net Amortization of Bond Discount (Premium)		152,590
Accretion on Investments		(154,128)
Net Realized and Unrealized (Gains) Losses on Investments		419,622
Changes in Assets and Liabilities:		
(Increase) Decrease in Accrued Interest Receivable		25,913
(Increase) Decrease in Due from Other Funds		11,918
(Increase) Decrease in Other Assets		(30,118)
Increase (Decrease) in Other Liabilities		(15,575)
Increase (Decrease) in Due to Other Funds		(11,918)
Increase (Decrease) in Accrued Interest Payable		(70,877)
Net Cash Used in Operating Activities	$	(69,436)

The accompanying notes are an integral part of this statement.

DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

(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. As more fully discussed in Note 7, 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 the Series 2000B bonds were converted to Series 2000B-1 bonds.

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 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, Banc One 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.

(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. Fluctuations 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) 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 loan receivables were to be used to satisfy maturing 1992 Series A, 1992 Series B, and 1992 Series C bond principal and interest payments. As more fully discussed in Note 7, the 1992 Series A, 1992 Series B, and 1992 Series C bonds were refunded and/or defeased in October 2003. In connection with this refunding, the remaining mortgage loan balance was sold. The proceeds were used in the refunding of the bonds. Therefore, the Authority has no outstanding mortgage loans receivable at December 31, 2003.

(3) Bonds Payable -

The outstanding bonds payable at December 31, 2003 consist of the following:

1997 Series Single Family Mortgage Revenue Refunding Bonds Maturing Serially Through February 1, 2027 with Interest Rate of 6.20% Payable Semiannually	$3,160,000
2000 Series A and A-1, Single Family Mortgage Revenue and Refunding Bonds Maturing Serially through September 1, 2032, with Interest at 6.25% to 7.17% Payable Monthly	2,296,454
Add: Unamortized Bond Premium	160,339
	2,456,793
2000 Series B and B-1, Single Family Mortgage Revenue Bonds Maturing Serially Through September 1, 2015, With Interest at 6.85% to 7.45% Payable Monthly	70,083
Less: Unamortized Bond Discount	(702)
	69,381
Total 2000 Series	2,526,174
Total Bonds Payable	$5,686,174

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003

The Series 2000 A and A-1 and B and 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 2003 is as follows:

	1992 Series A	1992 Series B	1992 Series C	1997 Series	2000 Series A and B	Totals
Balances at January 1, 2002	$ 414,689	$ 218,963	$ 2,420,518	$ 5,195,000	$ 4,570,639	$ 12,819,809
Additions:						
Valued at Par	-	-	-	-	-	-
Net Premium	-	-	-	-	-	-
Deletions:						
Cash Payments	(414,689)	(113,124)	-	(2,035,000)	(1,925,837)	(4,488,650)
Transferred to Escrow	-	(114,184)	(2,593,207)	-	-	(2,707,391)
Accretion of Deep Discount	-	8,345	172,689	-	2,003	183,037
Amortization of Premium	-	-	-	-	(120,631)	(120,631)
Balances at December 31, 2003	$ -	$ -	$ -	$ 3,160,000	$ 2,526,174	$ 5,686,174

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

	1997 Series	2000 Series A and B	Totals
2004	$ 362,327	$ 767,122	$ 1,129,449
2005	345,460	743,719	1,089,179
2006	348,990	692,020	1,041,010
2007	351,590	652,135	1,003,725
Thereafter	3,095,070	1,716,501	4,811,571
	4,503,437	4,571,497	9,074,934
Add (Less) Unamortized Premium/Discounts	-	159,637	159,637
Total Bond Principal and Interest	4,503,437	4,731,134	9,234,571
Less: Portion Representing Interest	(1,343,437)	(2,204,960)	(3,548,397)
Total Principal Outstanding at December 31, 2003	$ 3,160,000	$ 2,526,174	$ 5,686,174

Computation of annual principal redemptions for Series 2000 A and B 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.

(4) **Cash and Investments -**

The Authority's programs maintain deposits at the Trustee bank. The balances of these deposits at December 31, 2003, 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, 2003 are recorded at market value as summarized below:

	Amortized Cost	Fair Value	Unrealized Gains (Losses)
FNMA Mortgaged Backed Securities	$ 1,743,097	$ 1,798,909	$ 55,812
GNMA Mortgage Backed Loan Pool	$ 4,185,384	$ 4,362,893	$ 177,509
Federal Home Loan Mortgage Backed Securities	$ 264,531	$ 253,595	$ (10,936)
FCMSI Float Fund	$ 1,136,222	$ 1,136,222	$ -

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 1997 Bond Indenture, are restricted to pay debt service requirements and provide funds for future GNMA 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 ($243,134) and the net change in unrealized gains (losses) at December 31, 2003 as compared to December 31, 2002 of ($176,488).

(5) Compensation Paid Board Members -

Richard Waldrep	$ -
J.W. Day	-
James Labarre	-
Ken Holland	-
Gerald Hughes	-
Stacy Jones, Chairman	-
Neil Juneau	-
	$ -

(6) 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, 2003, the balance of the defeased portion of the bonds is $17,910,000.

(7) Current Year Redemption and Defeasance -

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, 2003, the par balance of the defeased portion of the bonds is $300,000.

(8) Subsequent Event -

In May 2004, the Authority began a new program - Single Family Mortgage Revenue Bond Lending Program - Series 2004 (the "Program"). Under this program, the bonds are not issued until after the mortgage loans are made. These mortgage funds will be made in "commitment lots" of $1,000,000 - $2,000,000. Each commitment lot is used to fund mortgages which are securitized into GNMA and FNMA Mortgage Backed Securities. Bonds are then issued in an amount equal to the mortgages made in the commitment lot.

The size of the bond program is determined by participant demand, bond market conditions, and other factors but is estimated to be approximately $10,000,000. The first "commitment lot" is expected in July 2004.

SUPPLEMENTARY INFORMATION

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS BY PROGRAM

AS OF DECEMBER 31, 2003

	1992 Series A	1992 Series B	1992 Series C
ASSETS			
Cash and Cash Equivalents	$ 17,136	$ 5,500	$ -
FNMA Securities	-	-	-
FHLMC Securities	-	-	-
GNMA Securities	-	-	-
FCMSI Investment	-	-	-
Due from Other Funds	-	4,000	-
Accrued Interest Receivable	-	-	-
Deferred Financing Costs - Net of Amortization	-	-	-
Due from Escrow	-	-	-
Total Assets	$ 17,136	$ 9,500	$ -
LIABILITIES AND NET ASSETS			
Liabilities:			
Due to Other Funds	$ 4,000	$ 4,913	$ -
Accrued Interest Payable	-	-	-
Bonds Payable - Net	-	-	-
Total Liabilities	4,000	4,913	-
Net Assets:			
Restricted for Debt Service	-	-	-
Unrestricted	13,136	4,587	-
Total Net Assets	13,136	4,587	-
Total Liabilities and Net Assets	$ 17,136	$ 9,500	$ -

1997 Series	2000 Series	Residual Fund	Elimination Adjustment	Total
$ -	$ 68,355	$ 1,532,701	$ -	$ 1,623,692
445,983	226,193	1,126,733	-	1,798,909
-	-	253,595	-	253,595
2,033,512	2,329,381	-	-	4,362,893
1,136,222	-	-	-	1,136,222
-	-	224,563	(228,563)	-
34,170	13,678	18,711	-	66,559
99,804	53,686	-	-	153,490
-	-	728,077	-	728,077
$ 3,749,691	$ 2,691,293	$ 3,884,380	$ (228,563)	$ 10,123,437
$ 219,650	$ -	$ -	$ (228,563)	$ -
81,601	13,135	-	-	94,736
3,160,000	2,526,174	-	-	5,686,174
3,461,251	2,539,309	-	(228,563)	5,780,910
288,440	151,984	-	-	440,424
-	-	3,884,380	-	3,902,103
288,440	151,984	3,884,380	-	4,342,527
$ 3,749,691	$ 2,691,293	$ 3,884,380	$ (228,563)	$ 10,123,437

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, 2003

	1992 Series A	1992 Series B	1992 Series C
Operating Revenues:			
Interest Earned on Mortgage Loans Receivable	$ -	$ 19,663	$ -
Interest Earned on Other Investments	63,353	107,659	-
Net Realized and Unrealized Gains (Losses) on Investments	(68,412)	(102,823)	-
Total Operating Revenues	(5,059)	24,499	-
Operating Expenses:			
Interest	33,808	70,028	172,689
Amortization of Deferred Financing Costs	7,213	24,350	53,306
Insurance	-	1,554	-
Grant	-	-	-
Administrative Fees	-	12,000	-
Operating Expenses	-	-	-
Professional Fees	-	73,000	-
Total Operating Expenses	41,021	180,932	225,995
Operating Income (Loss)	(46,080)	(156,433)	(225,995)
Non-Operating Revenue (Expense):			
Payment of Call Premium	-	-	(51,864)
Transfers In (Out)	(161,581)	(528,828)	-
Payment to Refunded Bond Escrow Agent	(846,466)	(1,866,374)	2,645,071
	(1,008,047)	(2,395,202)	2,593,207
Change in Net Assets	(1,054,127)	(2,551,635)	2,367,212
Net Assets - Beginning of Year	1,067,263	2,556,222	(2,367,212)
Net Assets - End of Year	$ 13,136	$ 4,587	$ -

1997 Series	2000 Series	Residual Fund	Total
$ -	$ -	$ -	$ 19,663
275,100	212,104	124,334	782,550
(115,926)	(96,296)	(36,165)	(419,622)
159,174	115,808	88,169	382,591
276,872	99,418	-	652,815
37,410	43,742	-	166,021
-	-	-	1,554
-	-	24,000	24,000
2,126	3,000	-	17,126
-	-	2,059	2,059
500	-	8,400	81,900
316,908	146,160	34,459	945,475
(157,734)	(30,352)	53,710	(562,884)
-	-	-	(51,864)
-	-	690,409	-
-	-	-	(67,769)
-	-	690,409	(119,633)
(157,734)	(30,352)	744,119	(682,517)
446,174	182,336	3,140,261	5,025,044
$ 288,440	$ 151,984	$ 3,884,380	$ 4,342,527

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

SCHEDULE OF CASH FLOWS BY PROGRAM

FOR THE YEAR ENDED DECEMBER 31, 2003

	1992 Series A	1992 Series B	1992 Series C
Cash Receipts for:			
Investment Income on Mortgage Loans	$ -	$ 21,163	$ -
Investment Income on Other Investments	12,701	5,756	-
Cash Payments for:			
Interest on Debt	(26,259)	(12,777)	-
Other Operating Expenses	-	(85,706)	-
Net Cash Provided by (Used in) Operating Activities	(13,558)	(71,564)	-
Cash Flows From Investing Activities:			
Proceeds from Maturities, Sales and Paydowns of Investments	1,253,541	2,240,000	-
Purchases of Investments	-	-	-
Principal Collections on Mortgage Loans	-	283,806	-
Net Cash Provided by Investing Activities	1,253,541	2,523,806	-
Cash Flows From Noncapital Financing Activities:			
Bond Redemptions	(414,689)	(113,124)	-
Operating Transfers In (Out) - Net	(15,393)	(528,828)	-
Payment to Refunded Bond Escrow Agent	(846,466)	(1,972,212)	-
Net Cash Provided by (Used in) NonCapital Financing Activities	(1,276,548)	(2,614,164)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(36,565)	(161,922)	-
Cash and Cash Equivalents at Beginning of Year	53,701	167,422	-
Cash and Cash Equivalents at End of Year	$ 17,136	$ 5,500	$ -

(CONTINUED)

	1997 Series	2000 Series	Residual Fund	Total
	$ -	$ -	$ -	$ 21,163
	281,243	224,014	129,121	652,835
	(302,559)	(229,507)	-	(571,102)
	(29,803)	(3,000)	(53,823)	(172,332)
	(51,119)	(8,493)	75,298	(69,436)
	2,404,226	1,736,259	503,368	8,137,394
	(318,107)	-	-	(318,107)
	-	-	-	283,806
	2,086,119	1,736,259	503,368	8,103,093
	(2,035,000)	(1,925,837)	-	(4,488,650)
	-	-	544,221	-
	-	-	-	(2,818,678)
	(2,035,000)	(1,925,837)	544,221	(7,307,328)
	-	(198,071)	1,122,887	726,329
	-	266,426	409,814	897,363
	$ -	$ 68,355	$ 1,532,701	$ 1,623,692

DENHAM SPRINGS/LIVINGSTON HOUSING AND MORTGAGE FINANCE AUTHORITY

SCHEDULE OF CASH FLOWS BY PROGRAM (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2003

	1992 Series A	1992 Series B	1992 Series C
Cash Flows From Operating Activities:			
Operating Income (Loss)	$ (46,080) $	(156,433) $	(225,995)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:			
Amortization of Deferred Financing Costs	7,213	24,350	53,306
Net Amortization of Bond Discount (Premium)	12,968	58,698	172,689
Accretion on Investments	(52,225)	(101,903)	-
Net Realized and Unrealized (Gains) Losses on Investments	68,412	102,823	-
Changes in Assets and Liabilities:			
(Increase) Decrease in Accrued Interest Receivable	1,573	1,500	-
(Increase) Decrease in Due from Other Funds	-	-	-
(Increase) Decrease in Other Assets	-	1,164	-
Increase (Decrease) in Other Liabilities		(316)	-
Increase (Decrease) in Due to Other Funds	-	-	-
Increase (Decrease) in Accrued Interest Payable	(5,419)	(1,447)	-
Net Cash Provided by (Used in) Operating Activities	$ (13,558) $	(71,564) $	-
Schedule of Noncash Investing, Capital and Financing Activities:			
Net Transfer of Investments to Residual Agency Fund	$ (146,188) $	- $	-

	1997 Series	2000 Series	Residual Fund	Total
	$ (157,734)	$ (30,352)	$ 53,710	$ (562,884)
	37,410	43,742	-	166,021
	26,862	(118,627)	-	152,590
	-	-	-	(154,128)
	115,926	96,296	36,165	419,622
	6,143	11,910	4,787	25,913
	-	-	11,918	11,918
	-	-	(31,282)	(30,118)
	(15,259)	-	-	(15,575)
	(11,918)	-	-	(11,918)
	(52,549)	(11,462)	-	(70,877)
	$ (51,119)	$ (8,493)	$ 75,298	$ (69,436)
	$ -	$ -	$ 146,188	$ -

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

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June 3, 2004

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, 2003, and have issued our report thereon dated June 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the use of the Board of Directors, 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, LLP